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August 14, 2015

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

Re: Docket No. 10014-163-CT-15

Dear Mr. Petrie:

Please find enclosed one original and five (5) copies of Powder River Energy Corporation's Application and Supporting Documentations requesting to revise its Rules and Regulations pertaining to deposits and disconnection of service.

Powder River Energy Corporation respectfully requests approval of this Application from the Commission.

Sincerely,

A handwritten signature in blue ink that reads "Michael E. Easley". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Michael E. Easley  
CEO

Enclosures

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF WYOMING**

IN THE MATTER OF THE APPLICATION OF	)	
POWDER RIVER ENERGY CORPORATION	)	
SUNDANCE, WYOMING, TO REVISE	)	DOCKET No. 10014-163-CT-15
ITS RULES AND REGULATIONS	)	
PERTAINING TO DEPOSITS AND	)	
DISCONNECTION OF SERVICE	)	

APPLICATION

Powder River Energy Corporation (PRECorp), the Applicant herein, respectfully requests an Order of the Wyoming Public Service Commission approving the proposed Rules and Regulations incorporated herein as Wyoming PSC Tariff No. 7, Revised Sheets 5aR and 7R, to be effective September 1, 2015.

In support of its application, PRECorp offers the following facts:

1. The Applicant is a non-profit Cooperative electric utility organized and existing under, and by virtue of, the laws of the State of Wyoming. The Cooperative, pursuant to the laws of the State of Wyoming, is qualified to do business as a corporation within the State of Wyoming.
2. PRECorp has existing Rules and Regulations in effect and on file with the Public Service Commission. The proposed revisions to the existing Rules and Regulations are clearly marked herein, attached as Exhibit 1. The supportive testimony of Michael Easley, General Manager and Chief Executive Officer of PRECorp is attached as Exhibit 2.
3. The Rules and Regulations proposed herein, when approved, will replace Original Sheet 5aR and Original Sheet 7R of Wyoming PSC Tariff No. 7, of PRECorp's existing Rules and Regulations on file at the Wyoming Public Service

Commission.

4. PRECorp's Rules and Regulations were updated with regard to deposits in 2009. Recent events involving large defaults by members, declarations of bankruptcy, and continuing economic turmoil, particularly in the energy industries, have made it apparent that additional changes are needed to protect the financial health of the Cooperative and its members. The included revisions will enhance the Cooperative's ability to seek deposits when faced with risk of non-payment.
5. PRECorp has posted on its website, [www.precorp.coop](http://www.precorp.coop), the changes being made to its Rules and Regulations in a form that highlights each change. In addition, PRECorp is planning to notify its members of these changes and refer them to its website by notice in September 2015 customer newsletter.
6. Communications in regard to this Application are to be addressed to Mr. Michael E. Easley, General Manager and Chief Executive Officer for the Applicant, Post Office Box 930, Sundance, Wyoming 82729 and Mr. Mark L. Hughes, Attorney for the Applicant, Post Office Box 456, Sundance, Wyoming 82729.
7. The Cooperative is respectfully requesting changes to its Rules and Regulations effective September 1, 2015, pursuant to the attachment testimony and exhibits, and that such changes are contained in this filing and by reference are hereby made a part of this application.

Dated at Sundance, Wyoming, this 14<sup>th</sup> day of August, 2015.

POWDER RIVER ENERGY CORPORATION



Michael E. Easley  
Chief Executive Officer

Powder River Energy Corporation  
P.O. Box 930  
Sundance, WY 82729

Wyoming PSC No. 7  
1<sup>st</sup> Revised Sheet No. 5aR  
~~Cancels Original Sheet No. 5aR~~

## General Information

## Section III

The Corporation shall not require a deposit as a condition of new or continued electric service based on property ownership or location, income level, source of income, employment tenure, nature of occupation, race, creed, sex, age, national origin, marital status, number of dependents, or any other criterion not authorized by these rules and regulations. Rules governing deposits shall be applied uniformly.

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The Corporation shall conduct an objective credit screen on new applicants, or existing members pursuant to Section III, 1.D. for electric service through the use of commercially available services, such as Dun and Bradstreet, ONLINE Utility Exchange and other similar services deemed appropriate by the Corporation. The factors to be analyzed by the Corporation may include the following:

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Recent information will be weighted more heavily during the objective credit screen process.

### IV. ADMINISTRATION OF SECURITY DEPOSITS

- A. The amount of a security deposit shall be no more than the average of three (3) months estimated billing.

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Issued by  
Michael E. Easley, Chief Executive Officer

Issued: ~~September 3, 2013~~ August 14, 2015 Effective: ~~May 10, 2014~~ September 1, 2015

Dkt. No. ~~10014-145-CR-13~~ 10014-163-CT-15

Powder River Energy Corporation  
P.O. Box 930  
Sundance, WY 82729

Wyoming PSC No. 7  
1<sup>st</sup> Revised Sheet No. 7R  
~~Cancels Original Sheet No. 7R~~

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**BEFORE THE**  
**WYOMING PUBLIC SERVICE COMMISSION**  
**DIRECT TESTIMONY**  
**OF**  
**MICHAEL E. EASLEY**  
**POWDER RIVER ENERGY CORPORATION**  
**Docket No. 10014-163-CT-15**

1 **Q: Please state your name and address.**

2 A: My name is Michael E. Easley and my business address is Powder River  
3 Energy Corporation, P.O. Box 930, Sundance, WY 82729.

4 **Q: What is your present occupation?**

5 A: I am employed as General Manager and Chief Executive Officer of  
6 Powder River Energy Corporation (PRECorp).

7 **Q: What are your duties as General Manager and Chief Executive Officer**  
8 **of Powder River Energy Corporation?**

9 A: My duties are to supervise the operations of the Cooperative, to  
10 administer the policies adopted by the Board of Directors, to make  
11 recommendations to the Board with respect to policy, to provide both  
12 short-term and long range plans for the operation, construction, and  
13 financing of the Cooperative, to be responsible for maintaining an  
14 adequate and suitable work force, and to keep the Board informed in all  
15 aspects of the management of the Cooperative.



16 **Q: Please state your educational background and professional**  
17 **qualifications.**

18 A: I have a BS degree in Electrical Engineering from Oklahoma State  
19 University and I am a graduate of the Ken Blanchard Executive MBA  
20 program at Grand Canyon University. I am also a graduate of the National  
21 Rural Electric Cooperative Association Management Internship Program  
22 from the University of Nebraska-Lincoln. I have been employed in the  
23 utility field since 1983. I worked at Western Farmer's Electric Cooperative  
24 in Anadarko, Oklahoma, for five years as an Engineer and Construction  
25 Supervisor. I was employed for 10 years at Copper Valley Electric  
26 Association in Glennallen and Valdez, Alaska where I held several senior  
27 management positions, the last of which was Chief Operating Officer. I  
28 was employed at Wolverine Power Supply Cooperative in Cadillac,  
29 Michigan as Vice President of System Operations for almost two years  
30 and I have been the CEO of PRECorp since October of 2000.

31 **Q: What is the purpose of your testimony?**

32 A: The purpose of my testimony is to support PRECorp's application to  
33 amend its rules and regulations regarding member security deposit  
34 requirements.

35 **Q: Can you explain why PRECorp is making this requested change to**  
36 **its security deposit requirements?**

37 A: In 2015, PRECorp has had a coal bed methane ("CBM") company and a  
38 coal mine company experience financial difficulties, and just those two

39 companies resulted in outstanding debt to PRECorp of over \$1.7 million.  
40 Both accounts would have passed PRECorp's objective credit screen  
41 pursuant to Section III, Security Deposits, I, D and Section III, II, A, B, C,  
42 of its rules and regulations. We are concerned that this may not be the  
43 end of the financial instability in the energy industry and we must take  
44 reasonable steps to manage the risk related to the failure of our members  
45 to pay their power bills.

46 **Q: Can you explain the details of the losses related to the CBM**  
47 **Company and PRECorp's related actions?**

48 A: PRECorp was forced to disconnect approximately 500 accounts of Storm  
49 Cat Energy from June 29<sup>th</sup> to July 2<sup>nd</sup> of this year due to non-payment of  
50 their monthly power bills. The total amount unpaid is \$1.19 million and  
51 represents approximately 90 days of unpaid usage. PRECorp has filed  
52 liens on the property and has filed suit to seek a judgment.

53 **Q. Can you explain the details of the losses related to the coal company**  
54 **and PRECorp's related actions?**

55 A: Alpha Natural Resources filed for bankruptcy on August 4, 2015, affecting  
56 60 accounts with PRECorp, including service to the Belle Ayr and Eagle  
57 Butte coal mines. PRECorp is currently seeking recovery of over  
58 \$566,000 in pre-petition costs for electric service.

59 **Q: What do the current security deposit rules allow?**

60 A: General Information Section III, Security Deposit, I, D, allows for PRECorp  
61 to require an applicant or a current electric service customer to provide a

62 security deposit if the “The customer fails to maintain an acceptable credit  
63 history with the Corporation and has an average aggregated billing in  
64 excess of \$5000 for 90 days of service.” Furthermore, General  
65 Information, Section III, Security Deposit, II Acceptable Credit History,  
66 defines an acceptable credit history as having no more that two late  
67 payments, or non-sufficient funds checks, or disconnects for non-pay in  
68 the most recent 12 month period.

69 **Q: How did these rules apply in both the CBM and coal mine situations?**

70 A: Both companies were passing the existing Acceptable Credit History Test,  
71 up to the point of disconnection in the case of the CBM Company, and up  
72 to the date of notice of the bankruptcy in the case of Alpha Natural  
73 Resources. The existing rules are insufficient protection against financial  
74 risk in cases where late payments, and insufficient fund checks are not  
75 indicators of significant financial risk, and where the disconnection process  
76 only minimizes future financial exposure and not the financial exposure  
77 related to failure to pay for energy already consumed.

78 **Q: What improvements are you requesting in your proposed deposit  
79 regulations?**

80 A: PRECorp is requesting to add a new paragraph D to Section III General  
81 Information, I Security Deposit, II Acceptable Credit History on page 5aR,  
82 that will allow PRECorp to make a determination of significant financial  
83 risk associated with a specific load or non-residential customer class and  
84 to petition the commission to approve PRECorp’s requirement a security

85 deposit as a condition of service, based upon the results of an objective  
86 credit screen, pursuant to Section III, Security Deposit, III, Objective Credit  
87 Screen.

88 PRECorp is also seeking to expand the applicability of the Objective  
89 Credit Screen language on Page 5aR from new members to include  
90 existing members whose usage exceeds \$5000 in a three-month period in  
91 order that they maintain an acceptable credit history under the expanded  
92 definition. Additionally we are requesting that we include a provision to  
93 allow for disconnection of an existing service if the customer fails to make  
94 the required security deposit by adding a new paragraph on Page 7R,  
95 Discontinuance of Service.

96 **Q: Can you explain in more detail the changes you are requesting?**

97 A: These changes are shown in the revised Tariff sheets provided as  
98 EXHIBIT X

99 **Q: Can you explain how these changes will assist PRECorp in**  
100 **managing financial risk?**

101 A: The additional paragraph D, under II Acceptable Credit History on revised  
102 sheet 5aR, will allow us to request a deposit from a financially troubled  
103 existing member before they are disconnected for non-pay, and perhaps  
104 before they enter into bankruptcy protection, thus moving PRECorp to a  
105 more financially secure position for payment of electric usage.

106 The additional language inserted in the first paragraph in III, Objective  
107 Credit Screen, on the revised sheet 5aR will allow PRECorp to apply the

108 Objective Credit Screen process to an existing member whose bill  
109 exceeds \$5000 when aggregated over a three-month period.

110

111 The addition of a new paragraph 7, under Discontinuance of Service, will  
112 allow PRECorp to discontinue provision of electric service if an existing  
113 member fails to make the required security deposits.

114

115 **Q: Will PRECorp's financial risk be reduced by the institution of these**  
116 **revised security deposit requirements?**

117 **A:** Yes, the addition of this language will help PRECorp to proactively  
118 manage the risk of financial loss due to a member's financial instability by  
119 supporting our efforts to require security deposits from existing members  
120 whose aggregated three-month billing exceeds \$5000 and who are unable  
121 to pass an Objective Credit Screen.

122 **Q: Why has PRECorp requested an expedited hearing in this matter**  
123 **pursuant to Commission Rule 122?**

124 **A:** We are concerned that the Storm Cat and Alpha Natural Resources  
125 situations may not be isolated instances of financial instability in the  
126 energy sector, and specifically in the CBM and coal industries. The  
127 urgency of this matter cannot be overstated or resolved soon enough.  
128 Coal Mines represent over 35% and CBM represents over 26% of  
129 PRECorp system revenues. This is a concentration of unsecured financial  
130 risk for 60% of our revenues at time of significant instability in those

131 industries. This is a risk which is unreasonable and impossible for the  
132 membership to bear. The proposed changes still require that PRECorp  
133 make a successful filing with the commission in order to require a security  
134 deposit as a condition of continued service.

135 **Q: Does this conclude your testimony?**

136 A: Yes.

Powder River Energy Corporation  
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Wyoming PSC No. 7  
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