



STATE OF WEST VIRGINIA  
PUBLIC SERVICE COMMISSION  
CHARLESTON, 25305

STATE REGISTER FILING

I, Howard M. Cunningham, Executive Secretary, Public Service Commission of West Virginia, hereby submit to record in the State Register two (2) copies of proposed rules and regulations promulgated by the Public Service Commission of West Virginia pursuant to Chapter 24 of the Code of West Virginia, which rules and regulations amend and promulgate Rule 30-C of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle.

These rules and regulations are filed in the Office of the Secretary of State, State of West Virginia, pursuant to the provisions of Chapter 29A, Article 2, Section 1, Code of West Virginia, and shall become effective within sixty (60) days of the date of filing as provided by Chapter 29A, Article 1, Section 2, Code of West Virginia.

June 28, 1979

DATE SUBMITTED

  
Executive Secretary

FILED IN THE OFFICE OF  
SECRETARY OF STATE OF  
WEST VIRGINIA

THIS DATE 6-28-79

CERTIFICATE NO. 101

STATE OF WEST VIRGINIA

PUBLIC SERVICE COMMISSION, to-wit:

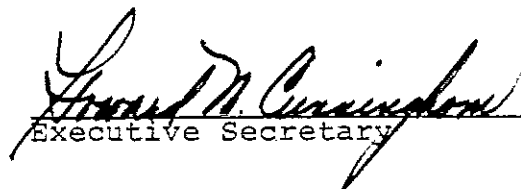
I, Howard M. Cunningham, Executive Secretary of the Public Service Commission, certify to the Secretary of the State of West Virginia that the hereinafter described document(s) is a true and accurate copy of a rule or rules, as defined by Chapter 1, Acts of the Legislature, Regular Session, 1964 (passed February 5, 1964; in effect July 1, 1964), prescribed by the Public Service Commission:

SUBJECT: AMENDMENT OF THE RULES AND REGULATIONS  
FOR THE GOVERNMENT OF THE CONSTRUCTION  
AND FILING OF TARIFFS OF PUBLIC  
UTILITIES AND COMMON CARRIERS BY MOTOR  
VEHICLE

General Order No. 183.4 entered June 26, 1979, (Filed in Base File, Series II as Appendix).

Given under my hand at the office of said Public Service Commission of West Virginia, at the Capitol, in the City of Charleston, this 28th day of June, 1979.

FILED IN THE OFFICE OF  
SECRETARY OF STATE OF  
WEST VIRGINIA

  
Executive Secretary

THIS DATE 6-28-79

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

FILED IN THE OFFICE OF  
SECRETARY OF STATE OF  
WEST VIRGINIA

THIS DATE 6-28-79

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA at the Capitol in the City of Charleston on the 26th day of June, 1979.

GENERAL ORDER NO. 183.4

In the matter of Rule 30-C  
Purchased Gas Adjustment.

APPEARANCES: Augustine A. Mazzei, Jr., for Equitable Gas Company; Demetrios G. Pulas, Jr., for Shenandoah Gas Company; Thomas N. Hanna for Consumers Gas Utility, Fifty-Two Gas Company; Cameron Gas Company, HAB Limited, Union Oil and Gas Company, and West Virginia Small Public Utilities Association; Richard Hitt for Council of Senior West Virginians, Concerned Citizens of Montgomery, Citizens Concerned About High Gas Bills and an unnamed association of persons residing in Cabell and Wayne Counties; Robert S. Baker for Concerned Citizens of Montgomery; James D. Kauffelt for Oceana Gas Company and Town Gas Company; Charles McElwee and Andrew Sonderman for Columbia Gas of West Virginia, Inc.; Milford L. Gibson for Blacksville Oil and Gas Company and Lumberport-Shinnston Gas Company; John C. Lobert for Southern Public Service Company; F. Paul Chambers and William C. Charlton for Cabot Corporation; C. E. Goodwin for Pennzoil Company; Willis O. Shay and Ralph J. Bean, Jr. for Hope Natural Gas Company; Jeremiah B. Lambert for Independent Oil and Gas Association of West Virginia; Rodney Jackson for WOWK-TV, Channel 13; Carlton L. Smith for Bluefield Gas Company; and Robert Rodecker and Ann Dornblazer for Staff.

PROCEDURE

On February 23, 1979 the Commission issued an order in this case for the purpose of instituting a general review of the current procedures for permitting gas utilities to recover purchased gas costs through the purchased gas adjustment (PGA) under Rule 30-C of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle.

The Commission ordered a general review of Rule 30-C for two reasons. First, the Commission has received many complaints about the PGA in general. Second, consumer complaints and Commission investigations indicated that utilities were inappropriately benefiting from the allowance in the PGA for unaccounted for gas. The Commission's order in this case on February 23, 1979, ordered notice to be given and a hearing to be held for the purpose of generally reviewing Rule 30-C and specifically considering the problem of unaccounted for gas. The order further required each gas company using Rule 30-C to provide notice of a hearing to be held on April 16, 1979. Notice was given and hearings were held on April 16 and 17, 1979. After the hearing on April 17 the case was submitted.

## EVIDENCE

On the first day of the hearing, several hundred consumers attended. The Commission granted all in attendance a full opportunity to appear as protestants. Many protestants did appear to present consumer dissatisfaction with the current PGA and excessive line loss. The staff offered one witness, and a number of witnesses appeared for one or more gas companies.

## ISSUES

The issues raised at the hearing involved two aspects of the purchased gas allowance provided under Rule 30-C.

1. Should the current monthly adjustment be levelized over a longer period such as a year?
2. Should the adjustment in the PGA for unaccounted for gas be limited to a specified percentage of loss?

## DISCUSSION

### 1. PGA Period

In its testimony staff recommended a proposed Rule 30-C to replace the existing rule. The proposed rule would provide for an annual adjustment in the PGA rather than the monthly adjustment in the current rule. Over or under recovery of purchased gas costs would be accumulated for the year ending August 31.

Company witnesses generally agreed that the amended Rule 30-C should abandon the use of monthly adjustments, although Union Oil & Gas, Lumberport-Shinnston Gas Company and Blacksville Oil and Gas Company favored the retention of the monthly system. The other companies favored a levelized PGA computed annually or semiannually. Hope Natural Gas Company argued that an annual PGA would cause more cash flow problems than a semiannual adjustment. A semiannual PGA would fit that company's seasonal purchase patterns. Consumer intervenors favored an annual adjustment.

The Commission believes that while smaller gas utilities could experience cash flow problems if required to adhere to an annual change in rates to recover purchased gas costs, larger companies should be able to adjust to any cash flow problems caused by such a purchased gas recovery procedure. Therefore, the Commission will amend Rule 30-C to provide for a levelized application with an annual review, but

will provide an option for smaller gas utilities (those having annual intrastate sales of 2,000,000 Mcf or less) to use a semiannual levelized purchased gas procedure. The semiannual periods specified (November 1 through April 30 and May 1 through October 31) correspond to the seasons of high and low gas consumption. Consequently, the semiannual procedure should permit smaller gas utilities to continue to recover purchased gas costs on a reasonably current basis.

## 2. Unaccounted for Gas

Under the current purchased gas adjustment in Rule 30-C, gas utilities are permitted to recover from consumers the total cost of unaccounted for purchased gas. Evidence presented by the staff indicates that in some cases unaccounted for gas represents 20-30% of all gas purchased by a company. Graphic testimony by a number of consumer protestants suggests that a significant cause of this unaccounted for gas is loss of gas through leaking pipelines and other defective equipment. Some minimal amount of unaccounted for gas is inevitable even in the most soundly constructed system. However, the high rates of unaccounted for gas experienced by some gas utilities involved in this proceeding are intolerable.

