

Control Number: 43246



Item Number: 1

Addendum StartPage: 0

DOCKET NO. 43246

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2014 SEP 19 PM 3:02

AGREED NOTICE OF VIOLATION §
AND SETTLEMENT AGREEMENT §
RELATING TO AEP TEXAS NORTH §
COMPANY'S VIOLATION OF PURA §
38.005 AND P.U.C. SUBST. R. 25.52, §
CONCERNING RELIABILTY AND §
CONTINUITY OF SERVICE §

PUBLIC UTILITY COMMISSION
OF TEXAS

FILED IN SECTION
FILING CLERK

APPLICATION FOR APPROVAL OF SETTLEMENT AGREEMENT

Staff of the Public Utility Commission of Texas (Commission) files this Application for Approval of Settlement Agreement and would show in support as follows:

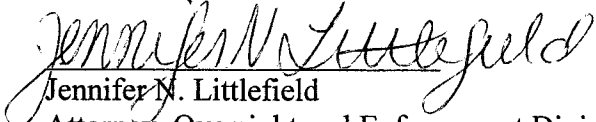
Commission Staff and AEP Texas North Company (AEP TNC) (together, Parties) have entered into a Settlement Agreement and Report to Commission (Agreement). The Agreement, attached to this motion, has been signed by representatives of both parties and includes a Proposed Order. This Agreement resolves and concludes Commission Staff's investigation of AEP TNC for violation of PURA¹ § 38.005 and P.U.C. SUBST. R. 25.52, concerning reliability and continuity of service for reporting year 2013.

WHEREFORE, Commission Staff respectfully requests that its Application for Approval of Settlement Agreement be granted.

¹ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2013) (PURA).

Respectfully Submitted,

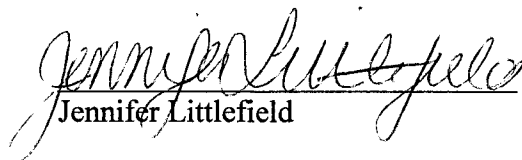
Robert M. Long
Division Director
Oversight and Enforcement Division


Jennifer N. Littlefield

Attorney, Oversight and Enforcement Division
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(512) 936-7268
(512) 936-7208 (facsimile)
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
jennifer.littlefield@puc.texas.gov

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 19th of September, 2014 in accordance with P.U.C. Procedural Rule 22.74.


Jennifer Littlefield

DOCKET NO. _____

AGREED NOTICE OF VIOLATION AND SETTLEMENT AGREEMENT RELATING TO AEP TEXAS NORTH COMPANY'S VIOLATION OF PURA § 38.005 AND P.U.C. SUBST. R. 25.52, CONCERNING RELIABILITY AND CONTINUITY OF SERVICE	§ § § § § § § § §	PUBLIC UTILITY COMMISSION OF TEXAS
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SETTLEMENT AGREEMENT AND REPORT TO COMMISSION

Staff of the Public Utility Commission of Texas (Commission) and AEP Texas North Company (AEP TNC) (together, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes the investigation of the Company for violation of PURA¹ § 38.005 and P.U.C. SUBST. R. 25.52, concerning reliability and continuity of service for reporting year 2013.

The Parties agree as follows:

1. The Parties stipulate to the facts contained in the attached Proposed Order and request approval of the Order by the Commission.
2. Commission Staff recommended, and AEP TNC agrees to pay, an administrative penalty of Forty-Eight Thousand Dollars (\$48,000) for AEP TNC's violations described in the attached Proposed Order.
3. AEP TNC agrees to make efforts to improve the performance and reliability of all of its feeders. In particular, those efforts will focus on feeders that have violated service quality and reliability standards for three or more consecutive years and maintaining the system-wide standards required by P.U.C. SUBST. R. 25.52 (g)(1)(A) and (B).
4. AEP TNC stated the following with regards to the circumstances for the underperforming circuits and intended improvements:

¹ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2013) (PURA).

a. McCamey 97SA2415

- i. This is an 89 mile long 12.5 KV feeder that serves approximately 160 residential, ranch, and oil field customers in the rural area northwest of McCamey, Texas in Upton County.
- ii. In Docket No. 42207, AEP TNC agreed to continue to spend monies on feeder 97SA2415 for proactive reliability programs such as adding line re-closers, pole replacements, and sectionalizing. Since January 1, 2013, AEP TNC has spent over \$81,000 on these projects, with a total sum of approximately \$107,000 spent on this feeder within the last five years.
- iii. The proactive reliability programs also include feeder patrols that assist in identifying any problem areas that need to be addressed.
- iv. The major obstacle to maintaining reliability on this circuit is the difficulty of gaining access to the power lines. There are many cross fences, thick brush, and plateaus that rise several hundred feet above the surrounding area that must be navigated to reach the location of an outage.

b. Ver Halen 97SA4465

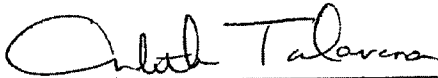
- i. This is a 32 mile long 12.5 KV feeder that serves approximately 63 residential and farm customers, in addition to serving some irrigation and oil fields in Reeves County, Texas.
- ii. Most of the outages on this feeder were caused by equipment failure and lightning strikes, which are outage causes that are common to most overhead distribution systems.
- iii. AEP TNC has spent approximately \$39,000 over a five year period on proactive reliability programs such as sectionalizing, power quality and pole replacements.
- iv. The proactive reliability programs also include feeder patrols that assist in identifying any problem areas that need to be addressed.

5. This Agreement resolves all claims related to AEP TNC's obligations pursuant to PURA § 38.005 and P.U.C. SUBST. R. 25.52 concerning reliability and continuity of service for reporting year 2013.
6. Unless specifically provided for in this Agreement, AEP TNC waives any notice and procedures that might otherwise be authorized or required in this proceeding.
7. Nothing in this Agreement shall limit the Commission Staff's ability to perform its enforcement functions as set forth in PURA and the Commission's rules.
8. A Party's support of the resolution of this docket in accordance with this Agreement may differ from its position or testimony regarding contested issues of law, policy, or fact in other proceedings before the Commission or other forums. Because this is a settlement agreement, a Party is under no obligation to take the same position as set out in this Agreement in other proceedings not referenced in this Agreement whether those dockets present the same or a different set of circumstances. The Parties' agreement to entry of a final order of the Commission consistent with this Agreement should not be regarded as an agreement as to the appropriateness or correctness of any assumptions, methodology, or legal or regulatory principle that may have been employed in reaching this Agreement.
9. The Parties contemplate that this Agreement will be approved pursuant to P.U.C. PROC. R. 22.246(g)(1)(C). In the event the Commission materially changes the terms of this Agreement, the Parties agree that any Party adversely affected by that material alteration has the right to withdraw from this Agreement, thereby becoming released from its obligations arising hereunder, and to proceed as otherwise permitted by law to exercise all rights available under law. The right to withdraw must be exercised by providing the other Party written notice within 20 calendar days of the date the Commission files the final order acting on this Agreement. Failure to provide such notice within the specified time period shall constitute a waiver of the right to withdraw and acceptance of the material changes to this Agreement made by the Commission.
10. This Agreement is the final and entire agreement between the Parties regarding the alleged violations related to reliability and continuity of service for the year 2013 and supersedes all other communications among the Parties or their representatives regarding its terms.

11. Each person executing this Agreement represents that he or she has been authorized to sign on behalf of the Party represented. Copies of signatures are valid to show execution. If this Agreement is executed in multiple counterparts, each is deemed an original but all of which constitute the same Agreement.

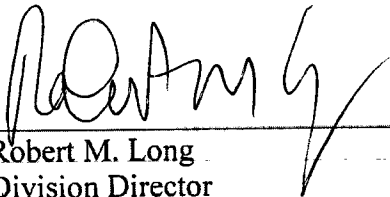
12. The Company warrants that it has read this Agreement carefully, knows the contents thereof, and signs the same as its free act

EXECUTED by the Parties by their authorized representatives designated below.



Judith Talavera
Director, Regulatory Services
AEP Texas North Company
400 West 15th Street, Suite 1500
Austin, Texas 78701

Date: 9/17/14



Robert M. Long
Division Director
Oversight and Enforcement Division
Public Utility Commission of Texas

Date: 9/17/14

ATTACHMENT

DOCKET NO. _____

AGREED NOTICE OF VIOLATION AND SETTLEMENT AGREEMENT RELATING TO AEP TEXAS NORTH COMPANY'S VIOLATIONS OF PURA § 38.005 AND P.U.C. SUBST. R. 25.52, CONCERNING RELIABILITY AND CONTINUITY OF SERVICE	§ § § § § § § § §	PUBLIC UTILITY COMMISSION OF TEXAS
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PROPOSED ORDER

Pursuant to P.U.C. PROC. R. 22.246(g)(1)(C), this Order approves the Settlement Agreement and Report to Commission (Agreement) between the Staff of the Public Utility Commission of Texas (Commission) and AEP Texas North Company (AEP TNC) (together, Parties) regarding Commission Staff's investigation of Company for violations of PURA¹ § 38.005 and P.U.C. SUBST. R. 25.52, concerning reliability and continuity of service. This docket was processed in accordance with applicable statutes and Commission rules. The Agreement resolves all issues in this docket. Commission Staff recommended an administrative penalty of \$48,000. AEP TNC agreed to pay the recommended administrative penalty. The Agreement is approved.

The Commission adopts the following findings of fact and conclusions of law:

I. FINDINGS OF FACT

1. AEP TNC is an electric utility as defined in PURA § 31.002(6).
2. For reporting year 2013, AEP TNC reported its annual System Average Interruption Duration Index (SAIDI) value exceeded the system-wide standard by more than 25%; its

¹ Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2013) (PURA).

annual SAIDI value was at least 25% above the system-wide standard for two or more years in a row.

3. For reporting year 2013, AEP TNC reported the following “per feeder” violations having a SAIDI value more than 300% greater than the system average for two consecutive years:
 - four single feeders in violation of the rule for the first year,
 - one single feeder in violation of the rule two years in a row, and
 - one single feeder in violation of the rule for five or more consecutive years.
4. On or about June 10, 2014 AEP TNC was provided proper notice of Commission Staff’s investigation in this matter, the results of the investigation, information about its right to a hearing, and an opportunity to explain its activities.
5. AEP TNC fully cooperated with Commission Staff’s investigation.
6. AEP TNC acknowledges the violations detailed in this Order.
7. AEP TNC participated in one or more settlement discussions with Commission Staff to resolve this matter.
8. On August 17, 2014, the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and AEP TNC agreed to pay, an administrative penalty of Forty-Eight Thousand Dollars (\$48,000).
9. The Agreement provides for a reasonable resolution of this dispute.

II. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to PURA §§ 14.001, 14.002, 14.003, 14.051, 15.023, 15.024, and 38.005.
2. AEP TNC is an electric utility for purposes of PURA §§ 31.002(6) and 38.005 as well as P.U.C. SUBST. R. 25.52.
3. As an electric utility, AEP TNC is required to comply with the service quality and reliability standards established by PURA § 38.005, and P.U.C. SUBST. R. 25.52.

4. AEP TNC was provided proper notice of Commission Staff's investigation in this matter, the results of the investigation, information about its right to a hearing, and an opportunity to explain its activities.
5. PURA § 38.005(a) provides that "[t]he commission shall implement service quality and reliability standards relating to the delivery of electricity to retail customers by electric utilities and transmission and distribution utilities." Subsection (a) goes on to require the Commission to, by rule, "develop reliability standards, including: (1) SAIFI; (2) SAIDI; (3) achievement of average response time for customer service requests or inquiries; or (4) other standards that the commission finds reasonable and appropriate."
6. Pursuant to this legislative mandate, the Commission implemented the reliability standards found in P.U.C. SUBST. R. 25.52(g)(1)(A) and (B) and P.U.C. SUBST. R. 25.52(g)(2). P.U.C. SUBST. R. 25.52(g)(1)(A) and (B) require each utility to maintain and operate its electric distribution system so that its SAIDI and SAIFI standards do not exceed the utility's system-wide SAIFI and SAIDI standards by more than 5%. P.U.C. SUBST. R. 25.52(g)(2) requires each utility to maintain and operate its electric distribution system so that no distribution feeder with ten or more customers sustains a SAIDI or SAIFI value for a reporting year that is more than 300% greater than the system average of all feeders during any two consecutive reporting years.
7. AEP TNC violated PURA § 38.005 and the requirements of P.U.C. SUBST. R. 25.52 for reporting year 2013. For reporting year 2013, AEP TNC reported its annual System Average Interruption Duration Index (SAIDI) value exceeded the system-wide standard by more than 25%; its annual SAIDI value was at least 25% above the system-wide standard for two or more years in a row.
8. For reporting year 2013, AEP TNC reported the following "per feeder" violations having a SAIDI value more than 300% greater than the system average for two consecutive years:
 - four single feeders in violation of the rule for the first year,
 - one single feeder in violation of the rule two years in a row, and
 - one feeder in violation of the rule for five or more consecutive years.

9. P.U.C. PROC. R. 22.246(g)(1)(A),(B), and (C) require issuance of a report of a settlement to the Commission and a written order that approves the settlement.
10. The Agreement is a report of settlement to the Commission as required by P.U.C. PROC. R. 22.246(g).
11. The requirements for informal disposition pursuant to P.U.C. PROC. R. 22.35 have been met in this proceeding.

III. ORDERING PARAGRAPHS

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. The Agreement, attached to this Order as Attachment 1, is approved, and the Parties shall be bound by its terms.
2. AEP TNC shall pay an administrative penalty to the Commission in the amount of Forty-Eight Thousand Dollars (\$48,000). AEP TNC shall remit payment of the full amount of the administrative penalty on or before thirty (30) calendar days after the date this Order is signed. Payment of the administrative penalty shall be made by check payable to the Public Utility Commission of Texas and shall reference this docket. The check shall be sent to the following address:

Public Utility Commission of Texas,
P.O. Box 13326
Austin, Texas 78711
ATTN: Fiscal Services
3. AEP TNC shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
4. AEP TNC agrees to make efforts to improve the performance and reliability of all of its feeders. In particular, those efforts will focus on the following feeder that has violated service quality and reliability standards for three or more consecutive years and maintaining the system-wide standards required by P.U.C. SUBST. R. 25.52 (g)(1)(A) and (B) and 25.52(f)(2):

McCamey 97SA2415 - AEP TNC agrees to continue to spend monies on proactive reliability programs for this feeder such as adding line re-closers, pole replacements and sectionalizing. The proactive reliability programs also include feeder patrols that assist in identifying any problem areas that need to be addressed.

5. The Commission shall not be constrained in any manner from requiring additional action or penalties for violations that are not raised here.
6. Entry of this order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the Agreement. Neither should the entry of an order consistent with the Agreement be regarded as a binding holding or precedent as to the appropriateness of any principle underlying the Agreement.
7. All other motions, requests for entry of specific findings of fact and conclusions of law, and any other request for general or specific relief, if not expressly granted herein, are denied.

SIGNED AT AUSTIN, TEXAS on the ____ day of _____.

PUBLIC UTILITY COMMISSION OF TEXAS

DONNA L. NELSON, CHAIRMAN

KENNETH W. ANDERSON, JR., COMMISSIONER

BRANDY D. MARTY, COMMISSIONER