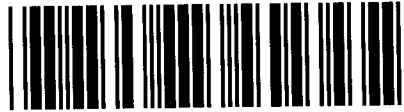


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Addendum StartPage: 0

DOCKET NO. **45362**

**AGREED NOTICE OF VIOLATION
AND SETTLEMENT AGREEMENT
RELATING TO AEP TEXAS CENTRAL
COMPANY'S VIOLATION OF PURA
§ 38.005 AND 16 TAC § 25.52,
CONCERNING RELIABILTY AND
CONTINUITY OF SERVICE**

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**PUBLIC UTILITY COMMISSION
OF TEXAS**

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PUBLIC UTILITY COMMISSION
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 Central Company (AEP TCC) (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 TCC for violation of PURA¹ § 38.005 and 16 Tex. Admin. Code § 25.52 (TAC), concerning reliability and continuity of service for reporting year 2014.

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

¹ Public Utility Regulatory Act, TEX. UTIL CODE §§ 11.001-66.016 (Vernon 2007 & Supp. 2014) (PURA).

Respectfully Submitted,

Robert M. Long
Division Director
Oversight and Enforcement Division


Jennifer N. Littlefield

Attorney, Oversight and Enforcement Division
State Bar No. 24074604
(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 18th of November, 2015 in accordance with 16 TAC § 22.74.


Jennifer N. Littlefield

DOCKET NO. **45362** #

<p>AGREED NOTICE OF VIOLATION AND SETTLEMENT AGREEMENT RELATING TO AEP TEXAS CENTRAL COMPANY'S VIOLATION OF PURA § 38.005 AND 16 TAC § 25.52, CONCERNING RELIABILITY AND CONTINUITY OF SERVICE</p>	<p>§ § § § § § § §</p>	<p>PUBLIC UTILITY COMMISSION OF TEXAS</p>
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SETTLEMENT AGREEMENT AND REPORT TO COMMISSION

Staff of the Public Utility Commission of Texas (Commission) and AEP Texas Central Company (AEP TCC 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 violation of PURA¹ § 38.005 and 16 TAC § 25.52, concerning reliability and continuity of service for reporting year 2014.

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 TCC agrees to pay, an administrative penalty of Fifty Seven Thousand Dollars (\$57,000) for AEP TCC's violations described in the attached Proposed Order.
3. AEP TCC 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 16 TAC § 25.52 (g)(1)(A) and (B).
4. In reporting year 2014, AEP TCC had a single feeder in violation of the rule for three or more consecutive years. That feeder, Government Wells – 94LA7240 (Government Wells),

¹ Public Utility Regulatory Act, TEX. UTIL CODE §§ 11.001-66.016 (Vernon 2007 & Supp. 2014) (PURA).

is a 156 mile long 12.5 KV feeder that serves approximately 212 residential and small commercial customers in the rural area north of Freer, Texas in LaSalle, McMullen, and Duval Counties.

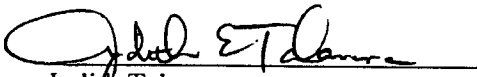
5. In Docket No. 43247, which resolved AEP TCC's compliance for reporting year 2013, AEP TCC agreed to continue to spend monies on feeder Government Wells for proactive reliability programs such as sectionalizing, pole replacements, and vegetation management. AEP TCC spent approximately \$235,750 for reliability purposes on this feeder from 2009 through the pre 2014 filing year. Post 2014 filing year to date in 2015, AEP TCC spent approximately \$196,676 with a total sum of \$432,426 on remediation work to address reliability on this feeder. The major obstacle to maintaining reliability on this feeder are vehicle accidents and difficulty of access to properties in which distribution facilities are located. Since reporting year 2010, excluding 2012, annually there have been vehicle accidents that have increased the customer minute interruption outages enough to raise the SAIDI value to be over the threshold. Also, because of the rural area and the locations of district distribution service centers, the distribution crews have to travel long distances to locate the outage. Additionally, access to properties is complicated by the fact that distribution crews have to access multiple gates to locate the problem causing the outage.
6. In reporting year 2013, feeder Government Wells was ranked number two of the top worst performing SAIDI feeders. In reporting year 2014, feeder Government Wells improved by 171.4% and was ranked 26 in the list of worst performing SAIDI feeders.
7. AEP TCC took the following additional actions in accordance with the final order issued in Docket 43247:
 - a. North Edinburg 94SB4240 – AEP TCC agreed to spend monies on proactive reliability programs such as sectionalizing, line re-closers, pole replacements, vegetation management, and feeder patrols that assist in identifying any problem areas that need to be addressed. In 2014, AEP TCC spent \$39,956 on small asset improvements, pole replacements, repairs discovered through patrols, and new feeder ties for this feeder. North Edinburg 94SB4240 was not on the repeating feeder list for reporting year 2014.

- b. Government Wells 94LA6800 – AEP TCC agreed to spend monies on proactive reliability programs such as sectionalizing, lightning mitigation, and feeder patrols that assist in identifying problem areas that need to be addressed. In 2014, AEP TCC spent \$20,803 on sectionalizing and power quality improvements for this feeder. Government Wells 94LA6800 was not on the repeating feeder list for reporting year 2014.
8. This Agreement resolves all claims related to AEP TCC's obligations pursuant to PURA § 38.005 and 16 TAC § 25.52 concerning reliability and continuity of service for reporting year 2014.
9. Unless specifically provided for in this Agreement, AEP TCC waives any notice and procedures that might otherwise be authorized or required in this proceeding.
10. 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.
11. 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.
12. 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.

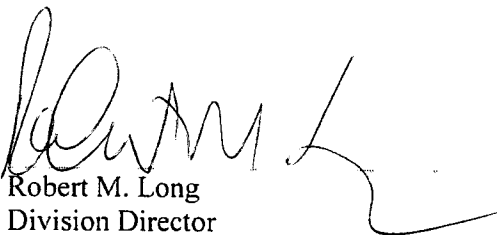
13. This Agreement is the final and entire agreement between the Parties regarding the alleged violations related to reliability and continuity of service for the year 2014 and supersedes all other communications among the Parties or their representatives regarding its terms.
14. Each person executing 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.
15. 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 Central Company
400 West 15th Street, Suite 1500
Austin, Texas 78701

Date: 11/9/15



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

Date: 11/9/15

ATTACHMENT

DOCKET NO. _____

AGREED NOTICE OF VIOLATION AND SETTLEMENT AGREEMENT RELATING TO AEP TEXAS CENTRAL COMPANY'S VIOLATION OF PURA § 38.005 AND 16 TAC § 25.52, CONCERNING RELIABILTY 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 Central Company (AEP TCC or Company) (together, Parties) regarding Commission Staff's investigation of Company for violation of PURA¹ § 38.005 and 16 TAC § 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 \$57,000. AEP TCC 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 TCC is an electric utility as defined in PURA § 31.002(6).
2. In Docket No. 43247, which resolved AEP TCC's compliance for reporting year 2013, AEP TCC agreed to continue to spend monies on feeder Government Wells – 94LA7240

¹ Public Utility Regulatory Act, TEX. UTIL CODE §§ 11.001-66.016 (Vernon 2007 & Supp. 2014) (PURA).

(Government Wells) for proactive reliability programs such as sectionalizing, pole replacements, and vegetation management. AEP TCC spent approximately \$235,750 for reliability purposes on this feeder from 2009 through the pre 2014 filing year. Post 2014 filing year and to date in 2015, AEP TCC spent approximately \$196,676 with a total sum of \$432,426 on remediation work to address reliability on this feeder.

3. In reporting year 2013, feeder Government Wells was ranked number two of the top worst performing SAIDI feeders. In reporting year 2014, feeder Government Wells improved by 171.4% and was ranked 26 in the list of worst performing SAIDI feeders.
4. For reporting year 2014, AEP TCC 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; its annual System Average Interruption Frequency Index (SAIFI) value was more than 5% above the system-wide standard and its annual value was 5% above standard for two consecutive years.
5. For reporting year 2014, AEP TCC reported the following “per feeder” violations having a SAIDI value more than 300% greater than the system average for two consecutive years:
 - five single feeders in violation of the rule for the first year,
 - two single feeders in violation of the rule two years in a row, and;
 - one single feeder in violation of the rule for four consecutive years.
6. On or about June 12, 2015, AEP TCC 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.
7. AEP TCC fully cooperated with Commission Staff’s investigation.
8. AEP TCC acknowledges the violations detailed in this Order.
9. AEP TCC participated in one or more settlement discussions with Commission Staff to resolve this matter.

10. On November 09, 2015 the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and AEP TCC agreed to pay, an administrative penalty of Fifty Seven Thousand Dollars (\$57,000).
11. The Agreement provides for a reasonable resolution of this dispute.
12. The Agreement is in the public interest.

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 TCC is an electric utility for purposes of PURA §§ 31.002(6) and 38.005 as well as 16 TAC § 25.52.
3. As an electric utility, AEP TCC is required to comply with the service quality and reliability standards established by PURA § 38.005, and 16 TAC § 25.52.
4. AEP TCC 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 16 TAC § 25.52(g)(1)(A) and (B) and 16 TAC § 25.52(g)(2). 16 TAC § 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 5.0%. 16 TAC § 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 TCC violated PURA § 38.005 and the requirements of 16 TAC § 25.52 for reporting year 2014. For reporting year 2014, AEP TCC 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; its annual System Average Interruption Frequency Index (SAIFI) value was more than 5% above the system-wide standard and its annual value was 5% above standard for two consecutive years.
8. For reporting year 2014, AEP TCC reported the following “per feeder” violations having a SAIDI value more than 300% greater than the system average for two consecutive years:
 - five single feeders in violation of the rule for the first year,
 - two single feeders in violation of the rule two years in a row, and;
 - one single feeder in violation of the rule for four 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 TCC shall pay an administrative penalty to the Commission in the amount of Fifty Seven Thousand Dollars (\$57,000). AEP TCC 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 electronic funds transfer or 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 TCC shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
4. AEP TCC agrees to make efforts to improve the performance and reliability of all of its feeders. In particular, those efforts will focus on feeder Government Wells 94LA7240, which has violated service quality and reliability standards for three or more consecutive years. AEP TCC agrees to continue to spend monies on feeder Government Wells – 94LA7240 for proactive reliability programs such as sectionalizing, pole replacements, and vegetation management as well as other reliability items that may be identified as needing replacement.
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 MARTY MARQUEZ, COMMISSIONER