Under current circumstances gas utilities have no incentive to reduce the amount of their unaccounted for gas through better accounting and improvements in their lines. The unlimited adjustment under the Commission's Rule 30-C for unaccounted for gas permits utilities to pass the total cost of such gas on to consumers. This situation is objectionable for two reasons. First, gas is being wasted through line loss. Second, consumers are paying for gas that they do not use.

In order to remedy the problem of excess unaccounted for gas, the new Rule 30-C will permit an adjustment in purchased gas costs only for reasonable amounts of unaccounted for gas. To the extent that gas utilities experience unaccounted for gas in excess of the standards of reasonableness established in the rule, they will be required to absorb the cost thereof and thus will be given an incentive to improve their operation and maintenance. Gas utilities, not their customers, must suffer the consequences of failing to reduce unaccounted for gas to reasonable levels.

The Commission recognizes that large and small utilities do not

have equal ability to make the improvements needed to reduce unaccounted for gas to a reasonable level. For this reason the standard of reasonable unaccounted for gas will depend upon whether a utility is large or small. Utilities or ratemaking divisions of utilities with more than 2,000,000 Mcf in annual intrastate sales may recover a maximum of 8% of purchased gas as unaccounted for gas occurring after November 1, 1979. However, if the actual unaccounted for gas occurring after November 1, 1979 during a year ending June 30 is less than 8%, that actual rate will be the amount recoverable as unaccounted for gas.

All other gas utilities or ratemaking divisions of utilities will be limited to recovery of unaccounted for gas occurring after November 1, 1979, according to the following schedule:

- For rates taking effect 11/1/79 - 18%;
- For rates taking effect 11/1/80 - 14%;
- For rates taking effect 11/1/81 and each year thereafter - 10%.

These percentages represent the maximum allowable recovery for unaccounted for gas. As in the case of large companies, if the actual unaccounted for gas for the preceding year ending June 30 is lower than said limit, that actual percentage would be the limit for unaccounted for gas recovery.

The Commission has considered the possible impact of the National Gas Policy Act of 1978 (hereinafter NGPA) upon gas utilities and believes that there is no reason to depart from its present policy (unless there is further clarification as to the correct application of the NGPA) that any flow-through of NGPA-related costs will be disallowed unless each utility petitions the Commission and, on a case by case basis, offers proof of its NGPA-related costs and that it is in compliance with the NGPA.

#### FINDINGS OF FACT

1. Current rates for the recovery of purchased gas costs are computed monthly under Rule 30-C.
2. Anticipated rising gas costs in the future suggest that stabilization of purchased gas costs on a monthly basis is unlikely.
3. Many small gas utilities currently experience high rates of unaccounted for gas. (Staff Ex. 1, p. 10)
4. A significant cause of unaccounted for gas is excessive line loss (See protestants testimony generally).

CONCLUSIONS OF LAW

1. The current method of permitting recovery of purchased gas costs is inadequate because it causes monthly fluctuations in gas rates and because it permits recovery for excessive amounts of unaccounted for gas.
2. To prevent consumers from paying for gas which they do not consume and to prevent waste of gas, the amount of unaccounted for gas must be reduced to reasonable levels.
3. Existing Rule 30-C of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle should be repealed and replaced with a new rule of the same number, as set forth below.
4. The new rule represents a reasonable accommodation of the interests presented to the Commission by the parties and protestants in this case.

ORDER

1. Existing Rule 30-C of the Commission's Rules and Regulations is hereby repealed, but the PGA for June-October, 1979, shall be computed according to the provisions of that rule.
2. The following Rule 30-C of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle shall be a procedure by which gas companies may obtain interim rate adjustments to reflect changes in purchased gas costs:

RULE 30-C  
PURCHASED GAS COST

This rule sets forth a procedure for changing the rates per Mcf charged to customers by natural gas distribution utilities based exclusively on the cost of purchased gas including gas purchased by a utility and related transportation for delivery to its customers adjusted for net current gas stored, net exchange gas, shrinkage due to processing excessive unaccounted for gas and over or under cost recoveries. The Public Service Commission of West Virginia may interpret this rule if necessary and may require appropriate action based upon any such interpretation. The Commission reserves the authority under its general power to review any information filed under this rule and to order appropriate changes based on applications before the Commission. If any provision of this rule would result in undue hardship for a utility or its customers, the Commission may modify the application of this rule appropriately.

(A) APPLICATION

Any change under this rule in the rates charged by a gas utility shall apply for a twelve-month period from November 1 through October 31. Each gas utility that requests an adjustment in its rates to reflect purchased gas costs shall submit an application on or before August 1. The application shall include proposed rates that reflect estimated

purchased gas costs for the annual period beginning on November 1. The application shall also include a statement of actual purchased gas costs, cost over and under recovery and refund data for the twelve months ending June 30, and such other supporting information as the Commission may require. The utility shall state separately the quantity and cost of each source of gas.

A gas utility that submits application under division (A) of this rule shall continue to submit an application in each subsequent year until the Commission orders otherwise. Each ratemaking division of a utility shall submit a separate application under this rule.

#### (B) OPTIONAL SEMIANNUAL APPLICATION

A gas utility or ratemaking division of a utility with annual intra-state sales of not more than 2,000,000 Mcf for the year ending June 30 may elect to apply for semiannual adjustments in its rates under this rule. A utility electing to file a semiannual application shall file an application as required under division (A) of this rule with the statement that it will use the semi-annual option.

Any change under this rule in the rates charged by a gas utility using the semiannual option shall apply for the period from November 1 through April 30 and May 1 through October 31. On or before February 1 the utility shall file a supplementary application, including a statement of actual purchased gas costs, cost over and under recovery, and refund data for the six-month period ending December 31 and proposed adjustments to its rates to reflect estimated purchased gas costs for the period May 1 through October 31.

The option to file a semiannual application shall be exercised each year at the time for filing the annual application required under division (A).

#### (C) COMMISSION REVIEW

The Commission shall review applications submitted under this rule, specify an appropriate method for providing notice, and provide an opportunity for interested parties to submit evidence or objections concerning an application submitted under this rule.

##### (1) ESTIMATED PURCHASED GAS COSTS

The Commission shall determine for the annual or semiannual period for which a rate change is computed under this rule:

(a) The estimated amount of purchased gas costs (Volume of purchased gas times average cost of purchased gas);

(b) The estimated volume of purchased gas;

(c) The estimated volume of sales;

(d) The estimated total gas supply available (Total gas supply includes all purchased gas whether natural, synthetic, liquified natural, propane or other manufactured gas, net storage, net exchange or net borrowed gas, and gas produced by the utility).

##### (2) DEFINITIONS

(a) "Unaccounted for gas" means the difference between total gas supply, net of measured company use and measured free gas, and total gas sales.

