Wyoming Public Service Commission (WPSC)
Fiscal Year 2015 Annual Report
August 30, 2016

General Information:

Commissioners:
Chairman Alan B. Minier
Deputy Chairman William F. Russell
Commissioner Kara Brighton

Agency Contact:
Darrell Zlomke, Commission Administrator

Telephone:
(307) 777-7427

Address:
2515 Warren Ave., Suite 300
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.

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 customers of electric, natural gas, water and intrastate pipeline public utilities and telecommunications companies in Wyoming by ensuring the availability of safe, adequate and reliable utility service at just and reasonable rates while also maintaining financial viability of the public utilities.

Meeting Frequency:

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

Budget Information/Expenditures for FY2016:

Budget Appropriation for FY2016	Administration:	$3,806,752
	Office of Consumer Advocate:	$978,078
	Wyoming Universal Service Fund:	$3,333,193
	Total:	$8,118,023
Expenditures for FY2016	Administration:	$3,418,692
	Office of Consumer Advocate:	$849,500
	Wyoming Universal Service Fund:	$2,608,143
	Total:	$6,876,335

Primary Functions:

Regulation:	Establish and maintain appropriate public utility rates and terms of service, ensure safety and reliability, establish utility service territories.
Public Outreach:	Provide opportunities for consumers to participate in utility hearings, understand public utility regulation, be informed of changes in legislation and regulatory policies, and to allow the Commission to obtain citizen input on utility issues confronting consumers throughout Wyoming.
Administration:	Manage Agency and Wyoming Universal Service Fund (WUSF).
Advocacy:	Represent Wyoming and its citizens at the regional and national levels.
Inspection:	Ensure safe operation of Wyoming intrastate natural gas pipelines, natural gas distribution facilities and electrical facilities.

Performance Highlights/Major Accomplishments in FY2016:

Major Cases
The Commission processed general rate cases for Rocky Mountain Power and Pinedale Natural Gas Company in FY2016. Other significant cases were the Black Hills Energy acquisition of SourceGas Distribution, LLC and the Cheyenne Light, Fuel and Power acquisitions of Energy West, Inc. and MGTC, Inc. natural gas utilities.

The Commission processed 45 natural gas, electric and water commodity cost change pass-on applications in FY2016, reviewing each to ensure that commodity rates charged public utility customers in Wyoming reflected the most reasonable option practically available to the utility and that commodity costs were passed on to customers on a dollar-for dollar basis. The Commission also processed 12 applications for certificate authority, 66 tariff change applications, 20 contract filings, and 85 other cases. Primarily through presentations by utilities and Commission staff analyses received 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, and have a reasonable opportunity to earn a fair return on infrastructure investment.

EPA Clean Power Plan – Clean Air Act §111(d)
In FY 2016, the WPSC continued to analyze the EPA's "Clean Power Plan" proposal pursuant to §111(d) of the Clean Air Act. The Commission, along with the Wyoming Department of Environmental Quality, met with Wyoming electric utilities and generation owners to discuss compliance issues and strategies. The WPSC also participated in drafting comments in responsive to the Clean Power Plan related Clean Energy Incentive Program.

Rules Project
In FY 2016 the Commission continued its comprehensive rules revision project pursuant to Governor Mead's 2013 initiative. Extensively revised rules, reduced in number of pages by 33% from the previous version, took effect on March 21, 2016. On March 25, 2016, the Commission issued an order relating to Chapter 3, Section 1(c)(v)(B), 2, and 30 stating that to ensure accurate and current Wobbe Index data is available to determine compliance, an analysis of one year of quarterly reports filed by public utilities providing gas service will be reviewed and considered by the Commission at open meetings. On March 25, 2016, the Commission issued an order relating to Chapter 3, Section 25 extending the date to file such tariffs as are necessary to comply with the Commission's revised rules to September 30, 2016. In addition, Commission staff has worked with Wyoming rural electric cooperatives to develop model tariffs for specific sections of the rules identified as likely candidates for standardization.

