

169 FERC ¶ 61,174
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

December 3, 2019

In Reply Refer To:
Southwest Power Pool, Inc.
Docket No. ER19-456-001

Southwest Power Pool, Inc.
201 Worthen Drive
Little Rock, AR 72223

Attention: Luke B. Hill

Dear Mr. Hill:

1. On July 25, 2019, Southwest Power Pool, Inc. (SPP) filed a Joint Offer of Settlement and Settlement Agreement (Settlement) by and among SPP, Mor-Gran-Sou Electric Cooperative, Inc. (Mor-Gran-Sou), Basin Electric Power Cooperative, Missouri River Energy Services, Mountrail-Williams Electric Cooperative, Roughrider Electric Cooperative, Inc., and Western Area Power Administration (collectively, the Settling Parties). The Settlement resolves all issues set for hearing in Docket No. ER19-456-001 and ER19-456-000 regarding Mor-Gran-Sou's Annual Transmission Revenue Requirement, Formula Rate Template, and Formula Rate Implementation Protocols (together, Formula Rate).
2. On August 14, 2019, the Commission's Trial Staff filed comments supporting the Settlement. On October 25, 2019, the Settlement Judge certified the Settlement to the Commission as uncontested.¹
3. Article 2.2 of the Settlement sets the base return on equity (ROE) in Mor-Gran-Sou's Formula Rate at 9.6 percent, plus a 50-basis point Commission-approved adder for participation in a regional transmission organization, for a total ROE of 10.1 percent. Article 2.3 of the Settlement provides that Mor-Gran-Sou shall apply the 9.6 percent base ROE and 50-basis point adder to its actual capital structure, except that for any four rate years, which need not be consecutive, it may, at its own discretion, elect to apply the base

¹ *Sw. Power Pool, Inc.*, 169 FERC ¶ 63,015 (2019).

ROE plus any applicable adders to a hypothetical capital structure with a 35.24 percent equity component and a 64.76 percent debt component (Capital Structure Option). Mor-Gran-Sou will note its decision to exercise its Capital Structure Option in its Annual Update, and following the fourth rate year in which Mor-Gran-Sou exercises the Capital Structure Option, Mor-Gran-Sou's base ROE will be applied to its actual capital structure. The Capital Structure Option is considered a fixed component of the Mor-Gran-Sou Formula Rate, not an input, and may not be challenged through the Annual Update challenge procedures included in the Protocols.

4. Article 7.1 of the Settlement establishes the following standard of review:

The standard of review for any change to this Settlement Agreement proposed by a Settling Party to this proceeding shall be the "public interest" application of the just and reasonable standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), as clarified in *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington*, 554 U.S. 527 (2008), and *NRG Power Marketing v. Maine Public Utilities Commission*, 558 U.S. 165 (2010). The standard of review for any modifications to this Settlement Agreement requested by a non-Settling Party or initiated by the Commission will be the just and reasonable standard. See *Illinois Power Marketing Company*, 155 FERC ¶ 61,172, at PP 4-5 (2016) (citing *New England Power Generators Ass'n. Inc. v. FERC*, 707 F.3d 364, 370-371 (D.C. Cir. 2013)); see also *NRG Power Mktg., LLC v. Maine Public Utilities Commission*, 558 U.S. 165 (2010).

5. The Settlement appears to be fair and reasonable and in the public interest, and is hereby approved. The Commission's approval of the Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding.

6. SPP is directed to make a compliance filing with revised tariff records in eTariff format,² within 30 days of this order, to reflect the Commission's action in this order.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

² See *Electronic Tariff Filings*, Order No. 714, 124 FERC ¶ 61,270 (2008).