



Control Number 46307



Item Number 1

Addendum StartPage 0

DOCKET NO. **46307**

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**AGREED NOTICE OF VIOLATION
AND SETTLEMENT AGREEMENT
RELATING TO SOUTHWESTERN
PUBLIC SERVICE COMPANY'S
VIOLATION OF PURA § 38.005 AND
16 TAC § 25.52, CONCERNING
RELIABILITY AND CONTINUITY OF
SERVICE**

**PUBLIC UTILITY COMMISSION
OF TEXAS**

SETTLEMENT AGREEMENT AND REPORT TO COMMISSION

Staff of the Public Utility Commission of Texas (Commission) and Southwestern Public Service Company (SPS) (each a Party and together, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes the investigation of SPS for violations of PURA¹ § 38.005 and 16 Tex. Admin. Code § 25.52 (TAC), concerning reliability and continuity of service for reporting year 2015.

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 Proposed Order by the Commission.
2. Commission Staff recommends, and SPS agrees to pay, an administrative penalty of Forty-Nine Thousand Dollars (\$49,000) for SPS's violations described in the attached Proposed Order.
3. For the reporting year 2015, SPS reported a system-average interruption duration index (SAIDI) value that exceeded its system-wide standard by more than 34%.
4. For the reporting year 2015, SPS reported a system-average interruption frequency index (SAIFI) value that exceeded its system-wide standard by more than 64%.

¹ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016 (PURA).

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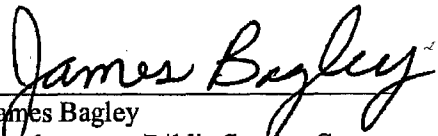
5. For the reporting year 2015, SPS reported four feeders that had SAIDI values more than three hundred percent greater than the system average for two consecutive years, and two feeders that had SAIDI values more than three hundred percent greater than the system average for three consecutive years.
6. For the reporting year 2015, SPS reported three feeders that had SAIFI values more than three hundred percent greater than the system average for two consecutive years, and one feeder that had a SAIFI value more than three hundred percent greater than the system average for three consecutive years.
7. 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 had SAIDI and/or SAIFI values 300% greater than the 2015 system average and will maintain the system-wide standards required by 16 TAC § 25.52(g)(1)(A) and (B).
8. SPS agrees to continue the following programs and practices to address feeders that do not perform according to the standard:
 - a. The Feeder Performance Improvement Program (FPIP). FPIP reviews all feeders that exceed the established SAIDI threshold for a particular year and identifies where SPS should make improvements. SPS budgets approximately \$440,000 annually for capital improvements for the circuits that fall below the threshold.
 - b. Pole Testing. SPS aims to test all poles in their system and as part of a multi –year program with an annual cycle. SPS agrees to continue its annual test and treatment of poles and replace poles that are below the strength standard or reinforce 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. Vegetation Management. 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. Customers Experiencing Multiple Interruptions (CEMI) and Reliability Exception Monitoring System (REMS). SPS agrees to continue the CEMI and REMS

programs to help improve feeder performance and the customer experience. These programs help SPS look beyond the general reliability numbers and focus on the individual customer experience:

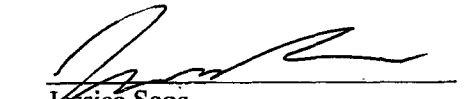
- i. CEMI tracks customers experiencing multiple interruptions by setting a target for the number of customers experiencing 6 or more interruptions in a rolling 12 months.
 - ii. REMS monitors protective devices (such as fuse, recloser, etc.) that have operated twice in a 12 rolling month period. The area engineer can then investigate the outages and determine if any remedial action is required.
9. In the Order in P.U.C. Docket No. 45284, SPS agreed to spend monies and continue with the established programs and practices that address feeders that do not perform according to the standard. Staff's review of SPS's RFI responses dated April 21, 2016 has indicated no specific instances of noncompliance.
 10. This Agreement resolves all claims related to SPS's obligations pursuant to PURA § 38.005 and 16 TAC § 25.52, concerning reliability and continuity of service for reporting year 2015.
 11. Unless specifically provided for in this Agreement, SPS waives any notice and procedures that might otherwise be authorized or required in this proceeding.
 12. 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.
 13. 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.

14. The Parties contemplate that this Agreement will be approved pursuant to 16 TAC § 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.
15. 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 2015 and supersedes all other communications among the Parties or their representatives regarding its terms.
16. 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.
17. SPS 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: 8/24/2016


Jessica Soos
Attorney
Oversight and Enforcement Division
Public Utility Commission of Texas

Date: 8/24/2016

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	§	
16 TAC § 25.52, CONCERNING	§	
RELIABILITY AND CONTINUITY OF	§	
SERVICE	§	

PROPOSED ORDER

Pursuant to 16 Tex. Admin. Code (TAC) § 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 SPS 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 \$49,000. 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).

¹ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016 (PURA).

2. For reporting year 2015 SPS reported the following system-wide standard performance violations:¹
 - a. SPS's SAIDI value exceeded its system-wide SAIDI standard by more than 34% for the current reporting year; and
 - b. SPS's SAIFI value exceeded its system-wide SAIFI standard by more than 64% for the current reporting year.
3. For reporting year 2015, SPS reported the following 'per feeder' violations having a system average interruption duration index (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. Two single feeders in violation of the rule for two consecutive years.
4. For reporting year 2015, SPS reported the following 'per feeder' violations having a system average interruption frequency index (SAIFI) value more than 300% greater than the system average for two consecutive years:
 - a. Three single feeders in violation of the rule for the first year; and
 - b. One single feeder in violation of the rule for two consecutive years.
5. On or about April 25, 2016, 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.
6. SPS fully cooperated with Commission Staff's investigation.
7. SPS acknowledges the violations detailed in this Order.
8. SPS participated in one or more settlement discussions with Commission Staff to resolve this matter.

¹ See Also Attachment 1, Electric Service Quality Enforcement Matrix of Recommended Penalty for Settlement Purposes.

9. On August 24, 2016, the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and SPS agreed to pay, an administrative penalty of Forty-Nine Thousand Dollars (\$49,000).
10. 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 16 TAC § 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 16 TAC § 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) the system-average interruption frequency index (SAIFI); (2) the system-average interruption duration index (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%. 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. For reporting year 2015, SPS violated PURA § 38.005 and the requirements of 16 TAC § 25.52. For reporting year 2015 SPS reported the following 'system-wide' standard performance violations:
 - a. SPS's SAIDI value exceeded its system-wide SAIDI standard by more than 34% for the current reporting year; and
 - b. SPS's SAIFI value exceeded its system-wide SAIFI standard by more than 64% for the current reporting year.
 8. For reporting year 2015, SPS violated PURA § 38.005 and the requirements of 16 TAC § 25.52. For reporting year 2015, 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. Two single feeders in violation of the rule for two consecutive years.
 9. For reporting year 2015, SPS reported the following 'per feeder' violations having a SAIFI value more than 300% greater than the system average for two consecutive years:
 - a. Three single feeders in violation of the rule for the first year; and
 - b. One single feeder in violation of the rule for two consecutive years.
 10. 16 TAC § 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.
 11. The Agreement is a report of settlement to the Commission as required by 16 TAC § 22.246(g).
 12. The requirements for informal disposition pursuant to 16 TAC § 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 Forty-Nine Thousand Dollars (\$49,000). SPS shall remit payment of the full amount of the administrative penalty on or before thirty calendar days after the date this Order is signed. Payment of the administrative penalty may be made by check payable to the Public Utility Commission of Texas and shall reference this docket. If paying by check, 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 and maintaining the system-wide standards required by 16 TAC § 25.52 (g)(1)(A) and (B) and § 25.52(g)(2).
5. SPS shall continue the following programs and practices to address feeders that do not perform according to the standard:
 - e. The Feeder Performance Improvement Program (FPIP). FPIP reviews all feeders that exceed the established SAIDI threshold for a particular year and identifies where SPS should make improvements. SPS budgets approximately \$440,000 annually for capital improvements for the circuits that fall below the threshold.
 - f. Pole Testing. SPS aims to test all poles in their system and as part of a multi-year program with twelve year cycle. SPS will continue its annual test and treatment

of poles and replace poles that are below the strength standard or reinforce poles that are on the borderline of the strength standard to improve their integrity and extend their life and improve reliability of the system.

- g. Vegetation Management. 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.
 - h. Customers Experiencing Multiple Interruptions (CEMI) and Reliability Exception Monitoring System (REMS). SPS will continue the CEMI and REMS programs to help improve feeder performance and the customer experience. These programs help SPS look beyond the general reliability numbers and focus on the individual customer experience:
 - iii. 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.
 - iv. 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. The Commission shall not be constrained in any manner from requiring additional action or penalties for violations that are not raised here.
 7. 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.
 8. 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 _____, 2016.

PUBLIC UTILITY COMMISSION OF TEXAS

DONNA L. NELSON, CHAIRMAN

KENNETH W. ANDERSON, JR., COMMISSIONER

BRANDY MARTY MARQUEZ, COMMISSIONER