(b) "Percentage of allowable unaccounted for gas" means for each utility or each ratemaking division of a utility the ratio of unaccounted for gas to total gas supply not in excess of the lesser of:

(i) actual percentage of unaccounted for gas for the twelve month period ending June 30; or

(ii) 8% for utilities or ratemaking divisions of utilities with more than 2,000,000 Mcf annual sales, and for all other utilities:

For rates taking effect on	
11/1/79	18%
11/1/80	14%
11/1/81 and each year thereafter	10%

(3) REDUCTION FOR ESTIMATED EXCESS UNACCOUNTED FOR GAS

The Commission shall reduce the amount of purchased gas costs by the cost of excess unaccounted for gas. The cost of excess unaccounted for gas shall be computed as follows:

(a) Subtract the estimated volume of sales from estimated total supply available, net of measured company use and free gas, to obtain the total volume of estimated unaccounted for gas;

(b) Divide the estimated volume of unaccounted for gas by the total supply available, net of measured company use and free gas, to obtain the percentage of unaccounted for gas;

(c) Subtract the allowable percentage of unaccounted for gas from the estimated percentage of unaccounted for gas obtained in (C)(3)(b) to obtain the percentage of excess unaccounted for gas (If the estimated percentage of unaccounted for gas is equal to or less than the percentage of allowable unaccounted for gas, no adjustment in the amount of purchased gas costs is made under this division);

(d) Multiply the percentage of excess unaccounted for gas obtained in (C)(3)(c) by the amount of purchased gas costs in (C)(1)(a) to obtain the amount of excess unaccounted for gas costs by which such purchased gas costs must be reduced.

The difference between purchased gas costs and the amount of excess unaccounted for gas costs equals the amount of allowable purchased gas costs.

(D) OVER OR UNDER RECOVERY OF PURCHASED GAS COSTS

The amount of allowable purchased gas costs determined in division (C) shall be increased or decreased by the amount of over or under recovery of purchased gas costs in the preceding period. Over or under recovery of purchased gas costs shall be computed as follows:

(1) ACTUAL GAS COST

Within 60 days after the end of each calendar month, each gas utility whose rates are adjusted under this rule shall report the following information for that month:

(a) Actual quantity and cost of purchased gas received from suppliers;

(b) Actual quantity and cost of all gas transferred to storage;

(c) Actual quantity and cost of all gas withdrawn from storage;

(d) Actual net settlement cost of exchange gas;

(e) Actual cost of gas shrinkage (product of shrinkage volume multiplied by average unit cost of purchased gas processed);

(f) Total gas sold in Mcf.

Add or subtract the cost amounts stated in (a) through (e) to obtain the net cost of gas. Divide the net cost of gas for the month by the total Mcf sold during that month to obtain the actual cost of gas per billing unit (Mcf).

(2) GROSS OVER OR UNDER RECOVERY OF PURCHASED GAS COSTS

Within 60 days after the end of each calendar month, each gas utility whose rates are adjusted under this rule shall report its over or under recovery of purchased gas costs to the Commission. Over or under recovery of purchased gas costs shall be computed as follows:

(a) Subtract the actual cost of gas per billing unit, as determined under (D)(1) of this rule, during the month from the estimated cost per Mcf embedded in the rates authorized to be charged during that month under this rule;

(b) Multiply the difference obtained in (a) by the total sales in Mcf to which the rates authorized under this rule were applied in that month.

(c) The over or under recovery amounts so obtained for each month shall be accumulated for the twelve months ending June 30 or the six months ending June 30 and December 31 as appropriate to obtain an annual or semiannual total over or under recovery of purchased gas cost.

(3) NET OVER OR UNDER RECOVERY OF PURCHASED GAS COSTS

The cumulative over or under recovery obtained in (D)(2)(c) shall be reduced by an amount computed as follows:

(a) Divide the actual cost of purchased gas during the period by the total Mcf purchased during that period to obtain the average cost per Mcf of purchased gas;

(b) Multiply the average cost obtained in (a) by the total Mcf of unaccounted for gas in excess of the allowable percentage of unaccounted for gas for the period to obtain the total cost of excess unaccounted for gas;

(c) Divide the volume of purchased gas by the total gas supply volume to obtain the percentage of purchased gas to total supply for the period.

(d) Multiply the amount obtained in (b) by the percentage obtained in (c) to obtain the cost of excess unaccounted for gas attributable to purchased gas.

(e) Subtract the amount obtained in (d) from the gross over or under recovery for the period obtained in (D)(2)(c) to obtain the net amount of cost over or under recovery in the preceding period to be recovered in the current period.

(E) PURCHASED GAS RATE

The Commission shall divide the estimated cost of purchased gas as adjusted for excess unaccounted for gas and over or under recovery of costs, as provided in divisions (C) and (D), by the estimated total sales (Mcf) for the annual or semiannual period for which a rate change is computed. The quotient so obtained shall be multiplied by  $(1 \div (1 - \text{Tax}))$ , where "Tax" equals the West Virginia B&O Tax rate effective on November 1 of the current period. The product so obtained shall equal the rate per Mcf to be rolled into the base rates of the utility for the current period.

Purchased gas charges shall not be included in service charges or rates for zero usage.

(F) REFUNDS

When any utility which has received an increase in its rates under this rule receives a refund of the charges of a supplier whose charges were the basis for the increased rates under this rule, the utility shall provide a credit on each customer's bill within 120 days after receipt of the refund. The credit shall return to the utility's custo-


mers the full amount of the supplier's refund including any interest received. The amount of credit for each customer shall be based upon that customer's consumption during the period for which the refund was awarded. Utilities shall report monthly by docket numbers the refunds received, refunds made, and current balances.

3. In 1979, the determination of over or under recovery of purchased gas costs shall be computed for the period August 31, 1978 through June 30, 1979. In computing the net over or under recovery of purchased gas costs, no reduction in over or under recovery shall be made under (D)(3) of this rule for excess unaccounted for gas costs occurring before October 31, 1979.

4. The Secretary of the Commission shall mail copies of this order to each gas utility regulated by this Commission, to all parties of record in this proceeding and to the State Attorney General, and shall file two certified copies thereof with the Secretary of State pursuant to W. Va. Code 29A-1-2.

A Copy.

Teste:

  
Howard M. Cunningham  
Executive Secretary

THIS DATE 6-28-79

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA at the Capitol in the City of Charleston on the 26th day of June, 1979.

GENERAL ORDER NO. 183.4

In the matter of Rule 30-C  
Purchased Gas Adjustment.

APPEARANCES: Augustine A. Mazzei, Jr., for Equitable Gas Company; Demetrios G. Pulas, Jr., for Shenandoah Gas Company; Thomas N. Hanna for Consumers Gas Utility, Fifty-Two Gas Company; Cameron Gas Company, HAB Limited, Union Oil and Gas Company, and West Virginia Small Public Utilities Association; Richard Hitt for Council of Senior West Virginians, Concerned Citizens of Montgomery, Citizens Concerned About High Gas Bills and an unnamed association of persons residing in Cabell and Wayne Counties; Robert S. Baker for Concerned Citizens of Montgomery; James D. Kauffelt for Oceana Gas Company and Town Gas Company; Charles McElwee and Andrew Sonderman for Columbia Gas of West Virginia, Inc.; Milford L. Gibson for Blacksville Oil and Gas Company and Lumberport-Shinnston Gas Company; John C. Lobert for Southern Public Service Company; F. Paul Chambers and William C. Charlton for Cabot Corporation; C. E. Goodwin for Pennzoil Company; Willis O. Shay and Ralph J. Bean, Jr. for Hope Natural Gas Company; Jeremiah B. Lambert for Independent Oil and Gas Association of West Virginia; Rodney Jackson for WOWK-TV, Channel 13; Carlton L. Smith for Bluefield Gas Company; and Robert Rodecker and Ann Dornblazer for Staff.

#### PROCEDURE

On February 23, 1979 the Commission issued an order in this case for the purpose of instituting a general review of the current procedures for permitting gas utilities to recover purchased gas costs through the purchased gas adjustment (PGA) under Rule 30-C of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle.

