

**PUBLIC SERVICE COMMISSION  
OF WEST VIRGINIA  
CHARLESTON**

At as session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 9<sup>th</sup> day of September, 2022.

CASE NO. 22-0702-G-30C  
MOUNTAINEER GAS COMPANY,  
Rule 30-C application to change the purchased gas cost.

CASE NO. 22-0707-G-30C  
CARDINAL NATURAL GAS COMPANY - SOUTHERN DIVISION,  
Rule 30-C application to change the purchased gas cost.

CASE NO. 22-0710-G-30C  
STANDARD GAS COMPANY,  
Rule 30-C application to change the purchased gas cost.

CASE NO. 22-0711-G-30C  
PEOPLES GAS WV LLC,  
Rule 30-C application to adjust the purchased gas cost.

CASE NO. 22-0712-G-30C  
CANAAN VALLEY GAS COMPANY,  
Rule 30-C application to adjust the purchased gas cost.

CASE NO. 22-0713-G-30C  
CONSUMERS GAS UTILITY COMPANY,  
Rule 30-C application to adjust the purchased gas cost.

CASE NO. 22-0715-G-30C  
HOPE GAS, INC., DBA DOMINION ENERGY WEST VIRGINIA,  
Rule 30-C application to adjust the purchased gas cost.

CASE NO. 22-0716-G-30C  
CARDINAL NATURAL GAS COMPANY NORTHERN DIVISION (Blacksville),  
Rule 30-C application to change the purchased gas cost.

CASE NO. 22-0717-G-30C  
CARDINAL NATURAL GAS COMPANY NORTHERN DIVISION  
(LUMBERPORT-SHINSTON),

Rule 30-C application to adjust the purchased gas cost.

CASE NO. 22-0718-G-30C  
SOUTHERN PUBLIC SERVICE COMPANY,

Rule 30-C application to change the purchased gas cost.

CASE NO. 22-0719-C-30C  
UNION OIL & GAS INC.,

Rule 30-C application to adjust the purchased gas cost.

CASE NO. 22-0815-G-30C  
A.V. COMPANY, INC.,

Rule 30-C application to adjust the purchased gas cost.

### **COMMISSION ORDER**

The Commission rescinds its referral of these cases to its Division of Administrative Law Judges and requires all parties to the 2022 purchased gas cost proceedings to propose methods to levelize the impact on customers of high natural gas costs.

### **INTRODUCTION**

This year, the United States has experienced market prices for natural gas significantly higher, more than double, from last year and at levels not seen since 2008. Natural gas futures are also high due to lower storage levels,<sup>1</sup> increased electric generation unit demand due to a shift away from coal-fired generation to meet base load electricity requirements<sup>2</sup> and increased demand for liquefied natural gas exports amid growing concerns over European shortages and decreases in international and national supplies.

The increased market pricing of gas has had significant impacts on natural gas

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1 As of September 2, U.S. natural gas storage stocks were 222 Bcf less than last year at this time and 349 Bcf below the five-year average of 3,043 Bcf. EIA Weekly Natural Gas Storage Report for week ending September 2, 2022.

2 This summer, the percentage share of electricity generation from natural gas has been similar to previous years, despite high natural gas prices that have more than doubled from the same time last year. Previously, high natural gas prices would have resulted in more coal-fired electricity generation. However, coal-fired power plants have been limited in their ability to increase power generation due to historically low inventories, constraints in fuel delivery to coal plants, and continued coal capacity retirements. Even as the capacity for renewable electricity generation has increased over recent years, power providers continue to use natural gas-fired electricity generation most often to meet fluctuations in electricity demand. EIA Short-Term Energy Outlook Release Date: Sept. 7, 2022 <https://www.eia.gov/outlooks/steo/marketreview/natgas.php>

public utilities in West Virginia, as reflected in their recently filed annual cost of purchased gas rate filings made pursuant to W.Va. Code §24-2-4c and Rules 14.2 and 22 of the Commission Rules for the Construction and Filing of Tariffs, 150 C.S.R. 2 (Tariff Rules).

The statute and rules call for implementation of a new purchased gas rate increment for inclusion in gas utility tariffs and customer bills based on 1) the calculation of projected purchased gas costs for the annual cost adjustment period beginning on November 1 of the year of the filing through October 31 of the following year (the Current Period), and 2) the utility's under or over recovery of purchased gas costs incurred between July 1 of the year prior to the filing, and June 30 of the current year (the Over/Under Recovery Period).

The recent Tariff Rule 30C filings to set purchased gas rate increments to be in effect during the Current Period are seeking overall rate increases of between 5 percent and 47 percent over current rates. For most gas utilities, a portion of the requested increases is to allow gas utilities to recover their under recovered purchased gas costs incurred during the Over/Under Recovery Period. Larger portions of the requested increases are based on the utilities' projections of what the price of gas will be during the Current Period (November 1, 2022 to October 31, 2023).

Commission practice has been to conduct a preliminary review of Tariff Rule 30C filings and to authorize an interim purchased gas rate increment for each gas utility to go into effect on November 1, at the onset of the winter heating season. The Commission then conducts its comprehensive review of the filings to determine if each gas utility has met its burden to prove that dependable lower cost gas supplies were not or will not readily be available from other sources, that transactions between the utility and its suppliers have been conducted at arms-length and were not detrimental to customers, and that the utility let out bids for a substantial quantity of its needed supply. Tariff Rule 22.1.2. At the end of the case, the Commission authorizes the final purchased gas cost rate increment for the Current Period. If during the Current Period a gas utility over or under recovers its purchased gas costs through its collection from customers of its purchased gas cost increment, the Commission will true-up those costs in future Tariff Rule 30C proceedings.

It is clear to the Commission that modification of the standard manner of implementation of interim purchased gas rate increments is needed in response to the extremely high gas prices that have driven large rate increase requests by West Virginia gas utilities serving a majority of gas customers. It is reasonable to lessen the sudden and significant rate shock for customers that will occur, absent Commission action, on November 1, 2022, at the same time that customers' gas usage will increase sharply with cold weather.

## DISCUSSION

The Commission is charged by the Legislature, among other things, to ensure fair and prompt regulation of public utilities in the interest of the using and consuming public, to provide the availability of economical utility services throughout the state, and to exercise its legislative powers by appraising and balancing the interests of the current and future utility service customers, the general interests of the state's economy and the interests of the utilities subject to its jurisdiction in its deliberations and decisions. W.Va. Code § 24-1-1(a). In carrying out these duties and to lessen the rate shock of sudden gas utility rate increases of up to 47 percent at the start of the winter heating season, it is reasonable and in the public interest to consider a departure from standard Tariff Rule 30C rate implementation, and consider ways to levelize implementation of new rates. Modification of the standard implementation of the purchased gas rate increment is permissible under Tariff Rule 14.2. to alleviate undue hardship.

14.2 (Historical Rule 30-C). Purchased Gas Costs -- ... *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.*

Upon our initial review of the currently filed Tariff Rule 30C filings, we find that it is in the public interest to require parties to the 2022 Tariff Rule 30C proceedings to propose interim and final rate implementation methods that may reduce and/or levelize the rate impact of the filings. The Commission will consider such methods and may approve one or more proposed methods or develop its own method to reduce rate shock on gas utility customers and moderate the rate increments necessary to recover purchased gas costs over one or more future purchased gas cost recovery periods. The Commission encourages, but will not require, parties to meet and attempt to agree on joint proposals. Parties may agree on one or more joint proposals and still recommend additional proposals.

## FINDINGS OF FACT

1. Recently filed Tariff Rule 30C proceedings for West Virginia natural gas utilities propose significant purchased gas rate increment increases for the majority of West Virginia gas utility customers.
2. Typically, the Commission places interim purchased gas rate increments into effect on November 1 of each year that are calculated to (i) recover on a per Mcf basis prior under recoveries (or to credit to customers on a per Mcf basis prior over recoveries) and (ii) recover projected gas costs for the Current Period.

## CONCLUSION OF LAW

Pursuant to its duties under W.Va. Code §24-1-1(a) and to avoid sudden and significant rate shock on November 1, 2022, the Commission should require parties to 2022 Tariff Rule 30C proceedings to propose interim and final rate implementation methods that may reduce and/or levelize the rate impact of the filings.

## ORDER

IT IS THEREFORE ORDERED that the prior referral of these cases to the Administrative Law Judges Division is rescinded.

IT IS FURTHER ORDERED that Mountaineer Gas Company, Cardinal Natural Gas Company Southern Division, Standard Gas Company, Peoples Gas WV LLC, Canaan Valley Gas Company, Consumers Gas Utility Company, Hope Gas Inc., Cardinal Natural Gas Company Northern Division (Blacksville), Cardinal Natural Gas Company Northern Division (Lumberport-Shinnston), Southern Public Service Company, Union Oil & Gas Inc., A.V. Company, Inc., Commission Staff, and all other parties to the 2022 Tariff Rule 30C proceedings, shall present proposals for interim and final rate calculation methods and rates that may reduce and/or levelize the rate impact of the filings.

IT IS FURTHER ORDERED that parties to the 2022 Tariff Rule 30C cases shall file their rate proposals as described in the foregoing paragraph on or before September 30, 2022.

IT IS FURTHER ORDERED that the Executive Secretary serve this Order upon the Commission and its Staff by hand delivery, upon all parties of record who have filed an e-service agreement with the Commission by electronic service and upon all other parties by United States Certified Mail, return receipt requested.

A True Copy, Teste,

A handwritten signature in cursive script that reads "Karen Buckley".

Karen Buckley, Executive Secretary

JML/pkb  
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