

Control Number: 43260



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DOCKET NO. 43260

AGREED NOTICE OF VIOLATION §
AND SETTLEMENT AGREEMENT §
RELATING TO SOUTHWESTERN §
PUBLIC SERVICE 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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PUBLIC UTILITY COMMISSION

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:

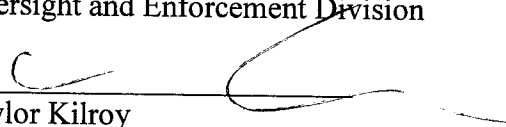
Commission Staff and Southwestern Public Service Company (SPS) (together, Parties) have entered into a Settlement Agreement and Report to Commission (Agreement). The Agreement, attached to this motion, has been signed by representatives of both parties and includes a Proposed Order. This Agreement resolves and concludes Commission Staff's investigation of SPS for violations 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



Taylor Kilroy
Attorney, Oversight and Enforcement Division
State Bar No. 24087844
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(512) 936-7208 (facsimile)
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326
taylor.kilroy@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 22nd of September, 2014 in accordance with P.U.C. Procedural Rule 22.74.



Taylor Kilroy

DOCKET NO. 43360

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

SETTLEMENT AGREEMENT AND REPORT TO COMMISSION

Staff of the Public Utility Commission of Texas (Commission) and Southwestern Public Service Company (SPS or Company) (together, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes the investigation of the Company for violations 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 herein and in the attached Proposed Order and request approval of the Order by the Commission.
2. Commission Staff recommended, and SPS agrees to pay, an administrative penalty of Thirty Two Thousand Dollars (\$32,000) for SPS's violations described in the attached Proposed Order.
3. SPS agrees to make efforts to improve the performance and reliability of all of its feeders. In particular, SPS will focus its efforts on an increase of expenditures and resources on feeders that have violated service quality and reliability standards for three or more consecutive years and maintain the system-wide standards required by P.U.C. SUBST. R. 25.52 (g)(1)(A) and (B).

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

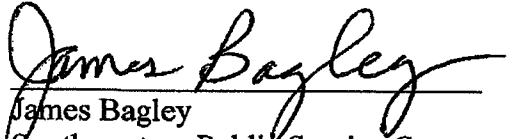
4. SPS asserts the following with regards to the circumstances for Waterfield - 2368, a feeder that has been in violation of P.U.C. SUBST. R. 25.52 (g)(1)(B) for four consecutive years:
 - a. Waterfield - 2368 is a strictly rural circuit that serves a mix of residences and agricultural businesses. Customer density is below four customers per mile. Much of the feeder is shielded line that appears to be in good condition. Access to portions of the line is troublesome due to dirt roads, fences, and gates.
 - b. In 2013, the primary outage cause was lightning and wind associated with thunderstorms. The largest outage occurred during a severe storm that prevented access to certain parts of the circuit due to high water and muddy roads.
 - c. In an effort to improve the feeder's performance, SPS has upgraded a recloser for better circuit coordination and is currently upgrading lightning protection for better system protection during thunderstorm events.
 - d. SPS invested \$5,385 in 2013 and is planning to invest approximately \$6,000 in 2014 for lightning arrester replacement.
5. SPS warrants it established the following programs and practices to address feeders that do not perform according to the standard.
 - a. The Feeder Performance Improvement Program (FPIP) reviews all feeders that exceed the established SAIDI threshold for a particular year and identifies where SPS should make improvements. SPS budgets approximately \$400,000 annually for capital improvements for the circuits that fall below the threshold.
 - b. SPS spent approximately \$390,000 during 2013 conducting pole inspections and pole treatments. SPS implemented a formal distribution wood pole maintenance program in 2009. As of September 2014, approximately 25% of the 450,000 distribution poles in service at SPS have been inspected as part of this program. The high-level goal of the program is to inspect approximate 1/12 of the total poles each year. If certain criteria are met, some of these inspected poles will be remedially treated with preservatives/insecticide to maximize the service life of the pole. Poles identified as not meeting the remaining strength

requirements of the National Electrical Safety Code (NESC) will be replaced or reinforced with engineered trussing systems to better ensure the electric service reliability of the distribution system. SPS maintains a five year strategic plan and resources are earmarked to achieve the goal of inspecting and treating approximately 1/12 of the total poles annually. In 2013, SPS spent approximately \$3,300,000 to replace 918 poles and reinforced another 836 poles.

- c. SPS performs vegetation management on an annual basis and works approximately one fifth of its system each year with a goal of working one hundred percent of its system over a five year period. SPS spent over \$500,000 in 2013 and is on track to spend \$521,000 in 2014.
 - d. SPS implemented two new programs in 2012 to improve feeder performance and the customer experience. The following programs, together with the Area Engineers, help SPS look beyond the general reliability numbers and focus on the individual customer experience.
 - i. Customers Experiencing Multiple Interruptions (CEMI) tracks customers experiencing multiple interruptions by setting a target for the number of customers experiencing 6 or more interruptions in a rolling 12 month period.
 - ii. Reliability Exception Monitoring System (REMS) monitors protective devices (such as fuse, recloser, etc.) that have operated twice in a rolling 12 month period. The area engineer can then investigate the outages and determine if any remedial action is required.
6. This Agreement resolves all claims related to SPS'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.
7. Unless specifically provided for in this Agreement, SPS waives any notice and procedures that might otherwise be authorized or required in this proceeding.
8. 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.

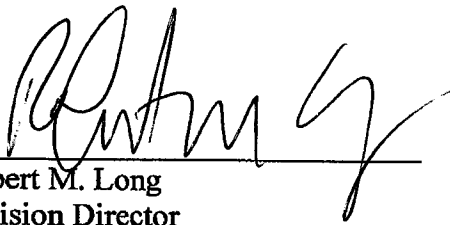
9. A Party's support of the resolution of this docket in accordance with this Agreement may differ from its position or testimony regarding contested issues of law, policy, or fact in other proceedings before the Commission or other forums. Because this is a settlement agreement, a Party is under no 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.
10. 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.
11. 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.
12. 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.
13. 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.



James Bagley
Southwestern Public Service Company
601 South Tyler, Suite 2405
Amarillo, Texas 79101

Date: 9/19/14



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

Date: 9/22/14

ATTACHMENT

DOCKET NO. _____

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

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 Southwestern Public Service Company (SPS) (together, Parties) regarding Commission Staff's investigation of Company for violation 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 \$32,000. SPS 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. SPS is an electric utility as defined in PURA § 31.002(6).
2. For reporting year 2013, SPS reported its annual System Average Interruption Duration Index (SAIDI) value exceeded the system-wide standard by more than five percent; 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 five percent above the system-wide standard for two or more years in a row. In addition, SPS reported the following “per feeder” violations having a SAIDI value more than three hundred percent greater than the system average for two consecutive years:

- a. Four single feeders in violation of the rule for the first year; and
 - b. One single feeder in violation of the rule for five consecutive years.
3. In 2013, SPS reported the following “per feeder” violations having a SAIFI value more than three hundred percent greater than the system average for two consecutive years:
 - a. Two single feeders in violation of the rule first year.
 4. On or about July 1, 2014, SPS 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. SPS fully cooperated with Commission Staff’s investigation.
 6. SPS acknowledges the violations detailed in this Order.
 7. SPS participated in one or more settlement discussions with Commission Staff to resolve this matter.
 8. On September 22,, 2014, the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and SPS agreed to pay, an administrative penalty of Thirty Two Thousand Dollars (\$32,000).
 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. SPS 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, SPS 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. SPS 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. SPS violated PURA § 38.005 and the requirements of P.U.C. SUBST. R. 25.52 for reporting year 2013. For reporting year 2013, SPS reported its annual System Average Interruption Duration Index (SAIDI) value exceeded the system-wide standard by more than 5%; its annual SAIDI value was at least 5% above the system-wide standard for two or more years in a row. In addition, SPS reported the following "per feeder" violations having a SAIDI value more than 300% greater than the system average for two consecutive years:
 - a. Four single feeders in violation of the rule for the first year; and
 - b. One single feeder in violation of the rule for five consecutive years.
8. For reporting year 2013, SPS reported the following "per feeder" violations having a SAIFI value more than 300% greater than the system average for two consecutive years:

- a. Two single feeders in violation of the rule for the first year.
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. SPS shall pay an administrative penalty to the Commission in the amount of Thirty Two Thousand Dollars (\$32,000). SPS 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
ATTN: Fiscal Services
P.O. Box 13326
Austin, Texas 78711
3. SPS shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
4. SPS 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 maintain the system-wide standards required by P.U.C. SUBST. R. 25.52 (g)(1)(A) and (B) and 25.52(g)(2).

5. SPS warrants it established the following programs and practices to address feeders that do not perform according to the standard.
 - a. The Feeder Performance Improvement Program (FPIP) reviews all feeders that exceed the established SAIDI threshold for a particular year and identifies where SPS should make improvements. SPS budgets approximately \$400,000 annually for capital improvements for the circuits that fall below the threshold.
 - b. SPS implemented a formal distribution wood pole maintenance program in 2009. As of September 2014, approximately 25% of the 450,000 distribution poles in service at SPS have been inspected as part of this program. The high-level goal of the program is to inspect approximate 1/12 of the total poles each year. If certain criteria are met, some of these inspected poles will be remedially treated with preservatives/insecticide to maximize the service life of the pole. Poles identified as not meeting the remaining strength requirements of the National Electrical Safety Code (NESC) will be replaced or reinforced with engineered trussing systems to better ensure the electric service reliability of the distribution system. SPS maintains a five year strategic plan and resources earmarked to achieve the goal of inspecting and treating approximately 1/12 of the total poles annually. SPS replaces poles that are below the strength standard and reinforces poles that are on the borderline of the strength standard to improve their integrity and extend their life and improve reliability of the system.
 - c. SPS performs vegetation management on an annual basis and works approximately one fifth of its system each year with a goal of working one hundred percent of its system over a five year period.
 - d. SPS implemented two new programs in 2012 to improve feeder performance and the customer experience. The following programs, together with the Area Engineers, help SPS look beyond the general reliability numbers and focus on the individual customer experience.
 - i. Customers Experiencing Multiple Interruptions (CEMI) tracks customers experiencing multiple interruptions by setting a target for the number of customers experiencing 6 or more interruptions in a rolling 12 months.

- ii. Reliability Exception Monitoring System (REMS) monitors protective devices (such as fuse, recloser, etc.) that have operated twice in a 12 rolling month period. The area engineer can then investigate the outages and determine if any remedial action is required.
6. In 2014, with regards to Waterfield - 2368, SPS warrants invest approximately \$6,000 installing or replacing lightening arresters to upgrade lighting protection for better system protection during thunderstorm events.
7. The Commission shall not be constrained in any manner from requiring additional action or penalties for violations that are not raised here.
8. 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.
9. 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 the ____ day of _____, 2014.

PUBLIC UTILITY COMMISSION OF TEXAS

DONNA L. NELSON, CHAIRMAN

KENNETH W. ANDERSON, JR., COMMISSIONER

BRANDY D. MARTY, COMMISSIONER