WEST VIRGINIA LEGISLATURE

REGULAR SESSION, 1986

ENROLLED

SENATE BILL NO. 278

(By Senator Jonkovich, Mr. President, etal)

PASSED Jebruary 25, 1986 In Effect 90 days from Passage

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ENROLLED Senate Bill No. 278

(By Senators Tonkovich, Mr. President and Boettner)

[Passed February 25, 1986; in effect ninety days from passage.]

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AN ACT to amend and reenact section one, article one, chapter twenty-four of the code of West Virginia, one thousand nine hundred thirty-one, as amended; to amend and reenact section four-a, article two of said chapter; and to further amend said article by adding thereto a new section, designated section four-d; and to amend article three of said chapter by adding thereto a new section, designated section three-b, all relating generally to intrastate rail carriers and the powers, duties and authority of the public service commission with respect thereto; certain legislative purposes and policies with respect thereto; establishing procedures for the establishment of intrastate rail carrier rate-making; providing for appeals from the public service commission to the interstate commerce commission: providing for open access to the tracks and facilities of rail carriers and establishing the criteria and conditions therefor; and limiting the conditions under which a rail carrier may discontinue or abandon use of rail trackage in this state.

Enr. S. B. No. 278]

Be it enacted by the Legislature of West Virginia:

That section one, article one, chapter twenty-four of the code of West Virginia, one thousand nine hundred thirty-one, as amended, be amended and reenacted; that section four-a, article two of said chapter be amended and reenacted; that said article be further amended by adding thereto a new section, designated section four-d; and that article three of said chapter be amended by adding thereto a new section, three-b, all to read as follows:

ARTICLE 1. GENERAL PROVISIONS.

§24-1-1. Legislative purpose and policy; plan for internal reorganization; promulgation of plan as rule; cooperation with joint committee on government and finance.

(a) It is the purpose and policy of the Legislature in
 enacting this chapter to confer upon the public service
 commission of this state the authority and duty to enforce
 and regulate the practices, services and rates of public
 utilities in order to:

6 (1) Ensure fair and prompt regulation of public utilities7 in the interest of the using and consuming public;

8 (2) Provide the availability of adequate, economical and9 reliable utility services throughout the state;

10 (3) Encourage the well-planned development of utility
11 resources in a manner consistent with state needs and in
12 ways consistent with the productive use of the state's
13 energy resources, such as coal;

14 (4) Ensure that rates and charges for utility services are
15 just, reasonable, applied without unjust discrimination or
16 preference, applied in a manner consistent with the
17 purposes and policies set forth in article two-a of this
18 chapter, and based primarily on the costs of providing these
19 services;

20 (5) Encourage energy conservation and the effective
21 and efficient management of regulated utility enterprises;
22 and

23 (6) Encourage and support open and competitive
24 marketing of rail carrier services by providing to all rail
25 carriers access to tracks as provided in section three-b,

article three of this chapter. It is the purpose of the
Legislature to remove artificial barriers to rail carrier
service, stimulate competition, stimulate the free flow of
goods and passengers throughout the state and promote the
expansion of the tourist industry, thereby improving the
economic condition of the state.

32 (b) The Legislature creates the public service 33 commission to exercise the legislative powers delegated to 34 it. The public service commission is charged with the 35 responsibility for appraising and balancing the interests of 36 current and future utility service customers, the general 37 interests of the state's economy and the interests of the 38 utilities subject to its jurisdiction in its deliberations and 39 decisions.

40 (c) The Legislature directs the public service 41 commission to identify, explore and consider the potential 42 benefits or risks associated with emerging and state-of-theart concepts in utility management, rate design and 43 44 conservation. The commission may conduct inquiries and 45 hold hearings regarding such concepts in order to provide utilities subject to its jurisdiction and other interested 46 47 persons the opportunity to comment, and shall report to the 48 governor and the Legislature regarding its findings and policies to each of these areas not later than the first day of 49 50 the regular session of the Legislature in the year one thousand nine hundred eighty-five, and every two years 51 52 thereafter.

