


Public Service Commission of West Virginia

2017 Management Summary Report
and the Electric and Gas Utilities Supply-Demand Forecast for 2018-2027


January 2018


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Chairman Michael A. Albert
Commissioner Renee A. Larrick
Commissioner Brooks F. McCabe, Jr.



Public Service Commission
of West Virginia

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

Michael A. Albert
Chairman

January 10, 2018

To the Members of the 83rd Legislature,

It is our pleasure to submit to you the *2017 Management Summary Report* and the *2018-2027 Electric and Natural Gas Utilities Supply – Demand Forecasts* for the Public Service Commission of West Virginia. This report details how the Commission met its mission of supporting and promoting a utility regulatory and transportation safety environment while balancing the interests of the citizens, the regulated parties and the State.

The Commission faced some unique challenges last year from deciding complex generation transactions and the conclusion of the General Investigation into the actions taken by West Virginia American Water Company after the January 9, 2014 chemical spill, to the constant challenge of determining the best ways to provide safe and affordable utility services to West Virginians. The Commission also completed the building façade replacement project, with a final price that was more than $100,000 below the original budget.

The Commission handles approximately 2,000 formal cases each year, many of which generate significant public attention. In addition, Commission Staff processed nearly 10,000 informal cases in 2017; cases in which a utility problem is fixed, a payment plan arranged, utility service restored, a billing problem addressed or significant water or sewer service problems discovered and corrected. Ninety-eight percent of these informal cases were resolved without the case advancing to a formal case.

The Commission continues to promote a variety of consumer and safety issues, including various motor carrier safety campaigns, 811-Call Before You Dig efforts, alerting the public to various utility scams, providing storm outage contact information and safety tips, promoting utility budget billing programs and visiting elementary schools around the state to teach young students about water conservation and efficiency.

The Commission Staff continued its tradition of public service in 2017, by contributing over $4,250 to worthy causes, including a $2,250 donation to Kanawha Hospice Care.

The Commission anticipates continuing our efforts to meet the needs for electric generating capacity, providing enhanced safety and oversight of the transmission and distribution of natural gas, providing quality water and sewer service throughout the state and ensuring the highest standard of motor carrier safety for the traveling public.

We look forward to continuing to work with you to serve the citizens of West Virginia in 2018.

Respectfully submitted,

Michael A. Albert	Renee A. Larrick	Brooks F. McCabe, Jr.
Chairman	Commissioner	Commissioner

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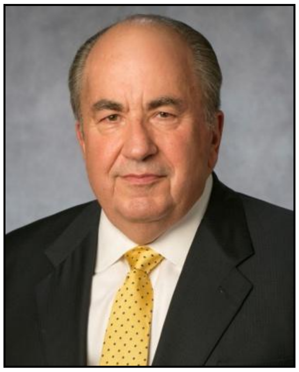
II. Meet the Commission

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, 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*, received his Doctorate of Jurisprudence and was a member of the Order of the Coif.

He 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. He currently resides in Charleston with his wife, Laura Lee. They have three children, seven grandsons and a granddaughter.

Commissioner Renee A. Larrick

Renee A. Larrick was appointed to the Commission in July 2017 to a full term ending June 30, 2023. Prior to joining the Commission she served as the Business Manager for a private law firm in Beckley. She has also taught on the college and high school levels in Raleigh County.

Commissioner Larrick has served on the board of the United Way of Southern West Virginia and is the past President of the Raleigh County Garden Council, the Woodcliff Garden Club and the Black Knight Country Club Ladies Golf Association.

Commissioner Larrick is a graduate of Woodrow Wilson High School in Beckley and the University of Kentucky in Lexington, Kentucky, where she earned a Bachelor's degree in Business and Economics with a concentration in Finance. She and her husband Alan live in Daniels, West Virginia.

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 Second Vice President of Mid-Atlantic Conference of Regulatory Utility Commissioners (MACRUC). Prior to joining the Commission, he served as a State 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 35 years.

Commissioner McCabe has served on the boards of the Charleston Renaissance Corporation, Chemical Alliance Zone, The Nature Conservancy's West Virginia Chapter, 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.

III. Organization

The Public Service Commission of West Virginia consists of 11 Divisions and the Consumer Advocate Division (CAD). The CAD is physically separate and financially independent from the Commission.

The Commission is supported in its work by a current staff of 233 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.

Commission

The Commission regulates the rates, charges, acts and practices of those persons, firms and governmental subdivisions that provide public utility services, including electricity, natural gas, water, sewer, telephone land lines, 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 and third-party towing. 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 as a conduit for the collection and distribution of 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 increasingly more effective Commission Billing Dispute mediation program. Throughout 2017, the Division had 41 cases in the mediation process, 34 of which were successfully mediated and resolved. One case is still in active mediation, and six cases were unable to be mediated and returned to the litigation stream. The mediation program saves resources of the Commission and those parties who 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 and 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 Forecasts* 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 (FOIA) 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, is maintained by the Executive Secretary Division and is available online to any interested person without cost. 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. Documents are docketed and scanned 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. Public hearing schedules and logistical information pertaining to docketed cases are 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 94 regulated pipeline operators who operate approximately 14,000 miles of intrastate natural gas and hazardous liquids transmission and regulated gathering pipelines and natural gas distribution pipelines. On an as needed basis, GPS may inspect interstate transmission pipelines as an agent for PHMSA.

GPS 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. The GPS Division has developed a multiyear master plan for the scheduling of routine inspections. In 2017, the GPS Division performed approximately ninety scheduled pipeline inspections on a variety of topics, including operations and maintenance, integrity management, operator qualification and drug and alcohol plans. In addition to the scheduled inspections, the GPS Division performs inspection of construction activities to ensure compliance with the design and construction regulations. In 2017, GPS inspectors spent over 547 days performing pipeline inspections.

The GPS Division 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 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. The GPS Division has a 24-hour emergency phone number to facilitate operators' notification 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 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

The 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 (USDOT) 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 (FMCSA) 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 in excess of 88,000 pounds shipped 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, 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. The Utilities Division participates in rate and other filings made by electric, natural gas, telephone, water and wastewater utilities, solid waste carriers, taxis, limousine services, tow operators and commercial solid waste facilities.

This Division is also responsible for reviewing and making recommendations to the Commission about 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 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 or sewer 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) and the Bureau for Risk and Insurance Management (BRIM), publishes *The Pipeline*, a quarterly newsletter.

In 2017, the Water and Wastewater utility analysts provided technical assistance to water and wastewater utilities in 1,202 matters. The average completion time for resolving a technical assistance request during 2017 was approximately 1.6 days. The Assistance Staff is also charged with reviewing, from a financial perspective, the preliminary applications to WVIJDC. During 2017, the Water and Wastewater utility analysts conducted 45 WVIJDC reviews. The Division also reviewed approximately 538 annual reports filed by water and wastewater utilities for quality and accuracy. During 2017, the Division processed 1,520 informal inquiries.

IV. Significant Proceedings

Electricity

Generation Cases

Monongahela Power and Potomac Edison proposed acquisition of the Pleasants Power Station from Allegheny Energy Supply Company LLC

On March 7, 2017, Monongahela Power (Mon Power) and Potomac Edison West Virginia (PE) filed a joint petition with the Commission for approval of a generation resource transaction (Case No. 17-0296-E-PC). Based on the Companies' actual and projected load growth, the Companies anticipate a growing capacity deficit over the next ten years. Mon Power, in conjunction with an outside expert, developed a request for proposals (RFP) to solicit bids to reduce or eliminate this projected deficit. The Pleasants Power Station (Pleasants) in Belmont, West Virginia, owned by Allegheny Energy Supply Company, LLC (AE Supply), was deemed to have submitted the most attractive proposal. AE Supply offered to sell Mon Power 100% ownership of Pleasants' 1300 MW for $195 million dollars.

The Commission granted intervenor status to the Commission's Consumer Advocate Division (CAD); the West Virginia Citizens Action Group (WVCAG); Solar United Neighborhoods (WVSUN); the West Virginia Energy Users Group (WVEUG); Longview Power, LLC; the Sierra Club; ESC Harrison County Power, LLC; ESC Brooke County Power, LLC; the West Virginia Coal Association and the West Virginia Business & Industry Council (WVBIC).

Public Comment Hearings were held in Parkersburg, Martinsburg and Morgantown. An Evidentiary Hearing was held in Charleston from September 26-29 and on October 10. This case is pending before the Commission, but a Commission Order will be entered in the first quarter of 2018.

ESC Brooke County Power I, LLC, Electric Wholesale Generating Facility

On April 26, 2017, ESC Brooke County Power I, LLC, filed an application with the Commission to construct and operate an electric wholesale generating facility (Case No. 17-0521-E-CS). The project is an 830 MW natural gas fired electric generating facility consisting of two combustion turbines driving two combustion turbine generators and one steam turbine to be constructed in the West Virginia Division of Natural Resources' (WVDNR) Cross Creek Wildlife Management Area. The power generated will be delivered to a new 345 kV three-breaker ring bus substation immediately east of the facility to be constructed and owned by First Energy (FE). The facility will receive natural gas and ethane from dedicated pipelines to be constructed and operated by third parties under contract to the Company. The cost of construction is estimated at $884 million.

The Company asserts that the project is not a utility and will not have an impact on West Virginia ratepayers. The Company anticipates the project will generate approximately 400 construction jobs and 30 permanent operations jobs. The economic impact on the state is estimated at $1.8 billion during the construction phase and more than $19 billion during the 30-year expected operational life of the project.

The Company entered into Payment in Lieu of Taxes (PILOT) agreements with the Brooke County Commission and the Brooke County Board of Education and a lease agreement with the Brooke County Commission. The Company anticipates that construction will be complete in the fourth quarter of 2020, with an in-service date of January 2021.

The West Virginia State Building and Construction Trades Council, AFL-CIO; the West Virginia Department of Commerce; the West Virginia Oil and Natural Gas Association (WVONGA); the Ohio Valley Jobs Alliance, Inc. (OVJA) and a number of local residents have been granted intervenor status, although three residents eventually withdrew their intervention requests.

The Company; the West Virginia State Building and Construction Trades Council, AFL-CIO; Commerce Department; WVONGA and Commission Staff submitted a Joint Stipulation to the Commission on October 16, 2017, recommending approval of the siting certificate, subject to certain terms and conditions. This case is pending before the Commission, but a Commission Order will be entered in the first quarter of 2018.

ESC Harrison County Power, LLC, Electric Wholesale Generating Facility

On January 17, 2017, ESC Harrison County Power, LLC filed an application to construct and operate an electric wholesale generating facility, including a related 1.8 mile transmission line of less than 200 kV (Case No. 17-0036-E-CS). The project is a 630 MW natural gas fired electric generating facility consisting of one combustion turbine, one steam turbine and one generator. It is to be constructed on a 110-acre abandoned mine site owned by the Harrison County Commission about a half mile from the City of Clarksburg.

The power generated by the plant would be delivered to the existing Glen Falls substation, owned by Mon Power. The project would receive methane gas from existing Equitrans, L.P., facilities and the construction of a lateral pipeline extending from the FERC regulated, third party pipeline owned and operated by an Equitrans interstate pipeline. When complete, the power plant will bid on a merchant basis into the grid operated by PJM Interconnection, LLC. The estimated cost of construction is $615 million, and the Company anticipates an in-service date of July 2020.

The Company asserts that the project will not operate as a utility, will not have an impact on West Virginia ratepayers and will generate approximately 400 construction jobs and 30 permanent operations jobs. The economic impact of the project on the state is estimated at $880 million during the construction phase and more than $287 million during the 30-year expected operational life of the project. The Company entered into PILOT agreements with the Harrison County Commission and the Harrison County Board of Education and a lease agreement with Harrison County.

The West Virginia State Building and Construction Trades Council, AFL-CIO and OVJA were granted intervention status, although OVJA later withdrew its request for intervention. The parties submitted a Joint Stipulation to the Commission that recommended approval of the siting certificate subject to certain terms and conditions.

On October 27, 2017, the Commission issued a Final Order granting the siting certificate, and this case is now closed.

Appalachian Power and Wheeling Power Acquisition of Wind Facilities

On July 5, 2017, Appalachian Power Company (APCo) and Wheeling Power Company (WPCo) filed a Petition with the Commission for approval to enter into agreements to purchase 100% of the equity interests of Hardin Wind Energy, LLC, to provide 175 MW of generation and Beech Ridge Energy II, LLC, to provide 50 MW of generation (Case No. 17-0894-E-PC). The Companies are also seeking Commission approval to merge the two companies into APCo through a series of affiliated transactions. APCo is a net buyer of energy from the PJM wholesale power market, particularly in the winter months, and believes the wind resources are well suited to address APCo's winter energy deficit because wind resources have higher productivity during the winter.

The Companies are also asking the Commission for rate recovery of the wind facilities costs through a Construction Surcharge, with an estimated revenue requirement of approximately $84.6 million over ten years, with approximately $10.2 million in the first year. The Companies propose collecting the Construction Surcharge as part of their ENEC rates as soon as the two wind facilities are placed into service. The Companies contend that the acquisition is not expected to lead to any significant increase in customer rates, but will, in fact, reduce the rates of the Companies' customers over the lives of the facilities.

CAD and WVEUG were granted intervenor status. The Commission has scheduled an Evidentiary Hearing for January 17-18, 2018. This case is pending before the Commission.

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

In 2002, the Commission granted approval for Mt. Storm Wind Force, LLC, 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 that the project would provide needed energy to the power grid serving residents and businesses throughout West Virginia. Public comments received during the application process were in favor of the project, and Mt. Storm asserts that the visual and audible impact of the project would be minimal. The Commission also noted there would be no financial risk to the public because Mt. Storm did not plan on using public funding and would bear the sole financial risk for the project.

On August 15, 2016, Mt. Storm filed an application with the Commission for a waiver of Siting Certificate requirements or 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 aboveground rather than underground. Friends of Blackwater was granted intervenor status.

On May 3, 2017, the Commission entered an Order concluding that the proposed modifications were not material modifications and granting the waiver of siting certificate requirements. This case is now closed.

