



CONSUMER ADVOCATE DIVISION
STATE OF WEST VIRGINIA
PUBLIC SERVICE COMMISSION
700 Union Building
723 Kanawha Boulevard, East
Charleston, West Virginia 25301
(304) 558-0526

CONSUMER ADVOCATE DIVISION

2017 ANNUAL REPORT

West Virginia utilities filed fifteen cases requesting rate increases during 2016. The combined rate increase request totaled about \$278 million. However, the Public Service Commission (PSC) rendered decisions in those cases approving overall rate increases of approximately \$178 million, as shown in Appendix I, Table 1 of this report.

The Consumer Advocate Division played a large role in minimizing the rate increases for West Virginia residential ratepayers by participating in more than 24 cases before the PSC and the Federal Energy Regulatory Commission. To demonstrate the impact of the rate decisions during 2016, the Consumer Advocate Division prepared an annual study of utility rates.¹ The study is attached to this report as Appendix I, Tables 1

¹ Utility 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 universal service surcharge, federal universal service credit, and deaf relay service surcharge.

- 10. The study examines current rates for 17 cities in West Virginia and compares them to the rates in cities of adjacent states.

Year to Year Rate Comparison

Rates for the largest water, electric, gas, and telephone utilities in West Virginia are shown in Appendix I, Table 3. In January, 2017, the average monthly bill for water, electricity, gas, and telephone services was \$295, an increase of about 1.7% from the 2016 average of \$290.

Appendix I, Table 4 shows the total monthly utility bill increased 6% for the five year period ending January 2017. During this period, electric bills had the greatest increase of 22%, followed by water increases of 12%. Telephone bills increased only \$2 over the period, and natural gas bills fell by 8%.

Appendix I, Table 5 shows the January 2017 average monthly bills in four West Virginia cities. Of the four shown, only Fairmont showed a decline in utility costs during the five year period.

City to City Comparison

Appendix I, Table 3 shows the monthly change in utility costs of the seventeen West Virginia cities in the survey, ranked from least expensive to most expensive. Of the seventeen West Virginia cities included Table 3, Morgantown residents have the lowest

utility costs and Bluefield residents have the highest costs. Natural gas and water rates showed the greatest disparity with water rates ranging from \$23.18 in Morgantown to \$62.80 for cities served by West Virginia American Water.² Natural gas rates ranged from \$91.50 to \$113.75.³

Comparison with Rates in Surrounding States

The average cost of utility service in West Virginia was lower than costs in adjacent states, except for Columbus Ohio.⁴ The monthly utility bills for out of state cities ranged from a high of \$351.18 (Pittsburgh, PA) to a low of \$280.95 (Columbus, OH). This compares with a West Virginia average of \$295.11.

Appendix I, Tables 6 – 10 compares the average monthly utility bills for each utility service to surrounding states. Table 6 shows the average monthly electric cost for West Virginia and five cities in adjacent states. Two cities have lower costs and three cities have higher electric costs. Table 9 shows that the average water cost in West Virginia is higher than all cities in surrounding states, except for one. Appendix I, Table 10 shows the total average monthly utility cost for West Virginia as compared with the surrounding states.

² Appendix I, Table 3.

³ Id.

⁴ Appendix I, Table 3.

Review of 2016 Regulatory Actions

Appendix I, Table 1 summarizes the major 2016 rates decisions. There were sharp increases in both electric and water rates. Natural gas rates generally declined and telephone rates were unchanged. Overall, utility rates increased 1.7% in 2016.

Gas

In 2016, customers continued to benefit from lower natural gas costs. As shown on Table 4, from 2013 to 2017, natural gas costs fell 8%.

Electricity

The rates of West Virginia's two electric utilities, Appalachian Power Company and Mon Power/PE⁵ increased sharply in 2016. The PSC issued orders increasing the fuel component of Appalachian Power's rates by \$55.1 million and a \$28.7 phase-in for residential customers approved in the 2015 base rate case. The fuel and EE/DR component of Mon Power/PE's rates increased by \$35.8 million.

