Wyoming Public Service Commission
Fiscal Year 2017 Annual Report
August 30, 2017

General Information:

Commissioners:
Chairman William F. Russell
Deputy Chair Kara Brighton Fornstrom
Commissioner Robin Sessions Cooley

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 Wyoming Public Service Commission (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 FY2017:

Budget Appropriation for FY2017	Administration:	$4,025,677
	Office of Consumer Advocate:	$1,019,389
	Wyoming Universal Service Fund:	$3,346,426
	Total:	$8,391,492
Expenditures for FY2017	Administration:	$3,792,667
	Office of Consumer Advocate:	$868,005
	Wyoming Universal Service Fund:	$2,380,750
	Total:	$7,041,422

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 and provide input on other utility issues, understand public utility regulation, and be informed of changes in legislation and regulatory policies.
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 FY2017:

Major Cases

The Commission processed general rate cases for Montana Dakota Utility Company and Powder River Energy Corporation in FY2017. Other significant cases included: Black Hills Energy, a Division of Cheyenne Light, Fuel and Power - Pipeline Safety and Integrity Mechanism; Cheyenne Light Fuel and Power Company d/b/a Black Hills Energy - Establishing a Large Power Contract Service Tariff; Cheyenne Light, Fuel and Power Company d/b/a Black Hills Energy - Power Cost Adjustment; Cheyenne Light, Fuel and Power Company, Black Hills Northwest Wyoming Gas Utility Company LLC, d/b/a Black Hills Energy and Black Hills Power, Inc. - Cost of Service Gas Hedge Agreement; Powder River Energy Corporation - Cost of Power Adjustment; Rocky Mountain Power - Adjustment of Category 2 and 3 Demand-Side Management Surcharge Rates; Rocky Mountain Power - Energy Cost Adjustment Mechanism; and Questar Gas Company - Merger with Dominion Resources, Inc.

The Commission processed 49 (an increase of four over FY 2016) natural gas, electric and water commodity cost change pass-on applications in FY2017, 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 five applications for certificate authority (a decrease of six from FY 2016), 134 tariff change applications (an increase of 68 over FY 2016), 47 contract filings (an increase of 27 over FY 2016), and 98 other cases (an increase of 13 over FY 2016). 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)

On February 9, 2016, the U.S. Supreme Court stayed the Clean Power Plan. During FY 2017, the WPSC continued to stay informed on published articles regarding the status of the proposed rule and legal case and the current Administration's direction pertaining to the Clean Power Plan.

Rules Reduction Initiative Utilities in Wyoming filed applications with the Commission during FY 2017 to revise tariffs to comply with the Commission Rules (Effective March 21, 2016) pursuant to the July 14, 2016, Commission 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. Since September 30, 2016, the PSC staff has worked with the utilities to ensure the tariffs and utility operations comply with Commission Rules. On June 1, 2017, the Commission clarified enforcement of its Rule Chapter 3, Sections 1(c)(v) and 2, shall be forborne until December 31, 2017, and that data collected in the first quarter of 2018 (January 1, 2018 through March 31, 2018) will be subject to enforcement of the 4% WOBBE variance set forth in Commission Rule Chapter 3, Sections 1(c)(v) and 2.

Rocky Mountain Power Multistate Protocol (MSP)

In February 2017, specially assigned Commission staff began working with staff of the Oregon, Washington, Utah, and Idaho Commissions and Rocky Mountain Power to negotiate an interjurisdictional cost allocation methodology. On March 31, 2017, the Commission extended the current 2017 Protocol through December 31, 2019, to allow states and stakeholders adequate time to negotiate a new allocation methodology. The PSC staff continues to attend monthly meetings with Rocky Mountain Power and the other state staffs and stakeholders to discuss possible solutions to the cost allocation methodology after 2019.

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. A grant-in-aid program funds a portion of this inspection 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 FY2017 the Facility Engineering Section conducted 232 days of gas utility and natural gas pipeline operator inspection activity, or 132%, of the 176 inspection day PHMSA requirement. This is only 95% of the 242 inspection days PHMSA will require for Calendar Year 2017. Extensive mandatory training was also obtained by Facility Engineering staff during the reporting period.

Electric Utility Inspection Program

In FY2017, the Facility Engineering Section conducted 70 days of electrical utility inspections, or 100%, 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 FY2017, 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 inspection rotation after initial inspections.

