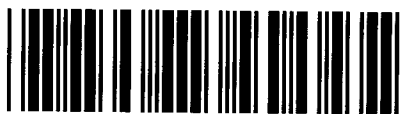




Control Number: 43250



Item Number: 2

Addendum StartPage: 0

**Donna L. Nelson**  
Chairman

**Kenneth W. Anderson, Jr.**  
Commissioner

**Brandy D. Marty**  
Commissioner

**Brian H. Lloyd**  
Executive Director



**Rick Perry**  
Governor

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FILING CLERK

***Public Utility Commission of Texas***

**TO:** Donna L. Nelson, Chairman  
Kenneth W. Anderson, Jr., Commissioner  
Brandy D. Marty, Commissioner

All Parties of Record

**FROM:** Irene Montelongo  
Director, Docket Management

**RE** **Open Meeting of November 14, 2014**  
Docket No. 43250 – *Agreed Notice of Violation and Settlement Agreement Relating to Southwestern Electric Power Company's Violation of PURA § 38.005 and P.U.C. Subst. R. 25.52, Concerning Reliability and Continuity of Service*

**DATE:** October 23, 2014

Enclosed is a copy of the Proposed Order in the above-referenced docket. The Commission is currently scheduled to consider this docket at an open meeting to begin at 9:30 a.m. on Friday, November 14, 2014, at the Commission's offices, 1701 North Congress Avenue, Austin, Texas. The parties shall file corrections or exceptions to the Proposed Order on or before Thursday, November 6, 2014.

**If there are no corrections or exceptions, no response is necessary.**

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**DOCKET NO. 43250**

<b>AGREED NOTICE OF VIOLATION</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>AND SETTLEMENT AGREEMENT</b>	<b>§</b>	
<b>RELATING TO SOUTHWESTERN</b>	<b>§</b>	<b>OF TEXAS</b>
<b>ELECTRIC POWER COMPANY'S</b>	<b>§</b>	
<b>VIOLATION OF PURA § 38.005 AND</b>	<b>§</b>	
<b>P.U.C. SUBST. R. 25.52, CONCERNING</b>	<b>§</b>	
<b>RELIABILITY AND CONTINUITY OF</b>	<b>§</b>	
<b>SERVICE</b>	<b>§</b>	

**PROPOSED ORDER**

Pursuant to P.U.C. PROC. R. 22.246(g)(1)(C), this Order approves the Settlement Agreement and Report to Commission (Agreement) between the Staff of the Public Utility Commission of Texas (Commission) and Southwestern Electric Power Company (SWEPCO) (together, Parties) regarding Commission Staff's investigation of SWEPCO for violation of PURA<sup>1</sup> § 38.005 and P.U.C. SUBST. R. 25.52, concerning reliability and continuity of service. The Agreement resolves all issues in this docket. Commission Staff recommended an administrative penalty of Eight Thousand dollars (\$8,000). 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 2013, SWPECO reported the following per-feeder violations:
  - Two feeders having a System Average Interruption Duration Index (SAIDI) value more than 300% greater than the system, in violation of the rule two years in a row.

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<sup>1</sup> Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2014) (PURA).

3. On or about July 1, 2014, 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.
4. SWEPCO fully cooperated with Commission Staff's investigation.
5. SWEPCO acknowledges the violations detailed in this Order.
6. SWEPCO participated in one or more settlement discussions with Commission Staff to resolve this matter.
7. On September 19, 2014, the Parties entered into the Agreement resolving the violations. Commission Staff recommended, and SWEPCO agreed to pay, an administrative penalty of Eight Thousand dollars (\$8,000).
8. 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. SWEPCO is an electric utility for purposes of PURA §§ 31.002(6) and 38.005, and P.U.C. SUBST. R. 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 P.U.C. SUBST. R. 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 "the 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) SAIFI; (2) 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 P.U.C. SUBST. R. 25.52. P.U.C. SUBST. R. 25.52(g)(1) requires each utility to maintain and operate its distribution system so that its system-wide SAIDI and System Average Interruption Frequency Index (SAIFI) averages do not exceed the standard by more than 5%.
7. P.U.C. SUBST. R. 25.52(g)(2) requires each utility to maintain and operate its distribution system so that no distribution feeder with more than 10 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.
8. SWEPCO violated PURA § 38.005 and the requirements of P.U.C. SUBST. R. 25.52 for reporting year 2013.
9. P.U.C. PROC. R. 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.
10. The Agreement is a report of settlement to the Commission as required by P.U.C. PROC. R. 22.246(g).
11. This docket was processed in accordance with applicable statutes and Commission rules.
12. 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. SWEPCO shall pay an administrative penalty to the Commission in the amount of Eight Thousand dollars (\$8,000). 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 shall be made by check payable to the Public