The Commission ordered a general review of Rule 30-C for two reasons. First, the Commission has received many complaints about the PGA in general. Second, consumer complaints and Commission investigations indicated that utilities were inappropriately benefiting from the allowance in the PGA for unaccounted for gas. The Commission's order in this case on February 23, 1979, ordered notice to be given and a hearing to be held for the purpose of generally reviewing Rule 30-C and specifically considering the problem of unaccounted for gas. The order further required each gas company using Rule 30-C to provide notice of a hearing to be held on April 16, 1979. Notice was given and hearings were held on April 16 and 17, 1979. After the hearing on April 17 the case was submitted.

### EVIDENCE

On the first day of the hearing, several hundred consumers attended. The Commission granted all in attendance a full opportunity to appear as protestants. Many protestants did appear to present consumer dissatisfaction with the current PGA and excessive line loss. The staff offered one witness, and a number of witnesses appeared for one or more gas companies.

### ISSUES

The issues raised at the hearing involved two aspects of the purchased gas allowance provided under Rule 30-C.

1. Should the current monthly adjustment be levelized over a longer period such as a year?
2. Should the adjustment in the PGA for unaccounted for gas be limited to a specified percentage of loss?

### DISCUSSION

#### 1. PGA Period

In its testimony staff recommended a proposed Rule 30-C to replace the existing rule. The proposed rule would provide for an annual adjustment in the PGA rather than the monthly adjustment in the current rule. Over or under recovery of purchased gas costs would be accumulated for the year ending August 31.

Company witnesses generally agreed that the amended Rule 30-C should abandon the use of monthly adjustments, although Union Oil & Gas, Lumberport-Shinnston Gas Company and Blacksville Oil and Gas Company favored the retention of the monthly system. The other companies favored a levelized PGA computed annually or semiannually. Hope Natural Gas Company argued that an annual PGA would cause more cash flow problems than a semiannual adjustment. A semiannual PGA would fit that company's seasonal purchase patterns. Consumer intervenors favored an annual adjustment.

The Commission believes that while smaller gas utilities could experience cash flow problems if required to adhere to an annual change in rates to recover purchased gas costs, larger companies should be able to adjust to any cash flow problems caused by such a purchased gas recovery procedure. Therefore, the Commission will amend Rule 30-C to provide for a levelized application with an annual review, but

will provide an option for smaller gas utilities (those having annual intrastate sales of 2,000,000 Mcf or less) to use a semiannual leveled purchased gas procedure. The semiannual periods specified (November 1 through April 30 and May 1 through October 31) correspond to the seasons of high and low gas consumption. Consequently, the semiannual procedure should permit smaller gas utilities to continue to recover purchased gas costs on a reasonably current basis.

## 2. Unaccounted for Gas

Under the current purchased gas adjustment in Rule 30-C, gas utilities are permitted to recover from consumers the total cost of unaccounted for purchased gas. Evidence presented by the staff indicates that in some cases unaccounted for gas represents 20-30% of all gas purchased by a company. Graphic testimony by a number of consumer protestants suggests that a significant cause of this unaccounted for gas is loss of gas through leaking pipelines and other defective equipment. Some minimal amount of unaccounted for gas is inevitable even in the most soundly constructed system. However, the high rates of unaccounted for gas experienced by some gas utilities involved in this proceeding are intolerable.

Under current circumstances gas utilities have no incentive to reduce the amount of their unaccounted for gas through better accounting and improvements in their lines. The unlimited adjustment under the Commission's Rule 30-C for unaccounted for gas permits utilities to pass the total cost of such gas on to consumers. This situation is objectionable for two reasons. First, gas is being wasted through line loss. Second, consumers are paying for gas that they do not use.

In order to remedy the problem of excess unaccounted for gas, the new Rule 30-C will permit an adjustment in purchased gas costs only for reasonable amounts of unaccounted for gas. To the extent that gas utilities experience unaccounted for gas in excess of the standards of reasonableness established in the rule, they will be required to absorb the cost thereof and thus will be given an incentive to improve their operation and maintenance. Gas utilities, not their customers, must suffer the consequences of failing to reduce unaccounted for gas to reasonable levels.

The Commission recognizes that large and small utilities do not

have equal ability to make the improvements needed to reduce unaccounted for gas to a reasonable level. For this reason the standard of reasonable unaccounted for gas will depend upon whether a utility is large or small. Utilities or ratemaking divisions of utilities with more than 2,000,000 Mcf in annual intrastate sales may recover a maximum of 8% of purchased gas as unaccounted for gas occurring after November 1, 1979. However, if the actual unaccounted for gas occurring after November 1, 1979 during a year ending June 30 is less than 8%, that actual rate will be the amount recoverable as unaccounted for gas.

All other gas utilities or ratemaking divisions of utilities will be limited to recovery of unaccounted for gas occurring after November 1, 1979, according to the following schedule:

For rates taking effect 11/1/79 - 18%;

For rates taking effect 11/1/80 - 14%;

For rates taking effect 11/1/81 and each year thereafter - 10%.

These percentages represent the maximum allowable recovery for unaccounted for gas. As in the case of large companies, if the actual unaccounted for gas for the preceding year ending June 30 is lower than said limit, that actual percentage would be the limit for unaccounted for gas recovery.

The Commission has considered the possible impact of the National Gas Policy Act of 1978 (hereinafter NGPA) upon gas utilities and believes that there is no reason to depart from its present policy (unless there is further clarification as to the correct application of the NGPA) that any flow-through of NGPA-related costs will be disallowed unless each utility petitions the Commission and, on a case by case basis, offers proof of its NGPA-related costs and that it is in compliance with the NGPA.

#### FINDINGS OF FACT

1. Current rates for the recovery of purchased gas costs are computed monthly under Rule 30-C.
2. Anticipated rising gas costs in the future suggest that stabilization of purchased gas costs on a monthly basis is unlikely.
3. Many small gas utilities currently experience high rates of unaccounted for gas. (Staff Ex. 1, p. 10)
4. A significant cause of unaccounted for gas is excessive line loss (See protestants testimony generally).

CONCLUSIONS OF LAW

1. The current method of permitting recovery of purchased gas costs is inadequate because it causes monthly fluctuations in gas rates and because it permits recovery for excessive amounts of unaccounted for gas.
2. To prevent consumers from paying for gas which they do not consume and to prevent waste of gas, the amount of unaccounted for gas must be reduced to reasonable levels.
3. Existing Rule 30-C of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle should be repealed and replaced with a new rule of the same number, as set forth below.
4. The new rule represents a reasonable accommodation of the interests presented to the Commission by the parties and protestants in this case.

ORDER

1. Existing Rule 30-C of the Commission's Rules and Regulations is hereby repealed, but the PGA for June-October, 1979, shall be computed according to the provisions of that rule.
2. The following Rule 30-C of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle shall be a procedure by which gas companies may obtain interim rate adjustments to reflect changes in purchased gas costs:

RULE 30-C  
PURCHASED GAS COST

This rule sets forth a procedure for changing the rates per Mcf charged to customers by natural gas distribution utilities based exclusively on the cost of purchased gas including gas purchased by a utility and related transportation for delivery to its customers adjusted for net current gas stored, net exchange gas, shrinkage due to processing excessive unaccounted for gas and over or under cost recoveries. The Public Service Commission of West Virginia may interpret this rule if necessary and may require appropriate action based upon any such interpretation. The Commission reserves the authority under its general power to review any information filed under this rule and to order appropriate changes based on applications before the Commission. If any provision of this rule would result in undue hardship for a utility or its customers, the Commission may modify the application of this rule appropriately.

(A) APPLICATION

Any change under this rule in the rates charged by a gas utility shall apply for a twelve-month period from November 1 through October 31. Each gas utility that requests an adjustment in its rates to reflect purchased gas costs shall submit an application on or before August 1. The application shall include proposed rates that reflect estimated

purchased gas costs for the annual period beginning on November 1. The application shall also include a statement of actual purchased gas costs, cost over and under recovery and refund data for the twelve months ending June 30, and such other supporting information as the Commission may require. The utility shall state separately the quantity and cost of each source of gas.

A gas utility that submits application under division (A) of this rule shall continue to submit an application in each subsequent year until the Commission orders otherwise. Each ratemaking division of a utility shall submit a separate application under this rule.

#### (B) OPTIONAL SEMIANNUAL APPLICATION

A gas utility or ratemaking division of a utility with annual intra-state sales of not more than 2,000,000 Mcf for the year ending June 30 may elect to apply for semiannual adjustments in its rates under this rule. A utility electing to file a semiannual application shall file an application as required under division (A) of this rule with the statement that it will use the semi-annual option.

Any change under this rule in the rates charged by a gas utility using the semiannual option shall apply for the period from November 1 through April 30 and May 1 through October 31. On or before February 1 the utility shall file a supplementary application, including a statement of actual purchased gas costs, cost over and under recovery, and refund data for the six-month period ending December 31 and proposed adjustments to its rates to reflect estimated purchased gas costs for the period May 1 through October 31.

The option to file a semiannual application shall be exercised each year at the time for filing the annual application required under division (A).

#### (C) COMMISSION REVIEW

The Commission shall review applications submitted under this rule, specify an appropriate method for providing notice, and provide an opportunity for interested parties to submit evidence or objections concerning an application submitted under this rule.

##### (1) ESTIMATED PURCHASED GAS COSTS

The Commission shall determine for the annual or semiannual period for which a rate change is computed under this rule:

- (a) The estimated amount of purchased gas costs (Volume of purchased gas times average cost of purchased gas);
- (b) The estimated volume of purchased gas;
- (c) The estimated volume of sales;
- (d) The estimated total gas supply available (Total gas supply includes all purchased gas whether natural, synthetic, liquified natural, propane or other manufactured gas, net storage, net exchange or net borrowed gas, and gas produced by the utility).

##### (2) DEFINITIONS

- (a) "Unaccounted for gas" means the difference between total gas supply, net of measured company use and measured free gas, and total gas sales.
- (b) "Percentage of allowable unaccounted for gas" means for each utility or each ratemaking division of a utility the ratio of unaccounted for gas to total gas supply not in excess of the lesser of:
  - (i) actual percentage of unaccounted for gas for the twelve month period ending June 30; or
  - (ii) 8% for utilities or ratemaking divisions of utilities with more than 2,000,000 Mcf annual sales, and for all other utilities:

For rates taking effect on	
11/1/79	18%
11/1/80	14%
11/1/81 and each year thereafter	10%

(3) REDUCTION FOR ESTIMATED EXCESS UNACCOUNTED FOR GAS

The Commission shall reduce the amount of purchased gas costs by the cost of excess unaccounted for gas. The cost of excess unaccounted for gas shall be computed as follows:

(a) Subtract the estimated volume of sales from estimated total supply available, net of measured company use and free gas, to obtain the total volume of estimated unaccounted for gas;

(b) Divide the estimated volume of unaccounted for gas by the total supply available, net of measured company use and free gas, to obtain the percentage of unaccounted for gas;

(c) Subtract the allowable percentage of unaccounted for gas from the estimated percentage of unaccounted for gas obtained in (C)(3)(b) to obtain the percentage of excess unaccounted for gas (If the estimated percentage of unaccounted for gas is equal to or less than the percentage of allowable unaccounted for gas, no adjustment in the amount of purchased gas costs is made under this division);

(d) Multiply the percentage of excess unaccounted for gas obtained in (C)(3)(c) by the amount of purchased gas costs in (C)(1)(a) to obtain the amount of excess unaccounted for gas costs by which such purchased gas costs must be reduced.

The difference between purchased gas costs and the amount of excess unaccounted for gas costs equals the amount of allowable purchased gas costs.

(D) OVER OR UNDER RECOVERY OF PURCHASED GAS COSTS

The amount of allowable purchased gas costs determined in division (C) shall be increased or decreased by the amount of over or under recovery of purchased gas costs in the preceding period. Over or under recovery of purchased gas costs shall be computed as follows:

(1) ACTUAL GAS COST

Within 60 days after the end of each calendar month, each gas utility whose rates are adjusted under this rule shall report the following information for that month:

(a) Actual quantity and cost of purchased gas received from suppliers;

(b) Actual quantity and cost of all gas transferred to storage;

(c) Actual quantity and cost of all gas withdrawn from storage;

(d) Actual net settlement cost of exchange gas;

(e) Actual cost of gas shrinkage (product of shrinkage volume multiplied by average unit cost of purchased gas processed);

(f) Total gas sold in Mcf.

Add or subtract the cost amounts stated in (a) through (e) to obtain the net cost of gas. Divide the net cost of gas for the month by the total Mcf sold during that month to obtain the actual cost of gas per billing unit (Mcf).

(2) GROSS OVER OR UNDER RECOVERY OF PURCHASED GAS COSTS

Within 60 days after the end of each calendar month, each gas utility whose rates are adjusted under this rule shall report its over or under recovery of purchased gas costs to the Commission. Over or under recovery of purchased gas costs shall be computed as follows:

(a) Subtract the actual cost of gas per billing unit, as determined under (D)(1) of this rule, during the month from the estimated cost per Mcf embedded in the rates authorized to be charged during that month under this rule;

(b) Multiply the difference obtained in (a) by the total sales in Mcf to which the rates authorized under this rule were applied in that month.

(c) The over or under recovery amounts so obtained for each month shall be accumulated for the twelve months ending June 30 or the six months ending June 30 and December 31 as appropriate to obtain an annual or semiannual total over or under recovery of purchased gas cost.

(3) NET OVER OR UNDER RECOVERY OF PURCHASED GAS COSTS

The cumulative over or under recovery obtained in (D)(2)(c) shall be reduced by an amount computed as follows:

(a) Divide the actual cost of purchased gas during the period by the total Mcf purchased during that period to obtain the average cost per Mcf of purchased gas;

(b) Multiply the average cost obtained in (a) by the total Mcf of unaccounted for gas in excess of the allowable percentage of unaccounted for gas for the period to obtain the total cost of excess unaccounted for gas;

(c) Divide the volume of purchased gas by the total gas supply volume to obtain the percentage of purchased gas to total supply for the period.

(d) Multiply the amount obtained in (b) by the percentage obtained in (c) to obtain the cost of excess unaccounted for gas attributable to purchased gas.

(e) Subtract the amount obtained in (d) from the gross over or under recovery for the period obtained in (D)(2)(c) to obtain the net amount of cost over or under recovery in the preceding period to be recovered in the current period.

(E) PURCHASED GAS RATE

The Commission shall divide the estimated cost of purchased gas as adjusted for excess unaccounted for gas and over or under recovery of costs, as provided in divisions (C) and (D), by the estimated total sales (Mcf) for the annual or semiannual period for which a rate change is computed. The quotient so obtained shall be multiplied by  $(1 \div (1 - \text{Tax}))$ , where "Tax" equals the West Virginia B&O Tax rate effective on November 1 of the current period. The product so obtained shall equal the rate per Mcf to be rolled into the base rates of the utility for the current period.

Purchased gas charges shall not be included in service charges or rates for zero usage.

(F) REFUNDS

When any utility which has received an increase in its rates under this rule receives a refund of the charges of a supplier whose charges were the basis for the increased rates under this rule, the utility shall provide a credit on each customer's bill within 120 days after receipt of the refund. The credit shall return to the utility's custo-

mers the full amount of the supplier's refund including any interest received. The amount of credit for each customer shall be based upon that customer's consumption during the period for which the refund was awarded. Utilities shall report monthly by docket numbers the refunds received, refunds made, and current balances.

3. In 1979, the determination of over or under recovery of purchased gas costs shall be computed for the period August 31, 1978 through June 30, 1979. In computing the net over or under recovery of purchased gas costs, no reduction in over or under recovery shall be made under (D)(3) of this rule for excess unaccounted for gas costs occurring before October 31, 1979.

4. The Secretary of the Commission shall mail copies of this order to each gas utility regulated by this Commission, to all parties of record in this proceeding and to the State Attorney General, and shall file two certified copies thereof with the Secretary of State pursuant to W. Va. Code 29A-1-2.

A Copy.

Teste:

*Howard M. Cunningham*  
Howard M. Cunningham  
Executive Secretary



STATE OF WEST VIRGINIA  
PUBLIC SERVICE COMMISSION  
CHARLESTON, 25305

May 29, 1979

Mr. Thomas N. Hanna  
Attorney at Law  
Suite 1290 One Valley Square  
Charleston, W. Va. 25301

Mr. James Pyles  
Attorney at Law  
213 Main Street  
New Martinsville, W. Va. 26155

Mr. Charles McElwee  
Attorney at Law  
Post Office Box 951  
Charleston, W. Va. 25323

Mr. James P. Lively, President  
Chesapeake Light & Water Co and  
Standard Utility Service Corp.  
2406 Kanawha Blvd., East.  
Charleston, W. Va. 25311

Mr. Caton N. Hill  
Attorney at Law  
Philippi, W. Va. 26416

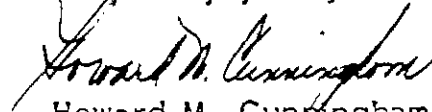
Mr. Louie A. Paterno, Jr.  
Attorney at Law  
Post Office Box 2791  
Charleston, W. Va. 25330

Gentlemen:

Re: Case No. 9378  
Black Diamond Power Co etal  
General Order No. 184.3

We are enclosing two copies of each order entered in  
the above captioned cases.

Very truly yours,

  
Howard M. Cunningham  
Executive Secretary

HMC:fj  
Enc.

cc: ✓ Honorable A. James Manchin  
Honorable Chauncey H. Browning

FILED IN THE OFFICE OF  
SECRETARY OF STATE  
THIS DATE 6-8-79

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA, at the Capitol in the City of Charleston on the 28th day of May, 1979.

GENERAL ORDER NO. 184.3

In the matter of Rule 30-D,  
Wholesale Purchased Power Cost.

APPEARANCES: Thomas N. Hanna, Caton N. Hill, and James Pyles for Petitioners; Charles McElwee for Wheeling Electric Company, Intervenor; Louie A. Paterno, Jr., for Shenandoah Electric Co-operative and Craig-Botetourt Electric Co-operative, Intervenor; Clement Bassett and Steven Chambers for Staff.

PROCEDURE

On April 11, 1978 the petitioners named above filed a petition and rule with the Commission and requested the Commission to adopt a rule to provide automatic adjustments in retail rates charged by the petitioners based upon increases in their purchased power costs. (The petition was assigned Case No. 9378.) On June 23, 1978 the Commission set a hearing on the proposed rule for August 28, 1978, and required petitioners to give notice of the hearing by publication. Preston Electric Company, Harrison REA, Philippi Municipal Electric, and New Martinsville Municipal Electric published the required notice, but the other petitioners did not provide any public notice. As suggested by counsel for these companies, this defect will be remedied through post hearing publication. The hearing was held as scheduled. On August 24, 1978, Wheeling Electric Company requested permission to intervene in this case. A similar request was made at the hearing by Shenandoah Electric and Craig-Botetourt Electric. Permission to intervene was granted.

DISCUSSION

After the hearing in Case No. 9378, the Commission determined that a rule should be promulgated concerning the problem of purchased power costs for non-generating electric utilities. According to Commission procedure, rules are promulgated in general orders rather than as a part of an order in a case before the Commission. Therefore, the issues raised by the petitioners in Case No. 9378 will be addressed in this order.

Serial 2

ORDER

1. The following Rule 30-D of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle shall be the exclusive procedure by which non-generating electric utilities may obtain interim rate adjustments to reflect changes in the fuel cost portion of their purchased power costs:

RULE 30-D  
FERC APPROVED WHOLESale POWER INCREASES

This rule sets forth a procedure for changing the rates per kilowatt hour (Kwh) charged to retail customers by non-generating electric utilities based exclusively on fuel cost allowances for suppliers of wholesale power approved by the Federal Energy Regulatory Commission. The Public Service Commission of West Virginia may interpret this rule if necessary and may require appropriate action based upon such interpretations. The Commission reserves the authority under its general power to review any information filed under this rule and to order appropriate changes based upon applications before the Commission.

DEFINITIONS

"FERC" means the Federal Energy Regulatory Commission.

"Non-generating electric utility" means an electric utility subject to the jurisdiction of this Commission whose sole source of electric power is the purchase of power from one or more wholesale suppliers.

"Adjustment period" means the six consecutive calendar months during which a non-generating electric utility must charge the adjusted rate determined under this rule.

"Wholesale rate" means the rate per kilowatt hour charged by a wholesale supplier of electric power to a non-generating electric utility as approved by FERC.

"Fuel cost" means that portion of a supplier's wholesale rate specifically attributed by FERC to changes in the supplier's cost of fuel under the provisions of the federal fuel adjustment clause.

APPLICATION

A non-generating electric utility which has not already filed an initial application under this rule may apply to the Commission for permission to change its rate per kilowatt hour based upon changes in the fuel portion of the wholesale rate charged by a supplier of power. The application shall be filed no later than forty-five days prior to the first day of the adjustment period. The application shall state the actual fuel cost rate charged to the utility by each supplier of power in each of the six months preceding the month in which the application is filed, the actual volume of power purchased from each supplier and the amount of power sold during such months, and such other information as the Commission may require.

CONTINUING APPLICATION

If the Commission approves an initial application filed under this rule, the non-generating electric utility that filed the application shall file a similar application not later than forty-five days preceding the first day of the next succeeding adjustment period and each succeeding adjustment period. A utility may cease filing applications for succeeding adjustment periods only with the prior approval of the Commission.

FILED IN THE OFFICE OF

SECRETARY OF STATE  
THIS DATE 6-15-79

HEARING

Prior to the first day of the adjustment period, the Commission shall require notice and provide a hearing on the application filed under this rule. After the hearing the Commission may authorize a change in the utility's tariff necessary to reflect fuel cost related changes in the wholesale rate paid by the utility for purchased power, taking into consideration taxes and line losses as appropriate. Such authorization shall apply to rates charged by the utility during the adjustment period.

EXCLUSIVE REMEDY

A non-generating electric utility shall use the procedure provided in this rule rather than the procedure provided in Rule 30-B of the Commission to obtain interim changes in its tariff reflecting fuel cost related portions of the wholesale rate paid by the utility for purchased power.

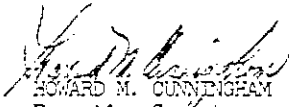
2. Petitioners who did not publish notice of the hearing in Case No. 9378 shall provide notice of this order by publication in newspapers of general circulation published in each county included in their respective service areas, once within ten days after the date of this order. Such notice shall contain a copy of this order and a statement that objections to the rule adopted in the order may be filed with the Commission within sixty days of the date of this order.

3. The Secretary of the Commission shall mail copies of this order and the order in Case No. 9378 to all parties of record in that case, to the State Attorney General, and to the Secretary of State.

