**Wyoming Public Service Commission (WPSC)**
**Fiscal Year 2018 Annual Report**
**August 28, 2018**

## General Information:

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

**Agency Contact:**
Marci Norby, 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.

**Number of Employees:** 38 (31 in Administration, 6 in Office of Consumer Advocate, 1 in Universal Service Fund)

**Agency to Which the WPSC Reports:** Governor

**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 FY2018:**

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|---|---|---|
| Budget Appropriation for FY2018 | Administration: | $4,025,677 |
| | Office of Consumer Advocate: | $1,019,389 |
| | Wyoming Universal Service Fund: | $3,346,426 |
| | Total: | $8,391,492 |
| Expenditures for FY2018 | Administration: | $3,749,436 |
| | Office of Consumer Advocate: | $844,484 |
| | Wyoming Universal Service Fund: | $2,281,351 |
| | Total: | $6,875,271 |

**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 utility customers and other interested parties to participate in hearings and public meetings to provide input on utility issues, and to promote public understanding of public utility regulation and awareness of related Wyoming law and policy. |
| 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 FY2018:**

**Major Cases**

The Commission processed general rate cases for Frannie Deaver Utilities and Wyoming Gas Company, a division of Natural Gas Processing in FY2018. Other significant cases include: Black Hills Power, Inc. d/b/a Black Hills Energy – Energy Cost Adjustment; Cheyenne Light Fuel and Power Company d/b/a Black Hills Energy – Demand Side Management tariff updates; Cheyenne Light, Fuel and Power Company – Power Cost Adjustment; Pinedale Natural Gas, Inc. – Amended Certificate Public of Convenience and Necessity to Expand Certificated Area; Powder River Energy Corporation – Expedited Review of Security Deposit; Powder River Energy Corporation – Power Cost Adjustment; Powder River Energy Corporation – CPCN to Rebuild, Operate and Maintain a 69 kV High Voltage Distribution Power Line in Crook County, Wyoming; Powder River Energy Corporation – Small Power Production Tariff; Nordic Ranches Water, LLC – Certificate of Public Convenience and Necessity, Transfer of Assets and Reorganization; Questar Gas Company d/b/a Dominion Energy Wyoming – Approval of a Wexpro Company Acquisition; Red Butte Pipeline Company – Partial Reorganization by Merit Energy Operations I, LLC, et al. and SCM Red Butte, LLC; Rocky Mountain Power – Trireme Energy Development II, LLC, et al. Complaint regarding Avoided Cost Pricing for the Bowler Flats Wind Qualifying Facilities Power Purchase Agreements; Rocky Mountain Power – Complaint of David Wilson; Rocky Mountain Power – Bonus Tax Depreciation; Rocky Mountain Power – Energy Cost Adjustment Mechanism decrease; Rocky Mountain Power – Nontraditional Ratemaking for Wind Repowering; Rocky Mountain Power – Certificate of Public Convenience and Necessity and Nontraditional Ratemaking for Transmission & Wind; Wyoming Universal Service Fund – General Audit; Wyoming Universal Service Fund – Setting Annual Funding & Assessment; and Wyoming Gas Company, a division of Natural Gas Processing – Transfer of Utility Assets and Discontinuance of Service.

The Commission processed 41 (a decrease of eight over FY2017) natural gas, electric and water commodity cost change pass-on applications in FY2018, 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 11 applications for certificate authority (an increase of six from FY2017), 36 tariff change applications (a decrease of 98 over FY2017), 35 contract filings (a decrease of 12 over FY2017), and 126 other cases (an increase of 28 over FY2017). In total, the Commission processed 249 cases during FY2018. 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.

**Tax Cuts and Jobs Act of 2017 (TCJA)**

On December 28, 2017, the Commission opened a docket to study and determine the effects of the TCJA on rates charged by public utilities and telecommunication companies (collectively "the Companies") in Wyoming. On December 29, 2017, the Commission issued an *Order* requiring the Companies to account for financial benefits associated with the TCJA as deferred regulatory liabilities. On March 23, 2018, the Commission ordered the Companies to file assessments of the effects of the TCJA on the justness and reasonableness of their existing rates. Based on those assessments, the Commission is determining appropriate action the Companies should initiate to ensure the Companies' customers benefit from the savings realized by the Companies resulting from the TCJA.

**EPA Clean Power Plan – Clean Air Act §111(d)**
On February 9, 2016, the U.S. Supreme Court stayed the Clean Power Plan. On February 26, 2018, the WPSC, in collaboration with the Wyoming Department of Environmental Quality and the Governor's staff, submitted comments in Docket No. EPA-HQ-OAR-2017-0545, State Guidelines for Greenhouse Gas Emissions from Existing Electric Utility Generating Units, Advance Notice of Proposed Rulemaking. The EPA published its proposed rulemaking on August 21, 2018.

**Rocky Mountain Power Multistate Protocol**
In February 2017, specially assigned Commission staff began working with staff of the Oregon, Washington, Utah, and Idaho commissions, Rocky Mountain Power and other stakeholders 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 WPSC staff continues to attend meetings with Rocky Mountain Power, other state commission staff members and stakeholders to discuss and revise 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 FY2018, the Facility Engineering Section conducted 240 days of gas utility and natural gas pipeline operator inspection activity. In Calendar Year 2017, the Facility Engineering Section conducted 251.5 days of pipeline safety inspections were conducted or 104% of the 242 inspection days required by PHMSA. Extensive mandatory training was also obtained by Facility Engineering staff during the reporting period.

**Electric Utility Inspection Program**
Pursuant to W.S. § 37-2-131, the WPSC has safety jurisdiction over certain transmission lines associated with wind generation facilities in Wyoming. During FY2018, these facilities were included in the electrical inspection cycle, with inspections performed at one of the twenty wind generation facilities. Wind generation facilities subject to Commission safety jurisdiction will be placed in a five-year inspection rotation after initial inspections. In FY2018, the Facility Engineering Section conducted 73 days of electrical utility inspections, or 104%, of the 70-day inspection goal.

**Underground Facilities Damage Prevention**
The WPSC sponsored radio public service announcements during September 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 FY2018, PSAs were aired over 6,700 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 3.49 per 1000 excavation locates (199 total) to 3.42 incidents per 1000 in FY2017 (192 total).

On December 7, 2017, PHMSA conducted an audit of the State's Excavation Damage Prevention Program and in February 2018, 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 is working with stakeholders on proposed language for legislation to strengthen the capabilities of the appropriate agency to enforce the excavation damage prevention laws. In Fiscal Year 2018, the Attorney General's Office, in collaboration with the WPSC, sought civil penalties against four excavators for violating Wyoming's One-Call laws.

**Utility Customer Outreach**

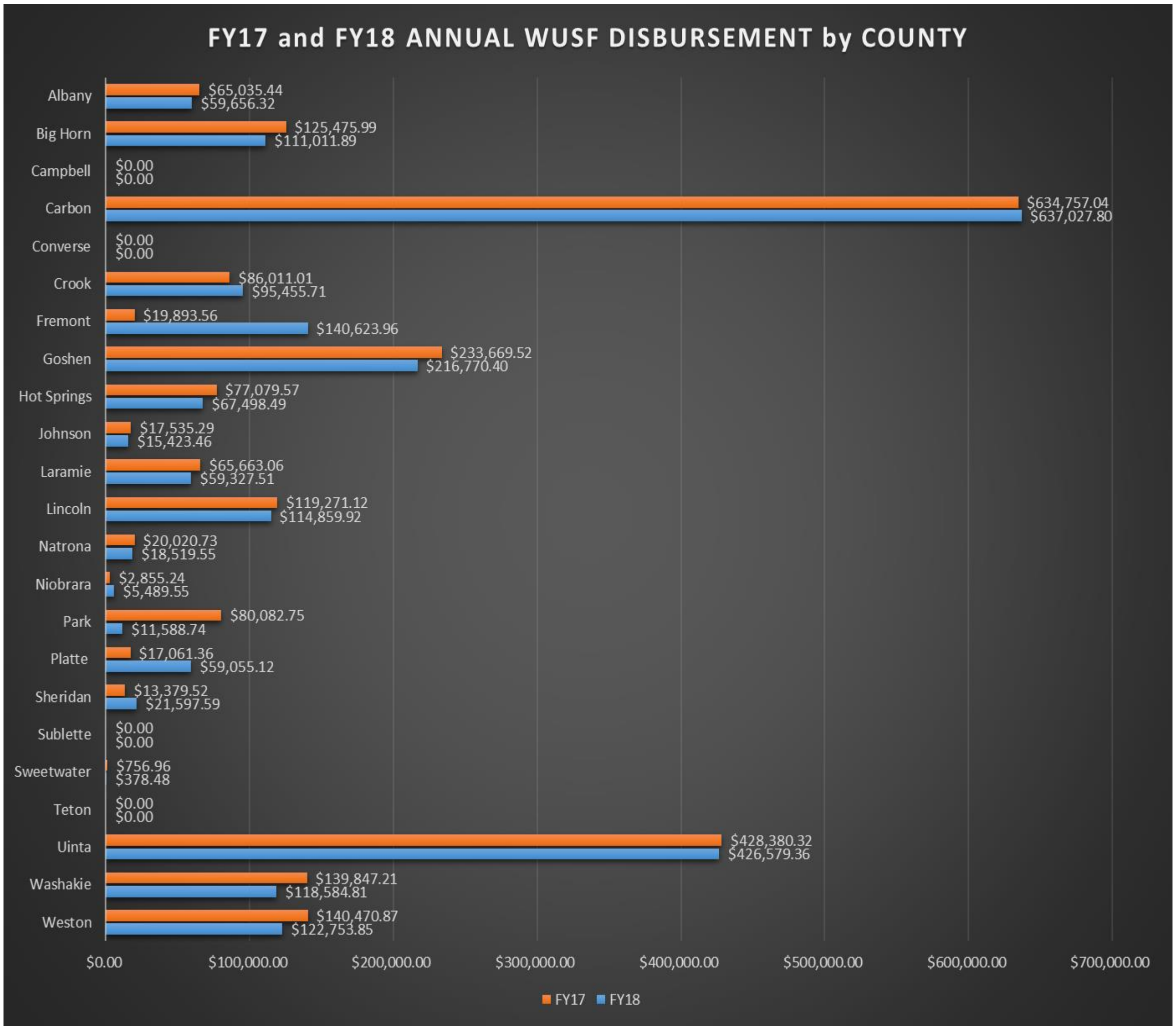
During FY2018, the WPSC complaint staff processed 293 complaints and 30 requests for information. Of these matters, 82% were resolved within 30 days and 91% were resolved within 60 days. At the end of FY2018, all but 13 of these matters had been resolved. Complaints concerning telephone service accounted for 47% of the total, electric service 24%, gas service 14%, and water service 15%. Of the 323 total complaints, 219, or 68%, were categorized as service, billing, rates, and CenturyLink de-regulation comments. The WPSC complaints resolution process produced approximately $21,939.09 in customer credits and refunds during FY2018.

**Participation in Organizations and Forums Addressing Issues Affecting Wyoming Utility Customers**
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, the Wyoming representative to Western Electricity Coordinating Council (WECC) and the WECC Member Advisory Committee. 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. Commissioners attended NARUC meetings and two Commissioners attended the Western Conference of Public Service Commissioners annual meeting in Boise, Idaho. Staff members serve on the NARUC subcommittees on Telecommunications, Law, Accounting and Finance, Energy Resources and the Environment, Water, Clean Coal and Carbon Management, Gas, Electric, Rate Design, and State Universal Service Fund Administrators. The Administrator serves on the NARUC Executive Management subcommittee. One staff engineer served on the WECC Council Standards Committee. The WPSC's Facility 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.

**Commission Telecommunications Regulatory Activity**
The Commission processed 91 telecommunications cases in FY2018, compared to 144 in FY2017. This activity included tariff and price list filings, interconnection agreements, and authority/certificates of public convenience and necessity, federal universal service eligible telecommunications carrier designations and certifications, and intrastate rate rebalancing. The Commission administered the Wyoming Universal Service Fund, and attended to other matters including federal reform of universal service (Connect America Fund), sale and transfer of companies, service quality investigations, wireless, cable and VoIP issues, industry inquiries, surveys, customer inquiries, and customer complaints.

**Eligible Telecommunications Carriers (ETCs)**
On September 27, 2017, the Commission filed its annual certifications of seventeen rural, non-rural, and competitive ETCs with the FCC and USAC. The Commission's review of each carrier's application for certification ensures that federal universal service support is used for the purposes intended. Annual certification is a federal requirement for the continued receipt of FUSF support by Wyoming's designated ETCs.