Utility Commission of Texas and shall reference this docket. 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. SWEPCO shall file an affidavit of payment in this docket no later than five calendar days after the payment is made.
4. SWEPCO shall continue to make efforts to improve the performance and reliability of all of its feeders. In particular, those efforts shall focus on the feeders that have violated service quality and reliability standards referenced in Paragraphs 4 and 5 of the Agreement and maintaining the system-wide standards required by P.U.C. SUBST. R. 25.52 (g)(1)(A) and (B) and 25.52(g)(2).
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 consistent with the Agreement 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 \_\_\_\_\_ day of November 2014.**

**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 D. MARTY, COMMISSIONER**

DOCKET NO. 43250

AGREED NOTICE OF VIOLATION  
AND SETTLEMENT AGREEMENT  
RELATING TO SOUTHWESTERN  
ELECTRIC POWER 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

**SETTLEMENT AGREEMENT AND REPORT TO COMMISSION**

Staff of the Public Utility Commission of Texas (Commission) and Southwestern Electric Power Company (SWEPCO) (together, Parties) enter into this Settlement Agreement and Report to Commission (Agreement). This Agreement resolves and concludes the investigation of SWEPCO for violation of PURA<sup>1</sup> § 38.005 and P.U.C. SUBST. R. 25.52, concerning reliability and continuity of service for reporting year 2013.

**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 Eight Thousand dollars (\$8,000) for SWEPCO's violations described in the attached Proposed Order.
3. SWEPCO agrees to make efforts to improve the performance and reliability of all of its feeders. In particular, SWEPCO will focus its efforts on an increase of expenditures and resources on feeders which have violated service quality and reliability standards for three or more consecutive years and maintain the system-wide standards required by P.U.C. SUBST. R. 25.52 (g)(1)(A) and (B).
4. SWEPCO asserts the following with regard to the circumstances for the underperforming circuits and intended improvements:

<sup>1</sup> Public Utility Regulatory Act, TEX. UTIL. CODE ANN. §§ 11.001-66.016 (Vernon 2007 & Supp. 2013) (PURA).



- a. Clarksville – 963660
  - i. This is a 37 mile circuit that originates at the SWEPCO Clarksville Substation off U.S. Highway 80 in Clarksville City just outside Gladewater, Texas. It served 146 customers in 2013.
  - ii. SWEPCO has spent \$81,911 on feeder maintenance and improvement in 2013.
  - iii. The major obstacle to maintaining reliability on this feeder is the remoteness of portions of the feeder in the Sabine River bottom and the continuing impact from dying trees from the drought and wildfires in 2011.
- b. North Laneville – 9610660
  - i. This is a 38 mile circuit that originates at the SWEPCO North Laneville Substation just off FM 225 north of Laneville, Texas. It served 448 customers in 2013.
  - ii. SWEPCO has spent \$73,972 on feeder maintenance and improvement and \$300,152 for vegetation management of the feeder in 2013.
  - iii. The major obstacle to maintaining reliability on this feeder is the wooded right-of-way conditions of the feeder that is generally off-road and is a radial feed starting from the intersection of Highway 259 and FM 1798 to the Mount Enterprise community.

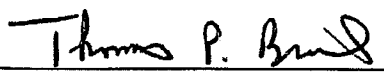
5. SWEPCO agrees to continue to make efforts to improve the performance and reliability of all of its feeders. Specifically, SWEPCO warrants that it will take the following actions with respect to the referenced feeders below:

- a. Clarksville 96360 - SWEPCO will continue to spend funds on proactive reliability programs such as vegetation management. SWEPCO has spent \$160,132 on vegetation management on this feeder in 2014.
- b. North Laneville 9610660 – SWEPCO agrees to continue to spend funds on proactive reliability programs for this feeder such as vegetation management and feeder maintenance. SWEPCO will spend an estimated \$11,200 for herbicide work and \$36,450 for feeder maintenance in 2014.

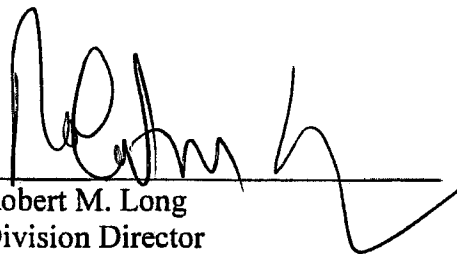
6. This Agreement resolves all claims related to SWEPCO's obligations pursuant to PURA § 38.005 and P.U.C. SUBST. R. 25.52, concerning reliability and continuity of service for reporting year 2013.
7. Unless specifically provided for in this Agreement, SWEPCO waives any notice and procedures that might otherwise be authorized or required in this proceeding.
8. 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.
9. 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.
10. 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.
11. 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 2013 and supersedes all other communications among the Parties or their representatives regarding its terms.

- 12. 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.
- 13. 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.

  
\_\_\_\_\_  
Thomas Brice  
AEP Southwestern Electric Power Company  
400 West 15th Street, Suite 1500  
Austin, Texas 78701

Date: 9/18/14

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

Date: 9/19/14