AND IT IS SO ORDERED.

A COPY.

TESTE:

  
HOWARD M. CUNNINGHAM  
Executive Secretary

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA, at the Capitol in the City of Charleston on the 28th day of May, 1979.

CASE NO. 9378

BLACK DIAMOND POWER COMPANY, ELK POWER COMPANY, ELKHORN PUBLIC SERVICE COMPANY, HARRISON RURAL ELECTRIFICATION ASSOCIATION, INC., KIMBALL LIGHT AND WATER COMPANY, NEW MARTINSVILLE MUNICIPAL ELECTRIC, PHILIPPI MUNICIPAL ELECTRIC, PRESTON ELECTRIC COMPANY, UNION POWER COMPANY, UNITED LIGHT AND POWER COMPANY, AND WAR LIGHT AND POWER COMPANY.

Petition requesting the Commission to adopt a rule authorizing a Wholesale Purchased Power Adjustment.

APPEARANCES: Thomas N. Hanna, Caton N. Hill, and James Pyles for petitioners; Charles McElwee for Wheeling Electric Company, Intervenor; Louie A. Paterno, Jr., for Shenandoah Electric Co-operative and Craig-Botetourt Electric Co-operative, Intervenor; Clement Bassett and Steven Chambers for Staff.

PROCEDURE

On April 11, 1978 the petitioners named above filed a petition and rule with the Commission and requested the Commission to adopt a rule to provide automatic adjustments in retail rates charged by the petitioners based upon increases in their purchased power costs. On June 23, 1978 the Commission set a hearing on the proposed rule for August 28, 1978, and required petitioners to give notice of the hearing by publication. Preston Electric Company, Harrison REA, Philippi Municipal Electric, and New Martinsville Municipal Electric published the required notice, but the other petitioners did not provide any public notice. As suggested by counsel for these companies, this defect will be remedied through post hearing publication. The hearing was held as scheduled. On August 24, 1978, Wheeling Electric Company requested permission to intervene in this case. A similar request was made at the hearing by Shenandoah Electric and Craig-Botetourt Electric. Permission to intervene was granted. In a general order issued this same day, the Commission promulgated a rule so that the issues raised in this case can be resolved through the appropriate rulemaking procedure.

FILED IN THE OFFICE OF

EVIDENCE

Evidence in this case included exhibits submitted by petitioners

SECRETARY OF STATE  
THIS DATE 6-1-79

and intervenor Wheeling Electric and a transcript of the hearing. The evidence indicates that petitioners purchase electric power at wholesale from Appalachian Power Company or Monongahela Power Company and sell it to retail consumers. Purchased power is the exclusive source of their power supply. The Federal Energy Regulatory Commission (FERC) regulates the rates chargeable on wholesale electric power transactions, and this Commission regulates the retail rate. Changes in the wholesale costs of electric power that result from FERC approval of rate increases cause petitioners to pay a higher price for power purchased from wholesale suppliers. Under West Virginia law, petitioners may not recover those increased costs from their retail customers unless this Commission formally authorizes an increase in a particular company's retail rates.

Rule 30-B of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle (Rule 30-B) provides an expedited procedure for adjusting retail rates of electric utilities to reflect changes in purchased power costs. A utility becomes eligible for a rate increase under the provisions of Rule 30-B when its wholesale purchased power costs increase directly as a result of action by another regulatory commission having jurisdiction over the wholesale supplier. To obtain an increase in retail rates under the rule, the utility must file an amended tariff and a petition invoking the provisions of the rule. An application filed under Rule 30-B is limited to the issues of whether the increase in purchased power cost was duly authorized and whether the requested increase is no more than sufficient to offset that purchased power cost increase. The Commission also considers the effective date of the increase and its nature and permanency as well as the possibility of a refund.

Changes in wholesale purchased power rates can occur for two reasons. First, the FERC may approve through a rate case a change in the base rates chargeable on wholesale purchases of electric power. Second, wholesale purchased power rates are subject to a monthly wholesale purchased fuel cost adjustment based upon increases in fuel costs incurred by the generating utility. The record in this case showed that the petitioners were unable to recover the entire amount of their increased costs attributable to higher wholesale power costs

from their retail customers during 1977 and the first half of 1978.

Petitioners claimed that their inability to recover fully these increases in wholesale purchased power costs occurs because retail rates are not adjusted quickly enough to reflect wholesale purchased power rate increases. The delay between an increase in wholesale rates and the approval of a corresponding increase in retail rates under 30-B procedures resulted in the underrecovery of purchased power costs for that period.

Petitioners and intervenors in this case proposed various methods for automatically adjusting retail rates to reflect FERC approved changes in wholesale purchased power rates. However, these proposals were presented prior to the enactment of H.B. 1280, which made substantial changes in Public Service Commission law. Section 24-2-15 of the West Virginia Code now prohibits the Commission from authorizing an automatic fuel adjustment. Section 24-2-4b of the West Virginia Code now prohibits the Commission from exercising ratemaking authority over municipal utilities.

One proposal submitted at the hearing in this case can be accommodated to the statutory constraints within which the Commission must provide for adjustments in purchased power costs. Dick Exhibit D, introduced by Wheeling Electric Company, would provide for a semi-annual review of the fuel portion of purchased power expense.

A semiannual review of the fuel cost portion of purchased power costs offers several advantages. The Commission would honor the intent of the legislative prohibition against automatic rate adjustments by reviewing each non-generating utility individually. With the opportunity for reviewing non-generating utilities in detail, the Commission can determine fuel cost adjustments with sufficient accuracy to reduce the over and underrecoveries associated with the time lag inherent in the Commission's Rule 30-B. Fluctuations in rates caused by frequent fuel cost related changes under Rule 30-B are limited to a maximum of two changes per year. Thus the semiannual review procedure would encourage rate stability.

For all of the reasons stated above, the Commission believes that a semiannual review of the fuel cost portion of purchased power costs would provide the best method for adjusting the rates of non-generating

electric utilities to reflect changes in their costs.

FINDINGS OF FACT

1. Non-generating electric utilities are not able to fully recover the fuel cost portion of their purchased power costs. (Petitioner's Exhibits 6, 7, and 8; Dick Exhibit 3)
2. Time lag associated with Rule 30-B of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle prevents total recovery of the fuel cost portion of the purchased power (Tr. pp. 134-136; p. 114)

CONCLUSIONS OF LAW

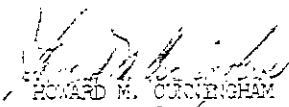
1. Section 24-2-15 of the West Virginia Code prohibits the Commission from authorizing an automatic fuel adjustment clause for non-generating electric utilities.
2. Section 24-2-4b of the West Virginia Code prohibits the Commission from prescribing adjustments to municipal utility rates.

ORDER

Rule 30-D of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle, as promulgated in General Order No. 184.3, shall be the exclusive procedure by which non-generating electric utilities may obtain interim rate adjustments to reflect changes in the fuel cost portion of their purchased power costs.

A COPY.

TESTE:

  
HOWARD M. CURVINGHAM  
Executive Secretary



STATE OF WEST VIRGINIA  
PUBLIC SERVICE COMMISSION  
CHARLESTON, 25305

STATE REGISTER FILING

I, Howard M. Cunningham, Executive Secretary, Public Service Commission of West Virginia, hereby submit to record in the State Register two (2) copies of proposed rules and regulations promulgated by the Public Service Commission of West Virginia pursuant to Chapter 24 of the Code of West Virginia, which rules and regulations promulgate Rule 30-D of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle.