53 (d) It is legislative policy to ensure that the Legislature 54 and the general public become better informed regarding 55 the regulation of public utilities in this state and the conduct of the business of the public service commission. To 56 57 aid in the achievement of this policy, the public service commission annually shall present to the joint committee 58 on government and finance, created by article three, 59 chapter four of this code, or a subcommittee designated by 60 61 the joint committee, a management summary report which 62 describes in a concise manner:

63 (1) The major activities of the commission for the year
64 especially as such activities relate to the implementation of
65 the provisions of this chapter;

66 (2) Important policy decisions reached and initiatives67 undertaken during the year;

68 (3) The current balance of supply and demand for
69 natural gas and electric utility services in the state and
70 forecast of the probable balance for the next ten years; and
71 (4) Other information considered by the commission to

72 be important including recommendations for statutory 73 reform and the reasons for such recommendations.

(e) In addition to any other studies and reports required
to be conducted and made by the public service commission
pursuant to any other provision of this section, the
commission shall study and initially report to the
Legislature no later than the first day of the regular session
of the Legislature in the year one thousand nine hundred
eighty, upon:

81 (1) The extent to which natural gas wells or wells heretofore supplying gas utilities in this state have been 82 capped off or shut in; the number of such wells, their 83 probable extent of future production and the reasons given 84 85 and any justification for, capping off or shutting in such wells, the reasons, if any, why persons engaged or 86 heretofore engaged in the development of gas wells in this 87 state or the Appalachian areas have been discouraged from 88 drilling, developing or selling the production of such wells 89 and whether there are fixed policies by any utility or group 90 of utilities to avoid the purchase of natural gas produced in 91 the Appalachian region of the United States generally and 92 in West Virginia specifically. 93

94 (2) The extent of the export and import of natural gas95 utility supplies in West Virginia.

96 (3) The cumulative effect of the practices mentioned in
97 subdivisions (1) and (2) of this subsection upon rates
98 theretofore and hereafter charged gas utility customers in
99 West Virginia.

In carrying out the provisions of this section the 100 101 commission shall have jurisdiction over such persons, whether public utilities or not, as may be in the opinion of 102103 the commission necessary to the exercise of its mandate and 104 may compel attendance before it, take testimony under oath and compel the production of papers or other documents. 105 106 Upon reasonable request by the commission, all other state agencies shall cooperate with the commission in carrying 107 out the provisions and requirements of this subsection. 108 109 (f) No later than the first day of the regular session of the 110 Legislature in the year one thousand nine hundred eighty,
111 the public service commission shall submit to the
112 Legislature a plan for internal reorganization which plan
113 shall specifically address the following:

114 (1) A division within the public service commission
115 which shall include the office of the commissioners, the
116 hearing examiners and such support staff as may be
117 necessary to carry out the functions of decision making and
118 general supervision of the commission, which functions
119 shall not include advocacy in cases before the commission;

120 (2) The creation of a division which shall act as an121 advocate for the position of and in the interest of all122 customers;

(3) The means and procedures by which the division to
be created pursuant to the provisions of subdivision (2) of
this subsection shall protect the interests of each class of
customers and the means by which the commission will
assure that such division will be financially and
departmentally independent of the division created by
subdivision (1) of this subsection;

(4) The creation of a division within the public service
commission which shall assume the duties and
responsibilities now charged to the commissioners with
regard to motor carriers which division shall exist
separately from those divisions set out in subdivisions (1)
and (2) of this subsection and which shall relieve the
commissioners of all except minimal administrative
responsibilities as to motor carriers and which plan shall
provide for a hearing procedure to relieve the
commissioners from hearing motor carrier cases;

140 (5) Which members of the staff of the public service
141 commission shall be exempted from the salary schedules or
142 pay plan adopted by the civil service commission and
143 identify such staff members by job classification or
144 designation, together with the salary or salary ranges for
145 each such job classification or designation;

146 (6) The manner in which the commission will strengthen
147 its knowledge and independent capacity to analyze key
148 conditions and trends in the industries it regulates
149 extending from general industry analysis and supply150 demand forecasting to continuing and more thorough
151 scrutiny of the capacity planning, construction

152 management, operating performance and financial 153 condition of the major companies within these industries. 154 Such plan shall be based on the concept that each of the 155 divisions mentioned in subdivisions (1), (2) and (4) of this 156 subsection shall exist independently of the others and the 157 plan shall discourage ex parte communications between 158 them by such means as the commission shall direct, 159 including, but not limited to, separate clerical and 160 professional staffing for each division. Further, the public 161 service commission is directed to incorporate within the 162 said plan to the fullest extent possible the 163 recommendations presented to the subcommittee on the 164 public service commission of the joint committee on **165** government and finance in a final report dated February, 166 one thousand nine hundred seventy-nine, and entitled "A 167 Plan for Regulatory Reform and Management 168 Improvement."

169 The commission shall before the fifth day of January, one 170 thousand nine hundred eighty, adopt said plan by order, 171 which order shall promulgate the same as a rule of the 172 commission to be effective upon the date specified in said 173 order, which date shall be no later than the thirty-first day 174 of December, one thousand nine hundred eighty. Certified 175 copies of such order and rule shall be filed on the first day of 176 the regular session of the Legislature, one thousand nine 177 hundred eighty, by the chairman of the commission with the 178 clerk of each house of the Legislature, the governor and the 179 secretary of state. The chairman of the commission shall 180 also file with the office of the secretary of state the receipt of 181 the clerk of each house and of the governor, which receipt 182 shall evidence compliance with this section.

183 Upon the filing of a certified copy of such order and rule,
184 the clerk of each house of the Legislature shall report the
185 same to their respective houses and the presiding officer
186 thereof shall refer the same to appropriate standing
187 committee or committees.

188 Within the limits of funds appropriated therefor, the rule
189 of the public service commission shall be effective upon the
190 date specified in the order of the commission promulgating
191 it unless an alternative plan be adopted by general law or
192 unless the rule is disapproved by a concurrent resolution of
193 the Legislature adopted prior to adjournment sine die of the
194 regular session of the Legislature to be held in the year one

195 thousand nine hundred eighty: *Provided*, That if such rule
196 is approved in part and disapproved in part by a concurrent
197 resolution of the Legislature adopted prior to such
198 adjournment, such rule shall be effective to the extent and
199 only to the extent that the same is approved by such
200 concurrent resolution.

201 The rules promulgated and made effective pursuant to 202 this section shall be effective notwithstanding any other 203 provisions of this code for the promulgation of rules or 204 regulations.

(g) The public service commission is hereby directed to
cooperate with the joint committee on government and
finance of the Legislature in its review, examination and
study of the administrative operations and enforcement
record of the railroad safety division of the public service
commission and any similar studies.

(h) (1) The Legislature hereby finds that rates for
natural gas charged to customers of all classes have risen
dramatically in recent years to the extent that such
increases have adversely affected all customer classes. The
Legislature further finds that it must take action necessary
to mitigate the adverse consequences of these dramatic rate
increases.

218 (2) The Legislature further finds that the practices of 219 natural gas utilities in purchasing high-priced gas supplies, 220 in purchasing gas supplies from out-of-state sources when 221 West Virginia possesses abundant natural gas, and in 222 securing supplies, directly or indirectly by contractual 223agreements including take-or-pay provisions, indefinite price escalators, or most-favored nation clauses have 224 225contributed to the dramatic increase in natural gas prices. It 226 is therefore the policy of the Legislature to discourage such 227 purchasing practices in order to protect all customer 228 classes.

(3) The Legislature further finds that it is in the best interests of the citizens of West Virginia to encourage the transportation of natural gas in intrastate commerce by interstate or intrastate pipelines or by local distribution companies in order to provide competition in the natural gas industry and in order to provide natural gas to consumers at the lowest possible price.

(i) The Legislature further finds that transactionsbetween utilities and affiliates are a contributing factor to

Enr. S. B. No. 278]

the increase in natural gas and electricity prices and tend to
confuse consideration of a proper rate of return calculation.
The Legislature therefore finds that it is imperative that the
public service commission have the opportunity to properly
study the issue of proper rate of return for lengthy periods
of time and to limit the return of a utility to a proper level
when compared to return or profit that affiliates earn on
transactions with sister utilities.

ARTICLE 2. POWERS AND DUTIES OF PUBLIC SERVICE COMMISSION.

§24-2-4a. Procedure for changing rates after June 30, 1981.

After the thirtieth day of June, one thousand nine 1 2 hundred eighty-one, no public utility subject to this chapter 3 except those utilities subject to the provisions of section 4 four-b and section four-d of this article, shall change, 5 suspend or annul any rate, joint rate, charge, rental or 6 classification except after thirty days' notice to the 7 commission and the public, which notice shall plainly state 8 the changes proposed to be made in the schedule then in 9 force and the time when the changed rates or charges shall 10 go into effect; but the commission may enter an order 11 suspending the proposed rate as hereinafter provided. The 12 proposed changes shall be shown by printing new 13 schedules, or shall be plainly indicated upon the schedules 14 in force at the time, and kept open to public inspection: 15 *Provided*, That the commission may, in its discretion, and 16 for good cause shown, allow changes upon less time than the 17 notice herein specified, or may modify the requirements of 18 this section in respect to publishing, posting and filing of 19 tariffs, either by particular instructions or by general order. 20 Whenever there shall be filed with the commission any 21 schedule stating a change in the rates or charges, or joint 22 rates or charges, or stating a new individual or joint rate or 23 charge or joint classification or any new individual or joint 24 regulation or practice affecting any rate or charge, the 25 commission may either upon complaint or upon its own 26 initiative without complaint enter upon a hearing 27 concerning the propriety of such rate, charge, 28 classification, regulation or practice; and, if the 29 commission so orders, it may proceed without answer or 30 other form of pleading by the interested parties, but upon 31 reasonable notice, and, pending such hearing and the

32 decisions thereon, the commission, upon filing with such schedule and delivering to the public utility affected 33 34 thereby a statement in writing of its reasons for such 35 suspension, may suspend the operation of such schedule 36 and defer the use of such rate, charge, classification, regulation or practice, but not for a longer period than two 37 38 hundred seventy days beyond the time when such rate, charge, classification, regulation or practice would 39 40 otherwise go into effect; and after full hearing, whether completed before or after the rate, charge, classification, 41 42 regulation or practice goes into effect, the commission may make such order in reference to such rate, charge, 43 44 classification, regulation or practice as would be proper in a proceeding initiated after the rate, charge, classification, 45 regulation or practice had become effective: Provided, That 46 47 in the case of a public utility having two thousand five hundred customers or less and which is not principally 48 49 owned by any other public utility corporation or public utility holding corporation, the commission may suspend 50 51 the operation of such schedule and defer the use of such rate, charge, classification, regulation or practice, but not 52 53for a longer period than one hundred twenty days beyond the time when such rate, charge, classification, regulation 54 or practice would otherwise go into effect; and in the case of 55 a public utility having more than two thousand five 56 hundred customers, but not more than five thousand 57 58 customers, and which is not principally owned by any other public utility corporation or public utility holding 59 corporation, the commission may suspend the operation of 60 such schedule and defer the use of such rate, charge, 61 62 classification, regulation or practice, but not for a longer period than one hundred fifty days beyond the time when 63 such rate, charge, classification, regulation or practice 64 would otherwise go into effect; and in the case of a public 65 utility having more than five thousand customers, but not 66 67 more than seven thousand five hundred customers, and which is not principally owned by any other public utility 68 corporation or public utility holding corporation, the 69 commission may suspend the operation of such schedule 70 and defer the use of such rate, charge, classification, 71 72 regulation or practice, but not for a longer period than one 73 hundred eighty days beyond the time when such rate, 74 charge, classification, regulation or practice would

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75 otherwise go into effect; and after full hearing, whether 76 completed before or after the rate, charge, classification, 77 regulation or practice goes into effect, the commission may 78 make such order in reference to such rate, charge, 79 classification, regulation or practice as would be proper in a proceeding initiated after the rate, charge, classification, 80 81 regulation or practice had become effective: Provided, 82 *however*, That if any such hearing and decision thereon is 83 not concluded within the periods of suspension, as above stated, such rate, charge, classification, regulation or 84 practice shall go into effect at the end of such period not 85 subject to refund: Provided further, That if any such rate, 86 charge, classification, regulation or practice goes into effect 87 88 because of the failure of the commission to reach a decision, the same shall not preclude the commission from rendering 89 90 a decision with respect thereto which would disapprove, reduce or modify any such proposed rate, charge, 91 classification, regulation or practice, in whole or in part, 92 93 but any such disapproval, reduction or modification shall 94 not be deemed to require a refund to the customers of such utility as to any rate, charge, classification, regulation or 95 96 practice so disapproved, reduced or modified. The fact of 97 any rate, charge, classification, regulation or practice going 98 into effect by reason of the commission's failure to act 99 thereon shall not affect the commission's power and authority to subsequently act with respect to any such 100 application or change in any rate, charge, classification, 101 102 regulation or practice. Any rate, charge, classification, 103 regulation or practice which shall be approved, 104 disapproved, modified or changed, in whole or in part, by 105 decision of the commission shall remain in effect as so 106 approved, disapproved, modified or changed during the 107 period or pendency of any subsequent hearing thereon or 108 appeal therefrom. Orders of the commission affecting rates, 109 charges, classifications, regulations or practices which 110 have gone into effect automatically at the end of the 111 suspension period are prospective in effect only. At any hearing involving a rate sought to be increased or 112

112 At any hearing involving a rate sought to be increased or 113 involving the change of any rate, charge, classification, 114 regulation or practice, the burden of proof to show the 115 justness and reasonableness of the increased rate or 116 proposed increased rate, or the proposed change of rate, 117 charge, classification, regulation or practice shall be upon 118 the public utility making application for such change. The
119 commission shall, whenever practicable and within
120 budgetary constraints, conduct one or more public hearings
121 within the area served by the public utility making
122 application for such increase or change, for the purpose of
123 obtaining comments and evidence on the matter from local
124 ratepayers.

125 Each public utility subject to the provisions of this section shall be required to establish, in a written report 126 127 which shall be incorporated into each general rate case application, that it has thoroughly investigated and 128 129 considered the emerging and state-of-the-art concepts in 130the utility management, rate design and conservation as reported by the commission under subsection (c), section 131 132 one, article one of this chapter, as alternatives to, or in mitigation of, any rate increase. The utility report shall 133 134 contain as to each concept considered the reasons for adoption or rejection of each. When in any case pending 135 136 before the commission all evidence shall have been taken and the hearing completed, the commission shall render a 137 138 decision in such case. The failure of the commission to render a decision with respect to any such proposed change 139 in any such rate, charge, classification, regulation or 140 practice within the various time periods specified in this 141 142 section after the application therefor shall constitute 143 neglect of duty on the part of the commission and each 144 member thereof.

145 Where more than twenty members of the public are 146 affected by a proposed change in rates, it shall be a 147 sufficient notice to the public within the meaning of this 148 section if such notice is published as a Class II legal 149 advertisement in compliance with the provisions of article three, chapter fifty-nine of this code, and the publication 150 area for such publication shall be the community where the 151 152 majority of the resident members of the public affected by such change reside or, in case of nonresidents, have their 153 principal place of business within this state. 154

The commission may order rates into effect subject to
refund, plus interest in the discretion of the commission, in
cases in which the commission determines that a temporary
or interim rate increase is necessary for the utility to avoid
financial distress, or in which the costs upon which these

160 rates are based are subject to modification by the
161 commission or another regulatory commission and to
162 refund to the public utility. In such case the commission
163 may require such public utility to enter into a bond in an
164 amount deemed by the commission to be reasonable and
165 conditioned upon the refund to the persons or parties
166 entitled thereto of the amount of the excess if such rates so
167 put into effect are subsequently determined to be higher
168 than those finally fixed for such utility.

169 No utility may make application for a general rate 170 increase while another general rate application is pending before the commission and not finally acted upon, except 171 172 pursuant to the provisions of the next preceding paragraph 173 of this section. The provisions of this paragraph shall not be 174 construed so as to prohibit any such rate application from being made while a previous application which has been 175 **176** finally acted upon by the commission is pending before or upon appeal to the West Virginia supreme court of appeals. 177

§24-2-4d. Procedures for intrastate rail carrier rate-making and complaints.

1 Inasmuch as the commission retains authority over 2 intrastate rail rates and complaints pursuant to 49 United 3 States Code §11501 and other federal law, and inasmuch as 4 the commission's procedures are subject to periodic review and certification by the interstate commerce commission 5 for compliance with federal standards, the general rate-6 7 making procedures set forth in section four-a, article two, 8 chapter twenty-four of this code, shall not be applied to 9 intrastate railroad rates. The commission shall promulgate its rules and regulations for the government of intrastate 10 rail rates. Such rules shall contain notice requirements, 11 12 grounds for rate suspension and the permitted suspension 13 period, procedures for protest, standards for determining market dominance and rate reasonableness, burdens of 14 15 proof, refund provisions, contract rate procedures and trackage rights. These rules shall also contain procedures 16 17 for complaints and filing of contract rates. All final orders 18 of the commission concerning intrastate rail rates shall be 19 appealable to the interstate commerce commission in 20 conformance with federally established standards of 21 review.

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ARTICLE 3. DUTIES AND PRIVILEGES OF PUBLIC UTILITIES SUBJECT TO REGULATIONS OF COMMISSION.

§24-3-3b. Access to privately owned railroad track and adjoining facilities.

1 The Legislature finds that article eleven, section (a) 2 nine of the West Virginia constitution declares railroads in 3 this state to be public highways free to all persons for the 4 transportation of their persons and property, under such 5 regulations as shall be prescribed by the Legislature. It is 6 the policy of this state to protect and promote the economic 7 well-being of its citizens and toward that end to assure the availability of rail transportation services. It is the purpose 8 of this section to promote such vital goals by all available 9 10 means not in conflict with authority exercised by the 11 federal government in the area of rail transportation.

12 (b) Rail carriers owning rail tracks located within the borders of this state shall provide open access to such 13 tracks, together with all reasonable, necessary and proper 14 15 operating facilities for the transportation of passengers and goods to other rail carriers including private carriers 16 17 transporting their own goods: *Provided*, That where both the accessed and accessing carrier are negotiating a 18 19 contract with any person for the transportation of 20passengers or goods, the accessed carrier shall have the 21 right of first refusal on such contract. The accessed carrier and the accessing carrier shall jointly agree upon a 22reasonable fee for such access. If the parties cannot reach an 2324 agreement on a reasonable access fee, the public service 25 commission shall set a fee pursuant to the provisions of subsection (c) of this section, after taking into consideration $\mathbf{26}$ the factors set forth in said subsection (c) and giving such 27 28 weight to each as it may deem appropriate.

29 (c) The commission shall promulgate regulations 30 providing for the establishment and payment of reasonable access fees to the accessed carrier by the accessing carrier 31 32and the orderly, efficient and safe utilization of accessed rails and facilities. In establising access fees, the 33 34 commission shall consider: The capital investment made by the accessed carrier; a reasonable rate of return thereon; 35 depreciation; costs involved in track-maintenance and 36 operation; the necessary use of the accessed carrier's 37employees and facilities; any loss of employment or wages 38

Enr. S. B. No. 278]

by employees of the accessed carrier that might reasonably
be anticipated because of the activities of the accessing
carrier; other reasonable and necessary expenses incurred
by the accessed carrier; and the accessing carrier's usage of
the accessed track and facilities in relation to the total use
of such track and facilities.

(d) Except as required for safety and efficient
operation, no carrier providing access under this section
may require the use of its facilities by an accessing carrier.
(e) Rail carriers seeking access under this section shall
comply with all applicable interstate commerce

50 commission rules and regulations.

51 (f) All safety regulations of the federal railroad
52 administration are applicable to rail carriers seeking access
53 under this section, unless waived by the public service
54 commission.

(g) No rail carrier owning rail tracks in the state of West
Virginia shall discontinue or abandon use of such trackage
without first obtaining authority from the commission to do
so, unless the same be done under uniform rules and
regulations filed by such rail carrier with the public service
commission and approved by said commission.

The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

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Chairman Senate Committee

Chairman House Committee

Originated in the Senate.

& Charles Courses 2

In effect ninety days from passage.

Clerk of the Senate

Clerk of the House of Delega

mla

President of the Senate

Speaker House of Delegates

.this the 5th The within and 1986. day of ... uha.Sh

PRESENTED TO THE GOVERNOR Date 3/37/86 Time 1:39pm

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