**Wyoming Universal Service Fund (WUSF)**
In FY2018, the WUSF distributed approximately $2.302 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 1.4% on all retail intrastate telecommunications service revenues. Seven carriers providing 22,185 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 FY2018.




**Triennial Audit of the Wyoming Universal Service Fund**

As required by Commission Rule, Chapter 5, Section 2(b), the WUSF was audited by an outside independent Certified Public Accountant, Samson T.A. and Associates, PLLC, of Washington D.C. This was a financial and compliance audit conducted in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants. The audit began August 2017 and was concluded in December 2017. Fiscal Years ending 2015 and 2016 were audited for review of financial records for accuracy and consistency. The WUSF audit produced a favorable outcome with no findings, and stated: "The Public Service Commission of Wyoming is performing the management responsibilities in accordance with Wyoming Statues, Wyoming Public Service Commission Rules, Orders, and Administrative Guidelines in calculating the weighted statewide average and $30 imputed price benchmark for fiscal years 2014-2015 and 2015-2016:

- The WUSF financial records are accurate and consistent, and accounting controls are adequate;
- The methodology, data and inputs used and the formula for calculating WUSF annual assessment rate are accurate, appropriate, and applied uniformly for telecommunications companies; and
- The methodology used by companies for gross intrastate retrial revenue are assessed consistently and remittances of WUSF assessment payments and other taxing authorities are appropriate."

A public copy of the WUSF Audit Report can be found on the Commissions website: http://psc.state.wy.us/pscdocs/wusf-mgr-rpt.html.

**Commission Quality of Service and Reliability Investigation of Qwest Corporation d/b/a CenturyLink QC**

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 three exchanges, common obstacles to the resolution of those issues, and the potential benefits of consolidation, the

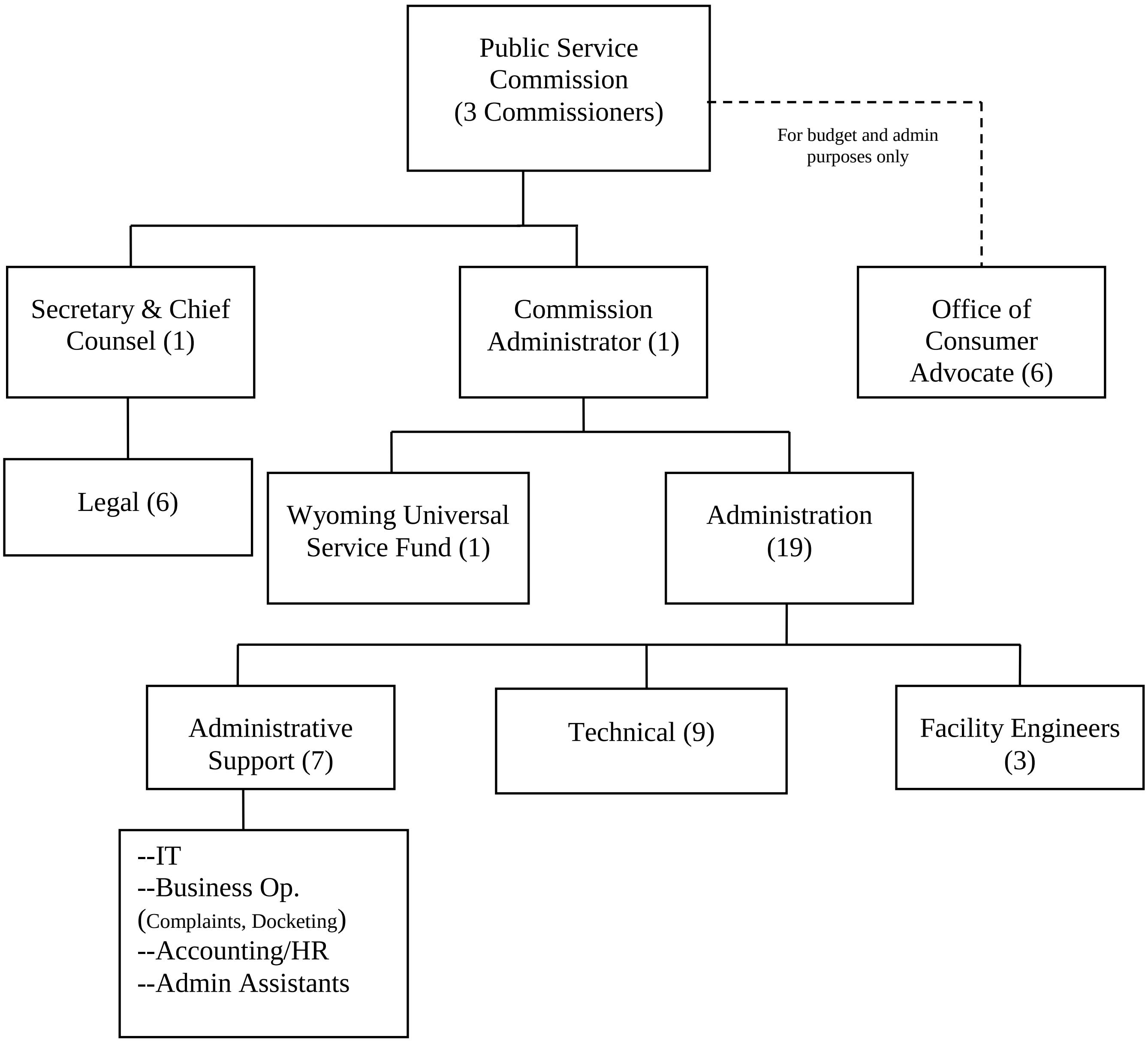
Commission consolidated three open investigations (Docket No's. 90000-113-XI-10, 90000-122-XI-15 and 90000-128-XI-16)[1] to provide for an efficient and comprehensive evaluation and disposition of the issues. The hearing for these dockets took place from October 25-26, 2017. On December 28, 2017, before deliberations took place, the Office of Consumer Advocate and CenturyLink filed a Joint Motion to suspend the procedural schedule to allow the parties to engage in settlement negotiations. The matter was stayed and settlement negotiations are ongoing.

**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 February 8, 2017, to hear the specific complaints from Ron and Alyce Carter and their neighbors. The Commission allowed the Company ninety days to make improvements. On July 13, 2017, a second hearing was held to receive information about any improvements the Company had made. Public deliberations were held on July 24, 2017, the Commission finding that the Carter's telecommunication service remained inadequate. CenturyLink was ordered to credit the Carter 50% of their bills for essential telecommunication service from date of complaint until an alternative service is in place. CenturyLink was further ordered to pay for the alternative backup service with a local (307 area code) telephone number, local 911 access and battery backup. .

**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 customers 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 $10,408,738 as of June 30, 2018.

**Hearing Room Enhancements**
The implementation of the Commission's hearing room enhancement project continued in FY2018. 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. Electrical upgrades were completed for the Hearing Room and audiovisual equipment was installed. The ongoing project facilitates the use of "all-in-one" and laptops devices by Commissioners and staff, and incorporates smart electronic displays for concurrent display of exhibits during a hearing or open meeting. Open Meetings were initially tested with the new installation. After weeks of testing, the PSC incorporated the technology in Public Hearings. Scheduling Orders were issues that include instructions for utility companies and intervenors to provide the proper electronic documents that are utilized with the new technology. This improvement enhances transparency and increases citizen participation by allowing access to public meetings and hearings. In addition, public utilities and other parties continue to participate effectively from remote locations, which improves efficiency, while reducing utility expenses. Ultimately utility customers benefit by increased transparency and reduction of the overall cost of Commission proceedings.

[1] These dockets are the most recent in a series of similar Qwest/CenturyLink QC service quality related proceedings ongoing in various forms since 2005. These investigations were focused on service quality and reliability issues in the counties of Niobrara, Platte, and Crook.


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 (7)
Technical (9)
Facility Engineers (3)
--IT
--Business Op. (Complaints, Docketing)
--Accounting/HR
--Admin Assistants

August 2018

**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 as a party of right in proceedings before the Wyoming Public Service Commission (WPSC) representing the public interest, enter into agreements with utilities and other parties, and appeal decisions of the WPSC, if necessary.

**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 FY2018:**

The OCA had a 2017-2018 Biennium Budget of $2,038,778. 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 FY2018 the OCA expended $844,484 or 41.4% of its authorized biennium budget. For the biennium, the OCA expended approximately 84% of its authorized budget. Unencumbered funds serve to reduce the utility gross receipts tax in the subsequent biennium.

**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 and telecommunications 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 FY2018:**

During FY2018, 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 FY2018.

- **Rocky Mountain Power (RMP) New Wind and Transmission CPCN:** In April 2017 RMP filed its most recent Integrated Resource Plan (2017 IRP). The IRP is a comprehensive analysis of the system loads and resources that RMP expects over the next 20 years, as well as a plan to acquire the least cost, least risk resources to meet those resource needs. The 2017 IRP called for, among other things, the acquisition of at least 860 megawatts (MWs) of new utility scale wind in Wyoming, and the construction of approximately 140 miles of new 500 kilovolt (kV) transmission line in south central Wyoming. Subsequently, on June 30, 2017, RMP filed its application for approval of a Certificate of Public Convenience and Necessity (CPCN) to acquire 860 MWs of new Wyoming wind and to construct the Aeolus substation, the Aeolus to Bridger 500 kV transmission line, the Anticline substation, and to make significant improvements and upgrades to its existing eastern Wyoming 230 kV transmission system. The wind projects, pursuant to statutory requirements in Utah and Oregon, were subject to a competitive bidding process. The first round of competitive bidding produced 1,150 MWs of cost-effective Wyoming wind resources and RMP revised its application accordingly. However, after a more complete analysis, RMP concluded that one of the projects initially selected was ineligible due to certain factors associated with its existing process for selecting Qualifying Facilities (QF) under the federal Public Utilities Regulatory Policies Act (PURPA). Working with QF providers RMP ultimately selected another project bringing the grand total of new wind to 1,366 MWs. RMP also proposed a non-traditional method of cost recovery for the new wind, called the Resource Tracking Mechanism (RTM) under W.S. 37-2-121. RMP estimated that the cost of the combined wind and transmission projects would be slightly more than $2 billion and that the combined projects would be cost effective for customers over the long term if RMP completes the projects by December 31, 2020 in order to qualify for Production Tax Credits (PTCs) available under the federal internal revenue code. RMP averred that customers would also benefit from increased system reliability, decreased system losses, and more efficient reserve sharing on a regional basis. After five rounds of discovery, several in-person meetings with company experts, and numerous telephonic meetings, the OCA concluded that, while the combined projects would ostensibly provide benefits to customers, the risk associated with obtaining the PTCs would be borne almost entirely by ratepayers and failure to obtain the PTCs would render the combined projects non-cost-effective for ratepayers. Consequently, in its initial testimony in this docket the OCA recommended that the Commission reject the application, or in the alternative, assign a more proportionate share of the risk of the combined projects to RMP's shareholders. After several rounds of negotiations among RMP and the parties to the proceeding, RMP committed that it would assume nearly all of the risk associated with completing the projects by December 31, 2020. RMP further committed that it would assume construction cost risk by capping construction costs at a predetermined amount. RMP also committed that it would not seek alternative cost recovery through the RTM. Having already determined that the combined projects will provide benefits to customers and are otherwise cost effective, and in recognition of RMP's agreement to assume its proportional share of the risk, the OCA signed the agreement with the Company and the other parties. At the conclusion of the hearing, the WPSC deliberated the case and approved the agreement entered into by the parties.

- **RMP Wind Repowering:** In addition to the new wind and transmission, investments proposed by RMP, as discussed above, pursuant to its Energy Vision 2020 (EV 2020), on June 30, 2017 RMP filed an application for approval of a CPCN to repower most of its existing wind generation, both inside as well as outside of Wyoming. As with the new Wyoming wind, the repowering proposal is based on the economics associated with federal PTCs. Many of RMP's existing wind projects were constructed or acquired within the last ten years. Federal tax law allows that PTCs on qualifying wind projects will expire after the first ten years of operation of those plants, which in turn causes the cost of generation from those plants to increase. Repowering those projects allows them to qualify for an additional ten years of PTC tax treatment so long as at least 50% of the equipment used is new investment. Similar to the new wind generation, RMP also proposed a special rate mechanism, the RTM, to recover the costs of the repowered wind projects until base rates are reset in a future general rate case. RMP indicated that no new transmission investment would be required to accommodate the repowering. In addition to the PTCs available to the repowered wind projects, RMP averred that technology has progressed since the projects were originally built such that newer turbines, blades and power controls would allow it to increase power production at these facilities by up to 30% utilizing the foot print of the existing projects. RMP estimated the total cost of the repowering project to be just under $1 billion. However, similar to the new wind and transmission case discussed above, RMP proposed to assign a disproportionate share of the risk of completing the repowering project on time and on budget to ratepayers. Specifically, as with the new wind investment, the repowering project must be in service and producing commercial quantities of electric generation by December 31, 2020 in order to qualify for the federal PTCs. In its original application, RMP proposed that ratepayers would bear the risk of capturing the PTCs as well as any construction costs in excess of the estimated cost of construction. Additionally, many of the projects that RMP proposes to repower are far from the end of their useful lives, even though the PTCs are expiring, leaving a significant investment in existing wind turbines that has not been fully depreciated but will still need to be recovered when the equipment is removed from the existing towers. After several rounds of discovery, in-person meetings and telephonic conversations with RMP experts, the OCA concluded that the wind repowering proposal would result in long term customer benefits, but only if the project is completed by December 31, 2020, in time to qualify for the federal PTCs which will begin phasing down after that time. In its initial testimony in this proceeding the OCA recommended that the WPSC grant approval of the CPCN for repowering, but only if it also included provisions to more fairly balance the risk of the investment between ratepayers and shareholders. After multiple rounds of negotiations, the parties to the repowering case ultimately reached an agreement resolving all outstanding issues. In the end, RMP committed to assume the risk that the project would not qualify for federal PTCs, as well as construction costs in excess of the estimated amount cited above. Following the close of the evidentiary portion of the hearing the Commission held deliberations and ultimately approved the stipulated agreement among the parties.

- **Cheyenne Light, Fuel & Power (CLF&P), Power Cost Adjustment (PCA) case:** On February 16, 2017, CLF&P, a wholly owned subsidiary of Black Hills Corporation (BHC), filed an application to increase its power cost adjustment rate to reflect expected increases in its fuel and purchased power costs. Even though this filing was made in fiscal year 2017, most of OCA's time and effort on the case was made in fiscal year 2018. After reviewing the filing, the OCA identified three areas of concern: 1) the apparent discrimination against CLF&P's customers in the operation of the Generation Dispatch Management Agreement (GDMA) which is administered by Black Hills Power (BHP, also a wholly owned subsidiary of BHC); 2) the collection of governmental imposition charges from CLF&P customers without prior WPSC approval or tariff provisions allowing it to do so, and; 3) passing on an increase in costs to customers in view of the fact the CLF&P is currently earning in excess of its authorized return. Regarding the first concern the OCA determined that BHP administers the GDMA such that BHP customers (most of whom are South Dakota residents), are given preference for the lowest cost purchased power. The OCA believes that this is arbitrary and discriminatory and recommended that the Commission end this practice. Regarding the governmental imposition costs that CLF&P sought to recover from customers, the OCA recommended that the Commission deny recovery of those costs. And, finally, with regard to the over-earnings of CLF&P, the OCA recommended that the WPSC either initiate an investigation to determine why rates should not be reduced, or, in the alternative, the OCA offered a plan to address present and future over-earnings without the necessity of filing a rate case. The OCA argued strenuously that any increase in revenues given present over-earnings would simply exacerbate the problem and cause harm to customers. After taking evidence from the parties in a contested hearing, the Commission determined that CLF&P had not carried its burden of proving, based on a preponderance of the evidence, that the requested increase is just, reasonable and in the public interest in view of CLF&P's over-earning situation. The Commission denied the power cost adjustment increase in total. CLF&P subsequently appealed the Commission's decision to the District Court.

- **Black Hills Northwest Wyoming Gas Utility Company, LLC (NWWY) General Rate Case:** On November 17, 2017, NWWY submitted an application for approval by the WPSC for an increase in general revenues of $1,414,074, or an approximate increase of 25%. BHC acquired NWWY in 2015, pursuant to approval by the WPSC, from Energy West Wyoming, a subsidiary of Energy West. Retail service rates were last established for Energy West Wyoming in 2003. During the pendency of this case, Congress passed the Tax Cuts and Jobs Act (TCJA), reducing NWWY's federal income tax obligation from 35% to 21%. Consequently, NWWY filed an amendment to its application reducing its requested increase from $1,414,074 to $1,211,952. After review and analysis the OCA recommended a revenue requirement increase of about $839,000 or 23%. Subsequently, NWWY and the OCA entered into settlement negotiations and ultimately agreed that a revenue increase of about $967,000, approximately 30% less than the increase initially requested by NWWY, would allow NWWY to continue to provide safe, adequate and reliable service. The parties also agreed that NWWY would defer investment in an "At-Risk" meter replacement program pending further investigation and analysis by NWWY. The At-Risk meter replacement program would have significantly increased customer bills over time.

