

EXHIBIT TPB - 4 - CURRENT SQIP

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LA Public Service Commission

APPENDIX B
SOUTHWESTERN ELECTRIC POWER COMPANY
LOUISIANA
SERVICE QUALITY IMPROVEMENT PROGRAM

Order No. U-32220-A (attached)

April 2017 Settlement Term Sheet

Docket No. U-34200

Attachment A

SERVICE QUALITY IMPROVEMENT PROGRAM

SWEPCO confirms that maintenance of its electric system and improvement of the quality and reliability of service provided to its Louisiana customers remains a priority. SWEPCO commits that it shall continue to undertake reasonable efforts to maintain or improve the quality and reliability of service. SWEPCO also merged with and acquired Valley Electric Membership Corporation (Valley) in 2010 and this Order will now also encompass this territory known as the Valley District and includes the former Valley employees.

In keeping with this commitment, SWEPCO agrees to adopt this Service Quality Improvement Program ("SQIP"). In order to assure the Louisiana Public Service Commission ("Commission") and Louisiana ratepayers of continued excellent service quality, SWEPCO commits and agrees to the following:¹

- I. For a period of 2 years, ending December 31, 2017, there shall be no reduction in the number of field personnel. Field personnel shall be defined as follows:
 - a. Linemen/Network Linemen;
 - b. Troublemakers;
 - c. Manager/Supervisors;
 - d. Engineering Personnel;
 - e. Forestry;
 - f. Customer Service Reps;

¹ Unless otherwise indicated, levels of employees, services provided, physical locations and expenditures all refer to Louisiana jurisdictional operations.

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- g. Meter Operation Personnel;
- h. Field Revenue Specialist;
- i. Station Personnel;
- j. Customer Solution Center

All SWEPCO Louisiana employees, including Louisiana generation personnel, will be accounted for in Exhibit A, "SWEPCO Louisiana Employee Reconciliation," which will be attached to the annual filing.

To the extent that the Company outsources or automates a particular function (e.g., meter reading) it shall notify the Commission at least 90 days in advance of the proposed change. Such notification shall include the proposed date of the change, the reasons for the change, the expected cost savings from such a change, the relocation of the impacted employees and the anticipated impact on the quality of service provided. If SWEPCO outsources a function on an emergency or temporary (less than 60 days) basis, then the Company shall make an informational filing describing the service that was outsourced, the reasons for the outsourcing, and the cost of the outsourcing.

- II. The number of linemen/network linemen shall be maintained at a minimum of 119 positions for the duration of the SQIP.
- III. SWEPCO agrees to maintain in place an Apprentice Program to train linemen and to ensure that an adequate number of linemen and line servicers are staffed to adequately serve the needs of Louisiana customers. The Apprentice Program shall be reasonably monitored so as to maintain the minimum number of linemen as set forth in II above.
- IV. SWEPCO agrees to continue to maintain and support an overall reliability program designed

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to ensure reliable service in SWEPCO Louisiana service territory. This program will include capital spending opportunities as well as targeted reliability activities, such as underground conversion where appropriate, inspections and replacements of facilities and a minimum base level of funding for vegetation management. SWEPCO agrees to commit to a base level Performance Based vegetation management program with an annual minimum spending level of \$10,000,000 through the term of the SQIP agreement, subject to modification or adjustments recommended by SWEPCO in consultation with the LPSC Staff and approved by the Commission. In addition to the base level, and recognizing the acquisition of Valley, SWEPCO agrees to spend up to an additional \$8 million, over and above the base level for vegetation management during the term of the revised SQIP, in accordance with the February 2016 Settlement Term Sheet. The vegetation costs to comply with the Service Quality Improvement Program shall be included in SWEPCO's cost of service and with the Valley District-related incremental spend to be recoverable through the fuel adjustment clause, subject to any prospective changes by the Commission.

SWEPCO has indicated that a Performance Based approach is more efficient and allows SWEPCO to address the circuits in most need of vegetation management rather than the traditional cycle trimming approach. SWEPCO will engage in a well-planned vegetation management program which contains specific work plans for the upcoming years that will address, among other things:

- Location of treatment and reasons for selection of locations;
- Type of treatment (mechanical, manual, herbicide) which shall be chosen based upon vegetation and environmental conditions;

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- Prioritization and specific scheduling by line/circuit;
- Cost of treatment.

SWEPCO's Forestry staff and contractors will work continuously to ensure that the appropriate vegetation management is being utilized so as to maximize effectiveness and efficiency while maintaining reliability. Tree-related data, including SAIFI indices, customer outage minutes, and customer quality of service complaints will be considered in preparing the vegetation management plans, on an ongoing basis. SWEPCO also agrees to report to Staff, on an annual basis, with its proposed tree vegetation and management plan.

- V. SWEPCO agrees to continue to strive to abide by all of the provisions of the Commission's General Orders and Rules related to maintaining and improving the quality and reliability of electric service to their Louisiana customers. SWEPCO remains committed to maintaining and where necessary, improving the quality and reliability of electric service to its Louisiana customers. In that regard, SWEPCO commits to devote reasonable efforts to ensuring that its 2016-2017 SAIDI and SAIFI values for its Louisiana operations shall be maintained or improved over time (subject to the *force majeure* provisions contained in the Commission's General Order and Regulations *In re: Ensuring Reliable Electric Service*, Docket No. U-22389 (Adopted April 30, 1998 and subject to the provisions below as to the Valley Service Territory. The parties acknowledge and agree that the SWEPCO vegetation management program was not in place at Valley, before the October 2010 acquisition and therefore, the

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reliability metrics are not applicable to the Valley District, but with SWEPCO providing reports to Staff on its progress in the Service Quality docket.

- VI. SWEPCO currently utilizes a 10-year cycle for the inspection (and repair as necessary) of the entire SWEPCO/Louisiana system. SWEPCO commits to maintain and, if possible, improve the 10-year inspection program, which includes reasonable pole, cross-arm and related equipment inspection. SWEPCO will report the inspection program costs each year for the inspection, reinforcement, refurbishment and replacement of the distribution poles, transmission poles and downtown Shreveport underground network in their annual report.
- VII. SWEPCO agrees that it will continue, and, if possible, improve upon SWEPCO's policies of addressing the worst 5% of distribution feeders. The company will undertake all reasonable expenditures to achieve the goal of limiting customer outages. SWEPCO will report the estimated cost to comply related to these 5% worst feeders in its annual report to the Commission for cost related to patrolling, tree trimming, pole inspection, pole hardware and animal guards.
- VIII. SWEPCO agrees to maintain the SWEPCO Customer Solution Center in Shreveport, Louisiana from the date of the Order approving this SQIP through at least December 31, 2017. During this period, if SWEPCO determines that a customer solution center is no longer the most efficient means to handle communications with its customers, and SWEPCO desires to replace the current customer solution center with some other system,

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then SWEPCO must file with the Commission a detailed description of the proposed system, the reasons the proposed system is believed to be more efficient than the customer solution center, the net difference in cost of the proposed system, and the anticipated effects on SWEPCO's ability to receive, process, and address customer communications. The Commission will, within 90 days, rule on whether SWEPCO may replace the customer solution center with the new system. This provision is not intended to allow SWEPCO or American Electric Power Company ("AEP") simply to establish a new customer solution center at another location, nor eliminate the customer solution center entirely for its combined operations.

- IX. SWEPCO agrees to maintain the SWEPCO Transmission and Distribution (T&D) Dispatch Center in Shreveport from the date of the Order approving this SQIP through at least December 31, 2017. During this period, if SWEPCO determines that a T & D Dispatch Center is no longer the most efficient means to handle the functions currently handled by the T & D Dispatch Center, and SWEPCO desires to replace the T & D Dispatch Center with some other system, then SWEPCO must file with the Commission a detailed description of the proposed system, the net difference in the cost of the proposed system, the reasons the proposed system is expected to be an improvement over the T & D Dispatch Center, and the anticipated effect on SWEPCO's ability to address the functions currently handled by the T & D Dispatch Center. The Commission will, within 90 days, rule on whether SWEPCO may replace the T & D Dispatch Center with the new system. This provision is not intended to allow SWEPCO or AEP simply to establish a new T & D Dispatch Center at another

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location nor eliminate the T&D Dispatch Center entirely for its combined operations.

- X. SWEPCO agrees to maintain the availability of SWEPCO/Louisiana pay stations. Specifically, SWEPCO commits to maintain in place the pay station located at 416 Travis Street, Shreveport, La. from the date of the Order approving this SQIP through at least December 31, 2017. In addition, SWEPCO will continue to evaluate all reasonable alternatives to provide SWEPCO/Louisiana ratepayers with the widest range of options by which to pay their electric bills.
- XI. SWEPCO agrees to maintain the current number of SWEPCO Distribution Operation Centers in Louisiana from the date of the Order approving the SQIP through at least December 31, 2017.
- XII. SWEPCO also commits to continue to attempt to improve reliability and the following is a report on the status of substation and transmission projects:
- a. Swan Lake Station (new construction)
 - b. Caplis Station (COMPLETED)
 - c. Brownlee Rd. Station (upgrade of substation)
 - d. Dogwood Station (upgrade of substation)
 - e. Red Point Station (COMPLETED)
 - f. Port Robson Station (COMPLETED)
 - g. Sligo Rd. Station (COMPLETED)

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- h. Linton Rd. Station (COMPLETED)
- i. Shreveport Downtown Network (rehab of major network serving downtown Shreveport)
- j. Bodcau Station (COMPLETED)
- k. Deen Point Station (COMPLETED)
- l. 138 KW Transmission line Construction (COMPLETED)

As SWEPCO has completed many of the foregoing projects, no future reporting is required or necessary as to the completed projects. SWEPCO will report to Staff on the status of future projects, as well as any modifications or changes to these projects in its annual report filed on April 1st of each year and discussed in the following paragraph, or more frequently as it deems necessary, or as requested by Staff.

XIII. In addition to the reporting requirements contained in the Commission's April 30, 1998 General Order *In re: Ensuring Reliable Electric Service* (Docket No. U-22389), the company agrees to submit a comprehensive report to the Commission by April 1 of each year (the "current year"), regarding results of operations in the previous calendar year (the "prior year") containing the following information:

- (1) The number of field personnel in the prior year;
- (2) The projected number of field personnel for the current year;
- (3) The amount spent on its vegetation management program in the prior

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approve expenditures for service and reliability needs with a threshold not less than \$3,000,000 without further approval. SWEPCO and AEP commit further to maintain in Louisiana a sufficient management team to ensure that safe, reliable, and efficient electric service is provided and to respond to the needs and inquiries of Louisiana ratepayers. Specifically, SWEPCO shall maintain Louisiana management personnel in sufficient numbers to perform the functions currently performed by the personnel on the SWEPCO Louisiana Employee Reconciliation attached hereto as Exhibit "A" and identified in a SWEPCO organizational chart attached hereto as Exhibit "B", to be included in the annual filing.

Any reduction in work force below the baseline, if any, shall be identified in Exhibit A and the reason for such reduction stated. This does not preclude SWEPCO from "netting" positions upon review by the Commission Staff. "Netting" is defined as eliminating one employee position for efficiency purposes and filling a comparable position in another area of the company to meet a specific need. Upon receipt of the filing, the Commission may take all appropriate actions to ensure that proposed management changes do not adversely affect the provision, reliability, and cost of service to Louisiana ratepayers. If retail access is mandated by the Commission or through action by the Federal Energy Regulatory Commission or federal legislation, the Company must submit any proposed management changes to the Commission no less than 120 days in advance of the effective date of such changes.

XV. All prudent costs incurred to comply with the terms of this Service Quality Improvement

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Program shall be recoverable in accordance with the Commission's traditional ratemaking principles and procedures, through recognition of these costs in its revenue requirement in any future rate reviews, and including the current Formula Rate Plan (FRP) or any future FRP, except for the Valley District incremental vegetation management spend, which shall be recoverable as provided on paragraph IV above.

- XVI. If retail access is mandated by the Commission, or through action by the Federal Energy Regulatory Commission or federal legislation, or if other force majeure event occur, then SWEPCO-La. shall have the right to petition the Commission for modifications to this Service Quality Improvement Program. Further, in the event of future technological developments or improvements that improve significantly the provision of service, SWEPCO may petition the Commission for modification of this Service Quality Improvement Program. Any such petition must establish the necessity of the proposed modifications and provide appropriate protections to ensure that SWEPCO-La.'s quality of service will not decline and that a sufficient number of employees, including a management team, remain in place in Louisiana. The Commission will act upon the petition in accordance with its normal rules and procedures.

Exhibit (A)						
SWPFCO Consolidated Baseline Positions - 2016-2017 SQIP						
Department	Field	Base	SWP August	Valley Employees	Vacant	Total Positions
President & COO		7	7	0		7
VP External Affairs		4	4	1		9
VP Regulatory & Bus Ops		12	10	0		10
Director of Core Comm		2	3	0		3
VP Dist Region Operations		37	41	14	1	93
Dist Region Support Personnel					11	110
Liaisons	a)	72	61	47	3	35
Troubleshooters	b)	40	34	1		15
Mgr/Supe of Distribution System	c)	14	11	7		24
Engineering Personnel	d)	23	17	0		3
Forestry Personnel	e)	3	3	0		
Dir Customer Services & Marketing						15
Customer Service Support		16	14	1		6
Supervisors/Managers	e)	6	5	0		11
Customer Service Reps	f)	9	8	2		44
Meter Operations Personnel	g)	41	41	3		14
Field Revenue Specialist	h)	13	13	1		
Transmission Operations						19
Transmission Personnel		16	10	0		7
Supervisors of Transmission	c)	7	7	0		8
Engineers/Technologists	d)	3	8	0		14
Station Personnel	i)	13	13	1		123
Customer Service Center	j)	123	123	0		
Shared Services						10
Meter Operation/Maintenance	g)	11	10	0		13
Plant Services		12	10	2	1	14
Telecommunications/IT		17	13	1		8
Human Resources		6	6	0		37
Support Personnel		34	33	4		621
Sub-total		644	616	89	16	108
Power Generation		101	108	0		729
Total		645	624	89	16	
Key to Baseline Consolidated Positions						
Licenses			Transmission Personnel			
Liaisons/Network Liaisons Combined (60+0)			Forestry			
Engineering Personnel			RMIS/SCADA			
Engineer Tech/Engineers Combined (13+10)			Transmission			
Customer Service Support			Customer Operations Services			
Account Manager			Cust Sol Center			
Customer Operations Admin			Billing			
Admin Associate			Collection			
CRM and Customer Programs						
Field Communication Reps						
Meter Operations Personnel			Shared Services			
Meter Readers			Claims			
Meter Tech			Fault Analyst			
Meter Technician			Relay			
Telecommunications/IT			Mtg Mgt			
IT and Telecom combined (10+7)			Material Coord			
Power Generation			Assistant			
Power Gen and Dist Mts (64+0)			Workplace Svc			
			DAL			
			Mtg Planning			
			Graphic			
			Stores			
			Support Eng			