

**Wyoming Public Service Commission (WPSC)
Fiscal Year 2015 Annual Report
August 14, 2015**

General Information:

Commissioners:

Chairman Al Minier
Deputy Chairman Bill Russell
Commissioner Kara Brighton

Agency Contact:

Darrell Zlomke, Commission Administrator

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2515 Warren Ave., Suite 300
Cheyenne, WY 82002

Web Address:

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Statutory Authority:

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

Basic Facts:

Number of Employees:

37 (31 in Administration, 6 in Office of Consumer Advocate & 1 in Universal Service Fund)

Clients Served:

The WPSC serves all residential, commercial and industrial consumers of jurisdictional electric, natural gas, water and intrastate pipeline utilities and telecommunications companies in Wyoming.

Meeting Frequency:

The WPSC holds regular open meetings twice per week and conducts public hearings and special meetings as needed.

Budget Information/Expenditures for FY2015:

Budget Appropriation for FY2015

Administration:	\$3,765,941
Office of Consumer Advocate:	\$970,062
Wyoming Universal Service Fund:	<u>\$3,333,193</u>
Total:	\$8,069,196

Expenditures for FY2015

Administration:	\$3,833,570
Office of Consumer Advocate:	\$864,196
Wyoming Universal Service Fund:	<u>\$2,081,041</u>
Total:	\$6,778,807

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, be informed of changes in legislation and regulatory policies, and for the Commission to obtain citizen input on utility issues confronting consumers throughout Wyoming.
Administration:	Management of Agency & Wyoming Universal Service Fund (WUSF).
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 Highlights/Major Accomplishments in FY2015:

Major Cases

The Commission processed general rate cases for Cheyenne Light Fuel & Power (gas and electric), Black Hills Power, Rocky Mountain Power, Questar Gas, and Vista West Water Company in FY2015. These cases included major issues relating to the Cheyenne Light, Fuel & Power and Black Hills Power investment in Cheyenne Prairie Generating Station located in Cheyenne, Questar Gas Company distribution investment in the Kemmerer area, and Rocky Mountain Power investment in new generation plant, net power cost and pension issues.

The Commission processed 50 natural gas and electric commodity cost change applications in FY2015, reviewing each to ensure that commodity rates charged public utility customers in Wyoming reflected the most reasonable option practically available to the utility for safe, adequate and reliable service.

The Commission also processed 67 applications for certificate authority, 41 tariff change filings and 91 other cases. Notable among these was CenturyLink's petition for a determination that services provided in the more densely populated "base rate" and "Zone 1" areas of 29 exchanges throughout Wyoming are subject to effective competition and therefore exempt from price regulation.

Primarily through presentations by utilities and staff analyses at open meetings or in trial-type contested case proceedings, the Commission considered and ruled on each application to ensure Wyoming ratepayers receive safe, adequate and reliable utility service at just, reasonable and nondiscriminatory rates while allowing the utilities to recover prudently incurred expenses, provide maintain safe, adequate and reliable system and have a reasonable -- but not guaranteed -- opportunity to earn a fair return on its infrastructure investment.

EPA Clean Power Plan – Clean Air Act - §111(d)

In FY 2015 the WPSC was heavily engaged in efforts to understand the potential effects of the EPA's proposed draft changes to §111(d) of the Clean Air Act. Approximately 2000 hours of staff and Commissioner time was devoted to reviewing and analyzing the draft rule and its application to emissions from existing power generation facilities located in Wyoming, the utilities that serve in Wyoming and Wyoming ratepayers. In addition to reviewing several thousand pages of the draft proposed rule and related documents and data, the WPSC filed comments on the draft rule in coordination with other state agencies in November 2014, and attended numerous meetings, conferences and EPA hearings.

