Public Service Commission Of West Virginia

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PSC Authorizes Special Electric Rate for Felman Production

In 2012, the West Virginia Legislature passed legislation which authorized the Public Service Commission to consider allowing a special rate for electricity for energy intensive industrial consumers under certain circumstances.

The Commission today issued an Order that establishes a special rate plan for Felman Production, LLC to purchase electricity from Appalachian Power Company (APCo) at its silicomanganese (SiMn) plant in New Haven, West Virginia. The plan satisfies the policy goals of the Legislature, addresses the concerns of Felman regarding the reopening of its plant, balances the interests of APCo, APCo's present and future customers and the State's economy and was designed not to cause an additional financial burden on other APCo customers, including residential customers.

The special rate plan approved today would give Felman a discount up to $9 million per year off its full electricity rate. The rate of the discount Felman could receive would be calculated each month based on the actual gross margin available in the SiMn market (the gross margin is calculated to be the difference between the market price of SiMn and the market price of the major raw materials that go into SiMn: manganese ore, coke and coal).

Felman stated in testimony that when active, the plant contributes in excess of $187 million per year to the West Virginia economy and supports approximately 524 jobs in the State. The plant has not however, been profitable since at least 2010, was shut down in July 2013 and will not reopen unless Felman is granted a special rate for electricity. When operational, Felman's regular electric rate resulted in a $9.5 million annual contribution toward APCo's fixed costs, such as the costs of owning and maintaining its generation, transmission and distribution lines, and general administrative expenses. During the period while Felman is non-operational those fixed costs must be borne by other customers. Giving Felman a maximum annual discount of $9 million assures that Felman pays at least $500,000 per year toward APCo's fixed costs.

In its Order, the Commission set a target gross margin at which Felman would simply pay its normal rate for electricity. In a month where the actual gross margin is less than the target, Felman would qualify for a discount off its electric rates. In months when the actual gross margin is above the target, Felman would pay a premium above its regular rate. The Commission specified there was to be no maximum on the premium Felman would be required to pay as long as there was a cumulative balance of the discounts taken in the past. Once all the past discounts have been paid back by Felman through the premiums, the cumulative premium that Felman must pay will be capped at $4 million.

Felman has requested a Protective Order to prevent public release of certain data and models filed under seal with the Commission. That data includes the target gross margin. In today's Order, the Commission deferred ruling on that Protective Order.

As an inducement to have Felman operate for at least five years after accepting the special rate plan, the Commission plan requires that a portion of the discounts given in each of the first five years is subject to recapture until the end of the fifth year.

The Order states if Felman chooses to accept the Approved Rate, APCo and Felman are to enter into a contract, which is to be filed with the Commission by June 30, 2014.

A copy of the Commission Order can be accessed on the Commission's website, www.psc.state.wv.us by referencing Case No. 13-1325-E-PC.

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