



Control Number: 47250



Item Number: 1

Addendum StartPage: 0

DOCKET NO. **47250**

RECEIVED

AGREED NOTICE OF VIOLATION AND §  
SETTLEMENT AGREEMENT §  
RELATING TO VICTORIA ELECTRIC §  
COOPERATIVE, INC.'S VIOLATION OF §  
PURA § 39.151(d); 16 TAC § 25.503(f)(2); §  
AND ERCOT PROTOCOLS § 16.12.3, §  
RELATING TO MARKET §  
PARTICIPANT AUDITS OF USER §  
SECURITY ADMINISTRATORS AND §  
DIGITAL CERTIFICATES §  
§

PUBLIC UTILITY COMMISSION  
2017 JUN -2 AM 11:43  
PUBLIC UTILITY COMMISSION  
FILING CLERK

OF TEXAS

**APPLICATION FOR APPROVAL OF SETTLEMENT AGREEMENT**

Staff of the Public Utility Commission of Texas (Commission) and Victoria Electric Cooperative, Inc. (Victoria Electric) (together, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes the investigation of Victoria Electric for its violation of PURA<sup>1</sup> § 39.151(d), 16 Tex. Admin. Code § 25.503(f)(2) (TAC), and Electric Reliability Council of Texas (ERCOT) Protocols § 16.12.3, concerning market participant audits of user security administrators and digital certificates.

Staff respectfully requests that the Parties' Application for Approval of Settlement Agreement be granted.

<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).

DATE: June 2, 2017

Respectfully Submitted,

Robert M. Long  
Division Director  
Oversight and Enforcement Division  
State Bar No. 12525500



Caroline Dinges  
Attorney-Oversight and Enforcement Division  
State Bar No. 2411700  
(512) 936-7065  
(512) 936-7208 (facsimile)  
Public Utility Commission of Texas  
1701 N. Congress Avenue  
P.O. Box 13326  
Austin, Texas 78711-3326

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

**CERTIFICATE OF SERVICE**

I certify that a copy of this document will be served on all parties of record on this the 2<sup>nd</sup> day of June, 2017, in accordance with 16 TAC § 22.74.



Caroline Dinges

DOCKET NO. ~~47250~~

AGREED NOTICE OF VIOLATION § PUBLIC UTILITY COMMISSION  
AND SETTLEMENT AGREEMENT §  
RELATING TO VICTORIA § OF TEXAS  
ELECTRIC COOPERATIVE, INC.'S §  
VIOLATION OF PURA § 39.151(d); 16 §  
TAC § 25.503(f)(2); AND ERCOT §  
PROTOCOLS § 16.12.3, RELATING §  
TO MARKET PARTICIPANT AUDITS §  
OF USER SECURITY §  
ADMINISTRATORS AND DIGITAL §  
CERTIFICATES §

SETTLEMENT AGREEMENT AND REPORT TO COMMISSION

Staff of the Public Utility Commission of Texas (Commission) and Victoria Electric Cooperative, Inc. (Victoria Electric) (together, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes the investigation of Victoria Electric for its violation of PURA<sup>1</sup> § 39.151(d), 16 Tex. Admin. Code § 25.503(f)(2) (TAC), and Electric Reliability Council of Texas (ERCOT) Protocols § 16.12.3, concerning market participant audits of user security administrators and digital certificates.

**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. PURA § 39.151(d) authorizes the Commission to make and enforce rules related to the wholesale electricity market.
3. 16 TAC § 25.503(f)(2) states that “[a] market participant shall comply with ERCOT procedures and any official interpretation of the Protocols issued by ERCOT or the Commission.”


<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).

4. ERCOT Protocols § 16.12.3(1) states that “[d]uring September of each year, each Market Participant shall generate a list of its registered [User Security Administrator] and Certificate Holders. The Market Participant, through its User Security Administrator or another authorized third party, shall perform an audit by reviewing the list and noting any inconsistencies or instances of non-compliance (including, for example, any Certificate Holder that may have changed job functions and no longer requires the Digital Certificate).”
5. ERCOT Protocols § 16.12.3(2) states that each market participant is required to submit to ERCOT an attestation of compliance based on that audit (a Digital Certificate Audit Attestation or DCAA) by October 1 of each year. Attestations must be completed for each market participant type (e.g., counterparty, qualified scheduling entity, load serving entity, *etc.*).
6. Victoria Electric holds the following registration types: Victoria Electric Cooperative, Inc. Transmission and/or Distribution Service Provider (DUNS No. 8953861) and Victoria Electric Cooperative Inc. AEP Transmission and/or Distribution Service Provider (DUNS No. 89538614100). As such, Victoria Electric was required to file two DCAAs by October 1, 2015 and October 1, 2016.
7. On August 31, 2015, ERCOT sent a Market Notice to all Market Participants informing them of the attestation requirements under the Protocols. On September 23, 2015, ERCOT sent a second reminder to all User Security Administrators s regarding the attestation. ERCOT sent a third notice, in the form of individual emails, on or around January 22, 2016 to each Market Participant that failed to meet the attestation submission deadline and again requested the attestations.
8. Victoria Electric failed to timely submit its calendar year 2015 DCAA filings and calendar year 2016 DCAA filings.
9. Previously, on December 5, 2014, Commission Staff issued a warning letter to Victoria Electric regarding a failure to submit DCAAs for calendar year 2013.
10. Commission Staff recommended, and Victoria Electric agrees to pay, an administrative penalty of ten thousand dollars (\$10,000) for Victoria Electric’s violations described in the attached Proposed Order.

11. In order to prevent future violations of this nature, Victoria Electric has developed and implemented a Mitigation Plan regarding the annual DCAA process. Additionally Victoria Electric has updated its procedures to include the yearly DCAA filing deadline as a regulatory requirement in its business-wide compliance system.
12. This Agreement resolves all claims related to Victoria Electric's obligations pursuant to PURA § 39.151(d), 16 TAC § 25.503(f)(2), and ERCOT Protocols § 16.12.3 regarding the untimely filing of Victoria Electric's calendar year 2015 and calendar year 2016 DCAAs.
13. Unless specifically provided for in this Agreement, Victoria Electric waives any notice and procedures that might otherwise be authorized or required in this proceeding.
14. 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.
15. 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.
16. 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.

17. This Agreement is the final and entire agreement between the Parties regarding the untimely filing of Victoria Electric's calendar year 2015 and calendar year 2016 DCAAs and supersedes all other communications among the Parties or their representatives regarding its terms.
18. 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.
19. 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.



Blaine Warzecha  
General Manager  
Victoria Electric Cooperative, Inc.  
102 South Ben Jordan Street  
Victoria, Texas 77902

Date: 5/31/17



Caroline G. Dinges  
Attorney, Oversight and Enforcement Division  
Public Utility Commission of Texas

Date: 5/31/17

ATTACHMENT

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

AGREED NOTICE OF VIOLATION	§	PUBLIC UTILITY COMMISSION
AND SETTLEMENT AGREEMENT	§	
RELATING TO VICTORIA	§	OF TEXAS
ELECTRIC COOPERATIVE, INC.'S	§	
VIOLATION OF PURA § 39.151(d); 16	§	
TAC § 25.503(f)(2); AND ERCOT	§	
PROTOCOLS § 16.12.3, RELATING	§	
TO MARKET PARTICIPANT AUDITS	§	
OF USER SECURITY	§	
ADMINISTRATORS AND DIGITAL	§	
CERTIFICATES	§	