Rules Project

In FY 2015 the Commission continued its comprehensive rules revision project pursuant to Governor Mead's 2013 initiative. Commission accomplishments during the year included refining and restructuring each chapter of the Commission's Rules of Practice and Procedure. During FY 2015 the WPSC devoted approximately 500 staff hours to the rules project and held numerous internal meetings and technical conferences with utilities and telecommunication companies. At the end of FY 2015 the informal review process for the rules revision project was nearly completed.

Rocky Mountain Power Multistate Protocol (MSP)

Commission staff attended a series of meetings with other Wyoming stakeholders, Rocky Mountain Power/PacifiCorp and counterparts from Washington, Oregon, Utah and Idaho to negotiate an inter-jurisdictional cost allocation methodology to fairly assign the costs of operating the vertically integrated Rocky Mountain Power/PacifiCorp system across the Company's six-state operating territory. The current cost allocation methodology was adopted in 2011 by Wyoming, Utah, Idaho and Oregon. Washington allocates the system costs based on a different methodology. California uses the allocation methodology adopted by the majority of the states. The MSP negotiation process has revealed a diverse set of goals favored by the various states. The MSP allocation methodology and process is a delicate balance between the interests of the northwest states of California, Oregon and Washington and the mountain states of Wyoming, Idaho and Utah. The negotiating parties met with Commissioners from each state in May 2015. The Commissioners collectively provided direction for an interim solution until the final rule and ensuing legal challenges to the Clean Power Plan are settled and the possibility of Rocky Mountain Power/PacifiCorp joining the California Independent System Operator (CAISO) is studied and a recommendation made by the company.

Pipeline Safety Program

The WPSC conducts natural gas pipeline safety inspections under a delegation of authority from the U.S. Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA), Office of Pipeline Safety funded by a Grant-in-Aid program. The inspection program safeguards life and property and ensures that consumers of natural gas have access to safe, adequate and reliable service.

In FY2015 the Facility Engineering Section conducted 183 days of gas utility and natural gas pipeline operator inspection activity or 104% of the 176 inspection day PHMSA requirement. Extensive required training was also obtained by inspections staff during the reporting period.

Electric Utility Inspection Program

In FY2015, the Facility Engineering Section conducted 68 days of electrical utility inspections or 97% of the 70-day inspection goal. The remaining 2 days of inspection work will be completed in FY 2016.

Under W.S. § 37-2-131 the WPSC has safety jurisdiction over certain transmission lines associated with wind generation facilities located in Wyoming. During FY2015, these facilities were included in the electrical inspection cycle, with inspections performed at six of twenty wind generation facilities. Wind generation facilities subject to Commission safety jurisdiction will be placed in a five-year rotation after initial inspections.

Utility Customer Outreach

During FY2015, the WPSC complaint staff processed 259 complaints and 15 requests for information. 83% of these matters were resolved within 30 days, and 97% were resolved within 60 days. At the end of FY2015, all but 8 of these matters had been resolved. Complaints concerning telephone service accounted for 41% of the total, electric service 29%, gas service 28%, and water service 2%. 155 of 259, or 60%, of complaints pertaining to matters within the WPSC's jurisdiction were categorized as service, billing, and disconnection issues. WPSC efforts resulted in consumers receiving credits and refunds of over \$15,000 during the year.

Participation in Organizations and Forums Addressing Issues Affecting Wyoming Utility Consumers

The WPSC actively participated in national and regional discussions of issues affecting Wyoming public utilities and their customers. Wyoming Commissioners serve on the National Association of Regulatory Utility Commissioners (NARUC) Electricity Committee, the NARUC Gas Committee, the NARUC Subcommittee on Pipeline Safety, the NARUC Energy Resources and the Environment Committee and as the Wyoming representative to Western Electricity Coordinating Council (WECC). Commissioners and staff also participate in CREPC (Committee for Regional Electric Power Cooperation), NTTG (Northern Tier Transmission Group), and WIEB (Western Interstate Energy Board). In addition, Commissioners have attended NARUC meetings and two Commissioners attended the Western Conference of Public Service Commissioners annual meeting in Phoenix, Arizona. Staff members serve on several NARUC subcommittees. One staff engineer is on the WECC Council Standards Committee. The WPSC's Engineering Supervisor serves on the National Association of Pipeline Safety Representatives (NAPSR) Board of Directors and NAPSR's Legislative and Gathering Lines Committees, and its Control Room Management Task Group.