Rocky Mountain Power Multistate Protocol (MSP)
Specially assigned Commission staff worked with staff of the Oregon, Washington, Utah, and Idaho commissions to finalize the revised negotiated interjurisdictional allocation methodology. This methodology represents an evolution of a similar previous arrangements that have been used to fairly assign the costs of operating the vertically integrated Rocky Mountain Power/PacifiCorp system across the Company's six-state operating territory. On December 30, 2015, Rocky Mountain Power filed the revised methodology as the "2017 Protocol." The matter is expected to come before the Commission for consideration in September, 2016.

Pipeline Safety Program

The Commission conducts natural gas pipeline safety inspections pursuant to a delegation of authority from the U.S. Department of Transportation's Pipeline and Hazardous Material Safety Administration (PHMSA), Office of Pipeline Safety. This inspection program is funded by a grant-in-aid program. The program safeguards life and property and ensures that Wyoming natural gas utility customers have continuing access to safe, adequate and reliable service.

In FY2016 the Facility Engineering Section conducted 179 days of gas utility and natural gas pipeline operator inspection activity, or 102%, of the 176 inspection day PHMSA requirement. Extensive mandatory training was also obtained by Facility Engineering staff during the reporting period.

Electric Utility Inspection Program

In FY2016, the Facility Engineering Section conducted 70.5 days of electrical utility inspections, or 101%, of the 70-day inspection goal.

Pursuant to W.S. § 37-2-131 the WPSC has safety jurisdiction over certain transmission lines associated with wind generation facilities in Wyoming. During FY2016, these facilities were included in the electrical inspection cycle, with inspections performed at two of twenty wind generation facilities. Wind generation facilities subject to Commission safety jurisdiction will be placed in a five-year rotation after initial inspections.

Underground Facilities Damage Prevention

The WPSC sponsored radio public service announcements during September, 2015, and June, 2016, to raise public awareness of Wyoming's underground facilities damage prevention laws and the requirement to call One-Call of Wyoming two business day prior to excavation. In FY 2016, PSAs were aired over 16,000 times by approximately 70 radio stations throughout the state. The PSAs are funded by a PHMSA grant and aired through a contract with the Wyoming Association of Broadcasters that provides discounted rates and logistical support. Incidents involving damage to natural gas facilities have fallen from 5.73 per 1000 excavation locates (298 total) to 4.04 incidents per 1000 in 2015. (257 total)

Utility Customer Outreach

During FY2016, the WPSC complaint staff processed 232 complaints and 19 requests for information. 83% of these matters were resolved within 30 days, and 97% were resolved within 60 days. At the end of FY2016, all but 10 of these matters had been resolved. Complaints concerning telephone service accounted for 41% of the total, electric service 31%, gas service 26%, and water service 2%. 174 of 251, or 69%, of complaints pertaining to matters within the WPSC's jurisdiction were categorized as service, billing, and disconnection issues. The WPSC complaints resolution process produced approximately $16,500 in customer credits and refunds during FY2016.

Participation in Organizations and Forums Addressing Issues Affecting Wyoming Utility Consumers

The Commission 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 annual meetings and three Commissioners attended the Western Conference of Public Service Commissioners annual meeting in Lake Tahoe, Nevada. Staff members serve on several NARUC subcommittees. One staff engineer served 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 (WUSF)

In FY2016, the WUSF distributed approximately $2.505 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 the $30 imputed price benchmark for such service. The WUSF assessment rate, which generates funds used to provide support, was set at 1.2% on all retail intrastate telecommunications service revenues. Eight carriers providing 15,266 essential service lines elected to receive WUSF support on behalf of their eligible customers.

WUSF Statutory Audit

An audit of the WUSF was performed by McBride, Lock & Associates, LLC of Kansas City, MO for fiscal years 2012, 2013, and 2014. The audit began on January 24, 2014, and was completed on August 27, 2015. The audit verified that the WUSF Manager prudently and accurately performed in accordance with Wyoming Statutes, Wyoming Public Service Commission Rules, Orders and WUSF administrative guidelines in calculating the weighted statewide average and benchmark for fiscal years 2012, 2013, and 2014. The audit also verified that the methodology and data inputs used to calculate the WUSF average and benchmark were appropriate and that the methodology and remittances to the WUSF and other taxing authorities were also appropriate. Additionally, a review of the electronic accounting entries and reconciliations confirmed accuracy and consistency. The audit recommended to clear the outstanding accounts receivable and payable accounts on the Fund's books. This was completed by the current fund manager and resulted in the collection of approximately $5,000 in outstanding debt. The auditor's other relatively minor recommendations were implemented by the Fund Manager soon after they were received.

