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DOCKET NO. **43705**

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PUBLIC UTILITY COMMISSION
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AGREED NOTICE OF VIOLATION §
AND SETTLEMENT AGREEMENT §
RELATING TO POWER RESOURCES §
LTD.'s VIOLATION OF PURA §
§ 39.151(d), P.U.C. SUBST. R. §
25.503(f)(2), AND ERCOT OPERATING §
GUIDE §§ 2.2.5(2), RELATED TO §
AUTOMATIC VOLTAGE §
REGULATORS, AND 2.6.2(1), §
RELATED TO GENERATORS §

PUBLIC UTILITY COMMISSION
OF TEXAS

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 Power Resources, Ltd. (Power Resources) (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 Power Resources for violation of PURA § 39.151(d), and P.U.C. SUBST. R. 25.503(f)(2), concerning failure to adhere to Electric Reliability Council of Texas (ERCOT) Operating Guide §§ 2.2.5(2), related to automatic voltage regulators, and 2.6.2(1), related to generators.

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

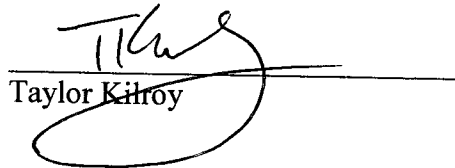
Respectfully Submitted,
Robert M. Long
Division Director
Oversight and Enforcement Division



Taylor Kilroy
Attorney, Oversight and Enforcement Division
State Bar No. 24087844
(512) 936-7127
(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 4th day of Noveber, 2014 in accordance with P.U.C. Procedural Rule 22.74.



Taylor Kilroy

DOCKET NO.

AGREED NOTICE OF VIOLATION	§	
AND SETTLEMENT AGREEMENT	§	
RELATING TO POWER RESOURCES	§	PUBLIC UTILITY COMMISSION
LTD.'s VIOLATION OF PURA	§	
§ 39.151(d), P.U.C. SUBST. R.	§	OF TEXAS
25.503(f)(2), AND ERCOT OPERATING	§	
GUIDE §§ 2.2.5(2), RELATED TO	§	
AUTOMATIC VOLTAGE	§	
REGULATORS AND 2.6.2(1), RELATED	§	
TO GENERATORS	§	

SETTLEMENT AGREEMENT AND REPORT TO COMMISSION

Staff of the Public Utility Commission of Texas (Commission or PUC) and Power Resources, Ltd. (Power Resources) (collectively, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes Commission Staff's investigation of Power Resources for violation of Section 39.151(d) of the Public Utility Regulatory Act¹ (PURA) and P.U.C. SUBST. R. 25.503(f)(2), concerning failure to adhere to Electric Reliability Council of Texas (ERCOT) Operating Guide §§ 2.2.5(2), related to automatic voltage regulators, and 2.6.2(1), related to generators.

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. The Commission has jurisdiction over the Parties to this proceeding and the subject matter of this Agreement.
3. Each Generation Resource (GR) shall conduct tests on Automatic Voltage Regulators (AVRs) or verify AVRs performance through comparison with operational data minimum of every five years as stated per ERCOT Operating Guide § 2.2.5(2).
4. Each GR must set any under frequency relays to trip only if the GR is run at a particular frequency for a particular length of time as stated in ERCOT Operating Guide § 2.6.2(1).

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (West 2007 & Supp. 2014) (PURA).

5. Commission Staff reviewed Texas Reliability Entity, Inc.'s ERCOT Protocols compliance audit of Qualified Scheduling Entities (QSE) and determined EDF Trading has been the QSE for Power Resources since 2007.
6. Commission Staff determined Power Resources had not performed AVR testing at five year intervals as required by ERCOT Operating Guide § 2.2.5(2) for three generators – two gas combustion turbines and a steam turbine – between 2003 and 2014.
7. Commission Staff determined Power Resources had under-frequency relay settings that were not in accordance with the ERCOT Operating Guide § 2.6.2(1) requirement.
8. Commission Staff recommends, and Power Resources agrees to pay, an administrative penalty of Thirty-Seven Thousand Dollars (\$37,000) in full and final settlement of the alleged violations described in the attached Proposed Order.
9. This Agreement resolves all claims related to Power Resources' obligations pursuant to PURA § 39.151(d); P.U.C. SUBST. R. 25.503(f)(2), concerning failure to adhere to ERCOT Operating Guide §§ 2.2.5(2), related to automatic voltage regulators, and 2.6.2(1), related to generators.
10. Unless specifically provided for in this Agreement, Power Resources waives any notice and procedures that might otherwise be authorized or required in this proceeding.
11. Nothing in this Agreement shall limit Commission Staff's ability to perform its enforcement functions as set forth in PURA and the Commission's rules.
12. 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.

13. 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.
14. This Agreement is the final and entire agreement between the Parties regarding its terms and supersedes all other communications among the Parties or their representatives regarding its terms.
15. 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.
16. Power Resources warrants that it has read this Agreement carefully, knows the contents thereof, and signs the same as its free act.

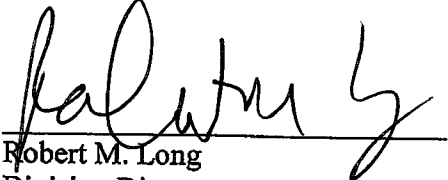
EXECUTED by the Parties by their authorized representatives designated below.



Jerry Baker
President

CE Texas Resources, LLC, the general partner of
Power Resources, Ltd.
P.O. Box 2700
Big Spring, TX 79721

Date: 11-4-14



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

Date: 11-4-14

DOCKET NO.

**AGREED NOTICE OF VIOLATION
AND SETTLEMENT AGREEMENT
RELATING TO POWER RESOURCES,
LTD.'s VIOLATION OF PURA
§ 39.151(d), P.U.C. SUBST. R.
25.503(f)(2), AND ERCOT OPERATING
GUIDE §§ 2.2.5(2), RELATED TO
AUTOMATIC VOLTAGE
REGULATORS AND 2.6.2(1), RELATED
TO GENERATORS**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

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 Power Resources, Ltd. (Power Resources) (collectively, Parties) regarding Commission Staff's investigation of Power Resources for violation of PURA¹ § 39.151(d) and P.U.C. SUBST. R. 25.503(f)(2), concerning failure to adhere to Electric Reliability Council of Texas (ERCOT) Operating Guide §§ 2.2.5(2), related to automatic voltage regulators, and 2.6.2(1), related to generators. The Agreement resolves all issues in this docket. Commission Staff recommended an administrative penalty of Thirty-Seven Thousand Dollars (\$37,000), which Power Resources agreed to pay. The Agreement is approved.

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

I. Findings of Fact

1. EDF Trading is an authorized Qualified Scheduling Entity (QSE), as defined by ERCOT Protocols § 2.1 and has been the QSE for Power Resources since 2007.
2. The performance criteria in ERCOT Operating Guide § 2.2.5(2) states that generation resources shall conduct tests on Automatic Voltage Regulators (AVRs) or verify AVRs performance through comparison with operational data minimum of every five years.

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016 (West 2007 & Supp. 2014) (PURA).

3. The performance criteria in ERCOT Operating Guide § 2.6.2(1) states each generation resources must set any under frequency relays to trip only if the generation resource is run at a particular frequency for a particular length of time.
4. Commission Staff reviewed Texas Reliability Entity, Inc.'s ERCOT Protocols compliance audit of Qualified Scheduling Entities (QSE) and determined EDF Trading has been the QSE for Power Resources since 2007.
5. Commission Staff concluded Power Resources had not performed AVR testing at five year intervals as required by ERCOT Operating Guide § 2.2.5(2) for three generators – two gas combustion turbines and a steam turbine – between 2003 and 2014.
6. Commission Staff concluded Power Resources had under-frequency relay settings that were not in accordance with ERCOT Operating Guide § 2.6.2(1) requirement.
7. On or about October 14, 2014, Power Resources 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.
8. Power Resources fully cooperated with Commission Staff's investigation.
9. Power Resources acknowledges the alleged violations detailed in this Order.
10. Power Resources participated in one or more settlement discussions with Commission Staff to resolve this matter.
11. On November 4, 2014, the Parties entered into the Agreement resolving the alleged violations. Commission Staff recommended, and Power Resources agreed to pay, an administrative penalty of Thirty-Seven Thousand Dollars (\$37,000).
12. 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 39.151(d).
2. Power Resources 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.

3. Power Resources failed to meet the performance criteria of ERCOT Operating Guide §§ 2.2.5(2) and 2.6.2(1). Therefore, Power Resources violated PURA § 39.151(d) and the requirements of P.U.C. SUBST. R. 25.503(f)(2).
4. 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.
5. The Agreement is a report of settlement to the Commission as required by P.U.C. PROC. R. 22.246(g).
6. This docket was processed in accordance with applicable statutes and Commission rules.
7. 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. Power Resources shall pay an administrative penalty to the Commission in the amount of Thirty-Seven Thousand Dollars (\$37,000). Power Resources 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. Power Resources shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
4. The Commission shall not be constrained in any manner from requiring additional action or penalties for violations that are not raised here.

5. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the Agreement. Entry of this Order shall not be regarded as a binding holding or precedent as to the appropriateness of any principle or methodology underlying the Agreement.
6. 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