Wyoming Universal Service Fund

In FY2015, the WUSF distributed approximately \$1.974 million in support to ensure that no Wyoming telecommunications customers in areas of the state with relatively high rates for essential services paid more than 130% (or \$29.71) of the statewide average price for such service. The WUSF assessment rate, which generates funds used to provide support, was set at 1.0% on all retail intrastate telecommunications service revenues. Six carriers providing 10,212 essential service lines elected to receive WUSF support on behalf of their eligible customers.

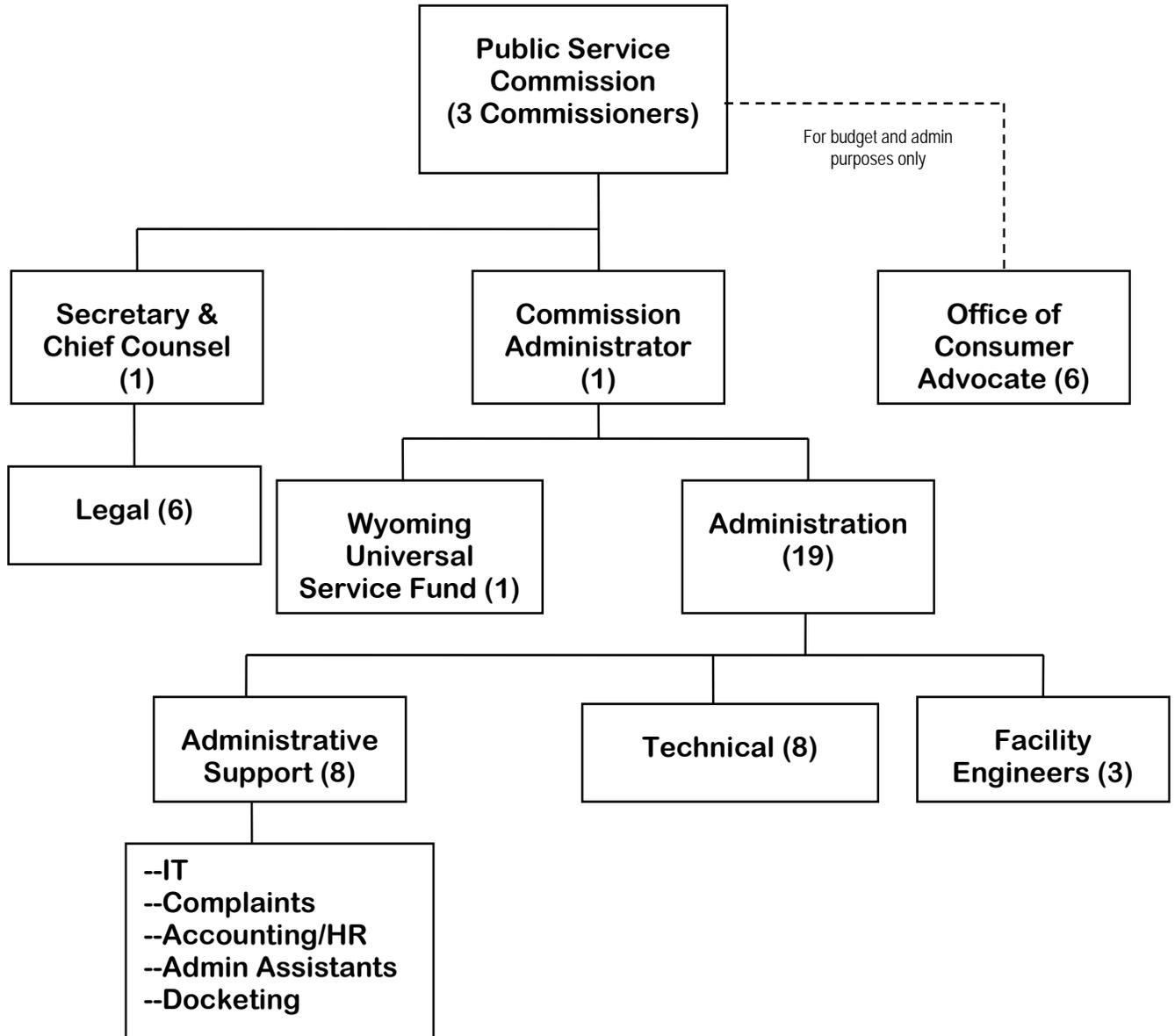
Telecom Legislation/Emergency Rules

The WPSC participated, along with telecommunications industry representatives and consumer groups, in discussions fostered by the Joint Corporations Committee that produced legislation extending the sunset date of the Wyoming Telecommunications Act and the WUSF until June 30, 2019. The new legislation has set an imputed essential service price benchmark of \$30.00 and created a new optional cost-based WUSF disbursement method for eligible rural telecommunications companies. Because the WUSF program year coincided with the effective date of the statute, emergency rules were adopted to implement the revised Wyoming Telecommunications Act.

Hearing Room Modernization

The ongoing update of the Commission's hearing room was advanced in FY 2015 by the integration of VoIP-based teleconferencing, audio recording, and audio streaming functions. This improvement enhances citizens' access to public meetings and hearings and the ability of public utilities and other parties to participate effectively from remote locations.

Wyoming Public Service Commission (Dept. 023)



Wyoming Office of Consumer Advocate

Agency Information:

Administrator:

Bryce Freeman

Contact Person:

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Statutory References:

W.S. § 37-2-401 through § 37-2-404 authorize the Office of Consumer Advocate (OCA) to intervene in proceedings before the Wyoming Public Service Commission (WPSC) representing the public interest.