Most indicators point to continued pressure on electric rates in the future. A listing of community organizations in each county that can offer assistance with winter

⁵ 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.

heating bills is found on the Consumer Advocate Division's website, www.cad.state.wv.us, under the heading "Consumers' Corner."

Water

West Virginia American Water requested a \$35 million rate increase (28% increase). The Consumer Advocate's expert witness recommended an increase of \$1.8 million. The Public Service Commission authorized an increase of \$18.3 million.

Additionally, the Company filed a second request for expedited recovery of investments, similar to SB 390. SB 390 permits gas utilities expedited recovery of certain investments. To recoup their investment costs, WVAWC proposed a revenue increase of \$2.6 million. The Company received a revenue increase of \$1.5 million. As a result, the typical residential customer's monthly bill will increase \$0.52.

A PSC General Investigation of West Virginia American Water Company related to the contamination of the Company's water with MCHM on January 9, 2014, continued in 2016, and is expected to be resolved in 2017. The Consumer advocate Division is actively participating in this case.

Conclusion

In 2017, the Consumer Advocate Division expects new challenges for the State's utilities. This includes continued pressure on electric rates, and increased water rates

beyond the already significant increases in 2016. The Consumer Advocate Division will continue its efforts to vigorously protect the interests of West Virginia residential customers.

The Consumer Advocate Division's residential Rate Study is attached as Appendix I, and is also available on the Consumer Advocate Division's web site at www.cad.state.wv.us.

FOR FURTHER INFORMATION CALL JACKIE ROBERTS AT 304.558.0526.

Table 1
WEST VIRGINIA 2016 RATE DECISIONS

Consumer Advocate Division: Annual Utility Rate Study

	Requested (\$/Million)	Granted (\$/Million)
ELECTRICITY		
AEP (ENEC)**	108.30	55.10
AEP PHASE II*	31.50	28.70
FirstEnergy (ENEC)***	65.00	25.00
FirstEnergy EE/DR	10.30	10.80
Subtotal Electricity	\$ 215.10	\$ 119.60
GAS		
Mountaineer 390	1.40	1.30
Mountaineer (PGA)	(7.20)	(10.90)
Hope 390	3.20	3.00
Hope (PGA)	30.90	30.90
Peoples (PGA)	(3.74)	(3.74)
Bluefield (PGA)	(0.20)	(0.20)
Subtotal Gas	\$ 24.36	\$ 20.36
WATER		
WVAWC Rate Case	\$ 35.47	\$ 18.30
WVAWC DSIC	2.60	1.50
Subtotal Water	38.07	19.80
TELEPHONE		
	n/a	n/a
TOTAL	\$ 277.53	\$ 178.03

* Deferred residential increase of \$25 million plus carrying costs per PSC base rate Order (May 26, 2015).

** 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.

Table 2
WV RESIDENTIAL CUSTOMERS:
MONTHLY UTILITY COST JANUARY 2016 & 2017

Consumer Advocate Division: Annual Utility Rate Study

	<u>January 2016</u>	<u>January 2017</u>	<u>% Change</u>
Gas - 13 MCF of Gas			
1. Mountaineer Gas	\$ 117.28	\$ 111.76	-4.7%
2. Bluefield Gas	116.58	113.75	-2.4%
3. Equitable Gas	110.28	108.46	-1.7%
5. Hope Gas	\$ 87.82	\$ 91.50	4.2%
 Electric - 1000 kWh of Electricity			
1. Appalachian Power	\$ 109.82	\$ 120.93	10.1%
2. Wheeling Power	109.82	120.93	10.1%
3. Potomac Edison	109.54	112.02	2.3%
4. Monongahela Power	109.54	112.02	2.3%
5. West Virginia Power	\$ 109.54	\$ 112.02	2.3%
 Telephone - Flat Rate, Single Party*			
1. Frontier/Verizon	\$ 29.73	\$ 29.64	-0.3%
2. Frontier	\$ 29.73	\$ 29.64	-0.3%
 Company or Municipality - 4,500 Gallons			
1. West Virginia American Water	\$ 54.07	\$ 62.80	16.1%
2. Municipal Systems (detail on Table 3)	\$ 32.31	\$ 33.08	2.4%

* Includes \$6.50 federal subscriber line charge, federal universal service credit, federal universal service surcharge and \$0.10 deaf relay charge. Frontier/Verizon rate change of \$2.02 reflects the elimination of the federal universal service credit.