Qwest Corporation d/b/a CenturyLink QC Commission Investigation: Wheatland Exchange Zones 2 and 3

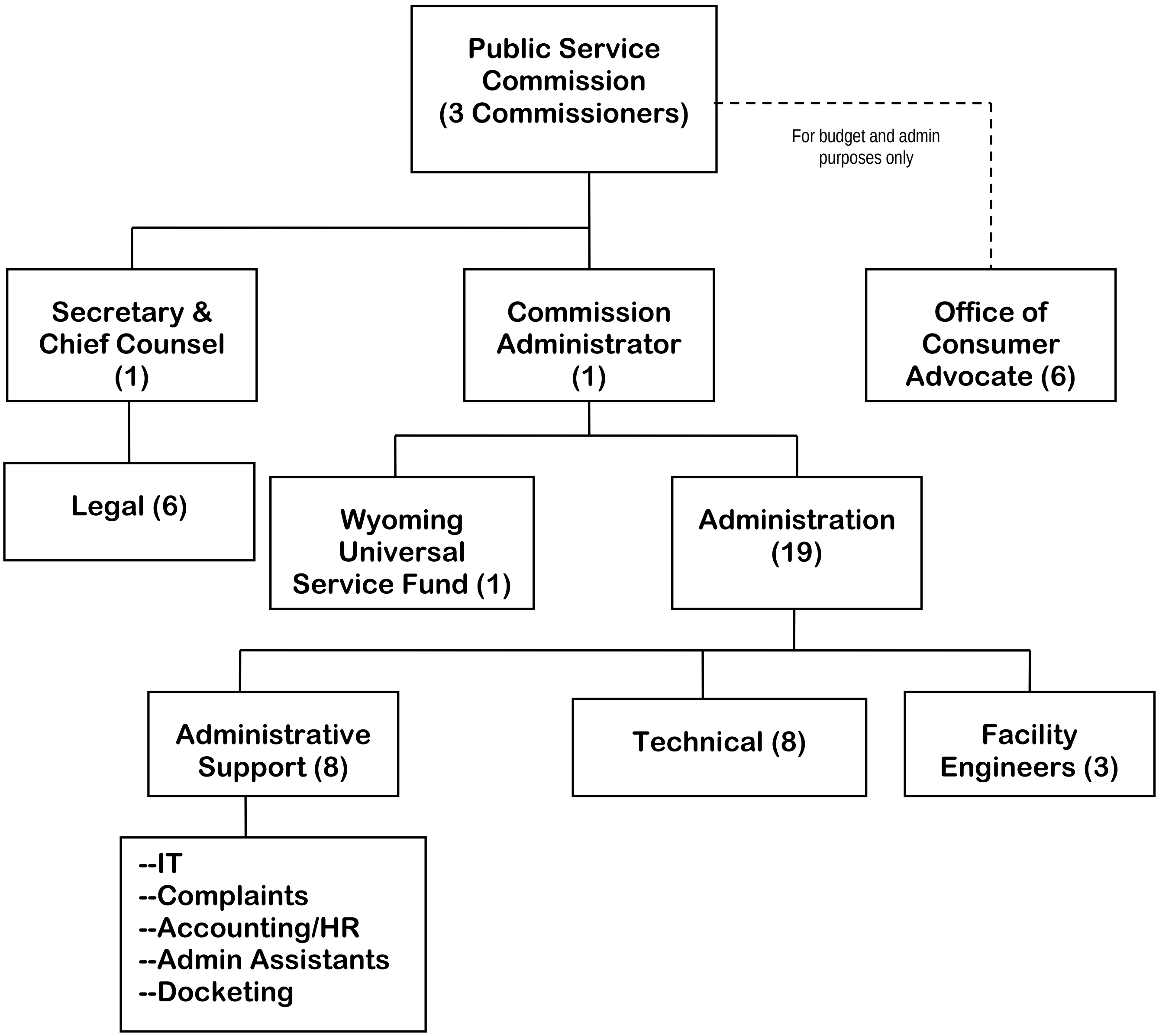
On January 20, 2015, by the Commission's own motion, opened an investigation of quality and reliability of telecommunications service provided by CenturyLink QC in zones 2 and 3 (rural areas) of the Wheatland exchange. A public hearing was held at the Tom Thorne and Beth Williams Wildlife Research Center in Sybille Canyon on July 7, 2016. This investigation is ongoing.

