

Wyoming Public Service Commission (WPSC)
Fiscal Year 2010 Annual Report
August 25, 2010

General Information:

Commissioners: Chairman Al Minier
Deputy Chairman Steve Oxley
Commissioner Kathleen “Cindy” Lewis

Agency Contact: Darrell Zlomke, Commission Administrator

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Cheyenne, WY 82002

Web Address: <http://psc.state.wy.us>

Statutory Authority: Wyoming Statutes, Title 37, Chapters 1, 2, 3, 6, 12, 15, 16 and 17.

Clients Served: The WPSC serves all residential, commercial and industrial consumers of jurisdictional electric, natural gas, telecommunications, water and intrastate pipeline services in Wyoming.

Budget Information: Expenditures for FY10 –

Administration:	\$3,074,554
*ARRA DOE Grant:	\$98,251
Office of Consumer Advocate:	\$786,546
Wyoming Universal Service Fund:	<u>\$2,876,814</u>
Total:	\$6,836,165

* The WPSC received a grant from DOE under the ARRA to supplement PSC efforts in the area of electricity-related dockets and planning. This grant was awarded in October 2009; WPSC work under this grant began in February 2010.

Meeting Frequency: The WPSC holds open meetings approximately twice a week and conducts public hearings as needed.

Name of Department: Wyoming Public Service Commission

Reporting Period: FY 2010 (July 1, 2009, through June 30, 2010)

Wyoming Quality of Life Result:

- Wyoming state government is a responsible steward of State assets and effectively responds to the needs of residents and guests.
- Wyoming has a diverse economy that provides a livable income and ensures wage equality.
- Wyoming natural resources are managed to maximize the economic, environmental and social prosperity of current and future generations.
- Advanced technologies and a quality workforce allow Wyoming business and communities to adapt and thrive.

WPSC Contribution to Wyoming Quality of Life:

- All residents have access to safe, reliable and adequate utility services at just and reasonable prices.
- Utilities have the opportunity to recover prudent expenses and earn a fair return on investment so they remain capable of providing adequate, safe, reliable utility service to residential, commercial and industrial consumers; thereby promoting economic stability and development.
- The Commission facilitates advanced, economic and prudent utility infrastructure investment consistent with environmentally, technologically and economically sound practices for the benefit of Wyoming citizens and businesses.

Basic Facts:

Divisions: The WPSC's divisions are Administration (PSC), Office of Consumer Advocate (OCA), and Wyoming Universal Service Fund (WUSF). It is authorized 38 full time positions, two of which are ARRA DOE grant funded positions, while six positions are assigned to the OCA.

Budget Information: Amount Appropriated for FY09	Administration:	\$3,486,609
	ARRA DOE Grant:	\$130,700
	Office of Consumer Advocate:	\$910,066
	Wyoming Universal Service Fund:	<u>\$3,534,714</u>
	Total:	\$8,062,089

Primary Functions:

Regulation: Jurisdictional utility rates and services, safety, reliability, service territories and quality of service.

Public Outreach: To provide opportunities for consumers to participate in utility hearings, understand utility regulation, changes in legislation and regulatory policies, and for the Commission to understand citizen viewpoints and engage with them on utility issues confronting consumers throughout Wyoming.

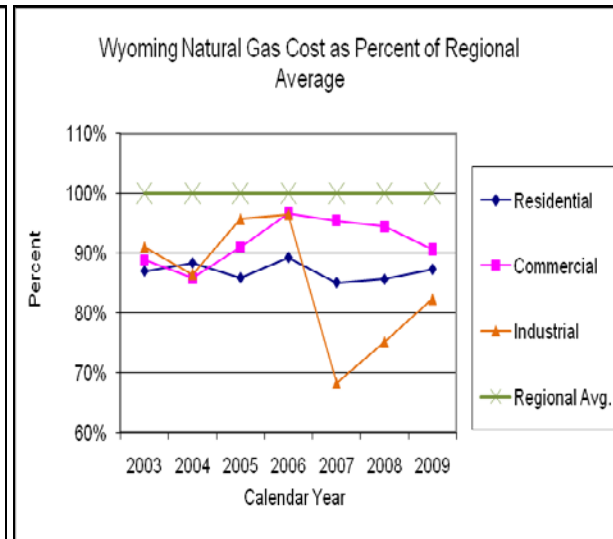
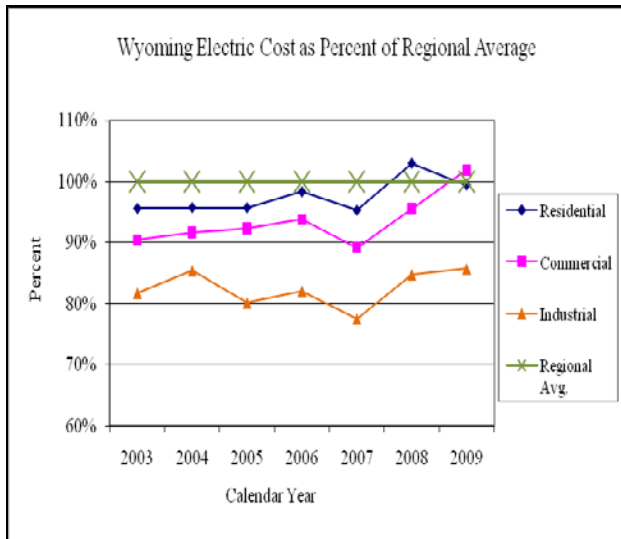
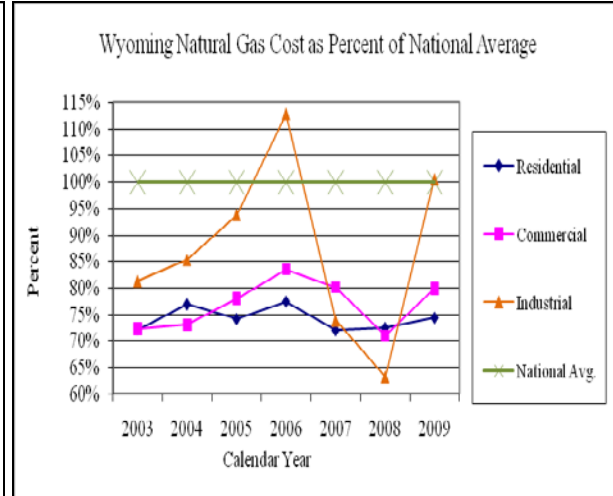
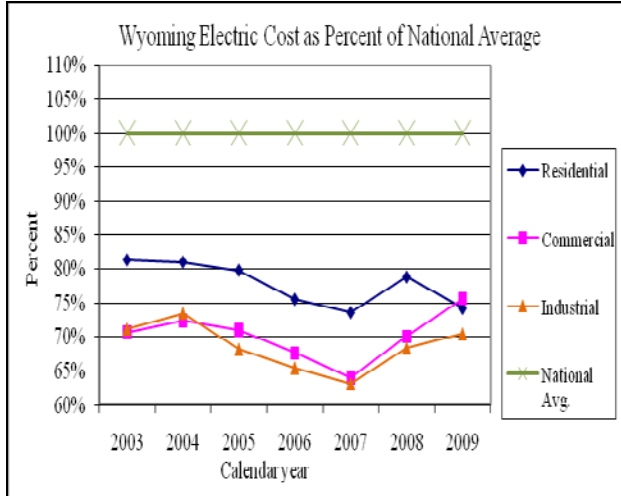
Administration: Management of Wyoming Universal Service Fund.

Advocacy: Representing Wyoming and its citizens at the regional and national levels.

Inspection: Safety aspects of Wyoming intrastate natural gas pipelines, natural gas distribution facilities and electrical facilities.

Performance Measurements:

Performance Measurement # 1 - The average cost Wyoming consumers pay for natural gas and electric service as a percentage of regional and national averages.



Wyoming data from utility annual reports submitted to WPSC. National and regional utility data from United States DOE Energy Information Administration historical data charts. Regional survey includes Wyoming, North and South Dakota, Nebraska, Montana, Idaho, Utah, Colorado, Arizona and New Mexico.

Story Behind Last Year's Performance:

Over the last year, Wyoming consumers paid for natural gas and electric service at average rates lower than those paid by consumers elsewhere in the region and the nation. The exception is Wyoming natural gas industrial customers paid \$0.03 per MCF more than the DOE Energy Information Administration (EIA) sample of industrial customers nationally. During 2009, residential consumers paid an average of 8.58¢/kWh for electricity and \$8.90/Dth for natural gas. These are less than the national averages of 11.55¢/kWh and \$11.97/Dth and the regional average of 8.62¢/kWh and \$10.19/Dth.

The national and regional 2009 statistics are based on preliminary EIA data and will not be finalized until October 2010; however, no significant changes normally occur between preliminary and final data.

What Has Been Accomplished:

The Commission reviewed numerous natural gas and electric commodity cost applications in FY10 to ensure requested cost changes reflect the most reasonable option practically available to the utility for safe, adequate and reliable service to Wyoming customers. During FY 2010, Commission staff analyzed, in depth, 48 commodity cost pass-on applications, 5 general rate case applications, 68 applications for certificate authority, 128 tariff filings and 99 other cases. The Commission, through applicant presentations and staff analyses at open meetings or in contested case proceedings, reviewed the reasonableness of the proposed rates in each application to ensure Wyoming ratepayers receive utility service at fair and nondiscriminatory rates which allow the utility to cover its prudent expenses, maintain a safe, adequate and reliable system and have a reasonable -- but not guaranteed -- opportunity to earn a fair return on its infrastructure investment.

Performance Measurement # 2 – Continue participation in regional and national organizations and forums on issues of importance to Wyoming consumers concerning utility regulation, electricity generation, transmission and distribution, and natural gas transmission and distribution. Develop programs to proactively inform Wyoming consumers of emerging issues affecting utility operations such as energy efficiency, demand management, carbon constraints, and climate change policy developments.

Story Behind Last Year's Performance:

The WPSC has been an active participant in regional and national organizations and forums on utility issues impacting Wyoming utilities and consumers. The WPSC has active membership and participation in the National Association of Regulatory Utility Commissioners (NARUC), the Western Conference of Public Service Commissioners (WCPS), the North American Electric Reliability Corporation (NERC), the Western Electricity Coordinating Council (WECC), the State/Provincial Steering Committee, the Northern Tier Transmission Group (NTTG), the Committee on Regional Electric Power Cooperation (CREPC), Qwest Regional Oversight Committee (ROC), Wyoming Association of Natural Gas Utilities (WANGU), the National Association of Pipeline Safety Representatives (NAPSR) and other regional and national associations where emerging utility issues and initiatives to address these issues are formulated. The WPSC undertakes initiatives to educate the consuming public about commodity pricing, energy conservation and other issues that could have significant effect on their utility bills.

What Has Been Accomplished:

The WPSC has actively participated in regional issues affecting Wyoming that concern utility regulation. Commissioners and staff have been actively involved in the PacifiCorp Multi-State Process, the collaboration among four of the states where the company operates, to ensure interjurisdictional cost allocation assigns to Wyoming ratepayers only their fair share of costs for utility service. One Commissioner is chair of the Grid Utilization Work Group within the State/Provincial Steering Committee involved with new technology, renewable resource integration and transmission planning in the Western Interconnection. In addition, Commissioners have regularly attended NARUC meetings and two Commissioners along with three staff members attended the WCPS annual conference in California.

The WPSC has continued to focus on increasing outreach opportunities throughout Wyoming communities to educate utility consumers regarding energy conservation, weatherization and energy assistance programs and to solicit public input on telecommunication service quality and reliability issues. A Commissioner discussed heating cost predictions for the upcoming winter season at the AARP sponsored Energy Saver Workshop in the fall of 2009. In addition, the PSC helped compile 500 energy efficiency packets for distribution at the workshop and throughout the state.

In FY10, the WPSC determined that its statewide investigation into telecommunications service quality and reliability issues (Docket No. 90000-104-XI-08) would be closed, and three new investigations opened on; (1) Service quality in Qwest Corporation service areas relying on obsolete equipment, (2) Service quality concerns in the Medicine Bow area (served by CenturyLink and Union Telephone), and (3) Billing and accounting practices of Qwest Corporation. (Orders effecting this decision are pending.)

In FY10, the WPSC obtained approval to use remaining funds from a grant from the US Department of Transportation, Pipeline and Hazardous Material Safety Administration, Office of Pipeline Safety (PHMSA) to provide scholarships at Casper College for its underground facilities locator training and certification program. A total of 25 individuals successfully completed the training at Casper College and had the tuition cost for the class reimbursed from these grant funds.

The WPSC hosted educational meetings, technical conferences, seminars and public hearings on utility and energy topics of consumer interest. In FY10, the WPSC's Chief Counsel gave a presentation on PSC Jurisdiction over Wind Generation and Related Transmission at the University of Wyoming's Wyoming Wind Symposium. The same individual also made a presentation to members of the Wyoming Rural Electric Association at their annual business meeting on WPSC disconnection rules and procedures. Early in FY10, the WPSC hosted the Regulatory Assistance Project who presented an energy efficiency workshop. The WPSC, in cooperation with DFS, sponsored the Telephone Assistance Awareness week in September 2009.

Performance Measurement # 3 – Earlier than historical average completion of hearings in cases requiring them.

Story Behind Last Year's Performance:

Of the general rate applications filed and processed in FY 2010 that were contested and required public hearings, the public hearings and issuance of final decisions were rendered within the statutory ten month suspension period. The number of general rate applications filed in FY 2010 was less than the number filed in FY 2009. In FY 2010, four general rate applications were filed, compared to FY 2009 when eight were filed. Three of the four general rate applications in FY 2010 were contested and proceeded to public hearing, whereas six of the eight FY 2009 general rate applications required public hearing. The average time from the filing of the application to the date of the public hearing for FY 2010 general rate filings was 198 calendar days (6.6 months) as compared to 212 calendar days (7.1 months) for FY 2009 general rate filings. In FY 2010, the WPSC processed forty-five (45) pass-on applications requesting increases or decreases in rates to reflect the recovery of actual cost incurred by the utility in obtaining the wholesale commodity supply necessary to serve its customers. These applications, which are more limited in scope than general rate applications, were processed and brought before the Commission for final action at open meeting within an average of 18 business days after they were filed. In FY 2009, the WPSC reviewed 57 pass-on applications and took final action at open meeting within an average of 17.1 business after filing. The average time for review and final action of 49 pass-on applications in FY 2008 was 19.2 business days.

What Has Been Accomplished:

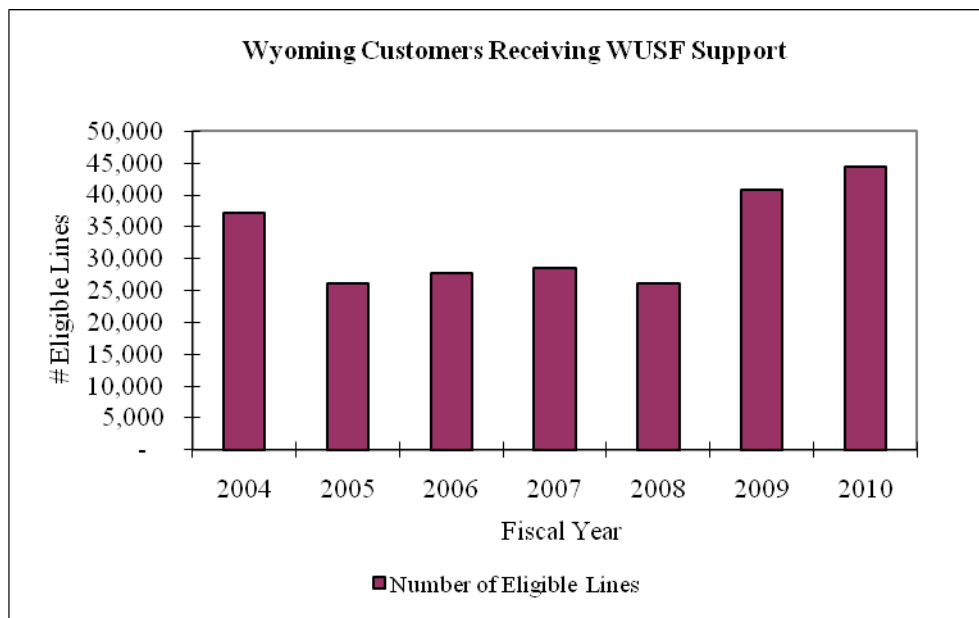
The WPSC has implemented internal processes for expedited noticing of utility filings, setting of scheduling and prehearing conferences, and holding of public hearings in contested cases to allow adequate time for Commission deliberation and issuance of final orders.

Public notices for general rate applications filed in FY 2010 were issued, on average, within 12 calendar days of the filing of the application. Scheduling conferences were held, on average, within 69 calendar days of the application filing; and prehearing conferences were held, on average, within 188 calendar days (6.3 months) of the application filing date. In FY 2010, the average time from the date of the filing

of the application to the date of the public hearing was 198 calendar days (6.6 months). This 6.6 month average performance exceeded the target time of eight months, allowing the WPSC additional time to prepare for public deliberations and issuance of a final order.

During FY10, the WPSC complaint staff closed 582 complaints and requests for information, 97% of which were resolved within 60 days and 90% of which were resolved within 30 days. Of the 601 matters the WPSC received in FY10, 46 were information requests. At the end of FY10, only 19 matters, all complaints, were still pending. Complaints concerned mainly natural gas, electric and telephone utilities; and a majority related to billing matters or utility rates, tariffs and procedures.

Performance Measurement # 4 - The number of eligible local telephone customers (based upon line count) who will receive support payments from the Wyoming Universal Service Fund (WUSF) to obtain telecommunications services at a reasonable price.



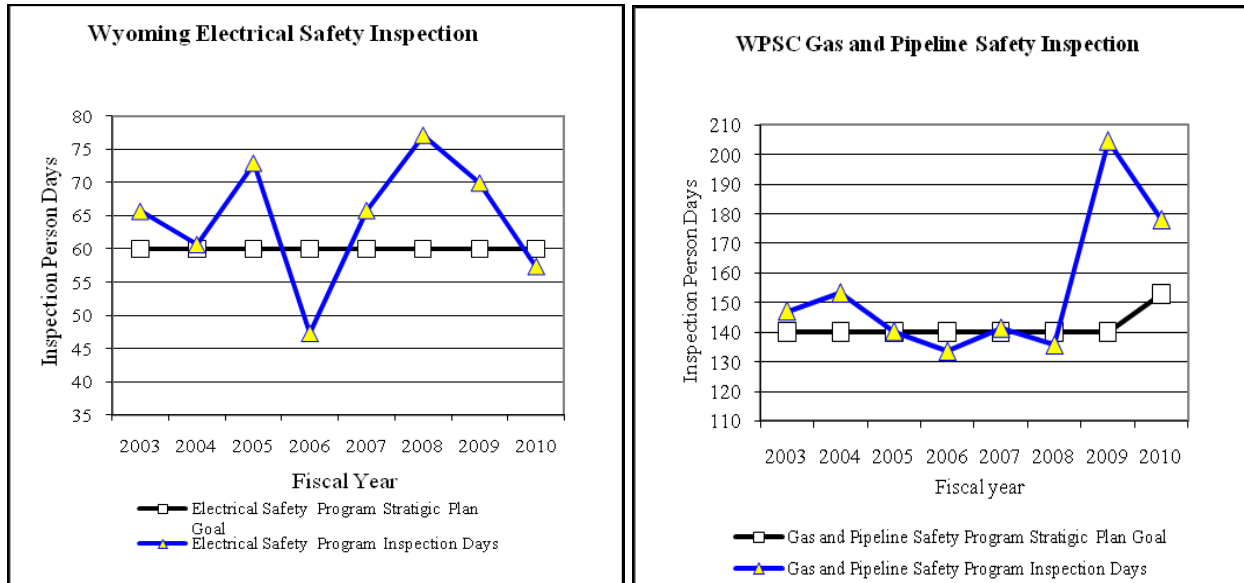
Story Behind Last Year's Performance:

The WUSF assists customers with high rates for basic local exchange service. Telecommunications companies receive payments from the WUSF, after considering any contributions of federal universal service support, to ensure customers pay no more than 130% of the statewide average basic monthly local exchange rate. By law, the WUSF is funded through an assessment on all retail intrastate telecommunications service revenues of wireline and wireless service providers. The WUSF Fund Manager evaluated the rules governing the fund and calculated the fund for this fiscal year equitably across all eligible carriers. In FY09, the benchmark was \$32.57 per line. In the current fiscal year, FY10, the benchmark is \$31.98 per line. The lower benchmark is due to the loss of customers in high cost areas migrating to wireless and cable services that offer bundled packages and new technology.

What Has Been Accomplished:

One hundred percent of the eligible lines in Wyoming receive WUSF support. The chart above shows the number of access lines eligible for support (44,367 for FY 2010). On July 1, 2010, the assessment was set at 1.2% of gross intrastate retail telecommunications revenues for the July 1, 2010/June 30, 2011, fiscal year.

Performance Measurement #5 - Annual Federal Pipeline Safety Program audit performance.



Story Behind the Performance

The WPC conducts natural gas pipeline safety inspections as an agent of the US Department of Transportation's Pipeline and Hazardous Material Safety Administration, Office of Pipeline Safety (PHMSA) under a Grant-in-Aid program. Under State law, the WPC inspects electric utility facilities in Wyoming. Our inspection programs aid in ensuring Wyoming consumers of natural gas and electric services have access to safe, adequate and reliable service. Citations for noncompliance with the applicable laws, rules, codes and standards are issued to utilities and intrastate pipeline operators. The WPC works with the utilities and pipeline operators to ensure prompt correction of violations.

In its pipeline safety program, the WPC inspects facilities, operator qualification, substance abuse prevention programs, integrity management and conducts public awareness audits. In turn, PHMSA conducts annual audits and certification procedures to ensure the inspection program meets its requirements for the number of inspection days, regular inspection of all utilities and pipeline operators, timeliness and accuracy of information provided to PHMSA and the number and type of specialized inspections conducted. The audit score and the annual PHMSA certification scores combine to produce a total program score which determines the amount of federal Grant-in-Aid funding the WPC receives to offset costs of the natural gas pipeline safety program. PHMSA has informed the WPC that future audits and certifications will look more closely at the Pipeline Safety Program, making it more difficult to achieve a perfect score of 100. PHMSA will implement this heightened level of scrutiny because it is now possible to receive a higher percentage of federal funding for state programs under the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 (PIPES Act).

Our electric utility inspection program is undertaken pursuant to Wyoming law. The program plan calls for a minimum of 60 days per year in the field inspection of jurisdictional utilities, including the examination of outdoor facilities. Inspections focus on safety and reliability compliance with the National Electrical Safety Code, American National Standards Institute and Institute of Electrical and Electronics Engineers standards, WPC rules, and good utility practice. (The WPC is the official interpreting authority for the National Electrical Safety Code in Wyoming.) Given the substantial size and scope of electric utility facilities in Wyoming and considering the continued growth Wyoming is experiencing, all areas are still inspected on a three year rotational schedule, with more frequent inspections when problems are identified.

What Has Been Accomplished:

In Fiscal Year 2010 the Commission's Facility Engineering Section conducted 177.9 days of natural gas inspection activity or 116% of the 153 inspection day goal. The Section inspected all jurisdictional natural gas pipeline operators, natural gas utilities, liquid natural gas operators and liquid propane gas systems.

During the annual audit and certification process, the Natural Gas Pipeline Safety Program achieved a score of 95.75%; and the PSC has been awarded a Grant-in-Aid of 67% of approved expenses for the Calendar Year 2010. Deficiencies concerned the experience level of inspectors and missing Root Cause Analysis Training by at least one staff member. Both have been rectified; and, by the end of Calendar Year 2010, the Engineering Supervisor and Gas and Pipeline Inspector will have completed this training.

In FY10, the Facility Engineering Section conducted 57.4 days of electrical utility inspections or 95.6% of the 60 day inspection goal. In FY09, the Section conducted 70 days of inspection activity, 117% of the 60 day goal. Plans have been made to increase inspection activity for FY11. The goal was not reached because [i] the WPSC's Electrical Engineer position remained vacant for three months and [ii] the new engineer undertook the training required to perform inspections. The Electrical Engineer and the Engineering Supervisor are qualified to conduct independent inspections of electrical utility facilities and will conduct a minimum of 63.6 days of electrical inspection activity during FY11.

Performance Measurement #6 - Use the ARRA DOE grant to increase WPSC capabilities in electricity initiatives and issues such as energy efficiency, smart grid applications, and infrastructure development through development of new staff members and enhanced training of existing staff.

Story Behind Last Year's Performance:

The WPSC received a grant from the U.S. Department of Energy (DOE) under ARRA in late October 2009. The objectives of the grant are to increase the capacity of the WPSC to manage an increase in dockets and other regulatory actions resulting from ARRA electricity-related issues, facilitate timely consideration by the WPSC of regulatory actions pertaining to ARRA electricity-related topics and to create jobs. The grant provides funds for three years for two additional WPSC staff members as well as training in electrical matters for all staff members. Electricity-related ARRA topical areas include energy efficiency, electricity-based renewable energy, smart grid, energy storage, demand response, and coal with carbon capture and storage, and transmission.

What Has Been Accomplished:

Since the grant was awarded, the WPSC has recruited and hired two professionals, one electrical engineer and one rate analyst accountant. They have been assigned to electric utility applications, have augmented the capabilities of the existing technical staff, and are working on several electric utility applications. In addition, the WPSC has opened three planning dockets in which it will conduct investigations of several electric topics: [i] to investigate the development of transmission infrastructure including an analysis of congestion issues, cost allocation for multi-state projects, and integration of renewable resources into the grid; [ii] to study the accounting practices and protocols for energy efficiency programs used by regulated utilities; and [iii] to investigate the cost effects on ratepayers of federally-imposed reliability standards that mandate how electric utility transmission systems are operated. The WPSC has also expanded its training budget and is utilizing part of the grant monies to obtain more advanced training for staff in all areas of electric utility regulation. In the last half of FY10, commissioners and staff have attended two training classes on electricity regulation and a technical conference focused on the regulatory impact in the West of emerging "green" developments.

Wyoming Public Service Commission (Dept. 023)