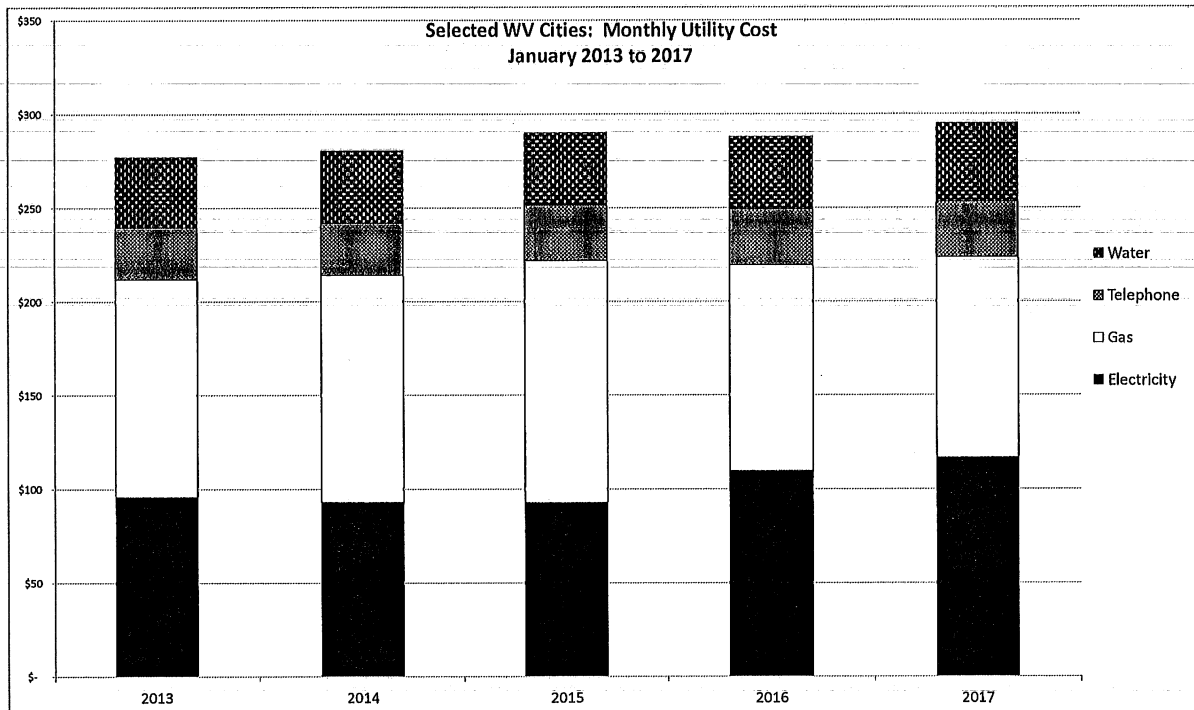
Table 3

RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2017

Consumer Advocate Division: Annual Utility Rate Study

WEST VIRGINIA		2017		2017		2017		2017		2016 to 2017:	
City	Electricity	Gas	Telephone	Water	Total	% Change					
1 Morgantown	\$ 112.02	\$ 91.50	\$ 29.64	\$ 23.18	\$ 256.34	0.8%					
2 Clarksburg	112.02	91.50	29.64	34.79	267.95	-1.3%					
3 Parkersburg	112.02	91.50	29.64	34.98	268.14	-1.4%					
4 Fairmont	112.02	91.50	29.64	39.92	273.08	-2.9%					
5 Grafton	112.02	108.46	29.64	34.11	284.23	-4.8%					
6 Weirton	112.02	111.76	29.64	31.01	284.43	0.1%					
7 Elkins	112.02	111.76	29.64	33.73	287.15	2.0%					
8 Martinsburg	112.02	111.76	29.64	34.00	287.42	0.1%					
9 Logan	120.93	111.76	29.64	25.20	287.53	2.8%					
10 Wheeling	120.93	111.76	29.64	29.98	292.31	2.7%					
11 Beckley	120.93	111.76	29.64	36.85	299.18	3.9%					
12 Lewisburg	120.93	111.76	29.64	39.20	301.53	3.1%					
13 Hinton	120.93	111.76	29.64	62.80	325.13	5.8%					
14 Charleston	120.93	111.76	29.64	62.80	325.13	5.3%					
15 Huntington	120.93	111.76	29.64	62.80	325.13	5.3%					
16 Oak Hill	120.93	111.76	29.64	62.80	325.13	5.3%					
17 Bluefield	120.93	113.75	29.64	62.80	327.12	0.6%					
Average	\$ 116.74	\$ 106.92	\$ 29.64	\$ 41.82	\$ 295.11	1.7%					
SURROUNDING STATES											
Columbus, OH	\$ 141.71	\$ 96.31	\$ 25.94	\$ 16.99	\$ 280.95	-10.6%					
Lexington, KY	99.18	134.12	29.84	39.58	302.72	-3.2%					
Richmond, VA	113.90	140.33	29.50	36.69	320.42	-8.5%					
Baltimore, MD	148.22	-141.21	29.90	31.53	350.86	6.9%					
Pittsburgh, PA	152.02	109.62	24.06	65.48	351.18	-3.7%					
Average	\$ 131.01	\$ 124.32	\$ 27.85	\$ 38.05	\$ 321.23	-3.8%					

Table 4
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV
MONTHLY UTILITY COST JANUARY 2013-2017
Consumer Advocate Division: Annual Utility Rate Study



AVERAGE FOR SELECT WV CITIES*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	Change <u>2012 -2016</u>
Electricity	\$ 96	\$ 93	\$ 93	\$ 110	\$ 117	22%
Gas	116	121	129	110	107	-8%
Telephone	28	28	30	30	30	7%
Water	37	39	39	39	42	12%
TOTAL	\$ 277	\$ 281	\$ 290	\$ 288	\$ 295	6%

Table 5
MONTHLY UTILITY COST JANUARY 2013-2017
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV
Consumer Advocate Division: Annual Utility Rate Study

	2013	2014	2015	2016	2017	2013 to 2017: % Chg
WHEELING						
Wheeling Power	\$ 96.75	\$ 93.83	\$ 93.77	\$ 109.82	120.93	25%
Mountaineer Gas	113.13	118.28	131.22	117.28	111.76	-1%
Verizon/Frontier	27.60	27.62	29.64	29.73	29.64	7%
City Water	29.98	25.20	29.98	29.98	29.98	0%
Total	\$267.45	\$264.93	\$284.61	\$286.81	292.31	9%
CHARLESTON						
APCO	\$ 96.75	\$ 93.83	\$ 93.77	\$ 109.82	\$ 120.93	25%
Mountaineer Gas	113.13	138.73	131.22	117.28	111.76	-1%
Verizon/Frontier	27.60	29.62	29.64	29.73	29.64	7%
WV-American	50.50	54.07	54.07	54.07	62.80	24%
Total	\$ 287.98	\$ 316.25	\$ 308.70	\$ 310.90	\$ 325.13	13%
FAIRMONT						
Mon. Power	\$ 95.16	\$ 93.83	\$ 92.38	\$ 109.54	\$ 112.02	18%
Hope Gas	125.50	118.28	114.86	87.82	91.50	-27%
Verizon/Frontier	27.60	27.62	29.64	29.73	29.64	7%
City Water	39.92	54.07	44.35	39.92	39.92	0%
Total	\$ 288.17	\$ 293.80	\$ 281.23	\$ 267.01	\$ 273.08	-5%
MARTINSBURG						
Potomac Edison	\$ 95.16	\$ 92.62	\$ 92.38	\$ 109.54	\$ 112.02	18%
Mountaineer Gas	113.13	121.16	131.22	117.28	111.76	-1%
Verizon/Frontier	27.60	27.62	29.64	29.73	29.64	7%
City Water	28.33	34.65	34.00	34.34	34.00	20%
Total	\$ 264.21	\$ 276.05	\$ 287.24	\$ 290.89	\$ 287.42	9%

