



CONSUMER ADVOCATE DIVISION
STATE OF WEST VIRGINIA
PUBLIC SERVICE COMMISSION
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CONSUMER ADVOCATE DIVISION'S ANNUAL REPORT FOR 2014 AND COMPARATIVE RESIDENTIAL RATE STUDY

STATE UTILITY RATES INCREASED 1.2% IN 2013

West Virginia utility rates increased by an average of 1.2% during 2013. This statewide average includes several cities where utility rates declined and a small number of cities where utility rates increased dramatically.

2013 Rate Cases

In 2013, West Virginia utilities filed cases requesting approval of expenditures totaling about \$2.45 billion and the Public Service Commission (PSC) rendered decisions in those cases approving expenditures totaling about \$1.35 billion, as shown in Appendix 1, Table 1 of this report. The Consumer Advocate Division (CAD) participated in 38 cases before the PSC and the Federal Energy Regulatory Commission, and played a large part in holding down rate increases for West Virginians. The bottom line of the work done by the CAD is seen in the rates charged to West Virginia residential consumers of electricity, gas, water, and telephone service. In order to determine the impact of rate case decisions during the year, the CAD prepares an annual study of utility rates.¹ The study is attached to this report as Appendix II, Tables 2 - 10. The CAD's

¹Utility rates used in the study are based on average monthly usage by a residential customer of 13 Mcf's of gas (Mcf = 1,000 cubic feet), 1000 kWh of electricity (kWh = kilowatt hour), 4,500 gallons of water and a single line telephone with flat-rate service. Telephone rates also include the applicable federal subscriber line charge, federal

study examines current rates for 17 cities within West Virginia. In addition, rates for seventeen West Virginia cities were compared to rates in the cities of surrounding states.

Year to Year Rate Comparison

Rates for the largest electric, gas, telephone and water companies in West Virginia at the beginning of 2013 and the beginning of 2014 are shown in Appendix II Table 2 of the study. **As shown on Table 3, in January 2014 a utility customer in West Virginia paid an average of \$280.62, for electricity, gas, water, and telephone service, an increase of 1.2% over the 2013 average of \$277.22.²**

Table 4 shows the statewide average for utility bills in the month of January for the five year period ending January 2014. The 2014 average total bill was \$281, a 5% decrease over the 2010 amount of \$295. Water bills showed the largest increase of 18%, followed by an increase in electricity bills of 7%, while telephone rates remained stable. Natural gas bills decreased by 18%. Over this period the greatest dollar decrease was the natural gas reduction of \$26 a month

Table 5 also shows the changes in utility costs over the last five years of four West Virginia cities.

City to City Rate Comparison

Of the seventeen cities included in Table 3, Morgantown residents enjoy the lowest utility costs, while Bluefield customers have the highest utility costs. Bluefield customers pay a total of \$316.25 for the same amount of electricity, gas, water and telephone service that would cost a customer in Morgantown \$258.82, a difference of \$57.43. The cost of natural gas and water were the main factors responsible for the disparity in rates within West Virginia. Customers using exactly the same amount of water – 4500 gallons - paid as little as \$17.42 in Morgantown,

universal service surcharge, federal universal service credit, and deaf relay service surcharge.

² Consumer Advocate Division Annual Report for 2013, Table 2.

or as much as \$54.07 if they were served by West Virginia-American Water Company - a difference of \$36.65. Customers using exactly the same amount of natural gas – 13 Mcf – paid as little as \$118.28 if they were served by Mountaineer Gas, or as much as \$138.73 if they were served by Bluefield Gas, a variance of \$20.45. Table 3 shows the increases and decreases in utility rates of all 17 cities in the survey and ranks the cities from the least expensive to the most expensive.

Comparison with Rates in Surrounding States

The overall costs of utility service in the largest West Virginia cities were lower on average than the costs in cities in surrounding states in January 2014, as shown on Table 3 and Table 10. Utility bills for electric, gas, telephone and water service for the out of state cities studied range from \$285.79 in Lexington, Kentucky to \$342.94 in Pittsburgh, Pennsylvania. The average monthly bill for out of state customers is \$314.33. **The statewide monthly average for all West Virginia cities studied is \$280.62.**

Tables 6 – 10 compare the average West Virginia monthly utility bills for each utility with the average of selected cities of other states. West Virginia average rates for electricity, natural gas, telephone, and water service are shown separately on Tables 6 – 9 and were mostly lower than in the surrounding the states. Table 10 shows the total average utilities cost for West Virginia as compared with the surrounding states.

Review of 2013 Regulatory Actions

Appendix I, Table 1 summarizes the major 2013 West Virginia rate decisions. During 2013, there were a number of major electricity cases in West Virginia, although the overall rates decreased. The commodity price of natural gas increased rates for most gas utilities in the state. Water rates increased and telephone rates remained stable.

Gas

In 2013, most natural gas customers continued to benefit from the lower natural gas costs compared to 2009. From 2000 through 2008 natural gas rates more than doubled, reaching a peak in January 2009 when an average natural gas bill was almost \$200.00. Currently the statewide average cost of a 13 Mcf natural gas bill is \$121.14, 39% lower than in 2009.

The initial decline in natural gas rates was primarily caused by the impact of the global economic recession on wellhead gas prices. Wellhead natural gas prices have remained at relatively low levels due to slow economic growth and the significant increase in production from drilling in shale formations, most notably the Marcellus Shale.

Despite the current rosy outlook for natural gas prices, there is no guarantee that prices will remain at this level in the future. The U.S. experienced relatively low natural gas prices throughout the 1990's, only to see prices soar from 2000 through 2008. The Consumer Advocate Division recommends that customers continue to improve the energy efficiency of their homes as a buffer against future price increases.

Electricity

For the first time in the last five years, West Virginia's two largest electric utilities, Appalachian Power Company³ and Monongahela Power Company,⁴ had their rates decline. The past year also saw a number of dramatic shifts in the electric utility industry in West Virginia. The combination of increased competition from natural gas-generated electricity and stricter environmental rules caused both major utilities to announce closings of several older, less

³ Parent Company American Electric Power. The rates for Appalachian Power are also applied to customers served by Wheeling Power Company

⁴ Parent Company FirstEnergy. The rates for Monongahela Power are also applied to customers served by The Potomac Edison Company.

efficient, coal-fired power plants in West Virginia.

In late 2012, both Appalachian Power and Monongahela Power initiated proceedings that will have a significant impact on electricity rates in 2013 and beyond. Both utilities requested approval to purchase certain power plants from their unregulated affiliate companies. Each transaction will involve approximately \$1 billion in assets. In 2013 the PSC reviewed the proposed transactions and approved Mon Power's acquisition of the Harrison Plant and sale of its interest in the Pleasants plant. For Appalachian Power Company, the Commission approved the acquisition of an additional interest in the Amos plant and deferred the issue of whether it should acquire any interest in the Mitchell plant.

In August 2013, the Public Service Commission issued an order decreasing the fuel component of Appalachian Power's rates by a net of \$50 million. In October 2013, the PSC ordered Monongahela Power to reduce its ENEC rates by \$129.5 million at the closing of the Harrison plant acquisition.

Unfortunately, most indicators point to continued pressure on electricity rates in the future. The increased cost of electricity is placing a significant burden on household budgets in West Virginia. A listing of community organizations in each county that can offer help with winter heating bills is found on the Consumer Advocate Division's website, www.cad.state.wv.us, under the heading "Consumers' Corner."

Telecom

In May 2010, the Public Service Commission granted approval for Frontier Communications Corporation to acquire Verizon's regulated operations in West Virginia. The acquisition closed on June 30, 2010.

Since the closing of the acquisition, Frontier has made significant investment in improving service quality in West Virginia. Unfortunately, Verizon had neglected the

maintenance of its facilities and had trimmed employment levels for a number of years prior to Frontier's takeover. Frontier has improved its response to customer outages and now is able to repair customer service outages (other than for extraordinary storms) within 48 hours 85% to 90% of the time. Under Verizon, customers routinely had to wait four or five days for repair service. Although Frontier's service quality still lags behind other states - where repairs routinely occur within 24 hours – the improvements in service quality are nonetheless a significant benefit to consumers.

Frontier has also significantly expanded the availability of internet service in West Virginia. Frontier's activities have increased the availability of high speed internet service to approximately 88% of households in the former Verizon service area. At the end of 2008, Verizon had only made high speed internet service available to 60% of its customers.

Water

In mid-December 2012, West Virginia's largest water utility, West Virginia American Water Company (WVAWC), filed for a \$24.1 million revenue increase, and in 2013 the Commission approved an increase of \$8.125 million, increasing an average customer's monthly bill by approximately 7%. Since WVAWC's rates are already the highest in West Virginia, this increase will make water service even less affordable for many of the 171,000 households and businesses it serves. In 2012 WVAWC instituted a new rate for certain low income customers which will allow those customers to get a 20% discount on their bills. Customers receiving public assistance should inquire with the West Virginia Department of Health and Human Resources to determine whether or not they are eligible for the discount.

Conclusion

The next year ahead will continue to bring challenges for the State's electric utilities. The high cost of water service provided by WVAWC is an ongoing concern. The Consumer Advocate Division will continue to vigorously employ regulatory tools to attempt to achieve better service and better prices for customers in West Virginia.

The Consumer Advocate Division's residential rate study is attached as Appendix II. The report is also available on the CAD's web site at <http://www.cad.state.wv.us>.

FOR FURTHER INFORMATION CALL JACKIE ROBERTS AT 304-558-0526.

**WEST VIRGINIA RATE DECISIONS
2013**

**CONSUMER ADVOCATE DIVISION
OF THE
PUBLIC SERVICE COMMISSION OF WEST VIRGINIA**

JANUARY 2014

Consumer Advocate Division: Annual Utility Rate Study

WEST VIRGINIA 2013 RATE DECISIONS

January 2014

	Requested (\$/Million)	Granted (\$/Million)
ELECTRICITY		
AEP [±] (ENEC)	\$0.00	(\$50.00)
AEP (EE/DR)	\$8.81 *	\$8.20
AEP Generation**	\$1,158.00	\$618.40
FirstEnergy ^{±±} (ENEC)	\$0.00	(\$129.50)
FirstEnergy Generation***	\$1,251.00	\$890.72
Subtotal Electricity	\$2,417.81	\$1,337.82
GAS		
Mountaineer (PGA)	\$8.76	\$8.76
Hope (PGA)	(\$4.11)	(\$4.11)
Equitable (PGA)	\$2.51	\$2.51
Bluefield (PGA)	\$0.58	\$0.58
Subtotal Gas	\$7.74	\$7.74
WATER		
WV American (Base)	\$24.00	\$8.10
TELEPHONE	n/a	n/a
TOTAL	\$2,449.55	\$1,353.66

[±]American Electric Power's West Virginia electric operating utility is Appalachian Power Company

^{±±}FirstEnergy's West Virginia electric operating utilities are Mon Power and PE

* This includes a proposed financial incentive of approximately \$605,000.

**Petition to acquire one-half Mitchell generating plant for \$535.9 million and two-thirds of Amos 3 generating plant for \$618.4 million ; only the acquisition of Amos was approved

***Petition to acquire remaining 79.46% of Harrison generation plant

RESIDENTIAL UTILITY RATE STUDY

CONSUMER ADVOCATE DIVISION

OF THE

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA

JANUARY 2014

Consumer Advocate Division: Annual Utility Rate Study

WV RESIDENTIAL CUSTOMERS:**MONTHLY UTILITY COST JANUARY 2013 & 2014**

January 2014

	<u>January 2013</u>	<u>January 2014</u>	<u>% Change</u>
Gas - 13 Mcf of Gas			
1. Mountaineer Gas	\$113.13	\$118.28	4.6%
2. Bluefield Gas	\$118.81	\$138.73	16.8%
3. Equitable Gas	\$110.80	\$134.85	21.7%
4. West Virginia Power Gas	\$113.13	\$118.28	4.6%
5. Hope Gas	\$125.50	\$121.16	-3.5%
Electric - 1000 Kwh of Electricity			
1. Appalachian Power	\$96.75	\$93.83	-3.0%
2. Wheeling Power	\$96.75	\$93.83	-3.0%
3. Potomac Edison	\$95.16	\$92.62	-2.7%
4. Monongahela Power	\$95.16	\$92.62	-2.7%
5. West Virginia Power	\$95.16	\$92.62	-2.7%
Telephone - Flat Rate, Single Party*			
1. Frontier/Verizon	\$27.60	\$27.62	0.1%
2. Frontier	\$29.60	\$29.62	0.1%
Company or Municipality - 4,500 Gallons			
1. West Virginia American Water	\$50.50	\$54.07	7.1%
2. Municipal Systems (detail on Table 3)	\$17.42-39.92	\$17.42 -\$44.35	4.2%

*Includes \$6.50 federal subscriber line charge, federal universal service credit, federal universal service surcharge and \$0.10 deaf relay charge.

Consumer Advocate Division: Annual Utility Rate Study

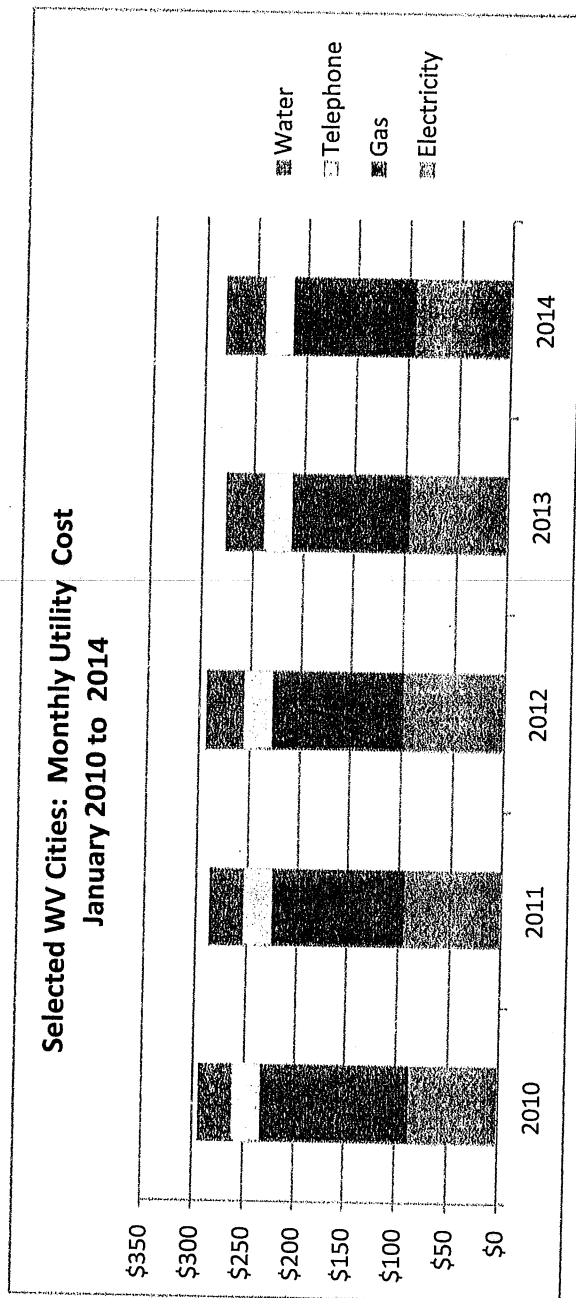
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2014

January 2014

WEST VIRGINIA	2014	2014	2014	2014	2014	Change
City	Electricity	Gas	Telephone	Water	Total	prior year
1 Morgantown	\$92.62	\$121.16	\$27.62	\$17.42	\$258.82	-2.6%
2 Logan	\$93.83	\$118.28	\$27.62	\$25.20	\$264.93	0.9%
3 Elkins	\$92.62	\$118.28	\$27.62	\$28.22	\$266.74	-2.9%
4 Weirton	\$92.62	\$118.28	\$27.62	\$31.01	\$269.53	1.0%
5 Wheeling	\$93.83	\$118.28	\$27.62	\$29.98	\$269.71	0.8%
6 Martinsburg	\$92.62	\$118.28	\$27.62	\$34.00	\$272.52	3.1%
7 Beckley	\$93.83	\$118.28	\$27.62	\$33.25	\$272.98	0.8%
8 Clarksburg	\$92.62	\$121.16	\$27.62	\$34.65	\$276.05	-2.1%
9 Parkersburg	\$92.62	\$121.16	\$27.62	\$34.98	\$276.38	-1.8%
10 Lewisburg	\$92.62	\$118.28	\$27.62	\$39.20	\$277.72	1.0%
11 Fairmont	\$92.62	\$121.16	\$27.62	\$44.35	\$285.75	-0.8%
12 Grafton	\$92.62	\$134.85	\$27.62	\$34.11	\$289.20	8.0%
13 Hinton	\$92.62	\$118.28	\$27.62	\$54.07	\$292.59	2.2%
14 Charleston	\$93.83	\$118.28	\$27.62	\$54.07	\$293.80	2.0%
15 Huntington	\$93.83	\$118.28	\$27.62	\$54.07	\$293.80	2.0%
16 Oak Hill	\$93.83	\$118.28	\$27.62	\$54.07	\$293.80	2.0%
17 Bluefield	\$93.83	\$138.73	\$29.62	\$54.07	\$316.25	7.0%
Average	\$93.12	\$121.14	\$27.74	\$38.63	\$280.62	1.2%
SURROUNDING STATES						
Lexington, KY	\$89.55	\$130.40	\$29.54	\$36.30	\$285.79	
Columbus, OH	\$141.42	\$105.07	\$28.00	\$28.00	\$302.49	
Richmond, VA	\$106.44	\$148.98	\$25.64	\$30.82	\$311.88	
Baltimore, MD	\$139.77	\$126.10	\$25.90	\$36.77	\$328.54	
Pittsburgh, PA	\$126.05	\$132.30	\$23.63	\$60.96	\$342.94	

Consumer Advocate Division: Annual Utility Rate Study
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV
MONTHLY UTILITY COST JANUARY 2010-2014

January 2014



AVERAGE FOR SELECT WV CITIES*

Electricity	2010	2011	2012	2013	2014	Change
Gas	\$87	\$94	\$98	\$96	\$93	7%
Telephone	\$147	\$131	\$130	\$116	\$121	-18%
Water	\$28	\$28	\$28	\$28	\$28	0%
TOTAL	\$33	\$34	\$37	\$37	\$39	18%
	\$295	\$287	\$293	\$277	\$281	-5%

Consumer Advocate Division: Annual Utility Rate Study

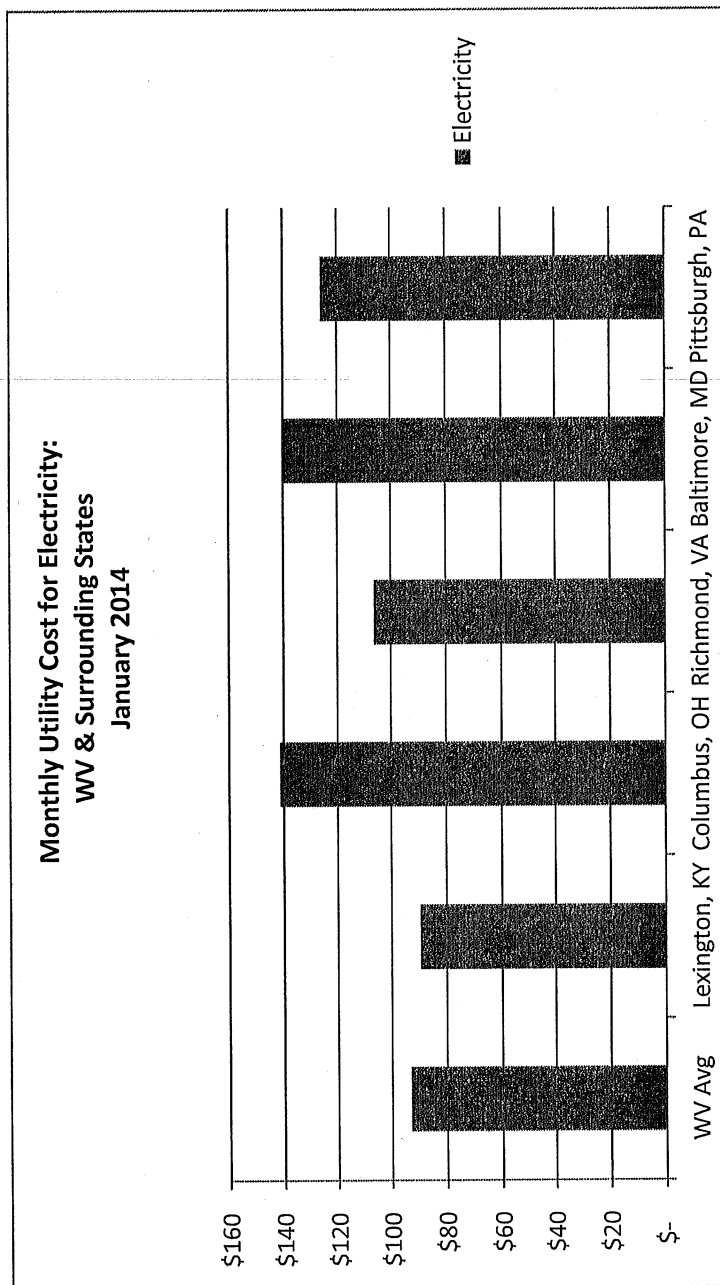
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV
MONTHLY UTILITY COST JANUARY 2010-2014

January 2014

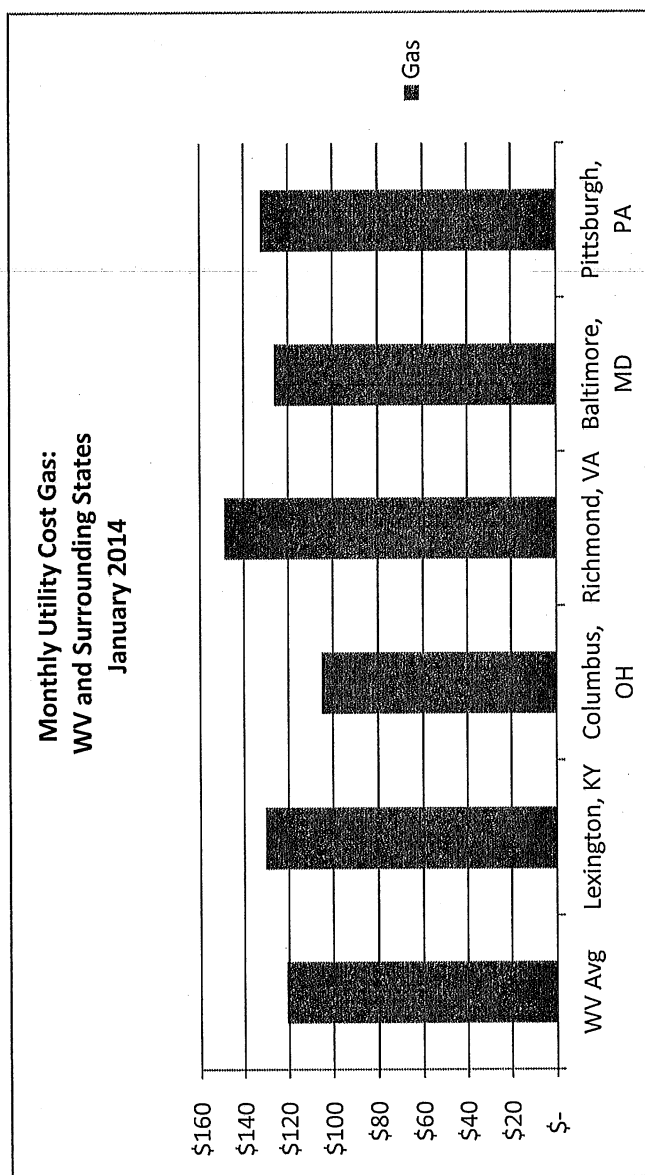
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2010 to 2014:</u> <u>% Chg</u>
WHEELING						
Wheeling Power	\$80.46	\$91.21	\$96.75	\$96.75	\$93.83	17%
Mountaineer Gas	\$159.03	\$134.92	\$126.74	\$113.13	\$118.28	-26%
Verizon/Frontier	\$27.52	\$27.71	\$27.71	\$27.60	\$27.62	0%
City Water	<u>\$18.51</u>	<u>\$22.86</u>	<u>\$22.86</u>	<u>\$29.98</u>	<u>\$29.98</u>	62%
Total	\$285.52	\$276.70	\$274.06	\$267.45	\$269.71	-6%
CHARLESTON						
APCO	\$80.46	\$91.21	\$96.75	\$96.75	\$93.83	17%
Mountaineer Gas	\$159.03	\$134.92	\$126.74	\$113.13	\$118.28	-26%
Verizon/Frontier	\$27.52	\$27.71	\$27.71	\$27.60	\$27.62	0%
WV-American	<u>\$48.36</u>	<u>\$50.50</u>	<u>\$50.50</u>	<u>\$50.50</u>	<u>\$54.07</u>	12%
Total	\$315.37	\$304.34	\$301.71	\$287.98	\$293.80	-7%
FAIRMONT						
Mon. Power	\$91.38	\$96.24	\$99.09	\$95.16	\$92.62	1%
Hope Gas	\$120.65	\$117.12	\$138.78	\$125.50	\$121.16	0%
Verizon/Frontier	\$27.52	\$27.71	\$27.71	\$27.60	\$27.62	0%
City Water	<u>\$38.84</u>	<u>\$39.20</u>	<u>\$38.84</u>	<u>\$39.92</u>	<u>\$44.35</u>	14%
Total	\$278.38	\$280.27	\$304.42	\$288.17	\$285.75	3%
MARTINSBURG						
Potomac Edison	\$91.38	\$96.24	\$99.09	\$95.16	\$92.62	1%
Mountaineer Gas	\$159.03	\$134.92	\$126.74	\$113.13	\$118.28	-26%
Verizon/Frontier	\$27.52	\$27.71	\$27.71	\$27.60	\$27.62	0%
City Water	<u>\$28.33</u>	<u>\$31.32</u>	<u>\$28.33</u>	<u>\$28.33</u>	<u>\$34.00</u>	20%
Total	\$306.26	\$290.19	\$281.87	\$264.21	\$272.52	-11%

Consumer Advocate Division: Annual Utility Rate Study
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2014: ELECTRICITY

January 2014

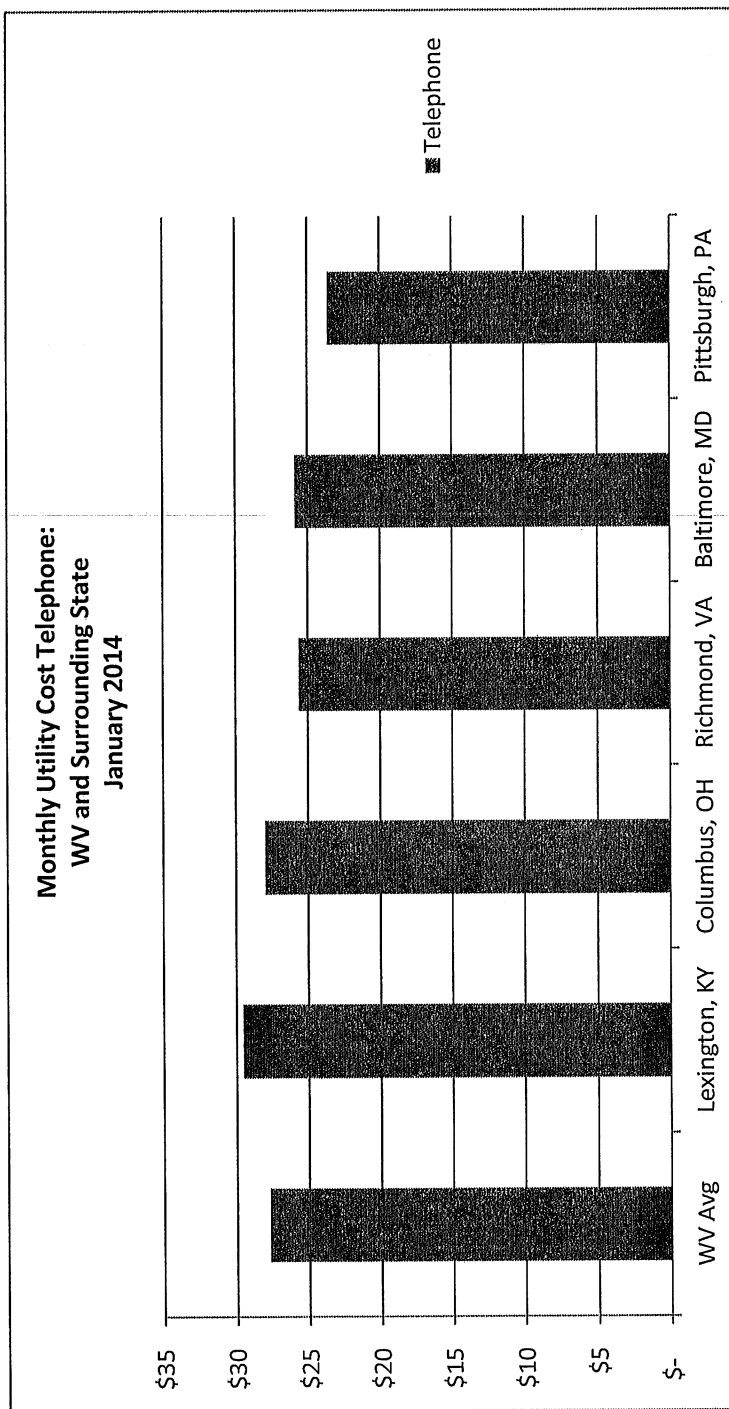


Consumer Advocate Division: Annual Utility Rate Study
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2014: GAS
 January 2014



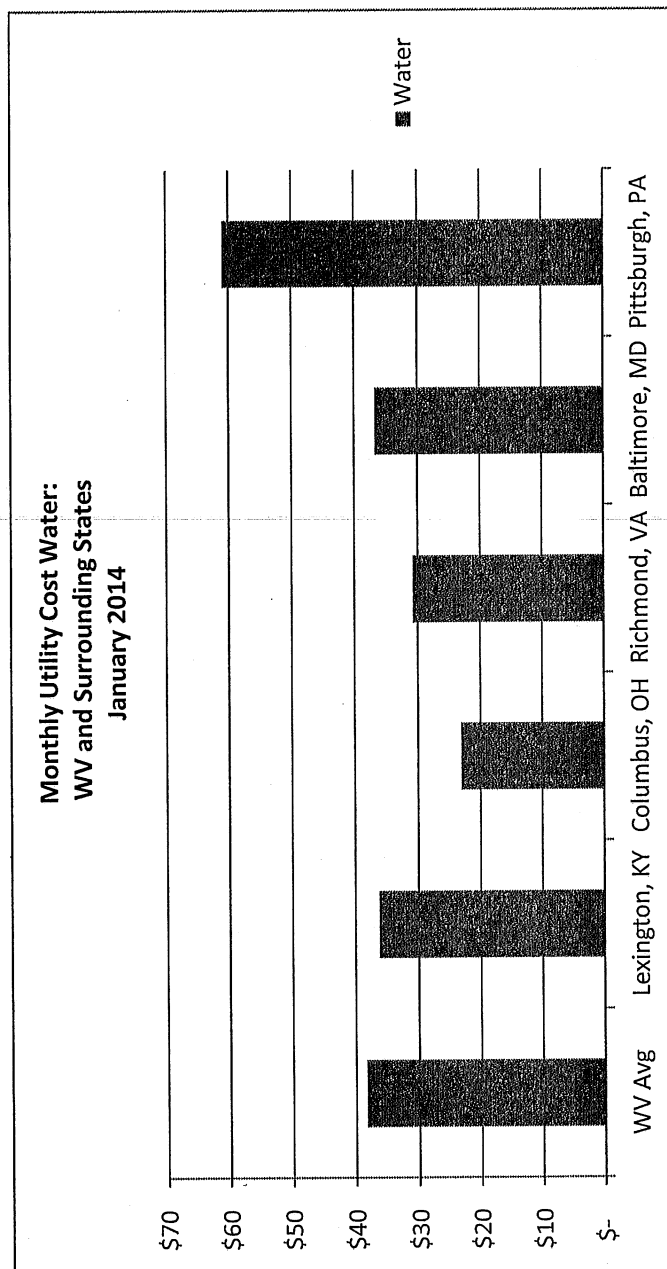
Consumer Advocate Division: Annual Utility Rate Study
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2014: TELEPHONE

