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Item Number: 1

Addendum StartPage: 0

DOCKET NO. **149725**

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**AGREED NOTICE OF VIOLATION §
AND SETTLEMENT AGREEMENT §
RELATING TO AEP TEXAS INC.'S §
VIOLATION OF PURA § 38.005 AND §
16 TAC § 25.52, CONCERNING §
RELIABILTY AND CONTINUITY OF §
SERVICE §**

**PUBLIC UTILITY COMMISSION
OF TEXAS**
PUBLIC UTILITY COMMISSION
FILING CLERK

APPLICATION FOR APPROVAL OF SETTLEMENT AGREEMENT

Staff of the Public Utility Commission of Texas (Commission) and AEP Texas Inc. (AEP Texas) (together, Parties) enter into this Settlement Agreement and Report to Commission. This agreement resolves and concludes the investigation of AEP Texas for violations of PURA¹ § 38.005 and 16 Texas Administrative Code (TAC) § 25.52, concerning reliability and continuity of service for reporting year 2018.

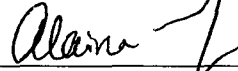
Staff respectfully requests that the Parties' Application for Approval of Settlement Agreement be granted.

¹ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016 (PURA).

DATE: July 9, 2019

Respectfully Submitted,

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



Alaina Zermeno
Attorney-Oversight and Enforcement Division
State Bar No. 24098656
(512) 936 - 7385
(512) 936 - 7208 (facsimile)
Public Utility Commission of Texas
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on this the 9th day of July, 2019, in accordance with 16 TAC § 22.74.



Alaina Zermeno

DOCKET NO. _____

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RELATING TO AEP TEXAS INC.'S	§	OF TEXAS
VIOLATION OF PURA § 38.005 AND	§	
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 AEP Texas Inc. (AEP Texas) (together, Parties) enter into this Settlement Agreement and Report to Commission. This agreement resolves and concludes the investigation of AEP Texas for violations of PURA¹ § 38.005 and 16 Texas Administrative Code (TAC) § 25.52, concerning reliability and continuity of service for reporting year 2018.

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 recommends, and AEP Texas agrees to pay, an administrative penalty of Sixty-Nine Thousand Dollars (\$69,000) for AEP Texas's violations described herein and in the attached Proposed Order.
3. AEP Texas agrees to make efforts to improve the performance and reliability of all of its feeders. In particular, efforts will include an increase of expenditures and resources that will focus on feeders that have violated service quality and reliability standards for three or more consecutive years. AEP Texas also agrees to maintain the system-wide standards required by 16 TAC § 25.52(g)(1)(A) and (B).

¹ Public Utility Regulatory Act, Tex. Util. Code §§ 11.001-66.016 (PURA).

4. Commission Staff and AEP Texas used a system average interruption duration index (SAIDI) standard of 134.61 minutes. Applying this standard, a violation occurs when the system-wide value exceeds 141.34 minutes (5% over the system standard under 16 TAC § 25.52(g)(1)), or when a per-feeder value exceeds 547.4239 (300% over the system value under 16 TAC § 25.52(g)(2)).
5. Commission Staff and AEP Texas used a system average interruption frequency index (SAIFI) standard of 1.245 forced interruptions. Applying this standard, a violation occurs when the system-wide value exceeds 1.307 (5% over the system standard under 16 TAC § 25.52(g)(1)), or when a per-feeder value exceeds 5.2899 (300% over the system value under 16 TAC § 25.52(g)(2)).
6. For reporting year 2018, AEP Texas reported having a system-wide SAIFI average of 1.32248, which is more than 5% above the standard.
7. For reporting year 2018, AEP Texas reported having the following “per feeder” violations. The following feeders had 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;
 - One single feeder in violation of the rule three years in a row;
 - One single feeder in violation of the rule for four consecutive years; and
 - One single feeder in violation of the rule for five consecutive years.
8. For reporting year 2018, AEP Texas reported having the following “per feeder” violations. The following feeders had 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.
9. AEP Texas asserts the following with regard to the circumstances for the underperforming circuits for three, four and five consecutive years:

Three Consecutive Years

- a. Raymondville Number 2 – 94SB3250

- i. This feeder is 47.4 miles long and currently serves 28 customers in Willacy

County, Texas, extending 13 miles east of Raymondville, Texas to the Willamar oil field. The oil field is 10 miles from Laguna Madre, and the corrosive environment causes higher than normal equipment failure rate.

- ii. AEP Texas spent approximately \$52,073 from the beginning of 2018 to present, and has undertaken additional sectionalizing and proactive replacement of worn and damaged facilities, some of which have been identified through inspection programs. AEP Texas has also performed 1 pole replacement.
- iii. The major obstacles to maintaining reliability on this feeder are:
 1. Most of the customers on this circuit are at the end of a 12 mile long feeder that is subjected to coastal weather. Because of this circuit configuration a high percentage of failures affect most of the customers.
 2. Intense lightning storms are common in this area.
 3. Coastal corrosion ages distribution facilities much more quickly than at inland locations.
- iv. The worn and defective facilities that were identified during the 2017 circuit inspection were replaced during 2018, along with one sectionalizing device that was due for replacement. The 2019 plan includes replacing another sectionalizing device, adding two SCADA equipped sectionalizing devices, and installing additional lightning arrester stations on this feeder.

Four Consecutive Years

b. Spudder Flat – 94SA4180

- i. This feeder is 33.5 miles long and currently serves 45 customers in the rural area northwest of McCamey in Crane County, Texas. Most of the customers served by this line are oil fields, with the remainder being ranch and residential. The terrain in this area is generally flat mesquite and sage-covered ranch land with many oil fields.
- ii. AEP Texas spent approximately \$3,197 from the beginning of 2018 to present and in 2019, has undertaken 3 pole replacements.
- iii. The major obstacles to maintaining reliability on this feeder are:

1. Severe weather exposure;
 2. The major cause of long duration outages is access to the distribution facilities, both to locate and correct the cause of the outage. There are three major causes for these access issues:
 - a. Power lines crossing ranch property fences;
 - b. Low areas that are subject to flooding during exceptional rain events; and
 - c. Thick brush blocking access to power lines.
- iv. Actions that AEP Texas has taken to improve circuit reliability include:
1. Circuit Inspection. This circuit was inspected in 2015 and 2018. Very few maintenance items were discovered. The facilities on this feeder are generally in good condition. This circuit will also be inspected in 2019 in response to its multiyear placement on the worst performing feeder list.
 2. Brush mowing. Vegetation Management resources have been dedicated to clearing the power lines on this circuit of underbrush. This will allow easier access for the inspection listed above and for the repair of any identified facilities. This mowing is in progress. To date, 6.1 miles of power line have been cleared at a cost of approximately \$17,000. There are plans to continue this mowing for up to 27 additional miles of line.

Five Consecutive Years

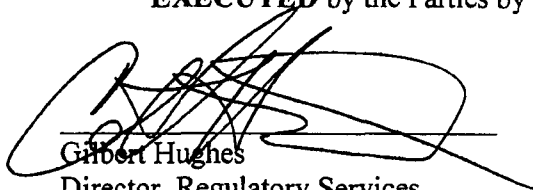
- c. Government Wells – 94LA7240
 - i. This feeder is 153.6 miles long and currently serves 225 residential and small commercial customers north of Freer, Texas. The feeder is entirely rural and serves portions of LaSalle, McMullen, and Duval counties. The terrain is generally flat mesquite pasture.
 - ii. AEP Texas spent approximately \$502,879 from the beginning of 2018 to present, on projects such as proactive replacement of worn and failing equipment, pole replacements, system hardening, sectionalizing, and efforts to improve power quality.

iii. The major obstacles to maintaining reliability on this feeder are:

1. The length of the 94LA7240 primary line and the high number of customers it serves.
 2. Much of 94LA7240 is routed through thick mesquite pastures, over steep draws and creeks, and across many private property fences. This makes patrolling and undertaking restoration action to this line extremely difficult and time consuming.
 3. A circuit inspection was conducted on this feeder in 2018. Replacement of the worn and defective facilities that were identified began in 2018 with plans to be completed in 2019. The implementation of a very well-defined sectionalizing plan was started in 2018 and is continuing in 2019.
10. AEP Texas agrees to continue making efforts to improve the performance and reliability of all of its feeders. This agreement resolves all claims related to AEP Texas's obligations pursuant to PURA § 38.005 and 16 TAC § 25.52(g)(1) and (2) concerning reliability and continuity of service for reporting year 2018.
 11. Unless specifically provided for in this agreement, AEP Texas waives any notice and procedures that might otherwise be authorized or required in this proceeding.
 12. 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.
 13. 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.