Basic Information:

Number of Employees:

6

Clients Served:

The OCA advocates utility rates and terms of service that are consistent with the provision of safe, adequate, reliable and affordable utility service. The OCA represents the interest of all utility ratepayers and all citizens of the state in discharging its statutory duties.

Budget Information/Expenditures for FY15: (Please use whole dollar amounts.)

The OCA has a 2015-2016 Biennium Budget of \$1,936,374. Funding for the OCA (and the WPSC) is derived entirely from a special assessment on the gross intrastate revenue of utilities subject to WPSC jurisdiction. No state general funds nor any federal funds are appropriated to the OCA. During fiscal year 2015 the OCA expended \$864,196 or 44.6% of its biennium budget.

Primary Functions:

Contested Cases: Provide formal recommendations and supporting evidence, as well as informal comments to the WPSC for consideration in its determination of just and reasonable utility rates and adequate service in contested proceedings; enter into settlement agreements with utility companies that serve the interests of ratepayers as well as utilities.

Advocacy: Represent the interests of Wyoming utility consumers in matters involving utility and energy policy at the state, regional and national levels.

Public Outreach: Promote increased public awareness of utility issues and their impact on Wyoming utility consumers; support and promote the efficient use of energy resources by Wyoming utility customers; respond to customer inquiries regarding rate setting and rate design issues.

Performance Highlights/Major Accomplishments of FY2015:

During fiscal year 2015 the OCA participated in several important proceedings before the WPSC. Following is a list of major proceedings in which the OCA appeared as a party in contested cases before the WPSC. The list is not exhaustive; the OCA also intervened in other cases before the WPSC and undertook many other activities on behalf of Wyoming utility ratepayers during FY15.

