



2009
*Management Summary
Report*

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201 Brooks Street
Charleston, WV 25323
1-800-344-5113 General
1-800-642-8544 Complaints
www.psc.state.wv.us

Michael A. Albert, Chairman
Jon W. McKinney, Commissioner
Edward H. Staats, Commissioner

Public Service Commission — 2009 Management Summary Report

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Roles and Responsibilities of the Public Service Commission of West Virginia

The Public Service Commission of West Virginia (Commission) was established in 1913 by an Act of the State Legislature for the purpose of regulating railroads, toll bridges and ferries. Today, the Commission supervises, regulates and, where appropriate, investigates the rates, service, operations, affiliated transactions and other activities of West Virginia public utilities and many common and contract motor carriers of passengers and property within West Virginia. The Commission regulates an array of activities, including the provision of electricity, natural gas, water, telecommunications and sewer service by public utilities in West Virginia.¹

The Commissioners are supported in their work by a current staff of 281 attorneys, economists, engineers, auditors, investigators, administrative law judges, accountants, safety and transportation specialists and support personnel.

During the 1979 regular session, the West Virginia Legislature declared that it was, "legislative policy to ensure that the legislature and the general public become better informed regarding the regulation of public utilities in this State and the conduct of business of the Public Service Commission." West Virginia Code §24-2-2(d). In order to fulfill that directive, the Commission presents annually to the Joint Committee on Government and Finance, or a Subcommittee designated by the Joint Committee, a Management Summary Report, describing the major activities of the Commission for the year, significant policy decisions reached, initiatives undertaken during the year, the current balance of supply and demand for natural gas and electric utility services for the State, forecast of the probable balance of gas and electricity for the next ten years (submitted to the Joint Committee under separate cover) and other information considered by the Commission to be important.

¹In addition to the traditional utility services, the Commission has been assigned the responsibility to regulate, to some extent, activities involving (i) public service stormwater systems, (ii) certificates of convenience and necessity, (iii) certification of electric wholesale generators (wind turbine, gas-fired or other generating facilities), (iv) gas pipeline safety, (v) motor carriers, including economic regulation of transportation of passengers and household goods movers, (vi) solid waste carriers as it relates to intrastate carriers, (vii) commercial solid waste facilities, (viii) safety, weight and speed enforcement of all commercial motor vehicles (private or for hire) operating in West Virginia including motor carriers involved in interstate commerce, with particular emphasis on high accident areas, (ix) transportation of hazardous materials including identification, registration and permitting of commercial motor vehicles transporting such materials in and through state, (x) administration and enforcement of federal and state Railroad Safety regulations governing transportation of persons and property by Railroad Safety rail, (xi) third-party towing of vehicles, (xii) cable TV regulation and customer service, (xiii) E-911, (xiv) natural gas transportation and natural gas provided by producers, (xv) preparation of financial and statistical reports, including reports on utility earnings, rate comparisons, gas and electric supply/demand forecasts, and low income rate discount programs, (xvi) Veterans grave markers, and (xvii) E-911 towers and fees.

*Public Service Commission
Of West Virginia*

*201 Brooks Street, P.O. Box 812
Charleston, West Virginia 25323*



*Phone: (304) 340-0300
FAX: (304) 340-0325*

January 18, 2010

To the Members of the 80th Legislature,

It is our pleasure to present the Management Summary Report for 2009 of the Public Service Commission of West Virginia.

The mission of the Commission is to support a utility regulatory and transportation safety environment that balances the interests of the residents, the regulated entities and the State. The Commission's goal is to see that reasonably priced and reliable utility services are available to all customers in order to increase business investment, job creation/retention and the state's overall economic competitiveness.

Our vision is for the Commission to be a nationally recognized leader in utility regulation and transportation. In that regard, we work to assure:

1. That consumers receive the best value in utility service from financially viable and technically competent utilities;
2. Impartial and efficient resolution of all jurisdictional and disputed utility issues;
3. An increase in business investment, job creation/retention and the state's overall competitiveness through fair and efficient utility rates;
4. Public safety through inspections of motor carriers, railroads and natural gas pipelines;
5. That utilities receive an opportunity to earn a fair return on their investment in regulated facilities and services; and,
6. An improvement in the standard of living and quality of life for the people of West Virginia.

The purpose of this Management Summary Report is to describe how the Commission has pursued our mission during 2009 — a year in which there were daunting challenges in fairly and reasonably regulating the utilities that account for a fifth of the state's economy, employ thousands of people and generate tax revenues vital to the operation of essential services provided by state and local government.

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The Commission faced tough issues in 2009 including consideration of high voltage electric transmission line sitings, inquiries into the quality of service and possible sale of the landline facilities of the state's largest telephone utility, requests for general rate increases by many utility companies, siting for proposed wind projects, the proposed sale of one of the state's largest natural gas utilities and other issues outlined in this report.

Although these larger cases garner the most public attention, the Commission staff also worked diligently on hundreds of smaller individual cases where a problem is fixed: a payment plan is arranged; utility service is restored; an overcharge related to a software error is corrected; and, severe water or sewer leaks are discovered and corrected. The volume of calls that we handle for our stakeholders on a day-to-day basis reflects the talent and dedication of our staff.

These and other challenges are accomplished by a skilled, knowledgeable, professional work force with expertise in utility regulation and transportation. These functions were accomplished through the use of well-designed, constantly improving, measured processes that focus on the delivery of quality and timely services to all customers, regulated entities and the State.

Respectfully Submitted,

Michael A. Albert, Chairman
Jon W. McKinney, Commissioner
Edward H. Staats, Commissioner

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Meet the Commission

Chairman Albert

Michael A. Albert was appointed to the Commission in February 2007 to fill an unexpired term ending June 30, 2007. In June 2007, Governor Manchin reappointed him to a six-year term expiring June 30, 2013, and named him PSC Chairman. He previously served as a Member in the Business Law Department of Jackson Kelly, PLLC, Charleston, West Virginia, focusing on public utility regulation and business and commercial transactions.

Chairman Albert graduated from West Virginia University with a B.S. in Business Administration, majoring in Accounting. After graduation, he spent three years as an officer in the United States Navy, including a tour of duty in Vietnam. Following an Honorable Discharge, he attended West Virginia University College of Law where he graduated with a Doctorate of Jurisprudence and as a member of the legal academic honorary, COIF.

Chairman Albert has served on the Board and as Chairman of the Boards of Directors for the National Institute for Chemical Studies; the Education Alliance; Junior Achievement of Kanawha County; Read Aloud West Virginia Fund Raising Committee; Partnerships in Education Advisory Committee; the WVU Law School Visiting Committee, 2000; and currently serves as the President of the Board of Directors of the Kanawha County Public Library.

He currently resides in Charleston with his wife, Laura Lee. They have three children, Michael, Jason and Melissa and four grandchildren.

Commissioner McKinney

Jon W. McKinney was appointed to a six-year term as a Commissioner in August 2005. Previously, he served as plant manager of Flexsys' Nitro operations. Prior to his last assignment, he has had numerous assignments in manufacturing, research and development, and marketing with Monsanto Company in numerous locations throughout the United States.

Commissioner McKinney is a graduate of the University of Kentucky, where he earned a bachelor's degree in chemical engineering, and the University of West Florida where he earned his master's degree in business administration.

Commissioner McKinney is currently on the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC) and Immediate Past-President of the Mid-Atlantic Conference of Regulatory Utilities Commissioners (MACRUC). He is

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also on the Boards of Directors of the Organization of PJM States, the Electric Power Research Institute (EPRI), Thomas Memorial Hospital and St. Francis Hospital.

Commissioner McKinney served as Chairman of the Chemical Industry Committee for West Virginia for eight years and as a member of the Boards of Directors of the West Virginia Chamber of Commerce, West Virginia Manufacturers Association, Chemical Alliance Zone, Advantage Valley and the West Virginia Roundtable.

He currently resides in Charleston with his wife Paula. They have two children, Lisa and Jason, and five grandchildren.

Commissioner Staats

Edward H. Staats was appointed to a six-year term as a Commissioner in September 2003. He received his bachelor's degree in Business Administration from West Virginia University and is a Certified Public Accountant in West Virginia and Georgia.

Prior to his appointment, he served for more than two and one-half years as Governor Bob Wise's Chief Operating Officer where he directed, administered and coordinated activities in the Governor's Office and throughout state government in support of the Governor's policies, goals, and objectives. He also represented the Governor on the Board of the West Virginia Housing Development Fund and served on task forces related to coal trucks and Workers' Compensation. He also previously served as State Treasurer John Perdue's Chief of Staff and represented Treasurer Perdue on the Board of the West Virginia Housing Development Fund.

While working with the West Virginia Bureau of Employment Programs in the Workers' Compensation Division, Commissioner Staats planned and designed strategy, tactics and acquisitions to turn around the system and the organization administering that system. During his seven-year tenure, that improvement effort achieved approximately \$293 million in returns at a cost of approximately \$30 million for the stakeholders of the system.

Prior to joining state government, Commissioner Staats practiced as a Certified Public Accountant and management consultant, both as a member of a large international public accounting firm and a small local firm. He also served on the boards of small companies and nonprofit organizations, and taught classes at the college level.

Commissioner Staats currently resides in Jackson County. He has three children, Shannon, Eddie and Lisha and five grandchildren.

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Organization

The Public Service Commission of West Virginia consists of eleven divisions and the Consumer Advocate Division, which is administratively separate from the Commission.

Commission

The Commission regulates those persons, firms or government agencies that provide certain public services including electricity, natural gas, water, sewer, telecommunications, solid waste disposal (landfills) and, to some extent, the transportation of persons and property for hire over the public highways of the State. In addition, the Commission sets statewide policies for utility regulation through rulemaking proceedings; recommends statutory changes that affect utilities and the agency; and sets the administrative policies for the agency.

Motor carriers regulated by the Commission include taxi service, specialized limousine service, solid waste, transportation service, third-party towing and household goods movers.

The Office of the Commission includes the three Commissioners; the General Counsel, who acts as the legal advisor to the Commission on cases, policies and other issues facing the Commission; a Director of Quality Control; law clerks; an employment attorney; and support personnel.

Administrative Division

The Administrative Division provides services for the Commission and is comprised of the Budgets and Finance, Human Resources, Information Technology, Facilities Management and Training Sections.

The Budgets and Finance Section prepares budgets, provides fiscal review and control, processes and monitors travel expenses, payables and receivables, oversees all procurement activities, ensures fixed assets are properly recorded and funded through assessment of public utilities or from grants and other programs. This Section is also responsible for managing the Commission's annually appropriated special revenue budget, federal funds, non-appropriated special revenue funds and the E-911 fees for the State of West Virginia.

The Human Resources Section oversees employee hiring and separations, administers employee benefit programs and handles other personnel related activities. This Section also administers the personnel budget by processing payroll, tax and benefit transactions for Commission employees.

The Information Technology Section is responsible for managing the Commission's technical assets. This includes overseeing the Commission's computer system and service

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desk needs in conjunction with the State Office of Technology, by providing programming, database design, web design, training and support and other technical assistance.

The Facilities Management Section oversees the maintenance and upkeep of the Commission's buildings, parking garage and physical properties.

The Training Section is responsible for coordinating and providing education and skills training for Commission employees and for maintaining training records for the agency. This Section also coordinates certain training seminars provided by the Commission for utilities' staffs located throughout in the State.

Administrative Law Judges Division

The Administrative Law Judges (ALJ) Division consists primarily of attorneys and support staff who act in an adjudicatory role and issue Recommended Decisions in cases referred to the ALJ Division by the Commission. Typically, a Recommended Decision becomes the Commission's Final Order in a case unless modified by the Commission, based on exceptions by a party or on the Commission's statutory authority.

After the Commission refers a case to the ALJ Division, an ALJ must render a Recommended Decision within a time period prescribed by the Commission or specifically set by statute.

The ALJ Division decides all types of public utility, motor carrier and cable television cases, and overweight coal hauling on the Coal Resource Transportation System (CRTS). They also decide cases involving complaints from consumers or other utilities or motor carriers; rate change requests; applications for a certificate of convenience and necessity to construct new or expand existing utility plant; and petitions for prior consent and approval for transactions regulated by the Commission.

Engineering Division

The Engineering Division provides technical recommendations in cases before the Commission, including rate requests, quality of service or billing disputes, engineering agreements, alternate main line extensions, certificates of convenience and necessity, mergers and acquisitions of utilities, service territory disputes, general investigations of utility operations and other cases requiring engineering expertise. Engineering staff members provide technical assistance to customers and utility companies including supervising and certifying utility meter tests, conducting water pressure tests, investigating voltage levels, investigating taste and odor problems in water, odor and back-up inquiries for sewer, leak detection services, opinions on utility construction estimates and other technical tasks. The

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Engineering Division also provides recommendations on the merits of proposed water and sewer projects to the West Virginia Infrastructure & Jobs Development Council (WVIJDC), information and assistance to governmental entities around the state, and technical training for public service districts board members and staff.

The Gas Pipeline Safety Section of the Engineering Division is responsible for the application and enforcement of pipeline safety regulations under Chapter 24B of the West Virginia Code and 49 U.S.C Chapter 601, §60105(a), relating to certification with the U.S. Department of Transportation. These rules and regulations relate to design, construction, installation, testing, operation and maintenance of pipeline facilities within the State. The Pipeline Safety Section also investigates pipeline accidents or incidents involving the transportation and distribution of natural gas and hazardous liquids by pipeline.

Executive Secretary Division

The Executive Secretary maintains a full and true record of all proceedings, acts, orders and judgments of the Commission. This Division is also responsible for the safe custody and preservation of all books, maps, documents and papers filed with the Commission and administers the public information provided on the Commission's website at www.psc.state.wv.us

General Counsel's Office

In late 2008, the Commission issued a General Order that reorganized its legal staff by formally separating the functions of the General Counsel and Legal Division. For many years, the Commission's General Counsel has acted as chief legal advisor to the Commission and has represented the Commission in outside litigation, while also acting as the Director of the Legal Division. The Commission believed that reorganization of management that furthered a clearer division of managerial responsibilities regarding the adjudicatory and advocacy functions of its legal staff was beneficial and desirable. Accordingly, the Commission determined that the Legal Division and its staff are under the direction of a Director and the law clerks and related staff are under the direction of the General Counsel.

Legal Division

The Legal Division provides legal assertions to the Commission in its legislatively-mandated mission in matters before the Commission for adjudication and resolution. The Legal Division represents the Commission's Technical and Financial Analysts in proceedings brought before the Commission and Administrative Law Judges. The Legal Division also defends Commission Orders that are appealed to the Supreme Court of Appeals of West Virginia. As needed, the Legal Division, in coordination with the General Counsel, represents the Commission before State and Federal Courts and other State and Federal agencies

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including the WVIJDC, the Federal Energy Regulatory Commission (FERC) and the Federal Communications Commission (FCC). In addition to working on formal cases, the Legal Division assists other Commission divisions in developing responses to utility customers and utility company inquiries.

The Commission's Legal Division does not represent individual complainants in matters before the Commission. The Commission Staff is a party to Commission proceedings, and the Legal Division and the Technical and Financial Analysts review the positions of all parties to proceedings and present a recommendation for disposition of the matter.

Transportation Administration Division

The Transportation Administration Division consists of three operating sections: Motor Carrier, Hazardous Material Registration and Coal Resource Transportation System.

The Motor Carrier Section conducts registration of intrastate and interstate motor carriers and collects intrastate and interstate assessments, filing fees for intrastate authority, insurance fees and HazMat (hazardous materials) assessments. Prior to 2008 Single State Registration (SSRS) generated the majority of fees for this section. However, that program has been disbanded by Congress. In its place, the Unified Carrier Registration Plan and Agreement (UCR) is in effect and continues to be a work in progress.

The Hazardous Material Registration Section is responsible for registration of hazardous material transported in West Virginia and is responsible for a multi-state project that provides for identification, registration and permitting of commercial motor vehicles carrying these materials in West Virginia.

During the 2003 Regular Session of the West Virginia Legislature, weight enforcement responsibility for all commercial motor vehicles was transferred from the West Virginia Division of Highways (WVDOH) to the Commission. The Commission enforces the Coal Resource Transportation System (CRTS) process for permitting vehicles on certain CRTS roads, those designated routes through 15 West Virginia counties. Coal haulers may purchase a permit through the Commission Transportation Administration Division that will allow for a Gross Vehicle Weight of up to 120,000 pounds depending on their truck configuration. This Section is also responsible for imposing reporting requirements for coal shippers and receivers, especially on the CRTS roads.

Transportation Enforcement Division

The Transportation Enforcement Division consists of four operating sections: Safety Enforcement, Railroad Safety, Special Operations and Logistics.

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Officers in the Safety Enforcement Section perform vehicle safety inspections of motor vehicles operated by interstate and intrastate motor and private carriers, commercial motor vehicles and drivers. This Division performs inspections on a routine basis in the enforcement officers' designated work areas and at regional road check sites throughout the State during the warmer months. During the winter months, the officers inspect vehicles at the terminal facilities of intrastate carriers. These officers enforce compliance with U.S. Department of Transportation safety criteria adopted by the Commission.

The Railroad Safety Section is responsible for the administration and enforcement of federal and state safety regulations governing the transportation of persons and property by rail. The Program was again rated first in the nation by the Federal Railroad Administration and was commended as being the best state inspection program in the country for the third year in a row.

In an effort to reduce the number of grade crossing accidents, the Railroad Safety Section has assumed responsibility for the West Virginia Operation Lifesaver, Inc. (WVOL) program.

The Special Operations Section is responsible for conducting safety audits on West Virginia motor carriers involved in interstate commerce. This section also conducts compliance reviews on non-hazardous material intrastate motor carriers. Special Operations is also responsible for the Special Patrol Unit charged with addressing high commercial vehicle accident areas within the state of West Virginia.

The Logistics Sections is responsible for the procurement and inventory of all supplies and equipment to support the Transportation Enforcement Division. This Section also installs and maintains all electronic equipment used by the Transportation Enforcement Division.

Utilities Division

The Utilities Division provides accounting, financial, economic and other technical analysis of Commission cases and processes rate and other filings made by electric, natural gas and water and wastewater utilities, solid waste carriers, taxis, limousine services, household goods movers, tow operators and commercial solid waste facilities. This Division is also responsible for addressing formal customer complaints filed against natural gas, electric and water and wastewater utilities and informal complaints dealing with other regulated utility services. The Utilities Division Staff specializes in matters related to telecommunications and cable television regulation.

The Utilities Division also prepares original financial and statistical reports, including reports on utility earnings, rate comparisons, gas and electric supply/demand forecasts and low income rate discount programs.

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Water and Wastewater Division

The Water and Wastewater Division provides assistance to Class III cities and Class IV towns or villages, to ensure that municipalities continue to receive the advice and assistance they seek. In addition to providing informal advice and assistance to water and sewer utilities, the Water and Wastewater Division also retained its consumer affairs technicians and continues to respond to customer informal complaints along with public and utility inquiries and continues to conduct seminars to water and wastewater utilities.

The Water and Wastewater Division is also charged with reviewing, from a financial perspective, the preliminary applications of the West Virginia Infrastructure and Jobs Development Council.

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Major Activities by Utility

The Commission's major achievements during 2009 regarding utility regulation and transportation are set forth below.

Electricity

PATH

On May 15, 2009, Potomac-Appalachian Transmission Highline (PATH) filed an application for a certificate of convenience and necessity to construct a \$1.85 billion 765kV electric transmission line. As proposed, PATH would traverse 225 miles in West Virginia and cross the Counties of Putnam, Kanawha, Roane, Calhoun, Braxton, Lewis, Upshur, Barbour, Tucker, Preston, Grant, Hardy, Hampshire and Jefferson. The line is proposed to start at the John Amos substation near St. Albans, West Virginia, and continue northeast and through the West Virginia eastern panhandle terminating at a newly proposed substation in Maryland.

Approximately 200 individuals have been granted formal intervenor status. On October 28, 2009, Staff filed a motion to dismiss, or in the alternative, a motion to require PATH to toll because of delays experienced in other jurisdictions affected by PATH. On November 24, 2009, the Commission denied the motion to dismiss, but granted a 247 day tolling of this proceeding until February 24, 2011.

TrAIL

In March 2007, the Trans-Allegheny Interstate Line Company (an affiliate of Monongahela Power Company and the Potomac Edison Company, both doing business as Allegheny Power) filed an application for a certificate of convenience and necessity to construct a 500kV electric transmission line (TrAIL). As proposed, TrAIL would traverse approximately 114 miles in West Virginia and cross through the Counties of Monongalia, Preston, Tucker, Grant, Hardy and Hampshire.

In August 2008, the Commission approved the TrAIL application, as modified by the Grafton Area Route, subject to further modifications described in the Order. As part of the Order, the Commission approved a stipulation and agreement for settlement whereby Monongahela Power and The Potomac Edison Company agreed not to seek rate recovery in West Virginia of transmission charges billed to them by PJM for certain TrAIL transmission facilities for the period beginning January 1, 2007, through at least December 31, 2013. The decision also approved a rate credit to be applied to ratepayers served under the General Power and Large Power service rate schedules during the period January 1, 2010, through December 31, 2011 (estimated at approximately \$5.75 million).

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During the latter part of 2008, the Commission received various petitions for reconsideration and other motions in this case. On February 13, 2009, the Commission entered an order that denied all intervenor petitions and motions, but granted TrAILCo's petition to remove the requirement to install a static VAR compensator and also eliminated a compliance hearing requirement. The Commission instead required TrAILCo to file notice when it had complied with all pre-construction requirements for each of the three phases TrAILCo had identified.

On March 13, 2009, certain intervenors filed a petition for appeal with the Supreme Court of Appeals of West Virginia. On April 29, 2009, the Supreme Court of Appeals of West Virginia denied both petitions (see discussion in Supreme Court for further details).

On September 10, 2009, TrAILCo filed a petition to reopen the case for the limited purpose of consideration of minor modifications to the proposed route. That petition is currently pending before the Commission.

On October 29, 2009, certain intervenors filed a complaint stating TrAILCo was not complying with the conditions of its certificate in regards to right-of-way clearing. The complaint has been docketed as Case No. 09-1758-E-C and is also pending before the Commission.

AES Laurel Mountain

In the summer of 2008, the Commission conducted public comment and evidentiary hearings on the AES Laurel Mountain application to construct and operate a wind power facility in Barbour and Randolph Counties of West Virginia. The project, as proposed, consists of up to 65 wind turbines capable of generating 125 to 132.5MW. On November 26, 2008, the Commission issued a siting certificate for the project. On March 17, 2009, the Commission denied the Laurel Mountain Preservation Association's (LMPA's) Petition for Reconsideration. On June 9, 2009, the Supreme Court of Appeals of West Virginia refused LMPA's Petition for Appeal.

AES New Creek

In the spring and summer of 2009, the Commission conducted public comment and evidentiary hearings on AES New Creek's application to construct and operate wind power facilities on a seven-mile stretch of the New Creek Mountain ridge line in Grant County, West Virginia. As proposed, the \$308 million project consists of up to 66 wind turbines capable of generating up to 160 MW. On September 30, 2009, the Commission granted AES New Creek a siting certificate. On November 4, 2009, the Commission made a minor correction to its order granting a siting certificate.

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Pinnacle Wind Force, LLC

In the fall of 2009, the Commission conducted public comment and evidentiary hearings on Pinnacle Wind Force's application to construct and operate wind power facilities on a three-and-a-half mile stretch on Green Mountain in Mineral County, West Virginia. The \$13.1 million project, as proposed, consists of 23 turbines capable of generating 55.2 MW. On October 9, 2009, Pinnacle, Commission Staff and the West Virginia Building Trades Council filed a joint stipulation recommending approval of the requested certificate subject to numerous conditions. On January 11, 2010, the Commission granted Pinnacle Wind Force a siting certificate.

Beech Ridge Energy, LLC

This previously-approved wind project has begun construction. This project is authorized to construct 124 turbines in Greenbrier County, West Virginia, with a combined output of 186 MW and an expected cost of \$300 million. As part of the order, the project was ordered to consult with a Technical Advisory Committee regarding post construction bat and bird studies on the following:

- (a) Three years of post-construction bat mortality and adaptive management studies, after operations commence, to assess 1) the project's impact, if any, upon bat life; 2) the potential for adaptive management techniques to mitigate such impacts; and 3) the expected costs over a range of mitigation effectiveness levels;
- (b) Three years of post-construction bird studies, after operations commence, to assess the impact, if any, on birds;
- (c) A one-year post-construction eagle/osprey study; and,
- (d) If the project causes significant levels of bat or bird mortality and adaptive management techniques are proven effective and economically feasible, Beech Ridge and its successors will make a good faith effort to work with the Commission to apply parameters to implement facility-wide adaptive management strategies on an on-going basis.

Engineering staff from the Commission serves on the Technical Advisory Committee.

A lawsuit was filed in Federal District Court citing Beech Ridge's failure to obtain an incidental take permit. After a hearing, the federal judge decided there was a high likelihood of a take of an endangered species, the Indiana Bat, and on December 8, 2009, ordered the Company to apply for a permit. Until it obtains that permit, Beech Ridge cannot construct any more than the 40 turbines already under construction and cannot operate any turbine

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between April 1 and November 15. Once the incidental take permit is obtained, the Company may construct the rest of the turbines and operate year round.

Expanded Net Energy Cost (ENEC)

The ENEC process allows electric utilities to file periodic rate requests to reflect changes in the cost of purchased power and of coal consumed at the generating plants. On March 9, 2009, Appalachian Power Company (APCo) and Wheeling Power Company (WPCo), wholly-owned subsidiaries of American Electric Power Company, Inc. (AEP), filed a petition for the annual review and adjustment to their ENEC rates and for the review of certain surcharges. The surcharges under review are related to certain construction and reliability projects.

The proceeding was the third annual ENEC and construction surcharge filing after the process was reinstated in the APCo and WPCo 2005 general rate case. APCo and WPCo filed information to support an overall rate increase of \$442 million, the largest rate filing ever made in West Virginia to be phased in over a three-year period.

On September 30, 2009, the Commission approved a methodology to phase-in projected ENEC costs into rates by July 1, 2012. The approved first year increase was \$124.7 million or approximately 12.2 percent, which consisted of an ENEC rate increase of \$106.6 million and a Construction and Post Construction Surcharge increase of \$18.1 million.

In September 2009, Monongahela Power Company (Mon Power) and the Potomac Edison Company (PE), both dba Allegheny Power, filed a petition for the annual review and update of their ENEC rates. Mon Power and PE requested an annual increase of \$143.2 million, or approximately 15.4 percent.

On December 28, 2009, the Commission approved a Joint Stipulation among the Companies, the Consumer Advocate Division, Commission Staff and the West Virginia Energy Users Group, allowing an additional \$118, or 12.7 percent, in total annual revenues, subject to a true-up in future ENEC proceedings. The Kroger Company, although not a party to the Joint Stipulation, did not object to the settlement.

Equitable Production Company, LLC

On October 6, 2005, two contract employees of Equitable Production Company, LLC, (Equitable) were injured from a natural gas ignition during a valve replacement at a compressor station near Glenville, West Virginia. After a Gas Pipeline Safety Section (GPSS)

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investigation, the GPSS issued a Notice of Probable Violation (NOPV) on October 27, 2006, finding that Equitable had failed to comply with five statutory duties, including the failure to timely report the incident. Civil penalties totaling \$5,000 were assessed against Equitable. On November 26, 2006, Equitable responded to the NOPV, denying in part and admitting in part the GPSS NOPV. Extensive negotiations took place until the spring of 2009, when the parties agreed upon a settlement. On April 9, 2009, the Staff petitioned the Commission to docket a proceeding and approve the proposed settlement agreement. On May 18, 2009, the Commission entered an order opening Case No. 09-0538-GT-PC and approving the proposed settlement agreement. Equitable agreed to pay \$5,000 as an amount agreed upon in compromise in the approved settlement agreement.

Securitization

On July 1, 2009, Monongahela Power Company and The Potomac Edison Company, each doing business as Allegheny Power, filed a Second Petition to Reopen the securitization proceeding and amend the Commission's Financing Order entered in 2006 to approve the securitization and related financing. Allegheny requested approval to use securitization financing for an additional \$100 million in capital construction and financing costs associated with construction of the flue gas desulfurization units, or scrubbers, at Monongahela Power's Fort Martin generating plant. Parties to the securitization proceeding agreed that the Commission should approve Allegheny's request and presented a stipulation to the Commission for consideration. The securitization process allows for the issuance of low cost (Environmental Control Bonds) financing of the project and customer rate surcharges which are dedicated to service that financing. Allegheny estimated that the net present value of savings to customers over the first 20 years of the Project, compared to traditional utility financing, is expected to be approximately \$41.5 million.

On September 30, 2009, the Commission ordered Monongahela Power Company and The Potomac Edison Company, both dba Allegheny Power, to "securitize" an additional \$105 million associated with the construction of Monongahela Power's flue gas desulfurization (scrubber) project at its Ft. Martin generating plant. The Commission first approved securitization related to the Fort Martin scrubber in 2006 by authorizing financing up to a maximum \$365 million. Based on a 2007 petition to reopen, the Commission amended the maximum amount of authorized securitization financing up to \$466.5 million. In 2007, the Companies issued Environmental Control Bonds totaling \$459.3 million and with the amended authorization of an additional \$105 million, the maximum amount that may be financed by Environmental Control Bonds is now \$564.3 million. Bonds were issued at the end of 2009 at significantly low interest rates, saving ratepayers millions of dollars.

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Allegheny Power rates

On August 13, 2009, Monongahela Power Company and The Potomac Edison Company, both dba Allegheny Power, filed for increased rates and charges of \$122.1 million annually or approximately 12.8 percent. The Companies provide electric service to approximately 515,000 customers in West Virginia. On September 11, 2009, the Commission suspended the rate increase until June 10, 2010 to permit a full review of the Companies' rate request.

IGCC Generating Station

During 2008, the Commission conditionally approved Appalachian Power Company's (APCo) application for a certificate of convenience and necessity (CCN) to construct a \$2.23 billion 600 MW Integrated Gasification Combined Cycle Generating Station in Mason County. The approval was conditioned upon Virginia contributing 50 percent of the funding for the project. Two intervening parties, the West Virginia Energy Users Group and the Commission's Consumer Advocate Division, filed Petitions for Reconsideration concerning the Commission's approval of the CCN for the project. Subsequently, the Virginia State Corporation Commission (VSCC) denied APCo's funding request related to this project. On September 29, 2009, the Commission dismissed the Petitions for Reconsideration as being moot. The Commission stated that because many of the extensive conditions in the certificate order remain unfulfilled by APCo, it believes the conditional certificate granted in this proceeding must be reconsidered if and when APCo plans to move forward with the project.

The Musser Companies Cases

Effective June 1, 2009, the Commission granted Black Diamond Power Company, Elk Power Company and Union Power Company (the "Musser Companies") a combined general rate increase of \$198,219 annually. Black Diamond had requested an annual increase of \$415,096 or 21.9 percent for its 1,497 customers in Raleigh and Clay Counties and was granted an annual increase of \$232,981. Elk Power Company had requested an annual increase of \$151,071 or 9.5 percent for its 1,469 customers in Clay County and was granted an annual decrease of \$87,317. Union Power Company had requested an annual increase of \$115,296 or 10.0 percent for its 1,245 customers in Raleigh and Wyoming Counties and was granted an annual increase of \$52,627.

On June 3, 2009, the Musser Companies applied under the Commission's Rule 30B to pass through increases in the cost of purchased power, over and above the cost of fuel. APCo is permitted by the FERC to implement adjustments to its monthly service rates on June 1st of each year under a formula rate agreement. On June 23, 2009, the Musser Companies revised their requested Rule 30B rates. Black Diamond requested an annual

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increase of \$198,174 and was granted an annual increase of \$79,455. Elk Power requested an annual increase of \$171,223 and was granted an annual increase of \$54,999. Union Power requested an annual increase of \$144,036 and was granted an annual increase of \$54,730. The Commission approved increased rates for bills rendered on and after August 1, 2009.

On June 23, 2009, the Musser Companies filed applications under the Commission's Rule 30D for rate surcharges to pass through increases from the fuel adjustment rates of their purchased power supplier, APCo. The Rule 30D proceedings track the fuel portion of the Musser Companies' purchased power cost against 30D surcharge revenues billed to the customers. Under or over recoveries are reflected in future 30D cases. Annual decreases of \$89,941 for Black Diamond, \$58,897 for Elk Power and \$48,804 for Union Power are pending and will take effect without hearing if no protests are received to a required notice.

On November 25, 2009, the Musser Companies filed for general rate increases and approval of a merger of the three utility companies and other related companies with the surviving corporation being West Virginia Utility Company. The requested annual increases are \$240,471 for Black Diamond, \$244,782 for Elk Power and \$285,554 for Union Power. The Commission has suspended these rate cases for 150 days until May 24, 2010, to allow the Staff time to examine and investigate the supporting data filed with the revised tariff sheets. Also pending before the Commission is the Musser Companies' request that emergency interim rates be approved effective December 25, 2009.

The City of Philippi

On June 30, 2009, the City of Philippi (Philippi), a municipally operated public electric utility adopted an ordinance increasing rates to produce \$1,143,884 in additional revenue annually, or 45.8 percent. On or about July 30, 2009, the Commission received a petition signed by not less than 25 percent of Philippi's customers protesting the increase. The Commission suspended the rate increase until December 12, 2009. On September 18, 2009, the Commission tolled the statutory suspension period until further supporting information is filed by Philippi. On October 20, 2009, the Commission approved emergency interim rates that would produce \$594,685 additional revenue annually. The case is currently pending before the Commission.

Carbon Capture and Sequestration — Mountaineer CCS Project

American Electric Power placed into service a small scale Carbon Capture and Sequestration (CCS) project at its New Haven Mountaineer plant in 2009. This project was undertaken to validate a particular technical process on a 20 MW slip stream of flue gas.

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In late 2009, the US DOE announced funding of \$334 million to advance the project to a commercial scale to capture and sequester 235 MW carbon dioxide emissions. The DOE funding is estimated to be approximately half of the total project cost.

Commission staff is following the progress of this project closely, and expects at some point that AEP will file to certificate the construction of the CCS project.

West Virginia Carbon Capture and Sequestration Working Group

On May 4, 2009, Governor Manchin signed HB 2860 which established the CCS Working Group. The purposes of the Working Group are to "study issues pertaining to carbon capture and sequestration including...scientific, technical, legal and regulatory issues, and issues regarding ownership and other rights and interest in subsurface space (pore space) that can be used as storage space for carbon dioxide and associated constituents," and to "develop a long term strategy for the regulation of carbon dioxide sequestration in West Virginia. The group must prepare and issue a preliminary report to the Legislature by July 1, 2010.

The full Working Group and various subcommittees met during the second half of 2009. A member of the Commission's Engineering Division serves on the Working Group.

Natural Gas

Hope Gas, Inc. Sale Case

On October 16, 2008, Hope Gas, Inc. (Hope) filed for a general rate increase of \$34.4 million annually, or 19 percent, for its approximately 114,000 customers in 21 West Virginia counties. Hope requested that its rate case be consolidated with a joint petition filed by Hope Gas, Inc., Dominion Resources, Inc. and Peoples Hope Gas Companies, LLC, for consent and approval for Peoples Hope Gas to acquire 100 percent of the issued and outstanding capital stock of Hope Gas from Dominion Resources. The Commission conducted hearings on the requested rate increase and the petition for sale from August 17, 2009, until August 24, 2009.

The Commission approved an approximate \$8.8 million rate increase for Hope effective November 20, 2009. The Commission severed the petition for sale from the rate proceeding to further consider whether to approve the sale of Hope. On December 22, 2009, the Commission disapproved the proposed sale of Hope to SteelRiver Infrastructure Fund North America, LP. The buyer had insisted that, as a condition to approval of the sale, that it receive an immediate tariff rate increase which the Commission did not believe would be offset by benefits. The Commission ruled that the sale, as structured, was contrary to the public interest.

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Purchased Gas Cost Cases

Under the Commission's Rule 30C procedure, natural gas utilities can file annually to adjust the purchased gas component of their rates. This procedure allows the utility to recover the costs it pays suppliers for the gas it delivers to customers. The prices that a natural gas utility pays its suppliers for gas are not regulated by either the Commission or any federal government agency, but are determined by the market. Over the years, the market-driven price has been extremely volatile and influenced by any number of external factors. The cost of purchased gas typically comprises between 70-80 percent of a customer's winter heating bill.

Last winter (2008-09) the typical monthly natural gas bill for an average residential customer using 13 Mcf (thousand cubic feet of gas) was \$195.78. For the 2009-2010 heating season, 15 of the 16 natural gas utilities filing Rule 30C cases requested significant decreases in the purchased gas portion of their rates. Based on the Rule 30C purchased gas rate adjustments granted by the Commission and all other rate changes taking effect, a typical monthly residential bill will be \$139.83 for the 2009-2010 winter. Mountaineer Gas Company, which serves approximately 199,000 residential customers received a decrease of 31.6 percent in its purchased gas rate impacting the typical monthly residential bill by a decrease of 25.6 percent. Hope Gas Company, Inc. which provides service to approximately 105,000 residential customers received a decrease of 52.7 percent in its purchase gas rate impacting the typical monthly residential bill by a decrease of 35.5 percent after taking into consideration an approved general rate increase.

General Rate Cases

On May 5, 2009, Bluefield Gas Company requested a general rate increase of \$220,080 annually, or 2.69 percent, for its approximately 3,840 customers in Mercer County, West Virginia. Pending before the Commission is a settlement reached between the parties that recommends the Commission approve an increase of \$143,742 annually or 1.75 percent. A decision is expected by the end of February 2010.

Mountaineer Gas Company requested a general rate increase of \$26,358,900 annually, or 6.6 percent, for its approximately 220,000 customers in 49 counties in West Virginia. Pending before the Commission is a settlement reached among the parties recommending that rates be applied in two phases. The first increase, if approved, would become effective at the end of the statutory suspension period, March 29, 2010. The second increase, if approved, would become effective on November 1, 2010. If approved by the Commission, the rates would result in an increase of \$19 million annually, or 4.8 percent.

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On October 28, 2009, Equitable Gas Company requested a general rate increase of \$3 million annually, or 10.3 percent, for its approximately 12,500 customers in West Virginia. The Commission has suspended the requested rate increase until August 2010 to allow the Commission time to examine and investigate the supporting data and to provide time for Staff to make reports on the requested rate increase.

Water and Wastewater

During 2009, the Commission either approved or had under its consideration new water and wastewater projects estimated to cost approximately \$242 million. The Commission approved 53 new developer funded main line extensions. This investment in new infrastructure is expected to result in service to 4,700 new customers.

Economic Stimulus Funding

In an effort to combat the recession that gripped the country in 2009, the U.S. government provided stimulus funding which would be awarded to water and wastewater projects that were deemed shovel-ready. This necessitated the Commission to devise shortened and accelerated timelines for staff review and the issuance of decisions. In 2009, the Commission processed 51 wastewater and 20 water projects under the shortened timelines which related to projects estimated to cost about \$328,768,347.

Rates

The Commission approved a \$5.2 million, or 4.2 percent, rate increase effective March 26, 2009 for West Virginia-American Water Company. The Company filed the case in 2008 and requested an increase of \$14.8 million annually, or 12.3 percent, for its approximately 167,700 customers in the state. The Company did not file a rate case in 2009.

During 2009, the Commission received and/or acted on 12 Municipal Appeal petitions protesting the rates adopted by municipalities for their water and/or wastewater systems. Of these 12 Municipal Appeal cases, six are currently pending Commission decision including:

- The City of Wheeling adopted a 35 percent increase in its sewer rates, the Commission granted an interim rate increase of 12 percent while the case is pending;
- The City of Mannington adopted a step 1 increase of 55 percent and a step 2 increase of 70 percent in its water rates. The Commission granted an interim rate increase of 39 percent while the case is pending;
- The City of Moundsville adopted a 20 percent increase in the sewer rates;

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- The City of Charles Town adopted an increase in its sewer Capacity Improvement Fee;
- The City of McMechen adopted a 9 percent increase in its water rates; and
- The Town of Wayne adopted an 87 percent increase in its sewer rates.

The Commission reached final decisions in the other six municipal appeal cases as follows:

- The City of Fairmont adopted a 49 percent increase in its water rates and was granted an increase of 41 percent in pre-project rates and an additional 4 percent increase upon completion of a construction project;
- The Town of Cedar Grove adopted a 43 percent increase in its sewer rates and was granted a 26 percent increase;
- The City of Richwood adopted for its sewer rates a pre-project increase of 13 percent and an additional upon completion or construction increase of 8 percent. The City was granted a pre-project increase of 17 percent and an additional increase upon completion of construction of 8 percent;
- The City of Kenova adopted a 15 percent increase in its water rates and was granted a 7 percent increase;
- The City of Pt. Pleasant adopted a 45 percent increase in its sewer rates and was granted an increase of 46 percent; and
- The City of Petersburg adopted a 108 percent increase in its water rates and was granted a 6 percent pre-project increase and a 91 percent upon completion of construction increase.

Other water and/or wastewater utilities were granted rate increases in 2009.

- Elkins Road Public Service District requested an 11 percent increase in its water rates and was granted an increase of 18 percent.
- Northern Wayne Public Service District requested a 25 percent increase in its sewer rates and was granted an increase of 24 percent.
- Lubeck Public Service District requested an 11 percent increase in its water rates and an 11 percent increase in its sewer rates. The Commission granted both requests.
- Chelyan Public Service District requested a 15 percent increase in its sewer rates and was granted an increase of 14 percent.
- Sissonville Public Service District requested a 25 percent increase in its sewer rates and was granted an increase of 9 percent.
- Warm Springs Public Service District requested an increase of 13 percent in its sewer rates and that level of increase was granted.

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The Commission has not issued final orders on other requests of water and wastewater utilities for rate increases.

- Berkeley County Public Service District requested an increase of 12 percent in its sewer rates and was granted an interim increase of 12 percent while the case is pending.
- Greenbrier Public Service District No. 1 requested an increase of 14 percent in its sewer rates and was granted an interim increase of 4 percent while the case is pending.
- Jefferson County Public Service District requested an increase of 9 percent in its sewer rates and was granted an interim increase of 3 percent while the case is pending.
- Jane Lew Public Service District requested an increase of 15 percent to its sewer rates and an additional 15 percent upon completion of a proposed project.
- Mason County Public Service District requested a nine percent increase in its water rates and an additional 30 percent upon completion of a proposed project.

During 2009, the Commission also processed requests for rate increases from 31 water and/or wastewater systems under its optional Rule 19A rate procedure for small utilities in which the Commission Staff prepares a report presenting a recommendation on the adequacy of rates. Of these 31 cases, 17 received increases without hearing; two remain open for required hearings; two are pending protests and may require a hearing; and the remaining 10 cases are less than 70 days old, on average, and are in the Staff preparation stage. Also during 2009, 16 increases were granted to water and/or wastewater utilities through the Commission's Rule 30B process which provides an accelerated procedure to reflect changes in the cost of purchased water or in the cost of sewerage treatment.

Seminars

Chapter 16, Article 13A, of the West Virginia Code requires newly appointed public service district board members to attend and complete, within six months of taking office, the Board Members' Mandatory Training Program established and administered by the Commission in conjunction with the Division of Environmental Protection and the Division of Health. Two seminars, attended by a total of 46 board members, were conducted in Bridgeport and Charleston. Basic areas of responsibility for a District board member in administering a Public Service District, such as administrative, financing, legal, liability, technical and financial information are discussed during the seminar.

In addition to the Board Members' Mandatory Training Seminars, the Division organized eight additional seminars with more focused subjects including termination, management, safety, cases and dealing with angry and upset customers.

Attendees of the Safety Seminars were able to earn an OSHA safety certification card, while water and sewer plant operators could also earn Continuing Education Credit Hours

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required for their operator's licenses. Because of the success and obvious benefits of these seminars, the Water and Wastewater Division plans on conducting additional seminars in 2010.

Taught by training staff from the West Virginia Department of Personnel, "Dealing with Upset and Angry Customers" was a new seminar in 2009 and was in response to many requests by utility office staff who deal with these issues on a daily basis. In response to the seminar's positive feedback, it will be presented twice in 2010.

After reviewing and having detailed discussions with attendees, the Division will present 17 focused seminars in 2010. This includes new seminars on basic and intermediate accounting/budgeting, as well as bringing back the Municipal Seminar.

A new seminar titled "Asset Management and Maintenance Audits" will be presented in 2010 in coordination with the Department of Environmental Protection and the Department of Health and Human Resources. This seminar is in response to House Bill No. 2863 regarding funding from the Water Development Authority and the requirement that any government agency receiving funding agrees to perform an annual maintenance audit which will be submitted to the board and to the Commission. It also responds to the asset management plans being promoted by the United States Environmental Protection Agency.

The Electronic Annual Report workshops were expanded and conducted in various locations across the state. The Annual Report is the financial and statistical document that utilities are required to file annually with the Commission. It contains the performance measures for each utility. The Commission continues to review this data with a goal for full implementation within the next two years.

Telecommunications

West Virginia's New Area Code

In February 2008, the Commission adopted the overlay system for the implementation of a new area code in West Virginia. Mandatory 10-digit dialing for local calls began February 28, 2009, and the new 681 area code became available to be assigned to new customers or numbers in West Virginia beginning on March 28, 2009.

Verizon

In 2007, the Commission received numerous complaints from Verizon-West Virginia customers regarding the quality of their telephone service. Complaints included missed appointments, long waiting times for service calls and line static. As a result of these customer complaints, the Commission initiated a General Investigation in July 2008 into Verizon's quality of service.

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In December 2008, the Commission approved a settlement agreement among Verizon, Commission Staff and the Consumer Advocate Division outlining a Retail Service Quality Plan, which will be in effect through at least July 2011. As written, the Plan will ensure immediate and substantial benefits to Verizon's customers. According to the Plan, Verizon will:

- 1) Invest an estimated \$11 million in infrastructure improvements;
- 2) Hire approximately 49 maintenance technicians through at least June 2009;
- 3) Assign an operations manager who will be specifically accountable for ensuring compliance with this agreement;
- 4) Meet several service quality standards by improving its response and resolution time to customer service calls; and
- 5) Provide a \$25 credit on customer bills if Verizon misses a repair appointment, unless it provides notice to the customer by 8 p.m. on the day before the scheduled appointment.

On May 28, 2009, the Commission conducted a progress hearing on Verizon's Retail Service Quality Plan. During that hearing Verizon outlined its priority targets in West Virginia and the basis for selecting those areas. On November 12, 2009, a second progress hearing was conducted by the Commission.

The Verizon Retail Service Quality Plan provides that both the metrics to be met and the penalties for not meeting them advance in phases during the term of the plan. Subject to approval of the Commission, effective January 1, 2010, the following customer service credits went into effect:

- a. For Service Interruptions, or Out of Service Conditions;
 - Out of Service > 72 Hours but < 96 Hours ---- \$10
 - Out of Service > 96 Hours but < 120 Hours --- \$15
 - Out of Service >120 Hours --- \$15 + \$5 for each 24 Hours thereafter
- b. For Service Impairments, or Affected Service Conditions;
 - Affected Service > 120 Hours but < 144 hours --- \$10
 - Affected Service > 144 Hours ---\$10 + \$5 for each 24 Hours thereafter.

Verizon/Frontier Sale Case

On May 28, 2009, Verizon and Frontier Communications filed a joint petition for approval of the transfer of Verizon's local exchange and long distance business to Frontier. This

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transaction, if approved, would result in Frontier Communications acquiring approximately 4.8 million Verizon access lines in 14 states. In West Virginia, this would include approximately 617,000 Verizon-WV access lines. Parties have currently filed Direct and Rebuttal Testimony and the Commission conducted evidentiary hearings beginning on January 12, 2010.

General Order No. 187.36

Rules Governing Billing, Collection and Remission of E911 Fees by Providers of Voice over Internet Protocol Service, Series 32

On November 19, 2008, the Commission issued proposed Rules Governing Billing, Collection and Remission of E911 Fees by Providers of Voice over Internet Protocol Service (E911 VoIP Rules), 150 C.S.R. 32, as emergency rules. Notice was provided and a hearing conducted, at the close of which the Commission entered an order on June 22, 2009, adopting E911 VoIP Rules, clarified and amended as agreed to by the parties.

Transportation

The Commission's Railroad Safety inspection program, for the third consecutive year, was rated first in the nation by the Federal Railroad Administration and was commended as being the best state inspection program in the country.

During the past year, Commission Enforcement Officers increased the number of roadside inspections conducted on commercial motor vehicles from 30,125 (2008) to 33,506 (2009), an increase of approximately 10 percent.

Additionally in 2009, the Commission received a 100 percent grant award from the Federal Motor Carrier Safety Administration (FMCSA) through their PRISM (Performance Information Systems Management) program. This grant has enabled the Commission to obtain 50 aircards, boosters, antennas, mounts, adapter kits and 24-months of service for use by Safety Enforcement Officers during roadside enforcement. The aircards have enabled Officers to have real-time communications with the various databases necessary for roadside enforcement, as well as enabling the program to stay in compliance with FMCSA's requirement for Commercial Driver's License checks on all stops while providing enhanced safety to officers.

The Coal Resource Transportation System (CRTS) consists of more than 2,100 miles of highway, as well as some other isolated roads, in 18 West Virginia counties upon which coal is transported. From January 1, 2009, through December 1, 2009, 475 Notices of Violation were issued. These were generated either by Uniform Traffic Citations or by the electronic

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reporting system. Also through December 1, 2009, the Commission collected \$556,594.65 as a result of payment for violations contained within Notices of Violation with respect to the CRTS. Through work done within the CRTS unit, the Transportation Administration Division collected \$1,495,673.35 for the period January 1, 2009, through December 2, 2009.

Transportation staff completed its initial mapping project using GIS/GPS technology and continues to upgrade data to maintain an accurate location of CRTS shipping receiving sites.

Motor Carrier and Solid Waste Rates

Commission Staff developed a data base in 2007 to record informal complaints allowing Staff members to monitor customer complaints by service provider and region, as well as how satisfactorily service problems are resolved. From January 1, 2009, through November 30, 2009, there were 79 informal motor carrier complaints filed with the Commission.

In 2009, the Commission processed rates cases that affected large areas of West Virginia most notably Waste Management in Clarksburg/Central West Virginia, A & W Sanitation, Inc. in Fayette County and Taylor's Disposal, Inc. in Wood County.

The Commission has continued to respond to the high cost of fuel for motor carriers by reviewing and adjusting, as needed, fuel surcharges for regulated motor carriers that remain in effect today. This series of surcharges was initiated in M.C. GENERAL ORDER NO. 56.4 (Reopened) in March 2004 following a dramatic increase in fuel prices from previous levels. The latest adjustments were made in July 2009.

Solid Waste Landfills

Commission Staff continues to improve and build a strong working relationship with the DEP and the Solid Waste Management Board in an ongoing effort to provide consistent recommendations that conform with the requirements of other agencies' rules and regulations, as well the Commission's rules and regulations.

In 2006, an agreement was signed between Waste Management of West Virginia (WMWV) and the Jefferson County Solid Waste Authority that involved WMWV spending approximately \$1.4 million to build a transfer station to eliminate the shortage of disposal capacity that the Eastern Panhandle has faced for the past couple of years. This transfer station is a state of the art facility and was brought online in January 2007. The transfer station now receives and separates recyclable materials from the major haulers in the area, as well as the general public.

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Commission Staff processed rate applications to increase tipping fees filed by the Disposal Service, Inc. Landfill located in Putnam County and WMWV Transfer Station located in Logan County, both wholly owned and operated by WMWV. The Commission Staff also processed a rate application to increase tipping fees filed by the Greenbrier County Landfill, a public landfill operated by the Greenbrier County Solid Waste Authority.

Currently, the Commission Staff is processing rate applications to increase tipping fees filed by Allied Waste Sycamore Landfill LLC in Putnam County and American Disposal Services of West Virginia, Inc., dba Short Creek Landfill in Ohio County. Both are wholly owned and operated by Republic Services, Inc.

On November 15, 2001, the Commission and the West Virginia Department of Environmental Protection entered into a Memorandum of Understanding (MOU) regarding the implementation of financial assurance requirements of 33CSR1. The MOU provides that Commission Staff will perform financial analysis to determine levels of funding required for regulated solid waste landfills to close cells and to provide for 30 years of post-closure care of landfill sites in accordance with Federal EPA standards. The Commission will establish and supervise escrow accounts funded by landfills which will assure that funds are available to meet future environmental requirements as administered by the DEP. Implementation of this interdepartmental undertaking began in mid-2002 and was halted in 2004, but has been reactivated and continued into 2007 with the goal of establishing adequate funding for all regulated landfills. Prior to 2006, all closure and post closure escrow fund accounts were established through a three-party agreement among the solid waste facility, the Commission and the bank serving as escrow agent. In 2006, a new escrow agreement format was established which added the Division of Environmental Protection as a party and designated the State Treasurer as the escrow agent. During 2009, various escrow agreements were modified to the new format as rate cases were filed by solid waste landfills.

Tow Operations

In 2009, the Commission issued an Order in connection with its general investigation into various aspects of towing regulation in Case No. 06-1915-MC-GI. Commission Staff and the West Virginia Towing Association entered into a stipulation agreement that was eventually adopted by the Commission. Among the issues in this case are the implementation of a new statewide maximum towing rate tariff, Commission Rules concerning invoice requirements and clarification of the Commission's authority regarding the definition of "third party" or "non-consent" tows. The Commission continues to process tow cases, which are expedited rate increase reviews based on market comparisons, as well as, "third party"

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or "non-consent" tow formal complaint cases filed by customers. From January 1, 2009 through December 15, 2009, 86 tow cases have been filed with the Commission, many of which have been resolved by agreement of the parties.

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State and Federal Courts

State Circuit Court

1. *State of West Virginia, ex rel. The Public Service Commission of West Virginia, v. Cliffside Owner's Operating Association, Inc.*, a public sewer utility doing business in Kanawha County, West Virginia. Kanawha County Circuit Court Case No. 07-MISC-192.

Previously, the Circuit Court of Kanawha County placed the Cliffside Owner's Operating Association in the receivership of the City of South Charleston Sanitary Board through an order entered April 18, 2007. South Charleston completed many necessary repairs and upgrades and began billing and collecting sewer fees from the Cliffside customers, providing the system with needed revenues. No formal complaints have been filed against the Cliffside system since South Charleston assumed receivership.

In May 2009, and November 2009, both the Commission and South Charleston appeared before the Court for status conferences and reported that South Charleston continues to operate and maintain the system satisfactorily, and is in the process of conducting a due diligence review. If South Charleston is satisfied with the results of its due diligence review, it will move toward acquiring the Cliffside system.

Supreme Court of Appeals of West Virginia

1. *Mountain Communities for Responsible Energy (MCRE) and Alicia Eisenbeiss, et al. v. The Public Service Commission of West Virginia*, Commission Case No. 05-1590-E-CS-CN. Supreme Court Docket No. 090674 & 090681.

These appeals are from a Commission Order entered in the Beech Ridge Case, Case No. 05-1590-E-CS-CN, finding Beech Ridge had substantially complied with the Commission's pre-construction conditions and could proceed to construction.

The Petitioners alleged the Commission arbitrarily disregarded the evidence of competent witnesses to find Beech Ridge had complied with all of the pre-construction conditions. The Petitioners also alleged that the Commission arbitrarily shifted the burden of proof to the Petitioners and erred by not forcing Beech Ridge to obtain an incidental take permit.

The Commission responded by stating the Petitioners misconstrued the purpose of the compliance hearing. The hearing was to confirm all the pre-construction conditions had been met, not to relitigate previously decided issues. The evidence tendered by the Petitioners was an attempt to relitigate issues that had already been decided. An incidental take permit was not a pre-construction condition, so failure to obtain one was not a reason to deny compliance with all of the pre-construction conditions.

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Both Beech Ridge and the West Virginia Construction and Building Trades Council, AFL-CIO, were granted status in front of the Supreme Court.

On September 2, 2009, the Supreme Court upheld the Commission's decision and issued an order denying both petitions for appeal.

2. *Sierra Club v. Public Service Commission of West Virginia and Trans-Allegheny Interstate Line Company and Thomas Hildebrand v. Public Service Commission of West Virginia and Trans-Allegheny Interstate Line Company*, Commission Case No. 07-508-E-CN. Supreme Court Docket No. 090379 and 090382.

These appeals are from a Commission Order in Case No. 07-0508-E-CN granting TrAILCo a certificate to construct a 500 kV electric transmission line. The Petitioners argued the Commission erred in granting a certificate to TrAILCo and also erred in determining TrAILCo was a public utility. The Petitioner stated that the Commission itself said the project is not needed by 2014. Furthermore, the Petitioners asserted that the Commission disregarded the environmental impact of the line and that the Commission was unduly influenced by the financial incentives offered in the joint stipulation.

The Commission responded that it conducted a thorough review of the evidence and decided to grant the certificate, regardless of the financial incentives in the joint settlement. The Commission determined the need for TrAIL was immediate enough without stating it was needed by a certain date. The Commission gave the environmental factors reasoned review and determined the proposed route, as modified by the Grafton alternative, satisfied the required legal standard. The Commission was not incorrect to determine TrAILCo to be a public utility under the statutory definition of a public utility.

By order dated May 1, 2009, the Supreme Court upheld the Commission's position and denied the petitions for appeal.

3. *City of Follansbee v. Public Service Commission of West Virginia and the Brooke County Public Service Commission*, Commission Case No. 08-0164-PSD-CN. Supreme Court Docket No. 090220.

This appeal arose from a Commission Order granting the Brooke County Public Service District a certificate of convenience and necessity to construct a sewer project. The Petitioner argued the Commission erred in granting that certificate because it created a situation where a party seeking to oppose a project must make its case before the West Virginia Infrastructure and Jobs Development Council. Further, the Petitioner argued that the Commission erred in determining that both Follansbee and the City of Wellsburg had stranded investment.

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The Commission argued that it had correctly granted a certificate of convenience and necessity. The project was clearly necessary as septic systems in the area are failing. Further, the project is financially feasible, funded and has no engineering deficiencies.

By Order dated April 8, 2009, the Supreme Court upheld the Commission's position and denied this petition for appeal.

4. *TracFone Wireless, Inc. v. Public Service Commission of West Virginia. Commission, Case No. 07-0115-C-PW, Supreme Court Case No. 0709922.*

In March 2007, TracFone Wireless, Inc. filed a petition for appeal of the decision of the PSC in Case Nos. General Order 187.32 and 07-0115-C-PW. In Case 187.32, the Commission promulgated rules and regulations governing the collection of enhanced 911 fees from wireless telephone service subscribers by wireless telephone service providers. The fees were to be paid to the PSC for redistribution among the counties to be used to operate and maintain their respective public safety answering points or E911 call centers. In Case No. 07-0115-C-PW, TracFone requested that the Commission grant a waiver of the applicability of the E911 fees collection rules, arguing that its particular business model did not permit it to comply.

TracFone appealed the Commission's Orders in these proceedings. Commission Staff was successful in negotiating a proposed settlement with TracFone and submitted that proposal to the Commission for approval. To facilitate the settlement negotiations, the Staff and TracFone obtained a ruling from the Supreme Court of Appeals of West Virginia, which held the appeal in abeyance to allow the parties to resolve this matter.

While the Staff and TracFone were negotiating, the West Virginia Legislature enacted statutory changes which placed a sales tax on prepaid wireless carriers. Those sales tax revenues will be used, in part, to replace the E911 fees which were the subject of TracFones February 26, 2007 appellate challenge to the Commission's rules promulgated to collect E911 fees. The Legislative action rendered TracFone's appeal moot.

On October 5, 2009, TracFone filed a petition to withdraw its appeal from the Commission Order. The Commission responded to the petition stating that it had no objection to the withdrawal of the appeal. On October 5, 2009, an Order was entered by the Supreme Court of Appeals granting TracFone's motion to withdraw the appeal.

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5. *Valley Water & Sewer Services, Inc. v. Public Service Commission and Deerwood Homeowners Association*, Commission Case No. 07-0448-W-42T, Supreme Court Docket No. 071833-Petitioner's petition and No. 33899-Full Argument.

This case was brought on appeal before the Supreme Court from the Commission's September 28 and October 30, 2007, Orders approving increased water rates and charges without also approving two rate adjustments in favor of Valley which were outside the test year; and approving a certificate application to replace an existing water tank serving the Deerwood Subdivision in Berkeley County.

In its September Order, the Commission:

- 1) Adopted the ALJ's Recommended Decision which required the ratepayers to pay for 100 percent of the tank financing;
- 2) Denied other provisions including a surcharge to repay Valley's debt owed to Snyder Environmental Services, Inc. because the debt sought to be recovered by the surcharge was debt incurred outside the historical test year. Therefore, it should not be included in determining rates and charges in the present case;
- 3) Denied Valley's exception concerning recovery of attorney and accounting expenses because Valley provided no compelling argument to overturn or alter the ALJ's Recommended Decision on this issue;
- 4) Required Staff to file a petition with the Commission requesting a general investigation of Valley; and
- 5) Required Valley to file quarterly status reports in the case regarding the status of the possible sale of Valley to another utility in the area.

In September 2008, the Supreme Court considered a joint motion from the parties and continued the October 7, 2008, full oral argument. This matter is still pending before the Supreme Court. However, a stipulation has been presented to the Commission which includes a proposal for resolving this case.

6. *Laurel Mountain Preservation Association, Inc. v. The Public Service Commission of West Virginia*, Case No. 08-0109-E-CS. Supreme Court Docket No. 090600.

On April 16, 2009, Laurel Mountain Preservation Association, Inc. (LMPA) filed a petition for appeal of the Commission's decision to grant AES Laurel Mountain a siting certificate

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to construct and operate a 125 to 132.5 MW wind generation project consisting of up to 65 turbines in Grant County. LMPA made numerous assertions in its petition for appeal which, in summary, alleged that the Commission erred by not appropriately balancing the interests at issue.

The Commission responded that it had appropriately appraised and balanced all of the factors in coming to its decision to grant a siting certificate. Specifically, W.Va. Code §24-2-11c directs the Commission to balance the interests of the public, the interests of the applicant and the general interests of the state and local economy.

Both AES Laurel Mountain, LLC and the West Virginia State Building and Construction Trades Council, AFL-CIO were granted status in front of the Supreme Court. On June 9, 2009, the Supreme Court issued an order upholding the Commission's position and refusing LMPA's petition for appeal.

Federal District Court

JLS, Inc. v. Public Service Commission of West Virginia, Federal District Court, Southern District, W.Va. Docket No. 2:07-CV-586.

The Plaintiff sought to transport rail crew to train site and sought declaratory relief that state law requiring a certificate of need violates the interstate commerce clause. The District Court denied the intervention of two West Virginia certificated motor carrier operators. The West Virginia carriers appealed the denial of their intervention to the Fourth Circuit Court of Appeals.

Following an order of the Fourth Circuit Court of Appeals that the District Court erred by not allowing the interventions, JLS asked the Court to dismiss the case. The District Court issued an order that dismissed this case.

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Budget and Human Resources

In 2009, the Commission implemented initiatives resulting in annual cost savings of approximately \$222,000. Strict control of travel reduced these costs by \$90,000 from the previous year. Workers Compensation costs were reduced by an additional \$35,000 through the Commission's safety program and claims record. The Utility Division's Assistance and Information Requests System was rewritten to run on a Commission server rather than the State's mainframes saving \$32,000. Other significant cost reductions included \$10,000 saved by restructuring our janitorial contract; \$10,000 saved by reviewing purchases for our library and eliminating subscriptions no longer needed; \$22,000 saved by more stringent control over Water and Waste Water seminar costs; and \$13,000 saved by distributing the Commission's "Pipeline Newsletter" electronically. Total annualized savings implemented by the Commission over the past three fiscal years now exceeds \$800,000.

The Commission can now stream its hearings and proceedings conducted in the Howard M. Cunningham Hearing Room live and online so that the citizens of West Virginia can watch and listen to them on their internet-connected computers.

The Commission also continued to work toward converting more paper documents to electronic documents by scanning. Converting documents from paper to electronic form makes the information more assessable, reduces storage costs, and in many cases, the information can be made available on the Commission intranet or internet web sites. Scanning projects were completed for the Legal Division and for the Government Affairs Section. The Utilities Division's Cable Annual Reports were also converted to electronic form and will soon be posted on the Commission's internet web site.

A long-range information technology plan for the Commission was developed in late 2008. Some parts of the plan were implemented in 2009 including the installation of a new 10 MB circuit. This improvement makes it easier and quicker for employees to access Commission applications allowing employees to work remotely at a similar level of efficiency and connectivity as when in the office. Work also continued on making improvements to the Commission's docket system.

There were many other information technology projects and advancements in 2009. As noted in the savings section, the Utility Division's Assistance and Information Requests System was rewritten and now runs on a Commission server rather than a mainframe computer. This not only reduced Commission costs but also enhanced productivity as the new system is much easier to use than the antiquated mainframe system it replaced. Also, an online electric and gas application was developed which enables routine surveying of

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other states' electric and gas rates. These and many other smaller projects and improvements were implemented in 2009.

After developing several leaks, the roof on the Commission's main building was replaced in 2009. The 25-year old roof was replaced with a new rubber membrane roof. The installation was inspected by Firestone and certified as properly installed. The new roof has a 15 year warranty.

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Case Processing

The Commission has continued a significant effort to resolve newly-filed cases promptly and in an efficient manner while also conducting a focused review of longer-pending matters.

Utility Cases	2004	2005	2006	2007	2008	2009
Pending at beginning	644	569	439	540	490	440
Opened during year	1962	1645	1954	2176	1939	2013
Closed during year	2048	1971	1853	2224	1980	2078
Pending	569	439	540	490	449	434

Motor Carrier Cases	2004	2005	2006	2007	2008	2009
Pending at beginning	195	129	105	115	154	129
Opened during year	233	194	213	367	321	337
Closed during year	299	218	203	328	346	311
Pending	129	105	115	154	133	155

Coal Cases	2004	2005	2006	2007	2008	2009
Pending at beginning	0	22	293	54	69	142
Opened during year	37	728	502	359	686	547
Closed during year	15	536	741	344	613	535
Pending	22	214	54	69	142	154

Hearings

Commission at PSC Building	46
Commission out of town	15
Administrative Law Judge at PSC Building	45
Administrative Law Judge out of town	96
Coal Hearings - Hearing Examiner, Administrative Law Judge Division, at PSC	0

Mediation Meetings

Mediation - Administrative Law Judge Division at PSC Building	3
Mediation - Administrative Law Judge Division out of town	12

Appendix A

**Summary of the
Utility Discount Program**

* * * *

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Through a program created by the West Virginia Legislature in 1983, certain qualifying residential customers are eligible for a special reduced rate schedule in their gas and electric utility rates. The special reduced rate is 20 percent less than the rate applicable to other residential customers obtaining similar service.

Eligible residents must be receiving either:

- (a) Social Security Supplemental Security Income (SSI);
- (b) Aid to Families with Dependent Children (AFDC)*;
- (c) Aid to Families with Dependent Children-Unemployed (AFDCU)*; or,
- (d) Food Stamps, if the recipient is age 60 or older.

Following is a report on the 20 percent discount program for the billing months of December 2007 through April 2008. This report contains a summary by type of utility, including the percentage changes from last year, and individual utility information on subsequent pages.

During the 2008-2009 program year, 33,881 electric customers received \$3.39 million in discounts, an average of \$100.21 per customer. The number of electric customers receiving the discount is greater than last year. In addition, the average discount per customer is more than that reported for the 2007-2008 program year when 32,938 electric customers received \$83.25 per customer. More than eleven thousand (11,987) natural gas customers received \$1.97 million in discounts, an average of \$164.62 per customer. The total number of natural gas customers is less than the 2007-2009 program year when 11,982 customers received an average of \$144.47 in discounts per customer.

*AFDC and AFDCU now fall under the state "West Virginia Works" program.

REPORT ON 20% DISCOUNT PROGRAM FOR BILLING MONTHS OF - DECEMBER 2008 THROUGH APRIL 2009								
				1. 2008-2009 SUMMARY DATA ELECTRIC UTILITIES	PERCENTAGE CHANGE FROM PREVIOUS YEAR	2. 2008-2009 SUMMARY DATA GAS UTILITIES	PERCENTAGE CHANGE FROM PREVIOUS YEAR	
1.	TOTAL APPLICATIONS RECEIVED			38,027	1.46%	12,898	0.57%	
2.	TOTAL APPLICATIONS REJECTED			4,146	11.51%	911	8.07%	
3.	PER CENT REJECTED			10.90%		7.06%		
4.	NO. OF CUSTOMERS GIVEN DISCOUNT			33,881	2.86%	11,987	0.04%	
5.	NO. OF RESIDENTIAL CUSTOMERS			840,424	0.00%	331,813	-0.11%	
6.	PER CENT GIVEN DISCOUNT			4.03%	1.33%	3.61%		
7.	SSI CUSTOMERS			23,767	0.29%	8,108	-1.09%	
8.	WV WORKS CUSTOMERS			3,697	6.34%	1,445	8.40%	
9.	FOOD STAMPS +60 CUSTOMERS			6,417	13.09%	2,434	-0.04%	
				33,881		11,987		
10.	TOTAL BILLS AT NON-DISCOUNTED RATES			\$16,977,086.00	23.82%	\$10,166,592.00	12.42%	
11.	TOTAL BILLS AT DISCOUNTED RATES			\$13,581,669.00	23.82%	\$8,133,273.00	12.42%	
12.	REVENUE DECREASE			\$3,395,417.00	23.82%	\$2,033,318.00	12.42%	
14.	REVENUE DEFICIENCY CERTIFIED			\$3,395,417.00	23.82%	\$1,973,380.00	13.99%	

REPORT ON 20% DISCOUNT PROGRAM
 FOR BILLING MONTHS OF -
 DECEMBER 2008 THROUGH APRIL 2009

	3. 2008-2009 SUMMARY DATA	PERCENTAGE CHANGE FROM PREVIOUS YEAR
1. TOTAL APPLICATIONS RECEIVED	50,925 **	1.24%
2. TOTAL APPLICATIONS REJECTED	5,057 **	10.87%
3. PER CENT REJECTED	9.93%	
4. NO. OF CUSTOMERS GIVEN DISCOUNT	45,868 **	2.11%
5. NO. OF RESIDENTIAL CUSTOMERS	1,172,237 **	-0.03%
6. PER CENT GIVEN DISCOUNT	3.91%	
7. SSI CUSTOMERS	31,875 **	-0.05%
8. WV WORKS CUSTOMERS	5,142 **	4.94%
9. FOOD STAMPS +60 CUSTOMERS	8,851 **	9.15%
10. TOTAL BILLS AT NON-DISCOUNTED RATES	27,143,678	19.29%
11. TOTAL BILLS AT DISCOUNTED RATES	21,714,942	19.29%
12. REVENUE DECREASE	5,428,735	19.29%
14. REVENUE DEFICIENCY CERTIFIED	5,368,797	20.02%

** THIS NUMBER REPRESENTS CUSTOMERS AND NOT INDIVIDUAL HOUSEHOLDS. A HOUSEHOLD MAY BE AN ELECTRIC AND NATURAL GAS CUSTOMER.

REPORT ON 20% DISCOUNT PROGRAM FOR BILLING MONTHS OF - DECEMBER 2008 THROUGH APRIL 2009							
		1. 2007-2008 SUMMARY DATA ELECTRIC UTILITIES	2. 2007-2008 SUMMARY DATA GAS UTILITIES	3. 2007-2008 SUMMARY DATA ALL UTILITIES			
1.	TOTAL APPLICATIONS RECEIVED	37,478	12,825	50,303			
2.	TOTAL APPLICATIONS REJECTED	3,718	843	4,561			
3.	PER CENT REJECTED	9.92%	6.57%	9.06%			
4.	NO. OF CUSTOMERS GIVEN DISCOUNT	32,938	11,982	44,920			
5.	NO. OF RESIDENTIAL CUSTOMERS	840,424	332,189	1,172,613			
6.	PER CENT GIVEN DISCOUNT	3.91%	3.61%	3.83%			
7.	SSI CUSTOMERS	23,697	8,197	31,894			
8.	WV WORKS CUSTOMERS	3,567	1,333	4,900			
9.	FOOD STAMPS +60 CUSTOMERS	5,674	2,435	5,109			
10.	TOTAL BILLS AT NON-DISCOUNTED RATES	\$13,710,612.50	\$9,043,536.36	\$22,754,148.00			
11.	TOTAL BILLS AT DISCOUNTED RATES	\$10,968,496.00	\$7,234,829.09	\$18,203,325.00			
12.	REVENUE DECREASE	\$2,742,124.00	\$1,808,707.27	\$4,550,831.00			
14.	REVENUE DEFICIENCY CERTIFIED	\$2,742,124.10	\$1,731,113.73	\$4,473,237.00			

REPORT ON 20% DISCOUNT PROGRAM
 FOR BILLING MONTHS OF -
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ELECTRIC UTILITIES

	APPALACHIAN POWER COMPANY	BLACK DIAMOND POWER COMPANY	ELK POWER COMPANY	MONONGAHELA POWER COMPANY
1. TOTAL APPLICATIONS RECEIVED	19,794	84	113	13,989
2. TOTAL APPLICATIONS REJECTED	2,521	3	0	1,174
3. PER CENT REJECTED	12.74%	3.57%	0.00%	8.39%
4. NO. OF CUSTOMERS GIVEN DISCOUNT	17,273	81	113	12,815
5. NO. OF RESIDENTIAL CUSTOMERS	369,382	1,404	1,129	323,426
6. PER CENT GIVEN DISCOUNT	4.68%	5.77%	10.01%	3.96%
7. SSI CUSTOMERS	12,594	62	89	8,946
8. WV WORKS CUSTOMERS	1,852	11	9	1,237
9. FOOD STAMPS +60 CUSTOMERS	2,827	8	15	2,632
	17,273	81	113	12,815
10. TOTAL BILLS AT NON-DISCOUNTED RATES	\$9,918,713.95	\$44,222.60	\$53,857.95	\$5,117,555.60
11. TOTAL BILLS AT DISCOUNTED RATES	\$7,934,971.16	\$35,378.08	\$43,086.36	\$4,094,044.48
12. REVENUE DECREASE	\$1,983,742.79	\$8,844.52	\$10,771.59	\$1,023,511.12
13. ADJUSTMENT FOR B&O TAX REDUCTION				
14. REVENUE DEFICIENCY CERTIFIED	\$1,983,742.79	\$8,844.52	\$10,771.59	\$1,023,511.12

REPORT ON 20% DISCOUNT PROGRAM
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 DECEMBER 2007 THROUGH APRIL 2008

	POTOMAC EDISON OF WVA	UNION POWER CO.	WHEELING POWER COMPANY
1. TOTAL APPLICATIONS RECEIVED	2,898	53	1,096
2. TOTAL APPLICATIONS REJECTED	332	1	115
3. PER CENT REJECTED	11.46%	1.89%	10.49%
4. NO. OF CUSTOMERS GIVEN DISCOUNT	2,566	52	981
5. NO. OF RESIDENTIAL CUSTOMERS	108,218	1050	35,815
6. PER CENT GIVEN DISCOUNT	2.37%	4.95%	2.74%
7. SSI CUSTOMERS	1,429	42	605
8. WV WORKS CUSTOMERS	430	3	155
9. FOOD STAMPS +60 CUSTOMERS	707	7	221
	2,566	52	981
10. TOTAL BILLS AT NON-DISCOUNTED RATES	\$1,423,961.65	\$28,045.90	\$390,728.65
11. TOTAL BILLS AT DISCOUNTED RATES	\$1,139,169.32	\$22,436.72	\$312,582.92
12. REVENUE DECREASE	\$284,792.33	\$5,609.18	\$78,145.73
13. ADJUSTMENT FOR B&O TAX REDUCTION			
14. REVENUE DEFICIENCY CERTIFIED	\$284,792.33	\$5,609.18	\$78,145.73

REPORT ON 20% DISCOUNT PROGRAM
 FOR BILLING MONTHS OF -
 DECEMBER 2008 THROUGH APRIL 2009

NATURAL GAS UTILITIES

	ASHFORD * GAS COMPANY	BLACKSVILLE OIL & GAS CO.	BLUEFIELD GAS COMPANY	CONSUMERS GAS UTILITY CO.
1. TOTAL APPLICATIONS RECEIVED	12	6	92	444
2. TOTAL APPLICATIONS REJECTED	0	0	2	7
3. PER CENT REJECTED	0.00%	0.00%	2.17%	1.58%
4. NO. OF CUSTOMERS GIVEN DISCOUNT	12	6	90	437
5. NO. OF RESIDENTIAL CUSTOMERS	325	284	3,389	7,830
6. PER CENT GIVEN DISCOUNT	3.69%	2.11%	2.66%	5.58%
7. SSI CUSTOMERS	8	1	67	329
8. WV WORKS CUSTOMERS	0	1	5	67
9. FOOD STAMPS +60 CUSTOMERS	4	4	18	41
	12	6	90	437
10. TOTAL BILLS AT NON-DISCOUNTED RATES	\$9,799.90	\$4,596.45	\$82,196.55	\$314,671.00
11. TOTAL BILLS AT DISCOUNTED RATES	\$7,839.92	\$3,677.16	\$65,757.24	\$251,736.80
12. REVENUE DECREASE	\$1,959.98	\$919.29	\$16,439.31	\$62,934.20
13. ADJUSTMENT FOR B&O TAX REDUCTION	\$84.08	\$39.44	\$705.25	\$2,699.88
14. REVENUE DEFICIENCY CERTIFIED	\$1,875.90	\$879.85	\$15,734.06	\$60,234.32

REPORT ON 20% DISCOUNT PROGRAM
 FOR BILLING MONTHS OF -
 DECEMBER 2008 THROUGH APRIL 2009

NATURAL GAS UTILITIES

	EQUITABLE GAS COMPANY	HOPE GAS, INC.	LUMBERPORT- SHINSTGON GAS	MEGAN OIL & GAS
1. TOTAL APPLICATIONS RECEIVED	409	3,826	113	26
2. TOTAL APPLICATIONS REJECTED	5	75	1	0
3. PER CENT REJECTED	1.22%	1.96%	0.88%	0.00%
4. NO. OF CUSTOMERS GIVEN DISCOUNT	404	3,751	112	26
5. NO. OF RESIDENTIAL CUSTOMERS	12,416	106,379	2,661	264
6. PER CENT GIVEN DISCOUNT	3.25%	3.53%	4.21%	9.85%
7. SSI CUSTOMERS	280	2,632	79	23
8. WV WORKS CUSTOMERS	34	347	13	1
9. FOOD STAMPS +60 CUSTOMERS	90	772	20	2
	404	3,751	112	26
10. TOTAL BILLS AT NON-DISCOUNTED RATES	\$365,534.30	\$3,223,818.65	\$80,242.55	\$9,909.25
11. TOTAL BILLS AT DISCOUNTED RATES	\$292,427.44	\$2,579,054.92	\$64,194.04	\$7,927.40
12. REVENUE DECREASE	\$73,106.86	\$644,763.73	\$16,048.51	\$1,981.85
13. ADJUSTMENT FOR B&O TAX REDUCTION	\$3,136.28	\$369.61	\$688.48	\$85.02
14. REVENUE DEFICIENCY CERTIFIED	\$69,970.58	\$644,394.12	\$15,360.03	\$1,896.83

* Has not filed.

REPORT ON 20% DISCOUNT PROGRAM
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NATURAL GAS UTILITIES

	MOUNTAINEER GAS COMPANY	SOUTHERN PUBLIC SERVICE CO.	STANDARD GAS COMPANY	UNION OIL AND GAS CO.
1. TOTAL APPLICATIONS RECEIVED	7,594	273	15	88
2. TOTAL APPLICATIONS REJECTED	818	0	0	3
3. PER CENT REJECTED	10.77%	0.00%	0.00%	3.41%
4. NO. OF CUSTOMERS GIVEN DISCOUNT	6,776	273	15	85
5. NO. OF RESIDENTIAL CUSTOMERS	186,641	6,356	378	4,890
6. PER CENT GIVEN DISCOUNT	3.63%	4.30%	3.97%	1.74%
7. SSI CUSTOMERS	4,426	198	11	54
8. WV WORKS CUSTOMERS	934	28	1	14
9. FOOD STAMPS +60 CUSTOMERS	1,416	47	3	17
	6,776	273	15	85
10. TOTAL BILLS AT NON-DISCOUNTED RATES	\$5,851,703.55	\$163,364.00	\$8,595.75	\$52,159.75
11. TOTAL BILLS AT DISCOUNTED RATES	\$4,681,362.84	\$130,691.20	\$6,876.60	\$41,727.80
12. REVENUE DECREASE	\$1,170,340.71	\$32,672.80	\$1,719.15	\$10,431.95
13. ADJUSTMENT FOR B&O TAX REDUCTION	\$50,207.62	\$1,401.66	\$73.75	\$357.39
14. REVENUE DEFICIENCY CERTIFIED	\$1,120,133.09	\$31,271.14	\$1,645.40	\$9,984.42

Appendix B

**Summary of the Tel-Assistance Service
Telephone Rate Discount Program**

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Tel-Assistance Service, created by the West Virginia Legislature in 1986, provides reduced rates for qualified low-income residential customers of telephone utilities. Tel-Assistance customers receive a waiver of the monthly Federal subscriber line charge. The telephone utilities recover their certified revenue deficiency as a credit against the West Virginia telecommunications tax. The option of Tel-Assistance Service remains part of the filed residential tariffs of all of the local exchange telephone utilities and is therefore available to all eligible customers.

Tel-Assistance service is made available to consumers who are recipients of Medicaid, food stamps, supplemental security income, federal public housing assistance, low-income home energy assistance program benefits, Temporary Assistance to Needy Family benefits or other income-related state or federal programs.

Summary Of Tel-Assistance Information Filed By Eligible Telecommunications Carriers For Calendar Year 2007

ELIGIBLE TELECOMMUNICATION CARRIER	No. of Customers		Amount of Discount	
	January 1	December 31	LinkUp Program	Lifeline Program
			\$	\$
Citizens Telecommunications Co.	821	706	15,642.00	7,794.06
dba Frontier Communications of WV	107	102	1,155.00	9,825.95
Hardy Communications	6	6	577.50	0.00
Spruce Knob Seneca Rock Telephone	1	1	0.00	0.00
Alltel Communications, LLC	0	0	0.00	0.00
Fibernet, LLC	20	10	170.00	1,974.00
Stratus Wave Communication	0	1	0.00	0.00
Sprint Nextel Corp.	20	38	0.00	2,020.00
*New Cingular Wireless PCS, LLC	504	321	810.00	45,117.00
Verizon West Virginia, Inc.	4,213	4,173	21,200.00	699,752.00
West Side Telecommunications	12	15	286.00	1,034.50
Armstrong Telecommunications	11	14	0.00	1,059.13
TOTAL	5,715	5,387	39,840.50	768,675.64

Note: On August 30, 2008, the Commission, in Case No. 08-0620-T-PC, approved a Petition for Consent and Approval for the Transfer of Eligible Telecommunications Carrier status from American Cellular, Highland Cellular and Easterbrooke Cellular Corporation to New Cingular Wireless PCS, LLC.