Table 6
MONTHLY UTILITY COST JANUARY 2017: ELECTRICITY
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
 Consumer Advocate Division: Annual Utility Rate Study

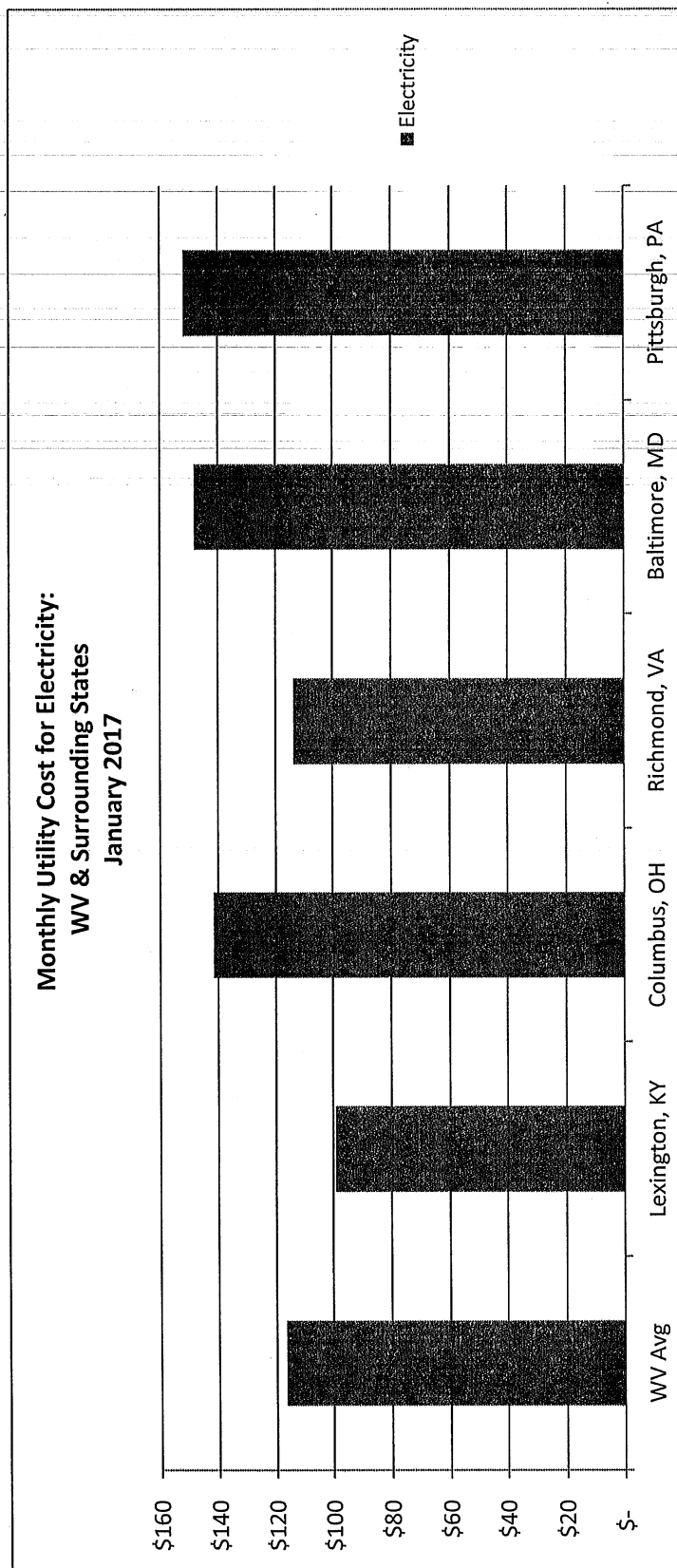


Table 7
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2017: GAS
 Consumer Advocate Division: Annual Utility Rate Study

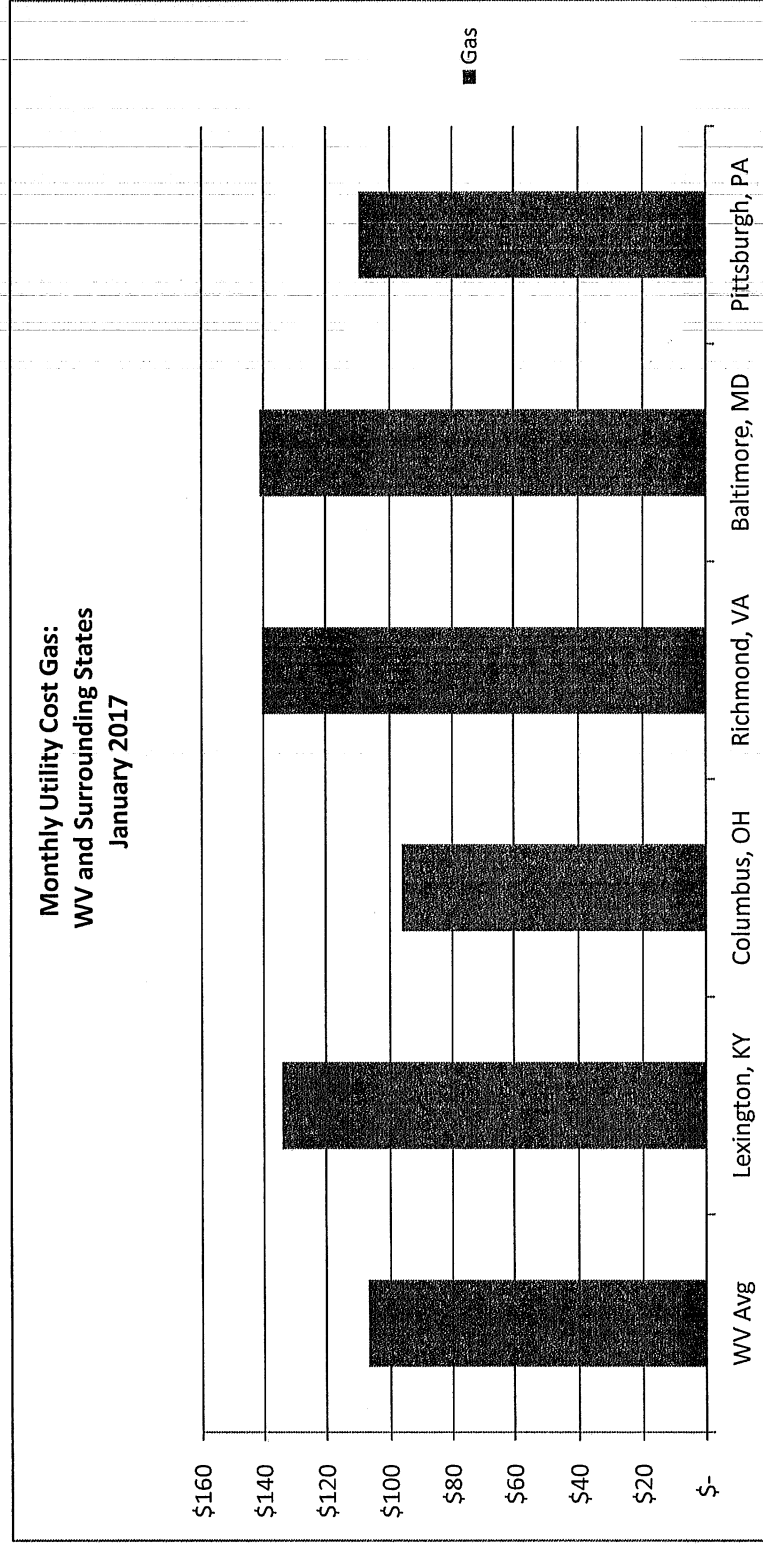


Table 8
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2017: TELEPHONE

Consumer Advocate Division: Annual Utility Rate Study

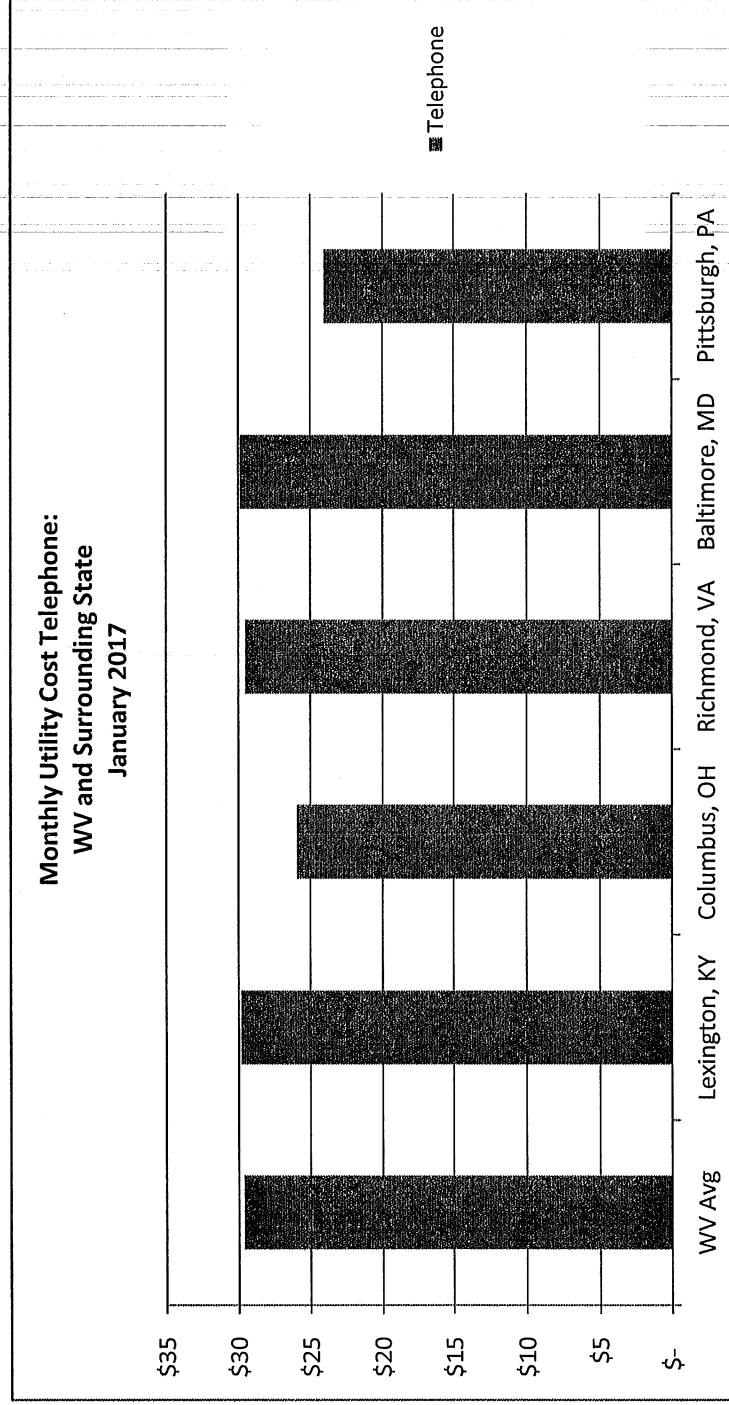


Table 9
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2017: WATER
 Consumer Advocate Division: Annual Utility Rate Study