Connect America Fund II (CAF II) Training

On November 30, 2015, Robert Loube, of Rolka Loube Saltzer Associates, LLC, provided Commissioners and the telecommunications staff a presentation on the Federal Communications Commission's Connect America Fund II. The presentation provided an update of the current state of broadband service quality and availability as compared to the rest of the country, an overview of the Connect America Fund II plan and how it may affect Wyoming as it is implemented. Mr. Loube explained the competitive bidding process would proceed and offered a suggestion on how incumbent telecommunication companies might cooperate for the betterment of service to Wyoming citizens. Lastly, Mr. Loube demonstrated how models related to the implementation of the fund operate.

Hearing Room Enhancements

The ongoing update of the Commission's hearing room progressed in FY 2016, with a focus on increasing the Commission's ability to use and display electronic documents and exhibits on site and to remote participants during public meetings and contested case proceedings. The WPSC visited the Colorado Public Service Commission's hearing room for a demonstration of a coordinated electronic documents filing and display system, and conducted research necessary for the anticipated issuance of a request for proposals for the procurement and installation of related equipment. The enhancements are intended to facilitate the use of tablets and "all-in-one" devices by Commissioners and staff, and to incorporate smart electronic displays for concurrent display of exhibits in the hearing room and to remote participants. This improvement will enhance citizen access to public meetings and hearings and the ability of public utilities and other parties to participate effectively from remote locations and is expected to improve efficiency, increase opportunities to effectively participate in Commission proceedings from remote locations, reduce utility expenses, and ultimately benefit utility customers by increasing transparency and reducing the overall cost of Commission proceedings.


Public Service Commission (3 Commissioners)
For budget and admin purposes only
Secretary & Chief Counsel (1)
Commission Administrator (1)
Office of Consumer Advocate (6)
Legal (6)
Wyoming Universal Service Fund (1)
Administration (19)
Administrative Support (8)
Technical (8)
Facility Engineers (3)
--IT
--Complaints
--Accounting/HR
--Admin Assistants
--Docketing

August 2015

Wyoming Office of Consumer Advocate

Agency Information:

Administrator:
Bryce Freeman

Contact Person:
Bryce Freeman, Administrator
2515 Warren Ave., Suite 304
Cheyenne, WY 82002
(307)777-5742

Website:
http://psc.state.wy.us/oca/oca.htm

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 FY16: (Please use whole dollar amounts.)

The OCA had a 2015-2016 Biennium Budget of $1,956,155. 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 2016 the OCA expended $849,501 or 43.4% of its authorized 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 FY2016:

During fiscal year 2016 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 FY16.

- **Rocky Mountain Power General Rate Case:** On October 26, 2015, the WPSC convened a public hearing to consider a request by RMP to increase its annual revenues by approximately $32.4 million or 4.5%. RMP subsequently revised its filing to reflect a reduced request of approximately $26.9 million based on updated information and forecasts for load growth, fuel prices and purchased power costs, among others. Wyoming Industrial Energy Consumers (WIEC) and the Northern Laramie Range Alliance (NLRA) were also interveners in the proceeding. In its direct and cross-answer testimony the OCA advocated for a total annual revenue increase of $13.4 million. In its final order in this matter, after a fully contested proceeding, the WPSC approved an annual revenue increase of approximately $16 million or 2.3%. 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 that the Commission deny RMP any increase in revenues as a result of this application. 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.