Underground Facilities Damage Prevention

The WPSC sponsored radio public service announcements during September 2016, and June 2017, 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 2017, 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 4.04 per 1000 excavation locates (257 total) to 3.49 incidents per 1000 in FY2017 (199 total).

On December 1, 2017, PHMSA conducted an audit of the State's Excavation Damage Prevention Program and in March 2017, the State was notified that the Program was deemed "Inadequate." As a result of this determination, PHMSA can at any time exert the authority granted to them in the 2011 Pipeline Safety Reauthorization Act to take over the enforcement of damage prevention on pipelines in Wyoming. If exercised, this will make operators who violate the damage prevention laws or cause accidents by failure to use safe digging techniques around pipelines subject to a federal penalty of $200,000 per day of violation up to a maximum of $2,000,000.

Since Receipt of the Inadequacy Determination, the Commission has met with the Attorney General's Office and One-Call Of Wyoming to develop new enforcement methods and proposed language for legislation to strengthen the capabilities of the appropriate agency to enforce the excavation damage prevention laws.

Utility Customer Outreach

During FY2017, the WPSC complaint staff processed 269 complaints and 15 requests for information. Of these matters, 83% were resolved within 30 days and 96% were resolved within 60 days. At the end of FY2017, all but 19 of these matters had been resolved. Complaints concerning telephone service accounted for 35% of the total, electric service 35%, gas service 27%, and water service 3%. Of the 269 total complaints, 174, or 69%, were categorized as service, billing, and disconnection issues. The WPSC complaints resolution process produced approximately $2,691.83 in customer credits and refunds during FY2017.

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 Subcommittee on Clean Coal and Carbon Management, 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), WIEB (Western Interstate Energy Board), and the Public Interest Advisory Committee for the

Gas Technology Institute. In addition, Commissioners have attended NARUC meetings and two Commissioners attended the Western Conference of Public Service Commissioners annual meeting in Anchorage, Alaska. Staff members serve on the NARUC subcommittees on Telecommunications, Law, Accounting and Finance, Energy Resources and the Environment, and State Universal Service Fund Administrators. 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 FY2017, the WUSF distributed approximately $2.287 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 1.3% on all retail intrastate telecommunications service revenues. Seven carriers providing 23,035 essential service lines elected to receive WUSF support on behalf of their eligible customers. The following graph shows the approximate annual WUSF support each county received during FY2017[1]. For those counties not receiving disbursements from the WUSF, it would be due to one or two reasons: 1) customer rates are already below the $30 imputed price benchmark; and/or 2) the amount of FUSF disbursements received by the local exchange company is adequate to bring customer rates below the $30 imputed price benchmark. In either case, the local exchange company would not be eligible to receive WUSF support.

[1] Commission Staff does not have enough information to calculate the exact disbursement amount by county. However, the above calculations are as accurate as possible, with the information Commission Staff has to work with. Carriers provide line counts and price rates by exchange on the WUSF Annual Reports. Commission Staff used this data to align the exchanges up with the counties where they are located. However, some exchanges span more than one county and without collecting the line count data down to the county level, Commission Staff allocated the line counts to the county where the actual central office is located.

Commission Quality of Service and Reliability Investigation of Qwest Corporation d/b/a CenturyLink QC
The Commission initiated Docket No. 90000-113-XI-10, an investigation into the quality, reliability and availability of Qwest Corporation's d/b/a CenturyLink QC (the Company) telecommunications service in its service areas in which old, inadequate, unserviceable, or obsolete equipment remains in service. In its Order Initiating Investigation issued On October 13, 2010, the Commission took judicial notice of the statewide quality of service investigation (Docket No. 90000-104-XI-08); the quality of service investigation in the Lander-Riverton area (Docket No. 90000-96-XI-07); the Karen King complaint (Docket No. 70000-1269-TC-06); the Kathi Cramer-Averill complaint (Docket No. 70023-TC-05-78); and General Order 73, a rulemaking case to implement telecommunications service quality standards. After conducting its extensive quality of service investigation, including several public hearings, the Commission issued its Memorandum Opinion, Findings and Order Closing Investigation on March 18, 2014. The Commission found that CenturyLink QC was not providing reasonably adequate service to all of its customers served by the Lusk Exchange, particularly those customers in Zones 2 and 3 of the Exchange, and directed the Company to immediately take technically feasible and economically reasonable action to improve the quality of the service, reliability, and availability of its telecommunications service. This remedial action included implementation of the Company's proposed Lusk Service Quality Improvement Plan (LSQIP), compliance filings, and status reports. Upon its own motion at its regular open meeting on February 28, 2017, the Commission reopened the record in Docket No. 90000-113-XI-10

January 27, 2015, the Commission issued its *Order Initiating Investigation* in Docket No. 90000-122-XI-15 to investigate the quality, reliability, and availability of CenturyLink QC's telecommunications service in Zones 2 and 3 of its Wheatland exchange pursuant to open meeting action taken on January 20, 2015. This investigation commenced as a result of a written formal Complaint and Request for Hearing filed by approximately 49 customers of CenturyLink QC residing in Zones 2 and 3 of the Wheatland exchange, specifically the Sybille Canyon area. This investigation remains open.

The Commission's investigation in Docket No. 900001-128-XI-16, commenced as a result of e-mail communication received from Joe Baron, Crook County Attorney, regarding the telephone service in Crook County. Mr. Baron provided copies of messages from Jeanne Whalen, Vice Chairwoman, Crook County Board of Commissioners, and other written descriptions of service quality and reliability problems with the telephone service in the Aladdin area and other rural portions of Crook County, Wyoming. On August 4, 2016, at its regular Open Meeting the Commission determined the information presented by Mr. Baron required an investigation of the quality, reliability, and availability of CenturyLink QC's essential telecommunications service in Zones 2 and 3 in rural areas in Crook County. On August 30, 2016, the Commission issued its Order Initiating Investigation of CenturyLink QC's telecommunications service in Zones 2 and 3 of the rural areas of Crook County, Wyoming. This investigation remains open.

The Commission has received, and continues to receive, numerous complaints from the public and CenturyLink QC's customers concerning the quality, reliability, and availability of CenturyLink QC's telecommunications service, principally in its service areas in which old, inadequate, unserviceable, or obsolete equipment remains in service.

At its February 28, 2017, regular Open Meeting, after discussion of continuing service quality and reliability issues and unresolved complaints, the general similarity of the service quality and reliability complaints and issues in the three exchanges, common obstacles to the resolution of those issues, and the potential benefits of consolidation, the Commission determined that consolidation of the three investigations (Docket No's. 90000-113-XI-10, 90000-112-XI-15 and 90000-128-XI-16) would provide for an efficient and comprehensive evaluation of the issues. The hearing for these dockets has been set for October 25, 2017.

Formal Complaint of Ron and Alyce Carter against Qwest Corporation, d/b/a CenturyLink QC
On September 21, 2016, Ron and Alyce Carter filed a formal complaint against Qwest Corporation d/b/a CenturyLink QC alleging unreliable and intermittent telephone service in Zone 3 of the Lusk, Wyoming Exchange. A hearing was held at the Commission on February 8, 2017, to hear the specific complaints from Ron and Alyce Carter and their surrounding neighbors. The Commission decided at that time to give the Company ninety days to make some improvements. On July 13, 2017, a second hearing was held at the Commission to hear about any improvements the Company had made. Ron and Alyce Carter indicated the service has not improved in the past ninety 90 days. Public deliberations were held on July 24, 2017. The Commission found that the Carter's telecommunication service is not adequate and ordered CenturyLink to credit the Carter's 50% of their telecom bills from date of application until the date an alternative backup service is in place. CenturyLink was further ordered to pay for the alternative backup

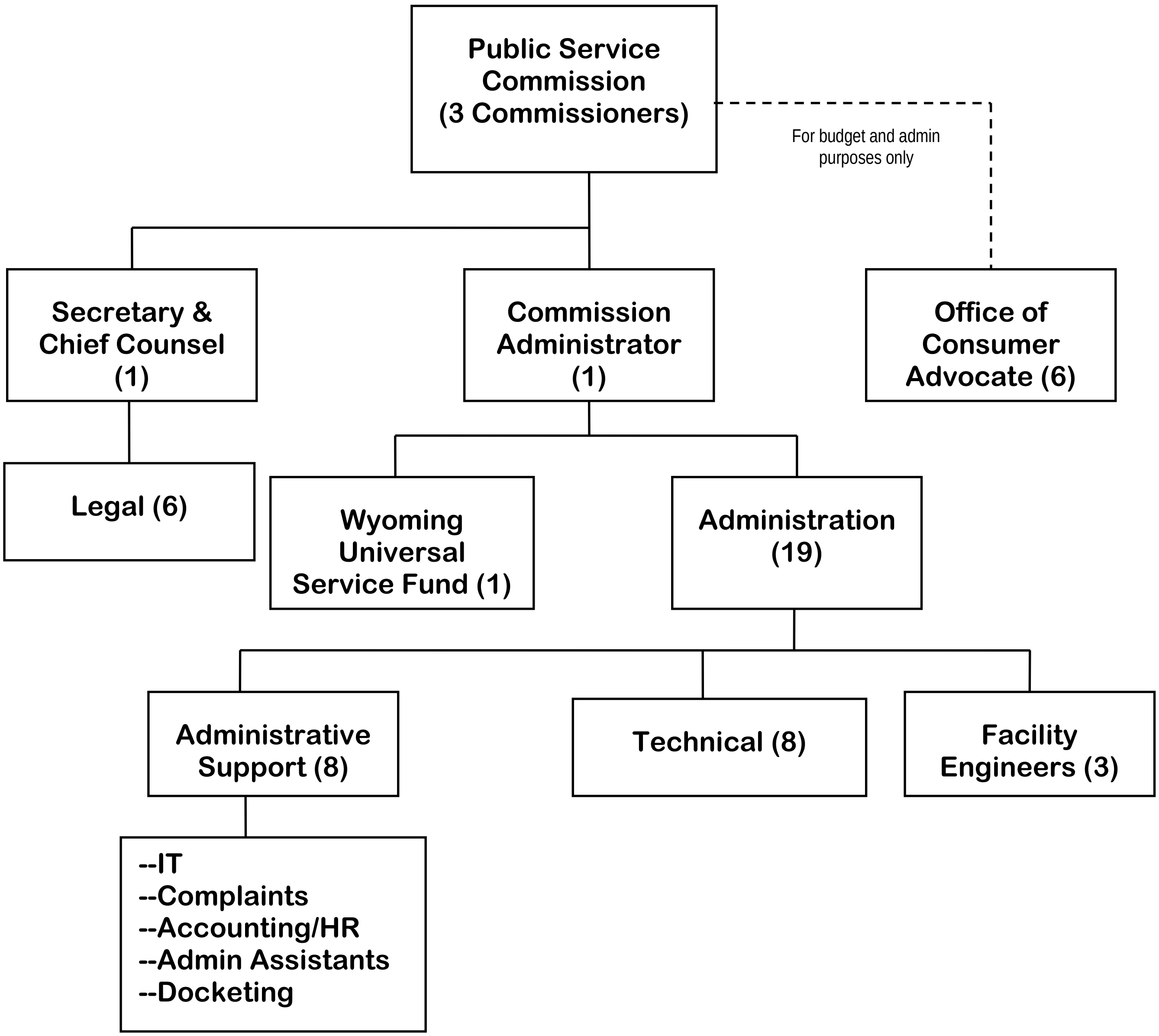
service and that the backup service needs to have a local telephone number, local 911 access and a battery backup. This docket will also become part of the above quality of service and reliability dockets.

Qwest Corporation d/b/a CenturyLink QC: Uncredited FUSF Balance

The Commission issued a Memorandum Opinion, Findings and Order on August 19, 2013, in Docket No. 70000-1424-TI-09, where the Commission found under a 1999 Price Plan, the Company agreed to reduce prices to consumers in high-cost areas by crediting their bills for federal universal service support the Company received. From the effective date of the Price Plan, October 1, 1999, through December 31, 2012, the Company received $6,991,995 more federal universal service revenue than was credited to customers. Part of the reason for this accumulation is the Company's approach to the calculation of distributions of federal universal service funds and Wyoming universal service funds. The Commission ordered the use of a different approach requiring distribution of the accumulated excess of undistributed credits back to its customers. Since issuance of this Memorandum Opinion, Findings and Order, the accumulated excess of undistributed credits has increased to a balance of $9,097,920 as of June 2017.

Hearing Room Enhancements

The update of the Commission's hearing room progressed in FY 2017. This project focuses on increasing the Commission's ability to use and display electronic documents and exhibits on site and to accommodate remote participants during public meetings and contested case proceedings. The WPSC issued of a request for proposals for the procurement and installation of audiovisual equipment. The ongoing project facilitates the use of tablets and "all-in-one" devices by Commissioners and staff, and incorporates smart electronic displays for concurrent display of exhibits in the hearing room and to remote participants. Two contracts have been issued for this project, one to install the electrical upgrades to the hearing room to accommodate the audiovisual equipment and the second to procure and install the equipment. This improvement enhances transparency and increases citizen access to public meetings and hearings. In addition, public utilities and other parties will be able to participate effectively from remote locations, which improves efficiency, while reducing 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: