Public Service Commission of West Virginia

2016 Management Summary Report

and the Electric and Gas Utilities Supply-Demand Forecast Reports for 2017-2026

February 2017

201 Brooks Street
P.O. Box 812
Charleston, WV 25323
1-800-344-5113
www.psc.state.wv.us

Public Service Commission
of West Virginia

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

Michael A. Albert
Chairman

February 8, 2017

To the Members of the 83rd Legislature,

It is our pleasure to submit the *2016 Management Summary Report* and the *2017-2026 Electric and Gas Supply Forecast Reports* for the Public Service Commission of West Virginia. This report details how the Commission has met its mission of supporting and promoting a utility regulatory and transportation safety environment while balancing the interests of the citizens, the State and the regulated parties.

In 2016, the Commission faced interesting challenges, including processing major rate cases of some of the State's largest utilities and assisting much smaller utilities with the challenges of offering safe, reliable utility service to their customers.

The Commission has learned from Appalachian Power Company/Wheeling Power Company and Monongahela Power/Potomac Edison that the vegetation management programs are having a positive effect on the companies' reliability. Both companies report that they are seeing significant decreases in both the number of outages and the duration of outages that occur along the circuits that have been cleared.

The Commission continues to promote consumer and safety issues by promoting services such as 811-Call Before You Dig, alerting the public to utility phone scams, providing storm outage contact information and safety tips, participating in the continuous 72-hour road safety inspections, promoting utility budget billing programs and many other events and programs.

The Commission is also pleased to announce the near term conclusion of the remediation and renovation of the Commission Headquarters Building. The project will be completed in early 2017. It is expected be more than $200,000 *under* budget.

The Commission Staff continued its tradition of public service by contributing over $3,100 to victims of the floods that swept through our State in June. Staff efforts included collecting and distributing cleaning supplies, non-perishable food, toys, books and other items to benefit families in the affected areas. Commission employees also raised money and collected food and personal care items to benefit the YWCA Sojourners Homeless Shelter and the Mountain Mission Holiday Food Drive.

In 2017, the Commission anticipates continuing efforts to meet the needs for electric generating capacity, providing enhanced safety and oversight of the transmission and distribution of natural gas and providing quality water and sewer service throughout the State.

We look forward to continuing to work with you to serve the citizens of West Virginia in 2017.

Respectfully submitted,

Michael A. Albert, Chairman
Brooks F. McCabe, Jr., Commissioner
Kara Cunningham Williams, Commissioner

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I. 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, acts and practices, 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 is supported in its work by a current staff of 244 employees, including many professionals, such as lawyers, engineers, economists and accountants. The professional staff is supported by skilled specialists in the areas of investigation of utility practices, safety issues and transportation operations.

II. What the Public Service Commission Regulates

1. Electric Utilities
2. Natural Gas Utilities
3. Telephone Utilities (land line services)
4. Private and Publicly Owned Water and Sewer Utilities (limited jurisdiction over rates of municipal and larger public service district water and sewer utilities)
5. Gas Pipeline Safety: Natural gas interstate transmission, regulated gathering and distribution pipelines, hazardous liquids intrastate transmission and regulated gathering, and on occasion, acts as an Agent of the Federal Department of Transportation, Pipeline and Hazardous Material Safety Administration (PHMSA)
6. Solid Waste Carriers (intrastate)
7. Commercial Solid Waste Facilities (landfills)
8. Public Storm Water Service Districts
9. Certification of Independent Power Producers or Non-Utility Electric Generation facilities located in West Virginia. These facilities could include generation from any energy source, including wind, natural gas, landfill gas or other methane sources, solar, water, coal, renewable fuels and waste fuels
10. Allocation of Energy Intensive Industrial Consumers Revitalization Tax Credits
11. Some Motor Carrier Operations, including economic regulation of intrastate transportation of passengers (taxis and limousines), household goods movers and towing services not arranged by the owner of a towed vehicle (third party tows)
12. Safety, Weight and Speed Limit Enforcement of all commercial motor vehicles (private fleet and common carrier vehicles) operating in the State, including motor carriers involved in interstate commerce, with emphasis on high accident areas
13. Regulating Transportation of Hazardous Materials, including identification, registration and permitting of commercial motor vehicles transporting such materials in and through the state
14. Coal Resource Transportation System (CRTS)
15. Administration and enforcement of Federal and State Railroad Safety regulations governing transportation of persons and property by rail
16. Disbursement of E-911 Funds to counties, including approval of recommendations from the Tower Assistance Fund Committee regarding use of E-911 funds for cell tower construction
17. Regulation of Fees and Charges for setting and care of veterans’ grave markers

III. Meet the Commission

Chairman Michael A. Albert

Michael A. Albert was appointed to the Commission in February 2007 to fill an unexpired term ending June 30, 2007. He was reappointed to two consecutive six-year terms expiring June 30, 2019. On July 1, 2007, he was appointed Chairman and continues to serve in that role. He previously served as a Manager and Member in the Business Law Department of Jackson Kelly, PLLC, in Charleston, West Virginia, focusing on public utilities and business and commercial transactions.

Chairman Albert currently serves as a member of the Board of Directors of the Kanawha County Public Library. He has served as President of the Board of Directors of the Library, and as Chairman of the Education Alliance, Junior Achievement of Kanawha Valley and the National Institute for Chemical Studies.

Chairman Albert graduated from West Virginia University with a Bachelor of Science degree in Business Administration, majoring in Accounting. He achieved numerous academic and extracurricular awards, and upon graduating, he served 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 was the Editor in Chief of the *West Virginia Law Review* and received his Juris Doctor degree, with honors.

Chairman Albert is a Fellow of both the West Virginia Bar Foundation and the American Bar Foundation, served on the West Virginia State Bar Board of Governors and served as Chairman of the WVU Law School Visiting Committee. Originally from Wheeling, he currently resides in Charleston with his wife, Laura Lee. They have three children, seven grandsons and a granddaughter.

Commissioner Brooks F. McCabe, Jr.

Brooks F. McCabe, Jr. was appointed to the Commission in November 2014 to fill an unexpired term and was reappointed to a full term ending June 30, 2021. He currently serves as a member of the Board of Directors of the Organization of PJM States, Inc. (OPSI) and the Mid-Atlantic Conference of Regulatory Utility Commissioners (MACRUC). Prior to joining the Commission, he served as a Senator representing Kanawha County from 1998-

2014, and served on the Finance, Economic Development, Pensions, Banking and Insurance, Labor, Natural Resources, and Transportation and Infrastructure Committees. He is also the Managing Member and Broker of West Virginia Commercial, LLC and has been involved in commercial and investment real estate for more than 30 years.

Commissioner McCabe has served on the boards of the Charleston Renaissance Corporation, Chemical Alliance Zone, Charleston Area Medical Center, West Virginia State College Foundation, the University of Vermont, and the GOW School, a private college preparatory school for dyslexic students in South Wales, New York.

Commissioner McCabe is a graduate of the University of Vermont where he earned a Bachelor of Science in Management Engineering and a Master of Education in Education Administration. He received his Doctor of Education degree from West Virginia University, with concentration in planning and community development. His professional designations include the American Institute of Certified Planners and the REALTORS® National Marketing Institute, in which he is a Certified Commercial Investment Member. He and his wife Barbie reside in Charleston and have one daughter and two grandchildren.

Commissioner Kara Cunningham Williams

Kara Cunningham Williams was appointed to the Commission in October 2015 to fill an unexpired term ending June 30, 2017. She previously was a member of the law firm Steptoe & Johnson, PLLC where she practiced in the areas of complex and commercial litigation. She also has served as an adjunct lecturer at the West Virginia University College of Law.

Commissioner Williams is active in the community in both the Kanawha and Greenbrier Valleys. She currently serves as Vice President of the Board of Directors of Carnegie Hall, Inc. in Lewisburg, and is a past President of the Board of Directors of the YWCA of Charleston. She is a member of the Board of Directors of the Children's Home Society of West Virginia and the West Virginia State Bar's Committee on Unlawful Practice, and has served on boards or committees of a number of other organizations, including the American Inns of Court, the Washington & Lee University Alumni Association and the Center for Economic Options.

Commissioner Williams earned her Bachelor of Arts degree in French, *summa cum laude*, from Washington & Lee University. She earned her Juris Doctor degree, *cum laude*, from Harvard Law School. She and her husband, Fred, have two sons and split their time between Lewisburg and Charleston.

IV. Organization

The Public Service Commission of West Virginia consists of 12 Divisions and the Consumer Advocate Division (CAD). The CAD is physically separate and financially independent from the Commission.

Commission

The Commission regulates the rates, charges, acts and practices of those persons, firms and governmental subdivisions that provide certain public services, including electricity, natural gas, water, sewer, telecommunications, solid waste disposal (landfills), gas pipeline safety and, to some extent, the transportation of persons and property for hire over the public highways of the State. Motor carriers regulated by the Commission include taxi service, specialized limousine service, solid waste, transportation service, third-party towing and household goods movers. The Commission sets statewide policies for utility regulation through rulemaking proceedings, investigates the acts and practices of regulated utilities, recommends statutory changes that affect utilities and the Commission, and sets the administrative policies for the agency.

The Office of the Commission includes the Commissioners and the Quality Assurance, Communications and Government Relations Divisions and support personnel.

Administrative Division

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

The Budgets and Finance Section prepares Commission budgets; provides fiscal review and control; processes and monitors travel expenses, payables and receivables; oversees all procurement activities and 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, State grievance procedures and 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 manages the Commission's technical assets. This includes overseeing the Commission's computer system and service 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, vehicles and physical properties.

The Training Section coordinates and provides education and skills training for Commission employees and maintains training records for the agency.

Administrative Law Judges Division

The Administrative Law Judges (ALJ) Division consists primarily of attorneys and support staff who act in an adjudicatory role under the auspices of the Commission. The ALJs issue Recommended Decisions within time periods prescribed by the Commission or set by statute in cases referred to the ALJ Division by the Commission. A Recommended Decision becomes the Commission's Final Order in a case unless modified by the Commission, based on exceptions filed by one of the parties or Staff of the Commission, or suspended on the Commission's statutory authority.

The ALJ Division works on a variety of cases involving public utilities, motor carriers, cable television and coal hauling on the Coal Resource Transportation System (CRTS). The ALJs hold hearings and provide Recommended Decisions in cases involving service or other complaints from consumers about utilities or motor carriers, rate change requests, applications for certificates of convenience and necessity to construct new or expand existing utility plants and petitions for prior consent and approval for numerous utility transactions regulated by the Commission.

The ALJ Division also administers the Commission’s Billing Dispute mediation program. Throughout 2016, the Division had 54 cases in the mediation process, representing a 69% increase over the number of cases in the mediation program last year. Of those cases, 45 were successfully mediated and resolved, a 109% increase over the number of cases successfully mediated in 2015. Six cases are still in active mediation, and five cases were unable to be mediated and returned to the litigation stream. The mediation program saves resources of the Commission and those parties willing to engage in mediation.

Engineering Division

The Engineering Division provides technical recommendations in cases before the Commission relating to 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, supervise and certify utility meter tests, conduct water pressure tests, investigate voltage levels and other electrical complaints, investigate water taste and odor problems, investigate odor and other problems for sewer utilities, provide leak detection services and review utility construction estimates and undertake other technical tasks and studies as ordered by the Commission.

The Engineering Division provides recommendations to the Commission and to the West Virginia Infrastructure & Jobs Development Council (WVIJDC) on the merits of proposed water and sewer projects, technical comments and assistance on proposed rules and regulations, information and assistance to governmental entities around the State and technical training for public service district board members and Staff. The Engineering Division also assists in the preparation of the annual *Gas and Electric Supply-Demand Forecast Reports* for the West Virginia Legislature.

Executive Secretary Division

The Executive Secretary Division maintains a complete record of all proceedings, acts, orders and judgments of the Commission and assures that documents and pleadings in cases are available to the public in a timely fashion on the Commission website at www.psc.state.wv.us. The Division receives, processes and maintains in safe custody all documents, maps and papers filed in formal cases on the Commission's docket, processes all orders and schedules statewide hearings for the Commission and the ALJ Division.

The Executive Secretary Division receives and maintains all statutory records required for the Commission, including annual reports from regulated utilities; reviews utility reports for accuracy and compliance; processes all Commission Freedom of Information Act requests; receives and processes all formal complaints filed with the Commission, either online or in person; issues all tariffs for rate cases; and, when necessary, issues subpoenas at the direction of the Commission.

The entire Web Docket of the Commission, including copies of all Orders, filings and case documents are available to any interested person, without cost, online. This database separately lists each case on the formal docket and contains PDF files of every non-confidential document filed in each case. Documents filed in formal cases can be accessed, reviewed and copied within one hour of being docketed, scanned and linked to the Commission's website. This docketing and scanning is accomplished throughout the day. The Executive Secretary Division also processes all electronic case subscriptions through the Commission website, allowing individuals to receive daily electronic notification of all activity, including Recommended Decisions and Orders, in any docketed case. The public hearing schedule and logistical information pertaining to docketed cases is also available online.

Gas Pipeline Safety Division

The Gas Pipeline Safety Division (GPS) is responsible for the application, oversight and enforcement of pipeline safety regulations under W. Va. Code §24B and is certified annually under 49 USC §60105 by the U.S. Department of Transportation, Pipeline and Hazardous Material Safety Administration (PHMSA), Office of Pipeline Safety (OPS). The GPS Division oversees safety compliance with 49 CFR 191, 192, 195 and 199 for over 14,200 miles of intrastate natural gas and hazardous liquids transmission and regulated gathering pipelines and natural gas distribution pipelines. On an as needed basis, the GPS may inspect interstate transmission pipelines as an agent for PHMSA.

All GPS inspectors are trained in Federal pipeline regulation at the PHMSA Training Facility in Oklahoma City, Oklahoma. The required training must be successfully completed in three years and inspectors must meet minimum requirements prior to being allowed to inspect pipelines. Inspectors perform regularly scheduled (approximately every 18 – 24 months) inspections of all operators of intrastate natural gas and hazardous liquids transmission and regulated gathering pipelines and natural gas distribution pipelines and master meter systems to determine compliance with Federal and State regulations.

In 2016, the GPS Division performed approximately 100 scheduled compliance inspections on a variety of pipeline topics. GPS may conduct additional inspections based on complaints from the public, reports from other State agencies or as a follow up to previous inspections. Inspectors may lead or assist with accident investigations to determine the cause of the accident and to evaluate adherence to the required regulations. Unsatisfactory inspections may result in a variety of enforcement actions that are available to the GPS Division to ensure compliance with the pipeline safety regulations.

Pipeline operators are required to meet specific reporting requirements for certain events that occur on their pipeline facilities. GPS has established a 24-hour emergency phone number to facilitate operators' notification to GPS of these events.

Office of the General Counsel

The General Counsel acts as the chief legal advisor to the Commission on cases, policies and other issues facing the Commission. In addition to rendering legal advice to the Commission, the General Counsel represents the Commission in outside litigation and in other State and Federal court and agency proceedings such as the Federal District and Circuit Courts, Federal Energy Regulatory Commission (FERC) and the Federal Communications Commission (FCC).

The Office of the General Counsel includes law clerks, an employment attorney and support personnel. The law clerks research regulatory matters involved in cases; prepare summaries of facts and issues in Commission deliberations and hearings and draft orders that are reviewed, revised and approved by the Commission. The employment attorney assists in the development of policy, tracks court opinions in human resources and employment law and researches and handles grievances and other employment issues.

Legal Division

The Legal Division provides legal assistance to the other Divisions and represents the Staff of the Commission in proceedings before the Commission and Administrative Law Judges for adjudication and resolution. The Legal Division is bound by the rules regarding *ex parte* contact with the Commission and the Commission's immediate Staff.

The Commission Staff is a formal party to Commission proceedings. The Legal Division works with the technical and financial analysts to review the positions of all parties to the proceedings and presents a recommendation in those proceedings to the Commission for disposition of the matter. The Commission's Legal Division represents the Staff, not individual complainants, in matters before the Commission.

As required, the Legal Division, in coordination with the General Counsel, represents the Commission in State and Federal Courts and before other State and Federal agencies including the WVIJDC, FERC and the FCC. The Legal Division is also involved in defending Commission Orders that are appealed to the Supreme Court of Appeals of West Virginia. In addition to working on formal cases, the Legal Division assists other Divisions within the Commission to develop responses to utility customers and utility company inquiries.

Transportation Division

To streamline efforts and save financial and personnel resources, the Commission recently merged the Transportation Administration and Enforcement Divisions. The newly-combined Transportation Division consists of seven operating sections.

The Safety Enforcement Section performs safety inspections of motor vehicles operated by interstate and intrastate motor and private carriers, commercial motor vehicles and drivers. Officers enforce compliance with U.S. Department of Transportation safety criteria adopted by the Commission.

The Special Operations Section conducts safety audits on newly-established motor carriers involved in interstate commerce and compliance reviews on interstate and intrastate motor carriers with lower than average safety ratings in conjunction with investigators of the Federal Motor Carrier Safety Administration located in West Virginia. This Section also monitors intrastate taxi carriers.

The Motor Carrier Section conducts registration of intrastate and interstate motor carriers, collects registration fees, filing fees, insurance fees and hazardous materials assessments.

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

The Coal Resource Transportation System (CRTS) Section is responsible for permitting vehicles on certain CRTS designated roads in 19 counties, for imposing reporting requirements for coal shippers and receivers, imposing administrative sanctions for violations and collecting the nickel per ton fee for coal shipped in excess of 88,000 pounds on CRTS roads.

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 Logistics Section is responsible for commercial vehicle enforcement on the West Virginia Turnpike and the scheduling of special patrols to high accident areas and the procurement and inventory of all supplies and equipment to support the Transportation Division, including all electronic equipment.

Utilities Division

The Utilities Division consists of accountants, auditors, analysts and economists, and provides accounting, audit, financial, economic and other technical assistance and analysis in Commission cases and processes and participates in rate and other filings made by electric, natural gas, telephone, water and wastewater utilities, solid waste carriers, taxis, limousine services, household goods movers, tow operators and commercial solid waste facilities.

This Division is responsible for reviewing and making recommendations to the Commission regarding formal customer complaints filed against natural gas, electric, telephone, water and wastewater utilities, regulated motor carriers and commercial solid waste facilities, and informal complaints or requests for assistance dealing with other regulated utility services. The Utilities Division assists customers with quality of service complaints related to cable television, maintains a comparative database of motor carrier costs and rates and conducts both financial and management audits of motor carriers operating within the State.

Water and Wastewater Division

The Water and Wastewater Division (WWD) provides assistance in the areas of technical support, operations, engineering, design, financial analysis, accounting, ratemaking, Commission rules and policies and other regulatory matters to political subdivisions of the State that operate a water, sewer and/or stormwater utility. The Division also provides assistance to private utilities with Commission rules and policies.

The Division provides mandatory and optional training seminars, makes field visits and, in collaboration with the West Virginia Department of Environmental Protection (DEP), the Bureau for Public Health, and the Bureau for Risk and Insurance Management, publishes *The Pipeline*, a quarterly newsletter.

In 2016, the Water and Wastewater utility analysts provided technical assistance to water and wastewater utilities in 1,093 matters. The average completion time for resolving a technical assistance request during 2016 was approximately 1.5 days. The Assistance Staff is also charged with reviewing, from a financial perspective, the preliminary applications to WVIJDC. During 2016, the Water and Wastewater utility analysts conducted 37 WVIJDC reviews. The Division also reviewed approximately 553 annual reports filed by water and wastewater utilities for quality and accuracy. During 2016, the Division processed 1,532 informal inquiries.

V. Significant Proceedings

Electricity

Generation Cases

Moundsville Power, LLC Electric Wholesale Generating Facility

On July 3, 2014, Moundsville Power, LLC filed an application for a siting certificate requesting authorization to construct and operate an electric wholesale generating facility (project), including a related transmission line of less than 200 kV in Case No. 14-1221-E-CS. The proposed project was to be a 549 MW natural gas-fired electric generating facility, constructed approximately three miles south of Moundsville, West Virginia, on a 37.2 acre tract, part of the Allied-Hanlin-Olin Superfund site. The project would receive blended methane-ethane gas from a dedicated pipeline owned and constructed by a third party under contract to Moundsville Power. Under the proposal, the transmission support line and associated interconnection facilities would be constructed to connect the project to American Electric Power's (AEP) Washington Substation. Construction costs were estimated at $615 million.

In its application, Moundsville Power asserted that the project would not have an impact on West Virginia ratepayers. The parties filed a Joint Stipulation and Agreement for Settlement on December 2, 2014, requesting Commission approval of the project, subject to certain conditions. On February 13, 2015, the Commission approved the Joint Stipulation and granted the Siting Certificate. In a related case, the Commission on April 13, 2015, approved the intrastate pipeline(s) supplying natural gas and ethane to the project site (Case No. 15-0321-GT-CN, Moundsville Pipeline, LLC).

On August 5, 2016, Moundsville Power, LLC filed an application for a waiver of the siting certificate modification requirements or, in the alternative, for a modification to its siting certificate (Case No. 16-1075-E-CS-PC). The Company stated that because of reliability improvements and upgrades that AEP proposed to make to its transmission system and George Washington Substation, it was able to increase the output of its generators from the approved 549 MW to 643 MW. No changes in equipment or structure are required to obtain this increased output. The West Virginia State Building and Construction Trade Council, AFL-CIO and the Ohio Valley Jobs Alliance were granted intervenor status.

On December 19, 2016, the Commission issued a Final Order determining that the proposed increase of 124 MW in net generating capacity was not a material modification to Moundsville Power's Siting Certificate and granted Moundsville's application for a waiver of its Siting Certificate. This case is now closed.

Mt. Storm Wind Force, LLC Wholesale Wind Power Generating Facility

On August 29, 2002, the Commission approved the application of Mt. Storm Wind Force, LLC (Mt. Storm) and granted a certificate of convenience and necessity to construct and operate a wholesale wind power generating facility and related interconnecting transmission facilities in Tucker and Grant Counties (Case No. 01-1664-E-CN). The Commission noted in its Order that the project was in the public's interest because it would provide needed energy to the power grid that serves residents and businesses throughout West Virginia, the public comment received during the application process was in favor of the project and the visual and audible impact of the project would be minimal. The Commission noted that there was no financial risk to the public since Mt. Storm did not plan on using any public funding and would bear the sole financial risk for the project.

On August 15, 2016, Mt. Storm filed an application for a waiver of Siting Certificate requirements or, in the alternative, for a modification to its existing Siting Certificate (Case No. 16-1117-E-CS-PC). Mt. Storm proposed to reduce the number of turbines, increase the height of some turbines and decrease the height of others, reduce the overall power generation of the project from 250 MW to 150 MW and locate a portion of the collection line above ground rather than underground.

