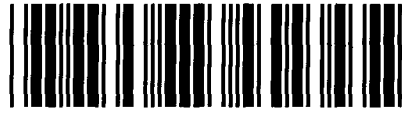


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DOCKET NO. 46361

<b>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</b>	§ § § § § § § §	<b>PUBLIC UTILITY COMMISSION</b>  <b>OF TEXAS</b>
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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) (together, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes the investigation of AEP TCC for violation of PURA<sup>1</sup> § 38.005 and 16 TAC § 25.52, concerning reliability and continuity of service for reporting year 2015.

**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 Eighty-Nine Thousand Dollars (\$89,000) for AEP TCC's violations described in the attached Proposed Order.
3. AEP TCC agrees to make additional efforts to improve the performance and reliability on under-performing 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 2015, AEP TCC had a single feeder in violation of the rule for four or more consecutive years. That feeder, Government Wells 94LA7240 (Government Wells), is

<sup>1</sup> Public Utility Regulatory Act, Tex. Util Code §§ 11.001-58.303 (West 2016), §§ 59.001-66.017 (West 2007 & Supp. 2016) (PURA).

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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.

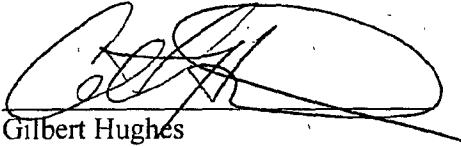
5. In Docket No. 45362, which resolved AEP TCC's compliance for reporting year 2014, AEP TCC agreed to continue to spend monies on feeder Government Wells for proactive reliability programs such as sectionalizing, pole replacements, and vegetation management. AEP TCC spent approximately \$479,337 for reliability purposes on this feeder from 2011 through 2015. Post-2015 to August 31, 2016, AEP TCC spent approximately \$211,968 for pole replacement and recloser change-outs with a total sum of \$691,305 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. For reporting year 2015, 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.
7. For reporting year 2015, AEP TCC 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,
  - three single feeders in violation of the rule two years in a row,
  - one single feeder in violation of the rule for three consecutive years, and
  - one single feeder in violation of the rule five consecutive years.

8. For reporting year 2015, AEP TCC reported the following “per feeder” violations having a SAIFI value more than 300% greater than the system average for two consecutive years:
  - two single feeders in violation of the rule for the first year.
9. 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 2015.
10. Unless specifically provided for in this Agreement, AEP TCC waives any notice and procedures that might otherwise be authorized or required in this proceeding.
11. 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.
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 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.

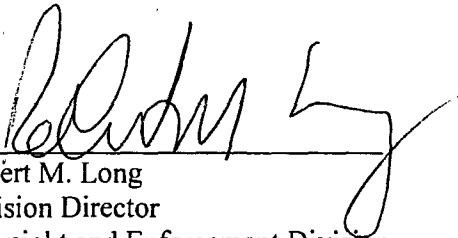
14. This Agreement is the final and entire agreement between the Parties regarding the alleged violations related to reliability and continuity of service for the year 2015 and supersedes all other communications among the Parties or their representatives regarding its terms.
15. Each person executing 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. AEP TCC 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.



Gilbert Hughes  
Director, Regulatory Services  
AEP Texas Central Company  
400 West 15th Street, Suite 1500  
Austin, Texas 78701

Date: 9/13/2014



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

Date: 9/13/16

**ATTACHMENT**

**DOCKET NO. \_\_\_\_\_**

<b>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</b>	§ § § § § § §	<b>PUBLIC UTILITY COMMISSION  OF TEXAS</b>
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**PROPOSED ORDER**

Pursuant to 16 Tex. Admin. Code § 22.246(g)(1)(C) (TAC), 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) (together, Parties) regarding Commission Staff's investigation of AEP TCC for violation of PURA<sup>1</sup> § 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 \$89,000. 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).

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<sup>1</sup> Public Utility Regulatory Act, Tex. Util Code §§ 11.001-58.303 (West 2016), §§ 59.001-66.017 (West 2007 & Supp. 2016) (PURA).



2. In Docket No. 45362, which resolved AEP TCC's compliance for reporting year 2014, AEP TCC agreed to continue to spend monies on feeder Government Wells – 94LA7240 (Government Wells) for proactive reliability programs such as sectionalizing, pole replacements, and vegetation management. AEP TCC spent approximately \$479,337 for reliability purposes on this feeder from 2011 through 2015. Post-2015 to August 31, 2016, AEP TCC spent approximately \$211,968 with a total sum of \$691,305 on remediation work to address reliability on this feeder.
3. For reporting year 2015, 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.
4. For reporting year 2015, AEP TCC 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,
  - three single feeders in violation of the rule two years in a row,
  - one single feeder in violation of the rule for three consecutive years, and
  - one single feeder in violation of the rule five consecutive years.
5. For reporting year 2015, AEP TCC reported the following “per feeder” violations having a SAIFI value more than 300% greater than the system average for two consecutive years:
  - two single feeders in violation of the rule for the first year.
6. On or about May 4, 2016, 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. AEP TCC agrees to make additional efforts to improve the performance and reliability on under-performing feeders. In particular, those efforts will focus on the following feeders: Government Wells 94LA7240, which has violated service quality and reliability standards for five or more consecutive years and Bruni 94LAA5440, which has violated service quality and reliability standards for three consecutive years. AEP TCC agrees to continue to spend monies on the following feeders: Government Wells 94LA7240 and Bruni 94LA5440 for proactive reliability programs such as sectionalizing, pole replacements, additional automation, animal mitigation, and vegetation management as well as other reliability items that may be identified as needing replacement.
11. On August 10, 2016, the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and AEP TCC agreed to pay, an administrative penalty of Eighty-Nine Thousand Dollars (\$89,000).
12. The Agreement provides for a reasonable resolution of this dispute.
13. 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) 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 5.0%. 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 2015. For reporting year 2015, AEP TCC reported its annual 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 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 2015, AEP TCC 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,
  - three single feeders in violation of the rule two years in a row,
  - one single feeder in violation of the rule for three consecutive years, and;
  - one single feeder in violation of the rule five consecutive years.

9. For reporting year 2015, AEP TCC reported the following “per feeder” violations having a SAIFI value more than 300% greater than the system average for two consecutive years:
  - two single feeders in violation of the rule for the first year.
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. AEP TCC shall pay an administrative penalty to the Commission in the amount of Eighty-Nine Thousand Dollars (\$89,000). 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 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  
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 additional efforts to improve the performance and reliability on under-performing feeders. In particular, those efforts will focus on the following feeders: Government Wells 94LA7240, which has violated service quality and reliability standards for five or more consecutive years and Bruni 94LAA5440, which has violated service quality and reliability standards for three consecutive years. AEP TCC agrees to continue to spend monies on the following feeders: Government Wells 94LA7240 and Bruni 94LA5440 for proactive reliability programs such as sectionalizing, pole replacements, additional automation, animal mitigation, 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**

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**DONNA L. NELSON, CHAIRMAN**

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**KENNETH W. ANDERSON, JR., COMMISSIONER**

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**BRANDY MARTY MARQUEZ, COMMISSIONER**