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July 12, 2019

Mr. Chris Petrie
Wyoming Public Service Commission
Hansen Building, Suite 300
2515 Warren Avenue
Cheyenne, WY 82002

Re: Docket No. 10014-198-CT-19
Supplemental Filing

Dear Mr. Petrie,

Please find enclosed one (1) original and four (4) copies of Powder River Energy Corporation's supplemental filing for the previously filed application. This information has also been filed electronically on the Commission's Document Management System.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink that reads "Michael E. Easley". The signature is written in a cursive, flowing style.

Michael E. Easley
Chief Executive Officer

MEE/sjp

Enclosures

**BEFORE THE
WYOMING PUBLIC SERVICE COMMISSION**

**SUPPLEMENTAL TESTIMONY
OF
DAVID W. HEDRICK
C. H. GUERNSEY & COMPANY
OKLAHOMA CITY, OKLAHOMA**

**ON BEHALF OF
POWDER RIVER ENERGY CORPORATION**

1 Q. Please state your name and business address.

2 A. My name is David W. Hedrick and my business address is 5555 North Grand Boulevard,
3 Oklahoma City, Oklahoma 73112-5507.

4 Q. Have you provided direct testimony in this proceeding?

5 A. Yes.

6 Q. Whom do you represent in this proceeding?

7 A. I represent Powder River Energy Corporation ("Powder River" or the "Cooperative").

8 Q. What is the purpose of your supplemental testimony?

9 A. I will provide Powder River's response to the issues raised by Commission Staff regarding
10 the proposed filing.

11 Q. Please state the issues of concern raised by Commission Staff in this proceeding.

12 A. Powder River's understanding is that there are three main issues of concern:

13 1. The power supply component of the rate as proposed by Powder River for
14 the LPT-CM class does not include all of the revenue requirement as
15 approved in the last rate filing. Commission Staff questions if this under-
16 recovery should be corrected.

17 2. The rate proposed by Powder River includes a per unit rate of \$0.18 per CP
18 kW for Basin Fixed Costs. The costs recovered by this charge can vary by
19 month and could include other adjustments. Commission Staff is concerned
20 that this component could vary from the stated \$/kW rate and therefore
21 result in an over or under recovery of costs.

22 3. Commission Staff is concerned that elimination of the Cost of Power
23 Adjustment mechanism for the LPT-CM class as proposed by Powder River
24 in this filing would limit the ability to recover changes in the fixed costs
25 charged by Basin.

26 Q. Please provide an explanation of the first issue.

27 A. In Powder River's last rate filing, the rate design for the LPT-CM class was adjusted during
28 the final settlement negotiations to include recovery of additional costs in the power supply
29 component of the rate. Exhibit DWH Supp 1 is OCA Exhibit 201.3 from the last filing
30 showing the OCA rate design in comparison with the Powder River filed rate design. As
31 can be seen on the Exhibit, the wholesale per unit demand and energy charges under the
32 OCA rate design are slightly higher than the Powder River design. The OCA rate design
33 was the settlement position and was adopted as the approved rate. In the design of the
34 proposed LPT-CM rate in this proceeding, the incremental additional cost component was
35 inadvertently not included.

36 Q. Does Powder River agree that this additional revenue requirement should be included in
37 the new proposed rate?

38 A. To the extent that the Commission believes that the overall revenue requirement for the
39 LPT-CM rate class must remain unchanged from the level established in the last rate case,

40 then Powder River has no issue with including the additional amount in the proposed rate.
41 However, the LPT-CM rate as proposed by Powder River provides for the full recovery of
42 wholesale power cost and the recovery of distribution delivery costs. The rate as proposed
43 by Powder River provides a slightly lower revenue requirement for the LPT-CM rate class.
44 Powder River would also be willing to accept its originally proposed LPT-CM rate design.
45 To the extent the Commission finds that the additional costs should be included, Powder
46 River has prepared additional exhibits to determine the change. Exhibit DWH Supp 2 is a
47 calculation of the additional revenue and per unit rate above the cost of power that was
48 included in the approved rate that should be recovered in the new LPT-CM rate. Exhibit
49 DWH Supp 3 provides the revised requested rate with this additional component added to
50 the power supply rate.

51 Q. What is the impact of this revision to address the Commission Staff's concern?

52 A. Exhibit DWH Supp 3 shows that the revised overall change for the class, as a result of this
53 filing, is a reduction of \$535,520 or (0.78%). Powder River's originally proposed rate
54 resulted in an overall reduction to the LPT-CM class of \$894,054 or (1.30%).

55 Q. Please describe in more detail the issue related to the recovery of fixed costs.

56 A. The rate proposed by Powder River for the LPT-CM class is intended to reflect a direct
57 pass-through of the wholesale cost of power to serve the class. The primary change in the
58 rate design is to utilize the Coincident Peak Demand (CP) billing unit instead of the existing
59 Non-Coincident Peak Demand (NCP) billing unit for calculation of the demand related
60 commodity power costs from Basin. In addition to the wholesale commodity demand and
61 energy costs, the Basin power bill also includes a Fixed Charge, a Data Incentive Credit,
62 Power Service Agreement charge and other miscellaneous adjustments. Other power costs

63 to be recovered include the Members 1st G&T adder. The other components of the Basin
64 power bill plus the Members 1st G&T adder have been included in the proposed LPT-CM
65 wholesale demand rate. The amount included in the proposed rate is equal to \$0.18 per CP
66 kW which is the amount reflected in the allocated LPT-CM power cost in the 2019 COPA
67 filing.

68 It is our understanding that the Commission Staff's issue related to the recovery of these
69 fixed costs is the potential variability of the costs that are included. While most of the
70 charges included in this component do not change significantly from year to year, there are
71 some unbudgeted miscellaneous power costs and credits that could occur which would not
72 be recognized by applying a fixed \$/kW rate.

73 Q. What is the historical magnitude of the variability?

74 A. The total fixed costs attributable to the coal class by year is as follows:

Year	Fixed Costs	Total Power Costs	% of Power Cost
2017	\$24,028	\$67,789,819	.035%
2018	\$115,288	\$64,440,265	.18%
2019 Projected	\$279,350	\$63,330,375	.44%

75
76 Specific credits in 2017 did not occur and will not occur in future years as Basin changed
77 how the contract incentive credit is billed out the membership. In any case, these charges represent
78 less than 1% of total power cost.

79 Q. What solution does Powder River propose to deal with this issue?

80 A. Based on this analysis, Powder River feels that maintaining a commodity balancing
81 account for the purpose of reconciling less than a possible 1% variation of the projected

82 power costs is not warranted. To the extent that the Commission believes that the
83 variability of these charges warrant addressing, Power River proposes to include a review
84 of the fixed costs recovered in the rate versus the actual fixed costs and potential options
85 as needed in our next general rate case to be filed in the fall of 2019.

86 Q. Please explain the Commission Staff's concern regarding the elimination of the COPA
87 mechanism.

88 A. It is Powder River's understanding that the primary concern related to the elimination of
89 the COPA mechanism for the LPT-CM rate would be the inability to true-up any variances
90 in the fixed charge component of the rate. The power supply commodity components of
91 demand and energy from Basin will be a direct flow through of cost and therefore would
92 require no true-up. Only the fixed charge component could potentially vary from the per
93 unit charge included in the rate. Should the Commission believe these variations warrant
94 this, Powder River would review this as part of our next general rate case to be filed in the
95 fall of 2019 and if necessary reinstate the COPA mechanism for the LPT-CM class to
96 account for any minor adjustments that are needed going forward. This would still be a
97 preferred option to eliminate the broader swings in rates created by the current rate design
98 for this class of service.

99 Q. If the Commission orders a review and possible reinstatement of the COPA for the LPT-
100 CM class of service as part of the Powder River's next general rate case, would Powder
101 River still propose a refund of the over-collection of the current COPA LPT-CM account
102 balance?

103 A. Yes. Currently Powder River is paying interest on these over-collected dollars and during
104 the pre-filing discussions with LPT-CM rate class members it was communicated that this

105 would be the Cooperative's position, to return their money as soon as practical. Powder
106 River would like to be able to deliver on those discussions.

107 Q. What is Powder River's revised request in this proceeding?

108 A. Powder River is requesting approval of the revised LPT-CM rate design reflected on
109 Exhibit DWH Supp 3 which we believe addresses the Commission Staff's issue regarding
110 the reconciliation of the OCA adjustment.

111 Q. Are the proposed rate revisions for the LPT-CM rate class in the public interest?

112 A. Yes. This change is necessary to provide timely relief to the LPT-CM customers, eliminate
113 potential subsidies between LPT-CM members, and provide opportunity for those
114 members to utilize all of the options available to reduce power costs.

115 Q. Does that conclude your testimony?

116 A. Yes. It does.

OCA RECOMMENDED RATE DESIGN AND PROOF OF REVENUE

		PRECorp Filed Rate Design Per COS Schedule M-1.0		OCA RATE DESIGN Per Revised COS Schedule M-1.0		Revised COS Schedule M-1.0	Variance Between OCA Rate Design and Revised COS
9.	LARGE POWER - CBM						
	<u>Secondary</u>						
	Customers	14,216	152.50	2,167,940	175.00	2,487,800	
	First 50 kW	757,839	3.40	2,576,651	3.40	2,576,651	
	Excess kW	654,050	7.40	4,839,970	7.40	4,839,970	
	First 200 kWh per kW	169,097,361	0.07430	12,563,934	0.06961	11,771,290	
	Excess kWh	128,184,592	0.05430	6,960,423	0.04961	6,359,558	
	<u>Primary</u>						
	Customers	370	187.50	69,375	210.00	77,700	
	First 50 kW	19,236	3.40	65,402	3.40	65,402	
	Excess kW	255,945	7.40	1,893,990	7.40	1,893,990	
	First 200 kWh per kW	49,031,274	0.07430	3,643,024	0.06961	3,413,190	
	Excess kWh	62,802,246	0.05430	3,410,162	0.04961	3,115,776	
	Primary Service Discount Demand	275,180	-0.43000	(118,328)	-0.43000	(118,328)	
	Primary Service Discount Energy		-3.00%	(219,731)	-3.00%	(204,004)	
	Adjustment						
	Capital Cost Recovery (CCR)						
	Subtotal Base	409,115,473		37,852,813		36,278,996	
	COPA Revenue			0		0	
	Basin Bill Credit			0		0	
	Total	409,115,473		37,852,813		36,278,996	36,999,224
							-720,228
10.	LARGE POWER TRANSMISSION - COAL						
	Retail Rate						
	Customer (12 Month Sum)	156	1,000.00	156,000	1,000.00	156,000	
	System NCP - Transmission per NCP kW	2,475,285	0.88	2,178,250	0.90	2,227,756	
	Subtotal			2,334,250		2,383,756	
	Wholesale Rate						
	Fixed Charge per NCP kW	2,475,285	14.97	37,055,011	15.00	37,129,269	
	kWh @ Sales Level	1,200,539,212	0.029710	35,668,020	0.0299990	36,014,976	
	Billing Adjustments	66.44%					
	Subtotal			72,723,031		73,144,245	
	Load Factor						
	Base Revenue			75,057,281		75,528,001	
	COPA Revenue			13,561		13,561	
	Basin Bill Credit			0		0	
	Total			75,070,842		75,541,562	75,853,819
							-312,257

OCA RECOMMENDED RATE DESIGN AND PROOF OF REVENUE

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	Customers	14,216	152.50	2,167,940	175.00	2,487,800	
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	First 200 kWh per kW	169,097,361	0.07430	12,563,934	0.06961	11,771,290	
	Excess kWh	128,184,592	0.05430	6,960,423	0.04961	6,359,558	
	<u>Primary</u>						
	Customers	370	187.50	69,375	210.00	77,700	
	First 50 kW	19,236	3.40	65,402	3.40	65,402	
	Excess kW	255,945	7.40	1,893,990	7.40	1,893,990	
	First 200 kWh per kW	49,031,274	0.07430	3,643,024	0.06961	3,413,190	
	Excess kWh	62,802,246	0.05430	3,410,162	0.04961	3,115,776	
	Primary Service Discount Demand	275,180	-0.43000	(118,328)	-0.43000	(118,328)	
	Primary Service Discount Energy Adjustment		-3.00%	(219,731)	-3.00%	(204,004)	
	Capital Cost Recovery (CCR)						
	Subtotal Base	409,115,473		37,852,813		36,278,996	
	COPA Revenue			0		0	
	Basin Bill Credit			0		0	
	Total	409,115,473		37,852,813		36,278,996	36,999,224
							-720,228
10.	LARGE POWER TRANSMISSION - COAL						
	Retail Rate						
	Customer (12 Month Sum)	156	1,000.00	156,000	1,000.00	156,000	
	System NCP - Transmission per NCP kW	2,475,285	0.88	2,178,250	0.90	2,227,756	
	Subtotal			2,334,250		2,383,756	
	Wholesale Rate						
	Fixed Charge per NCP kW	2,475,285	14.97	37,055,011	15.00	37,129,269	
	kWh @ Sales Level	1,200,539,212	0.029710	35,668,020	0.0299990	36,014,976	
	Billing Adjustments	66.44%					
	Subtotal			72,723,031		73,144,245	
	Load Factor						
	Base Revenue			75,057,281		75,528,001	
	COPA Revenue			13,561		13,561	
	Basin Bill Credit			0		0	
	Total			75,070,842		75,541,562	75,853,819
							-312,257

POWDER RIVER ENERGY CORPORATION

CALCULATION OF ADDITIONAL RATE COMPONENT
INADVERTENTLY OMITTED

Billing Units

Power Supply Demand - NCP	2,167,897
Power Supply Demand - CP	1,647,327
Energy kWh	1,012,597,916

Docket No. 10014-168-CR-16

PREC Proposed LPT NCP Demand Charge	\$	14.97
OCA Approved LPT NCP Demand Charge	\$	15.00
Difference		0.03
Incremental NCP Demand Billing \$		65,036.90
Incremental Demand Charge per CP kW		0.04

PREC Proposed LPT Energy Charge	\$	0.029710
OCA Approved LPT Energy Charge	\$	0.029999
Incremental Energy Charge per kWh	\$	0.000289
Incremental Energy Charge \$		292,641

POWDER RIVER ENERGY CORPORATION

SUMMARY OF DEVELOPMENT OF REVISED LPT RATE WITH CP BILLING DEMAND
 ACTUAL CUSTOMER DATA FOR TWELVE MONTHS ENDING OCTOBER 2018 AND BASIN 2019 WHOLESAL RATE
 REVISED TO INCLUDE ADDITIONAL RATE COMPONENT IN APPROVED RATE

	Existing Rate	PREC Originally Proposed Rate	Revised Proposed Rate	Change	% Change
<u>Billing Units</u>					
Customers	156	156	156		
Distribution Demand	2,167,897	2,167,897	2,167,897		
Power Supply Demand - NCP	2,167,897				
Power Supply Demand - CP		1,647,327	1,647,327		
Energy kWh	1,012,597,916	1,012,597,916	1,012,597,916		
<u>Rate</u>					
Basic Charge	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00		
Distribution Demand Charge	\$ 0.90	\$ 0.90	\$ 0.90		
Power Supply Demand Charge NCP	\$ 15.00				
Power Supply Demand Charge CP		\$ 19.90	\$ 19.94		
Energy Charge	\$ 0.029999	\$ 0.032547	\$ 0.032836		
2019 COPA Power Cost Charge	\$ 0.003691				
COPA Charge Rebased/Eliminated		\$ -	\$ -		
<u>Total Billing</u>					
Basic Charge Billing	\$ 156,000	\$ 156,000	\$ 156,000	\$ -	
Distr. Demand Billing	\$ 1,951,107	\$ 1,951,107	\$ 1,951,107	\$ -	
Power Supply Demand Billing	\$ 32,518,452	\$ 32,781,797	\$ 32,847,690	\$ 329,239	1.01%
Energy Charge	\$ 30,376,925	\$ 32,957,024	\$ 33,249,665	\$ 2,872,740	9.46%
COPA Charge	\$ 3,737,499	\$ -	\$ -	\$ (3,737,499)	-100.00%
Total Billing	\$ 68,739,982	\$ 67,845,929	\$ 68,204,463	\$ (535,520)	-0.78%
<u>Rate Development</u>					
Loss Ratio	0.3910%	As reflected in 2019 COPA Filing			
Basin 2019 CP Demand Rate	\$ 19.64	As reflected in 2019 COPA Filing			
Adjusted for Losses	\$ 19.72				
Basin 2019 Fixed Costs per CP kW	\$ 0.18	As reflected in 2019 COPA Filing			
Total Basin CP Demand Charge	\$ 19.90				
Incremental Demand Charge per CP kW	\$ 0.04				
Total Revised Demand Charge	\$ 19.94				
Basin 2019 Energy Charge	\$ 0.032420	As reflected in 2019 COPA Filing			
Basin 2019 Energy Charge Adjusted for Losses	\$ 0.032547				
Incremental Energy Charge	\$ 0.000289				
Total Revised Energy Charge	\$ 0.032836				