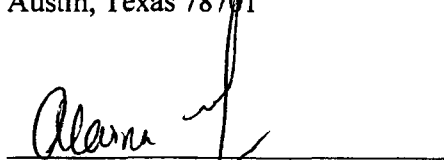
14. The parties contemplate that this agreement will be approved in accordance with 16 TAC § 22.246(h)(1)(C). In the event the Commission materially changes the terms of this agreement, the parties agree that any party adversely affected by that material alteration has the right to withdraw from this 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 will constitute a waiver of the right to withdraw and acceptance of the material changes to this agreement made by the Commission.
15. This agreement is the final and entire agreement between the Parties regarding the alleged violations related to reliability and continuity of service contemplated by PURA § 38.005 and 16 TAC § 25.52(g)(1) and (2) for the year 2018, and supersedes all other communications among the parties or their representatives regarding its terms.
16. 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.
17. AEP Texas 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 Inc.
400 West 15th Street, Suite 1500
Austin, Texas 78701

Date: 7/9/2019



Alaina Zermeno
Attorney – Oversight and Enforcement Division
Public Utility Commission of Texas

Date: 7/09/19

ATTACHMENT

DOCKET NO. _____

AGREED NOTICE OF VIOLATION	§	PUBLIC UTILITY COMMISSION
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RELATING TO AEP TEXAS INC.'S	§	OF TEXAS
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ORDER

This Order approves the settlement agreement and report to Commission between Commission Staff and AEP Texas relating to Commission Staff's investigation of AEP Texas for violations of PURA¹ § 38.005 and 16 Texas Administrative Code (TAC) § 25.52 concerning reliability and continuity of service for reporting year 2018. The agreement resolves all of the issues between Commission Staff and AEP Texas. Commission Staff recommends an administrative penalty of \$69,000. AEP Texas agrees to pay the recommended administrative penalty. The Commission approves the agreement.

I. Findings of Fact

The Commission makes the following findings of fact:

Respondent

1. AEP Texas provides electric transmission and distribution services in the Electric Reliability Council of Texas (ERCOT) region under certificate of convenience and necessity numbers 30028 and 30170.

¹ Public Utility Regulatory Act, Tex. Util. Code Ann. §§ 11.001-66.016.

Reporting Year 2018

2. Commission Staff and AEP Texas used a system average interruption duration index (SAIDI) standard of 134.61 minutes. Applying this standard, a violation occurs when the system-wide value exceeds 141.34 minutes (5% over the system standard under 16 TAC § 25.52(g)(1)), or when a per-feeder value exceeds 547.4239 (300% over the system value under 16 TAC § 25.52(g)(2)).
3. For reporting year 2018, AEP Texas reported the following feeder in violation, by having a SAIDI value more than 300% greater than the system average for five consecutive years:
 - a) Government Wells – 94LA7240 – 645.4 minutes
4. For reporting year 2018, AEP Texas reported the following feeder in violation, by having a SAIDI value more than 300% greater than the system average for four consecutive years:
 - a) Spudder Flat – 97SA4180 – 1595.0 – minutes
5. For reporting year 2018, AEP Texas reported the following feeder in violation, by having a SAIDI value more than 300% greater than the system average for three consecutive years:
 - a) Raymondville #2 – 94SB3250 – 1595.0 – minutes
6. For reporting year 2018, AEP Texas reported the following feeders in violation, by having a SAIDI value more than 300% greater than the system average, for two consecutive years:
 - a) Alazan – 94CS620 – 829.6 minutes;
 - b) Crestonio – 94LA270 – 605.7 minutes;
 - c) East Harrission – 94SB3950 – 560.8 minutes;
 - d) Greta- 94CN7890 – 681.9 – minutes; and
 - e) Sun Valley -97SA4300 – 905.0 – minutes.
7. Commission Staff and AEP Texas used a system average interruption frequency index (SAIFI) standard of 1.245 forced interruptions. Applying this standard, a violation occurs when the system-wide value exceeds 1.307 (5% over the system standard under 16 TAC § 25.52(g)(1)), or when a per-feeder value exceeds 5.2899 (300% over the system value under 16 TAC § 25.52(g)(2)).
8. For reporting year 2018, AEP Texas reported the following feeders in violation, by having a SAIFI value more than 300% greater than the system average, for two consecutive years:
 - a) Elsa – 94SB710 – 5.709 minutes; and
 - b) Laguna – 94CS9590 – 9.187 minutes.

9. For reporting year 2018, AEP Texas reported having a system-wide SAIFI average of 1.32248, which exceeds 5% over the system standard.

Notice

10. On or about March 29, 2019, Commission Staff provided AEP Texas notice of the investigation, the results of the investigation, information about AEP Texas's right to a hearing, and an opportunity to explain its activities.

Settlement Agreement

11. AEP Texas agrees to make efforts to improve the performance and reliability of all of its feeders. The efforts will include an increase of expenditures and resources that will focus on feeders that have violated service quality and reliability standards for three or more consecutive years.
12. AEP Texas also agrees to maintain the system-wide standards required by 16 TAC § 25.52(g)(1)(A) and (B).
13. On July 09, 2019, the parties entered into a settlement agreement. Commission Staff recommended, and AEP Texas agreed to pay, an administrative penalty of \$69,000.
14. On July 09, 2019, Commission Staff filed a copy of the executed agreement with the Commission's filing clerk.

Informal Disposition

15. More than 15 days have passed since the completion of all notice requirements.
16. No person filed a protest or motion to intervene.
17. AEP Texas and Commission Staff are the only parties to this proceeding.
18. No party requested a hearing and no hearing is needed.
19. Commission Staff recommended approval of the settlement agreement.
20. Entry of the settlement agreement is not adverse to any party.

II. Conclusions of Law

The Commission makes the following conclusions of law:

1. The Commission has jurisdiction over this matter under PURA §§ 14.001, 14.002, 14.003, 14.051, 15.023, 15.024, and 38.005.
2. AEP Texas is an electric utility as defined in PURA § 31.002(6) and a transmission and distribution utility as defined in PURA § 31.002(19).
3. AEP Texas must comply with the service quality and reliability standards established in PURA § 38.005 and 16 TAC § 25.52.
4. Under 16 TAC § 25.52(g)(1), AEP Texas must maintain and operate its distribution system so that its system-wide SAIDI and SAIFI values do not exceed the applicable standard by more than 5%.
5. Under 16 TAC § 25.52(g)(2), AEP Texas must 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.
6. For reporting year 2018, AEP Texas violated 16 TAC § 25.52(g)(1) by having a system-wide SAIFI value that exceeds the applicable standard by more than 5%.
7. For reporting year 2018, AEP Texas violated 16 TAC § 25.52(g)(2) by having multiple feeders exceed its system-wide SAIDI value by 300% for two or more consecutive years.
8. For reporting year 2018, AEP Texas violated 16 TAC § 25.52(g)(2) by having two feeders exceed its system-wide SAIFI value by 300% for two or more consecutive years.
9. Under PURA § 15.023, the Commission has authority to impose administrative penalties for violations of PURA § 38.005 and Commission rules.
10. The filing of the agreement meets the requirements of 16 TAC § 22.246(h)(1).
11. The Commission processed this docket in accordance with applicable statutes and Commission rules.

12. The requirements for informal disposition in 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 orders:

1. The Commission approves the settlement agreement.
2. AEP Texas must comply with the terms of the settlement agreement and this Order.
3. AEP Texas must pay an administrative penalty to the Commission in the amount of \$69,000. AEP Texas must remit payment of the full amount of the administrative penalty on or before 30 calendar days after the date the Commission signs this Order. Payment of the administrative penalty may be made by check payable to the Public Utility Commission of Texas. The check must reference this docket and must be sent to the following address:

Public Utility Commission of Texas
ATTN: Fiscal Services
P.O. Box 13326
Austin, Texas 78711
4. AEP Texas must file an affidavit of payment in this docket no later than five calendar days after remitting the payment.
5. AEP Texas must file a report regarding actions to bring feeders that are found to be in violation of any of its system-wide service quality standards for two or more consecutive years into compliance with the Commission's service quality standards, and this report must be filed as an addendum to AEP Texas's required annual service quality reports, as prescribed by 16 TAC § 25.81.
6. This Order resolves only the claims identified in this Order related to AEP Texas's obligation to comply with service quality and reliability standards.
7. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.

8. The Commission denies all other motions and any other requests for general or specific relief, if not expressly granted.

Signed at Austin, Texas the ____ day of _____, 2019

PUBLIC UTILITY COMMISSION OF TEXAS

DEANN T. WALKER, CHAIRMAN

ARTHUR D'ANDREA, COMMISSIONER

SHELLY BOTKIN, COMMISSIONER