- **Century Link (CL) Quality of Service Investigation and Deregulation Petition:** Since approximately 2003 the WPSC has been investigating the quality and reliability of telecommunications services provided by CL to its Wyoming customers. Initially the investigation was limited to services provided on and around the Wind River Indian Reservation but later expanded on a statewide basis. In 2010 the WPSC narrowed the scope of the investigation to the rural areas served in the Lusk exchange in eastern Wyoming. In January of 2015 the WPSC, based on customer complaints, initiated an investigation into the quality and reliability of services provided by CL in the Sybille Canyon area of the Wheatland exchange, and consolidated that investigation with the ongoing investigation in the Lusk exchange. Finally, in July and August of 2016, CL experienced an outage in its Crook county service area that lasted for nearly two weeks. After taking public comment in Aladdin, Wyoming, the WPSC initiated an investigation into the matter that was also consolidated with the Lusk and Wheatland investigations. The OCA intervened in the consolidated service quality investigation docket and retained an expert consulting firm to assist in determining what network upgrades are needed to bring CL's network up to standards and the approximate cost of those upgrades. Our consultants determined that the best solution would be to replace the existing copper network with a fiber network at an approximate cost of $5.5 million. CL projected the cost of the consultants plan to be $55 million rather $5.5 million. Additionally, as the service quality investigation was proceeding, on June 6, 2017, CL filed a petition with the WPSC requesting a determination that its essential local exchange services in rural zones 2 and 3 throughout Wyoming are subject to effective competition and should therefore be deregulated. The OCA argued that many of the customers in the three areas subject to the service quality investigation do not have access to competitive alternatives at comparable prices; if they did, those customers would already have switched service providers. Currently both of these proceedings are still pending before the WPSC. The OCA is working with CL and the other parties to the proceeding, AARP and several rural telephone companies, to find a solution to both of these cases, possibly involving satellite based telephone service, that will improve service quality in rural areas for all Wyoming residents and at the same time ensure that competitive services are available prior to the WPSC granting CL's deregulation petition.

- **Tax Cut and Jobs Act (TCJA):** On December 17, 2017, President Trump signed the TCJA into law. Among other things, the TCJA provided for a federal corporate income tax rate reduction from 35% to 21% effective January 1, 2018. The rates currently being charged by a vast majority of Wyoming utilities include a 35% federal income tax rate. On December 29, 2017, the WPSC issued an initial order directing all Wyoming utilities to calculate the difference in revenues applicable under the new law as compared to the old law, and to defer the difference (savings) in a regulatory liability account for later refund to customers. On March 23, 2018 the WPSC further directed Wyoming utilities to file an initial assessment of the impact of the TCJA and propose plans to adjust rates to return the tax savings, including any accumulated Excess Deferred Income Tax (EDIT), associated with the TCJA to utility customers. After participating in a technical conference convened by WPSC staff on February 6, 2018, and after numerous individual discussions with tax and accounting experts of various Wyoming utilities, on May 9, 2018, the OCA filed comments with the WPSC setting out general recommendations for consideration by the Commission to ensure that any impacts of the TCJA are accurately computed by the utilities and timely returned to customers. The principles contained in the comments also serve as a roadmap for utility compliance with the WPSC's previously issued TCJA orders. While the OCA is still evaluating the plans submitted by the various utilities, we have determined in at least two cases, Rocky Mountain Power (RMP) and Montana Dakota Utilities (MDU (gas division)), that the filed plans will not appropriately return the benefits of the TCJA to customers. In the case of RMP, which proposes to keep a portion of the TCJA for an extended period, the OCA has intervened in that proceeding and recommended that all of the benefits be returned to customers as soon as practicable. MDU (gas division) asserts that it is under earning and therefore it should not be required to return the TCJA benefits to customers. The OCA has filed further comments with the WPSC urging it to require MDU to file a plan to return the benefits of the TCJA to customers notwithstanding its current earnings level. The OCA will continue to evaluate the progress of each utility in returning the benefits of the TCJA to customers.

**Organizational Chart:**