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## Office of Consumer Advocate Scrutinizes Utility Pass-On Applications

CHEYENNE, WY – As part of its duty to represent the interests of Wyoming utility ratepayers, and as a result of new rules that were adopted by the Wyoming Public Service Commission (WPSC) earlier this year, the Wyoming Office of Consumer Advocate (OCA) has investigated numerous utility pass-on applications over the last several months. The pass-on procedure allows utilities to pass-on wholesale gas and electric commodity costs directly to customers, on a dollar-for-dollar basis, in an expedited manner with certain limitations and restrictions.

“We have investigated a number of these filings in the last several months and have pointed out several instances in which the application was not in compliance with the Commission’s rules,” said Bryce Freeman, Administrator of the OCA. “For example, several utilities have asked the WPSC to allow them to increase customer bills on an expedited basis and without a full investigation of costs such as bad debt and interest on prior wholesale expenditures, in addition to permissible wholesale commodity costs. These utilities have failed, however, to make a showing that increasing rates to customers relative to these additional costs, outside of the normal ratemaking process, is in the public interest,” Freeman said. “The OCA has calculated that including these additional costs in customer rates outside of the normal ratemaking process could increase the utilities’ revenues hundreds of thousands of dollars each year.”

“The pass-on procedure is designed to allow a utility timely recovery of its wholesale gas and electric commodity costs which are incurred on behalf of its customers,” Freeman said, “However, its use is limited to the recovery of wholesale gas and electric commodity and related expenses. Such expenses must be a significant part of the utility’s operating costs, volatile, and beyond the control of the utility,” Freeman added. The prices for commodities, such as electricity and natural gas, are set in an essentially unregulated wholesale market. In this market, utilities must pay the market driven price to acquire gas and electric supplies. Costs that are not commodity or commodity related must be recovered through a separate procedure according to rules and regulations adopted by the WPSC.

The OCA has also questioned the appropriateness of increasing customer bills to allow recovery of increased wholesale costs at the same time that a utility's earnings are exceeding previously authorized levels. As a result of the OCA's protests in cases where it appears the utilities are seeking revenue increases greater than the increased wholesale power costs, the WPSC has agreed to allow time for further investigation by the OCA. The earnings cap is generally an established rate of return which is the level of profit that a utility is allowed to earn on its investment, as determined by the WPSC.

"We will continue to vigorously pursue these filings as they arise. We are not opposed to the utility companies recovering their legitimate wholesale gas and electric commodity costs through the pass-on procedure, but we want to make sure that they do so in full compliance with the Commission's rules and that the costs that are ultimately passed-on to consumers are the lowest costs reasonably available," Freeman said.