

Control Number: 46362



Item Number: 5

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DOCKET NO. 46362

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

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PUBLIC UTILITY COMMISSION  
OF TEXAS  
PUBLIC UTILITY COMMISSION  
FILING CLERK

**ORDER**

Pursuant to 16 Tex. Admin. Code § 22.246(g)(1)(C) (TAC), this Order approves the Settlement Agreement and Report to Commission between the Staff of the Public Utility Commission of Texas (Commission) and AEP Texas North Company (AEP TNC) regarding Commission Staff's investigation of AEP TNC for violations of PURA<sup>1</sup> § 38.005 and 16 TAC § 25.52, concerning reliability and continuity of service. The Agreement resolves all issues in this docket. Commission Staff recommended an administrative penalty of \$76,000. AEP TNC 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 TNC is an electric utility as defined in PURA § 31.002(6).
2. For reporting year 2015, AEP TNC 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 15% above the system-wide standard for two or more years in a row.
3. For reporting year 2015, AEP TNC reported the following "per feeder" violations having a SAIDI value more than 300% greater than the system average for two consecutive years:
  - seven 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;

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

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- two single feeders in violation of the rule three consecutive years.
4. For reporting year 2015, AEP TNC 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:
    - two single feeders in violation of the rule for the first year, and;
    - one single feeder in violation of the rule two consecutive years.
  5. On or about May 4, 2016; AEP TNC 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. AEP TNC fully cooperated with Commission Staff's investigation.
  7. AEP TNC acknowledges the violations detailed in this Order.
  8. AEP TNC participated in one or more settlement discussions with Commission Staff to resolve this matter.
  9. AEP TNC agrees to make additional efforts to improve the performance and reliability on under-performing feeders. In particular, those efforts will focus on feeder Indian Mesa 97SA2695 and feeder Ponder Kennedy 97SA50208 which have violated service quality and reliability standards for three consecutive years. AEP TNC agrees to spend monies on these feeders for proactive reliability programs such as circuit inspection, second trip repairs, and system hardening. Indian Mesa 97SA2695 was scheduled for a full circuit inspection in 2016. This inspection has been completed and the repair work identified during the inspection will be ongoing through 2016 and into 2017. Ponder Kennedy 97SA50208 is scheduled for a full circuit inspection in 2017. The repair work identified during the inspection will be worked later in 2017. In addition, some system hardening work will be performed on Ponder Kennedy 97SA50208 to decrease the likelihood that very long canyon crossings will be affected by severe weather events as they have been in the past.

10. On August 10, 2016, the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and AEP TNC agreed to pay, an administrative penalty of seventy-six thousand dollars (\$76,000).
11. 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. AEP TNC 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 TNC is required to comply with the service quality and reliability standards established by PURA § 38.005 and 16 TAC § 25.52.
4. AEP TNC 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-wide 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). Under 16 TAC § 25.52(g)(1)(A) and (B) each utility is required 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%. Under 16 TAC § 25.52(g)(2) each utility is required 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 TNC violated PURA § 38.005 and the requirements of 16 TAC § 25.52 for reporting year 2015. For reporting year 2015, AEP TNC reported its annual SAIDI value exceeded the system-wide standard by more than 25% and its annual SAIDI value was at least 15% above the system-wide standard for two or more years in a row.
  8. For reporting year 2015, AEP TNC reported the following "per feeder" violations having a SAIDI value more than 300% greater than the system average for two consecutive years:
    - seven single feeders in violation of the rule for the first year,
    - two single feeders in violation of the rule for two consecutive years, and
    - two single feeders in violation of the rule two years in a row.
  9. For reporting year 2015, AEP TNC 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, and
    - one feeder in violation of the rule two years in a row.
  10. The Agreement is a report of settlement to the Commission as required by 16 TAC § 22.246(g).
  11. This docket was processed in accordance with applicable statutes and Commission rules.
  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, provided with this Order as Attachment 1, is approved, and the Parties shall be bound by its terms.
2. AEP TNC shall pay an administrative penalty to the Commission in the amount of seventy-six thousand dollars (\$76,000). AEP TNC 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:

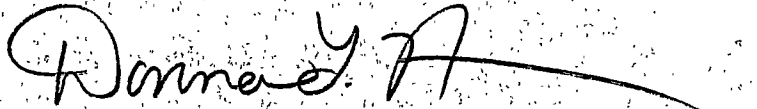
Public Utility Commission of Texas  
P.O. Box 13326  
Austin, Texas 78711  
ATTN: Fiscal Services