January 2014



Consumer Advocate Division: Annual Utility Rate Study
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2014: WATER

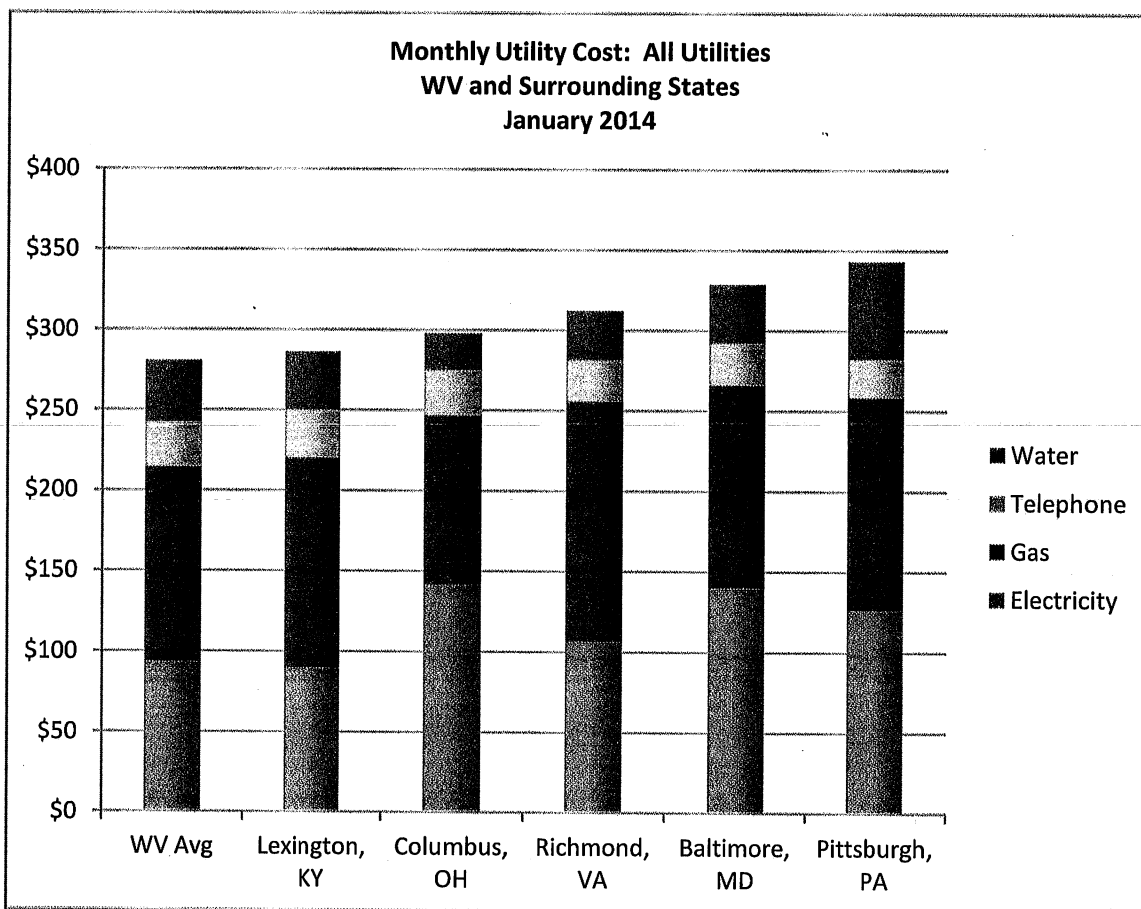
January 2014



Consumer Advocate Division: Annual Utility Rate Study

RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2014: ALL UTILITIES

January 2014



	2014 <u>Electricity</u>	2014 <u>Gas</u>	2014 <u>Telephone</u>	2014 <u>Water</u>	2014 <u>Total</u>
WV Avg	\$93	\$121	\$28	\$38	\$280
Lexington,	\$90	\$130	\$30	\$36	\$286
Columbus,	\$141	\$105	\$28	\$23	\$302
Richmond,	\$106	\$149	\$26	\$31	\$312
Baltimore,	\$140	\$126	\$26	\$37	\$329
Pittsburgh,	\$126	\$132	\$24	\$61	\$343