



Control Number: 40085



Item Number: 5

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DOCKET NO. 40085

AGREED NOTICE OF VIOLATION §
AND SETTLEMENT AGREEMENT §
RELATING TO AEP TEXAS CENTRAL §
COMPANY'S VIOLATION OF PURA §
§38.005 AND P.U.C. SUBST. R. §25.52, §
CONCERNING RELIABILITY AND §
CONTINUITY OF SERVICE §

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PUBLIC UTILITY COMMISSION
OF TEXAS
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ORDER

Pursuant to P.U.C. PROC. R. 22.246(g)(1)(C), this Order addresses 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 PURA¹ § 38.005 and P.U.C. SUBST. R. 25.52, concerning reliability and continuity of service. Commission Staff recommended an administrative penalty of \$36,500, which AEP TCC agreed to pay. The Agreement is approved.

The Commission adopts the following findings of fact and conclusions of law:

I. Findings of Fact

1. AEP TCC is a transmission and distribution utility as defined in PURA § 31.002(19).
2. For reporting year 2010, AEP TCC reported it had a system-wide System Average Interruption Duration Index (SAIDI) value 30% or more above the standard, a system-wide SAIDI annual value more than 30% or more above standard for two or more years in a row. AEP TCC also reported per feeder violations having a SAIDI value more than 300% greater than the system average for two consecutive years, five 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 one single feeder in violation of the rule three years in a row. AEP TCC further reported a violation of having a System-Average Interruption Frequency Index (SAIFI) value more than 300% greater than the system average for two consecutive years and two single feeders in violation of the rule the first year.

¹ Public Utility Regulatory Act, TEX. UTIL. CODE §§ 11.001-66.016 (Vernon 2007 & Supp. 2011) (PURA).

3. On or about October 18, 2011, 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.
4. AEP TCC fully cooperated with Commission Staff's investigation.
5. AEP TCC acknowledges the violations detailed in this Order.
6. AEP TCC participated in one or more settlement discussions with Commission Staff to resolve this matter.
7. On January 5, 2012, the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and AEP TCC agreed to pay, an administrative penalty of \$36,500.
8. The Agreement provides for a reasonable resolution of this dispute and should be approved.

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 a transmission and distribution utility for purposes of PURA §§ 31.002(19) and 38.005, and P.U.C. SUBST. R. 25.52. As a transmission and distribution utility, AEP TCC is required to comply with the service quality and reliability standards established by PURA § 38.005 and P.U.C. SUBST. R. 25.52.
3. 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.
4. 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."

5. Pursuant to this legislative mandate, the Commission implemented the reliability standards found in P.U.C. SUBST. R. 25.52. P.U.C. SUBST. R. 25.52(f)(1) requires each utility to maintain and operate its electric distribution system so that its system-wide SAIDI and SAIFI averages do not exceed the standard by more than 5%.
6. P.U.C. SUBST. R. 25.52(f)(2) requires each utility to maintain and operate its 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 P.U.C. SUBST. R. 25.52 for reporting year 2010. AEP TCC reported it had a system-wide SAIDI value 30% or more above the standard, a system-wide SAIDI annual value more than 30% or more above standard for two or more years in a row. AEP TCC also reported per feeder violations having a SAIDI value more than 300% greater than the system average for two consecutive years, five 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 one single feeder in violation of the rule three years in a row. AEP TCC further reported per feeder violations having a SAIFI value more than 300% greater than the system average for two consecutive years, and two single feeders in violation of the rule for the first year.
8. P.U.C. PROC. R. 22.246(g)(1)(A), (B) and (C) requires issuance of a report of a settlement to the Commission and a written order that approves the settlement.
9. The Agreement is a report of settlement to the Commission as required by P.U.C. PROC. R. 22.246(g).
10. The requirements for informal disposition pursuant to P.U.C. PROC. R. 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:

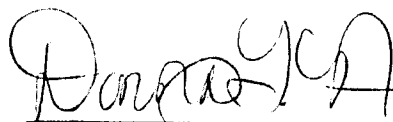
1. The Agreement, attached to this Order as Attachment 1, is approved, and the Parties shall be bound by its terms.
2. AEP TCC shall pay an administrative penalty to the Commission in the amount of \$36,500. AEP TCC shall remit payment of the full amount of the administrative penalty on or before 30 calendar days after the date this Order is signed. Payment of the administrative penalty shall be made by check payable to the Public Utility Commission of Texas and shall reference Docket No. 40085. 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 efforts to improve the performance and reliability of all of its feeders. In particular, those efforts shall focus on feeders that have violated service quality and reliability standards for three or more consecutive years and/or maintaining the system-wide standards required by P.U.C. SUBST. R. 25.52 (f)(1)(A) and (B).
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 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 the 13th day of February 2012.

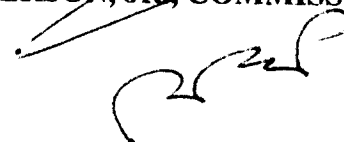
PUBLIC UTILITY COMMISSION OF TEXAS



DONNA L. NELSON, CHAIRMAN



KENNETH W. ANDERSON, JR., COMMISSIONER



ROLANDO PABLOS, COMMISSIONER

DOCKET NO. 40085

<p>AGREED NOTICE OF VIOLATION AND SETTLEMENT AGREEMENT RELATING TO AEP TEXAS CENTRAL COMPANY'S VIOLATION OF PURA § 38.005 AND P.U.C. SUBST. R. 25.52, CONCERNING RELIABILITY AND CONTINUITY OF SERVICE</p>	<p>§ § § § § § § § § §</p>	<p>PUBLIC UTILITY COMMISSION</p> <p>OF TEXAS</p>
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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 the Company for violation of PURA¹ § 38.005 and P.U.C. SUBST. R. 25.52, concerning reliability and continuity of service for reporting year 2010.

The Parties agree as follows:

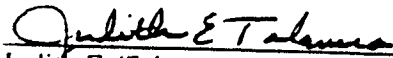
1. The Parties stipulate to the facts contained in the attached Proposed Order and request approval of the Order by the Commission.
2. Commission Staff recommended, and AEP TCC agrees to pay, an administrative penalty of \$36,500 for AEP TCC's violations described in the attached Proposed Order.
3. AEP TCC 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 for three or more consecutive years and/or maintaining the system-wide standards required by P.U.C. SUBST. R. 25.52 (f)(1)(A) and (B).
4. This Agreement resolves all claims related to AEP TCC's obligations pursuant to PURA § 38.005 and P.U.C. SUBST. R. 25.52 concerning reliability and continuity of service for reporting year 2010.

¹ Public Utility Regulatory Act, TEX. UTIL CODE §§ 11.001-66.016 (Vernon 2007 & Supp. 2010) (PURA).

5. Unless specifically provided for in this Agreement, AEP TCC waives any notice and procedures that might otherwise be authorized or required in this proceeding.
6. 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.
7. 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.
8. The Parties contemplate that this Agreement will be approved pursuant to P.U.C. PROC. R. 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.
9. 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 2010 and supersedes all other communications among the Parties or their representatives regarding its terms.
10. 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.

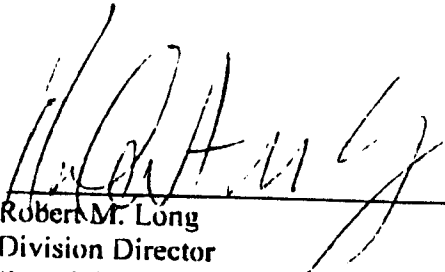
11. The Company warrants that it has read this Agreement carefully, knows the contents thereof, and signs the same as its free act.

EXECUTED by the Parties by their authorized representatives designated below.



Judith E. Talavera
Director Regulatory Services
AEP Texas Central Company
400 West 15th Street, Suite 1520
Austin, Texas 78701

Date: 12/19/11



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

Date: 1/4/12