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## BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

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IN THE MATTER OF THE APPLICATION OF	)	DOCKET NO. 10014-168-CR-16
POWDER RIVER ENERGY CORPORATION,	)	
FOR AUTHORITY TO IMPLEMENT A GENERAL	)	
RATE INCREASE OF \$11,506,749 PER	)	
ANNUM AND REVISE TARIFFS	)	

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### APPLICATION FOR AUTHORITY FOR A GENERAL RATE INCREASE (Issued January 27, 2016)

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Powder River Energy Corporation ("PRECorp") hereby submits its *Application for Authority for a General Rate Increase* ("Application") to the Wyoming Public Service Commission (the "Commission") requesting: (1) an increase in overall system revenue of \$11,506,749 per annum; and (2) to revise its tariffs to accomplish that increase, with a proposed effective date on or before January 10, 2017. In support of its *Application*, PRECorp states as follows:

1. PRECorp is a cooperative electric utility organized and existing under, and by virtue of, the laws of the State of Wyoming.
2. PRECorp is regulated by and subject to the Commission's jurisdiction pursuant to W.S. § 37-2-112.
3. PRECorp is duly authorized to generate, manufacture, purchase, acquire, and transmit electric energy, sell supplies, and dispose of electric energy in its certificated territory.

4. PRECorp is a Class A member of Basin Electric Power Cooperative (“Basin”), Bismarck, North Dakota, and therefore purchases all of its power requirements through agreements and contracts with Basin.

5. PRECorp serves customers in northeastern Wyoming, including in Campbell, Crook, Johnson, Sheridan, and Weston Counties, and also in a small area of southern Montana.

6. PRECorp’s principal office is located at 221 Main Street, Sundance, Wyoming, 82729.

7. Communications regarding this filing should to be addressed to:

Michael E. Easley  
Chief Executive Officer  
Powder River Energy Corporation  
PO Box 930  
Sundance, Wyoming 82729

James K. Tarpey  
Ireland Stapleton Pryor & Pascoe, PC  
717 17<sup>th</sup> St., Suite 2800  
Denver, CO 80202

Bruce A. Salzburg  
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PO Box 1083  
Cheyenne, WY 82003

8. PRECorp hereby requests authority to: (i) increase its overall system revenue by \$11,506,749 per annum; (ii) restate the base cost of power in the Cost of Power Adjustment (COPA) mechanism to reflect the current level of power cost; (iii) revise the existing base rates to reflect the appropriate recovery of COPA revenue based on the restated base cost of power; and (iv) revise rates to recognize changes in the cost of providing service and move rates for all rate classes closer to the cost of service.

9. The purpose of this rate filing is to ensure PRECorp’s operational and financial stability in a declining sales environment. As a result of declining sales to coal bed methane (“CBM”), oil and gas, and coal customers, PRECorp is facing an immediate revenue shortfall. In support of this rate filing, PRECorp conducted a comprehensive Cost of Service Study (COSS) for the test year ending December 31, 2014. The adjusted test year, which included adjustments for known and measurable changes, resulted in a negative operating margin of \$8,375,852.

10. The increase in overall system revenue sought by PRECorp in this filing is intended to: (i) ensure that PRECorp satisfies lender mandated coverage requirements; and (ii) meet the financial objectives established by the Board of Directors of PRECorp.

11. The Rural Utility Service (“RUS”), one of PRECorp’s primary lenders, requires that PRECorp maintain certain coverage ratios, including a RUS Operating TIER (“RUS OTIER”) of 1.10. The adjusted test year resulting from the COSS in support of this rate filing resulted in a RUS OTIER less than the required minimum. The significance of maintaining an adequate RUS OTIER is discussed in the pre-filed, written direct testimony in support of this *Application*. The requested overall system revenue increase of \$11,506,749 is intended to allow PRECorp to establish an RUS OTIER of 1.50. While the RUS OTIER sought by PRECorp exceeds the minimum RUS OTIER required, the requested RUS OTIER of 1.50 is considerably lower than the RUS OTIER maintained by comparable cooperatives across the nation and in Wyoming.

12. In addition to ensuring that PRECorp maintains an adequate RUS OTIER and satisfies other lender mandated coverage requirements, this rate filing is also intended to ensure PRECorp meets the financial objectives established by the Board of Directors of PRECorp, which are addressed in the pre-filed, written, direct testimony in support of this *Application*.

13. As indicated above, PRECorp also requests authority to restate the base cost of power in the COPA to reflect the current level of power cost and revise the existing base rates to reflect the appropriate recovery of COPA revenue.

14. PRECorp uses the COPA to pass through changes in PRECorp’s wholesale power costs to its customers. The COPA derives revenues to offset power costs through a per kWh rate adder. PRECorp seeks authority to reset the COPA to zero and rebase PRECorp’s rates to reflect Basin’s 2016 wholesale power rates.

15. Finally, PRECorp also requests authority to revise its rates to achieve the requested overall system revenue increase and to move all rates for all classes closer to the cost of service. In order to accomplish these objectives, PRECorp proposes a rate increase for all rate classes except LPT-CBM and LPT-General.

16. The proposed revenue change by rate class is as follows:

	<u>Change</u>	<u>% Change</u>
Residential (all classes)	\$ 1,512,887	7.83%
Seasonal	145,975	9.40%
Irrigation	44,742	12.03%
General Service	1,055,992	8.45%
General Service – CBM	797,505	17.12%
Large Power	2,248,608	5.88%
Large Power – CBM	5,419,443	16.71%
Large Power Transmission	260,423	0.35%
Large Power Transmission – CBM	4,088	0.08%
Large Power Transmission - General	-4,143	-0.84%



Large Power Compression – CBM	55	0.00%
Lighting	21,176	7.00%
Total	\$11,506,749	6.01%
Other Revenue	0	0.00%
Total Revenue	\$11,506,749	5.94%

17. The specific rates requested by PRECorp are shown in the tariff sheets included with this *Application*.

18. PRECorp also is eliminating the Large Power Compression rate with this filing. That rate is no longer offered by Basin. Customers previously served on this rate will be served on the Large Power Transmission – CBM rate.

19. PRECorp will post on its website, [www.precorp.coop](http://www.precorp.coop), a COSS presentation, which includes the changes being made to its service rates and tariffs in a format that highlights each change. PRECorp will notify its members of the proposed rate changes and direct them to its website by notice in its February customer newsletter, which was finalized in January prior to the date of this application. PRECorp will hold meetings with its membership to review the requested revenue adjustment.

20. This *Application* is supported by the pre-filed, written, direct testimony and exhibits of the following witnesses, which are included with this *Application*:

Michael E. Easley  
Chief Executive Officer  
Powder River Energy Corporation

Mr. Easley will provide testimony regarding PRECorp's current operating environment, including the significant challenges faced by PRECorp as a result of factors outside of its control. Mr. Easley will also provide testimony regarding the overall objectives of this rate filing and its significant elements.

Curtis Mock  
Chief Financial Officer  
Powder River Energy Corporation

Mr. Mock will provide testimony regarding the financial measures driving this *Application*, including explaining the significance of these measures and their calculation.

David Hedrick  
Senior Vice President  
C.H. Guernsey & Company


Mr. Hedrick will provide testimony regarding the Cost of Service Study ("COSS") and rate analysis prepared by C.H. Guernsey.

21. A proposed *Notice of Application* is included with this *Application* for the Commission's consideration.

WHEREFORE Powder River Energy Corporation respectfully requests this Commission issue its Order authorizing the Cooperative to revise its rates and tariffs as set forth in this filing, with an effective date no later than January 10, 2017.

Dated at Sundance, Wyoming, this 27<sup>th</sup> day of January, 2016.

POWDER RIVER ENERGY CORPORATION

BY:   
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