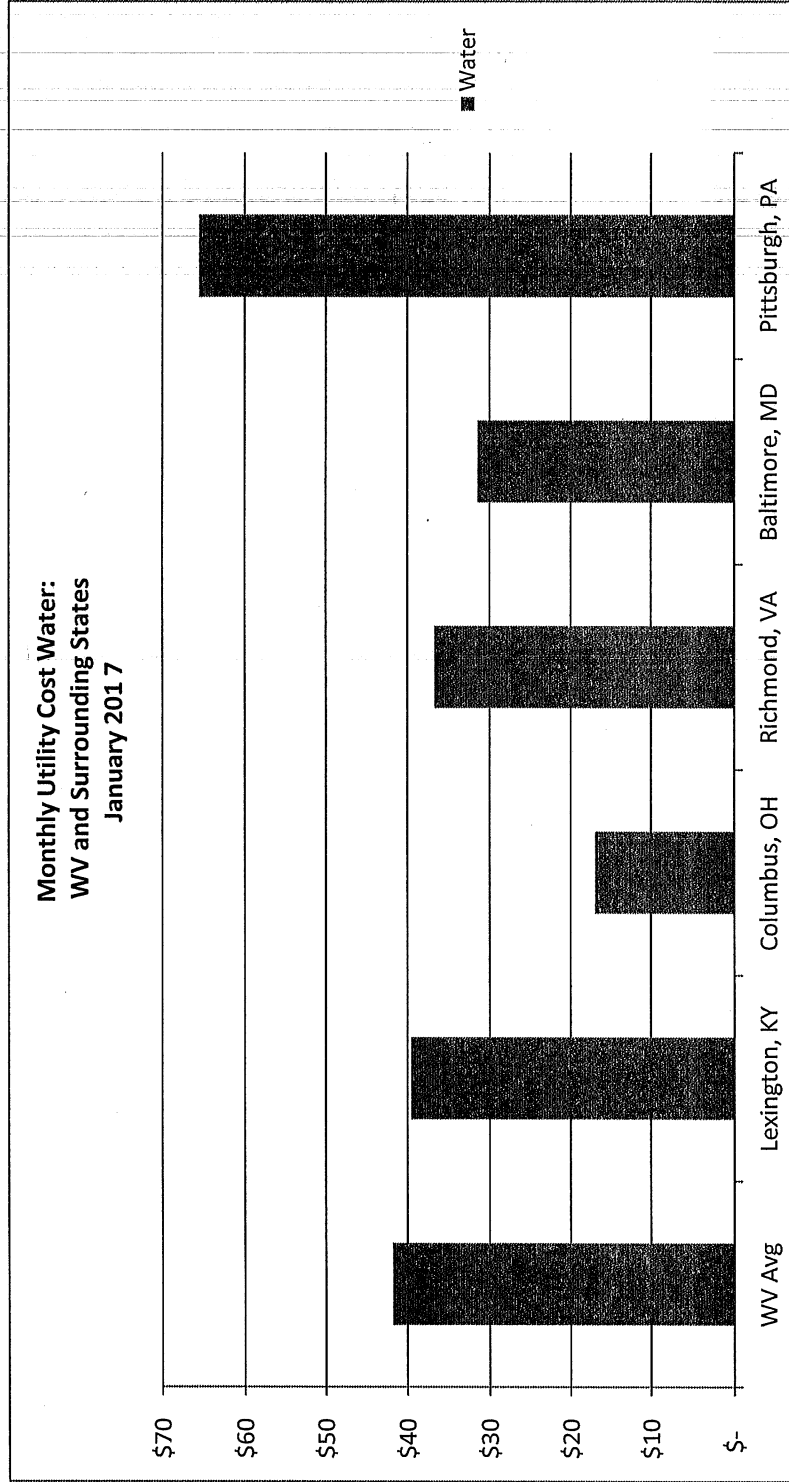


Table 10
RESIDENTIAL CUSTOMERS: SELECTED CITIES WV & SURROUNDING STATES
MONTHLY UTILITY COST JANUARY 2017: ALL UTILITIES
 Consumer Advocate Division: Annual Utility Rate Study