On December 6, 2016, the Commission entered an Order granting a request for intervention filed by Friends of Blackwater and establishing a procedural schedule with an evidentiary hearing on February 7, 2017. This case is pending before the Commission.

Appalachian Power Company Request for Proposal for Wind Power

On December 4, 2015, Appalachian Power Company (APCo) filed a petition for Commission approval of a Request for Proposal (RFP) to add 150 MW of wind power to its renewable energy portfolio (Case No. 15-1916-E-P). This case was filed to fulfill a requirement of the Commission's Order of December 30, 2014, in Case No. 14-0546-E-PC that approved the transfer to Wheeling Power Company (WPCo) of an undivided 50% interest in the Mitchell Power Plant. The Commission had required the issuance of an RFP the next time APCo/WPCo sought energy and capacity in excess of 100 MW for its West Virginia customers (other than from the non-rate-base portion of the Mitchell Plant).

APCo noted that any contract developed as a result of the 2016 Wind RFP would be submitted to the Commission and to the Virginia State Corporation Commission (VSCC) and that obtaining appropriate regulatory orders will be a condition of any such contracts. APCo stated it intended to issue the Wind RFP by February 12, 2016.

On January 28, 2016, the Commission issued a Final Order approving APCo's petition to issue a request for proposal. This case is now closed.

<u>Appalachian Power Company and Wheeling Power Company Renewable Energy Purchase Agreement</u>

In Case No. 15-1916-E-P, the Commission granted APCo the authority to issue a request for proposals (RFP) for 150 MW of new renewable wind generation to be in service by December 31, 2017. The Commission further ordered APCo to seek its approval of any contract developed as a result of the RFP. APCo issued its competitive Wind Energy Resources RFP to pre-qualified bidders on February 12, 2016.

On May 30, 2016, APCo entered into the Bluff Point Renewable Energy Purchase Agreement (REPA) with NextEra, under which APCo would purchase 100% of the Renewable Energy Products produced from the 119.9 MW Bluff Point Wind Energy Center to be constructed in Jay and Randolph Counties, Indiana. On July 26, 2016, APCo/WPCo filed a petition seeking the Commission's consent and approval to enter into a REPA for the purchase of wind generation (Case No. 16-1026-E-PC). If APCo is granted permission to enter into the contract, rate recovery of the REPA costs will be sought from ratepayers of both APCo and WPCo. The Commission's Consumer Advocate Division (CAD) and the West Virginia Energy Users Group (WVEUG), a group of large industrial customers who participate in Commission utility matters to protect the interests of those large customers, have been granted intervenor status.

APCo filed an Integrated Resource Plan (IRP) with the VSCC in 2016 that reflected its most recent analysis of future needs for capacity and energy resources. APCo previously filed its West Virginia IRP on December 30, 2015. APCo showed several alternatives in its Virginia IRP and selected the Hybrid Plan, which excludes any consideration of the Kanawha River Plant as a possible generation source. APCo believes that its Virginia IRP and the Hybrid Plan show the value of wind generation. APCo selected a greater amount of wind resources in the Virginia IRP than it previously showed in its West Virginia IRP because extensions to Federal Tax Credits for wind were announced after the preparation of the West Virginia IRP, resulting in additional amounts of wind resources being more economical to APCo's customers. This case is pending before the Commission.

<u>Appalachian Power Company Request to be Relieved of any Commission-Imposed Obligations Regarding the Retention and Maintenance of the Kanawha River Plant</u>

On July 7, 2015, the Commission entered a Final Order in Case No. 15-0722-E-P in which it urged APCo to maintain any infrastructure installed at Kanawha River that might be used for natural gas conversion of the plant for at least four years, or until further order of this Commission. The Commission also stated the Company should consider whether property or equipment at the Kanawha River Plant (KRP) would be used for burning natural gas.

On October 6, 2016, APCo filed a petition asking the Commission to allow it to proceed with the disposition of the KRP, its infrastructure, equipment and property (Case No. 16-1382-E-PC). The Company asserted that it had considered the economical viability of converting the KRP for future natural gas generation and concluded that it was not economically viable. According to the Company, maintaining the KRP in its current posture imposed costs that the Company should not be required to incur indefinitely. The Company asked that the Commission relieve it of any duties imposed by the Commission's Orders in Case No. 15-0722-E-P. The Company stated that it would make any required filings to seek Commission approval, including for the transfer of real property. This case is pending before the Commission.

Appalachian Power Company Transfer of the Reusens Hydro Facility

On October 7, 2016, APCo filed a petition seeking the Commission's permission to sell assets to Eagle Creek Reusens Hydro, LLC, a wholly-owned subsidiary of Eagle Creek Renewable Energy, LLC (16-1386-E-PC). APCo is seeking permission to sell substantially all the assets of the hydro-electric facility known as the Reusens Hydro Facility, a 12.5 MW installation, consisting of five 2.5 MW units located on the James River in Virginia. The Company is also seeking to transfer the Federal Energy Regulatory Commission (FERC) license for the Reusens Hydro Facility. This will be a cash transaction and must also be approved by the FERC and the VSCC. APCo has owned the Hydro Facility since 1926, but equipment failures in the last few years have caused the units to be taken out of service. APCo decided against refurbishing or replacing the units because less costly options were available.

APCo asked that the Commission approve the Petition as soon as possible so that the transaction could be consummated by December 31, 2016. This case is pending before the Commission.

Tri-State Solar/Wind Energy, LLC Solar Conversion Electric Generating Facility

On September 22, 2015, Tri-State Solar/Wind Energy, LLC (Tri-State), filed an application for approval of a Siting Certificate for a 5.3 MW solar conversion electric generating facility to be located in Greenbrier County, West Virginia (Case No. 15-1553-E-CS). The electricity generated by the project will be sold on the competitive wholesale market in West Virginia and other locations.

Staff and Tri-State entered into a Joint Stipulation on July 8, 2016, that included a number of conditions that Tri-State must meet to construct and operate the facility. On July 14, 2016, the Commission approved the Joint Stipulation, granting the Siting Certificate. This case is now closed.

Seven Islands Environmental Solutions, LLC Methane Conversion Electric Generating Facility

On February 16, 2016, Seven Islands Environmental Solutions, LLC, (Seven Islands) filed an application for a Siting Certificate for a 3.2 MW methane conversion electric generating facility to be located in Raleigh County, West Virginia (Case No. 16-0201-E-CS). The methane will be generated by the decomposition of solid waste at the Raleigh County Landfill and the electricity generated by the project will be sold on the competitive wholesale market in West Virginia and other locations.

Staff and Seven Islands entered into a Joint Stipulation on June 30, 2016, that included a number of conditions that Seven Islands must meet to construct and operate the facility. On July 18, 2016, the Commission approved the Joint Stipulation, granting the Siting Certificate. This case is now closed.

Rate Review and Cost Recovery Cases

Monongahela Power Company and The Potomac Edison Company 2016 ENEC

On August 16, 2016, Monongahela Power Company (MPC) and Potomac Edison Company (PE) (collectively MPC/PE) filed their 2016 Expanded Net Energy Cost (ENEC) case (Case No. 16-1121-E-ENEC). The ENEC rate review is a special purpose rate proceeding for electric utilities that allows cost recovery for prudently incurred costs for obtaining fuel, the cost of purchased power, purchased transmission costs and construction costs for specific projects. MPC/PE requested $65 million in additional revenue, including an under-recovery of $119 million as of June 30, 2016, and a projected over-recovery of $53 million for the 2017 rate effective period at the current rates. The proposed ENEC rates also included recovery of two deferrals from MPC/PE's 2015 ENEC case, a $23 million deferral of energy related costs for the largest industrial rate schedules and a $19 million deferral for unrecovered generation transaction costs. MPC/PE proposed a rate increase of $4 million for its Energy EE/CP surcharge rates due to higher costs associated with a Phase II energy efficiency program. CAD and WVEUG were granted intervenor status.

On November 11, 2016, the parties submitted a Joint Stipulation recommending a rate increase of $25 million. The parties recommended the Companies defer $25 million of the under-recovery balance for one year with recovery in 2018, with an annual carrying cost of 4%. The parties agreed MPC/PE would not file an ENEC case in 2017, leaving the approved rates in effect for two years. MPC/PE also agreed to withdraw Case No. 16-1146-E-4435T upon approval of the Joint Stipulation by the Commission.

On December 9, 2016, the Commission approved the Joint Stipulation. This case is now closed.

Monongahela Power Company and The Potomac Edison Company EE/CP

On March 31, 2016, MPC and the PE filed a petition for consent and approval of Phase II of its Energy Efficiency and Conservation Plan (EE/CP) (Case No. 16-0403-E-P). EE/CP are efforts to control and reduce energy consumption through the use of more efficient electricity-using equipment and weatherization programs. MPC/PE proposed to increase their EE/CP budget to $9.9 million for Phase II, which would run from January 1, 2017, through May 31, 2018. Intervenor status was granted to CAD, WVEUG and West Virginia Citizens Action Group (WVCAG).

On August 17, 2016, the parties filed a Joint Stipulation that slightly modified the program by adding a mid-stream appliance rebate program and increasing the budget to $10.4 million. On September 23, 2016, the Commission issued a Final Order approving the Joint Stipulation. This case is now closed.

Monongahela Power Company and The Potomac Edison Company Boiler Enhancement

During the 2016 Legislative Session the West Virginia Legislature passed HB 4435, that allows for accelerated recovery of capital expenditures by electric utilities for costs related to upgrading coal-fired boilers to allow the utility’s power plants to be more efficient and compete better in electric markets.

On August 22, 2016, MPC/PE filed a tariff application for approval of a modernization and improvement program for coal-fired boilers and for implementation of an associated cost recovery surcharge (Case No. 16-1146-E-4435T). MPC/PE planned to make capital investments at their Fort Martin and Harrison power plants. The projects related to compliance with the Mercury and Air Toxics Standards (MATS) at Fort Martin and with MATS and Cross-State Air Pollution Rule (CSAPR) II standards at Harrison. The planned capital expenditure for these projects was $65 million in 2016 and $11.5 million in 2017. The revenue requirement would be $6.8 million during the 2017 calendar year. MPC/PE later modified the filing to include two additional upgrade projects at Harrison and Fort Martin. CAD and WVEUG were granted intervenor status in this case.

On October 4, 2016, Staff filed a motion to dismiss. The CAD and WVEUG filed responses in support of Staff's motion to dismiss. The Commission scheduled an evidentiary hearing for February 21–23, 2017.

On November 11, 2016, the parties to MPC/PE's annual ENEC filing (Case No. 16-1121-E-ENEC) filed a Joint Stipulation that included the Company's agreement to withdraw this filing upon Commission approval of the Joint Stipulation.

On December 9, 2016, The Commission approved the Joint Stipulation in Case No. 16-1121-E-ENEC and on December 15, 2016, the Company withdrew the tariff application. On December 22, 2016, the Commission issued a Final Order accepting Company's request to withdraw the tariff application. This case is now closed.

<u>American Bituminous Power Partners and Monongahela Power Purchased Power Agreement</u>

On June 5, 2015, American Bituminous Power Partners, L.P. (AmBit), and MPC filed a joint petition to reopen Case No. 87-0669-E-P, requesting approval of modifications to the rate structure in their Electric Energy Purchase Agreement (EEPA). The rates govern the purchase of power from AmBit's electric generation facility in Grant Town, West Virginia, which costs in turn are passed through to the retail customers of MPC. The Companies proposed, among other things, to change the rate structure to a market-based approach and eliminate an existing obligation by AmBit to repay the balance in an energy tracking account of approximately $8.9 million, and requested that the Commission permit any incremental purchased power costs associated with the proposed amended EEPA to be recovered from MPC's retail customers as purchased power expenses in its annual ENEC filings. The Commission granted intervenor status to the CAD, the WVEUG and WVCAG.

Staff and CAD both sought dismissal of the case on the grounds that the Commission lacked jurisdiction. The other intervenors supported those requests. The Commission deferred any decision on those filings until after the evidentiary hearing and the submission of briefs.

On October 10, 2016, the Commission issued a Final Order denying the requests to dismiss the case for lack of jurisdiction. The Commission exercised jurisdiction over the Joint Petition for the limited purpose of considering the request by the Joint Petitioners to pass through to MPC's retail customers the costs associated with the proposed EEPA amendments. The Commission denied that request without prejudice.

Chairman Michael A. Albert recused himself and did not participate in the consideration or preparation of, or the decisions contained in, the Final Order. This case is now closed.

Appalachian Power Company and Wheeling Power Company Expanded Net Energy Cost

On March 1, 2016, APCo/WPCo filed their 2016 petition to initiate the annual review and update of their ENEC rates (Case No. 16-0239-E-ENEC). The Companies proposed to increase ENEC rates by an additional $108.3 million, which included Transmission Investment Charge (TIC) revenues of $19.6 million associated with expanding the TIC to include six additional projects and Generation Investment Charge (GIC) revenues of $4.5 million.

The Commission granted intervenor status to CAD, WVEUG, and Steel of West Virginia (SWVA) and held an evidentiary hearing in Charleston on June 1-2, 2016.

On June 16, 2016, the parties filed a Joint Stipulation agreeing that the Companies should collect an additional $55.06 million per year, effective July 1, 2016, and that the increased rates should remain in effect and frozen for a period of two years, ending June 30, 2018. The Joint Stipulation created a new Construction Surcharge, designated that $16.97 million of the rate increase should be collected through the Construction Surcharge and discontinued the TIC after June 30, 2016. The parties also agreed that the Companies would not request a change in ENEC rates in 2017.

On June 30, 2016, the Commission approved the Joint Stipulation. This case is now closed.

Appalachian Power and Wheeling Power Companies’ Vegetation Management Program

On March 1, 2016, APCo/WPCo, filed their 2016 Petition for review of their Vegetation Management Program (VMP) and true-up of the VMP Surcharge (Case No. 16-0240-E-P). The Companies did not seek an increase in the VMP surcharge. The Commission granted intervenor status to CAD and WVEUG and held an evidentiary hearing on June 1-2, 2016.

On June 16, 2016, the parties filed a Joint Stipulation agreeing that the Companies’ VMP Surcharge rates should not be increased; the Companies would not propose any increase in the current VMP Surcharge to be effective before July 1, 2018; and a portion of any ENEC over-recovery balance as of December 31, 2017, should be applied as a credit against then-outstanding deferred vegetation management expense, subject to avoiding subsidization between customer classes and within certain classes.

On June 30, 2016, the Commission entered a Final Order approving the Joint Stipulation. This case is now closed.

Appalachian Power Company and Wheeling Power Company 2016 EE/DR Program

On March 1, 2016, APCo/WPCo filed a status report for their Energy Efficiency/Demand Response (EE/DR) program (Case No. 16-0238-E-P) as required by the Commission in Case No. 13-0462-E-P. No new programs were proposed in the status report and a rate increase was not requested. APCo/WPCo reported that they offered ten EE/DR programs to their West Virginia customers during 2015, and that 7,608 customers participated in the programs.

APCo/WPCo provided incentives that encouraged the sale of more than 790,000 energy-efficient light bulbs. The programs accomplished a net lifetime savings of 540 million kW hours.

The Commission issued a Final Order on May 23, 2016, accepting the 2016 EE/DR Program Status. This case is now closed.

Appalachian Power Company and Wheeling Power Company Tariff Revisions

On October 8, 2015, APCo/WPCo filed an application to revise their terms and conditions of service and their Underground Service Plan (Case No. 15-1673-E-T). APCo/WPCo's proposed changes that affect services include changing security deposit terms applicable to non-residential customers; eliminating the checkless payment plan; discontinuing the practice of giving customers one hour prior to termination to make an on-site payment; changing average monthly payment plans; phasing out the equal payment plans; adding provisions regarding the customer's responsibility for costs of the preparation of engineering studies, estimates and relocation of facilities; changes to customers' liability with regard to internal or external adjustment of meters; use of energy by customers; denial or discontinuance of service when money is owed to affiliates; increasing reconnection charges; adding a customer investigation charge; increasing the bad check fee to more than the bank may charge; credit card payments; changing residential extensions of service terms; use of customer data; changing underground service plan terms and eliminating the special reconnect option. The CAD, WVEUG and SWVA were granted intervenor status.

On July 8, 2016, the Commission approved a Joint Stipulation proposed in the case that allowed for certain tariff changes and partially allowed proposed non-residential customer security deposit changes in the tariff application. This case is now closed.

On October 23, 2015, APCo/WPCo filed a separate application requesting the Commission approve two new riders for demand response (DR) service and approval of a new Standard Backup Maintenance Service Schedule (Case No. 15-1734-E-T-PC). DR allows utilities to manage peak demands by reducing load that customers have designated as interruptible and provides benefits to electric utilities and their customers. Curtailing interruptible load when wholesale electricity prices are high can allow utilities and their customers to avoid those high wholesale prices or high-cost generation and enhance grid reliability when the grid requires load reduction.

APCo/WPCo proposed to recover the costs associated with the two new DR Riders through their annual ENEC proceedings. The costs include net compensation (bill credits net of buy-through charges and non-compliance charges) to customers who agree to take service under any of the proposed DR Riders.

APCo/WPCo also proposed to change their tariff for customers who operate their own power production facilities and request APCo/WPCo to provide service when the customer's power is not available. A new schedule is proposed that provides for (i) supplemental service (service provided to the customer to supplement the output of the customer's power production facilities); (ii) backup service (service provided to the customer when the customer's power production facilities are unavailable due to unscheduled maintenance) and (iii) maintenance service (service provided to the customer when the customer's power production facilities are unavailable due to scheduled maintenance). Intervenor status was granted to CAD, WVEUG, SWVA and EnerNOC, Inc. in this case.

On July 22, 2016, the Companies requested permission to withdraw the case and for the Commission to dismiss the proceeding without prejudice at its earliest opportunity. On July 26, 2016, the Commission granted APCo/WPCo's request to withdraw the case.

On July 29, 2016, Staff filed a limited petition for reconsideration recommending that the Commission reopen the case for the limited purpose of putting APCo on notice that it should be expeditiously exploring and working to address jurisdictional cost recovery issues associated with the APCo DR programs. Staff suggested that the issues of jurisdictional cost sharing should be pursued by APCo at the VSCC.

On August 23, 2016, the Commission denied the Staff petition to reopen, but stated it fully expects the issues raised by Staff to be addressed in a future capacity filing by APCo/WPCo. This case is now closed.

Black Diamond Power Company Purchased Power Cost

On August 1, 2016, Black Diamond filed a request for a combined purchased power surcharge of $0.0813697 per kWh that would result in a total annual decrease in rates of $262,795 (Case No. 16-1055-E-P). Staff recommended an annual rate decrease in the purchased power rate of $0.0750784 per kWh and that the revenue allocation to APCo be set at 66.52%. Staff also recommended that the net over-recovery balance of $975,435 be refunded to the customers over an eight-year period, at a rate of $121,929 per year.

On November 7, 2016, the Commission issued a Final Order approving a Joint Stipulation signed by all parties that recommended a combined purchased power surcharge of $0.0752788 per kWh, effective for all service rendered on and after December 1, 2016, and that the revenue allocation for APCo be set at 66.58%. The purchased power rate agreed to by Black Diamond and Staff results in an annual decrease in customer rates of $580,184. This case is now closed.

Miscellaneous Electric Cases

Monongahela Power Company and The Potomac Edison Company Request for Proposals

On August 8, 2016, Commission Staff and CAD filed a petition asking the Commission to require MPC/PE to show why they should not be required to issue a Request for Proposals (RFP) for any acquisition of electric capacity greater than 100 MW (Case No. 16-1074-E-P). The filing was made in response to FirstEnergy's (MPC/PE's parent company) overtures it planned to sell the Pleasants Power Station to MPC/PE. As part of the stipulation in the sale of Harrison Power Station (Case No. 12-1571-E-PC), Staff and CAD argued that MPC/PE had committed to issue an RFP the next time they acquired capacity and that the planned purchase of the Pleasants Power Station violated that requirement.

On September 7, 2016, MPC/PE responded to the Staff/CAD petition asserting the requirements of the stipulation in the Harrison transaction had not been met so they had no obligation to issue an RFP.

On October 17, 2016, the Commission dismissed the petition as being prematurely filed, agreeing with MPC/PE that the provisions of the Harrison stipulation had not been triggered. This case is now closed.

In its third quarter earnings call, FirstEnergy announced that MPC/PE would be issuing an RFP in the near future to obtain additional capacity. FirstEnergy Solutions, the unregulated FirstEnergy affiliate that owns the Pleasants Power Station plans to be a bidder in the RFP.

Natural Gas

Purchased Gas Adjustment Cases

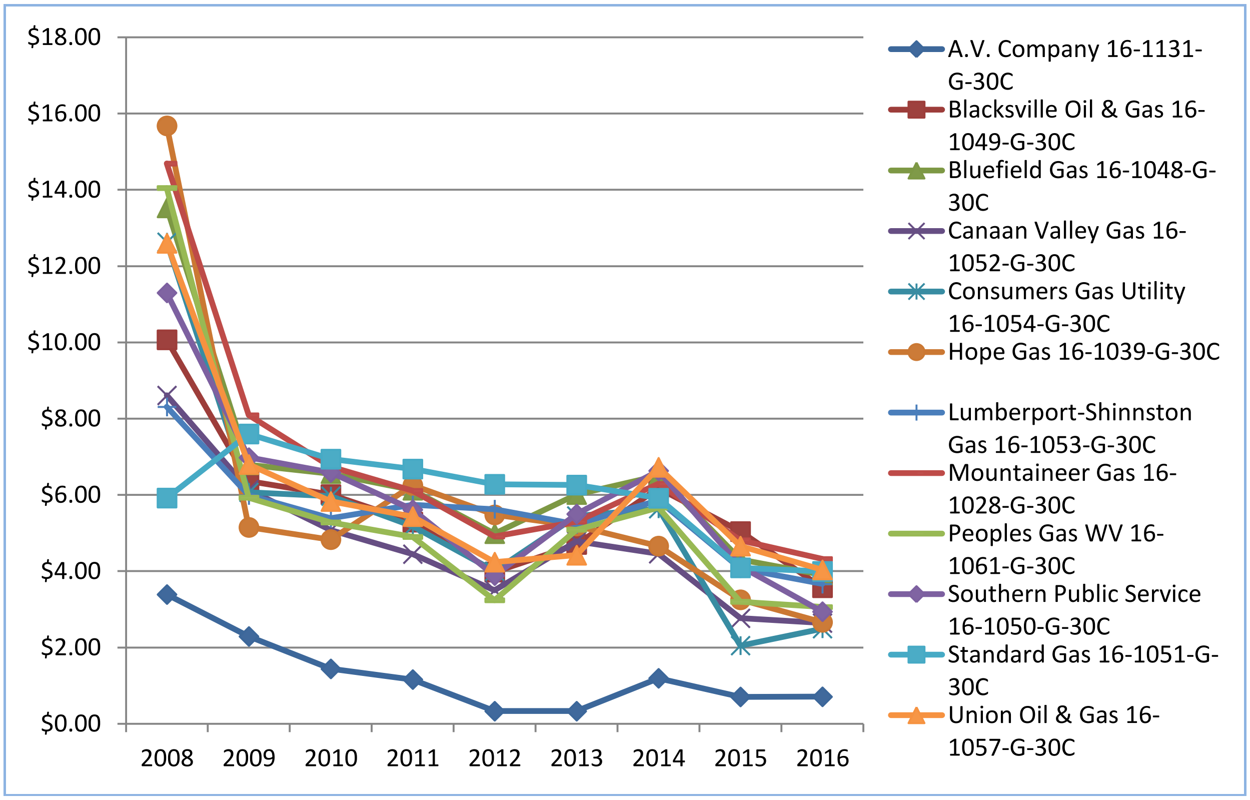
Under the Commission's Rule 30C procedures, natural gas utilities are entitled to file annually to adjust the purchased gas component of their rates. This purchased gas adjustment procedure (PGA) allows the gas utility to recover the costs it pays suppliers for the gas it delivers to gas customers. The PGA cost of purchased gas varies depending on the natural gas utility and, on average, is currently between 35-48% of a typical residential natural gas utility bill.

The prices that natural gas utilities pay their suppliers for gas are not regulated by either the Commission or any Federal government agency, but are determined by the national market. Over recent years, the market-driven price can be and has been extremely volatile, largely resulting from the supply advantage resulting from the availability of Marcellus gas in the market and other external factors.

Following a review of the 30C rate filings by natural gas utilities, the Commission ordered that interim gas rates to recover the cost of purchased gas remain low across the State for the winter of 2016-2017.

Purchase Gas Cost per McF 2008 - 2016

Company and Case No.	2008	2009	2010	2011	2012	2013	2014	2015	2016
A.V. Company 16-1131-G-30C	$3.39	$2.29	$1.44	$1.16	$0.33	$0.33	$1.193	$0.705	$0.708
Blacksville Oil & Gas 16-1049-G-30C	$10.07	$6.36	$6.01	$5.289	$3.979	$4.704	$6.176	$5.041	$3.569
Bluefield Gas 16-1048-G-30C	$13.53	$6.79	$6.56	$6.1257	$4.9866	$6.013	$6.5063	$4.3082	$3.9054
Canaan Valley Gas 16-1052-G-30C	$8.61	$6.14	$5.08	$4.448	$3.501	$4.787	$4.458	$2.766	$2.64
Consumers Gas Utility 16-1054-G-30C	$12.63	$6.07	$5.97	$5.178	$4.00	$5.45	$5.64	$2.05	$2.494
Hope Gas 16-1039-G-30C	$15.68	$5.15	$4.83	$6.25	$5.478	$5.188	$4.66	$3.252	$2.662
Lumberport-Shinnston Gas 16-1053-G-30C	$8.31	$5.99	$5.39	$5.739	$5.627	$5.232	$5.862	$4.071	$3.664
Mountaineer Gas 16-1028-G-30C	$14.69	$8.09	$6.74	$6.108	$4.913	$5.298	$6.293	$4.812	$4.32
Peoples Gas WV 16-1061-G-30C	$14.05	$5.93	$5.28	$4.90	$3.24	$5.09	$5.67	$3.20	$3.06
Southern Public Service 16-1050-G-30C	$11.30	$6.98	$6.59	$5.613	$3.886	$5.50	$6.634	$4.127	$2.94
Standard Gas 16-1051-G-30C	$5.92	$7.60	$6.94	$6.68	$6.28	$6.26	$5.915	$4.09	$3.996
Union Oil & Gas 16-1057-G-30C	$12.60	$6.80	$5.83	$5.434	$4.24	$4.421	$6.727	$4.66	$4.036



Senate Bill 390 Cases

During the 2015 Legislative Session, the Legislature passed Senate Bill 390 (SB 390) that authorized the Commission to approve expedited cost recovery of natural gas utility infrastructure projects through the use of a surcharge. The Commission has received and processed several of these cases.

Mountaineer Gas Company

On July 31, 2015, Mountaineer Gas Company filed with the Commission a five-year Infrastructure Replacement and Expansion Plan (IREP) and application for a surcharge on gas infrastructure improvements (Case No. 15-1256-G-390P). Mountaineer proposed to invest $73 million over the five-year period, including $14 million in 2016. Mountaineer asserted that the improvement projects would enhance the safety and reliability of Mountaineer's distribution system by replacing aging facilities. The CAD, WVEUG and the West Virginia Propane Gas Association were granted intervenor status.

The parties entered into a Joint Stipulation requesting Commission approval of Mountaineer's IREP and surcharge. An evidentiary hearing was held on October 15,

2015. On December 23, 2015, the Commission issued a Final Order adopting the Joint Stipulation and closing the case.

On April 1, 2016, Mountaineer filed a petition to reopen Case No. 15-1256-G-390P so it could amend its IREP, to expand and enhance its facilities to better serve the Eastern Panhandle (Expansion Project). Mountaineer also sought to include the incremental purchased gas adjustment impact of a new transportation agreement related to that expansion.

On July 5, 2016, Mountaineer filed an application for a surcharge on gas infrastructure improvements for 2017 (Case No. 16-0922-G-390P). The application included a five-year plan of infrastructure improvements and proposed investment of $89 million, including $20 million in 2017, exclusive of the proposed Expansion Project. Mountaineer also sought approval to include the proposed gas distribution line in the Eastern Panhandle in its 2017 IREP.

The Commission allowed both the 2015 and the 2016 cases to proceed jointly. On October 4, 2016, the parties entered into a Joint Stipulation that recommended approval of the 2017 IREP and Phase I of the Expansion Project at a construction cost not to exceed $30 million. The Commission approved the Joint Stipulation on November 17, 2016. These cases are now closed.

Hope Gas, Inc., dba Dominion Hope

On September 30, 2015, Hope Gas, Inc., dba Dominion Hope (Hope Gas), filed an application for approval of its Pipeline Replacement and Expansion Program (PREP) and for associated cost recovery (Case No. 15-1600-G-390P). The application involves a multi-year comprehensive plan for natural gas infrastructure replacements and extensions. Hope Gas has embarked on a comprehensive 50-year plan to replace bare steel gas distribution mains; unprotected and/or ineffectively coated steel gas distribution mains; and unprotected, ineffectively coated steel gas service lines; and to upgrade system facilities. Hope Gas also proposes to extend the portion of gas main distribution extensions that do not involve customer contributions to the costs of construction and capital from 100 feet to 300 feet. Under the proposal, new customers within 300 feet of a gas distribution main would not bear the expense for the installation of the gas service line. The CAD, WVEUG and the IOGA were granted intervenor status.

The parties entered into a Joint Stipulation on January 7, 2016, that was approved by the Commission on February 4, 2016. This case is now closed.

On May 31, 2016, Dominion Hope filed its annual PREP Application (Case No. 16-0717-G-390P). The PREP contained two categories of capital investment. The first was a general construction program for replacement or upgrade of aged infrastructure. The Company anticipated investing $24.6 million for this program in 2017. The second category of investment was the Customer Service Piping Program (CSPP), a three-year pilot program ending December 31, 2018. Under the CSPP, Dominion Hope would replace customer service pipe as it completed other routine repairs and upgrades. Dominion Hope estimated capital investment in the CSPP at $1.95 million for 2017. The total capital investment would be $26.55 million.

The parties entered into a Joint Stipulation on September 23, 2016, which was approved by Commission on October 18, 2016. This case is now closed.

Bluefield Gas Company

On May 2, 2016, Bluefield Gas Company (BGC) filed a five-year plan of infrastructure improvements and an application for a surcharge on gas infrastructure improvements (Case No. 16-0560-G-390P). BGC proposed to invest $7.6 million over five years, including $1.2 million in the first year. BGC asserted the projects would enhance the safety and reliability of the distribution system by replacing aging facilities. The projects did not provide service to new customers or to unserved or underserved areas; however, BGC may pursue such projects in the future.

The Commission conducted an evidentiary hearing on July 14, 2016, in this matter. On September 29, 2016, the Commission issued a Final Order approving the requested surcharge without modification. This case is now closed.

Miscellaneous Gas Cases

Bluefield Gas Company and Utility Pipeline, Ltd.

On August 25, 2015, BGC and Utility Pipeline, Ltd. (UPL) (together Joint Petitioners), filed a petition for consent and approval of the acquisition of indirect control of BGC by UPL (Case No. 15-1404-G-PC). In the transaction, UPL would acquire a majority ownership in Appalachian Natural Gas Distribution (ANGD), which in turn owns the common stock of BGC. The acquisition would give UPL an indirect majority ownership in BGC. CAD was granted intervenor status in this case.

UPL is a limited liability company based in Canton, Ohio, that provides management services to eight gas distribution companies or cooperatives in Ohio, Indiana and Pennsylvania. BGC provides gas utility service to 3,388 customers in and around Bluefield, West Virginia. The Joint Petitioners asserted that the acquisition would not change the management, financing, operations, employee levels, service levels or rates of BGC. The Commission conducted an evidentiary hearing on December 1, 2015.

On February 2, 2016, the Commission issued a Final Order granting consent and approval to an indirect transfer of the ownership of BGC. This case is now closed.

Bluefield Gas Company, Utility Pipeline, Ltd. and BBH Capital Partners V, L.P.

On September 8, 2016, BGC and UPL (together Joint Petitioners), filed a petition for consent and approval for BBH Capital Partners V, L.P. (BBH CP V), to acquire an indirect majority ownership interest in UPL, which indirectly owns the common stock of BGC (Case No. 16-1237-G-PC). The acquisition would give BBH CP V an indirect majority ownership interest in BGC.

BBH CP V is a private equity fund founded and managed by BBH Capital Partners, the private equity arm of Brown Brothers Harriman & Co. BBH Capital Partners has the requisite capabilities to become an indirect majority owner of BGC. The Joint Petitioners assert the acquisition will not change the management, financing, operations, employee levels, service levels or rates of BGC.

On October 31, 2016, Commission Staff recommended the Commission grant its consent and approval of this ownership change, subject to the following conditions: (i) no adverse impact on BGC and its customers; (ii) no acquisition premium and no costs associated with the acquisition will be borne by the customers; (iii) BGC agrees not to push down or assign any purchase price, goodwill, early termination payment, change of control payment or incentive or retention bonus payment; (iv) any accumulated deferred income taxes, deferred tax credits and net operating loss carry-overs, if any, will remain on the books of BGC in their pre-acquisition amounts; (v) the current level of investment will be maintained and BGC will keep its customer service field office in Bluefield, West Virginia.

On December 30, 2016, the Commission issued a Final Order granting consent and approval to an indirect transfer of ownership of Bluefield Gas Company. Prior to closing, BGC must make a closed filing attesting that the transaction in West Virginia will be no less favorable to West Virginia customers than the conditions established for the transactions in Ohio and Virginia. This case is now closed.

Mountaineer Gas v. Kanawha County Board of Education

On January 28, 2016, Kanawha County Board of Education (Board) filed a formal complaint against Mountaineer Gas Company (Case No. 16-0060-G-C). According to the complaint, there was a gas well on the property of Capital High School operated by Reserve Oil and Gas, Inc. (Reserve), with a tie-in to gas service between the school and both Mountaineer and Reserve. Citing unsafe conditions regarding the gas supplied by Reserve and the connection of the Reserve gas line to the school, Mountaineer stated that it would shut off gas service to the school effective February 1, 2016. The Board requested the Commission prohibit Mountaineer from terminating service to the school.

On January 29, 2016, the Commission issued an Order that (i) noted the need to proceed cautiously in consideration of the serious safety issues alleged; (ii) made Reserve a respondent in the case; (iii) directed Reserve to stop gas flow to Capital High School from the Reserve well on school property; and (iv) scheduled a hearing for February 3, 2016, on the Board's request for interim relief.

On February 3, 2016, Mountaineer and the Board filed a Joint Stipulation with the Commission which stated (i) the facilities connecting the Reserve well to the school were disconnected and the Board agreed not to reconnect them, leaving Mountaineer's service line, metering and regulation facilities as the only gas distribution facilities connected to the school; (ii) the Board would become a transportation customer of Mountaineer at the school and stated it would contact a marketer for the gas it purchases for the school, other than the amount of free gas the Board is entitled to under its agreement with Reserve; (iii) Mountaineer agreed to provide the Board with an MCF credit in the amount of the free gas for each annual period, to nominate with Reserve the same annual amount for the Board's use and deduct the same amount from Reserve's production for the Board's benefit for the same annual period; (iv) Mountaineer agreed to accept all gas produced under the Reserve Agreement; and (v) the Board withdrew the complaint and requested its dismissal with prejudice. Commission Staff and Reserve did not join in the Joint Stipulation, but did not object to it.

The Commission entered a Final Order on March 28, 2016, approving the Joint Stipulation and dismissing the case. This case is now closed.

Water and Wastewater

West Virginia-American Water Company Water, Sewer and Depreciation Rate Cases

On April 30, 2015, West Virginia-American Water Company (WVAWC) filed three related cases with the Commission: a request for a 28% (roughly $35.5 million) increase in its water rates and charges throughout its West Virginia service territory (Case No.15-0676-W-42T); a request for a 22% rate increase in its sewer rates and charges for wastewater services it provides to customers in Fayetteville, West Virginia (Case No.15-0675-S-42T); and a request for an increase in its depreciation expense in both its water and sewer rates (Case No. 15-0674-WS-D). After its initial filing, WVAWC reduced the amount of its requested increase of water rates and charges to $32 million.

The Commission consolidated the three cases into one proceeding and approved requests to intervene in the case filed by CAD, Kanawha County Commission and Regional Development Authority, Advocates for a Safe Water System (ASWS), City of Charleston, WVEUG and SWVA, Inc.

The Commission held nine public comment hearings in Weston, Huntington, Fayetteville, Princeton and Charleston and an evidentiary hearing in Charleston. Shortly after the evidentiary hearing, the Commission separated the two rate cases from the depreciation case and established separate briefing schedules.

On February 24, 2016, the Commission issued a Final Order granting an increase of $18.17 million (15.1%) in water rates and $151,000 (19.8%) in sewer rates. The Commission also granted new depreciation rates for the Company at a lower level than had been requested. The Commission ordered WVAWC to immediately implement certain changes to its accounting practices, and to make a subsequent depreciation filing supported by adequate evidence within five years. These cases are now closed.

<u>West Virginia-American Water Company Petition for a 2017 Infrastructure Replacement Program Surcharge</u>

On April 29, 2016, WVAWC filed a petition seeking Commission approval of a proposed Infrastructure Replacement Program (IRP) and permission to recover the proposed IRP investment through a surcharge (Case No. 16-0550-W-DSIC). The Company proposed that the IRP include a broad range of utility plant investments and that the IRP surcharge be subject to true-up. The Company's overall proposed investment for 2016 and 2017 totaled approximately $32.5 million. The Company proposed a revenue requirement of $2.59 million for the first year, which it sought to collect through a surcharge beginning January 1, 2017.

CAD, SWVA, WVEUG, the Kanawha County Commission, the City of Charleston and the Regional Development Authority intervened in this case.

On November 2, 2016, the parties filed a Joint Stipulation agreeing that the Commission should establish a Distribution System Improvement Charge (DSIC) and allow recovery of $1.5 million through the DSIC surcharge during the first year, beginning January 1, 2017. The parties agreed the Commission should approve certain projects of the 2017 investment, including a significant level of investment in main replacement (approximately 76% of the 2017 investment). The parties also agreed that the Company should file its annual applications for DSIC recovery and true-up with the Commission no later than July 1, 2017.

On December 2, 2016, the Commission approved the Joint Stipulation and a DSIC surcharge to generate an additional $1.5 million of revenue. This case is now closed.

General Investigation into the Actions of West Virginia-American Water Company in Reacting to the January 9, 2014 Chemical Spill

On January 9, 2014, Freedom Industries, Inc. suffered a significant leak in its storage tank facility, allowing the unpermitted discharge of crude 4-methylcyclohexane methanol (MCHM) into the Elk River about one mile upstream from the raw water intake of WVAWC. That MCHM found its way into the raw water intake structure and ultimately into the finished water supply WVAWC produced at its Kanawha Valley Treatment Plant, resulting in a "Do Not Use" notice affecting approximately 100,000 WVAWC customers. On May 21, 2014, the Commission initiated a limited General Investigation into the actions of WVAWC in reacting to the spill and the presence of MCHM in its raw water and finished water (Case No. 14-0872-W-GI).

The focus of the investigation is whether, at the time of and under the circumstances that existed with the spill, the actions of WVAWC in reacting to the spill and the presence of MCHM in its raw water or finished water supply constitute unreasonable or inadequate practices, acts or services under the provisions of Chapter 24 of the West Virginia Code. Included in the information the Commission ordered to provide were a chronological description of actions taken by the company beginning when any employee, representative of its parent company or service company became aware of the spill; locations and measurements of MCHM discovered in the water; the process and factors used to decide whether to close the intake structure at its Charleston water treatment facility, including which, if any, outside agencies were consulted and who ultimately made the decision regarding the continued intake of raw water from the Elk River; and a description of alternatives for water treatment or alternative or supplemental sources of treated or finished water that were considered by WVAWC after it became aware of the spill.

The Commission consolidated and held in abeyance 26 formal complaint cases that addressed spill-related matters, pending the outcome of the General Investigation. The Commission granted requests to intervene by CAD, ASWS and a group representing local business owners that asserted adverse impacts resulting from the spill.

The parties have completed discovery and have submitted multiple rounds of pre-filed testimony. The Commission has scheduled two public comment hearings on January 17, 2017. The Commission also has scheduled four days of evidentiary hearings, one of which has been completed. The remaining scheduled dates for the evidentiary hearing are January 24-26, 2017. Chairman Michael A. Albert is recused. This case remains pending before the Commission.

City of Williamson Water and Sewer Rate Cases and Complaint Case

On August 17, 2015, the City of Williamson adopted ordinances increasing the rates and charges to their water and sewer customers effective October 1, 2015. On September 8, 2015, the Commission received a Petition of Protest to the water and sewer rate ordinances. The petition stated that an increase of nearly 50% would create an undue burden on customers. On August 26, 2015, the Mingo County Public Service District (MCPSD) filed a complaint against Williamson regarding the discriminatory water rates because Williamson had increased MCPSD's resale rate, but not the rate of another resale customer, Mountain Water District of Kentucky (Case No. 15-1426-W-C).

On September 9, 2015, the Commission determined that the petition was sufficient for it to implement a municipal appeal to review the water and sewer rates of Williamson (Case Nos. 15-1480-W-MA and 15-1481-S-MA, respectively). MCPSD was granted intervenor status in the water rate case. Public comment and evidentiary hearings were held in Williamson.

The parties entered into a Joint Stipulation in Case No. 15-1480-W-MA on April 13, 2016, which changed rates through a three-step process. At the conclusion of step three, water rates would be increased by 2.14%. The Joint Stipulation was approved by a Recommended Decision on April 26, 2016. The agreed upon rates became final on May 16, 2016. The parties also entered into a Joint Stipulation in Case No. 15-1481-S-MA on April 13, 2016, that changed rates through a separate three-step process. At the conclusion of step three, sewer rates were to be decreased by 25.06%. The Joint Stipulation was approved by a Recommended Decision on April 13, 2016, and the agreed upon rates became final on May 9, 2016. These cases are now closed.

Richard A. Robb v. South Charleston Sanitary Board

On February 12, 2016, Richard A. Robb filed a complaint with the Commission against the City of South Charleston Sanitary Board (Board), alleging violations in adopting a sewer rate increase ordinance (Case No. 16-0196-S-C). Mr. Robb stated that the Board failed to publish notice of the rate increase on two separate occasions and failed to provide financial support for the rate increase. Mr. Robb also alleged that he was not permitted to question speakers attempting to justify the rate increase at the public hearing prior to the adoption of the rate ordinance. Mr. Robb raised issues that involve the extent of the Commission's diminished jurisdiction as a result of statutory amendments in 2015 pursuant to Senate Bill 234.

The Board responded by stating it provided adequate notice and sufficient justification for the increase and that Mr. Robb had an opportunity to speak to the Board prior to the vote on the ordinance. It further stated that Mr. Robb did not have the legal right to question speakers appearing before the Board and did not have a statutory basis for his complaint.

On November 10, 2016, the Commission entered an Order finding the Board's ordinance was published twice and properly adopted.

The parties have submitted prefiled testimony and the matter is set for hearing on January 18, 2017. This case is pending before the Commission.

Jefferson County Public Service District Rate Case and Capital Improvement Fee

On August 13, 2015, the Jefferson County Public Service District (District) filed a Rule 42R application to increase its sewer rates and charges by $339,501, or approximately 13.5%, effective the date of filing, subject to refund (Case No. 15-1338-PSD-42R-PC). The District also requested an increase in its Capital Improvement Fee (CIF) from $1,127 per equivalent dwelling unit (EDU) to $4,832 per EDU, resulting in an annual increase in CIF revenues of $137,280. The new CIF retains the $1,127 per EDU passed through to Charles Town, adds Ranson's CIF of $1,625 per EDU and includes $2,080 per EDU for the District's use in paying for future growth projects. The District included in its tariff a Capacity Assurance Fee (CAF) in the same amount as its CIF. Charles Town Utility Board and two individual customers were granted intervenor status.

The District requested that the Commission approve two annual transfers of $75,000 each from the CIF account to the District's new working capital reserve account to meet the requirements of Senate Bill 234.

The Jefferson County Commission filed a protest, opposing the District's rate increase, with particular emphasis on the CIF. An evidentiary hearing was held on April 27-28, 2016. This case is pending before the Commission.

Jefferson County Public Service District System Improvements and Inter-Utility Agreement

On May 12, 2016, Jefferson County Public Service District (District) filed an application for a certificate of convenience and necessity to construct wastewater collection and transmission system improvements, a petition for consent and approval of an inter-utility agreement with the City of Ranson and for approval of post-project rates (Case No. 16-0616-PSD-PC-CN).

The project involves proposed improvements to the Flowing Springs Pump Station owned by the City of Ranson so that the District can make increased use of this facility in lieu of constructing parallel transmission facilities, thereby reducing the capital and debt service expense of the project. The project does not include extensions to serve previously unserved areas; however, it will increase the District's ability to accept new customers as growth occurs. Intervenor status has been granted to an individual customer, the Charles Town Utility Board and the City of Ranson.

An Order filed on July 8, 2016, granted the District's request to toll the statutory suspension period in this matter.

Because the Commission received substantial protest in this case, the period for a decision in this matter has been extended. A public comment hearing is scheduled in Shepherdstown, West Virginia, on January 19, 2017. This case is pending before the Commission.

Water and Sewer Certificate Cases

During 2016, the Commission processed 28 cases for municipalities, public service districts and water or sewer associations seeking certificates of convenience and necessity to expand, upgrade or replace water and sewer infrastructure within their service territories. These projects totaled investments of over $134.6 million and extended water and/or sewer service to more than 1,500 new customers. Typically, the utility seeking a certificate of convenience and necessity for a proposed project submits an application, an engineering study describing the scope of the project, specifications for physical infrastructure to be constructed, estimated costs and the benefits to be provided by the project. The filing also describes the sources of funding for the project such as loans and grants and contains detailed financial statements regarding the impact of the project in terms of any additional customer revenue, changes in operating expenses and annual debt service requirements related to the project. The utility may request increased rates to support project costs.

The filing is reviewed to determine the adequacy of the supporting data, and additional information may be requested to assure that the Commission has all of the information required to determine the reasonableness of the request. Staff reviews the engineering specifications to determine reasonableness of design and cost and the rate impact of the proposal. Staff also reviews and analyzes the financial and operational data to determine appropriate rate levels, if the utility's current rates will not generate adequate revenue to support project costs.

A public hearing is held and evidence submitted by the utility, Commission Staff and any intervenors with regard to the need for the project, any need for modifications to the project and the proper rate levels required to support it. The Commission uses this evidence to determine if the project should be granted a certificate and the appropriate rates, as required.

Following are tables summarizing those projects for which certificates of convenience and necessity were approved during 2016.

Utility – Project	Case Number	Date Filed	Estimated Cost	Pre-Project Customers	Customers Added	Date Approved
Town of Tunnelton	15-0796-S-CN	5/21/15	$1,790,000	415	36	5/16/16
Town of Alderson	15-1091-S-CN	7/6/15	$6,315,250	694	0	5/1/16
White Sulphur Springs	15-1289-S-CN	8/5/15	$3,500,000	1,884	0	5/3/16
Pleasant Hill PSD	15-1334-PWD-CN	8/13/15	$2,415,000	683	35	1/6/16
Fountain PSD	15-1371-PWD-CN	8/19/25	$10,994,800	444	252	6/28/16
Midland PSD	15-1529-PWD-CN	9/17/15	$3,880,000	1,417	141	5/25/16
Malden PSD	15-1541-PSD-CN	9/18/15	$21,924,000	3,358	0	2/8/16
Preston Co. PSD No. 2	15-1562-PWD-CN	9/23/15	$4,515,550	1,403	72	1/27/16
Gilmer Co. PSD	15-1598-PWD-CN	9/29/15	$750,000	768	13	1/18/16
Hamrick PSD	15-1672-PWD-CN	10/8/15	$6,250,000	726	42	2/29/16
Franklin Sewer System	15-1851-S-CN	11/13/15	$3,040,900	461	0	3/9/16
Frankfort PSD	15-1915-PSD-CN	12/3/15	$3,700,000	1,423	0	9/1/16
Frankfort PSD	15-1974-PWD-CN	12/22/15	Case Withdrawn	Case Withdrawn	Case Withdrawn	5/3/16
Cottageville PSD	16-0024-PSD-CN	1/11/16	$3,155,000	223	85	7/12/16
River Road PSD	16-0034-PWD-CN	1/14/16	$2,546,000	774	0	6/5/16
Petersburg Sewer Dept.	16-0041-S-CN	1/15/16	$9,650,397	1,259	0	5/24/16
Preston Co. PSD No. 4	16-0045-PWD-CN	1/20/16	$18,112,625	1,280	363	6/5/16
Crum PSD	16-0204-PWD-CN	2/18/16	$4,300,000	1,287	141	7/6/16
Wetzel Co. PSD No. 1	16-0260-PWD-CN	3/4/16	$554,500	668	0	7/7/16
Deckers Creek PSD	16-0382-PSD-CN	3/29/16	$2,308,155	1,831	60	11/9/16
Town of Rowlesburg Water Works	16-0409-W-CN	4/1/16	$3,600,000	256	100	8/11/16
Clay-Roane PSD	16-0473-PWD-CN	4/14/16	$995,595	849	6	9/5/16
New Haven PSD	16-0580-PSD-CN	5/5/16	$4,515,094	668	65	8/25/16
City of Benwood	16-0614-S-CN	5/12/16	$3,755,400	568	0	11/21/16
Pendleton Co. PSD	16-0692-PWD-CN	5/25/16	$2,850,000	737	129	9/29/16
Paw Paw Route 19 PSD	16-0780-PWD-CN	6/10/16	$670,000	540	0	12/19/16
Town of Pine Grove	16-0823-S-CN	6/17/16	$1,500,000	369	0	10/5/16
Frankfort PSD	16-0869-PWD-CN	6/27/16	$7,123,000	2,736	6	11/13/16

Municipal Appeals

The Commission does not have direct jurisdiction over the economic regulation of rates charged by the water and sewer utilities operated by municipalities. Municipalities may change the rates they charge for water or sewer service by adopting rate ordinances without seeking prior Commission approval.

The Commission may invoke jurisdiction under W.Va. Code §24-2-4b and suspend the use of new rates adopted by a municipality pending investigation, if the Commission receives a petition signed by not less than 25% of the customers within the utility's municipal limits, or from a customer inside the city boundaries alleging discrimination between customers. Passage of Senate Bill 234 by the 2015 Legislature, however, limits the Commission's jurisdiction of Municipal Appeals to those municipal utilities with fewer than 4,500 customers or annual gross revenues under $3 million.

In those instances, Commission Staff performs a full review of the utilities' books and records and makes recommendations for appropriate rate levels based on that review. A public hearing is held at which evidence is taken from the municipality, Commission Staff and any intervenors with regard to proper rate levels. Although areas of disagreement and issues of interest vary from case to case, they usually involve the proper level of operation and maintence expenses and the appropriate cash surplus to be built into rates to provide for adequate year-to-year capital additions. The Commission either approves the rates adopted by ordinance or sets rates at a different level, based on the evidence submitted.

Five water and sewer municipal appeal cases were completed in 2016, several of which have rates that go into effect in steps. Those cases are summarized in the following chart.

Utility	Case Number	Ordinance Increase	Staff Position	Amount Granted	Percent Increase or Decrease	Number of Customers	Date Approved
Williamson Water Step 1	15-1480-W-MA	$543,224	$222,918	$184,641*	13.46%	1,695	5/16/16
Williamson Step 2			$152,200	$126,066*	9.19%		
Williamson Step 3			$40,410	$29,356*	2.14%		
Williamson Sewer Step 1	15-1481-S-MA	$402,703	-$183,645	-$230,897*	-13.08%	1,295	5/9/16
Williamson Step 2			-$226,047	-$284,208*	-16.10%		
Williamson Step 3			-$351,846	-$442,376*	-25.06%		
Camden on Gauley Sanitation System Step 1	15-1597-S-MAR	$40,857	$23,529	$23,529	44.47%	208	2/17/16
Camden on Gauley Sanitation System Step 2			$18,485	$18,485	34.94%		
Town of Reedsville	15-1652-S-MA	$55,099	$19,091	$22,815	10.52%	319	2/29/16
City of Ronceverte Step 1	16-0322-W-MA	$180,000	$172,845	$172,845	32.90%	990	8/18/16
City of Ronceverte Step 2			$109,383	$109,383	20.80%		

** Rates were agreed upon by parties and filed in a Joint Stipulation*

Public Water and Sewer Rate Cases

During 2016, the Commission processed requests by various public service districts to increase rates and charges. Passage of Senate Bill 234 by the 2015 Legislature limits the rate jurisdiction of the Commission over public service districts to those districts with fewer than 4,500 customers or annual gross revenues under $3 million. Those water and sewer utilities under Commission jurisdiction with revenues in excess of $1 million are required to file full financial support for their requested rates. Those proposed rates are published and Commission Staff undertakes a full review of the utility's books and records.

Following its review, Staff recommends rates. If the utility does not object to Staff's proposed rates and if there is no significant public protest, Staff's recommended rates may be approved without a public hearing. If the utility objects to Staff's recommendation or if there is significant public protest, a hearing will be held.

Although areas of disagreement and issues of interest vary from case to case, they usually involve such matters as employee compensation, the appropriate cost level to be built into rates to provide for normal year-to-year capital additions and the status of bond funds and payments.

Based on testimony and the evidence presented at the hearings in these cases, the Commission determines a reasonable level of rates. In 2016, there were eight cases completed in which the water or sewer utility filed full financial exhibits in support of its rate requests. Others are in progress. The completed cases are summarized below.

Utility	Case Number	Amount Requested	Staff Position	Amount Granted	Percent Increase or Decrease	Number of Customers	Date Approved
Greenbrier County PSD #2	16-0185-PSD-42T	$187,750	$174,188	$174,188	13.97%	2,494	5/9/16
Southwestern Water District Step 1	16-0304-PWD-42T	$82,810	$74,098	$74,098	6.67%	2,230	6/15/16
Southwestern Water District Step 2		$55,089	$48,617	$48,617	4.40%		
Union Williams PSD Emergency	16-0308-PSD-42T	$232,071	$0	$0	N/A	1,800	8/12/16
Union Williams PSD Step 1	16-0308-PSD-42T	$336,875	$233,194	$233,194	18.17%	1,800	8/12/16
Union Williams PSD Step 2		$221,481	$153,268	$153,268	11.94%		
Union Williams PSD Step 3		$200,618	$0	$0	N/A		

Utility	Case Number	Amount Requested	Staff Position	Amount Granted	Percent Increase or Decrease	Number of Customers	Date Approved
Sun Valley PSD Step 1	16-0415-PWD-42T-PC	$105,730	$105,730	$105,730	11.91%	1,213	8/28/16
Sun Valley PSD Step 2		$83,892	$83,892	$83,892	9.44%		
Union PSD Step 1	16-0463-PSD-42T	$102,010	$14,444	$14,444	0.64%	5,685	10/9/16
Union PSD Step 2		N/A	$26,315	$26,315	1.17%		
Bradley PSD Step 1	16-0466-PSD-42A	$31,745	$27,235	$27,235	2.19%	1,605	11/21/16
Bradley PSD Step 2		$0	-$32,410	-$32,410	-2.56%		
Gauley River PSD Step 1	16-0718-PWD-42A	$203,118	$210,012	$175,393	9.89%	1,331	11/24/16
Gauley River PSD Step 2		$133,299	$134,816	$110,288	4.76%		

Rule 19A Cases

The Commission permits smaller utilities with annual revenues of less than $1 million to file for increased rates without supporting financial statements. This is an accelerated and simplified procedure. In those instances, Commission Staff performs all of the requisite financial analyses required to establish appropriate rate levels. In most instances the utility does not request specific rates or a given level of increase, and the Staff files a report based on its review and recommends new rates for the utility. The utility is required to publish Staff's recommended rates. If the utility objects to Staff's recommendation or there is significant public protest, a hearing will be held.

Typically, the issues in this type of case are relatively simple, and the utilities frequently do not object to Staff's recommendation. Thirty-eight of these rate filings were completed in 2016. Those cases are summarized below.

Utility	Case Number	Amount Requested	Staff Position	Amount Granted	Percent Increase/ Decrease	Number of Customers	Date Approved
Ellenboro-Lamberton PSD Step 1	15-0186-PWD-19A	N/A	$23,497	$23,497	13.92%	226	5/31/16
Ellenboro-Lamberton PSD Step 2			$14,766	$14,766	8.75%		
Kanawha Falls PSD Step 1	15-0211-PSD-19A	N/A	$-148,638	-$148,638	-13.98%	980	1/25/16
Kanawha Falls PSD Step 2	15-0212-PWD-19A	N/A	$-14,838	-$14,838	-1.38%	980	1/3/16

Utility	Case Number	Amount Requested	Staff Position	Amount Granted	Percent Increase/ Decrease	Number of Customers	Date Approved
Chestnut Point Owners Assoc.	15-1156-S-19A	N/A	$3,179	$3,179	14.94%	75	2/1/16
Chestnut Ridge PSD	15-1226-PWD-19A	N/A	$0	$0	0.00%	1,117	2/23/16
Colfax PSD	15-1227-PSD-19A	N/A	$3,107	$3,107	6.11%	134	1/31/16
Hammond PSD Step 1	15-1475-PWD-19A	N/A	$24,838	$24,838	4.39%	917	5/16/16
Hammond PSD Step 2			-$27,610	-$27,610	-0.49%		
Mannington PSD Step 1	15-1487-PWD-19A	N/A	$61,708	$61,708	12.38%	566	3/21/16
Mannington PSD Step 2			$22,697	$22,697	7.48%		
Marshall Co. PSD No. 3 Step 1	15-1507-PWD-19A	N/A	$189,209	$189,209	25.07%	1,172	4/3/16
Marshall Co. PSD No. 3 Step 2			$131,528	$131,528	18.56%		
Arbuckle PSD Step 1	15-1523-PSD-19A	N/A	$96,125	$96,125	21.50%	573	4/18/16
Arbuckle PSD Step 2			$61,032	$61,032	6.90%		
Circle Drive Estates	15-1575-S-19A	N/A	$7,474	$7,474	63.88%	41	3/15/16
Enlarged Hepzibah PSD Step 1	15-1668-PSWD-19A	N/A	Sewer: $104,192 Water: $33,414	Sewer: -$82,208 Water: $33,414	Sewer: 18.9% Water: 8.2%	928	8/10/16
Enlarged Hepzibah PSD Step 2			Sewer: $100,130 Water: $18,806	Sewer: $0 Water: $18,806	Sewer: 0.00% Water: 4.90%		
Greater Paw Paw Sanitary District Step1	15-1723-PSD-19A	N/A	$120,103	$120,103	18.98%	1,333	5/9/16
Greater Paw Paw Sanitary District Step2			$104,411	$104,411	16.50%		
Greater Paw Paw Sanitary Board Step3			$80,873	$80,873	13.31%		
Hughes River Water	15-1792-W-19A	N/A	$56,587	$56,587	15.73%	3	4/17/16
Lake Floyd PSD	15-1793-PSD-19A	$5,633	$5,302	$5,302	8.65%	153	6/7/16
Big Bend PSD Step 1	15-1837-PWD-19A	N/A	$53,814	$53,814	21.14%	611	7/5/16
Big Bend PSD Step 2			$32,848	$32,848	13.85%		
Mt. Zion PSD Step 1	15-1895-PSWD-19A	25% across the board	Water: $26,559 Sewer: $10,071	Water: $26,559 Sewer: $10,071	Water: 6.49% Sewer: 17.16%	129	5/29/16
Mt. Zion PSD Step 2			Water: $19,454 Sewer: $10,071	Water: $19,454 Sewer: $7,252	Water: 4.75% Sewer: 12.36%		
Wilderness PSD Step 1	15-1927-PWD-19A	N/A	$86,530	$86,530	8.72%	2,055	6/22/16
Wilderness PSD Step 2			$14,223	$14,223	1.53%		

Utility	Case Number	Amount Requested	Staff Position	Amount Granted	Percent Increase/ Decrease	Number of Customers	Date Approved
Cowen PSD Step 1	15-1934-PWD-19A	N/A	$101,065	$101,065	20.38%	1,318	12/26/16
Cowen PSD Step 2			$54,159	$54,159	11.85%		
Hamlin PSD	15-1976-PSD-19A	N/A	$2,908	$2,908	1.30%	720	6/6/16
Mt. Hope Water	16-0018-W-19A	N/A	$20,300	$20,300	3.93%	1,204	7/25/16
Culloden PSD Step 1	16-0027-PSD-19A	N/A	-$18,358	$0.00	0.00%	1,195	7/12/16
Preston Co. PSD No. 1 Step 1	16-0044-PWD-19A	N/A	$80,233	$80,233	12.49%	1,429	7/12/16
Preston Co. PSD No. 1 Step 2			$42,526	$42,526	6.89%		
Bingamon PSD Step 1	16-0046-PWD-19A	N/A	$41,589	$41,589	12.90%	556	10/13/16
Bingamon PSD Step 2			$11,891	$11,891	4.02%		
Danese PSD Step 1	16-0069-PWD-19A	N/A	$93,557	$93,557	17.99%	942	7/11/16
Danese PSD Step 2			$56,717	$56,717	11.60%		
Pleasant View PSD Step 1	16-0184-PSD-19A	N/A	$3,443	$3,443	7.78%	154	11/4/16
Pleasant View PSD Step 2			$2,987	$2,987	6.82%		
Lakewood Utilities, Inc. Water	16-0229-WS-19A	N/A	$13,808	$20,172	22.91%	175	12/26/16
Lakewood Utilities, Inc. Sewer			$14,855	$18,285	18.75%		
Washington Pike PSD Step 1	16-0258-PWD-19A	N/A	$47,103	$47,103	7.76%	1,388	9/21/16
Washington Pike PSD Step 2		N/A	$7,516	$7,516	1.32%		
Whitmer Water	16-0278-W-19A	N/A	$11,448	$11,448	27.35%	121	11/22/16
River Road PSD Step 1	16-0283-PWD-19A	N/A	$37,831	$37,831	9.50%	774	10/6/16
River Road PSD Step 2			$24,405	$24,405	6.40%		
Short Line PSD Step 1	16-0370-PWD-19A	N/A	$99,799	$99,799	15.81%	1,174	11/28/16
Short Line PSD Step 2			$42,910	$42,910	7.37%		
Greenbrier Co. PSD No. 2	16-0442-PWD-19A	N/A	Case Dismissed			470	8/1/16
Grant County PSD Step 1	16-0674-PWD-PW-19A	N/A	$76,698	$76,698	5.39%	2,704	12/27/16
Grant County PSD Step 2			$9,126	$9,126	0.67%		
Clover PSD Step 1	16-0724-PWD-19A	N/A	$47,145	$47,145	27.75%	422	11/20/16
Clover PSD Step 2			$35,408	$35,408	22.03%		
Walton PSD Step 1	16-0746-PWD-19A	N/A	$47,574	$47,574	11.76%	1,011	12/13/16
Walton PSD Step 2			$12,245	$12,245	3.29%		
Central Barbour PSD Step 1	16-0750-PWD-19A	N/A	$71,647	$71,647	12.40%	1,048	12/28/16
Central Barbour PSD Step 2			$24,821	$24,821	4.63%		
Oakland PSD Step 1	16-0755-PWD-19A	N/A	$60,352	$60,352	12.09%	939	11/16/16
Oakland PSD Step 2			$26,739	$26,739	5.70%		
Crumpler Comm. Water Association	16-0796-W-19A	$5,400	$4,173	$4,173	25.52%	90	12/11/16

Rule 30B Pass-Through Cases

The Commission permits smaller water and sewer utilities that purchase finished water for resale from another water utility or that have the sewage they collect treated at a plant operated by another utility to file to recover increases on an expedited basis for resale rates charged to them. In these cases, the Commission allows the purchasing utility to increase rates to its customers enough to make them whole for the increased cost of purchased water or sewage treatment services provided by the other utility. The utility is required to publish the new rates and to provide an opportunity for public protest.

Because the amount of the pass-through rate is largely a mathematical calculation, there is usually little dispute between the utility and Commission Staff as to the correct amount to increase rates. If there is no significant public protest received the rates are approved without the need for public hearing. If unusually high levels of unaccounted for or lost water are discovered during Staff's review, the Commission may require the utility to determine the causes of the high water loss, develop a remediation plan and report the results of steps taken prior to approving the interim rate increases as final rates. Twenty-two of these 30B pass-through rate filings were completed in 2016. Those cases are summarized below.

Utility	Case Number	Staff Position	Amount Granted	Percent Increase or Decrease	Number of Customers	Date Approved
Crum PSD	15-0007-PWD-30B	$19,109	$19,109	2.66%	1,287	2/8/16
Glen White-Trap Hill PSD	15-0254-PWD-30B	$60,309	$60,309	3.54%	1,994	1/12/16
J-2-Y-35 Water Association, Inc.	15-0593-W-30B	Dismissed as moot	Dismissed as moot	Dismissed as moot	N/A	4/14/16
J-2-Y-35 Water Association, Inc.	15-0705-W-30B	$1,385	$1,385	18.87%	517	4/14/16
Washington Pike PSD	15-0775-PWD-30B	$48,733	$48,733	8.96%	1,386	2/18/16
Crum PSD	15-0929-PWD-30B	$10,184	$10,184	1.40%	1,287	2/8/16
Leadsville PSD Step 1	15-1208-PWD-30B	-$17,455	-$17,455	-21.09%	782	1/7/16
Leadsville PSD Step 2		-$23,359	-$23,359	-12.85%		1/7/16
Mt. Hope Water Assoc. Step 1	15-1224-W-30B	$12,239	$12,239	8.60%	1,204	2/2/16
Mt. Hope Water Assoc. Step 2		$22,945	$22,945	15.18%		
Elkins Road PSD Step 1	15-1340-PWD-30B	$7,044	$7,044	7.99%	1,083	1/29/16
Elkins Road PSD Step 2		$14,409	$14,409	16.36%		
Adrian PSD Step 1	15-1506-PWD-30B	$12,196	$12,196	8.01%	1,926	5/9/16
Adrian PSD Step 2		$22,877	$22,877	15.03%		
Hodgesville PSD Step 1	15-1565-PWD-30B	$13,688	$13,688	7.01%	1,204	8/17/16
Hodgesville PSD Step 2		$13,323	$13,323	-2.67%		
New Creek Water Association, Inc.	15-1819-W-30B	$29,138	$29,138	11.93%	1,354	2/19/16
Clay-Roane PSD	15-1978-PWD-30B	$15,288	$15,288	24.05%	849	10/27/16
Mineral Wells PSD	16-0212-PWD-30B	$70,499	$70,499	15.15%	2,534	4/22/16
Clay Battelle PSD	16-0216-PWD-30B	$104,758	$104,758	33.20%	1,647	9/2/16
Cheat View PSD	16-0226-PWD-30B	$217,175	$217,175	33.20%	3,721	7/1/16

Utility	Case Number	Staff Position	Amount Granted	Percent Increase or Decrease	Number of Customers	Date Approved
Clinton Water Association, Inc.	16-0228-W-30B	$221,692	$221,692	33.19%	3,524	6/15/16
Hardy Co. Rural Development Authority	16-0288-W-30B	$878	$878	20.54%	80	9/22/16
River Road PSD	16-0402-PWD-30B	$39,199	$39,199	33.20%	774	8/17/16
Ellenboro-Lamberton PSD	16-0478-PWD-30B	$19,595	$19,595	15.43%	226	12/9/16
Marshall County PSD No. 1	16-0872-PWD-30B	$42,070	$42,070	51.72%	1,299	11/18/16
Kopperston PSD	16-1227-PWD-30B	$15,569	$15,569	24.93%	429	11/22/16

Seminars

In 2016, the Commission's Water and Wastewater Division hosted ten seminars covering a wide variety of topics and attended by 234 water and sewer utility representatives.

West Virginia Code §16-13A requires newly-appointed public service district board members to complete the Public Service District Board Members Seminar within six months of taking office. This seminar is established and administered by the Commission in conjunction with the West Virginia Department of Environmental Protection (WVDEP) and the West Virginia Bureau for Public Health WVPBH) and provides a general overview of areas in which board members need to have knowledge and understanding, including regulatory requirements, administrative issues, project financing, legal requirements, liability, technical items, ethics, open meetings, and financial information. In 2016, PSD Board Member Seminars were held in both South Charleston and Morgantown and were attended by 52 participants.

In addition to the Board Members Seminars, the Division presented eight focused subject seminars on personnel issues, terminations/customer service/office procedures (two seminars), fraud, safety (two seminars), basic accounting, and municipalities/associations. In 2016, a total of 182 attendees participated in these seminars, excluding participants in the PSD Board Members Seminar.

The two Safety Seminars emphasized the importance of safety in the workplace and provided attendees the opportunity to learn more about excavation, trenching, confined spaces, fall protection, driving safety, and material handling. Participating water and wastewater operators earned seven Continuing Education Hours required for their Operator's License. These seminars seek to reduce lost time accidents. The seminars were sponsored by the Commission and taught by safety specialists with USI Insurance Services as well as staff of the Commission's Engineering Division.

The Commission continues to provide on-site assistance for individual utilities in order to address areas of interest such as preparing and submitting annual reports and on-site training for multiple areas of regulation.

Staff gave a presentation at the West Virginia Rural Water Association's Annual Conference in 2016. The presentation was titled "Office Employee Refresher on Public Service Commission Requirements" and discussed a wide variety of topics, including customer deposits, leak adjustments, termination procedures, deferred payment plans and Commission Rules.

In addition, Staff provided presentations at elementary schools in Wheeling and Huntington to celebrate the Environmental Protection Agency's "Fix a Leak Week." These presentations promoted water conservation and efficiency.

The Commission completed its first online training program. That program is now available to water and wastewater system personnel throughout West Virginia. In addition, the Commission will continue to identify additional topics for future online training opportunities in order to assist in fulfilling continuing education requirements in a cost effective and timely manner.

Telecommunications

General Investigation Regarding the Use of Federal Universal Service Funding by Eligible Telecommunications Carriers

The Federal Communications Commission (FCC) requires each state to certify that all high cost funds flowing to rural and non-rural carriers in that state are used in accordance with Section 254(e) of the Federal Telecommunication Act of 1934. On April 13, 2016, the Commission initiated a General Investigation regarding the use of Federal Universal Service Funding by Eligible Telecommunications Carriers (ETC) in West Virginia (Case No. 16-0433-T-GI).

The Commission issued a Recommended Decision on August 11, 2016, directing a certification be issued to the FCC and Universal Service Administration Company (USAC) stating that the carriers appropriately utilized federal high-cost and other universal service support. This case is now closed.

Telecommunications Relay Service

On December 14, 2015, the Commission opened General Order No. 187.46 to receive applications for the provision of Telecommunications Relay Service (TRS). Title

IV of the Federal Americans with Disabilities Act requires all common carriers providing voice transmission services to furnish TRS to persons with hearing and speech impairments. The intent of Title IV is to further the goal of universal service by providing individuals with speech or hearing disabilities with telephone services that are functionally equivalent to those services provided to individuals without hearing or speech impairments.

On January 19, 2016, Hamilton Relay, Inc. and Sprint Communications Company, L.P. (Sprint Relay) filed applications to provide TRS.

On March 9, 2016, a Recommended Decision was issued granting Sprint Relay a certificate for the provision of TRS and CapTel Services in West Virginia for a period of five years. This case is now closed.

Enhanced 911 Wireless Tower Access Assistance Fund

Revenue for the Tower Access Assistance Fund comes from the $3.00 per cell phone number collected each month from cell phone subscribers. A monthly deposit of $83,333.00 is made to this fund. The fund began 2016 with a balance of $465,477.73. An application submitted in 2015 by the Jackson County Commission was awarded a grant of $537,004 on January 26, 2016 (Case No. TAF Jackson 15A).

Lincoln County 911 Communications submitted the only application for funding from the Tower Access Assistance Fund prior to the November 15 deadline. After a review, the Wireless Tower Access Assistance Fund Review Committee awarded a grant for $678,000 to Lincoln County 911 (Case No. TAF Lincoln 16A).

A total amount of $1,215,004 was dispersed in 2016, leaving a balance on December 31, 2016, of $240,473.69.

Gas Pipeline Safety

In 2016, the Commission's Gas Pipeline Safety (GPS) Division increased the number of pipeline inspectors from four to six to provide additional inspections and oversight of the 14,237 miles of regulated gas and hazardous liquid pipelines in West Virginia. GPS inspectors completed 30 required pipeline safety training classes, with many of these classes being advanced level courses on topics such as integrity management and root cause analysis. All travel and costs associated with training were paid through a Federal pipeline safety grant.

Besides performing approximately 100 scheduled pipeline safety inspections, the GPS Division investigated four reportable incidents/accidents during the year. Some of these events were related to the catastrophic flooding that occurred across West Virginia in late June. GPS personnel communicated with the gas distribution operators during and after the flooding to ensure the safety of the citizens of West Virginia. GPS personnel worked with the operators in their efforts to return pipelines to service that were either taken out of service or damaged during the floods. They also inspected many of the replacement pipelines during installation to ensure adherence with Federal and State regulations.

The GPS Division submitted comments regarding proposed changes to Federal regulations expanding jurisdiction of gas gathering pipelines. In those comments, GPS Division expressed concern about the regulatory requirements for certain pipelines from older traditional wells and the effect on some small distribution systems in the State.

GPS works with West Virginia 811 to educate the public and ensure compliance with the State One-Call laws. The Federal regulations regarding damage prevention enforcement have been strengthened allowing enforcement against contractors who violate one-call regulations.

GPS personnel continue to be involved with the oil and gas industry, providing guidance on proposed changes to pipeline safety regulations. GPS personnel participated at West Virginia Oil and Natural Gas Association and Independent Oil and Gas Association meetings to discuss federally proposed changes that could increase both the number of regulated miles of pipelines and regulated operators in the state.

Transportation

The Commission's Safety Enforcement Section of the Transportation Division works with Commercial Vehicle Safety Alliance (CVSA) and the Federal Motor Carrier Safety Administration (FMCSA) to increase safety enforcement for commercial motor vehicles on interstate highways and heavily traveled roadways, and reduce commercial vehicle and passenger carrier incidents. In 2016, Transportation Enforcement Officers worked with FMCSA to increase the number of bus inspections and on special initiatives, including the Annual Non-Stop 72 Hour Road Check, Brake Safety Week and Operation Safe Driver Week.

Transportation Enforcement Officers teamed up with the Governor's Highway Safety Program to increase seatbelt use in passenger and commercial motor vehicles through a "Click It or Ticket" campaign. The initial blitz occurred in November 2016, to be followed by three additional blitzes during 2017. In 2017, officers will also participate in the Governor's Highway Safety Program's Distracted Driving campaign.

This year Transportation Enforcement Officers conducted three truck inspection workshops at various locations with the West Virginia Trucking Association. During the workshops, officers guided truck company owners and drivers through Level 1 truck inspections, which included checking brakes, coupling devices, lighting, placards, tires, driver documentation and more.

The Commission's Transportation Division participates in many joint activities with the West Virginia State Police, including assisting with firearms training during Basic and Cadet Classes at the West Virginia State Police Academy, assisting with annual firearms training for current Troopers, DUI checkpoints, combined patrols on the West Virginia Turnpike and the combined effort on I-64 in Kanawha, Putnam and Cabell counties to reduce the number of accidents. Transportation Enforcement Officers also work with counties and municipalities on local DUI, seatbelt and speed control activities in coordinated joint efforts.

The Commission recently completed a major upgrade to its I-64 Eastbound weigh station in Hurricane, making it a state-of-the-art facility featuring the IIS Smart Roadside System. This system includes an automated license plate reader, an automated USDOT number reader, an automated vehicle camera and an automated thermal inspection system. The total cost of the system is $748,000 and was purchased with the assistance of a U.S. DOT Commercial Vehicle Inspection System Network (CVISN) grant that was awarded to West Virginia Department of Motor Vehicles.

The Commission is in the process of acquiring 49 mobile and 37 portable ultra-high band radios for use during the roadside inspection process to aid in mobile enforcement and improve identification and immobilization of "out-of-service" carriers. These radios are being purchased through a $275,000 FMCSA Performance and Registration Information Systems Management (PRISM) program grant and a $200,000 CVISN grant. The upgrades to the Hurricane weigh station and the ultra-high band radios provide a real-time exchange of data, enabling the removal of unsafe vehicles, drivers and companies from West Virginia's roadways, while enhancing safety for our officers.

The Coal Resource Transportation System (CRTS) has significantly increased public safety while allowing coal producers to efficiently transport coal in nineteen West Virginia counties and into surrounding states. Coal facilities and transporters now work together to haul enhanced weights on over two-thousand miles of West Virginia's roads designated by the West Virginia Department of Highways as CRTS routes. Coal haulers may purchase a permit that will allow for a gross vehicle weight of up to 120,000 pounds, depending on the truck configuration and the specific routes on which the truck will be operating. Coal operations and transporters operating on designated CRTS roads must adhere to additional reporting and permitting statutes and regulations and are subject to administrative sanctions by the Commission.

Notices of Violation (NOV) are initiated through audits conducted by CRTS inspectors and supervisors or by uniform traffic citations issued by Enforcement Officers. In 2016, there were 119 NOVs issued, one Petition for Waiver was processed and the Commission collected $111,156 for CRTS violations.

In 2016, the CRTS Permitting Unit issued 1,096 permits and registered 168 transport companies located in five states. Over the past 12 months, the CRTS Reporting Unit had 150 mines, processing plants, load outs, power plants and other coal facilities registered to operate in West Virginia and reporting coal shipments to the Commission. Daily electronic files are submitted to the Commission containing unique tracking information for approximately 1.4 million transactions, representing 777,000 loads, or approximately 27.5 million tons of coal being transported over CRTS roads annually. Each electronic transaction contains the origin, destination, date, time, weight, permit ID and a unique transaction number for that specific shipment of coal, which is used to ensure compliance. Records are forwarded to the CRTS Auditing Program and are reviewed by Commission Staff to detect non-compliance. Staff conducts on-site inspections and/or audits and is responsible for initiating administrative violations to companies. The CRTS Program has generated $1.47 million over the past twelve months for improvements to CRTS roads and bridges.

Complaints about coal trucks operating on the CRTS highways can be made through the 1-866-SEE-TRUX hotline and sent to the CRTS staff. Complaints range from speeding and overweight trucks to impaired drivers. In 2016, CRTS officers received and processed 50 complaints from the CRTS hotline.

In 2016, the Railroad Safety Section was ranked the eighth best state inspection program in the nation by the Federal Railroad Administration, despite suffering a 40% loss of employees during the year. Track inspectors inspected over 2,500 miles of track in West Virginia last year to ensure the tracks are safe for the public and railroad employees. Our Signal and Train Control team inspected hundreds of highway-rail crossings and railroad traffic control devices around the state. No grade crossing fatalities occurred during 2016. A new Operating Practices inspector was certified by the Federal Railroad Administration in 3.5 months, the second fastest certification since our inception in 1975. Additionally, the Commission’s Motive Power and Equipment Team and Hazardous Materials Inspector checked hundreds of railroad cars and locomotives throughout the State. An intensive inspection program, coupled with the fact that most of the Commission’s Railroad Safety inspectors are also Operation Lifesaver volunteers, has West Virginia's railroads among the safest in the nation.

Motor Carriers

C&H Company

On October 2, 2015, C&H Company, a Commission-certified taxi company, filed a petition with the Commission to establish a three-year pilot program, the Service Accountability Flexibility Experiment (SAFE) (Case No. 15-1617-MC-P). This pilot program sought flexibility for C&H and other Commission-certified taxi companies to (i) have the ability to increase rates up to a maximum of 5% as often as every 90 days as long as the aggregate increase does not exceed 10% in a 12-month period; (ii) track trips electronically in lieu of a paper manifest; (iii) impose new fees, including a no show/cancellation fee, a hazardous weather fee, a premium service rate, a night and weekend rate, a destination change rate, an airport service rate and a multi-stop rate; and (iv) post rates on the inside of the vehicle. C&H also sought to expand its motor carrier fleet to include personal vehicles driven by the owner of the vehicle, as long as certain registration and safety requirements are met.

The parties entered into a Joint Stipulation on June 9, 2016. The Commission approved the Agreement on September 2, 2016, establishing a three year pilot program for SAFE to provide operating and rate flexibility for the Company's taxi business. This case is now closed.

West Virginia Transportation Association

On October 12, 2016, the West Virginia Transportation Association (Association) filed a petition requesting that the Commission initiate a General Investigation into motor carriers transporting passengers in violation of the law (Case No. 16-1406-MC-P). The Association alleged that various motor carriers are claiming to be taxis, but have no authority from the Commission and are in violation of W.Va. Code §24A-2-5. Others are claiming to be a transportation network company, but are accepting cash and street hails in violation of W.Va. Code §17-29-1.

The Commission's Transportation Division is investigating the allegations and has discovered drivers unlawfully transporting passengers without either a proper certificate to offer taxi service or being registered as a transportation network company as required by law. The Transportation Division is taking enforcement action against these drivers. This case is pending before the Commission.

Fuel Surcharges

The Commission continues to respond, as needed, to the volatility of fuel costs for motor carriers by reviewing and adjusting fuel surcharges for regulated motor carriers. 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 most recent surcharges are based on forecasted fuel prices for the period of January 1, 2017, through June 30, 2017.

The average price for unleaded regular gasoline is forecasted to be $2.33 per gallon and the price of diesel is forecasted to be $2.74 per gallon. This forecast reflects increases of $0.12 per gallon for regular grade gasoline and $0.17 per gallon for diesel fuel over the previously forecasted average prices for July 1, 2016, through December 31, 2016. Commission Staff concluded that these forecasted changes were significant. The Commission, therefore, decreased the surcharges.

The authorized surcharges have been increased to the 4% range for most motor carriers, up from the 3% range. The surcharge for taxi and limousine operators was increased from 8.53% to 9.71%. Fuel prices are reviewed every six months to determine if there is a need for relief for eligible motor carriers. The surcharges are not automatic. Eligible motor carriers may not charge the old surcharge after it has expired and may not implement a new surcharge unless they have filed a Fuel Surcharge Supplement to their tariffs with the Commission Tariff Office.

Commission Staff will continue to monitor fuel prices and the Commission will likewise continue to make adjustments in its semi-annual General Orders. The Commission has decided, however, to revise the current procedure. If between its semi-annual orders there is a 20% or greater increase or decrease in the price of either regular grade gasoline, diesel fuel or both, Commission Staff will file a further memorandum requesting a reopening of the case and will recommend adjustments to the fuel surcharges based on that increase or decrease in price.

Informal Complaints

When contacted by ratepayers, Staff investigates and resolves informal complaints involving the motor carriers that the Commission regulates. Most informal complaints are lodged against solid waste haulers and involve missed pickups. During winter weather conditions, haulers may miss multiple weeks of trash service. In these situations, Commission Staff negotiates special arrangements with the haulers to accommodate the needs of the ratepayers. The Commission also receives a large number of complaints about third party towing companies, primarily involving rates and charges the vehicle owners are billed or whether the towing company should have towed the vehicle.

Formal Complaints

In 2016, 77 motor carrier formal complaint cases were filed with the Commission. Of those cases, 27 involved solid waste haulers, 19 of those have been completed with Final Orders issued. There were 43 cases involving towing companies, 23 of those have been completed with Final Orders issued. There were two household goods hauler cases filed with the Commission, one of which has been completed with a Final Order. The remaining five cases involved taxi related complaints. Of these, three have been completed with Final Orders issued and two are pending before the Commission.

Motor Carrier Rate Cases

The Commission completed 27 applications to increase rates in 2016. Of those cases, 16 applications were filed under the Commission's Rule 42 and the remaining 11 cases under the Commission's Rule 19. Those cases are summarized below.

Utility	Case Number(s)	Amount Requested	Staff Position	Amount Granted	Percent Increase	Customers	Date Approved
Walls Sanitation, Inc., and RGL, Inc., dba Mt. State Waste	15-1345-MC-42A 15-1346-MC-42A	$23.56/month Residential; 54.5%/month Commercial	$22.30/month Residential; 46.23% for Commercial	$22.30/month Residential; 46.23% increase for Commercial	46.23%	2,500 Residential 180 Commercial	5/1/2016
Refuse Control Systems, Inc.	15-1596-MC-42A	$20.74/month Residential; 36.99% for Commercial	$18.80/month Residential; 27.37% for Commercial	$18.80/month Residential; 27.37% for Commercial	27.37%	1,300 Residential 130 Commercial	4/5/16
Robert Peer	15-1634-MC-19A	Application dismissed at request of applicant					3/7/16
Greenbrier County SWA	15-1656-SWF-42A	$55.00/ton	Application dismissed at request of applicant				6/1/16
Neil Chisler, dba CR&S Chissy's Recycling and Solid Waste	15-1873-MC-19A 15-1874-MC-19A	$19.00/month Residential; 20.84% Commercial	$19.00/month Residential; 20.84% Commercial	$19.00/month Residential; 20.84% Commercial	20.84%	624 Residential Various Commercial	9/27/16
Solid Waste Services of WV	15-1880-MC-42A 15-1881-MC-42A 15-1882-MC-42A 15-1883-MC-42A 15-1884-MC-42A 15-1885-MC-42A 15-1886-MC-42A 15-1887-MC-42A	$27.50/month for some Residential customers; $24.30 for some Residential customers	$17.45/month for some Residential customers; $17.00/month for some Residential 8.99% for Commercial	$17.45/month for some Residential customers; $17.00/month for some Residential 8.99% for Commercial	8.99%	10,448 Residential Various Commercial	8/30/16
American Disposal Services of WV, dba Republic Services of WV	15-1997-MC-42A	$21.61/month for Residential	$20.50/month for Residential	$20.50/month for Residential; 11.72% Commercial	11.72%	9,670 Residential	7/2/16

Utility	Case Number(s)	Amount Requested	Staff Position	Amount Granted	Percent Increase	Customers	Date Approved
Nicholas Sanitation, Inc.	15-1998-MC-42A 15-1999-MC-42A 15-2000-MC-42A 15-2001-MC-42A	$17.82/ month Residential; 4.58% Commercial	$17.70/month Residential 3.87% Commercial	$17.70/month Residential; 3.87% Commercial	3.87%	4,533 Residential Various Commercial	6/28/16
Smallwood Sanitation Co., Inc.	16-0242-MC-19A 16-0243-MC-19A 16-0244-MC-19A 16-0245-MC-19A 16-0246-MC-19A 16-0247-MC-19A	$23.00/month for Residential	$20.50/month for Residential 23.87% for Commercial	$20.50/month for Residential; 23.87% Commercial	23.87%	2,432 Residential 92 Commercial	9/26/16
Enterprise Sanitation, Inc.	16-0617-MC-42A 16-0618-MC-42A	$19.18/month Residential; 19.88% Commercial	$17.85/month Residential; 11.56% Commercial	$18.00/month Residential; 11.56% Commercial	12.50% Residential 11.56% Commercial	6,296 Residential 190 Commercial	12/25/16

Solid Waste Facilities/Landfills

The Commission Staff continues to build a strong working relationship with the West Virginia Department of Environmental Protection (WVDEP), the Solid Waste Management Board and West Virginia State Treasurer's Office in an ongoing effort to provide consistent recommendations that conform with the requirements of other agencies' rules and regulations as well as those of the Commission.

Nicholas County Solid Waste Authority

On June 23, 2015, the Nicholas County Solid Waste Authority (Authority) filed an application for a certificate of need to expand the Nicholas County Landfill (Case No. 15-0993-SWF-CN). The Authority serves approximately 7,900 customers and receives an average of 1,850 tons of waste per month. The Authority has an annual tonnage limitation of 9,999 as permitted by the WVDEP. At the current average monthly disposal rate, the landfill will reach full capacity near the end of 2019. The Authority owns approximately 111 acres of property and proposed to build a new cell for solid waste disposal using approximately twelve acres in this area to continue solid waste service for the citizens of Nicholas and surrounding counties. This expansion will provide an additional 25.8 years of disposal life.

A Recommended Decision was issued on February 1, 2016, that granted the Authority a certificate of need to add 12.2 acres for municipal solid waste disposal with no increase in rates. The Recommended Decision became a Final Order of the Commission on February 21, 2016. This case is now closed.

Landfill Drill Mud

The WVDEP issued a Memorandum in 2013 regarding the disposal of oil and gas drilling waste in solid waste landfills. There are two options a landfill can pursue in order to address the tonnage issues created by a new Legislative mandate: (i) a Class B facility can apply to expand to a Class A facility in order to increase its monthly limit from 9,999 to 30,000 tons, or (ii) either a Class A or Class B facility can construct a cell separate from the municipal solid waste cell to be dedicated solely to the disposal of drilling waste. Disposal of drilling waste into a separate cell will not count toward a facility's monthly tonnage limit. Four landfills filed to build separate cells for drill mud, Meadowfill Landfill, Inc. in Harrison County; Short Creek Landfill in Ohio County; Northwestern Landfill, Inc. in Wood County; and Lackawanna Transport Company, dba Wetzel County Landfill. All applications have been processed and all have been granted certificates of need to build additional cells dedicated solely for drill mud. These cases are now closed.

Solid Waste Facility Rate Cases

In 2016, two applications by solid waste facilities to increase rates were completed by the Commission. Those cases are summarized below.

Utility	Case Number(s)	Amount Requested	Staff Position	Amount Granted	Percent Increase	Customers	Date Approved
Allied Waste Sycamore Landfill, LLC	15-1577-SWF-42A	$55.75/ton	$42.50/per ton	$42.50/per ton	41.67%	N/A	3/22/16
Greenbrier County SWA	15-1656-SWF-42A	$55.00/ton	Application dismissed at request of applicant				6/1/16

Tow Operations

In 2006 the Commission initiated a General Investigation into various aspects of wrecker regulations (Case No. 06-1915-MC-GI). Commission Staff and the West Virginia Towing Association entered into a Joint Stipulation that was adopted by the Commission. Among the issues in that case were the implementation of a new statewide maximum wrecker 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 has continued to process tow cases, which are expedited rate reviews based on market comparisons, as well as, third-party or non-consent tow formal complaint cases filed by customers.

In 2016, 16 tow rate cases were filed with the Commission. Of these 16 cases, 14 have been completed with Final Orders issued and Staff is currently processing two cases.

General Investigation into Statewide Wrecker Rates and Rates for Ancillary Equipment

On July 8, 2016, the Owner-Operator Independent Drivers Association, Inc. (OOIDA) filed a Petition requesting the Commission initiate a General Investigation to set statewide wrecker rates and to determine what, if any, ancillary equipment is eligible for separate rates pursuant to Commission General Order No. 49.10. On July 11, 2016, the Commission initiated a General Investigation into maximum statewide wrecker rates for third party tows (Case No. 16-0940-MC-GI).

OOIDA and the West Virginia Towing Association have been granted intervenor status in the case. An evidentiary hearing was held on January 10, 2017. This case is pending before the Commission.

Tymrk, LLC, dba, Tymrk

On February 25, 2016, the Commission initiated a General Investigation into the application of the tariff and billing practices of Tymrk, LLC in connection with the operation of its towing service (Case No. 16-0227-MC-GI). The Commission initiated this General Investigation after receiving seven Formal Complaints from GEICO Insurance on December 28, 2015, that contained substantially similar allegations regarding inflated invoices and charges for items and services outside the parameters of the rate structure in Tymrk's Commission-approved tariff.

Following a thorough investigation, Staff found that a significant number of invoices did not comply with Tymrk's tariff and with the rules and regulations of the Commission. Tymrk did not dispute Staff's findings and expressed a desire to remedy the issues that Staff had raised. Tymrk has agreed to submit to Staff for review additional invoices from June and July 2016 in order to show that improvements had been made. Staff's review of the additional invoices showed a significant improvement by Tymrk with respect to consistently and properly applying its tariff to invoices for third-party tows in compliance with Commission rules and regulations.

An evidentiary hearing in this matter was held on October 4, 2016. At that hearing a Joint Stipulation was filed by Commission Staff and Tymrk whereby Tymrk would continue to submit invoices to Staff for review for the next three months. The parties agreed that if those invoices were found to be in good order Tymrk would not be required to submit any further invoices. If Staff believed additional review was needed after the initial three months, then it could request that Tymrk submit an additional three months of invoices for review and Tymrk would comply.

On November 28, 2016, the Commission's Hearing Panel entered a Recommended Decision adopting the Joint Stipulation and dismissing this matter. The next set of invoices from Tymrk is due to Staff by January 10, 2017. This case is now closed.

Danny W. Marks, dba Marks Towing

Following a history of Formal Complaints against Marks Towing that showed a pattern of overcharging, failure to respond to Formal Complaints, failure to comply with Commission Orders and failure to issue Commission-ordered refunds, on November 28, 2016, the Commission initiated a General Investigation into the tariff application and billing practices of Danny W. Marks, dba Marks Towing (Case No. 16-1593-MC-GI). This case is pending before the Commission.

A.D. Transport Express, Inc. v. Hutch's Wrecker Service, LLC

On January 21, 2016, A.D. Transport Express, Inc. filed a Formal Complaint against Hutch's Wrecker Service, LLC (Case No. 16-0048-MC-FC). A.D. Transport alleged that Hutch's Wrecker Service charged for services outside its approved tariff and charged for services and equipment that were not used during the tow of the Complainant's tractor trailer. A.D. Transport also alleged that Hutch's did not use the proper equipment for the tow and that the use of the improper equipment resulted in additional damage to the wrecked vehicle and its cargo.

The total amount of the invoice from Hutch's to A.D. Transport was $185,894. A.D. Transport also produced an invoice for the third-party tow services indicating that the bill was settled with its insurer, Great West Insurance Company for $80,000.

Staff recommended that the Defendant's tariff be suspended or, in the alternative, a General Investigation be conducted into the business practices of the Defendant. In an Order dated May 13, 2016, the Commission denied Staff's request to open a General Investigation into the Defendant's business practices. An evidentiary hearing was held on August 16-17, 2016. This case is pending before the Commission.

Rulemaking Proceedings

Rules Governing the Occupancy of Customer-Provided Conduit

On August 26, 2016, the Commission promulgated a new rule, 150 C.S.R. 37, Rules Governing the Occupancy of Customer-Provided Conduit, and submitted it to the Joint Legislative Rule-Making Review Committee (GO 187.48). The Conduit Rule implemented Senate Bill 678, codified at W. Va. Code § 24-2E-3, which provides:

> (a) A telephone public utility may not prohibit, either by contract or service tariff, a customer who has provided conduit or other underground construction provided at the customer's expense from using the conduit or other underground construction for purposes other than services provided by the telephone company. A customer who provides the conduit or other underground construction is the owner of that apparatus: Provided, that the customer and all occupants of the conduit or other underground apparatus shall comply with the national electrical safety code and all other reasonable standards and practices to be established by the Public Service Commission.

The Joint Legislative Rule-Making Committee considered this Rule at a meeting on December 6, 2016, and passed it out. The Rule is awaiting legislative action.

Rules Governing Motor Carriers, Private Commercial Carriers, and the Filing of Evidence of Insurance and Financial Responsibility by Motor Carriers

House Bill 1486, effective from its passage on March 12, 2016, required that the Commission promulgate rules (i) relating to rates charged by a carrier for the recovery, towing, hauling, carrying, or storing of a wrecked or disabled vehicle; (ii) establishing a complaint review process; (iii) developing a process for aggrieved parties to recover charges; (iv) providing that the burden of proof be on the carrier; (v) establishing factors for the Commission to consider in determining the rates are fair, effective, and reasonable; (vi) requiring carriers to list rates on invoices; (vii) requiring that the rules sunset; and (viii) requiring a review of rules by the Legislative Auditor.

On June 30, 2016, the Commission issued an Order finalizing its modifications and additions to its Rules Governing Motor Carriers, Private Commercial Carriers, and the Filing of Evidence of Insurance and Financial Responsibility by Motor Carriers, 150 C.S.R. 9, pursuant to the requirements of House Bill 4186 (GO 49.10). The revised rules became effective on August 29, 2016.

Rules for the Government of Electric Utilities and Rules for the Government of Gas Utilities and Gas Pipeline Safety

On March 27, 2015, the Commission initiated a General Investigation regarding the requirements of the Commission Rules governing electric and gas utility discontinuance of service provisions, sometimes referred to as Customer Termination Rules, set forth in Rule 4.8 of the Rules for the Government of Electric Utilities, 150 C.S.R. Series 3 and Rule 4.8 within the Rules for the Government of Gas Utilities and Gas Pipeline Safety, 150 C.S.R. 4 (Case No. 15-0469-E-G-GI). The Commission invited interested parties to file initial comments by May 29, 2015, and reply comments by June 29, 2015. The Order stated that once the Commission reviewed the comments, it would determine the need for an evidentiary hearing or revised rules.

On September 20, 2016, the Commission closed the General Investigation and issued proposed rules revising Rule 4.8 within the Rules for the Government of Electric Utilities, 150 C.S.R. Series 3 (General Order No. 184.37) and the Rules for the Government of Gas Utilities and Gas Pipeline Safety, 150 C.S.R. Series 4 (General Order No. 185.38). The Commission stated that initial comments concerning the proposed rules were to be filed by November 7, 2016, and reply comments were due by November 21, 2016.

Comments were filed by APCo/WPCo,; MPC/PE, Mountaineer Gas Company, Dominion Hope, Inc., Peoples Gas WV, LLC, AARP West Virginia, West Virginia Small Public Utilities Association, CAD and Commission Staff. These rulemakings are pending before the Commission.

Rules for the Construction and Filing of Tariffs

On June 12, 2015, the provisions of SB 234 became effective, making widespread changes to the Commission's jurisdiction and authority over certain municipal utilities and public service districts. The Commission issued an Order on July 31, 2015, requesting proposed rule changes focusing on the Commission's Rules for the Construction and Filing of Tariffs (Tariff Rules) to reflect the new changes in the law while maintaining applicability of the current Tariff Rules to electric, gas, telephone and private water and sewer utilities (Case No. 15-1255-PSWD-WS-GI). In addition, the Commission requested proposed rule changes to accommodate the changes made by SB 234 in the Commission's Rules of Practice and Procedure for rules governing the issuance of certificates of convenience and necessity. Both Staff and the West Virginia Rural Water Association submitted proposed rules to accommodate the changes made by SB 234. This case is pending before the Commission.

VI. The Courts

Federal District Court

Arthur Vogt, et al. v. Ingrid Ferrell, et al.

On May 19, 2016, Arthur Vogt and Vogt Ventures, LLC, filed a civil action, (Case No. 2:16-CV-04492), in the U.S. District Court, Southern District of West Virginia against Ingrid Ferrell in her official capacity as Executive Secretary, and Michael A. Albert, Brooks F. McCabe and Kara Cunningham Williams, in their official capacities as Commissioners of the Public Service Commission of West Virginia, claiming that the West Virginia Motor Carrier Act, and specifically, W.Va. Code §24A-2-5 (which relates to certificates of convenience and necessity for motor carriers) burdens interstate commerce in violation of the Commerce Clause and the Fourteenth Amendment.

A motion to dismiss the complaint for failing to state a claim for which relief may be granted is pending before the Court. The parties are now engaged in discovery.

State Circuit Court

West Virginia Division of Environmental Protection, Office of Water Resources, and Public Service Commission of West Virginia, Petitioners v. Randall Fry, individually and dba Wastewater Management, Inc. a Corporation and public utility, Wayne County, Respondents. Wayne County Circuit Court CIVIL ACTION NO. 93-P-423

The Circuit Court of Wayne County placed the sewer facilities of Randall Fry, individually and dba Wastewater Management, Inc. in the Receivership of Daniel Wiley through an Order entered February 4, 1994. Mr. Wiley, a resident of the neighborhood, known as Dunrovin Estates, has operated the sewer facilities of Wastewater Management, Inc. for well over 20 years as Receiver. During this time, Mr. Wiley has operated the sewer system very efficiently by donating his operator services and his wife's time for billing and record-keeping. The current rates are a flat charge of $20.50 per month. Mr. Wiley desires to resign his Receivership and retire from the wastewater treatment business. On September 19, 2016, Mr. Wiley filed a Motion with the Wayne County Circuit Court requesting the termination of his Receivership duties be granted. The Wayne County Circuit Court has not yet acted on Mr. Wiley's request.

Mr. Wiley has requested the assistance of the West Virginia Division of Environmental Protection, Office of Water Resources (WV DEP) and the Public Service Commission of West Virginia (Commission) to find a new Receiver or new owner for

Wastewater Management, Inc. sewer utility operations in order that safe and reliable sewer service continues for the homeowners.

On November 14, 2016, Commission Engineering Staff and the Director of the Legal Division attended a meeting with the officials of the Town of Wayne to inquire of the Town if it were in a position to be the Receiver or to acquire the customers and facilities of Wastewater Management, Inc. The Town of Wayne indicated it did not have the operator resources or billing equipment to operate or take ownership of the customers and sewer facilities of Wastewater Management, Inc. at that time.

At the conclusion of the meeting, a local certified sewer operator, indicated he would be willing to provide operator services for the Wastewater Management, Inc. sewer plant operations and line maintenance and repairs under a contract for services and fees. However, the Wayne County Circuit Court will require some person(s) to consent to be the Receiver and agree to undertake the management duties of the utility, including providing the billing and record-keeping for the utility, filing requests for rate relief and Annual Reports with the Public Service Commission and assuring that the utility remains in compliance with DEP requirements.

Commission Staff has also contacted Northern Wayne Public Service District (District), a sewer utility in the area, to ascertain if the District is in a position to act as Receiver for Wastewater Management, Inc. or to acquire the customers and sewer utility facilities as their own customers. The current monthly flat rate for the District is $66.01.

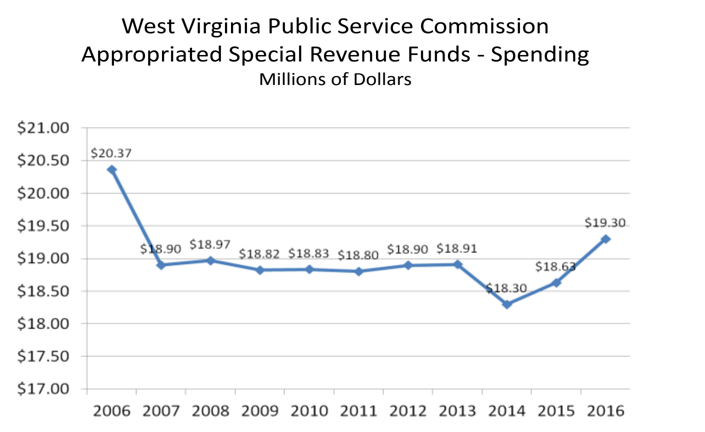
Letters have been sent to the homeowners in Dunrovin Estates to ascertain if anyone is willing to become Receiver of the sewer operations. The Commission Staff is continuing to work with Mr. Wiley and the WV DEP to find a Receiver for Wastewater Management, Inc. in order that sewer service is continuously provided to the homeowners of Dunrovin Estates.

VII. Budget and Human Resources

The Commission is committed to being a good steward of its stakeholders' dollars and to actively pursuing and implementing savings initiatives. Since 2007, the Commission has documented more than fifty individual savings initiatives and projects that have resulted in annualized savings of well over $1 million.

In 2016, the Commission began the contract and construction phase of its design build façade replacement project. The original budget for the project was $4.5 million. While negotiating the contract, the Commission merged two tenets of construction cost efficiency (1) viewing construction as an investment, and (2) considering costs at every step of the project to devise an approach that provides short-term and long-term savings. The upfront investment in the project is $4.285 million. At a time when many construction projects are 50% to 100% over budget, the Commission has worked with its contractors to come in *under* budget by more than $100,000. Not only has the Commission saved on construction costs on the front end, it will see a return on its investment in the project in the future because it has incorporated energy saving building materials into the design.

After a large spending reduction from 2006 to 2007, the Commission kept its appropriated special revenue funds expenditures relatively flat for the next seven years. Even though spending has ticked up in 2015 and 2016 due to the building façade replacement project, the Commission's spending for all of its appropriated special revenue funds is over $1 million *less* than the 2006 spending level.



- Appropriated Special Revenue Funds include Utilities & Weight Enforcement (8623), Gas Pipeline (8624) and Motor Carrier (8625)

Commission employees continue to support and participate in the wvOASIS project, including participating in training, User Acceptance Testing and providing data staging for the HR and payroll pieces of wvOASIS.

VIII. Case Processing

Informal Cases

The Commission Utilities and Water and Wastewater Divisions received more than 8,300 Informal Cases, or Requests for Assistance (RFA), in 2016.

The RFAs come from customers having issues paying or reconciling a utility bill or experiencing service problems or difficulties in a variety of other areas. RFA calls are routed to Commission Consumer Affairs Technicians.

The Consumer Affairs Technicians assist customers in negotiating payment plans, clearing communication problems or acting as liaisons between utilities and customers to resolve differences. If the customers' problems are not resolved, customers have the option of filing a Formal Complaint with the Commission; however, Formal Complaint proceedings are time consuming and usually require attorney representation by the utility and, in some cases, by the customer.

An internal goal of closing Informal Complaints in 30 days was set to lessen the need to file Formal Complaints. Difficulties in obtaining information from some smaller cable and phone companies and the challenges of isolating service problems related to electric, telephone and cable complaints impacted overall numbers in this area.

Another internal goal is to resolve 95% of RFAs at the Informal or RFA level, further lessening the need to file Formal Complaints.

Type of Utility	Number of RFAs filed in 2016	Percentage of RFAs that closed within 30 days	Number that became Formal Complaint Cases	Percentage of RFAs that did not become Formal Complaints Cases
Electric	3,180	98%	93	97%
Gas	649	99.5%	4	99.4%
Wastewater	1,064	90%	26	97%
Water	2,226	99.7%	47	98%
Telephone	1,016	99.9%	17	98%
Cable	181	91%	0	100%
Totals	**8,316**	**98%**	**187**	**98%**

Formal Cases

The Commission handles more than 2,000 Formal Cases each year. These cases range from complex major rate cases and requests for certificates for multi-billion dollar projects to simple complaint cases.

Utility Cases	2010	2011	2012	2013	2014	2015	2016
Pending at beginning	434	429	441	400	382	418	412
Opened during year	1,806	1,685	1,611	1,784	1,946	1,862	1,593
Closed during year	1,811	1,673	1,652	1,802	1,910	1,868	1,670
Pending at end of year	429	441	400	382	418	412	335

Motor Carrier Cases	2010	2011	2012	2013	2014	2015	2016
Pending at beginning	155	119	102	75	68	69	90
Opened during year	225	217	172	199	189	244	186
Closed during year	261	234	199	206	188	223	207
Pending at end of year	119	102	75	68	69	90	69

Coal Cases	2010	2011	2012	2013	2014	2015	2016
Pending at beginning	154	76	77	44	21	22	28
Opened during year	304	389	283	171	173	178	117
Closed during year	382	388	316	194	172	172	112
Pending at end of year	76	77	44	21	22	28	33

Hearings and Meetings

Hearings

Commission Hearings ………………………...35
Administrative Law Judge Hearings ………...114

Mediation Meetings

Mediation - Administrative Law Judge Division at PSC Building 39
Mediation - Administrative Law Judge Division out of town 5

Orders

In 2016, the Commission issued 4,978 Orders.

General Orders

G.O. 184.36

February 8, 2016	In the matter of interest to be paid on customer deposits by electric utilities.

G.O. 184.37

September 20, 2016	In the matter of Revisions to the Rules for the Government of Electric Utilities, 150 C.S.R. 3

G.O. 185.37

February 8, 2016	In the matter of interest to be paid on customer deposits by gas utilities.

G.O. 185.38

September 20, 2016	In the matter of Revisions to the Rules for the Government of Gas Utilities and Gas Pipeline Safety, 150 C.S.R. 4

G.O. 186.29

February 8, 2016	In the matter of interest to be paid on customer deposits by sewer utilities.

G.O. 187.47

February 8, 2016	In the matter of interest to be paid on customer deposits by telephone utilities.

G.O. 187.48

August 26, 2016	In the matter of a proceeding for the adoption of Rules Governing Telephone Conduit Occupancy, 150 C.S.R. 37

G.O. 188.34

February 8, 2016	In the matter of interest to be paid on customer deposits by water utilities.

G.O. 195.72

July 13, 2016	In the matter of internal reorganization of the Public Service Commission.

MC G.O. 49.10

June 30, 2016	In the matter of proposed amendments to the Rules Governing Motor Carriers, Private Commercial Carriers, and the Filing of Evidence of Insurance and Financial Responsibility by Motor Carriers, 150 C.S.R. 9.

Appendix A

Summary of the
Utility Discount Programs

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December 2016

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, electric and water utility rates. The special reduced rate is 20% less than the rate applicable to other residential customers obtaining similar service.

Eligible customers must be receiving:

(a) Social Security Supplemental Security Income (SSI);
(b) WV Works, program previously called Aid to Families with Dependent Children (AFDC) and Temporary Aid to Needy Families (TANF); or
(c) Supplemental Nutrition Assistance Program (SNAP) if the recipient is age 60 or older, program previously called Food Stamps.

During the 2015-2016 program year, 5,069 eligible West Virginia American Water Company customers received $505,810 in discounts; 36,006 electric customers received more than $4.6 million in discounts, and 11,876 natural gas customers received more than $943,000 in discounts.

Following is a report on the 20% discount program for the billing months of December 2015 through April 2016 for the gas and electric utilities and for the billing months of June 2015 through May 2016 for West Virginia American Water Company. A summary by type of utility (natural gas or electric), including the percentage changes from last year and individual utility information is detailed.