These rules and regulations are filed in the Office of the Secretary of State, State of West Virginia, pursuant to the provisions of Chapter 29A, Article 2, Section 1, Code of West Virginia, and shall become effective within sixty (60) days of the date of filing as provided by Chapter 29A, Article 1, Section 2, Code of West Virginia.

FILED IN THE OFFICE OF

SECRETARY OF STATE  
THIS DATE 6-1-79

June 1, 1979

DATE SUBMITTED

Handwritten signature of Howard M. Cunningham in cursive script, written over a horizontal line.  
Executive Secretary

CERTIFICATE NO. 99

STATE OF WEST VIRGINIA

PUBLIC SERVICE COMMISSION, to-wit:

I, Howard M. Cunningham, Executive Secretary of the Public Service Commission, certify to the Secretary of the State of West Virginia that the hereinafter described document(s) is a true and accurate copy of a rule or rules, as defined by Chapter 1, Acts of the Legislature, Regular Session, 1964 (passed February 5, 1964; in effect July 1, 1964), prescribed by the Public Service Commission:

SUBJECT: AMENDMENT OF THE RULES AND REGULATIONS  
FOR THE GOVERNMENT OF THE CONSTRUCTION  
AND FILING OF TARIFFS OF PUBLIC UTILITIES  
AND COMMON CARRIERS BY MOTOR VEHICLES

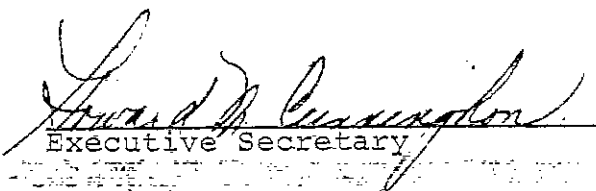
General Order No. 184.3 entered May 28, 1979, (Filed in Base File, Series II, as Appendix Pages 45 to 47).

Given under my hand at the office of said Public Service Commission of West Virginia, at the Capitol, in the City of Charleston, this 1st day of June, 1979.

FILED IN THE OFFICE OF

SECRETARY OF STATE

THIS DATE 6-1-79

  
Executive Secretary

PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON

FILED IN THE OFFICE OF  
SECRETARY OF STATE  
THIS DATE 6-1-78

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA, at the Capitol in the City of Charleston on the 28th day of May, 1979.  
GENERAL ORDER NO. 184.3

In the matter of Rule 30-D,  
Wholesale Purchased Power Cost.

APPEARANCES: Thomas N. Hanna, Caton N. Hill, and James Pyles for Petitioners; Charles McElwee for Wheeling Electric Company, Intervenor; Louie A. Paterno, Jr., for Shenandoah Electric Co-operative and Craig-Botetourt Electric Co-operative, Intervenor; Clement Bassett and Steven Chambers for Staff.

FILED IN THE OFFICE OF

PROCEDURE

SECRETARY OF STATE

DATE

On April 11, 1978 the petitioners named above filed a petition and rule with the Commission and requested the Commission to adopt a rule to provide automatic adjustments in retail rates charged by the petitioners based upon increases in their purchased power costs. (The petition was assigned Case No. 9378.) On June 23, 1978 the Commission set a hearing on the proposed rule for August 28, 1978, and required petitioners to give notice of the hearing by publication. Preston Electric Company, Harrison REA, Philippi Municipal Electric, and New Martinsville Municipal Electric published the required notice, but the other petitioners did not provide any public notice. As suggested by counsel for these companies, this defect will be remedied through post hearing publication. The hearing was held as scheduled. On August 24, 1978, Wheeling Electric Company requested permission to intervene in this case. A similar request was made at the hearing by Shenandoah Electric and Craig-Boutetourt Electric. Permission to intervene was granted.

DISCUSSION

After the hearing in Case No. 9378, the Commission determined that a rule should be promulgated concerning the problem of purchased power costs for non-generating electric utilities. According to Commission procedure, rules are promulgated in general orders rather than as a part of an order in a case before the Commission. Therefore, the issues raised by the petitioners in Case No. 9378 will be addressed in this order.

ORDER

1. The following Rule 30-D of the Rules and Regulations for the Government of the Construction and Filing of Tariffs of Public Utilities and Common Carriers by Motor Vehicle shall be the exclusive procedure by which non-generating electric utilities may obtain interim rate adjustments to reflect changes in the fuel cost portion of their purchased power costs:

RULE 30-D  
FERC APPROVED WHOLESALE POWER INCREASES

This rule sets forth a procedure for changing the rates per kilowatt hour (Kwh) charged to retail customers by non-generating electric utilities based exclusively on fuel cost allowances for suppliers of wholesale power approved by the Federal Energy Regulatory Commission. The Public Service Commission of West Virginia may interpret this rule if necessary and may require appropriate action based upon such interpretations. The Commission reserves the authority under its general power to review any information filed under this rule and to order appropriate changes based upon applications before the Commission.

DEFINITIONS

"FERC" means the Federal Energy Regulatory Commission.

"Non-generating electric utility" means an electric utility subject to the jurisdiction of this Commission whose sole source of electric power is the purchase of power from one or more wholesale suppliers.

"Adjustment period" means the six consecutive calendar months during which a non-generating electric utility must charge the adjusted rate determined under this rule.

"Wholesale rate" means the rate per kilowatt hour charged by a wholesale supplier of electric power to a non-generating electric utility as approved by FERC.

"Fuel cost" means that portion of a supplier's wholesale rate specifically attributed by FERC to changes in the supplier's cost of fuel under the provisions of the federal fuel adjustment clause.

APPLICATION

A non-generating electric utility which has not already filed an initial application under this rule may apply to the Commission for permission to change its rate per kilowatt hour based upon changes in the fuel portion of the wholesale rate charged by a supplier of power. The application shall be filed no later than forty-five days prior to the first day of the adjustment period. The application shall state the actual fuel cost rate charged to the utility by each supplier of power in each of the six months preceding the month in which the application is filed, the actual volume of power purchased from each supplier and the amount of power sold during such months, and such other information as the Commission may require.

CONTINUING APPLICATION

If the Commission approves an initial application filed under this rule, the non-generating electric utility that filed the application shall file a similar application not later than forty-five days preceding the first day of the next succeeding adjustment period and each succeeding adjustment period. A utility may cease filing applications for succeeding adjustment periods only with the prior approval of the Commission.

HEARING

Prior to the first day of the adjustment period, the Commission shall require notice and provide a hearing on the application filed under this rule. After the hearing the Commission may authorize a change in the utility's tariff necessary to reflect fuel cost related changes in the wholesale rate paid by the utility for purchased power, taking into consideration taxes and line losses as appropriate. Such authorization shall apply to rates charged by the utility during the adjustment period.

EXCLUSIVE REMEDY

A non-generating electric utility shall use the procedure provided in this rule rather than the procedure provided in Rule 30-B of the Commission to obtain interim changes in its tariff reflecting fuel cost related portions of the wholesale rate paid by the utility for purchased power.

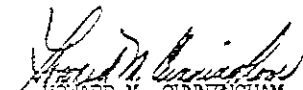
2. Petitioners who did not publish notice of the hearing in Case No. 9378 shall provide notice of this order by publication in newspapers of general circulation published in each county included in their respective service areas, once within ten days after the date of this order. Such notice shall contain a copy of this order and a statement that objections to the rule adopted in the order may be filed with the Commission within sixty days of the date of this order.

3. The Secretary of the Commission shall mail copies of this order and the order in Case No. 9378 to all parties of record in that case, to the State Attorney General, and to the Secretary of State.

AND IT IS SO ORDERED.

A COPY.

TESTE:

  
HOWARD M. CUNNINGHAM  
Executive Secretary