3. AEP TNC shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
4. AEP TNC agrees to make additional efforts to improve the performance and reliability on under-performing feeders. In particular, those efforts will focus on feeder Indian Mesa 97SA2695 and feeder Ponder Kennedy 97SA50208 which, have violated service quality and reliability standards for three consecutive years. AEP TNC agrees to spend monies on these feeders for proactive reliability programs such as circuit inspection, second trip repairs, and system hardening. Indian Mesa 97SA2695 was scheduled for a full circuit inspection in 2016. This inspection has been completed and the repair work identified during the inspection will be ongoing through 2016 and into 2017. Ponder Kennedy 97SA50208 is scheduled for a full circuit inspection in 2017. The repair work identified during the inspection will be worked later in 2017. In addition, some system hardening work will be performed on Ponder Kennedy 97SA50208 to decrease the likelihood that very long canyon crossings will be affected by severe weather events as they have been in the past.
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. 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.

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 the 1<sup>st</sup> <sup>November</sup> day of ~~October~~ 2016.

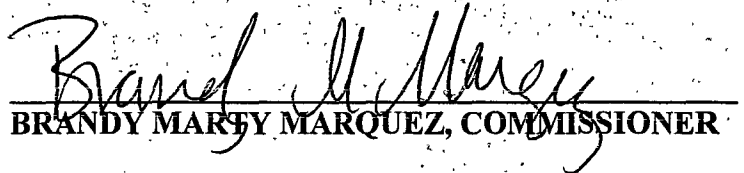
**PUBLIC UTILITY COMMISSION OF TEXAS**



**DONNA L. NELSON, CHAIRMAN**



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



**BRANDY MARTY MARQUEZ, COMMISSIONER**

DOCKET NO. 46362

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PUBLIC UTILITY COMMISSION

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

Staff of the Public Utility Commission of Texas (Commission) and AEP Texas North Company (AEP TNC) (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 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 TNC agrees to pay, an administrative penalty of Seventy Six Thousand Dollars (\$76,000) for AEP TNC's violations described in the attached Proposed Order.
3. AEP TNC agrees to make additional efforts to improve the performance and reliability on under-performing feeders. In particular, those efforts will focus on feeder Indian Mesa 97SA2695 and feeder Ponder Kennedy 97SA50208 which have violated service quality and reliability standards for three consecutive years. AEP TNC agrees to spend monies on these feeders for proactive reliability programs such as circuit inspection, second trip repairs, and system hardening. Indian Mesa 97SA2695 was scheduled for a full circuit inspection in

<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).




2016. This inspection has been completed and the repair work identified during the inspection will be ongoing through 2016 and into 2017. Ponder Kennedy 97SA50208 is scheduled for a full circuit inspection in 2017. The repair work identified during the inspection will be worked later in 2017. In addition, some system hardening work will be performed on Ponder Kennedy 97SA50208 to decrease the likelihood that very long canyon crossings will be affected by severe weather events as they have been in the past.

4. For reporting year 2015, AEP TNC 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 15% above the system-wide standard for two or more years in a row.
5. For reporting year 2015, AEP TNC reported the following “per feeder” violations having a SAIDI value more than 300% greater than the system average for two consecutive years:
  - seven 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;
  - two single feeders in violation of the rule three consecutive years.
6. For reporting year 2015, AEP TNC 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:
  - two single feeders in violation of the rule for the first year, and;
  - one single feeder in violation of the rule two consecutive years.
7. This Agreement resolves all claims related to AEP TNC’s obligations pursuant to PURA § 38.005 and 16 TAC § 25.52 concerning reliability and continuity of service for reporting year 2015.
8. Unless specifically provided for in this Agreement, AEP TNC waives any notice and procedures that might otherwise be authorized or required in this proceeding.
9. 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.

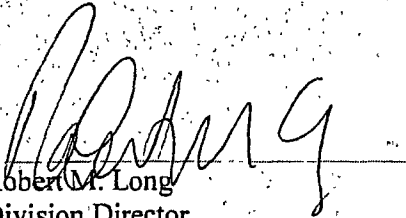
10. A Party's support of the resolution of this docket in accordance with this Agreement may differ from its position or testimony regarding contested issues of law, policy, or fact in other proceedings before the Commission or other forums. Because this is a settlement agreement, a Party is under no 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.
11. 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.
12. 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.
13. 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.
14. 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.



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

Date: 9/13/2016



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

Date: 9/13/16