Appalachian Power and Wheeling Power Renewable Energy Purchase Agreement

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 proposed 119.9 MW Bluff Point Wind Energy Center to be constructed in Indiana. On July 26, 2016, APCo/WPCo filed a petition seeking Commission approval to enter into a REPA to purchase wind generation (Case No. 16-1026-E-PC).

CAD and WVEUG were granted intervenor status. Disputed issues in the case included whether the REPA would result in financial costs or benefits to ratepayers and the likelihood that potential costs would be born solely by ratepayers.

The Companies and Commission Staff submitted a proposed settlement to the Commission, recommending that the Commission grant consent for APCo/WPCo to enter into the REPA. CAD and WVEUG did not join in the proposed settlement, but did not object. On March 28, 2017, the Commission entered an Order granting APCo permission to enter into the REPA. This case is now closed.

Appalachian Power Transfer of the Reusens Hydro Facility

On October 7, 2016, APCo filed a petition seeking Commission 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 sought permission to sell substantially all the assets of the Reusens Hydro Facility, a 12.5 MW installation, consisting of five 2.5 MW units on the James River in Virginia. APCo is also seeking to transfer the FERC license for the Reusens Hydro Facility. This will be a cash transaction and must also be approved by FERC and the Virginia State Corporation Commission (VSCC). APCo has owned the Hydro Facility since 1926, but equipment failures in the last few years have caused the units to be removed from service. APCo decided against refurbishing or replacing the units because less costly options were available.

On March 28, 2017, the Commission issued a Final Order allowing APCo to enter into the proposed agreement to sell certain assets. The Commission required APCo to file three items as closed entry filings: (i) a letter notifying the Commission of the transfer of the Reusens Hydroelectric Power Project to Eagle Creek; (ii) the executed Asset Purchase Agreement; and (iii) the actual accounting journal entries recording the sale of the assets on the Company's books and records. On April 19, 2017, APCo filed a letter notifying the Commission that the transaction closed on April 12, 2017. This case is now closed.

Beech Ridge Energy II, LLC

In 2013, the Commission granted Beech Ridge Energy II, LLC, a siting certificate for the construction and operation of a wholesale generating facility that would consist of up to 33 wind turbines, each with a rated capacity of 1.62 MW, but not to exceed 2.5 MW (Case No. 12-1196-E-CS). On January 12, 2017, Beech Ridge filed an application with the Commission for either a waiver or modification of the siting certificate (Case No. 17-0026-E-CS-PW). Beech Ridge proposed to decrease the maximum number of turbines to 22, while reducing the hub height and increasing the rotor diameter for each turbine.

On March 21, 2017, the Commission, after reviewing the application, concluded that the proposed modification was not a material modification of the siting certificate and granted the requested waiver. This case is now closed.

Rate Review and Cost Recovery Cases

AmBit Power Partners and Monongahela Power Purchased Power Agreement

On May 11, 2017, American Bituminous Power Partners, L.P. (AmBit) and Mon Power filed a joint petition to reopen Case No. 87-0669-E-P to grant approval of a modified Electric Energy Purchase Agreement (EEPA) between AmBit and Mon Power.

The Joint Petitioners also requested the Commission allow Mon Power to recover any incremental purchased power costs associated with the amended EEPA in Mon Power's annual ENEC proceeding. 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 Mon Power.

The Joint Petitioners stated that AmBit is in financial distress, and without increased revenues, new ownership of the project is not viable and bankruptcy reorganization without increased revenues will not work due to the plant's operating costs. The Joint Petitioners state the project provides many benefits to the state and local economy and without rate relief, the plant will have to cease operations. On May 18, 2017, the Commission granted the petition to reopen, required filings made on and after May 18, 2017, be docketed in Case No. 17-0631-E-P and closed Case No. 87-0669-E-P.

Mon Power pays an avoided energy cost rate plus an agreed upon capacity cost rate for up to 80 MW of energy. Under the current contract, the capacity cost rate is 3.425 cents per kilowatt-hour ($34.25/MWh). That rate decreased to $27.00/MWh in October 2017, when AmBit paid off its bonds, and will remain at that level through the end of the contract in 2036. The proposed agreement calls for Mon Power to purchase up to 80 MW at Mon Power's previous Energy Cost Rate and increase the Capacity Cost Rate to $40.00/MWh through the life of the contract. This change will increase revenues by $3.6 million over the previous level and by $8.2 million over the levels that went into effect in October 2017.

Under the current EEPA, excess payments made by Mon Power to AmBit are tracked. AmBit must amortize the balance of that account over time by reducing the energy cost rate to $19.00/MWh until fully amortized, beginning in January of 2020. The proposed EEPA states no amounts shall be subtracted from the Tracking Account to reduce the amount in the Tracking Account until January 1, 2030. At that time, $4.00 MWh of the Energy Cost Rate shall be allocated to the repayment of the Tracking Account until the balance is reduced to zero. Interest on the Tracking Account will continue to accrue.

Further, under the current EEPA, AmBit is required to keep a maintenance reserve fund. Due to its financial circumstances, AmBit has been unable to fund this reserve. The proposed EEPA caps this fund at $8 million. Once fully funded, AmBit would not be required to continue to increase the level of reserve.

The Commission granted intervenor status to CAD, WVEUG and the Sierra Club. Commission Staff, CAD, WVEUG and the Sierra Club all recommend the Commission deny the requested modifications to the EEPA.

The Commission conducted an Evidentiary Hearing on September 7-8, 2017. This case is pending before the Commission and will be decided in the first quarter of 2018.

Monongahela Power and Potomac Edison's Energy Efficiency/Demand Response Program

On October 6, 2017, Mon Power/PE filed a petition to reconcile and update their Energy Efficiency and Conservation Charge (EEC) (Case No. 17-1440-E-T). The Companies proposed an annual decrease of the EEC of $5,360,442, to be effective January 1, 2018.

On November 13, 2017, Staff recommended the Commission implement the requested rate decrease, effective January 1, 2018, but allow the issue of the reconciliation of the rates to remain open until the Company's 2018 Energy Efficiency/Demand Response (EE/DR) true-up filing.

On December 15, 2017, the Commission issued a Final Order approving the proposed decrease, but allowing the reconciliation period to remain open until next year's EE/DR review. This case is now closed.

Monongahela Power and the Potomac Edison's Vegetation Management Program

On September 1, 2017, Mon Power/PE filed a petition proposing an annual $15 million decrease to their Vegetation Management Surcharge (VMS) rates, effective January 1, 2018 (Case No. 17-1250-E-P). WVEUG was granted intervenor status.

On December 8, 2017, the parties filed a Joint Stipulation that, among other things, reduced the Companies' deferred VMS balance, continued the VMP and VMS for the next two-year period and allowed the Companies to move to a four-year VMP maintenance cycle for clearing their rights of way beginning July 1, 2019. An Evidentiary Hearing was held on December 8, 2017, to review the Joint Stipulation.

On December 15, 2017, the Commission issued a Final Order approving the Joint Stipulation. This case is now closed.

Appalachian Power and Wheeling Power Vegetation Management Program

On March 1, 2017, APCo/WPCo, filed their 2017 Petition for review of their VMP and true-up of the VMP Surcharge (Case No. 17-0280-E-P). The Companies claimed the VMP costs remain under-recovered by approximately $33.1 million and did not seek an increase in the VMP rates. The Commission granted intervenor status to the CAD and WVEUG and conducted an evidentiary hearing on June 29, 2017.

On June 28, 2017, the parties filed a Joint Stipulation agreeing that the Companies' VMP Surcharge rates should not be changed, that certain reporting requirements should be modified and establishing informal conferences to discuss VMP practices, performance and associated issues, including quality of service complaints.

On September 7, 2017, the Commission entered a Final Order approving the Joint Stipulation. This case is now closed.

Appalachian Power and Wheeling Power EE/DR Program

On March 31, 2017, APCo/WPCo filed a Petition for review of their EE/DR program rate, approval of new EE/DR programs, and modification of their tariff related to their EE/DR programs (Case No. 17-0401-E-P).

The Companies proposed adding four new EE/DR programs, including Bring-Your-Own Smart Thermostat, the Small Business Direct Install Program, the Multi-Family Direct Install Program and the Volt Var Optimization expansion program. The Companies also proposed recovering the costs of the program though the Investment Recovery Mechanism and compensating customers participating in the Residential Peak Reduction Program with refund checks rather than credits on their bills.

The Companies propose increasing their annual EE/DR budget to $11.5 million for July 1, 2017, through June 30, 2018, and $13.4 million for July 1, 2018, through June 30, 2019. The Companies request approval to continue the existing EE/DR rates, which are projected to collect approximately $7.5 million per year.

The Commission granted intervenor status to CAD, WVEUG, Steel of West Virginia (SWVA), the Sierra Club and WVCAG. An Evidentiary Hearing was held in Charleston on October 23-24, 2017. On December 22, 2017, the parties filed a Joint Stipulation with the Commission. The parties agreed, among other things, that the Companies should continue to offer their current portfolio of EE/DR programs through December 31, 2019, and should not implement the four new EE/DR programs the Companies had proposed. This case is pending before the Commission and will be decided in the first quarter of 2018.

Black Diamond Power Base Rate Case

On June 19, 2017, Black Diamond Power Company requested a rate increase to generate approximately $572,399 or 11.1% in additional annual revenue (Case No. 17-0810-E-42T). Black Diamond purchases all its power from APCo and provides electric service to approximately 4,000 West Virginia customers in Clay, Kanawha, Raleigh and Wyoming counties. Staff recommended a decrease in base rates of $7,678, or 0.13%. Black Diamond filed rebuttal testimony and adjusted its request to an increase of $510,000.

On September 22, 2017, Black Diamond and Staff filed a Joint Stipulation that recommended a $166,947 increase. The parties agreed to increase the residential customer charge to $8.00 per month and that Black Diamond would continue to make certain monthly filings with the Commission as previously required in Case No. 15-0200-E-42T. On October 3, 2017, an Administrative Law Judge approved the Joint Stipulation. This case is now closed.

Black Diamond Power Purchased Power Cost

On August 1, 2017, Black Diamond filed an application with the Commission for an increase in its consolidated purchased power surcharge (Case No. 17-1080-E-P). If approved, this would result in an annual increase in revenue of $316,897. The Company stated it has accumulated an over-collected balance of $209,064 for its consolidated purchased power costs. Staff recommended a lower increase in the purchase power surcharge, producing an annual revenue increase of $40,546. Staff also recommended that the purchased power over-recovery amount of $323,922 be returned over the next two years and that the historical net over-recovery balance of $862,339 be refunded to the customers over the next seven years. On October 30, 2017, the parties filed a Joint Stipulation agreeing to the Staff recommendations.

The Commission held an Evidentiary Hearing on October 31, 2017, and on November 16, 2017, the Commission approved the Joint Stipulation, closing the case.

Miscellaneous Electric Cases

Appalachian Power and Wheeling Power Request to Waive On-site Personal Contact Visits

On March 23, 2017, APCo/WPCo filed an Emergency Petition for Immediate Interim Relief seeking a temporary waiver of any obligation to make personal contact prior to discontinuance of service by an on-site visit, pursuant to Rule 4.8 of the Commission's Rules for the Government of Electric Utilities, 150 C.S.R. 3 (Electric Rules) (Case No. 17-0360-E-P). The Companies stated in their filing they had observed a recent, marked increase of incidents where personnel of the Companies have been threatened with immediate and deadly violence.

On April 6, 2017, the Commission granted an emergency waiver to the Companies of the requirement that at least one attempt at personal contact concerning discontinuance of service must be an on-site visit at the service location until further order of the Commission, or on the effective date of the Electric Rules to be filed in General Order No. 184.37, whichever occurs first. The Commission, however, made clear that this waiver does not apply when telephone contact has been unsuccessful and the utility has been provided a written certificate from a licensed physician that termination of service would be especially dangerous. Additionally, the Commission made clear that all other provisions of Rule 4.8 must be followed. This case is now closed.

Natural Gas

Purchased Gas Adjustment Cases

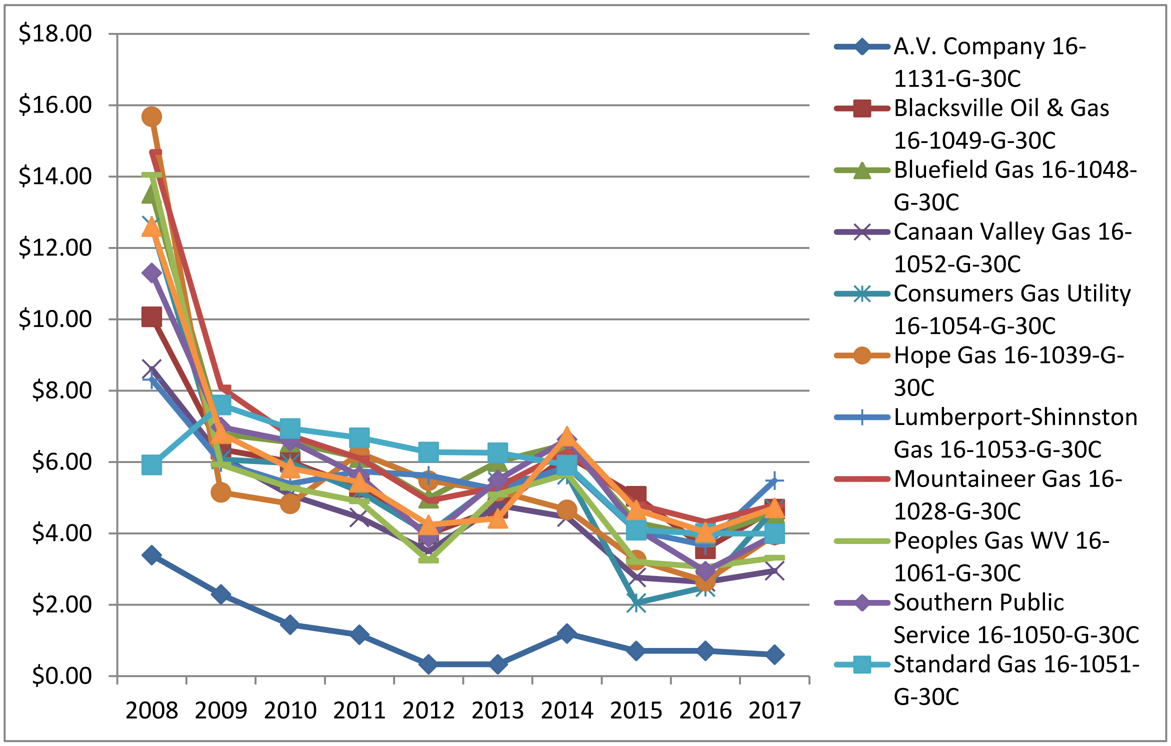
Under the Commission's Rule 30C procedures, natural gas utilities are entitled to file annually to adjust the purchased gas component of their rates. This purchased gas adjustment procedure (PGA) allows the gas utility to recover the costs it pays suppliers for the gas it delivers to gas customers. The PGA cost of purchased gas varies depending on the natural gas utility and, on average, is currently less than half 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. Overall, purchase gas adjustments and rates are lower than the prices during 2008-2012.

Following a review of the 30C rate filings by natural gas utilities, the Commission ordered the following interim gas rates for the winter of 2017-2018.

Purchase Gas Cost per McF 2008 - 2017

Company and Case Number	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
A.V. Company 17-1329-G-30C	$3.39	$2.29	$1.44	$1.16	$0.33	$0.33	$1.193	$0.705	$0.708	$0.60
Blacksville Oil & Gas 17-1067-G-30C	$10.07	$6.36	$6.01	$5.289	$3.979	$4.704	$6.176	$5.041	$3.569	$4.681
Bluefield Gas 17-1082-G-30C	$13.53	$6.79	$6.56	$6.125	$4.986	$6.013	$6.506	$4.308	$3.905	$4.5609
Canaan Valley Gas 17-1079-G-30C	$8.61	$6.14	$5.08	$4.448	$3.501	$4.787	$4.458	$2.766	$2.64	$2.954
Consumers Gas Utility 17-1072-G-30C	$12.63	$6.07	$5.97	$5.178	$4.00	$5.45	$5.64	$2.05	$2.494	$4.692
Hope Gas/Dominion 17-1053-G-30C	$15.68	$5.15	$4.83	$6.25	$5.478	$5.188	$4.66	$3.252	$2.662	$3.957
Lumberport-Shinnston 17-1071-G-30C	$8.31	$5.99	$5.39	$5.739	$5.627	$5.232	$5.862	$4.071	$3.664	$5.481
Mountaineer Gas 17-1065-G-30C	$14.69	$8.09	$6.74	$6.108	$4.913	$5.298	$6.293	$4.812	$4.32	$4.789
Peoples Gas WV 17-1075-G-30C	$14.05	$5.93	$5.28	$4.90	$3.24	$5.09	$5.67	$3.20	$3.06	$3.32
Southern Public Service 17-1068-G-30C	$11.30	$6.98	$6.59	$5.613	$3.886	$5.50	$6.634	$4.127	$2.94	$3.947
Standard Gas 17-1070-G-30C	$5.92	$7.60	$6.94	$6.68	$6.28	$6.26	$5.915	$4.09	$3.996	$3.992
Union Oil & Gas 17-1069-G-30C	$12.60	$6.80	$5.83	$5.434	$4.24	$4.421	$6.727	$4.66	$4.036	$4.714



Infrastructure Replacement and Expansion Plan Cases

In 2015, the West Virginia Legislature passed Senate Bill 390 authorizing the Commission to approve Infrastructure Replacement and Expansion Plans (IREP), an expedited cost recovery of natural gas utility infrastructure projects through the use of a surcharge. The Commission continues to receive and process these cases.

Mountaineer Gas

On July 31, 2017, Mountaineer Gas Company filed its annual IREP, including an application for a surcharge and first true-up calculation (Case No. 17-1066-G-390P). The application revises the Company's five-year plan to invest $94.8 million, including $24.3 million in 2018, exclusive of Segment 1 of the $30 million proposed expansion project in the Eastern Panhandle.

The Company's 2018 IREP Rate Component takes into account a 2016 over-recovery of $124,357. Under the 2018 IREP Rate Component, a typical residential customer would see an increase of approximately $1.43 per month.

The CAD and the WVEUG were granted intervenor status in the case. On October 31, 2017, the parties filed a Joint Stipulation. The Commission held an Evidentiary Hearing on November 1, 2017. On December 13, 2017, the Commission issued a Final Order approving the Joint Stipulation. This case is now closed.

Hope Gas, Inc., dba Dominion Energy West Virginia

On May 30, 2017, Hope Gas, Inc. dba Dominion Energy West Virginia filed its annual IREP (Case No. 17-0685-G-390P). The Company proposed an investment of $31.2 million in 2018. CAD and WVEUG were granted intervenor status. The Commission held an Evidentiary Hearing on September 14, 2017.

On October 28, 2017, the Commission entered on Order affirming its decision in Case No. 16-0560-G-390P that a provision for incremental increase in depreciation expense resulting from the Pipeline Replacement and Expansion Program (PREP) investment, above the level currently embedded in base rates, is required by W.Va. Code §24-2-1k(f)(4). The Commission required Hope to identify each revenue producing investment project included in the PREP accounts for each year in its next filing and indicate whether the revenue producing investment is a PREP investment or non-PREP investment in the PREP accounts. The Commission also required Hope to provide an estimate of the annual revenue and net operating income related to the revenue producing investment. This case is now closed.

Bluefield Gas

On May 1, 2017, Bluefield Gas Company filed its IREP for 2018 (Case No. 17-0546-G-390P). In the filing, the Company requested approval of its revised five-year plan with a proposed rate increase, effective on October 1, 2017, and a decrease, effective March 1, 2018. The Company planned to invest approximately $7.5 million in infrastructure replacement and system upgrades between 2018 and 2022, with $2.3 million of that in 2018.

On July 18, 2017, the parties submitted a Joint Stipulation that allowed Bluefield Gas to implement its requested rates on October 1, 2017, and any change to the surcharge rates resulting from the pending rate case (Case No. 17-0565-G-42T) to be decided in that rate case and implemented April 1, 2018.

On September 26, 2017, the Commission issued a Final Order approving the Joint Stipulation. This case is now closed.

Other Gas Cases

Bluefield Gas Company Base Rate Case

On May 5, 2017, Bluefield Gas Company filed an application to increase its rates and charges to produce an additional $1,491,913 in revenue annually, or approximately 31.78% (Case No. 17-0565-G-42T). CAD was granted intervenor status.

On December 13, 2017, the parties filed a Joint Stipulation that, among other things, allows the Company an annual increase of $606,000 in base rates and allows

$1.16 million of IREP investment to be transferred to base rates. The effect of these two adjustments results in a net annual increase of $508,839 in the Company's revenues, or an increase of approximately 10.84%.

An Evidentiary Hearing was held on December 14, 2017, to review the Joint Stipulation. This case is pending before the Commission.

<u>Lumberport-Shinnston Gas and Blacksville Oil & Gas Asset Transfer to Bluefield Gas</u>

On March 24, 2017, Bluefield Gas Company, Lumberport-Shinnston Gas Company and Blacksville Oil and Gas Company jointly requested approval to transfer the assets of Lumberport-Shinnston and Blacksville to Bluefield Gas (Case No. 17-0363-G-PC). The transfer will take place by assignment from Utility Pipeline, LTD (UPL), which is the indirect owner of Bluefield Gas. The Companies assert the acquisition will not change the management, financing, operations, employee levels, service levels or rates of Bluefield Gas.

Under an August 17, 2016 Asset Purchase Agreement, UPL will acquire and subsequently assign to Bluefield Gas the natural gas distribution systems as well as all related utility assets of Lumberport-Shinnston and Blacksville. Upon completion of the transaction, Bluefield Gas will own and operate the utility assets and will change its corporate name to Cardinal Natural Gas Company.

The Companies state the transaction will have no adverse impact on the existing customers. The employees, management and management personnel of Bluefield Gas will not be impacted, and most of the current employees of Lumberport and Blacksville will be retained. The Companies further state the transaction will not have an impact on the rates of Lumberport-Shinnston, Blacksville or Bluefield Gas and that if the transaction is approved, Bluefield/Cardinal will not apply for a base rate increase for the Lumberport and Blacksville rates for five years.

The CAD has been granted intervenor status. The Commission conducted an Evidentiary Hearing on August 28, 2018. This case is pending before the Commission, and will be decided in the first quarter of 2018.

Gas Pipeline Safety

According to the 2017 Annual Reports filed by operators, the Gas Pipeline Safety Division (GPS) oversees pipeline safety compliance for 94 gas companies with approximately 14,000 miles of pipeline.

Type of Pipeline Miles in West Virginia						
Year	Hazardous Liquid[1]	Gas Transmission (Intrastate)	Regulated Gas Gathering [2]	Gas Distribution		Total
				Mains	Services	
2016	230	170	399	10,883	2,262	**13,944**
2015	322	221	414	10,850	2,431	**14,238**
2014	204	280	438	10,732	2,424	**14,078**
2013	165	250	431	10,707	2,575	**14,128**

[1] Mileage includes both transmission and gathering
[2] Reported mileage may not represent all regulated gathering

The yearly variation in mileage occurs as operators re-evaluate their pipelines according to regulations, changes in ownership, and abandonment of pipeline. The regulated gathering pipelines represent most of the mileage changes. Not all production and gathering operators fall under GPS oversight.

Commission Regulated Pipeline Operators					
Year	Hazardous Liquid	Gas Transmission	Gas Gathering	Gas Distribution	Master Meters
2016	6	12	19	21	36
2015	5	10	28	21	36
2014	5	12	22	20	39

The number and names of operators varies from year to year, particularly for the regulated gathering line operators. The lack of steady markets for West Virginia gas, particularly the shale gas, has caused a volatile market for the gas gathering assets. The constant market turmoil makes it difficult for the GPS Division to ensure the proper oversight of all the pipelines they are required to inspect. In 2016, there were at least 10 operator name changes as gathering line operators try to consolidate their holdings and sell or acquire additional regulated pipelines and as new operators enter the regulated pipeline business.

GPS is funded by a pipeline assessment fee paid by operators as outlined in Chapter 24B, and by a Federal Pipeline Safety Grant provided under 49 USC §60105 by the U.S. Department of Transportation, Pipeline and Hazardous Material Safety Administration (PHMSA), Office of Pipeline Safety (OPS). The money available for Federal funding for State pipeline safety programs was established by the PIPES Act of 2016, and the total monies available to States is reduced from previous years. As part of the Federal grant, GPS must follow the guidelines as outlined in the *2017 Guidelines for States Participating in the Pipeline Safety Program* that provide the requirements for State programs, including the types of inspections, reporting requirements, staffing levels and other criteria. By participating in the Federal Pipelines Safety grant program, GPS is subjected to an annual review, the results of which affect the amount of Federal funding. The program also has a three year monetary audit to insure monies are appropriately spent. In any given calendar year, the GPS is operating in three different grant years.

All GPS inspectors are trained in the Federal pipeline regulations at the PHMSA Training Facility in Oklahoma City, Oklahoma. The initial training of seven classes must be completed before an inspector is considered a minimally trained pipeline safety inspector. Those seven courses must be successfully completed in three years. Inspectors must meet minimum requirements prior to being allowed to inspect pipelines. In addition to these initial classes, there are advanced level courses on topics such as integrity management, control room management and root cause analysis. GPS is required to have inspectors trained in all classes. The approximate cost per training class is $2,000, paid in part by a Federal pipeline safety grant. During 2017, GPS inspectors completed 20 pipeline safety training classes in Oklahoma.

GPS continues to struggle to staff the Division according to the PHMSA staffing guidelines. According to the PHMSA guidelines for State programs, GPS needs to have seven inspectors in order to provide adequate inspection and oversight of the 94 operators currently operating in West Virginia. However, the Division has only three trained inspectors. It is difficult for the Division to maintain appropriate levels of staffing because of low State salary guidelines. Once inspectors become trained, industry hires the individuals by offering a 50-100% salary increase.

In 2015, PHMSA issued new Federal damage prevention regulations as 49 CFR 196. These new regulations strengthened the protection of underground pipeline facilities by allowing PHMSA to take enforcement actions against contractors violating one-call regulations. As part of the new regulations, PHMSA reviewed the West Virginia pipeline damage prevention enforcement program as outlined in Chapter 24C, and determined that the West Virginia program was inadequate. As a result of this determination PHMSA took over the enforcement as provided under 49 CFR Part 196, as of October 1, 2016. GPS continues to work with WV811 to educate the public about, and ensure compliance with, the State one-call laws. In conjunction with WV811, GPS is working to identify the changes necessary to bring West Virginia's damage prevention enforcement up to the federally mandated criteria.

In December 2016, PHMSA issued an interim rule regarding underground natural gas storage facilities. Although PHMSA has always had authority over these facilities, it was because of the 2015 underground storage event in San Bruno, California that Congress forced PHMSA through the PIPES Act of 2016 to adopt storage regulations. Under the interim final rule, all intrastate transportation-related underground gas storage facilities will become subject to minimum Federal safety standards and be inspected either by PHMSA or by a State entity that has chosen to expand its authority to regulate these facilities under a certification filed with PHMSA pursuant to 49 U.S.C. 60105. The Gas Pipeline Safety Division currently has the same authority as PHMSA over underground gas storage as outlined in Chapter 242 (3).

GPS is prohibited by Chapter 24-B from participating in the siting and locating of pipelines. Proposed interstate pipelines such as the Mountain Valley and Atlantic Coast Pipelines are certificated by FERC and do not fall under State or PSC jurisdiction. GPS does not have a role in siting intrastate pipelines and has no oversight of non-regulated gathering pipelines.

In 2017, PHMSA passed new regulations about "farm taps," defining them as service pipelines. Taps on both regulated and unregulated pipelines will become regulated and will be inspected periodically. All farm tap operators will now be required to report the number of taps in annual reports. These new regulations may create issues such as the abandonment of taps and loss of gas service in underserved areas as operators choose not to adhere to the regulations and will increase the work of GPS inspectors.

In addition to inspections, GPS provides training to help operators understand compliance issues. In 2017, GPS partnered with the gas industry to provide two one-day seminars. These seminars had identical agendas and were held in Charleston and Fairmont to reduce travel time, costs and to make them accessible to operators around the state. Approximately 250 individuals, including operators, consultants and other regulatory individuals, attended the seminars.

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

In addition, GPS investigated one reportable accident and one safety-related condition during the year.

Water and Wastewater

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. 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).

CAD, Advocates for a Safe Water System (ASWS) and a group representing local business owners were granted intervenor status. The Commission held two Public Comment Hearings and three days of Evidentiary Hearings.

On January 25, 2017 WVAWC, Commission Staff, CAD and the group of business owners submitted a Joint Stipulation for Commission approval. Some of the settlement terms required WVAWC to regularly update its Kanawha Valley System source water protection plan through a process that includes public participation, file annual reports regarding potential sources of significant contamination, develop a contingency plan that considers the potential contamination of the public surface water supply source for the KVTP, develop an incident/event reporting system that complies with Bureau for Public Health requirements and make significant improvements in its monitoring system. ASWS did not sign the Joint Stipulation nor did they oppose it.

On June 15, 2017, the Commission accepted the Joint Stipulation and clarified the process for approval of certain types of construction projects related to enhanced system resiliency. This case is now closed.

West Virginia-American Water Petition for a Distribution System Improvement Charge

On June 15, 2017, West Virginia American Water Company (WVAWC) filed a petition seeking approval of a proposed Distribution System Improvement Charge (DSIC) (Case No. 17-0787-W-DSIC). The Company proposed investing approximately $29.9 million in DSIC facilities during 2018, including $18.2 million to replace 201,249 feet of mains, $5 million associated with the proposed Weston to Webster Springs project and $2.4 million to replace storage tanks in the Huntington District. The Company is requesting an increase of $2.96 million, or 2.19% over current rates. The Company proposed a revenue requirement of $2.59 million through a surcharge beginning January 1, 2018. CAD was granted intervenor status.

On October 11, 2017, the parties filed a Joint Stipulation agreeing that the Commission should establish a DSIC and allow recovery of $4.3 million through the DSIC surcharge, beginning January 1, 2018. The parties agreed the Commission should approve certain projects, including a significant level of main replacement. As part of the settlement, the parties propose that the Company replace approximately 221,019 feet of mains at an estimated cost of $22.2 million. On December 28, 2017, the Commission issued a Final Order approving the Joint Stipulation. This case is now closed.

West Virginia-American Water Improvements to Weston and Webster Springs

On April 14, 2017, WVAWC filed an application to expand the capacity of its Weston Plant to 3 million gallons per day, construct an interconnection between the Weston Plant and Webster Springs system and decommission the Webster Springs Plant

(Case No. 17-0466-W-CN). The Weston – Webster Springs interconnection includes a 28 mile extension at Hacker Valley. The West Virginia Bureau for Public Health (WVBPH) performed a sanitary survey of the Webster Springs plant and identified deficiencies, including inadequate submergence over the intake piping at low river stage conditions, a lack of mechanical solids removal causing the plant to be taken out of service for manual cleaning, a need for additional filtration, the inability to meet disinfection requirements and a lack of alternative power. In its 2017 DSIC filing, the Company planned to recover $5 million of the proposed $20.8 million cost of the project rather than seek certificate rates.

Commission Staff recommended that the certificate application be granted, but opposed allowing project costs to be included in the DSIC. CAD was granted intervenor status and also opposed providing DSIC rate recovery for the project.

Numerous letters of protest were filed in the case, primarily by Webster Springs customers. The Commission held a Public Comment Hearing in Webster Springs on October 25, 2017.

The parties presented a Joint Stipulation of the certificate application and the 2017 DSIC case to the Commission at the October 11, 2017 Evidentiary Hearing. The parties proposed that the Commission grant the certificate application for the proposed project without granting DSIC rate recovery of project costs and agreed that the Commission should allow the Company to accrue an allowance for funds used during the interconnection construction until the Webster Springs customers receive water through the new interconnection and the current Webster Springs plant is taken out of service. On December 28, 2017, the Commission issued a Final Order approving the Joint Stipulation. This case is now closed.

<u>West Virginia-American Water Tariff for Water Service</u>

On September 14, 2017, WVAWC filed an "Application for Revisions to Company Rules and Regulations," proposing a comprehensive revision and reorganization of the Company's existing rules and regulations for water service (Case No. 17-1310-W-T). While individual pages of its rules and regulations have been updated and added, the rules and regulations have not been comprehensively updated or organized in almost 30 years. The Company believes its current rules and regulations are difficult to navigate and need to be updated to address the evolution of the Commission's <u>Rules for the Government of Water Utilities</u> (150 C.S.R. 7) as well as modern concerns. This case is pending before the Commission.

Delby B. Pool v. Greater Harrison County Public Service District

On August 16, 2017, Delby B. Pool filed a complaint against the Greater Harrison County Public Service District alleging violations in adopting a sewer rate increase. Pool stated Greater Harrison failed to file its proposed rate increase application with the Commission and give proper notice to its customers (Case No. 17-1168-PSWD-C). Instead, Greater Harrison adopted a resolution on May 17, 2017, to increase sewer rates over a three-year period and submitted the resolution to the Harrison County Commission for approval. The Harrison County Commission approved the rate increase with rates to go into effect August 1, 2017. Pool also requested a General Investigation into the District's management practices and affiliate transactions and submitted a petition signed by at least 908 District customers who supported filing the complaint with the Commission and with the Harrison County Circuit Court. Pool alleged the District has an insufficient number of customers to qualify as a "locally rate regulated district."

On August 28, 2017, Greater Harrison filed its answer and motion to dismiss, noting Pool failed to allege any improper management practices or affiliate transactions that would require Commission review.

An evidentiary hearing was held on October 30, 2017. This case is pending before a Commission Administrative Law Judge.

Jefferson County Public Service District Rate Case and Capital Improvement Fee

On August 13, 2015, the Jefferson County Public Service District (District) filed an application to increase its sewer rates and charges by $339,501, or 13.5% (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 a $137,280 annual increase in CIF revenues. The new CIF would retain the $1,127 per EDU passed through to Charles Town, add Ranson's CIF of $1,625 per EDU and include $2,080 per EDU for the District's use in paying for future growth projects. The District included in its application a Capacity Assurance Fee (CAF) in the same amount as its CIF and requested 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.

Charles Town Utility Board and two individual customers were granted intervenor status. The Jefferson County Commission filed a protest, opposing the District's rate increase, with particular emphasis on the CIF.

On March 23, 2017, the Commission entered a Final Order that (i) approved a rate increase; (ii) denied a request to transfer funds from the Capacity Improvement Fee account; (iii) approved an increase in the Capacity Improvement Fee; (iv) approved a new Capacity Assurance Fee; and (v) denied a petition to supplement the record. In its Final Order, the Commission determined that a Step 1 increase of $364,188, or 14.01% above the District rates in effect before the filing of this case, was reasonable. Step 1 rates would be in effect for all service rendered from March 23 - August 15, 2017. Step 2 rates eliminated the cash working capital rate increment and would result in an increase of $161,871, or 6.23%, above District rates in effect before the filing of this case, but $202,317, or 6.83%, lower than the Step 1 rates. Step 2 rates went into effect for all service rendered on or after August 16, 2017.

On September 25, 2017, The District petitioned to reopen the case to correct an omission from the District's tariff. On October 30, 2017, Commission Staff also petitioned to reopen the case. 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 filed an application to construct improvements in its wastewater collection and transmission system, for post-project rates and for approval of an inter-utility agreement with the City of Ranson (Case No. 16-0616-PSD-PC-CN).

The project involves improvements to the City of Ranson's Flowing Springs Pump Station so the District can increase the use of this facility in lieu of constructing parallel transmission facilities. The project does not include extensions to serve previously unserved areas. The improvements, however, will increase the District's ability to accept new customers as growth occurs. Intervenor status was granted to the Charles Town Utility Board, the City of Ranson and an individual customer.

Because the Commission received substantial protest in this case, the period for a decision was extended. A Public Comment Hearing was held on January 19, 2017, in Shepherdstown and an Evidentiary Hearing was held February 2-3, 2017.

On March 23, 2017, the Commission entered a Final Order granting the application to construct improvements and upgrades to the wastewater collection and transmission system and to implement post-project rates.

On April 21, 2017, the individual customer intervenor appealed the Commission decision to the Supreme Court of Appeals of West Virginia. On June 9, 2017, the Supreme Court affirmed the Commission decision. On June 15, 2017, the Petitioner filed a Petition for Reconsideration. On June 16, 2017, the State of West Virginia Supreme Court entered an Order refusing to rehear the Petition. This case is now closed, but a Petition to Dissolve the District (described in the next matter) was filed.

Petition to Dissolve the Jefferson County Public Service District

On July 7, 2017, the Jefferson County Commission (County Commission) filed a petition to obtain Commission approval to dissolve the Jefferson County Public Service District and convey the assets, debts and water and sewer customers of the District to the City of Charles Town, dba the Charles Town Utility Board (Case No. 17-0915-PSD-PC).

As of December 31, 2017, the Commission had granted five petitions to intervene, received three protest letters against the District's dissolution and 142 support letters for the District's dissolution. This case is pending before the Commission.

Transfer of Ranson's sewer system assets to Charles Town

On October 31, 2017, the Cities of Charles Town and Ranson filed a Joint Petition that would allow Charles Town to take over Ranson's public sewage collection and transmission system (Case No. 17-1534-S-PC). All sanitary sewer flows collected by Ranson are currently being transmitted to and treated by the Charles Town Utility Board. The cities entered into a Purchase Agreement on October 2, 2017. This case seeks Commission approval of that Agreement. This case is pending before the Commission.

Town of Pratt's Municipal Sewer Resale Rate

On June 28, 2017, The Town of Pratt adopted an ordinance increasing the rates and charges to sewer customers of Pratt, effective August 13, 2017. On July 24, 2017, the Kanawha Public Service District, which operates Pratt's sewer system and is a resale customer of Pratt, filed a petition to intervene, asserting that rates passed by Pratt were unsupported and discriminatory to Kanawha PSD. On July 26, 2017, the Commission noted in an Order that House Bill 3096 modified W. Va. Code §24-2-3 to provide a means for a resale customer to seek review of municipal rates through the Commission complaint process. The Commission considered the PSD's petition to be a complaint (Case No. 17-1034-S-C). The Commission, among other things, directed Pratt to file a class cost of service study to support its municipal ordinance.

On September 13, 2017, Pratt filed a class cost of service study. On October 23, 2017, Staff made a filing recommending, among other things, that the Commission approve the resale rate of $3.47 per 1,000 gallons of water usage to be charged to Kanawha PSD by Pratt. The resale rate of $3.47 per 1,000 gallons of water usage is the rate Pratt adopted in its sewer rate ordinance.

On November 3, 2017, Kanawha PSD, Pratt and Commission Staff filed a Joint Stipulation wherein Kanawha PSD agreed not to contest Pratt's rate ordinance and Pratt agreed that its sewer tariff would read, "All wastewater treated for Kanawha Public Service District will be billed at a rate of $3.47 per 1,000 gallons of water usage."

On November 7, 2017, a Recommended Decision was entered adopting the Joint Stipulation. This case is now closed.

Water and Sewer Certificate Cases

During 2017, the Commission processed 27 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 more than $138.8 million and extended water and/or sewer service to more than 2,000 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 2017.

Utility – Project	Case Number	Date Filed	Estimated Cost	Pre-Project Customers	Customers Added	Date Approved
Marshall Co. Sewer District	15-0245-PSD-CN-PC	2/20/15	$9,389,000	726	272	2/13/17
Mingo Co. PSD	16-0342-PWD-CN	3/22/16	$1,858,512	Case Dismissed		3/6/17
Paden City	16-0518-S-CN	4/26/16	$3,950,000	1,263	0	1/17/17
Clay County PSD	16-0906-PWD-CN	6/30/16	$3,000,000	654	136	4/10/17
Town of Belle	16-1110-S-CN	8/12/16	$5,045,000	579	0	3/21/17
Hartford Water Department	16-1334-W-CN	9/28/16	$3,222,864	273	0	2/12/17
Central Boaz PSD	16-1344-PSD-CN	9/29/16	$3,000,000	483	84	3/21/17

Utility – Project	Case Number	Date Filed	Estimated Cost	Pre-Project Customers	Customers Added	Date Approved
Shepherdstown	16-1369-W-CN	10/4/16	$2,300,000	1,684	0	1/31/17
City of Pennsboro	16-1391-S-CN	10/11/16	$5,172,600	587	0	2/1/17
Danese PSD	16-1530-PWD-CN	11/9/16	$4,469,162	942	43	3/9/17
Hancock Co. PSD	16-1659-PSD-CN-PC	12/22/16	$6,400,000	1,379	160	9/14/17
City of Welch	17-0087-W-CN	2/2/17	$3,486,000	1,118	0	5/30/17
Taylor Co. PSD	17-0287-PWD-CN	3/3/17	$2,952,000	1,081	0	7/13/17
Lincoln PSD	17-0479-PWD-CN	4/18/17	$4,579,000	2,382	94	8/27/17
Middlebourne Municipal Waterworks	17-0518-W-CN	4/26/17	$2,745,000	Case Dismissed		12/6/17
Town of Paw Paw	17-0520-W-CN	4/26/17	$1,500,000	231	0	8/10/17
Town of Monongah	17-0591-W-CN	5/10/17	$6,900,000	1,412	0	9/27/17
Town of West Union	17-0711-S-CN	6/1/17	$3,502,100	716	0	9/27/17
Lewis Co. Economic Development Authority	17-0725-W-CN-PC-PW	6/2/17	$2,009,500	146	146	9/10/17
Town of Mason Sewer Department	17-0726-S-CN	6/2/17	$3,461,000	473	0	10/3/17
Flatwoods-Canoe Run PSD	17-0728-PWD-CN	6/2/17	$3,136,000	1,860	59	10/1/17
City of Mannington	17-0761-S-CN	6/9/17	$2,840,000	948	2	11/6/17
Town of New Haven	17-0782-W-CN	6/14/17	$7,305,585	682	0	11/6/17
Greater Paw Paw Sanitary District	17-0838-PSD-CN	6/26/17	$2,960,000	231	0	11/20/17
Weston Sanitary Board	17-0998-S-CN	7/18/17	$12,755,000	2,707	294	11/15/17
Greenbrier County PSD No.2	17-0062-PWD-CN	1/25/17	$10,086,000	470	368	12/20/17
WV American Water Co.	17-0466-W-CN	4/14/17	$20,800,000	915	300	12/28/17

Municipal Appeals

The Commission no longer has 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 where the Commission has jurisdiction, 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.

Four water and sewer municipal appeal cases were completed in 2017, 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	Number of Customers	Date Approved
Stonewood Step 1	16-1381-W-MAR	$62,300	$50,459	$50,459	10.98%	934	2/28/17
Stonewood Step 2			$48,945	$48,945	7.65%		
City of Logan Sanitary Board	16-1589-S-MA	$218,947	Dismissed lack of jurisdiction			840	2/2/17
Richwood Step 1	17-0887-W-MA (water)	$195,406	$157,922	$157,922	38.23%	1,066	10/24/17
Richwood Step 2			$122,192	$122,192	29.58%		
Richwood Step 1	17-0888-S-MA (sewer)	$167,862	$55,646	$55,646	16.56%	878	10/23/17
Richwood Step 2			$38,123	$38,123	11.34%		

Public Water and Sewer Rate Cases

During 2017, the Commission processed requests by various public service districts to increase rates and charges. Passage of Senate Bill 234 by the 2015 Legislature limited 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 2017, 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 results of those completed cases are summarized below.

Utility	Case Number	Amount Requested	Staff Position	Amount Granted	Percent Increase	Number of Customers	Date Approved
Elk Valley PSD	16-0820-PSD-42T	$145,033	$117,249	$117,249	4.47%	4,755	2/26/17
Craigsville PSD Sewer Step 1	16-1277-PSD-42A	$104,504	$58,407	$58,407	19.60%	976	6/6/17
Craigsville PSD Sewer Step2		$46,422	$18,342	$18,342	9.10%		
Craigsville PSD Water Step 1	16-1278-PWD-42A	$130,764	$68,209	$68,209	6.53%	1,930	6/6/17
Craigsville PSD Water Step 2		$105,434	$23,903	$23,903	4.07		
Union Williams PSD Step 1	16-1558-PWD-42T	$216,893	$209,664	$216,893*	19.63%*	3,212	3/15/17
Union Williams PSD Step 2		$141,758	$141,410	$141,758*	12.83%*		
Midland PSD	16-1637-PSD-42A	$56,493	$15,352	$15,352	2.94%	884	8/22/17
Kanawha PSD Step 1	17-0069-PSD-42A	$297,905	$206,980	$206,980	11.76%	2,571	7/10/17
Kanawha PSD Step 2			$139,852	$139,852	7.95%		
Flatwood-Canoe Run PSD Step 1	17-0273-PSD-42T	$200,362	$120,750	$120,750	10.98%	1,286	6/29/17
Flatwood-Canoe Run PSD Step 2		$130,317	$62,891	$62,891	4.74%		
Preston County PSD No. 1	17-0749-PWD-42T	$220,334	$169,781	$124,527*	19.2%*	1,461	10/11/17

**Indicates a Joint Stipulation was filed in the case*

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. Forty-three of these rate filings were completed in 2017. Those cases are summarized below.

Utility	Case Number	Amount Requested	Staff Position	Amount Granted	Percent Increase/ Decrease	Number of Customers	Date Approved
Summit Park PSD Step 1	16-0653-PWD-19A	N/A	$18,706	$18,706	8.09%	424	1/10/17
SPPSD Step 2			$7,316	$7,316	3.32%		
Jefferson County PSD Step 1	16-0701-PWD-19A	N/A	$18,237	$18,237	23.70%	113	1/25/17
JCPSD Step 2			$14,023	$14,023	17.89%		
Sissonville PSD Step 1	16-0745-PSD-19A	N/A	$184,623	$184,623	19.01%		
SPSD Step 2			$141,019	$141,019	14.52%	1,637	1/23/17
Denver Water Assoc.	16-0753-W-19A	$15,758	$15,758	$15,758	24.54%	142	1/17/17
Pleasant Valley PSD Step 1	16-0767-PWD-19A	N/A	$177,754	$177,754	26.06%	947	3/29/17
PVPSD Step 2			$111,841	$111,841	16.40%		
PVPSD Step 3			$38,953	$38,953	9.18%		
Williamsburg Sewer	16-0786-S-19A	N/A	$16,796	$16,796	34.93%	209	2/15/17
Brooke County PSD	16-0798-PWD-19A	$1,842	$1,842	$1,842	2.96%	1,029	1/30/17
Fox Glen Utilities, Inc.	16-0824-W-19A	N/A	$56,546	$56,546	76.57%	253	1/23/17
New Creek PSD	16-0993-PSD-19A	N/A	$35,529	$35,529	8.87%	1,013	2/13/17
Valley Falls PSD Step 1	16-1232-PWD-19A	N/A	$40,592	$40,592	5.07%	1,659	2/16/17
VFPSD Step 2			$7,714	$7,714	0.96%		
Tri-County Water Association	16-1269-W-19A	N/A	$44,983	$44,983	6.15%	1,087	8/18/17
Pleasant Hill PSD Step 1	16-1280-PWD-19A	N/A	$97,114	$97,114	27.23%	669	3/6/17
PHPSD Step 2			$56,690	$56,690	9.81%		
Colfax PSD Step 1	16-1284-PSD-19A		$10,042	$10,042	18.62%		
CPSD Step 2		N/A	-$10,042	-$10,042	-18.62%	137	2/13/17
Graham Meadows Service District	16-1306-S-19A	$5,993	$3,330	$3,330	31.25%	55	4/26/17
Odgen Sewer Company	16-1389-S-19A	N/A	$9,478	$9,478	48.56%	82	4/13/17
Grandview-Doolin PSD Step 1	16-1407-PWD-19A		$157,734	$157,734	23.43%		
GDPSD Step 2		N/A	$137,757	$137,757	20.97%	1,032	3/15/17
Cowen PSD Step 1	16-1417-PSD-19A		$0	$0	0.00%		
CPSD Step 2		N/A	$12,601	$12,601	3.68%	1,308	9/6/17
Glen Dale Heights PSD GDHPSD Step 1	16-1444-PWD-19A		$14,353	$14,353	30.78%		
GDHPSD Step 2		N/A	$9,556	$9,556	23.01%	228	3/23/17
Central Boaz PSD Step 1	16-1453-PWD-19A		$34,615	$34,615	16.62%		
CBPSD Step 2		N/A	$22,999	$22,999	11.60%	651	7/2/17
East View PSD Step 1	16-1468-PWD-19A		$7,765	$7,765	9.20%		
EVPSD Step 2		N/A	$6,981	$6,981	9.64%	228	7/2/17
Harpers Ferry-Bolivar PSD Step 1	16-1514-PSD-19A		-$771	-$771	-0.19%		
HFBPSD Step 2		N/A	-$26,874	-$26,874	-7.42%	752	7/12/17
Mt. Zion PSD Step 1	16-1651-PWD-19A		$5,409	$5,409	1.36%		
MZPSD Step 2		N/A	$3,417	$3,417	0.90%	132	8/14/17

Utility	Case Number	Amount Requested	Staff Position	Amount Granted	Percent Increase/ Decrease	Number of Customers	Date Approved
Cottageville PSD Step 1	16-1578-PSD-19A	N/A	$21,419	$21,419	17.40%	228	5/14/17
CPSD Step 2			$13,036	$13,036	10.59%		
Cottageville PSD Step 1	16-1579-PWD-19A	N/A	$111,294	$111,294	23.67%	1,338	6/7/17
CPSD Step 2			$95,955	$95,955	20.41%		
Greater Marion PSD Step 1	16-1639-PSD-19A	N/A	$67,316	$67,316	27.64%	423	7/2/17
GMPSD Step 2		N/A	$57,707	$57,707	23.69%		
Culloden PSD	17-0053-PSD-19A	N/A	$28,881	$28,881	3.54%	1,204	9/25/17
Mountain Top PSD Step 1	17-0264-PWD-19A	N/A	$0	$0	0.00%	887	10/11/17
MTPSD Step 2			-$21,947	-$21,947	-5.49%		
J-2-Y-35 Water Association, Inc.	17-0278-W-19A	N/A	$14,783	$14,783	10.18%	513	10/18/17
The Village At Rock Ridge, Inc.	17-0282-S-19A	$19,427	$19,427	$19,427	147.20%	208	12/6/17
Page-Kincaid PSD Step 1	17-0350-PWD-19A	N/A	$86,898	$86,898	22.62%	650	10/3/17
PKPSD Step 2			$56,010	$56,010	14.58%		
Clay-Roane PSD Step 1	17-0355-PWD-19A	N/A	$92,207	$92,207	15.91%	850	9/14/17
CRPSD Step 2			$75,629	$75,629	13.05%		
Fountain PSD	17-0382-PWD-19A	N/A	$46,508	$46,508	20.75%	435	10/1/17
Webster Springs PSD Step 1	17-0450-PSD-19A	N/A	$0	$0	0.00%	641	11/19/17
WSPSD Step 2			-$18,386	-$18,836	-5.75%		
Sugar Lane Water Association, Inc. Step 1	17-0460-W-19A	N/A	$9,077	$9,077	23.47%	79	10/26/17
SLWA Step 2			$2,367	$2,367	6.12%		
Wastewater Management, Inc.	17-0488-S-19A	N/A	$15,288	$15,288	119.51%	50	11/2/17
Ravencliff-McGraws-Saulsville PSD Step 1	17-0539-PWD-19A	N/A	$86,133	$86,133	8.72%	1,269	10/25/17
RMSPSD Step 2			$87,624	$87,624	9.61%		
Ice's Run Route 250 PSD Step 1	17-0576-PWD-19A	N/A	$17,483	$17,843	6.84%	488	11/1/17
IRR250 Step 2			$35,578	$35,578	16.17%		
Corporation of Falling Springs, aka Town of Renick	17-1379-W-19A	N/A	Case Dismissed	Case Dismissed	Case Dismissed	N/A	11/28/17
Arthurdale Water Association	17-0719-W-19A	$6,060	$5,424	$5,424	23.73%	109	12/28/17
Mount Hope Water Association	17-0829-W-19A	N/A	$0	$0	0.00%	1,202	12/20/17
New Creek PSD Step 1	17-0870-PSD-19A	N/A	$0	$0	0.00%	1,062	12/20/17
NCPSD Step 2			-$13,351	-$13,351	-1.92%		
Red Sulphur PSD	17-0924-PSD-19A	N/A	Case Dismissed	Case Dismissed	N/A	1,224	12/26/17
Gap Mills PSD	17-0944-PWD-19A	N/A	$6,407	$6,407	8.54%	191	2/15/17

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, usually without the need for public hearing. If 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. Fourteen of these 30B pass-through rate filings were completed in 2017. Those cases are summarized below.

Utility	Case Number	Staff Position	Amount Granted	Percent Increase or Decrease	Number of Customers	Date Approved
Grant PSD	16-0220-PWD-30B	$38,039	$38,039	29.20%	1,002	2/17/17
Deckers Creek PSD	16-0230-PSD-30B	$136,232	$136,232	87.30%	1,831	3/23/17
Jefferson County PSD	16-0411-PSD-30B	$59,267	$59,267	6.50%	2,565	3/23/17
Pleasant Valley PSD	16-0768-PWD-30B	$92,790	$92,790	33.30%	947	5/16/17
Denver Water Association	16-1002-W-30B	$7,838	$7,838	20.00%	142	1/13/17
Glen Dale Heights PSD	16-1042-PWD-30B	$6,009	$6,009	30.04%	225	1/17/17
Tennerton PSD	16-1095-PSD-30B	$35,066	$35,066	20.00%	889	8/4/17
Northern Jackson County PSD	16-1263-PWD-30B	$40,063	$40,063	63.40%	1,070	2/15/17
Coon's Run PSD	16-1288-PWD-30B	$2,662	$2,662	5.06%	417	9/28/17
Gauley River PSD Step 1	16-1676-PWD-30B	-$3,104	-$3,104	-0.70%		
GRPSD Step 2		-$24,835	-$24,835	-5.70%	1,359	6/1/17
Sugar Lane Water Association	17-0052-W-30B	$1,815	$1,815	7.00%	86	5/22/17
New Creek PSD	17-0166-PSD-30B	$247,733	$247,733	140.00%	1,062	6/29/17
Northern Wayne County PSD Phase 1	17-0359-PSD-30B	$85,115	$85,115	25.70%	2,774	8/3/17
Northern Wayne Phase 2		$46,739	$46,739	11.20%		
Northern Wayne Phase 3		$37,069	$37,069	8.00%		
Oakvale Road PSD Phase 1		$73,300	$73,300	15.00%		
Oakvale Road PSD Phase 2	17-0524-PSD-30B	$48,864	$48,864	8.70%	1,765	6/13/17

Seminars

In 2017, the Commission's Water and Wastewater Division hosted ten seminars covering an array of water and wastewater topics and attended by 261 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 WVDEP and 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 2017, PSD Board Member Seminars were held in both South Charleston and Bridgeport and were attended by 51 participants.

In addition to the Board Members Seminars, the Division presented eight focused subject seminars on personnel issues, terminations/customer service/office procedures (three seminars), safety (two seminars), basic accounting and municipalities/associations. In 2017, a total of 210 attendees participated in these seminars, excluding participants in the PSD Board Members Seminar.

The two Safety Seminars seek to reduce lost time accidents by emphasizing the importance of safety in the workplace and providing 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. The seminars were sponsored by the Commission and taught by safety specialists with USI Insurance Services and the Commission Engineering Staff.

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.

In 2017, Staff gave a presentation at the West Virginia Rural Water Association Annual Conference, titled "Office Refresher and Customer Services." It covered a wide variety of topics, including customer deposits, leak adjustments, termination procedures, deferred payment plans and Commission Rules. Staff also gave a presentation at the West Virginia Municipal Water Quality Association quarterly meeting addressing recent legislative changes and other areas of interest.

In addition, Staff provided presentations at elementary schools in Sissonville and Shady Spring to celebrate the Environmental Protection Agency "Fix a Leak Week" promoting water conservation and efficiency.

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 Telecommunication Act of 1934. On April 21, 2017, the Commission initiated a General Investigation regarding the use of Federal Universal Service Funding by Eligible Telecommunications Carriers (ETC) in West Virginia (Case No. 17-0500-T-GI).

A Recommended Decision was entered on August 17, 2017, 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.

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 2017 with a balance of $250,477.

In August 2017, Randolph County (TAF Randolph 17) was awarded a grant of $747,342.50, and in December 2017, Nicholas County (TAF Nicholas 17A) was awarded a grant of $499,642.50, leaving a balance of uncommitted funds on December 31, 2017, of $3,488.

Transportation

The Commission 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 2017, Transportation Enforcement Officers worked with FMCSA to increase the number of passenger carrier inspections and on other special initiatives, including the annual 72 consecutive hour International 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 2017, to be followed by three additional blitzes during 2018. In 2018, officers will also participate in the Governor's Highway Safety Program Distracted Driving campaign.

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.

The Commission is in the preliminary stages of upgrading its I-77 Southbound weigh station in Mineral Wells, 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 estimated cost of the system is $750,000 and will be purchased with the assistance of a USDOT Commercial Vehicle Inspection System Network (CVISN) grant awarded to West Virginia Department of Motor Vehicles.

The Commission recently purchased bulletproof vests for all enforcement officers and new radar units to equip all its patrol cars for use in traffic enforcement.

The Coal Resource Transportation System (CRTS) has significantly increased public safety while allowing coal producers to efficiently transport coal in 19 West Virginia counties and into surrounding states. Coal facilities and transporters now work together to haul increased weights on over 2,000 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 2017, 236 NOVs were issued, one Petition for Waiver was processed and the Commission collected $144,043 for CRTS violations.

In 2017, the CRTS Permitting Unit registered 204 transport companies in five states and issued 1,223 permits. Over the past 12 months, the CRTS Reporting Unit had 141 mines, processing plants, load outs, power plants and other coal facilities registered to operate in West Virginia and report coal shipments to the Commission. Daily electronic files are submitted to the Commission containing unique tracking information for approximately 1.8 million transactions, representing 990,000 loads, or approximately 35 million tons of coal being transported over CRTS roads last year. Each electronic transaction contains the origin, destination, date, time, weight, permit ID and a unique transaction number for that specific shipment of coal. 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 initiates administrative violations to companies. The CRTS Program has generated $2.17 million over the past 12 months, monies which are designated 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 2017, CRTS officers received and processed 92 complaints from the CRTS hotline.

In 2017, Railroad Safety Section inspectors conducted over 1,000 inspections and inspected over 2,500 miles of track in West Virginia to ensure the tracks are safe for the public and railroad employees. An intensive inspection program, coupled with the fact that most of the Commission's Railroad Safety inspectors are also Operation Lifesaver volunteers, has made West Virginia's railroads among the safest in the nation.

Motor Carriers

West Virginia Transportation Association

On October 12, 2016, the West Virginia Transportation Association filed a petition requesting 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 do not have Commission issued certificates and are in violation of W.Va. Code §24A-2-5. Others were claiming to be a transportation network company (TNC), but were accepting cash and street hails in violation of W.Va. Code §17-29-1.

The Commission's Transportation Division investigated the allegations and discovered drivers unlawfully transporting passengers without either a proper certificate to offer taxi service or being registered as a TNC. The Transportation Division has taken enforcement action against these drivers.

On February 7, 2017, the Commission entered an Order denying the request for a General Investigation, noting that the Commission has no jurisdiction over TNC services. The Commission further declined to institute an informal hotline, and stated it would continue to investigate allegations of the type that the Association raised in its petition on a case-by-case basis through the formal complaint process. This case is now closed.

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, 2018, through June 30, 2018.

The average price for unleaded regular gasoline is forecasted to be $2.56 per gallon and the price of diesel is forecasted to be $2.98 per gallon. This forecast reflects increases of $0.14 per gallon for regular grade gasoline and $0.15 per gallon for diesel fuel over the previously forecasted average prices for July 1, 2017, through December 31, 2017. Commission Staff concluded that these forecasted changes were significant. The Commission, therefore, increased the surcharges.

The authorized fuel surcharges for all certificated carriers of solid waste increased from 4.14% to 4.91%. The surcharge for taxi and limousine operators was increased from 9.71% to 11.94%. The surcharge for wrecker operators for third-party tows increased from 4.5% to 5.27%. 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 continue to make adjustments in its semi-annual General Orders. 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. Commission Staff processed approximately 750 of these cases in 2017. 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 customers. 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 2017, 68 motor carrier formal complaint cases were filed with the Commission. Of those cases, 23 involved solid waste haulers; 17 of those have been completed. There were 44 cases involving towing companies; 39 of those have been completed. The remaining case involving a taxi territorial dispute is pending before the Commission.

Motor Carrier Rate Cases

The Commission completed nine applications to increase rates in 2017. Of those cases, two applications were filed under the Commission's Rule 42 and the remaining seven cases were filed under the Commission's Rule 19. Those cases are summarized below.

Utility	Case Number(s)	Amount Requested	Staff Position	Amount Granted	Percent Increase	Number of Customers	Date Approved
AVW of West Virginia, Inc., dba Apple Valley Waste	16-1011-MC-42A	Berkeley Co. $24.32 (14.99%); Jefferson Co. $24.32 (14.99%)	Recommended $22.75 – 7.57% Stipulated $23.35 - $8.5%	$23.35	8.55	Berkeley - 250,802 Jefferson 133,649	04/01/17
Phyllis C. McCall, dba Western Greenbrier Disposal Service	16-1218-MC-19A	$14.36	$14.36	$14.36	20.54%	Residential 43,456 Commercial 118	02/01/17
Jim L. Shisler, dba D & J Sanitation	16-1365-MC-19A	$16.00	$15.25	$15.25	12.71%	9,696	04/16/17
Five Star Moving & Storage, Inc.	16-1611-MC-19A	Applicant withdrew request					06/07/17
American Disposal Services of West Virginia, Inc., dba Republic Service of West Virginia	16-1661-MC-42A	$23.21	Recommended $21.50 Stipulated $22.00	$22.00	7.32%	9,617	08/05/17
Michael L. Little, dba R & L Trash Service	17-0349-MC-19A	$14.11	$14.11	$14.11	11.66%	Residential 850 Commercial 44	08/20/17
Motown Taxi, LLC,	17-0392-MC-19A	Applicant Withdrew Request					07/10/17
Mannington Refuse, LLC	17-0955-MC-19A	Applicant Withdrew Request					11/13/17
Kiddie Kruiser, LLC	17-1129-MC-19A	Applicant Withdrew Request					11/07/17

Solid Waste Facilities/Landfills

Nicholas County Solid Waste Authority

On March 20, 2017, the Commission issued a Final Order in Case No. 16-0652-SWF-42A, denying the Nicholas County Solid Waste Authority (Nicholas) request to increase its rates and charges for disposal of municipal solid waste (MSW) in its landfill.

On September 19, 2017, Nicholas filed an application for a Certificate of Need to close its MSW cell and to construct and operate a transfer station (Case No. 17-1340-SWF-PC-CN). Nicholas also requested approval of an Inter-Utility agreement between Nicholas and the Raleigh County Solid Waste Authority (Raleigh) to transport and dispose of MSW at the Raleigh Facility at Lenore. Nicholas serves approximately 7,900 customers and receives an average of 1,850 tons of waste per month. Nicholas believes it is more cost effective to operate a transfer station rather than continue to operate a landfill. This case is pending before the Commission.

Solid Waste Facility Rate Cases

In 2017, two applications by solid waste facilities to increase rates were completed by the Commission. Those cases are summarized below.

Utility	Case Number	Amount Requested	Staff Position	Amount Granted	Percent Increase	Number of Customers	Date Approved
Nicholas County Solid Waste Authority	16-0652-SWF-42A	$87.00	No Increase Recommended or Granted				03/20/17
Lackawanna Transport Company, dba Wetzel County Landfill	16-1085-SWF-42A	$27.35	Recommended $23.20 Stipulated $25.18	$25.18	25.9%	166,866	02/14/17

Tow Operations

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 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 were granted intervenor status. An Evidentiary Hearing was held on January 10, 2017. On July 5, 2017, the Commission issued a Final Order that (i) accepted a Joint Stipulation signed by the West Virginia Towing and Recovery Association, OOIDA and Commission Staff; (ii) adopted the statewide rates as the Statewide Maximum Rates for third party tows; (iii) established procedures for non-party tow operators to object; (iv) eliminated the TOW process (a simplified rate process); (v) eliminated the applicability of Tariff Rule 19-A to third party tow operators; and (vi) required publication of notice of the Statewide Maximum Rates and the procedures for non-party tow operators to object. 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).

The owner of Marks Towing, Danny W. Marks, Jr., also owns Buck's Towing. The two businesses are located next door to each other, share certain facilities and employees and are operated by the same family. On October 12, 2016, law enforcement officers who regularly work with the Marks filed a petition for a General Investigation into the billing practices of both Marks Towing and Buck's Towing (Case No. 16-1398-MC-P). The petition indicated that the Marks had a monopoly on the towing services in and around Spencer, West Virginia, and was frequently not in compliance with the law.

On April 14, 2017, the Commission initiated a General Investigation into the tariff application and billing practices of Danny Marks, Jr., dba Buck's Towing, in connection with the operation of its third party tow service (Case No. 17-0467-MC-GI) and consolidated Case Nos. 16-1593-MC-GI and 17-0476-MC-GI.

On May 30, 2017, Staff filed a Final Recommendation outlining the substantial history of non-compliance by Mr. Marks in matters before the Commission. Staff recommended, among other things, that the Commission revoke the authority of both Marks Towing and Buck's Towing to charge for third party tows and cancel the Commission-approved tariffs of both Marks Towing and Buck's Towing.

On September 29, 2017, an Administrative Law Judge issued a Recommended Decision adopting Staff's recommendations and revoking the authority of Marks Towing and Buck's Towing to perform third party tows in West Virginia. Mr. Marks filed exceptions to the Recommended Decision. On December 27, 2017, the Commission issued a Final Order upholding the revocation of the authority of Marks Towing and Buck's Towing to perform third party tows in West Virginia. These cases are now closed.

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 a tow of A.D. Transport'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.

On June 21, 2017, the Commission ordered Hutch's to file with the Commission, every month, as a closed entry, copies of all third party tow invoices issued during the previous month. The obligation began on July 10, 2017, and shall continue for a period of one year. Commission Staff was ordered to inspect the filings, discuss any problems identified in the filings and petition to reopen the matter if Staff determines that Hutch's has not resolved the problems or is not complying with the applicable rules and regulations that govern its business. This case is now closed.

Rulemaking Proceedings

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 of 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 comments.

On September 20, 2016, the Commission closed the General Investigation and issued proposed rules revising Rule 4.8 (General Order Nos. 185.37 and 185.38). Initial comments concerning the proposed rules were filed by November 7, 2016, and reply comments by November 21, 2016.

Comments were filed by APCo/WPCo; Mon Power/PE; Mountaineer Gas Company; Dominion Hope, Inc.; Peoples Gas WV, LLC; AARP West Virginia; West Virginia Small Public Utilities Association; CAD and Commission Staff.

On October 30, 2017, the Commission withdrew the proposed rules, and the Commission issued new proposed rules revising Rule 4.8 (General Order Nos. 184.39 and 185.40). Initial comments concerning the proposed rules have been filed and reply comments are due January 10, 2018. This case is 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 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 Commission Staff and the West Virginia Rural Water Association submitted proposed rules. This case is pending before the Commission.

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. After minor revisions, the Legislature approved the Rule. The Commission adopted the final Rule and it became effective on August 1, 2017. This case is now closed.

V. 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 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 (Case No. 2:16-CV-04492).

While the case was pending before the Court on a motion to dismiss, the West Virginia Legislature passed a statute exempting moving companies such as Vogt Ventures, LLC from the W.Va. Code §24-2-5 certificate requirement. The parties filed a joint motion requesting the litigation be dismissed. That motion was granted by the Court.

Frontier West Virginia, Inc. and Citizens Telecommunications Company of West Virginia dba Frontier Communications of West Virginia v. James C. Justice, et al.

On July 14, 2017, Frontier West Virginia, Inc. and Citizens Telecommunications Company of West Virginia dba Frontier Communications of West Virginia filed a civil action in the U.S. District Court, Southern District of West Virginia against James C. Justice in his official capacity as Governor of the State of West Virginia, Michael A. Albert in his official capacity as Chairman and Commissioner of the Public Service Commission of West Virginia and Brooks F. McCabe, Jr. and Renee A. Larrick in their official capacities as Commissioners of the Public Service Commission of West Virginia, alleging that the Governor and the Commission had the authority to enforce the provisions of H.B. 3093, Article 4 regarding pole attachments (Case No. 2:17-cv-03560).

H.B. 3093 was passed by the West Virginia Legislature during the 2017 General Session and provides new terms and conditions of access to utility poles. The Plaintiffs claim that enforcement of Article 4 would inflict significant harm on Frontier and its customers. The Plaintiffs further claim that Federal law preempts the West Virginia statute pertaining to pole attachments.

The Commission Defendants filed a motion to dismiss with a supporting memorandum. The Court has yet to rule on that motion. This case was consolidated with a second case filed by the West Virginia Cable Telecommunications Association, Inc. v. James C. Justice, Jr., in his official capacity as Governor of West Virginia and Patrick J. Morrisey, in his official capacity as Attorney General of West Virginia (Case No. 2:17-cv-03609) since the case raises the same issues addressed in Case No. 2:17-cv-03560.)

Supreme Court of Appeals of West Virginia

Jacqueline Milliron v. Public Service Commission of West Virginia and Jefferson County Public Service District

This report has previously detailed the underlying certificate case in this matter before the Court (Case No. 16-0616-PSD-PC-CN). On March 23, 2017, the Commission issued a Final Order granting the application to construct improvements and upgrades to the wastewater collection and transmission system of Jefferson County Public Service District. The Order also authorized the implementation of post-project rates.

On April 21, 2017, Ms. Milliron, an intervenor, appealed the Commission decision to the Supreme Court of Appeals of West Virginia (Case No. 17-0384). Her main contention was that instead of upgrading the existing plant, the public need would be best served by the consolidation of utility services in Jefferson County. On June 9, 2017, the Supreme Court affirmed the Commission decision and on June 15, 2017, Ms. Milliron filed a petition for reconsideration. On June 16, 2017, the Supreme Court entered an Order refusing to rehear the petition and upholding the Commission decision.

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 for well over 20 years as Receiver. During this time, Mr. Wiley has operated the sewer system 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 WVDEP Office of Water Resources and the Public Service Commission to find a new Receiver or new owner for Wastewater Management, Inc. sewer utility operations.

On November 14, 2016, Commission Staff attended a meeting with officials of the Town of Wayne to inquire if the Town was in a position to either be the Receiver or to acquire the customers and facilities of Wastewater Management. The Town 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 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 sewer plant operations and line maintenance and repairs under a contract for services and fees. However, the Wayne County Circuit Court would still 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, filing requests for rate relief and Annual Reports with the Public Service Commission and assuring that the utility remain in compliance with DEP requirements.

Commission Staff also contacted Northern Wayne Public Service 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 its own customers. The current monthly flat rate for the District is $66.01.

Letters have been sent to the homeowners in Dunrovin Estates asking if anyone is willing to become Receiver of the sewer operations. Commission Staff is continuing to work with Mr. Wiley and the WVDEP to find a Receiver in order that sewer service is continuously provided to the homeowners of Dunrovin Estates.

On April 19, 2017, Wastewater Management Inc. filed a rate application with the Commission to increase its rates (Case No. 17-0488-S-19A). Prior to the filing of this case Wastewater Management had not applied for a rate increase since 1994. The Commission received substantial protest to the requested rate increase. On September 13, 2017, a hearing was held in Wayne, West Virginia, to take public comment and evidence. A Recommended Decision granting a rate increase was entered on October 13, 2017, noting that it was necessary to increase rates to support operations and attract a new operator. Commission Staff are continuing to look for a new receiver or to transfer the utility facilities to an existing utility.

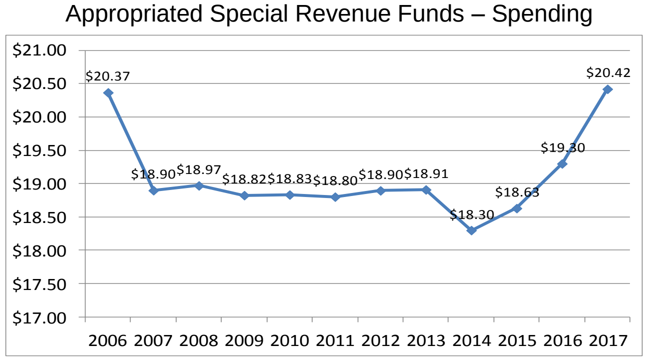
VI. Budget and Human Resources

The Commission is committed to being a good steward of its stakeholder dollars and actively pursuing and implementing savings initiatives. Since 2007, the Commission has documented more than 50 individual savings initiatives and projects that have resulted in annualized savings of well over $1 million.

In 2017, the Commission concluded 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 provided short-term and long-term savings. The upfront investment in the project was $4.285 million. At a time when many construction projects are 50% to 100% over budget, the Commission worked with its contractors to come in more than $100,000 under budget. Not only has the Commission saved on construction costs on the front end, it will see a future return on its investment in the project because it incorporated energy saving building materials into the design.

After a large spending reduction from 2006 to 2007, the Commission maintained its appropriated special revenue funds expenditures flat for the next seven years. Spending increased from 2015-2017 only because of the building façade replacement project. Excluding the building project expenditures, the Commission's 2017 spending for all of its appropriated special revenue funds is approximately $3 million less than that of 2006.

Public Service Commission of West Virginia
Appropriated Special Revenue Funds – Spending



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 final implementation phases of the wvOASIS project. The Commission was part of the May 2017 Wave 3 "Go-Live" for Phase D (payroll), transitioning from semi-monthly to biweekly payroll. Administration Division Staff utilizes the wvOASIS system for budgeting, financial transactions and recordkeeping, personnel transactions, timekeeping and payroll processing.

VII. Case Processing

Informal Cases

Each year the Commission hears from customers having issues paying or reconciling a utility bill or experiencing service problems or difficulties in a variety of other areas. These cases are considered Informal Cases or Requests for Assistance (RFA) and are routed to Consumer Affairs Technicians in the Commission's Utilities and Water and Wastewater Divisions. The Commission received more than 8,300 RFAs in 2017.

The Consumer Affairs Technicians assist customers in negotiating payment plans, straightening out 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 much more 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. Both of these goals were met.

Type of Utility	Number of RFAs filed in 2017	Percentage of RFAs that closed within 30 days	Number that became Formal Complaint Cases	Percentage of RFAs that did not become Formal Complaint Cases
Electric	3,207	98%	127	96%
Gas	499	99%	10	98%
Water	2,012	99.8%	58	97%
Wastewater	1,022	99.9%	26	97%
Telephone	1,382	91%	14	99%
Cable	227	91%	0	100%
Totals	**8,349**	**98%**	**235**	**97%**

Formal Cases

The Commission handles approximately 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	2017
Pending at beginning	434	429	441	400	382	418	412	335
Opened during year	1,806	1,685	1,611	1,784	1,946	1,862	1,593	1,609
Closed during year	1,811	1,673	1,652	1,802	1,910	1,868	1,670	1,640
Pending at end of year	429	441	400	382	418	412	335	304

Motor Carrier Cases	2010	2011	2012	2013	2014	2015	2016	2017
Pending at beginning	155	119	102	75	68	69	90	69
Opened during year	225	217	172	199	189	244	186	180
Closed during year	261	234	199	206	188	223	207	179
Pending at end of year	119	102	75	68	69	90	69	70

Coal Cases	2010	2011	2012	2013	2014	2015	2016	2017
Pending at beginning	154	76	77	44	21	22	28	33
Opened during year	304	389	283	171	173	178	117	236
Closed during year	382	388	316	194	172	172	112	228
Pending at end of year	76	77	44	21	22	28	33	41

Hearings and Meetings

Hearings

Commission Hearings 42
Administrative Law Judge Hearings 128

Mediation Meetings

Mediation - Administrative Law Judge Division 42

Orders

In 2017, the Commission issued 4,954 Orders.

General Orders

G.O. 184.38
March 9, 2017 In the matter of interest to be paid on customer deposits by electric utilities.

G.O. 184.39
October 30, 2017 In the matter of Revisions to the Rules for the Government of Electric Utilities, 150 C.S.R. Series 3.

G.O. 185.39
March 9, 2017 In the matter of interest to be paid on customer deposits by gas utilities.

G.O. 185.40
October 30, 2017 In the matter of Revisions to the Rules for the Government of Gas Utilities and Gas Pipeline Safety, 150 C.S.R. Series 4.

G.O. 186.30
March 9, 2017 In the matter of interest to be paid on customer deposits by sewer utilities.

G.O. 187.49
March 9, 2017 In the matter of interest to be paid on customer deposits by telephone utilities.

G.O. 187.50
June 22, 2017 In the matter of Wireless Enhanced 911 Fees.

G.O. 188.35
March 9, 2017 In the matter of interest to be paid on customer deposits by water utilities.

G.O. 195.73
July 5, 2017 In the Matter of Designation Authorizing the Commission's Executive Secretary to Approve Extensions of Annual Report Due Dates.

G.O. 195.74

November 16, 2017	Internal Reorganization of the Public Service Commission. *Ex Parte* Communications.

MC G.O. 38.1

July 6, 2017	General Order regarding processing of applications for motor carrier contract carrier permits.

MC G.O. 45.6

July 5, 2017	In the matter of cancellation of certificates and tariffs of entities engaged in transporting household goods pursuant to Senate Bill 174.

MC G.O. 56.4

June 28, 2017	In the matter of emergency fuel surcharge for certificated common carriers of passengers and property of motor vehicle

MC G.O. 56.4

December 27, 2017	In the matter of emergency fuel surcharge for certificated common carriers of passengers and property of motor vehicle

Appendix A

Summary of the
Utility Discount Programs

January 2018

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 2016-2017 program year, 36,515 electric customers received more than $4.8 million in discounts; 12,271 natural gas customers received $930,816 in discounts; and 5,289 eligible West Virginia American Water Company customers received $545,692 in discounts.

Following is a report on the 20% discount program for the billing months of December 2016 through April 2017 for the gas and electric utilities and for the billing months of June 2016 through May 2017 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 on the following pages.

20% Discount Program for Electric Utilities

	Appalachian Power	Black Diamond Power	Monongahela Power	Potomac Edison	Wheeling Power
Applications Received	20,006	263	14,521	3,518	1,173
Applications Approved	18,817	263	13,112	3,210	1,113
Percent Approved	94.06%	100.00%	90.30%	91.25%	94.88%
Residential Customers	430,956	2,602	389,762	139,890	41,403
Customers Given Discount	18,817	263	13,112	3,210	1,113
Percent Given Discount	4.37%	10.11%	3.36%	2.29%	2.69%
SSI Customers	11,047	175	7,216	1,299	523
WV Works Customers	1,415	19	685	229	67
SNAP +60 Customers	6,355	69	5,211	1,682	523
Bills at Non-Discounted Rates	$14,390,726.85	$153,061.00	$6,789,493.49	$2,278,192.45	$625,029.15
Bills at Discounted Rates	$11,512,581.48	$122,449.00	$5,431,594.77	$1,822,553.80	$500,023.32
Revenue Decrease	$2,878,145.37	$30,612.00	$1,357,898.72	$455,638.65	$125,005.83
Adjustment for B&O Tax Reduction	$0.00	$0.00	$0.00	$0.00	$0.00
Revenue Deficiency Certified	$2,878,145.37	$30,612.00	$1,357,898.72	$455,638.65	$125,005.83

Data for December 2016 - April 2017

20% Discount Program for Natural Gas Utilities

	Blacksville Oil & Gas	Bluefield Gas	Consumers Gas Utility	Dominion Energy (Hope Gas)	Lumberport-Shinnston Gas	Megan Oil & Gas
Applications Received	5	85	456	4,860	124	27
Applications Approved	4	85	456	4,820	123	26
Percent Approved	80.00%	100.00%	100.00%	99.18%	99.19%	96.30%
Residential Customers	289	3,285	8,380	111,509	3,276	277
Customers Given Discount	4	85	456	4,820	123	26
Percent Given Discount	1.38%	2.59%	5.44%	4.32%	3.75%	9.39%
SSI Customers	0	37	285	2,622	67	14
WV Works Customers	1	0	22	310	11	0
SNAP +60 Customers	3	48	149	1,888	45	12
Bills at Non-Discounted Rates	$1,300.10	$57,733.02	$142,504.46	$1,323,231.00	$63,242.78	$12,884.90
Bills at Discounted Rates	$1,040.07	$46,186.41	$114,222.67	$1,058,584.80	$50,594.09	$10,307.83
Revenue Decrease	$260.03	$11,546.61	$28,281.79	$264,646.20	$12,648.69	$2,577.07
Adjustment for B&O Tax Reduction	$11.16	$495.35	$1,213.29	$11,353.32	$542.63	$110.56
Revenue Deficiency Certified	$248.87	$11,051.26	$27,068.50	$253,292.88	$12,106.06	$2,466.51

Data for December 2016 - April 2017

20% Discount Program for Natural Gas Utilities

	Mountaineer Gas	People's Gas WV	Southern Public Service	Standard Gas	Union Oil & Gas
Applications Received	6,044	379	253	14	81
Applications Approved	6,044	371	253	14	75
Percent Approved	100.00%	97.89%	100.00%	100.00%	92.59%
Residential Customers	216,289	12,859	6,336	415	6,215
Customers Given Discount	6,044	371	253	14	75
Percent Given Discount	2.79%	2.89%	3.99%	3.37%	1.21%
SSI Customers	3,016	195	141	10	37
WV Works Customers	471	20	26	1	28
SNAP +60 Customers	2,557	156	86	3	10
Bills at Non-Discounted Rates	$2,715,261.30	$158,793.25	$73,764.90	$5,035.35	$20,949.00
Bills at Discounted Rates	$2,156,113.68	$127,034.60	$59,011.92	$4,028.18	$16,759.20
Revenue Decrease	$559,147.62	$31,758.65	$14,752.98	$1,007.17	$4,189.80
Adjustment for B&O Tax Reduction	$23,987.43	$1,362.45	$632.90	$43.21	$179.74
Revenue Deficiency Certified	$535,160.19	$30,396.20	$14,120.08	$963.96	$4,010.06

Data for December 2016 - April 2017

20% Discount Program Summary Data

	Electric Utilities			Natural Gas Utilities			WV American Water Co.		
	2016-2017	2015-2016	Change	2016-2017	2015-2016	Change	2016-2017	2015-2016	Change
Applications Received	39,481	40,075	-1.50%	12,328	11,984	2.79%	1,238	1,213	2.02%
Applications Approved	36,515	36,006	1.39%	12,271	11,876	3.22%	827	881	-6.53%
Percent Approved	92.49%	89.85%		99.54%	99.10%		66.80%	72.63%	
Residential Customers	1,004,613	850,651	15.33%	369,130	336,828	8.75%	167,366	168,987	-0.97%
Customers Given Discount	36,515	36,006	1.39%	12,271	11,876	3.22%	5,289	5,069	4.16%
Percent Given Discount	3.63%	4.23%		3.32%	3.53%		3.16%	3.00%	
SSI Customers	20,260	20,955	-3.43%	6,424	6,568	-2.24%	2,388	2,325	2.64%
WV Works Customers	2,415	2,433	-0.75%	890	875	1.69%	808	808	0.00%
SNAP +60 Customers	13,840	12,618	8.83%	4,957	4,433	10.57%	2,093	1,936	7.50%
Bills at Non-Discounted Rates	$24,236,502.94	$23,047,609.03	4.91%	$4,574,700.06	$4,646,043.80	-1.56%	$2,689,661.00	$2,528,385.00	6.00%
Bills at Discounted Rates	$19,389,202.37	$18,438,088.01	4.91%	$3,643,883.45	$3,702,795.27	1.62%	$2,143,969.00	$2,022,575.00	5.66%
Revenue Decrease	$4,847,300.57	$4,609,521.02	4.91%	$930,816.61	$943,248.53	-1.34%	$545,692.00	$505,810.00	7.31%
Adjustment for B&O Tax Reduction	$0.00	$0.00	0.00%	$39,932.03	$60,766.74	-52.18%	$24,010.00	$22,256.00	7.31%
Revenue Deficiency Certified	$4,847,300.57	$4,609,521.02	4.91%	$890,884.58	$882,481.79	0.94%	$521,682.00	$483,554.00	7.31%

Gas and electric utility data for December 2016 - April 2017
West Virginia American Water Company data for June 2016 - May 2017

Appendix B

Summary of the Tel-Assistance Service Telephone Rate Discount Program

January 2018

Tel-Assistance Service provides reduced rates for qualified low-income residential customers of telephone utilities through 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 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. 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.