- **Rocky Mountain Power QF/PURPA Case:** In August of 2015, RMP filed an application for Commission approval seeking, among other things, to reduce the standard contract term contained in Schedules 37 and 38 of its Wyoming tariff, Avoided Cost, from a maximum term of 20 years to a maximum term of 3 years. RMP argued in its application that the current 20 year term encourages developers to develop an unsustainable amount of independent generation capacity in Wyoming and exposes RMP's Wyoming customers to unacceptable long term market price risk. While the Commission has the authority under the federal Public Utilities Regulatory Policies Act (PURPA) to set avoided cost rates for utilities within its jurisdiction, it must do so according to the guidelines contained in PURPA. PURPA requires that utilities purchase the output of qualifying independent generation resources at a price equal to the price that the utility would pay to generate the same amount of power from utility owned resources or that it would pay to acquire the power from another source. In addition to the OCA, WIEC, NLRA, Chevron U.S.A., Inc., Renewable Energy Coalition, Rocky Mountain Coalition for Renewable Energy and EverPower Wind Holdings intervened in this proceeding. While the OCA ultimately recommended that the Commission deny RMP's proposed changes to its Avoided Cost tariffs, it also found some merit in RMP's arguments and concluded that RMP had failed to carry its burden of proof in the main. Instead of an outright rejection of the application, the OCA called for the Company, as well as interested parties and stakeholders to convene a collaborative dialog to discuss the magnitude of the QF problem, its impact on RMP's Wyoming customers, and potential revisions to RMP's Avoided Cost schedule that would be satisfactory to all parties. In its decision the Commission denied RMP's request but directed the Company to convene the collaborative proposed by the OCA.

- **Cheyenne Light, Fuel & Power (CLF&P), Power Cost Adjustment (PCA) case:** On October 31, 2015, CLF&P filed an application to adjust its base power cost rate used to quantify the amount of net power costs CLF&P is allowed to "pass through" to customers through its PCA. Adjustment of the base power cost rate was necessitated by an undiscovered error in the calculation of that rate in CLF&P's 2014 general rate case. Failing to correct the error would result in CLF&P under-recovering its net power costs by approximately $6.0 million per year. The OCA did not oppose correction of the error finding that it was simply an oversight in preparing the calculations and tariffs in the rate case. However, interveners Dyno Nobel, Inc. and Holy Frontier did oppose correction of the error in the PCA application, arguing that such a correction could only be accomplished within the context of a general rate case. The interveners recommended that the Commission direct CLF&P to file another rate case if it wished to correct the error. Although the intricacies of the calculations were complex and the procedural process unusual, ultimately Dyno, Holy Frontier and CLF&P came to an agreement to resolve their dispute, which did provide some benefits to all customers. But, because the agreement provided unjustified additional benefits to Dyno and Holy Frontier, in our view, the OCA declined to sign the agreement and elected instead to provide testimony not objecting to its adoption by the Commission.

- **Black Hills (BH) Cost of Service Gas Hedge Program:** On September 30, 2015, CLF&P, Black Hills Power and Black Hills Northwest Wyoming Gas Utility Company, LLC, filed an application for approval of a Cost-of-Service-Gas (COSG) program. All three jurisdictional Wyoming utilities are subsidiaries of Black Hills Corporation. Under the program BH, through two additional unregulated subsidiaries, Black Hills Utility Holdings Company (BHUH) and Cost of Service Gas Company (COSGCO) would acquire gas reserves sufficient to provide 50% of the firm gas requirements for all of BH's electric and gas customers in Wyoming, South Dakota, Nebraska, Iowa, Kansas and Colorado. Identical applications were filed in the other states contemporaneously with the Wyoming application. After considerable review and analysis, the OCA determined that the COSG program was not in the best interests of BH's Wyoming ratepayers or the public interest. Our conclusion was based on a complete failure to quantify any benefits that would accrue to customers under the program as well as the fact that BH's shareholders appeared to benefit disproportionately regardless of whether or not the program was successful in providing benefits to customers. Shortly after BH filed its application in Colorado, the Colorado Commission dismissed the case as incomplete. In July the Nebraska Public Service Commission issued its order rejecting the application, without prejudice. Then, on July 26, 2016, BH filed its motion to withdraw its Wyoming application and to shorten procedural schedule which was approved at a Commission open meeting held on July 28, 2016. BH also moved to withdraw its pending applications in the remaining states in which it was originally filed.

- **Cheyenne Light, Fuel & Power (CLF&P) Large Power Contract Service Tariff:** On October 1, 2015, CLF&P filed its application for approval of a new Large Power Contract Service (LPCS) tariff. In its application CLF&P proposed a new tariff for large new loads coming onto the CLF&P system such that new large loads coming onto the system will not impose additional risks on CLF&P's existing customer base. Although the tariff is applicable to all new large loads in excess of 13 MWs, it was specifically developed to accommodate the load growth of Microsoft at its data center complex west of Cheyenne. Microsoft anticipates that its data center load will grow substantially over time but is unable to predict the timing and full extent of that load growth. In order for CLF&P to serve this new load under existing tariffs it would need to build or purchase substantial additional amounts of new electric generation capacity. If Microsoft's load growth (or any other large new load) is delayed or simply does not materialize as planned, the additional generation capacity would then be stranded and the responsibility for recovering the cost of that new generation would fall to CLF&P's remaining customers causing rates to increase. Instead, CLF&P proposes to provide customers who qualify for the LPCS tariff all of their energy requirements on a pass-through basis, while the customer would be responsible for providing on-site generation to satisfy their capacity needs, plus a required reserve margin of 15%. This on-site generation will also help provide the 99.999% reliability required by Microsoft. This arrangement eliminates the risk that stranded investments in generation capacity will be borne by CLF&P's existing customers. After a full review and analysis of the application, the OCA recommended that the Commission approve the proposed tariff without modification. Dyno Nobel, Inc. and Holy Frontier, both interveners in the proceeding, recommended that the proposed tariff be rejected arguing that the proposal did not benefit them and that it would cause CLF&P to earn more than its authorized rate of return. After a contested hearing the Commission determined the arguments advanced by Dyno and Frontier were without merit and that the proposed tariff is in the public interest and should be approved. The Commission approved the proposed tariff with minor revisions and clarifications, as recommended by Dyno and Holy Frontier.

- **Black Hills Acquisition of Source Gas:** On August 10, 2015, Black Hills Utility Holding (BHUH) Company filed an application for approval of its acquisition of Source Gas Holdings, of which Source Gas Distribution (SGD) is a regulated gas distribution subsidiary in Wyoming. BHUH and its subsidiaries operate jurisdictional gas and electric systems in and around Cheyenne, New Castle and Cody. SGD operates gas distribution systems in and around Casper, Laramie, Torrington and Gillette. As required by statute, the OCA reviewed the application to ensure that SGD's acquisition by BHUH would not adversely impact the ability of Black Hills and its subsidiaries to continue providing safe, adequate and reliable service to the customers of SGD or its own customers. Pursuant to this review the OCA recommended that the Commission not approve the acquisition without strict enforcement of certain conditions recommended by the OCA. Specifically, the acquisition included a premium over book value of approximately $950 million. The OCA sought to ensure that this acquisition premium would not be recovered from customers in future rates. Additionally, the OCA was concerned that BHUH intended to finance the acquisition with a large amount of debt that could potentially impact the cost of and access to capital for Black Hills in the future. Finally, the OCA expressed concern regarding the lack of any quantified benefits to customers or of any meaningful customer protections. Following the filing of its direct testimony the OCA engaged in discussions with the Company and ultimately reached an agreement that resolved all of the OCA's contested issues and concerns. In, particular, pursuant to the agreement, Black Hills agreed not to seek recovery of the acquisition premium. Black Hills further agreed to certain ring fencing provisions and credit support provisions designed to ensure that retail gas customers would not be harmed by the operations of Black Hills' unregulated subsidiaries and that if Black Hills' credit standing declined as a result of the transaction, retail utility customers would be held harmless. Wyoming Community Gas and Constellation New Energy Services, both interveners in the proceeding, reached their own agreements with Black Hills primarily related to the continued operation of SGD's Wyoming Choice Gas Program. The OCA did not oppose either of those agreements.

Organizational Chart: