

## Wyoming Public Service Commission Annual Report -2006

### **Wyoming Quality of Life Result:**

Wyoming families and individuals living in a stable, safe, supportive, nurturing, healthy environment.

Wyoming has a diverse economy that provides a livable income and ensures wage equality.

Wyoming natural resources are managed to maximize the economic, environmental and social prosperity of current and future generations.

Advanced technologies and a quality workforce allow Wyoming business and communities to adapt and thrive.

### **Department/Division/ Program:**

The Wyoming Public Service Commission (WPSC) is comprised of three divisions: Administration (PSC); Office of Consumer Advocate (OCA); and the Wyoming Universal Service Fund (WUSF).

### **WPSC Contribution to Wyoming Quality of Life:**

All residents have access to safe, reliable and adequate utility services at just and reasonable prices.

Wyoming utilities are given the opportunity to recover prudent expenses and earn a fair return on investment thus ensuring they remain stable and able to provide adequate, safe, reliable utility service to residential, commercial and industrial consumers; thereby promoting economic stability and development.

Facilitate prudent utility infrastructure investment to allow for the potential to export electricity, generated at environmentally sound, coal-fired electric generating facilities located in Wyoming rather than exporting coal to facilities located elsewhere.

Encourage advanced, economic and prudent energy and telecommunications infrastructure investment for the benefit of Wyoming citizens and businesses.

### **Basic Facts:**

**Staffing:** The WPSC is authorized 36 full time personnel positions. Six of the authorized 36 full time positions are assigned to the OCA.

### **Funding:**

#### **Budget Information (Expenses)**

Utility Assessment Funds:	\$2,452,003
Federal Funds:	59,547
<b>Total:</b>	<b>\$2,511,550</b>

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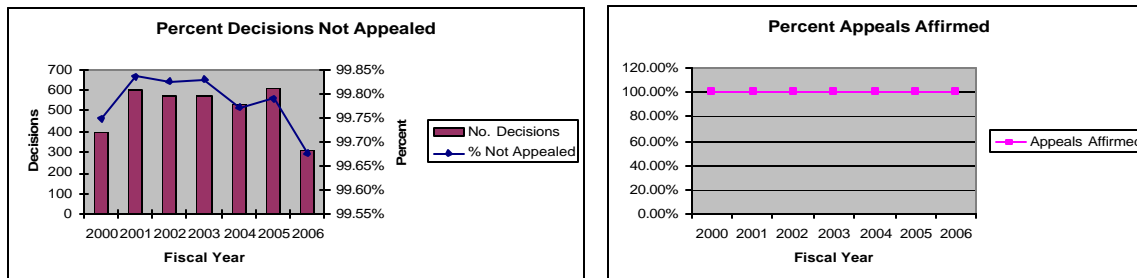
**Primary Functions:** The five primary functions of the WPSC include:

Regulation	Jurisdictional utility rates and prices; utility safety, reliability and quality of service;
Administration	Management of the WUSF;
Advocacy	Representation of Wyoming and its citizens at the regional and national levels on regulatory matters of interest;
Inspection	Safety aspects of Wyoming natural gas and electrical utility facilities and intrastate natural gas pipelines; and
Consumer Education	Educating Wyoming consumers regarding utility regulation and the transition to deregulation as necessitated by changing regulatory policies

The WPSC serves all residential, commercial, industrial, agricultural, municipal and governmental customers of natural gas, electric, telecommunications, water, natural gas and oil pipeline and other regulated public utilities.

**Performance:**

**Performance Measurement # 1 - Percentage of written WPSC decisions which were either not appealed or, if appealed, affirmed by state or federal courts**



**Story Behind Last Year's Performance:**

The WPSC issued fewer written decisions in Fiscal Year (FY) 06 than in previous years; however, the number of decisions appealed continues to be minimal, with no written decision being overturned by the courts in FY 2006. One decision issued in FY 06 and two prior Commission decisions upheld at the District Court level have been appealed to the Wyoming Supreme Court and are pending.

One major electric utility general rate decision appealed to the United States District Court was dismissed with prejudice at the request of the utility and parties, including the Wyoming Office of Consumer Advocate. The effect was the dismissal of a request by the utility for \$150 million to be recovered in customer utility rates. The WPSC's decision had previously been upheld by the Wyoming Supreme Court.

**What has been accomplished:**

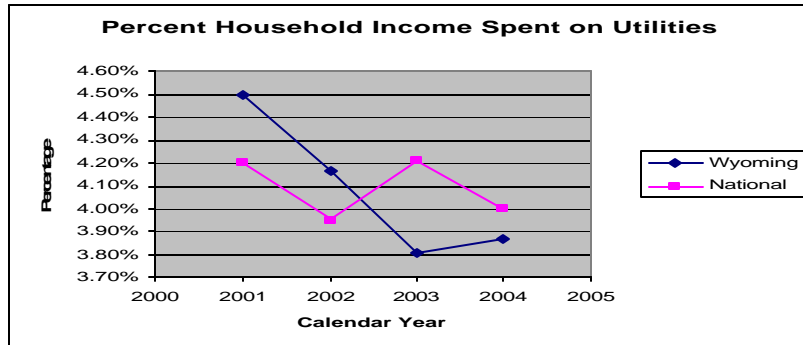
The WPSC Commissioners, Commission staff members, and OCA staff members have attended and have actively participated in numerous education and training seminars and regulatory courses during FY 06. The WPSC hosted the Western Conference of Public Service

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Commissioners in June 2006, a regional conference addressing topics of current regulatory interest in the western United States.

The WPSC attended various national and regional seminars and conferences regarding funding for telecommunications services for telemedicine and education in remote and high-cost, low-density states; regional and national electric transmission project initiatives; clean coal technologies; and federal funding for telecommunications services in high cost states such as Wyoming.

### **Performance Measurement # 2 - Percent of income the average Wyoming household spends on utilities versus the national average**



Source: Wyoming data obtained from utility annual reports submitted to WPSC; national data from the National Energy Information Agency Website, Electricity & Gas Historical Data Charts, and the telecommunications data came from WUSF files.

### **Story Behind Last Year's Performance:**

The increase in residential utility costs from 2004 to 2005 was primarily due to significant increases in natural gas costs the entire nation experienced in the second half of 2005, reflecting the effects of the Gulf Coast hurricanes, the increase in exportability of Wyoming's natural gas resources, and the usage of natural gas to generate electricity, which also exerted upward pressure on electricity prices. For 2005, average monthly utility bills for Wyoming residential customers increased to \$153.87, an increase of 10.36% from 2004; however, Wyoming residents still pay less of their income for utilities than the national average. The US Census, Bureau of Labor Statistics, reports median household income in Wyoming rose from 98.23 percent of the national average in 2003 to 100.30 percent of the national average in 2004 (national and state median income data not available for 2005).

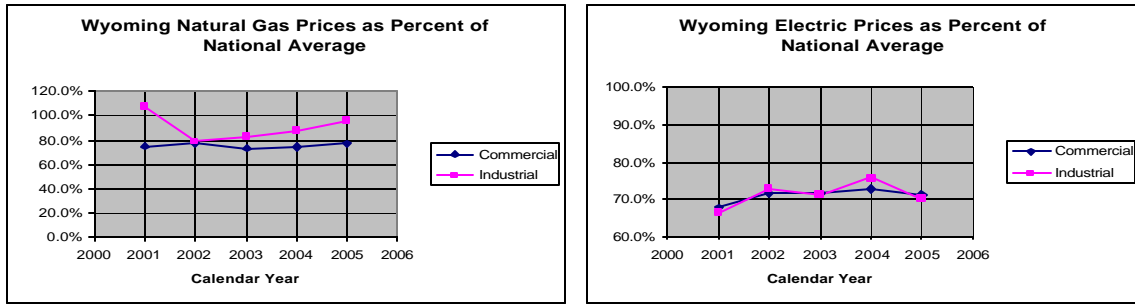
### **What Has Been Accomplished:**

Draft electric resource planning legislation has been prepared and is being considered by the Joint Minerals, Business and Economic Development Interim Committee for possible introduction in the 2007 legislative session.

The Commission has been an active participant in the multi-state process of the state commissions where Rocky Mountain Power (PacifiCorp) provides electric service, working with the other states to ensure a fair allocation of the company's system-wide investments and expenses.

Several utilities in the state (both gas and electric) have filed or are contemplating demand side management program applications with the Commission. Two utilities have filed applications proposing to implement "green" power or renewable energy programs in the state.

**Performance Measurement # 3 - Percent of national average which Wyoming commercial and industrial consumers pay for gas and electric utilities**



Wyoming utility data from utility annual reports submitted to WPSC. National utility data from the web site of the U.S. Department of Energy's Energy Information Administration (Electricity & Gas Historical Data Charts)

**Story Behind Last Year's Performance:**

Commercial and industrial utility rates in Wyoming remain favorable when compared to national average prices. Like residential rates, on an absolute basis, they increased slightly in 2005 when compared to 2004; again due to the national increases in commodity prices in the wholesale markets experienced in the second half of 2005.

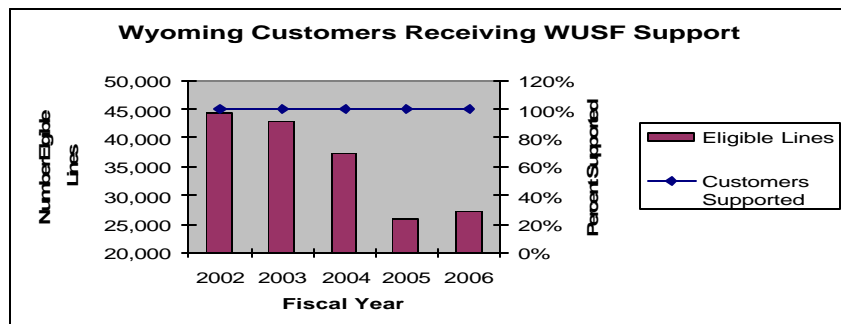
**What Has Been Accomplished**

The WPSC has monitored developments under the federal Energy Policy Act of 2005, has filed comments on various proposed federal regulations, and has recently requested public input regarding possible implementation of new PURPA standards under EAct 2005.

Details of the agency's requirements to upgrade the existing Geographical Information System were identified and bids from software and hardware suppliers are being reviewed.

The WPSC has actively participated in providing comments to FERC on proposed standards for the recently created Electricity Reliability Organization, along with active participation in CREPC and NARUC meetings.

**Performance Measurement # 4 - The percentage of eligible local telephone customers (based upon access line counts) who receive support payments from the Wyoming Universal Service Fund (WUSF) pursuant to provisions in the Wyoming Telecommunications Act of 1995**



**Story Behind Last Year's Performance:**

One hundred percent of the eligible telephone access lines in Wyoming received support during FY 2006 from the WUSF. The number of WUSF-eligible lines has been decreasing due to

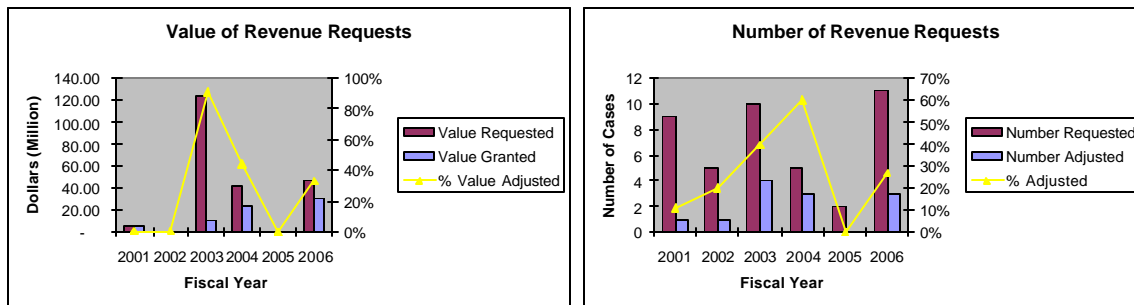
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generally increasing and better targeting of Federal Universal Service Fund (FUSF) support. As the chart shows, the number of access lines eligible for support has stabilized at 26,000-27,000. After two years when the WUSF assessment level was at zero, the assessment was reinstated on July 1, 2006, by the WPSC at 0.85% (0.0085) of gross intrastate retail telecommunications revenues. An assessment for the WUSF was again required to maintain a reasonable operating level because the fund balance was drawn down in the two prior years.

### **What Has Been Accomplished:**

The WUSF Manager monitored and reviewed the levels of FUSF support each Wyoming company received to ensure federal support is properly accounted for before determining any necessary WUSF support. The WUSF Manager monitored proceedings at the WPSC to ensure Wyoming companies continue to maintain cost-based rates as required by Wyoming law. The Manager educated new companies in the functions and operations of the WUSF.

### **Performance Measurement # 5 - Percentage of revenue requests adjusted by Commission order, pursuant to general rate case filings**



### **Story Behind Last Year's Performance:**

During FY 06, eleven general rate cases were filed in which a total of \$46,900,273 per year in additional revenues was requested by utilities. The Commission by written orders approved revenue increases in these cases totaling \$31,286,345 per year, \$15,613,928 per year less than requested.

The trend line shows a greater number of general rate cases filed in 2006 than in prior years, attributable to a significant number of general rate cases filed by Wyoming rural electric cooperatives. The increases requested by these cooperatives and a small water utility were not adjusted by Commission written order, as the requests were generally conservative, and in the majority of cases, were filed to allow the utility to increase its financial operating ratios to meet minimum federal borrowing requirements or to adjust existing rates to mitigate or eliminate inter-class subsidies.

Three other general rate applications were filed in FY 06 which sought a total of \$11,057,229 per annum in additional revenue. Continued review, notice, opportunity for hearing and final action on these applications is pending in FY 07.

### **What has been Accomplished:**

In the fall of FY 06, the WPSC held a series of utility customer outreach meetings in various Wyoming communities, educating utility customers on recent and future increases in electric and natural gas prices. The dramatic increases in energy prices in FY 06, and conflicting signals as

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to the cause of these energy price increases raised much customer confusion. The WPSC explained its role in reviewing and approving wholesale commodity price increases, and the factors influencing commodity prices. DFS Low Income Energy Assistance Program Representatives explained benefits available through the State for qualifying residents.

The WPSC conducted a survey of natural gas utility gas procurement practices and strategies and co-hosted a Natural Gas Summit with the Wyoming Association of Natural Gas Utilities (WANGU), and the OCA. Utility and consumer advocate representatives participated and actively supported the summit and its objectives.

The WPSC and OCA have been proactively involved in requiring natural gas and electric utilities to provide documentation demonstrating that the cost of the wholesale commodity they purchase to serve their retail customers is the most reasonable option practically available to provide safe adequate and reliable service. As a result of significant wholesale natural gas commodity cost increases filed during the fall of FY 06, and the revision of Commission rules regarding commodity cost increase filings, utilities are required to provide comprehensive documentation of efforts in obtaining reasonable least-cost natural gas supplies.

The WPSC initiated the filing of a general rate application by a jurisdictional natural gas distribution company based upon concerns expressed by WPSC staff and the OCA that the utility may be earning in excess of its authorized rate of return. OCA is actively involved in the investigation of this general rate filing, which will be set for public hearing in FY 07.

At the request of the Joint Corporations, Elections and Political Subdivisions Committee, telecommunications industry representatives, the WPSC, the OCA and other interested parties participated in drafting proposed revisions to the Wyoming Telecommunications Act of 1995. A revision was presented to the Committee but failed on introduction (18-48-1) at the 2006 Legislature. Work continues on possible future revisions of the Act.

The WPSC is working actively with regulators, utilities, policy makers and other stakeholders from Wyoming and other western states to develop interjurisdictional cost allocation methods which allocate utility project costs fairly to Wyoming and the other states whose utility customers benefit from them.

The OCA intervened in several general rate cases filed or decided in FY 06 and has intervened in several rate cases currently pending. OCA's intervention and participation in the Cheyenne Light and PacifiCorp general rate filings were instrumental in the significantly diminished stipulated revenue adjustments ultimately approved by the WPSC. In addition, OCA's efforts in several large investor-owned utility merger cases resulted in utility commitments to initiate collaborative processes on transmission and generation infrastructure, technology development (including Integrated Gasification Combined Cycle) and investment, energy risk management, hedging strategies, demand side management programs, and renewable energy pricing programs.

**Supplemental Budget Implications:**

The WPSC is not submitting any supplemental budget requests with this annual report.