Report on 20% Discount Program for Billing Months of December 2015 through April 2016 Electric Utilities

	Appalachian Power	Black Diamond Power	Monongahela Power	Potomac Edison	Wheeling Power
Total Applications Received	21,457	282	13,689	3,455	1,192
Total Applications Rejected	2,599	0	1,079	325	66
Percent Rejected	12.11%	0.00%	7.88%	9.41%	5.54%
No. of Customers Given Discount	18,858	282	12,610	3,130	1,126
No. of Residential Customers	362,339	1,958	332,142	119,192	35,020
Percent Given Discount	5.20%	14.40%	3.80%	2.63%	3.22%
SSI Customers	11,550	184	7,240	1,336	645
WV Works Customers	1,402	19	680	235	97
SNAP +60 Customers	5,906	79	4,690	1,559	384
Total Bills at Non-Discounted Rates	$13,783,973.25	$166,337.15	$6,375,844.23	$2,147,767.40	$573,687.00
Total Bills at Discounted Rates	$11,027,178.60	$133,069.72	$5,100,676.38	$1,718,213.71	$458,949.60
Revenue Decrease	$2,756,794.65	$33,267.43	$1,275,167.85	$429,553.69	$114,737.40
Adjustment For B&O Tax Reduction	$0.00	$0.00	$0.00	$0.00	$0.00
Revenue Deficiency Certified	$2,756,794.65	$33,267.43	$1,275,167.85	$429,553.69	$114,737.40

Report on 20% Discount Program for Billing Months of December 2015 through April 2016 Natural Gas Utilities

	Blacksville Oil & Gas	Bluefield Gas	Consumers Gas Utility	People's Gas WV	Hope Gas	Lumberport Shinnston Gas
Total Applications Received	7	85	471	378	3,655	118
Total Applications Rejected	1	0	3	15	84	1
Percent Rejected	14.29%	0.00%	0.64%	3.97%	2.30%	0.85%
No. of Customers Given Discount	6	85	468	363	3,571	117
No. of Residential Customers	252	2,968	7,562	11,801	102,803	2,988
Percent Given Discount	2.38%	2.86%	6.19%	3.08%	3.47%	3.92%
SSI Customers	2	48	298	204	1,982	69
WV Works Customers	2	10	26	9	281	7
SNAP +60 Customers	2	27	144	150	1,308	41
Total Bills at Non-Discounted Rates	$2,985.07	$60,157.13	$144,250.81	$154,845.26	$1,219,535.00	$59,928.54
Total Bills at Discounted Rates	$2,388.06	$48,125.70	$115,410.12	$123,876.21	$975,628.00	$47,942.63
Revenue Decrease	$597.01	$12,031.43	$28,840.69	$30,969.05	$243,907.00	$11,985.91
Adjustment For B&O Tax Reduction	$25.61	$516.15	$1,237.27	$1,328.57	$10,463.61	$514.20
Revenue Deficiency Certified	$571.40	$11,515.28	$27,603.42	$29,640.48	$233,443.39	$11,471.71

Report on 20% Discount Program for Billing
Months of December 2015 through April 2016
Natural Gas Utilities

	Megan Oil & Gas	Mountaineer Gas	Southern Public Service	Standard Gas	Union Oil & Gas
Total Applications Received	27	6,900	253	13	77
Total Applications Rejected	0	0	0	0	4
Percent Rejected	0.00%	0.00%	0.00%	0.00%	5.19%
No. of Customers Given Discount	27	6,900	253	13	73
No. of Residential Customers	276	196,707	5,545	342	5,584
Percent Given Discount	9.78%	3.51%	4.56%	3.80%	1.31%
SSI Customers	15	3,751	148	9	42
WV Works Customers	1	493	23	1	22
SNAP +60 Customers	11	2,656	82	3	9
Total Bills at Non-Discounted Rates	$12,243.16	$2,879,882.64	$86,229.90	$4,350.80	$21,635.49
Total Bills at Discounted Rates	$9,794.31	$2,289,863.24	$68,983.92	$3,474.69	$17,308.39
Revenue Decrease	$2,448.57	$590,019.40	$17,245.98	$876.11	$4,327.10
	$105.04	$25,311.83	$739.85	$37.59	$185.63
	$2,343.53	$564,707.57	$16,506.13	$838.52	$4,141.47

Report on 20% Discount Program for Billing Months of June 2015 through May 2016
Water Utilities

West Virginia American Water

	2015-16	2014-15	Change from Previous Year
Total Applications Received*	1,213	4,687	-74.12%
Total Applications Rejected*	332	0	0.00%
Percent Rejected*	27.37%	0.00%	
No. of Customers Given Discount*	5,069	4,687	8.15%
No. of Residential Customers*	167,987	155,122	8.29%
Percent Given Discount*	3.02%	3.02%	
SSI Customers*	2,325	2,430	-4.32%
WV Works Customers*	808	616	31.17%
SNAP +60 Customers*	1,936	1,641	17.98%
Total Bills at Non-Discounted Rates	$2,528,385.00	$2,434,826.00	3.84%
Total Bills at Discounted Rates	$2,022,575.00	$1,947,869.00	3.84%
Revenue Decrease	$505,810.00	$486,957.00	3.87%
Adjustment for B&O Tax Reduction	$22,256.00	$0.00	
Revenue Deficiency Certified	$483,554.00	$486,957.00	-0.70%

Report on 20% Discount Program for Billing Months of December 2015 through April 2016 Summary Data

	Electric Utilities 2015-16	Electric Utilities 2014-15	Electric Utilities Change from Previous Year	Natural Gas Utilities 2015-16	Natural Gas Utilities 2014-15	Natural Gas Utilities Change from Previous Year
Total Applications Received	40,075	39,316	1.89%	11,984	12,803	-6.83%
Total Applications Rejected	4,069	2,750	32.42%	108	158	-46.30%
	10.15%	6.99%		0.90%	1.23%	
No. of Customers Given Discount	36,006	36,566	-1.56%	11,876	12,653	-6.54%
No. of Residential Customers	850,651	961,666	-13.05%	336,828	338,381	-0.46%
Percent Given Discount	4.23%	3.80%		3.53%	3.74%	
SSI Customers	20,955	23,971	-14.39%	6,568	6,976	-6.21%
WV Works Customers	2,433	2,903	-19.32%	875	1,160	-32.57%
SNAP +60 Customers	12,618	13,685	-8.46%	4,433	4,517	-1.89%
Total Bills at Non-Discounted Rates	$23,047,609.03	$23,652,402.29	-2.62%	$4,646,043.80	$6,943,908.28	-49.46%
Total Bills at Discounted Rates	$18,438,088.01	$18,921,922.49	-2.62%	$3,702,795.27	$5,527,434.25	-49.28%
Revenue Decrease	$4,609,521.02	$4,730,479.80	-2.62%	$943,248.53	$1,416,474.03	-50.17%
Adjustment For B&O Tax Reduction	$0.00	$0.00		$40,465.35	$60,766.74	-50.17%
Revenue Deficiency Certified	$4,609,521.02	$4,730,479.80	-2.62%	$902,782.90	$1,355,707.29	-50.17%

Report on 20% Discount Program for Billing
Months of December 2015 through April 2016
Summary Data

All Utilities

	2015-16		2014-15		Change from Previous Year
Total Applications Received	52,059	*	52,119	*	-0.12%
Total Applications Rejected	4,177	*	2,908	*	30.38%
	8.02%		5.58%		
No. of Customers Given Discount	47,882	*	49,219	*	-2.79%
No. of Residential Customers	1,187,479	*	1,300,047	*	-9.48%
Percent Given Discount	4.03%		3.79%		
SSI Customers	27,523	*	49,405	*	-79.50%
WV Works Customers	3,308	*	6,851	*	-107.10%
SNAP +60 Customers	17,051	*	29,886	*	-75.27%
Total Bills at Non-Discounted Rates	$27,693,652.83		$30,596,340.57		-10.48%
Total Bills at Discounted Rates	$22,140,883.28		$24,449,356.74		-10.43%
Revenue Decrease	$5,552,769.55		$6,146,983.83		-10.70%
Adjustment For B&O Tax Reduction	$40,465.35		$60,766.74		
Revenue Deficiency Certified	$5,512,304.20		$6,086,217.09		-10.41%

** This number represents customers and not individual households. A household may be an electric and natural gas customer.*

Appendix B

Summary of the Tel-Assistance Service Telephone Rate Discount Program

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December 2016

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 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. Eligible customers must be receiving benefits from an income-related State or Federal program, including SSI, WV Works, Medicaid, Federal Public Housing Assistance, LIEAP or SNAP if the recipient is age 60 or older.

The telephone utilities may recover their certified revenue deficiency as a credit against the carrier's income tax. Frontier, West Virginia Inc. and Citizens Telecommunications Company of West Virginia, dba Frontier Communications of West Virginia, are the only companies that filed a Tel-Assistance report for certification of revenue deficiency for 2015 (Case Nos. 16-0235-T-P and 16-0236-T-P). Telecommunications carriers other than Frontier and Citizens chose not to request certification of revenue deficiency.

The agreements or tariffs filed with the Commission for approval in accordance with the Tel-Assistance Program may specify the methodology by which the eligible telecommunications carrier calculates its annual revenue deficiency. Subject to prior approval by the Commission, eligible telecommunications carriers may agree to freeze or cap the amount of the revenue deficiency at specific levels.

On August 20, 2003, the Commission concluded in case 03-1363-T-T that for provision of the Tel-Assistance Program, Verizon could freeze the revenue deficiency at the level approved for the 2002 tax year. Following the transfer of Verizon, West Virginia to Frontier, West Virginia, Frontier adopted the tariff provisions then currently in place for Verizon. Accordingly, in Case No. 16-0235-T-P the Commission certified $66,384.89 as the revenue deficiency for Frontier, West Virginia associated with the Tel-Assistance Program for the 2014 program year. Likewise, on March 28, 2006, in Case No. 06-0256-T-T the Commission concluded that Citizens could freeze the revenue deficiency at the level approved for 2004. Accordingly, in Case No. 16-0236-T-P the Commission certified $19,603.80 as the revenue deficiency for Citizens Telecommunications Company of West Virginia, dba Frontier Communications of West Virginia associated with the Tel-Assistance Program for the 2015 program year.

On June 15, 2005, in Case No. 05-0888-T-T the Commission ordered all Eligible Telecommunications Carriers (ETC), to file a report on or before March 1 of each calendar year detailing their provision of Tel-Assistance Service during the previous calendar year. Each report must list the number of Tel-Assistance customers at the beginning and end of the year, as well as the total amount of Federal and State discounts provided to Tel-Assistance recipients.

Appendix C

Electric Utilities
Supply – Demand Forecast
2017 - 2026

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January 2017

Executive Summary

The major generation-owning electric utility systems in West Virginia have completed major acquisitions of generation in recent years. At the same time, several older generating facilities have been retired. Cancellation of long-standing capacity agreements with affiliates has occurred, which has contributed to the need for alternative capacity resources. Appalachian Power Company (APCo) and Wheeling Power Company (WPCo) will have marginally adequate capacity for summer requirements in the near future, but will have low reserve margins in the next several years and may have low winter reserve margins during the forecast period. Monongahela Power Company (MPC) and Potomac Edison (PE) also have adequate capacity for summer requirements in the near future, but reserve margins will gradually shrink, becoming negative during the forecast period.

If implemented, new EPA standards to limit carbon emissions from existing power plants will affect generation resources. As those standards are proposed, it is likely that generating utilities in West Virginia will need to modify existing generation to meet the EPA goals on both an interim and final basis. Because the timing and extent of rules implementing the EPA standard are unknown at this time, the impacts of any carbon limitations are not included in this report. The Presidential election in November 2016 will likely have a significant impact on the EPA, including how its standards may affect the electric utility and coal industries. West Virginia industries remain flexible when complying with current and future EPA standards, no matter what national policy evolves.

The general conclusions reached in preparing this report are:

- Expected growth in annual peak electric demand will average approximately 0.7% with higher near-term growth of nearly 4.4% for MPC.

- Because of PJM discounting a portion of Installed Capacity (ICAP), it is appropriate to use the reduced peak capacity value, referred to as Unforced Capacity (UCAP) assigned annually to each generation unit by PJM.

- PJM has received FERC approval of its Capacity Performance Rules. These rules affect both APCo and MPC. A major result of these rules is to reduce the capacity of solar, hydro and wind resources.

- Both APCo and MPC face declining reserve margins above their PJM UCAP that will require additions of capacity or reductions in demand during the forecast period.

General Discussion

The 64th Legislature (1979) directed the Public Service Commission of West Virginia (Commission) to report to the Legislature annually on the 10-year supply and demand balance for the electric utilities in West Virginia (W. Va. Code § 24-1-1(d)(3)). To prepare that report, the Commission Staff conducts an annual examination of long-term demand forecasts and resource plans of the major electric utilities in West Virginia. Staff evaluates the underlying assumptions and reasonableness of the forecasts and plans and prepares the annual *Electric Utilities Supply and Demand Forecast Report* required by the statute.

The four largest regulated electric utilities in West Virginia are APCo, WPCo, MPC and PE. APCo, WPCo and MPC are regulated electric distribution utilities that own generation facilities. APCo and WPCo are sister companies in American Electric Power (AEP). MPC and PE are sister companies in FirstEnergy (FE). These four electric utilities account for approximately 96% of West Virginia residential sales and 98% of West Virginia commercial and industrial sales. For purposes of this report, APCo and WPCo are paired, and a combined supply and demand forecast is prepared based on their combined resource plans and projected demand. MPC and the PE West Virginia operations are similarly paired. Reference to APCo includes the supply resources and load of WPCo, which operates only in West Virginia. Reference to MPC includes the load of the PE West Virginia operations.

Currently, there are five independent non-generation electric utilities in West Virginia that purchase power at wholesale and distribute that power to local residential, commercial and industrial customers at retail rates. Those are:

- Harrison Rural Electrification Association
- Black Diamond Power Company
- Craig-Botetourt Electric Cooperative
- New Martinsville Municipal Utilities
- Philippi Municipal Electric

These companies purchase their power supply requirements from various suppliers operating in the regional area served by PJM Interconnection (PJM).[1] They have historically relied on medium to long-term contracts with wholesale providers, but they can also consider the available energy and capacity in the PJM markets when planning their power supply requirements. The PJM organization manages the bulk-power transmission system and an extensive capacity and energy market. This market

[1] PJM Interconnection, LLC manages electricity energy and capacity markets and the transmission network covering a large portion of the Middle Atlantic and Midwest area. For a description of PJM Interconnection, see Appendix A.

has become the major source of power supply for many customers and load-serving entities in the PJM Region.

The *Electric Utilities Supply-Demand Forecast* is based primarily on a review of supply resources and load forecasts provided by AEP and FE. The AEP and FE information includes a capacity (supply) plan, also known as an integrated resource plan (IRP), that considers future demand requirements of customers and options for controlling or reducing demand. The plan then considers supply options to economically meet the future net demand requirements. The IRP includes projected equipment upgrades, re-rating of plants, retirement of internal generation resources, additional internal generation resources, demand side resources and purchased capacity, if needed. Commission Staff reviews the information and determines how the capacity resources compare to the projected loads and whether the expected supply is sufficient to meet peak loads while maintaining a reasonable reserve margin over the forecast period. These IRPs are updated periodically, accounting for economic and regulatory influences that may affect the utilities' operation.

Both APCo and MPC have retired several older coal-fired, sub-critical generating units. Both companies sought and received approval to acquire additional generation capacity of existing generating facilities in West Virginia. In 2013, the Commission issued decisions in cases involving both APCo and MPC with regard to approval of these transactions. A further proposal by WPCo to acquire an undivided 50% interest in the Mitchell Plant was approved by the Commission in December 2014.

In Case No. 12-1571-E-C, the Commission authorized MPC to sell its interest in the Pleasants generation plant and to acquire 100% ownership of the Harrison generating plant. The net result of this transaction increased the installed capacity of MPC by 1,476 megawatts (MW).

In Case No. 12-1655-E-PC, the Commission authorized APCo to acquire 100% ownership of Unit 3 at the John Amos generating plant. This acquisition increased the installed generation capacity of APCo by 867 MW.

The U.S. Environmental Protection Administration (EPA) released proposed rules for the reduction of carbon emissions from existing power plants in June 2014. The proposed rules set interim and final goals for each state. The West Virginia Department of Environmental Protection (WVDEP), with input from the West Virginia Division of Energy and Commission Staff, filed comments with the EPA on December 1, 2014.

On August 3, 2015, the EPA issued a pre-publication release of its final rule, which became effective when it was published in the *Federal Register* on October 23, 2015. The EPA has titled this rule its "Clean Power Plan." The final rule, as applied to West Virginia power plants, is more stringent than the proposed rule that was released in

2014. The 2014 proposal had set a final (2030) carbon dioxide emission rate limit of 1,620 tons per megawatt hour (MWh) of generation. The final rule sets the 2030 rate limit at 1,305 tons per MWh.

The final rule requires a four-step phase-in between 2022 and 2028. The interim steps and the rate limits for CO2 per MWh generated during the phase-in are: (2022-2024) 1,671 tons/MWh, (2025-2027) 1,500 tons/MWh, and (2028-2029) 1,380 tons/MWh. The average emission rate limit over the entire phase-in period is 1,534 tons. States may establish different interim period reductions as long as the aggregate steps meet the total interim period average limit of 1,534 tons per MWh.

The final rule also sets an alternative 2030 total tonnage carbon dioxide emission limit (mass limit) of 51.3 million tons for West Virginia. As with the emission rate limits, if the State pursues a tonnage limit goal, the step-down must begin in 2022 and the average limit over the full eight-year step-down period must be 58.1 million tons. The intermediate step-down mass limits are: (2022-2024) 62.6 million tons, (2025-2027) 56.8 million tons, and (2028-2029) 53.4 million tons.

The final rule provides for compliance through either plant specific, state specific or regional approaches. States are allowed to adopt an EPA model trading rule or write their own plan that includes trading with other states, with certain requirements and limitations. If emitters in some states are able to reduce carbon dioxide output below their maximum limits, then they may have carbon credits that can be purchased by other emitters in that state, or in other states, in lieu of those purchasers of credits reducing their physical output of carbon. Such a trading approach would require state plans that provide for carbon credit trading, either intrastate, interstate or both.

All West Virginia power plants emitted a combined 72.3 million tons of carbon dioxide in 2012. To achieve the final mass limit of 51.3 million tons in 2030, the West Virginia plants must reduce carbon output or acquire carbon emissions credits, if allowed by a state plan, by a total of 21 million tons: a 29% reduction from the 2012 output. Of the 72.3 million tons of emissions in 2012, West Virginia utility companies accounted for 52 million tons, or 72%. Non-utility, PURPA-qualified wholesale generators that contract to sell their plant output to a West Virginia utility output 1.7 million tons. The balance of the emissions came from generators that do not serve retail customers in West Virginia.

HB 2004, passed by the West Virginia Legislature in 2015, required the DEP report to the Legislature regarding the feasibility of the State's compliance with the EPA Clean Power Plan. If the DEP determined that compliance is feasible, it must then submit a proposed state plan for consideration by the Legislature. The DEP initiated a study of the final Clean Power Plan and completed its initial report to the Legislature on April 20, 2016. In that report, the DEP noted:

> In the final rule, EPA established an initial deadline of September 6, 2016, for submission of a state plan. However, on February 9, 2016, the United States Supreme Court granted a stay of the rule. As a result, all deadlines in the EPA rule are delayed during the pendency of the lawsuits challenging the rule. If these lawsuits result in the 111(d) rule being vacated by the courts, there will be no deadline. Should the rule be upheld, the WVDEP expects that EPA be required to extend the regulatory deadlines contained in the rules to allow an amount of time for action following the conclusion of litigation that is comparable to what would have been allowed in the absence of litigation and a stay. Although the WVDEP shares the belief of those challenging the rule that it is unlawful, the WVDEP cannot predict with certainty either the outcome of the litigation or when that outcome will be final. Accordingly, the WVDEP cannot predict when an EPA deadline will fall or whether there will even be an EPA deadline under this rule. (Feasibility Report, West Virginia Department of Environmental Protection, April 20, 2016, pp 10 – 11.)

In addition to the uncertainty of the feasibility of compliance, which is addressed in the DEP report, there have been lawsuits filed to block or slowdown the Clean Power Plan as issued by the EPA. It has been reported that it has become the most heavily litigated environmental regulation ever issued. Twenty-seven states and a number of industry groups have filed more than 15 separate cases against the rules. West Virginia has been joined by 23 other states in one case.[2] Oklahoma, North Dakota and Mississippi have filed individual lawsuits. Challenges have been filed by trade associations, utilities, coal companies, mining interests and other business sectors. Eighteen states and several municipal entities have announced that they will support the Clean Power Plan and defend the EPA in court. The lawsuits are currently consolidated in the U.S. Court of Appeals for the District of Columbia Circuit. The United States Supreme Court has stayed the implementation of the EPA Rule during the pendency of litigation before the DC Circuit and the Supreme Court.

If implemented, the EPA Clean Power Plan could affect the supply and cost of electricity available to West Virginia utilities. If a state plan is ultimately required, the final timing and outcome of legal challenges and the timing and provisions of a West Virginia plan for compliance are not certain. It would be premature to estimate or model, at this time, how the Clean Power Plan might affect the future supplies of electricity in West Virginia. Given the uncertainty of the timing and outcome of the Clean Power Plan, no assumptions regarding its impact on West Virginia's electricity supply or demand are made in this report.

PJM incurs its peak capacity requirements in the summer, and plans its capacity resources accordingly. Both APCo and MPC have been winter peaking companies.

[2] Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Missouri, Montana, Nebraska, New Jersey, North Carolina, Ohio, South Carolina, South Dakota, Utah, Wisconsin and Wyoming joined the lawsuit filed by West Virginia and Texas.

Historically, the ability of those companies to meet their internal peak, whenever that occurred, has been the focus of capacity adequacy planning. Because of the availability of energy from the PJM market and the PJM assignment of capacity obligations based on summer peaks, the Commission now evaluates the APCo and MPC supply and demand during the summer months. For the forecast period of summer 2017 through 2026:

- Expected growth in annual peak electric demand will decline an average approximately 0.2% for APCo. Growth in MPC annual peak electric demand is expected to be higher due to natural gas production, processing and transportation activities in the MPC service territory. The MPC annual growth is projected to be around 4.4% through 2020, and then drop to around 0.7% in 2021.

- Utility-owned (internal) generation installed capacity plus existing installed capacity available through purchased power contracts will be greater than customer demand.

- PJM discounts Installed Capacity (ICAP) to reflect the probability of outages of generation units, based on prior unit performance that PJM uses to assign an Equivalent Forced Outage Rate (EFOR) to each generation unit. The reduced peak capacity value assigned to each generation unit is referred to as UCAP.

- The Commission forecast of electricity supply has historically focused on the ICAP of APCo and MPC. Because of changes taking place in PJM definitions of reliable capacity resources and more stringent requirements being placed on generation resources operating in the PJM market, this report reflects the reduced UCAP values that the utilities must use for PJM planning purposes.

- Because UCAP reflects lower values than ICAP, there is a level of built-in reserve margin reflected in the difference between UCAP and projected peak customer demand. This built-in reserve margin for fossil fuel-fired generation changes annually and generally ranges between 8% and 12%, depending on the PJM determination of historical EFOR.

- PJM has recently changed its Capacity Performance Rules, requiring a greater level of reliability of capacity resources. These changes in the Capacity Performance Rules will affect both APCo and MPC. One of the major changes is a further discounting of capacity from solar, hydro and wind resources. The decrement between ICAP and UCAP of these resources will increase during the forecast period of this report. APCo has a greater level of solar, hydro and wind resources in its capacity, so it will be affected more than MPC by the PJM

Capacity Performance changes. Most significantly for both APCo and MPC, the UCAP of hydro generation, including pump storage generation, will be reduced significantly in 2020.

- Based on existing capacity resources, both APCo and MPC face declining PJM cushions above their UCAP obligations and each will require additions of capacity or reductions in demand during the forecast period.

American Electric Power

Appalachian Power Company and Wheeling Power Company

APCo is the largest AEP subsidiary in terms of population served, number of customers and area of service territory of the operating companies that comprise the AEP East System (AEP East). The APCo service territory covers southern West Virginia and adjacent portions of Virginia. WPCo owns generation facilities as well as transmission and distribution facilities providing service in Marshall and Ohio Counties in the Northern Panhandle of West Virginia. For rate regulation purposes in West Virginia, all operating costs, including power supply costs, of APCo and WPCo are combined and shared among APCo and WPCo customers.

APCo's current internal supply sources include coal-fired steam plants, natural gas-fired plants employing either solely combustion turbine technology or combined combustion turbine and steam technology (combined cycle), hydroelectric facilities and purchased power contracts. The APCo purchased power contracts presently include hydro and wind capacity. Potential future changes in APCo supply sources include capacity and energy supplies from renewable energy sources.

In June 2015, due to the company's inability to economically comply with new environmental standards, the Kanawha River Plant, the APCo units at the Phillip Sporn Plant, Glen Lyn Units 5 and 6 and Clinch River Unit 3 were retired.

APCo is continuing operations at Clinch River Units 1 and 2 after converting the units' steam generators from coal to natural gas fuel sources. Clinch River Units 1 and 2 are expected to continue operating as gas-fired generating units throughout the forecast period. APCo evaluated the conversion of the Kanawha River Plant to natural gas and reported that such conversion was not an economical option. This Commission however, urged APCo to preserve the equipment necessary for a natural gas conversion of the plant for a four-year period, given the present economic and political uncertainties.

APCo has historically reached its annual peak demands during the winter months. Historically, the Commission has projected the APCo supply and demand balances at the time of the annual winter peaks. Because PJM peaks in the summer, for PJM planning purposes the adequacy of APCo capacity is measured during the summer months and the supply/demand data used in this report reflect summer peaks. Thus, it is likely that projected reserve margins in any year, over the reserve margins already built into PJM UCAP values, will be less in the winter when APCo reaches its internal peaks. Because of the availability of capacity from the PJM market, any additional capacity required during APCo's winter peaking should be available from the PJM market.

Projected capacity of APCo/WPCo reflects significant derating of some "intermittent" resources in 2020 due to the new Capacity Performance rules of PJM. Run-of-river hydro capacity is reduced to a value of zero. Pumped-storage hydro unit capacity is reduced by approximately 33%. Wind resource capacity value is reduced to 5% of nameplate rating, as compared to the current PJM value of 13.5%. These assumptions are based on a current understanding of the PJM Capacity Performance rules, but may change when the PJM tariffs relating to Capacity Performance are finalized.

Gradual additions to APCo/WPCo capacity resources are reflected in the *Electric Utilities Supply/Demand Forecast Report*. These are not firm commitments for capacity additions, but reflect types and amounts of additions that are under consideration by APCo. The projected additions to capacity resources have not significantly changed since the *2015 Electric Utilities Supply/Demand Forecast Report* and are summarized to include:

- Beginning in 2020: Reduction of Smith Mountain pumped storage capacity by approximately 200 MW, reduction of all run-of-river hydro from the available UCAP by 25%, and reduction in PJM-allowed capacity levels for wind resources from 13.5% to 5% of nameplate capacity.[3]

- Additions of 20 MW of utility-owned, large-scale solar capacity beginning in 2018, with subsequent additions totaling 590 MW by 2030.

- Additions of 300 MW (nameplate rating) of wind capacity in 2018, with additional wind capacity being added through 2025 totaling 1,800 MW.

- Increased efficiency of distribution facilities.

- Increased use of battery storage resources.

[3] These reductions are not an actual reduction in installed capacity, but reflect reduced values of the installed capacity after considering PJM rules.

- Increased energy efficiency projects at the end-user level.

- Increases in customer-owned distributed solar capacity.

A summary of the combined projected capacity supply and demand (at PJM UCAP level) for APCo and WPCo are represented in the following table. Projections for UCAP capacity calculated by PJM in 2016 were not available at the time of this report. Therefore, the UCAP capacity values are based on the PJM 2015 calculated assignments. These calculations incorporate unit operating data over a three-year rolling average, reflecting minimal changes from year to year.

Appalachian Power Company / Wheeling Power Company Projected Supply and Demand - 2017 through 2026 (1) Based on Summer Internal Load and PJM UCAP Obligations and Capacity								
Year	APCo	WPCo	APCo / WPCo					
	Internal Load Plus Reserves	Internal Load Plus Reserves	Total Internal Load Plus Reserves	UCAP Capacity (2)			Reserve Margin in Additional to Margins Already Built Into UCAP Values	
				APCo	WPCo	APCo+WPCo		
	MW	MW	MW	MW	MW	MW	MW	Percent
2017	6,283	518	6,801	6,386	690	7,076	275	3.9%
2018	6,357	522	6,879	6,455	690	7,145	266	3.7%
2019	6,421	495	6,916	6,490	690	7,180	264	3.7%
2020	5,951	496	6,447	5,927	690	6,617	170	2.6%
2021	5,994	499	6,493	5,927	690	6,617	124	1.9%
2022	6,028	501	6,529	5,927	690	6,617	88	1.3%
2023	6,065	504	6,569	5,927	690	6,617	48	0.7%
2024	6,085	506	6,591	5,927	690	6,617	26	0.4%
2025	6,131	509	6,640	5,927	690	6,617	(23)	-0.3%
2026	6,166	511	6,677	5,927	690	6,617	(60)	-0.9%

Notes:

(1) Includes APCo total company (WV and VA) UCAP capacity resources and UCAP load obligations.

(2) Includes APCo-owned generation and long-term power contracts and WPCo-owned generation. (Based on Integrated Resource Plan (IRP), January 1, 2016.)

FirstEnergy Corporation

Monongahela Power Company and Potomac Edison Company

Monongahela Power Company (MPC) and The Potomac Edison Company (PE) are regulated subsidiaries of FirstEnergy Corp. (FE). The long-term assessment of supply and demand includes the total current and future capacity resources owned or contracted by MPC and the total load (demand) for the combined FE service territory in West Virginia.

MPC's current internal supply sources include coal-fired steam plants and purchased power contracts. The purchased power contracts include coal and gob-fired generation and both run-of-river and pump storage hydro generation. Potential future changes in the MPC supply sources include acquisition of additional generating capacity and additional purchases from the PJM market.

Like APCo, MPC has historically reached its annual peak demands during the winter months. Because PJM peaks in the summer, for PJM planning purposes, the adequacy of MPC capacity is measured during the summer months. Although on a stand-alone basis it would be normal to project the MPC supply and demand balances at the time of the annual winter peaks, for purposes of this report, the Commission is using the summer demand levels that are used for PJM planning purposes. It is likely that projected reserve margins will be less or projected deficits will be greater in the winter when MPC reaches its internal peaks. If MPC requires more capacity at the time of its internal winter peak, that capacity may be available from the PJM market.

Projected capacity of MPC reflects significant derating of its share of the Bath County pumped-storage capacity beginning in 2020. This decrease is based on a current understanding of the PJM Capacity Performance rules, but may change when the PJM tariffs relating to Capacity Performance are finalized.

A summary of the MPC projected capacity supply and demand for the forecast period is reflected below. The MPC data reflects a gradual decline in the calculated reserve margin in addition to the margins already built into the PJM UCAP values, reaching a deficit capacity during the forecast period. Absent significant changes in actual values from the projections, at some point during the forecast period MPC will have to consider adding new capacity. MPC has indicated that it believes its declining reserves should be offset by the purchase of additional coal-fired capacity from an existing source in the near future. Because of uncertainty about the amount and timing of that addition or any other additions to the MPC UCAP capacity, capacity additions above existing resources have not been reflected in the following table. Projections for UCAP capacity calculated by PJM in 2016 were not available at the time of this report. Therefore, the UCAP capacity values are based on the PJM 2015 calculated assignments.

These calculations incorporate unit operating data over a three year rolling average reflecting minimal changes from year to year.

Monongahela Power Company/Potomac Edison Company Projected Supply and Demand - 2017 - 2026 (1) Based on Summer Internal Load and PJM UCAP Obligations and Capacity				
Year	**MPC and PE West Virginia**			
	Total Internal Load UCAP Obligation	**UCAP Capacity (2)**	**Reserve Margin in Addition to Margins Already Built-Into UCAP Values**	
	MW	**MW**	**MW**	**Percent**
2017	2,743	3,357	614	22.4%
2018	2,899	3,357	458	15.8%
2019	2,968	3,357	389	13.1%
2020	3,119	3,118	-1	0.0%
2021	3,279	3,118	-161	-4.9%
2022	3,322	3,118	-204	-6.1%
2023	3,344	3,118	-226	-6.8%
2024	3,365	3,118	-247	-7.3%
2025	3,385	3,118	-267	-7.9%
2026	3,404	-	-	-

Notes:

(1) Includes MPC total company UCAP capacity resources and summer peak UCAP load obligations plus PE West Virginia summer peak UCAP load obligations.

(2) Includes MPC-owned generation and long-term power contracts. (Based on 2015 PJM projections; 2026 data not available.)

PJM Interconnection LLC

PJM Interconnection (PJM) is a regional transmission organization that operates the transmission grid delivering power in all or parts of Illinois, Michigan, Indiana, Ohio, Kentucky, Tennessee, North Carolina, Virginia, West Virginia, Maryland, the District of Columbia, Pennsylvania, Delaware and New Jersey. The PJM grid is made up of the major transmission facilities owned by a large number of integrated electric utilities, transmission companies spun off from former integrated electric utilities and new transmission companies. These transmission owners have turned over the operation of their interconnected transmission lines to PJM. As the grid operator, PJM conducts ongoing long-term regional planning that projects load within the system. Based on overall load levels, geographic locations and the ability of the transmission lines to move energy within the grid, PJM evaluates potential grid transmission bottlenecks and reliability issues. The end result of the evaluation and planning process is the identification of transmission upgrades and construction necessary to ensure reliably delivered power now and over the long-term planning horizon. PJM notifies the transmission owners of the need for system upgrades. The transmission owners are then responsible for implementing the necessary upgrades.

PJM also operates a competitive wholesale electricity energy market within the region served by the transmission facilities under its control. Generation providers can bid their production volumes and prices for delivery into the market on the next day, and load-serving entities bid their load requirements and prices they are willing to pay the market on the next day (day-ahead market). PJM matches generation and load requirements on a regional basis where it determines the price at which power will enter the market. The market price for power can vary based on location and time of day. In addition, PJM manages a real-time power market to price power necessary to serve hourly supply and demand fluctuations from the day-ahead market commitments.

PJM also operates a capacity market. The capacity market is based on the PJM long-term Reliability Pricing Model (RPM). Along with capacity buyers and sellers, the RPM takes into consideration the continued use of self-supply and bilateral contracts by load-serving entities electing to generate their own energy requirements. The capacity auctions obtain the remaining capacity that is needed after market participants have committed the resources they will supply themselves or provide through contracts. PJM receives bids for long-term capacity from suppliers. This bidding process develops the prices that will be paid for future capacity.

Appendix D

Gas Utilities
Supply – Demand Forecast
2017 - 2026

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January 2017

Executive Summary

This report presents general information regarding the current natural gas supply and demand conditions as well as future natural gas supply and demand over the 2017-2026 period in West Virginia. Information sources for natural gas oriented government agencies, industry groups and other organizations are provided at the end of the report. Those organizations include the Federal Energy Information Administration (EIA), the Colorado School of Mines Potential Gas Committee, the American Gas Association (AGA) and the Natural Gas Price Outlook from Energy Solutions, Inc. among others.

The *Gas Utilities Supply-Demand Forecast 2017-2026* is similar to previous reports, primarily because (i) the actual flowing supplies match all demand in the State at all times (except for minimal unplanned outages), (ii) the capacity of unrestrained production far exceeds the current and future projected demand, (iii) shale gas development is still occurring, and (iv) there have been no significant identified additions to current or projected demands on utility systems in the State, which includes no power production fuel switching involving natural gas public utilities. Therefore, the only changes made are to update the forecast date range, to comment on the likely effects of Senate Bill 390 (passed by the 2015 Legislature) and updated market price forecasts.

The 64th West Virginia Legislature (1979) stated in West Virginia Code §24-1-1(d)(3) that the Commission will, as part of an annual *Management Summary Report*, describe in a concise manner "the current balance of supply and demand for natural gas and electric utility services in the State and forecast the probable balance for the next ten years."

Prior to 1979, the wholesale price of natural gas was regulated and capped by the Federal Government. There was some concern at that time that suppliers of natural gas were reluctant to produce and market their supplies and that exploration for new supplies was somewhat curtailed due to what some believed to be artificially low and unprofitable wholesale prices. The Legislature was concerned about these factors and was interested in learning more about the natural gas production industry in West Virginia and what role the Legislature might play in it.

Prior to the passage of the Federal Natural Gas Policy Act of 1978 (NGPA), the natural gas market was experiencing production shortages that many believed were a direct result of Federal price controls. The NGPA addressed the situation by devising a schedule of price decontrol over time, reducing barriers between interstate and intrastate markets, and providing incentives for gas exploration and development. Today, wholesale natural gas prices are market driven and are subject to various market forces, much like the prices of any other publicly-traded commodity.

West Virginia is a major gas producing state and exports far more native production gas than it consumes. The State also has multiple access points to interstate gas from other production areas and major gas storage areas. This report focuses on the physical availability of supplies of natural gas and the outlook for the next ten years. Based on recent developments of "unconventional" natural gas reserves in the Appalachian Basin and elsewhere in the United States, there is more than an ample supply for the coming decade and beyond.

The Natural Gas Utility Position section of the report sets out basic information provided by the major natural gas public utilities in the State, and shows that the expected demand of all customer classes is essentially flat for the next ten years, as it has generally been for the past two decades or so.

Included again in this year's report are some concerns regarding peripheral issues related to general supply and demand and some more localized concerns that certain trends call to attention.

Natural gas public utilities buy gas based primarily on a national market price basis, and recover those costs through rates that contain additional storage and transportation costs and adjustments due to past-period over- or under-recoveries of gas costs.

Genesis of Report and the Current Situation

Language in W. Va. Code §24-1-1(d)(3) indicates that the Legislature was interested in the gas industry as it existed and operated in the early to late 1970s and into the early 1980s. Prior to the passage of the NGPA in 1978, and for the first few years afterward, natural gas prices at the wellhead were regulated with a maximum allowable price. As production costs escalated with inflation, the producers saw their profits decrease to the point that it was no longer attractive to investors and owners to drill new wells or, in some situations, continue to produce wells that had already been put into production, therefore increasing the Legislative interest in shut-in wells.

The situation became so severe that there were moratoria put into place restricting the addition of new distribution customers, essentially nationwide. This resulted in an increase of all-electric housing and businesses expanding in metropolitan areas of the country.

The Industrial Fuel Use Act of 1978 was enacted, which dictated the allowable uses of natural gas by industry. The use of natural gas in industrial boilers, including for the generation of electricity, was not allowed. This led to conversion of boilers to fuel oil and reduced natural gas use in industrial boilers.

The Natural Gas Utilization Act of 1987 repealed much of the Fuel Use Act at about the same time wellhead prices became fully deregulated under the NGPA, and the commodity began trading on a national commodity market basis. Both supply and demand, as well as prices, rose significantly. These actions greatly reduced concerns over adequate supplies in the near term.

After about 2007, and continuing today, huge new supplies of gas are becoming available and recoverable due to advances in deep well and horizontal drilling technology and economic feasibility, along with the accompanying hydraulic fracturing process. Although there are some issues with the practice that remain to be addressed, the vast majority of experts in the industry and regulatory world expect the practice to continue and become even more efficient and productive. Estimates by industry, government and academia show there is more than ample supply for the long term, with most saying there is a recoverable supply in North America to cover needs for 100 years or more. The abundance has driven the price of natural gas to near record low levels as compared to prices over the last 25 years. There continues to be a large increase in the use of gas for electric generation and other industrial applications, and the exporting of liquefied natural gas to other countries has begun.

Because of the dramatic changes in the industry (which are mirrored by production and consumption activities in the Appalachian Region and West Virginia), the Commission has also decided to include the current status of a robust natural gas supply market as opposed to limiting the discussion to the supply side concerns of forty years ago.

Marcellus Shale Impact on Supply

The feasibility of extracting natural gas from the Marcellus Shale formation in the Appalachian Region has resulted in increased drilling and production activity in West Virginia over the past 11 years. This gas has long been known to exist in the formation, but until improvements in deep well and horizontal drilling capabilities were made, the resource was not attractive to producers and consumers. After 2006, the supply has grown to the extent of driving wellhead prices down to a level where new drilling is slowing. Recently, production activities have shifted to oil-bearing areas in the Eastern United States formations, most notably the Utica Shale that is predominately in Ohio, and to “wet” gas zones in the Marcellus formation. This shift in production activities may slow, but will not eliminate, production of natural gas from non-traditional formations. As producers develop oil bearing formations, gas that coexists with the oil must also be produced.

Because demand has not kept up with supply, there is currently activity aimed at preparing to export more liquefied natural gas from the United States to foreign markets.

There is also increased activity to encourage the use of compressed natural gas as vehicular fuel. Because of the low prices and environmental regulatory actions regarding air quality, natural gas use for electric generation is increasing dramatically, including in West Virginia. Despite all these demand increases, there remain expectations of some increases in price as compared to the recent extreme lows, but prices will still remain relatively low. In its *Short-Term Energy Outlook*, released in November 2016, the U.S. Energy Information Administration (EIA) indicated that it expects prices to rise somewhat through 2017. EIA expects the Henry Hub price will average $3.12 per MMBtu in 2017 compared to $2.50 in 2016.

Local and Regional Concerns

The Marcellus drilling activity is creating some concerns on the supply side in terms of what is happening to conventional local production supplies and the midstream gathering pipelines that carry it, as well as some interstate pipelines upon which local distribution companies rely for supply deliveries.

There are several issues for consideration. Much of the Marcellus gas is "wet" and contains high levels of heavier hydrocarbons and water vapor. Higher pressures are being used in existing and new pipelines carrying Marcellus gas. Existing conventional production is declining and new conventional drilling is slowing as producers focus on what is perceived to be the more lucrative Marcellus production.

Wet gas has special handling and treatment needs. The heavier hydrocarbons, such as propane, butane, ethane, etc., cause the gas to have significantly higher BTU content, which is sometimes not tolerated well, or is even unusable, in today's modern high-efficiency appliances. This requires more stripping to make the gas useable in normal consumer gas-using appliances. Because the hydrocarbons often condense out of the gas and collect in the pipelines and other gas handling equipment, the pipelines must be cleaned frequently. This causes planned and occasional unplanned outages. Drier gas from conventional production fields is more likely to be useable by customers upstream of drying facilities. Marcellus gas customers along the gathering pipelines and transmission upstream of compression and drying equipment must take precautions to accommodate the wetter gas and may even have to abandon their traditional field-line-quality sources of supply.

Continued availability of natural gas to many rural customers may also be affected by the higher pressures typically used in pipelines transporting Marcellus gas to facilitate the production and transportation of much higher gas volumes. Producers and transporters are reluctant to allow customers on higher pressure pipelines for liability and operational reasons. Additional pressure regulating equipment may be necessary at a substantial cost.

Conventional production from existing wells is declining in some areas of the State as producers focus on the higher value Marcellus production. Many of the conventional wells are marginal producers and are not worth reworking or even maintaining. As a result, those wells are left to produce what they can in their remaining life and then are capped and eventually plugged. Volumes in field lines from those depleting existing wells will be reduced and pipelines will increasingly be in danger of being abandoned. This is having, and will continue to have, the effect of local pockets of field-line customers being abandoned. Some distribution areas served by local distribution companies are in danger of losing access to sufficient quantities of gas. Additionally, large amounts of capital, that would normally be used to fund new conventional drilling, are being redirected to the Marcellus and other shale formations, leaving conventional gas in the ground in various parts of the State, primarily Southern West Virginia.

One other area of concern is the uncertainty regarding governmental actions that could affect hydraulic fracturing (fracking). Even after there is a complete review by the EPA, there will likely be continued opposition to fracking. Although the EPA has been studying fracking, no final report has been issued as of this writing. In the meantime, there will be continuing outcry by many groups concerned that fracking can impact water supply sources.

In December 2012, the EPA issued a progress report on its detailed, multifaceted study that includes data gathered from hundreds of natural gas and oil wells across the country. In its progress report, the EPA listed major areas of the fracking water cycle that it is studying. They include the impact of large water supply withdrawals to provide the fracking water, the possible impacts of surface spills on drinking water sources, the effects of injection and the fracturing process on drinking water supplies, how fracking wastewater could affect water supplies and the possible effects of inadequate treatment of fracking wastewater. To date, there is no significant evidence of groundwater contamination due to the practice. A draft of the EPA report was released in August 2015 for public comment and peer review. Additionally, more recent concerns have arisen concerning increased seismic activity that may be related to fracking.

Natural Gas Utility Positions

As with past years' *Natural Gas Utilities Supply-Demand Forecast Report,* the largest natural gas utilities operating in the State provided information regarding their long-term (ten-year) supply and demand projections. Their responses show that very little change is expected in demand over what was reported last year. However, two disclaimers should be noted. First, electric generation operators are studying the economic and environmental feasibility of either switching to natural gas as the sole fuel or using some combination of natural gas and coal in existing plants. They are also factoring in the use of natural gas in planning new generation plants.

Second is the possibility of using more natural gas as feedstock for the production of ethylene and other byproducts, which would, in turn, be used primarily for chemical manufacturing and production of plastics. This activity is in the early to mid-stages of study, and it is not certain whether the suppliers would be the public gas utilities or some other entities in the private gas industry. Also, the passage of Senate Bill 390 by the 2015 Legislature will almost certainly lead to increased expansion of gas utility infrastructure into unserved and under-served areas of the State. At this point, however, it is difficult to estimate what volumes would be involved in these activities and, therefore, this report will only state that the utilities support the use of basically flat numbers in their demand forecasts for the next ten years. It is noted that certain areas of the State may experience declines in gas demand due to shrinking populations and certain industrial declines. These issues will be addressed in future reports when further developments emerge.

Conclusion

Based on the information reviewed by the Commission Staff, West Virginia and the United States have more than sufficient supplies of natural gas available to meet demand for the next ten years (2017-2026) and well beyond. The State's natural gas utilities predict ample supplies for their systems and, at this point in time, basically flat demand for the coming decade, although they are keeping a watchful eye on possible developments in the electric and chemical industries for what could create large increases in demand. Though system upgrades would be necessary if this occurs, there is high confidence that the available supply will be more than enough to meet that demand.

References and Additional Information

State Government

- West Virginia Department of Environmental Protection www.dep.wv.gov

Federal Government:

- National Petroleum Council (NPC)
  Balancing Natural Gas Policy (2003) www.npc.org
- Energy Information Administration (EIA) http://www.eia.gov/naturalgas/

Producers:

- Natural Gas Supply Association (NGSA)Winter Outlook www.ngsa.org

Interstate Pipelines:

- Interstate Natural Gas Association of America (INGA) www.ingaa.org

Local Distribution Companies:

- American Gas Association (AGA) www.aga.org

Research:

- National Regulatory Research Institute (NRRI) www.nrri.org
- Colorado School of Mines Potential Gas Committee www.potentialgas.org
- Natural Gas Price Outlook www.naturalgasoutlook.com