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 2016.

Frontier requested the Commission certify $66,384.89 as its revenue deficiency associated with the Tel-Assistance Program for the 2016 program year (Case No. 17-1635-T-P). Citizens requested the Commission certify $19,603.80 as its revenue deficiency the 2016 program year (Case No. 17-1642-T-P). The Commission issued Final Orders on December 20, 2017, approving these revenue deficiencies. These cases are now closed.

Appendix C

Electric Utilities
Supply – Demand Forecast
2018 - 2027

January 2018

Executive Summary

The major electric utility systems in West Virginia owning generation have completed acquisitions of capacity in recent years. During that same time period, several older generating facilities have been retired. Cancellation of long-standing capacity agreements with affiliates has occurred, contributing 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 (Mon Power) and Potomac Edison (PE) also have adequate capacity for summer requirements in the near future, but reserve margins will gradually diminish, becoming negative during the forecast period. The general conclusions reached in preparing this report are:

- APCo and WPCo expect their projected electrical demand to decrease by 6.5%, mainly due to the lower coal production in southern West Virginia.

- Mon Power provided data suggesting a projected growth rate in electrical demand of 17.2% by 2027, largely because of increased gas activity in its operating territory.

- 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.

- Historically, the Commission measured reserve margins as a percentage of total generation capacity in excess of internal load requirements. In this and other recent reports, the reserve margin is measured as a percentage of UCAP in excess of internal load requirements. There is an element of reserve in the difference between UCAP and ICAP, and the actual aggregate reserve margins will be higher than reserve margins over UCAP stated in this report.

- PJM has implemented new Capacity Performance Rules that require enhanced levels of availability of capacity resources and that increase penalties for non-performance during certain peak load conditions. These rules affect both APCo and Mon Power. A major result of these rules is to reduce the UCAP of solar, hydro, pumped storage and wind resources.

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

General Discussion

Under the provisions of W. Va. Code § 24-1-1(d)(3), the Public Service Commission is required to report to the Legislature annually on the 10-year supply and demand balance for the electric utilities in West Virginia,. 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 – Demand Forecast*.

The four largest regulated electric utilities in West Virginia are APCo, WPCo, Mon Power and PE. APCo, WPCo and Mon Power are regulated electric distribution utilities that own generation facilities. APCo and WPCo are sister companies in American Electric Power (AEP). Mon Power 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. Mon Power 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 Mon Power 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, Inc.
- Black Diamond Power Company
- Craig-Botetourt Electric Cooperative
- City of New Martinsville
- City of Philippi

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

[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.

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 Mon Power have retired several older coal-fired, sub-critical generating units. Both companies have sought and received approval to acquire additional generation capacity of existing generating facilities in West Virginia. Both companies also have applications pending before the Commission to acquire additional generation capacity, many of which are detailed in this report.

EPA Clean Power Plan

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 the assistance of the Public Service 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.

In March 2017, an Executive Order was issued directing the EPA to begin the process of withdrawing and rewriting the Clean Power Plan. On October 10, 2017, the EPA Administrator issued a proposal to repeal the Clean Power Plan. Several states announced they will challenge the repeal and further litigation is expected.

If implemented, the EPA Clean Power Plan could affect the supply and cost of electricity available to West Virginia utilities. Even if the repeal of the original Clean Power Plan is upheld, the EPA may consider alternative plans to limit carbon output from existing coal-fired power plants. If any State plans or plant specific limits are ultimately required, the final outcome of legal challenges and the timing and provisions of a West Virginia plan for compliance are not certain. It would be premature, at this time, to estimate or model how the Clean Power Plan or alternative 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.

Summer versus Winter Peaks

PJM incurs its peak capacity requirements in the summer and plans its capacity resources accordingly. Both APCo and Mon Power have been winter peaking companies. Historically, the ability of those companies to meet their internal peak, whenever that occurred, has been the focus of utility capacity adequacy planning and, until recently, the Commission's *Electric Utilities Supply – Demand Forecasts*. 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 Mon Power supply and demand during the summer months. For the forecast period of summer 2018 through 2027:

- APCo/WPCo expect their projected electrical demand to decrease by 6.5%, mainly due to the lower coal production in southern West Virginia.
- Mon Power provided data suggesting a projected growth rate in electrical demand of 17.2% by 2027, largely because of increased natural gas activity in its operating territory.
- 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 on 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 Mon Power. 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 Mon Power. One of the major changes is a further discounting of capacity from solar, hydro, pumped storage 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 than Mon Power, so it will be affected more than Mon Power by the PJM Capacity Performance changes. Most significantly for both APCo and Mon Power, the UCAP of hydro generation, including pump storage generation, will be reduced significantly in 2020.

- Based on existing capacity resources, both APCo and Mon Power 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. The Commission sets the same tariff rates, by class of customer, for both companies.

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 additional 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.

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 company specific projected reserve margins in any year, over the reserve margins already built into PJM UCAP values will be less in the winter, and possibly even negative, when APCo reaches its winter internal peaks. Because of the availability of capacity and energy from the PJM market, any additional capacity and energy required during APCo's winter peak periods 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. 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.* 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 *2016 Electric Utilities Supply – Demand Forecast* and are summarized with slight modifications 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[2]

- Additions of 25 MW of utility-owned, large-scale solar capacity beginning in 2019, with subsequent additions totaling 465 MW by 2030

- Additions of 345 MW (nameplate rating) of wind capacity in 2019, with additional wind capacity being added through 2027, totaling 1,395 MW

- Increased efficiency of distribution facilities

- Increased use of battery storage resources

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

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

Appalachian Power Company / Wheeling Power Company
Projected Supply and Demand - 2018 through 2027 (1)
Based on Summer Internal Load and PJM UCAP Obligations and Capacity

Year	APCo Internal Load Plus Reserves	WPCo Internal Load Plus Reserves	APCo / WPCo Total Internal Load Plus Reserves	UCAP Capacity (2) APCo	UCAP Capacity (2) WPCo	UCAP Capacity (2) APCo/WPCo	Reserve Margin in Addition to Margins Already Built into UCAP Values	
	MW	MW	MW	MW	MW	MW	MW	Percent
2018	6,182	598	6,780	6,434	547	6,981	201	2.9%
2019	6,169	600	6,769	6,480	593	7,073	304	4.3%
2020	6,173	598	6,771	6,204	677	6,881	110	1.6%
2021	5,671	554	6,225	6,144	677	6,821	596	8.7%
2022	5,676	556	6,232	6,144	677	6,821	589	8.6%
2023	5,693	562	6,255	6,144	677	6,821	566	8.3%
2024	5,700	563	6,263	6,144	677	6,821	558	8.2%
2025	5,734	566	6,300	6,144	667	6,821	521	7.6%
2026	5,750	567	6,317	5,744	677	6,421	104	1.6%
2027	5,770	569	6,339	5,719	677	6,396	57	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
(3) WPCo is assigned 82.5% ownership of the Mitchell plant through 2019.
The data are based on internally generated data from the Companies.

FirstEnergy Corporation

Monongahela Power Company and Potomac Edison Company

Monongahela Power Company (Mon Power) 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 Mon Power and the total load (demand) for the combined FE service territory in West Virginia.

Mon Power'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 Mon Power supply sources include acquisition of additional generating capacity and additional purchases from the PJM market.

A petition was filed by Mon Power on March 7, 2017, seeking approval for the purchase of a 100% ownership interest in Pleasants Power Station, located in Pleasants County, West Virginia from Allegheny Energy Supply Company (Case No: 17-0296-E-PC). Consummation of this transaction would result in projections for energy capacity exceeding the native load beyond the expanse of this report for summer internal load and PJM UCAP obligations. This case is pending before the Commission. This report will focus on the current status of the Companies' installed generation and capacity as it relates to its summer internal load and PJM UCAP obligations.

Like APCo, Mon Power has historically reached its annual peak demands during the winter months. Because PJM peaks in the summer, for PJM planning purposes, the adequacy of Mon Power capacity is measured during the summer months. Although on a stand-alone basis it would be normal to project the Mon Power 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 Mon Power reaches its internal peaks. If Mon Power requires more capacity at the time of its internal winter peak, that capacity should be available from the PJM market.

Projected capacity of Mon Power 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 Mon Power projected capacity supply and demand for the forecast period is reflected in the following chart. The Mon Power 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, Mon Power will have to consider adding new capacity. The following table reflects current existing capacity resources. These calculations incorporate unit operating data over a three-year rolling average reflecting minimal changes from year to year.

Monongahela Power Company / The Potomac Edison Company
Projected Supply and Demand - 2018 through 2027 (1)
Based on Summer Internal Load and PJM UCAP Obligations and Capacity

Year	Mon Power	PE	Mon Power / Potomac Edison						
	Internal Load Plus Reserves (3) (4)	Internal Load Plus Reserves (3) (4)	Total Internal Load Plus Reserves (3) (4)	Total Internal Load Less Reserves (3) (4)	UCAP Capacity (2)			Reserve Margin in Addition to Margins Already Built into UCAP Values	
					Mon Power	PE	Mon Power / PE		
	MW	MW	MW	MW	MW	MW	MW	MW	Percent
2018	2,543	820	3,363	2,822	3,349	0	3,349	527	15.7%
2019	2,628	844	3,472	2,913	3,381	0	3,381	468	13.8%
2020	2,788	855	3,643	3,063	3,197	0	3,197	134	4.2%
2021	2,940	859	3,800	3,199	3,054	0	3,054	(145)	-4.7%
2022	3,017	861	3,877	3,265	3,054	0	3,054	(210)	-6.9%
2023	3,054	863	3,917	3,298	3,054	0	3,054	(244)	-8.0%
2024	3,086	866	3,953	3,328	3,054	0	3,054	(274)	-9.0%
2025	3,118	868	3,986	3,356	3,054	0	3,054	(302)	-9.9%
2026	3,155	871	4,026	3,390	3,054	0	3,054	(336)	-11.0%
2027	3,190	874	4,063	3,421	3,054	0	3,054	(367)	-12.0%

(1) Includes Mon Power and PE total company (West Virginia) UCAP capacity resources and UCAP load obligations
(2) Includes Mon Power and PE total company owned generation and long-term power contracts
(3) Reserve Margin as calculated by FirstEnergy = PJM Summer Installed Reserve Margin IRM (2018/19=16.1%, 2019/20 and 2020/21=15.9%, 2021/2022 and beyond=15.8%)
(4) Mon Power and PE Internal Load Plus Reserves as calculated by FirstEnergy to be coincident with Total WV Internal Load Plus Reserves

Reference: 2017 PJM Reserve Requirement Study, p. 21

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 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. Those energy bids are matched to the energy requirements of load-serving entities on the next day (day-ahead market). PJM matches generation and load requirements on a regional basis and determines the hourly prices at which power will enter (clear) 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 or contract for their own capacity requirements. Annual capacity auctions obtain the remaining capacity that is needed after market participants have committed the resources they will supply themselves or obtain through contracts. PJM receives bids for annual capacity from suppliers, three years in the future. Through this bidding process, the price that will be paid for that future capacity is established based on the price of the last unit of capacity that clears the market. All successful bidders receive the marginal market clearing price, and all load pays that price.

Appendix D

Natural Gas Utilities
Supply – Demand Forecast
2018 - 2027

January 2018

Executive Summary

This report presents general information regarding the current natural gas supply and demand conditions in West Virginia as well as future natural gas supply and demand over the 2018-2027 period. Information for this report was provided in part by 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.

The *Natural Gas Utilities Supply-Demand Forecast 2018-2027* 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 and update market price forecasts.

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, concerned about these factors and interested in learning more about the natural gas production industry in West Virginia and what role the Legislature might play in it, directed the Commissions as part of an annual *Management Summary Report*, to 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 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.

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

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, to continue to maintain wells that had already been put into production, therefore increasing 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.

Congress passed the Industrial Fuel Use Act of 1978, 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 natural gas-fired boilers to fuel oil and reduced natural gas use in industrial boilers.

Congress then passes the Natural Gas Utilization Act of 1987, which 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.

Since 2007, huge new supplies of gas have become 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 in the 1980s and 1990s. There continues to be a growing 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, including West Virginia, the Commission has 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 40 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 12 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 other 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, Ohio and Pennsylvania. 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 2017, the U.S. Energy Information Administration (EIA) indicated that it expects prices to rise somewhat through 2018. EIA expects the Henry Hub price will average $3.10 per MMBtu in 2018, compared to $3.01 per MMBtu in 2017.

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 occasionally, unplanned outages. Drier gas from conventional production fields is more likely to be useable by customers downstream 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 from those fields 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). In December 2016, the EPA issued its final report on its detailed, multifaceted study that includes data gathered from hundreds of natural gas and oil wells across the country. In its report, the EPA listed major areas of the fracking water cycle that it studied, including 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. The report can be accessed at the EPA website. 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*, 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 that 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 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 as 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 (2018-2027) 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.