PROPOSED ORDER

Pursuant to 16 TAC § 22.246(g)(1)(C), this Order approves the settlement agreement and report to Commission between the Staff of the Public Utility Commission of Texas (Commission) and Victoria Electric Cooperative, Inc. (Victoria Electric) (together, Parties) regarding Commission Staff's investigation of Victoria Electric for its violation of PURA<sup>1</sup> § 39.151(d), 16 Tex. Admin. Code § 25.503(f)(2) (TAC), and Electric Reliability Council of Texas (ERCOT) Protocols § 16.12.3, concerning market participant audits of user security administrators and digital certificates. The agreement resolves all issues in this docket. Commission Staff recommended an administrative penalty of \$10,000. Victoria Electric 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. Victoria Electric is registered with ERCOT as Transmission and/or Distribution Service Provider as defined in ERCOT Protocols § 2.1.

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<sup>1</sup> Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-58.303 (West 2016), §§ 59.00166.017 (West 2007 & Supp. 2016) (PURA).



2. Victoria Electric failed to timely submit its calendar year 2015 Digital Certificate Audit Attestations (DCAAs) by October 1, 2015 and its calendar year 2016 Digital Certificate Audit Attestations (DCAAs) by October 1, 2016.
3. Previously, on December 5, 2014, Commission Staff issued a warning letter to Victoria Electric regarding a failure to submit DCAAs for calendar year 2013.
4. On or about March 15, 2017, Victoria Electric 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. Victoria Electric fully cooperated with Commission Staff's investigation.
6. Victoria Electric acknowledges the violation detailed in this Order, but does not admit or deny any liability.
7. Victoria Electric participated in one or more settlement discussions with Commission Staff to resolve this matter.
8. On May 31, 2017, the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and Victoria Electric agreed to pay, an administrative penalty of ten thousand dollars (\$10,000).
9. 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.
2. Victoria Electric 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. PURA § 39.151(d) authorizes the Commission to make and enforce rules related to the wholesale electricity market.
4. 16 TAC § 25.503(f)(2) states that "[a] market participant shall comply with ERCOT procedures and any official interpretation of the Protocols issued by ERCOT or the Commission."

5. Victoria Electric is a market participant as defined in 16 TAC § 25.503(c)(6).
6. ERCOT Protocols § 16.12.3(1) states that “[d]uring September of each year, each Market Participant shall generate a list of its registered [User Security Administrator] and Certificate Holders. The Market Participant, through its User Security Administrator or another authorized third party, shall perform an audit by reviewing the list and noting any inconsistencies or instances of non-compliance (including, for example, any Certificate Holder that may have changed job functions and no longer requires the Digital Certificate).”
7. ERCOT Protocols § 16.12.3(2) states that each market participant is required to submit to ERCOT an attestation of compliance based on that audit (a Digital Certificate Audit Attestation or DCAA) by October 1 of each year. Attestations must be completed for each market participant type (e.g., counterparty, qualified scheduling entity, load serving entity, etc.).
8. Victoria Electric holds the following registration types: Victoria Electric Cooperative, Inc. Transmission and/or Distribution Service Provider (DUNS No. 8953861) and Victoria Electric Cooperative Inc. AEP Transmission and/or Distribution Service Provider (DUNS No. 89538614100). As such, Victoria Electric was required to file two DCAAs by October 1, 2015 and October 1, 2016. These filings were not timely made.
9. Victoria Electric violated PURA § 39.151 and the requirements of 16 TAC § 25.503(f)(2) as well as ERCOT Protocols § 16.12.3 because it failed to timely submit its calendar year 2015 and calendar year 2016 DCAAs by the October 1 deadline.
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, attached to this Order as Attachment 1, is approved, and the parties shall be bound by its terms.
2. Victoria Electric shall pay an administrative penalty to the Commission in the amount of \$10,000. Victoria Electric 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,  
P.O. Box 13326,  
Austin, Texas 78711  
ATTN: Fiscal Services
3. Victoria Electric shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
4. Victoria Electric shall timely file all future DCAAs.
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 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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**KENNETH W. ANDERSON, JR., COMMISSIONER**

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**BRANDY D. MARQUEZ, COMMISSIONER**