WEST VIRGINIA CODE: §24-2-4C

§24-2-4c. Rate increases for natural gas public utilities relating to purchase of natural gas from suppliers; obtaining new supplies of natural gas to meet obligations.

(a) Before granting any rate increase to a natural gas public utility the commission must determine that dependable lower-priced supplies of natural gas are not readily available to the applicant from other sources.

(b) At any hearing involving a rate increase for a natural gas public utility, the burden of proof to demonstrate that dependable lower-priced supplies of natural gas are not readily available from other sources and that contracts between the public utility and its suppliers for purchase of natural gas are negotiated at arm's length and are not detrimental to the customers of the utility's services shall be upon the public utility making application for such change. Should the applying public utility not satisfactorily meet this burden, then the commission may not authorize an increase greater than that which reflects the reasonable cost of natural gas which is determined to be readily available.

(c) If a gas utility purchases from an affiliate more than 50 percent of its gas supplied to its customers, any purchase cost adjustment increase shall be based on actual costs and may be subject to the general rate case requirements and review of section four-a of this article.

(d) Before January 1, 1984, the commission shall promulgate rules and regulations detailing what an applying natural gas utility must show in providing that dependable, lower-priced supplies of natural gas are not readily available to the applicant from other sources. Such rules and regulations shall include a requirement that each such utility let out bids for the purchase of a substantial quantity of natural gas supplied to its customers and that each such public utility present evidence demonstrating that all available sources of gas have been thoroughly investigated and that the utility's purchases were at the lowest available price among reliable sources at the time of the purchase. Such evidence shall include a list of all persons, firms and corporations which were investigated as sources of gas; the price per thousand cubic feet at which each investigated person, firm or corporation offered gas for sale; the availability and cost of transporting such gas and the amount of gas potentially available each month by such person, firm or corporation. Such list shall also include the same information resulting from investigation of all "shut-in" wells.

(e) A gas utility may seek proposals for drilling new natural gas wells and proposals for increasing production from existing natural gas wells and may create a process for identifying the cost to procure dependable supplies of natural gas to serve certain gas utility customers when dependable, lower-priced supplies of natural gas are not readily available to serve those customers. A gas utility may petition the commission for approval of the related costs to serve such customers. Upon a finding by the commission that: (1) The process of determining the costs and expected additional natural gas supply is reasonable; (2) the

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expected additional supply is dependable; and (3) the costs of the additional supply are reasonable and not contrary to the public interest; the commission may approve the petition. The gas utility shall recover those costs pursuant to its annual purchased gas costs adjustment filings with the commission under this section and the above-referenced rules of the commission.

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