- **Rocky Mountain Power Deer Creek Mine Closure Proceeding:** Rocky Mountain Power (RMP) filed an application for approval to close its Company owned Deer Creek coal mine located near Huntington, Utah. The application was precipitated by increased mining costs and declining coal quality at the mine, together with large prospective pension liabilities associated with its membership in a multi-employer pension trust on behalf of its union labor at the Deer Creek mine. Minable coal is expected to be depleted at the Deer Creek mine in 2019 notwithstanding its early closure in 2015. In its application RMP proposed to defer and recover from customers the direct costs of the mine closure, loss on the sale of certain mining equipment disposed of as a result of the closure, costs associated with replacement coal supply agreements for the Hunter and Huntington power plants, and other miscellaneous direct and indirect costs. The OCA recommended several adjustments to the Company's proposed cost deferral and ultimately entered into a settlement with RMP and Wyoming Industrial Energy Consumers (WIEC), also a party to the proceeding. The terms of the agreement, among other things, limit the extent of the costs to be deferred and recovered from customers, provide for offsets to the recovery of those costs where appropriate, and allow the OCA to argue for limiting recovery of deferred costs and advocating longer amortization periods when the Company requests to put the deferred costs into rates in its next general rate case proceeding. Although the OCA agreed that the mine closure and its associated costs are prudent, particularly in light of the looming pension obligation, the settlement provides protection for ratepayers from paying inappropriate costs associated with the mine closure.
- **Rocky Mountain Power General Rate Case:** In October of 2014 the WPSC convened a public hearing to consider a request by RMP to increase its annual revenues by approximately \$36 million or 5.3%. RMP subsequently revised its filing to reflect a reduced request of approximately \$32 million based on updated information and forecasts for load growth, fuel prices and purchased power costs, among others. WIEC, the Northern Laramie Range Alliance (NLRA) and the Sierra Club were also interveners in the proceeding. In its direct and cross-answer testimony the OCA advocated for a total annual revenue increase of \$12.6 million. In its final order in this matter, after a fully contested proceeding, the WPSC approved an annual revenue increase of approximately \$20 million or 3%. The WPSC's order incorporated all or part of most of the recommended adjustments offered by the OCA. WIEC, the only other party in the proceeding to offer a full revenue requirement analysis, recommended an annual revenue increase of approximately \$2 million. Although the WPSC did not adopt all of the OCA's proposed adjustments, the OCA is confident that the final increase granted by the Commission is fair and reasonable to customers and will allow the utility the financial resources to continue providing safe, adequate and reliable service. The OCA does not believe that the revenue requirement offered by WIEC would satisfy this standard.
- **Cheyenne Light, Fuel & Power (CLF&P) General Rate Case:** In a hearing held in July of 2014, the WPSC considered a Stipulation and Agreement entered into among CLF&P, the OCA, Frontier Refining, Inc. and Dyno Nobel, Inc. (Frontier and/or Dyno), resolving all of the disputed issues arising out of CLF&P's request to increase annual revenues by approximately \$12.8 million or 9.8%. The primary driver of the need for increased revenues in this proceeding was the completion of the Cheyenne Prairie Generating Station which went into commercial service in January of 2015. In its direct testimony the OCA recommended an annual revenue increase of approximately \$11.5 million while Frontier and Dyno recommended an annual revenue increase of approximately \$3.5 million. The parties agreed to an overall annual revenue increase of approximately \$8.4 million, or 6.45%. Subsequent to the WPSC's bench decision approving the Stipulation a mathematical mistake was found in the computation of the revenue requirement which related to treatment of net power costs. Due to the procedural posture of the case at that point the WPSC rejected CLF&P's petition to reopen the case. Instead, CLF&P, Dyno and Frontier resolved the issue in CLF&P's Energy Cost Adjustment proceeding which followed the general rate case. The OCA chose not to support or oppose that agreement finding that while it did provide overall customer benefits, Dyno and Frontier benefited disproportionately in comparison to other customer classes.

- Pinedale Natural Gas (PNG) general rate case:** On June 30, 2015, the WPSC convened a public hearing to consider the application of PNG to increase its annual revenues by \$2,180 or approximately 1.61%. The WPS directed PNG to file the rate case as a result of a previous proceeding in which PNG proposed to refund to customers \$367,175 in gas costs which it had billed customers but for which it had not paid a supplier. The unbilled gas revenue accumulated to the benefit of PNG over the course of a forty one month period beginning in 2003 and was not disclosed to the WPSC until 2013. Although the WPSC approved the refund beginning in 2013, it found that customers had been harmed by PNG's handling of the matter and directed the Company to file a rate case so it could determine what, if any, additional steps are required to remedy the customer harm. In the rate case the OCA recommended various adjustments and corrections to the Company's filed application resulting in an annual overall revenue reduction of approximately 20%. Additionally, the OCA recommended that PNG be required to refund approximately \$415,000 in additional interest expenses and excess earnings to which customers are entitled as a result of the previously undisclosed gas cost over-collection. This was a fully contested proceeding and a decision of the Commission is pending.
- Montana Dakota Utilities (MDU) general rate case:** In October, 2014, MDU filed an application for approval to increase its annual revenues for its natural gas operations in the Sheridan, Wyoming area by approximately \$788,000 or 4.13%. MDU also provides retail electric distribution service in and around Sheridan but no revenue increase was sought for the electric distribution service. After reviewing the application and supporting documentation, the OCA recommended that the PSC allow a revenue increase of approximately \$394,000 or 2.07%. Ultimately, the parties in the proceeding, OCA and MDU, agreed to settlement of the case allowing MDU to increase its annual revenues by approximately \$501,000 per annum, or a 2.63% increase.
- Questar Gas Company (QGC) general rate case:** On December 3, 2014, the WPSC convened a public hearing to consider the application of QGC for approval of an annual revenue increase of approximately \$1.9 million. Upon review of the application and QGC's supporting evidence, the OCA recommended in its direct testimony that the WPSC grant an annual revenue increase of approximately \$1.4 million. Through its rebuttal testimony and at the hearing QGC reduced its request to \$1.7 million based in part on its acceptance of a portion of the adjustments offered by the OCA in its direct testimony. After considering the remaining issues in contention among the parties the WPSC granted an annual revenue increase of approximately \$1.5 million.
- Vista West Water Company (VWWC) general rate case:** In January, 2015, the WPSC convened a public hearing to consider the application of VWWC to increase its annual revenues by approximately \$79,000. Upon review of the application and VWWC's supporting evidence, the OCA concluded that the annual revenue increase should be limited to approximately \$29,000 using a rate base, rate of return method, \$22,000 using a cash flow rate setting approach, or \$22,000 if an infrastructure tracker is used to set rates. After hearing the presentation of evidence from both OCA and VWWC, the WPSC concluded that annual revenues for VWWC should be increased by approximately \$38,000. This is approximately a 12% revenue increase in comparison to the approximate 25% increase requested by the Company in its original application.
- CenturyLink request for competitive designation:** In September of 2014, the WPSC convened a public hearing to consider the petition of CenturyLink QC (CLQC) for a finding by the WPSC that its basic local exchange service in the base rate area and zone one of nearly all of its Wyoming exchanges is subject to effective competition and therefore, pursuant to Wyoming statute, is not subject to regulation by the Commission. The OCA intervened in the proceeding and conducted its own independent market analysis, using publicly available information, to determine if the evidence advanced by CLQC supported a competitive finding by the WPSC. Based on its investigation the OCA concluded that the weight of the evidence supported a competitive designation by the WPSC. Accordingly, in its order the WPSC designated CLQC's basic local exchange service as competitive and as such exempt from price regulation by the WPSC, but only in the base rate area and zone 1 of the exchanges specifically identified in the order.

Organizational Chart:

