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

PUBLIC UTILITY COMMISSION
OF TEXAS

APPLICATION FOR APPROVAL OF SETTLEMENT AGREEMENT

Staff of the Public Utility Commission of Texas (Commission) and Southwestern Electric Power Company (SWEPCO) (each a Party and together, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes the investigation of SWEPCO for violation of PURA¹ § 38.005 and 16 Tex. Admin. Code § 25.52 (TAC), concerning reliability and continuity of service for reporting year 2017.

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

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

DATE: August 30, 2018

Respectfully Submitted,

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



Taylor Kilroy
Attorney-Oversight and Enforcement Division
State Bar No. 24087844
(512) 936 - 7127
(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 30th day of August, 2018, in accordance with 16 TAC § 22.74.



Taylor Kilroy

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

SETTLEMENT AGREEMENT AND REPORT TO COMMISSION

Staff of the Public Utility Commission of Texas (Commission) and Southwestern Electric Power Company (SWEPCO) (each a Party and together, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes the investigation of SWEPCO for violation of PURA¹ § 38.005 and 16 Tex. Admin. Code § 25.52 (TAC), concerning reliability and continuity of service for reporting year 2017.

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 Order by the Commission.
2. Commission Staff recommended, and SWEPCO agrees to pay, an administrative penalty of Thirty-Eight Thousand Dollars (\$38,000) for SWEPCO's violation described herein and in the attached Proposed Order.
3. For the reporting year 2017, SWEPCO reported a system-average interruption duration index (SAIDI) value that exceeded its system-wide standard by 31.1% and exceeded the system-wide SAIDI standard by more than 25% for two consecutive years. In 2016, the system-wide SAIDI standard was exceeded by 26.2%.
4. SWEPCO agrees to make efforts to improve the performance and reliability of all of its feeders. In particular, SWEPCO will focus its efforts on feeders that were 300% greater

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

than the 2017 system average SAIDI and system-average interruption frequency index (SAIFI) values.

5. For 2017, SWEPCO reported the following SAIDI violations for individual feeders:

- Three single feeders in violation of the rule for two consecutive years.

6. For 2017, SWEPCO reported the following SAIFI violation for individual feeder:

- One single feeder in violation of the rule for the first year.

7. SWEPCO was scheduled to spend \$6.8 million on vegetation management in 2017. SWEPCO asserts that it spent \$5.618 million prior to the end of 2017, and the remaining \$1.182 million during the first quarter of 2018. SWEPCO released all contracted tree personnel for one month of the third quarter of 2017 to aid coastal utilities rebuilding their system and restoring power to the many customers who lost service as a result of Hurricanes Harvey and Irma. The completion of the 2017 work during early 2018 does not reduce or otherwise affect SWEPCO's 2018 vegetation management plan.

8. SWEPCO is authorized to spend \$9.3 million on vegetation management in 2018, including addressing specific feeders with proactive trimming. SWEPCO is also authorized an additional amount of O&M spending of \$634,000.¹ An additional \$1.9 million was authorized retroactively for 2017 by the Commission's decision in SWEPCO's rate case, Docket No. 46449, in accordance with PURA § 36.211. It will be spent during 2018.

9. This Agreement resolves all claims related to SWEPCO's obligations pursuant to PURA § 38.005 and 16 TAC § 25.52, concerning reliability and continuity of service for reporting year 2017.

10. Unless specifically provided for in this Agreement, SWEPCO 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 or the Commission's rules.

¹ *Application of Southwestern Electric Power Company for Authority to Change Rates*, Docket No. 46449, Order on Rehearing at Findings of Fact 206 and 208 (Mar. 19, 2018).

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(h)(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 violation related to reliability and continuity of service for the year 2017 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. SWEPCO 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.



Lynn Ferry-Nelson
Southwestern Electric Power Company
428 Travis Street
Shreveport, LA 71101

Date: 8/29/18



Taylor Kilroy
Attorney
Oversight and Enforcement Division
Public Utility Commission of Texas

Date: 8/29/18

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AGREED NOTICE OF VIOLATION	§	PUBLIC UTILITY COMMISSION
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SERVICE	§	

PROPOSED ORDER

This Order approves the settlement agreement and report to Commission between Commission Staff and Southwestern Electric Power Company (SWEPCO) regarding Commission Staff's investigation of SWEPCO under PURA¹ § 38.005 and 16 Texas Administrative Code § 25.52 (TAC), concerning reliability and continuity of service for reporting year 2017. The agreement resolves all issues in this docket. Commission Staff recommended an administrative penalty of Thirty-Eight Thousand Dollars (\$38,000). SWEPCO 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. SWEPCO is an electric utility as defined in PURA § 31.002(6).
2. For the reporting year 2017, SWEPCO reported a SAIDI value that exceeded its system-wide standard by 31.1% and exceeded the system-wide SAIDI standard by more than 25% for two consecutive years. In 2016 the system-wide SAIDI standard was exceeded by 26.2%.
3. For 2017, SWEPCO reported the following SAIDI violations for individual feeders:

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

- Three single feeders in violation for two consecutive years.
4. For 2017, SWEPCO reported the following SAIFI violations for individual feeders:
 - One single feeder in violation for the first year.
 5. On or about June 14, 2018, SWEPCO 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. In 2017 SWEPCO asserts it spent \$5.618 million on vegetation management.
 7. SWEPCO fully cooperated with Commission Staff's investigation.
 8. SWEPCO acknowledges the violation detailed in this Order.
 9. SWEPCO participated in one or more settlement discussions with Commission Staff to resolve this matter.
 10. On August 29, 2018, the Parties entered into the Agreement resolving the violation. Commission Staff recommended, and SWEPCO agreed to pay, an administrative penalty of \$38,000.
 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 - 14.003, 14.051, 15.023 - 15.024, and 38.005.
2. SWEPCO is an electric utility for purposes of PURA §§ 31.002(6) and 38.005, and 16 TAC § 25.52.
3. As an electric utility, SWEPCO is required to comply with the service quality and reliability standards established by PURA § 38.005 and 16 TAC § 25.52.
4. SWEPCO 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. In accordance with this legislative mandate, the Commission implemented the reliability standards found in 16 TAC § 25.52. Under 16 TAC § 25.52(g)(1) requires each utility to maintain and operate its distribution system so that its system-wide SAIDI and SAIFI averages do not exceed the standard by more than 5%.
7. SWEPCO violated PURA § 38.005 and the requirements of 16 TAC § 25.52 for reporting year 2017 because its SAIDI value exceeded its system-wide standard by 31.1% and exceeded the system-wide SAIDI standard by more than 25% for two consecutive years. For 2016 the system-wide SAIDI standard reported was 26.2%.
8. The agreement is a report of settlement to the Commission as required by 16 TAC § 22.246(h).
9. This docket was processed in accordance with the applicable statutes and Commission rules.
10. 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 Commission approves the settlement agreement filed in this docket on August 29, 2018.
2. The agreement, attached to this Order as Attachment 1, is approved, and the Parties shall be bound by its terms.

3. SWEPCO shall pay an administrative penalty to the Commission in the amount of \$38,000. SWEPCO shall remit payment of the full amount of the administrative penalty on or before 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

4. SWEPCO shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
5. SWEPCO shall continue to make efforts to improve the performance and reliability of all of its feeders. In particular, SWEPCO will focus its efforts on feeders that were 300% greater than the 2017 system average SAIDI and SAIFI values and maintaining the system-wide standards required by 16 TAC §§ 25.52 (g)(1)(A) and (B) and 25.52(g)(2).
6. For 2018, SWEPCO shall continue to spend funds on targeted reliability programs such as vegetation management.
7. SWEPCO shall conduct a vegetation management plan that spans at least 797 total miles in 2018.
8. The Commission shall not be constrained in any manner from requiring additional action or penalties for violations that are not raised here.
9. 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.
10. 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 _____, 2018.

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHAIRMAN

ARTHUR C. D'ANDREA, COMMISSIONER

SHELLY BOTKIN, COMMISSIONER