

144 FERC ¶ 61,178  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Philip D. Moeller, John R. Norris,  
Cheryl A. LaFleur, and Tony Clark.

Southern California Edison Company  
Morongo Transmission LLC

Docket No. EC13-114-000

ORDER AUTHORIZING DISPOSITION OF JURISDICTIONAL FACILITIES

(Issued September 3, 2013)

1. On May 31, 2013, as supplemented July 3, 2013,<sup>1</sup> Southern California Edison Company (SoCal Edison) and Morongo Transmission LLC (Morongo Transmission) (collectively, Applicants) filed a joint application under sections 203(a)(1)(A) and (B) of the Federal Power Act (FPA).<sup>2</sup> Applicants request Commission authorization for SoCal Edison to lease a portion of the transfer capability of the West of Devers Upgrade Project (West of Devers Project) to Morongo Transmission (Proposed Transaction).
2. The Commission has reviewed the Proposed Transaction pursuant to the Commission's Merger Policy Statement.<sup>3</sup> As discussed below, we will authorize the Proposed Transaction under FPA section 203(a)(1) as consistent with the public interest.

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<sup>1</sup> Applicants submitted a supplement to include the right-of-way agreement that they inadvertently failed to include as part of Exhibit I of the May 31, 2013 Application (Application).

<sup>2</sup> 16 U.S.C. § 824b(a)(1)(A), (B) (2006).

<sup>3</sup> *Inquiry Concerning the Commission's Merger Policy Under the Federal Power Act: Policy Statement*, Order No. 592, FERC Stats. & Regs. ¶ 31,044 (1996), *reconsideration denied*, Order No. 592-A, 79 FERC ¶ 61,321 (1997) (Merger Policy Statement). *See also FPA Section 203 Supplemental Policy Statement*, FERC Stats. & Regs. ¶ 31,253 (2007) (Supplemental Policy Statement). *See also Revised Filing Requirements Under Part 33 of the Commission's Regulations*, Order No. 642, FERC Stats. & Regs. ¶ 31,111 (2000), *order on reh'g*, Order No. 642-A, 94 FERC ¶ 61,289

(continued...)

## I. Background

### A. Description of the Parties

#### 1. SoCal Edison

3. SoCal Edison, a California corporation with its principal place of business in Rosemead, California, is a public utility engaged in the transmission, distribution, purchase, and sale of electric energy. SoCal Edison has conveyed operational control over its transmission facilities to the California Independent System Operator Corporation (CAISO) and is a CAISO Participating Transmission Owner. SoCal Edison has Commission authorization to sell wholesale power and ancillary services at market-based rates.<sup>4</sup> Both SoCal Edison and Edison Mission Group, Inc. are wholly owned by Edison International, Inc. (Edison International). Through its various affiliates, Edison International provides electricity and energy-related products and services to a diverse range of customers.<sup>5</sup>

#### 2. Morongó Transmission

4. Morongo Transmission is a Delaware limited liability company created for the purpose of the Proposed Transaction. The Morongo Band of Mission Indians (Morongo Tribe), a federally-recognized American Indian Tribe exercising jurisdiction over the lands within the boundaries of the Morongo Indian Reservation (Reservation), owns a majority of the interests in Morongo Transmission. Coachella Partners, LLC, a Delaware limited liability company also formed for the purposes of investing in the Proposed Transaction, owns the remainder of the interest in Morongo Transmission. Morongo Transmission plans to file an application to become a CAISO Participating Transmission Owner before the West of Devers Project begins commercial operation.<sup>6</sup>

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(2001). *See also Transactions Subject to FPA Section 203*, Order No. 669, FERC Stats. & Regs. ¶ 31,200 (2005), *order on reh'g*, Order No. 669-A, FERC Stats. & Regs. ¶ 31,214, *order on reh'g*, Order No. 669-B, FERC Stats. & Regs. ¶ 31,225 (2006).

<sup>4</sup> *See S. Cal. Edison Co.*, Docket No. ER02-2263-000 (Aug. 29, 2002) (delegated letter order).

<sup>5</sup> Application at 5.

<sup>6</sup> *Id.* at 5-6.

**B. Description of the Proposed Transaction**

5. As part of the West of Devers Project, SoCal Edison will upgrade and reconfigure 48 miles of existing transmission lines and appurtenant facilities owned by SoCal Edison in San Bernardino and Riverside Counties (the Existing Facilities). Applicants state that the Existing Facilities provide for the transmission of electricity between SoCal Edison's Devers Substation near Palm Springs and Vista Substation in Grand Terrace, San Bernadino Substation in San Bernadino, and El Casco Substation in western Riverside County. Applicants state that the Existing Facilities are operating at full capacity and will not accommodate full deliverability of proposed additional generation interconnections.

6. Applicants state that the West of Devers Project involves the removal of the Existing Facilities (including certain appurtenant facilities) and the replacement of the existing transmission lines with new upgraded 220 kV transmission lines and appurtenant facilities (the Subject Facilities). Applicants state that CAISO's generator interconnection studies conclude that without the upgrades associated with the West of Devers Project, the interconnection of additional generation resources near Blythe and Desert Center, California would result in unacceptable thermal overload conditions on the Existing Facilities. Applicants assert that the completion of the West of Devers Project will allow for the interconnection and full deliverability of these renewable resources. They further state that completion of the West of Devers Project is a crucial component of SoCal Edison's goal of delivering reliable renewable energy to the power grid to support federal and California public policy objectives, including the California Renewable Portfolio Standard and reducing greenhouse gas emissions.<sup>7</sup>

Applicants state that the Development and Coordination Agreement (DCA) and the Transfer Capability Lease (Lease) set forth the terms of the Proposed Transaction. Pursuant to the DCA, if Morongo Transmission exercises its option to invest up to \$400 million to enter into the Lease with SoCal Edison on or about the West of Devers Project's commercial operation date, it will lease a pro rata portion of the transfer capability. According to Applicants, the amount of leased transfer capability will be equal to the percentage of the total costs SoCal Edison incurs to develop and commission the Subject Facilities that Morongo Transmission pays for, which will include Allowance for Funds Used During Construction (AFUDC) on such amount, if any.<sup>8</sup> SoCal Edison will keep title of the Subject Facilities, and upon expiration of the Lease's 30-year term, the transfer capability will revert to SoCal Edison. Additionally, Applicants state that the

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<sup>7</sup> *Id.* at 7.

<sup>8</sup> Applicants currently estimate this amount to be \$0.

Lease will include a schedule amortizing the prepaid rent over the lease term, and SoCal Edison and Morongo Transmission will report the rent as accruing for tax purposes quarterly in arrears according to this schedule.<sup>9</sup>

7. Applicants state that SoCal Edison will perform all operation and maintenance (O&M) activities on the West of Devers Project, but the Lease obligates Morongo Transmission to pay for a proportionate share of the O&M costs incurred by SoCal Edison for the Subject Facilities, plus applicable overheads. Subject to the CAISO tariff and rules governing interconnection, SoCal Edison will be the interconnection agent for the Subject Facilities. Additionally, Applicants have agreed to a mechanism that generates what is called an “SCE Representative Rate,” which is intended to approximate the capital cost recovery rate SoCal Edison would charge if it made Morongo Transmission’s capital investment instead. Pursuant to the DCA and the Lease, the SCE Representative Rate constitutes a cap on the capital cost rate Morongo Transmission may recover from CAISO transmission customers.<sup>10</sup>

8. Pursuant to the right-of-way agreement between SoCal Edison and the Morongo Tribe, SoCal Edison has the right to continue operating, using, and maintaining the Existing Facilities on a corridor that runs across the Reservation and the right to a new or modified corridor for SoCal Edison’s future construction, use, operation, and maintenance of the Subject Facilities. Applicants note that these rights are subject to approval by the United States Secretary of the Interior pursuant to a Grant of Easements and Rights-of-Way (Federal Grant). The right-of-way agreement’s term is the later of 50 years after its effective date or the termination of the Federal Grant, subject to certain termination rights of each party, including the right of the Morongo Tribe to terminate the right-of-way agreement and seek termination of the Federal Grant if: (1) either SoCal Edison or Morongo Transmission does not receive the required approvals from the Commission and the California Public Utilities Commission (California Commission) by January 1, 2017; or (2) if SoCal Edison defaults under the DCA or the Lease. Applicants

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<sup>9</sup> To the extent that the prepaid rent exceeds the rent accrued, the parties will treat such excess as a loan by Morongo Transmission to SoCal Edison that bears interest at a rate equal to 110 percent of the “applicable federal rate” as required by section 467 of the Internal Revenue Code. Application at n. 17

<sup>10</sup> Application at 8-9. SoCal Edison and Morongo Transmission will separately make the appropriate filings under FPA section 205 to implement cost recovery mechanisms related to the Proposed Transaction. *Id.* at n. 7.

assert that Morongo Transmission's decision on whether to exercise its DCA option will not affect SoCal Edison's right-of-way rights.<sup>11</sup>

## **II. Notice of Filing and Responsive Pleadings**

9. Notice of the Application was published in the *Federal Register*, 78 Fed. Reg. 34,658 (2013), with interventions and protests due on or before June 21, 2013. CAISO, the City of Santa Clara, California (Santa Clara), and Imperial Irrigation District filed timely motions to intervene. Governor Edmund G. Brown, Jr. filed a petition in support of the Proposed Transaction. M-S-R Public Power Agency (M-S-R) and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities) filed motions to intervene and comments. On July 8, 2013, Applicants filed an answer to the comments.

## **III. Discussion**

### **A. Procedural Issues**

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2013), the timely unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

11. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2013), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We will accept the answer filed in this proceeding because it has provided information that assisted us in our decision-making process.

### **B. Standard of Review Under Section 203**

12. FPA section 203(a)(4) requires the Commission to approve a transaction if it determines that the transaction will be consistent with the public interest. The Commission's analysis of whether a transaction will be consistent with the public interest generally involves consideration of three factors: (1) the effect on competition; (2) the

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<sup>11</sup> Application at 10. Applicants state that Morongo Transmission's Lease option, which is embodied in the DCA, serves as "consideration for the [Morongo Tribe] entering into the [right-of-way agreement] and providing [SoCal Edison] with rights-of-way across the Reservation." *Id.* Although the Applicants state that the right-of-way agreement is not part of the Proposed Transaction for which Applicants seek approval here, they assert that "it was necessary to obtain or retain . . . rights-of-way across the Reservation" to develop the West of Devers Project and erect the Subject Facilities. *Id.*

effect on rates; and (3) the effect on regulation.<sup>12</sup> Section 203(a)(4) also requires the Commission to find that the transaction “will not result in cross-subsidization of a non-utility associate company or the pledge or encumbrance of utility assets for the benefit of an associate company, unless the Commission determines that the cross-subsidization, pledge, or encumbrance will be consistent with the public interest.”<sup>13</sup> The Commission’s regulations establish verification and informational requirements for applicants that seek a determination that a transaction will not result in inappropriate cross-subsidization or pledge or encumbrance of utility assets.<sup>14</sup>

**C. Analysis Under Section 203**

**1. Effect on Competition**

**a. Applicants’ Analysis**

13. Applicants state that the Proposed Transaction does not raise horizontal market power concerns because the Lease does not involve a change in control of any generation facilities. They further state that the Proposed Transaction will not cause any vertical market power concerns because neither SoCal Edison nor Morongo Transmission will gain the ability or incentive to affect prices or outputs in downstream electricity markets or to discourage entry by new generators. In addition, Applicants state that the Lease will not affect the ability of transmission customers to take transmission service in the region, or result in a combination of ownership of networked transmission facilities in any region. Applicants assert that the Subject Facilities will be under CAISO’s operational control and that neither SoCal Edison’s nor its affiliates’ ownership or control of electric power production inputs raises any competitive concerns or is affected by the Lease. Applicants further state that neither Morongo Transmission nor its parent entities currently owns or controls any electric power production input.<sup>15</sup>

**b. Commission Determination**

14. Applicants have demonstrated that the Proposed Transaction does not raise horizontal or vertical market power concerns. The Proposed Transaction involves the lease of transfer capability in a portion of the planned West of Devers Upgrade Project,

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<sup>12</sup> Merger Policy Statement, FERC Stats. & Regs. ¶ 31,044 at 30,111.

<sup>13</sup> 16 U.S.C. § 824b(a)(4) (2006).

<sup>14</sup> 18 C.F.R. § 33.2(j) (2013).

<sup>15</sup> Application at 13.

the Subject Facilities, by SoCal Edison to Morongo Transmission, and, thus, does not result in a change in control in any generation facilities. Further, the Proposed Transaction will not cause SoCal Edison or Morongo Transmission to gain the ability or incentive to affect prices or outputs in the downstream electricity markets or to discourage entry by new generators. In addition, given that the Subject Facilities will be under the operational control of CAISO, the Lease will not affect the ability of transmission customers to take transmission service in the region. For these reasons, we find that the Proposed Transaction will have no adverse effect on competition.

## **2. Effect on Rates**

### **a. Applicants' Analysis**

15. Applicants state that the Proposed Transaction will have no adverse effect on wholesale rates for electric power because it involves a lease of transfer capability in a transmission line, not a transfer of control of any generation facilities. Applicants state that the Proposed Transaction will not change the fact that SoCal Edison makes its wholesale sales at market-based rates. They also argue that the Proposed Transaction will not change the fact that the California Commission establishes SoCal Edison's retail rates. Applicants note that Morongo Transmission and its affiliates do not currently make any sales of electric energy at wholesale.<sup>16</sup>

16. Applicants state that the Proposed Transaction will not adversely affect transmission rates because: (1) the Lease incorporates provisions that limit the capital cost recovery Morongo Transmission may obtain, based upon a calculation of the costs SoCal Edison would recover for the subject transfer capability absent its lease to Morongo Transmission; and (2) both SoCal Edison's and Morongo Transmission's rates are subject to review by the Commission and by interested parties in publicly-noticed FPA section 205 filings.<sup>17</sup>

### **b. Comments**

17. Six Cities and M-S-R express similar concerns with the Application. Six Cities note that while Applicants have provided a description for how they intend to calculate the SCE Representative Rate, Applicants also state their intention to make future FPA section 205 filings to implement cost recovery mechanisms related to the Proposed Transaction. Six Cities and M-S-R both ask the Commission to make clear that approval

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<sup>16</sup> *Id.* at 14.

<sup>17</sup> *Id.*

of the Proposed Transaction does not constitute pre-approval of any element of Morongo Transmission's capital cost recovery methodology or transmission revenue requirement.<sup>18</sup> In support of their request, Six Cities first state that Applicants have not demonstrated that utilizing a proxy rate of return based on SoCal Edison's return on equity (ROE) at the Proposed Transaction's consummation is just and reasonable.<sup>19</sup> Second, Six Cities state that Applicants have not justified the use of the capital structure embedded in the SCE Representative Rate, which is fixed at 50 percent equity and 50 percent debt.<sup>20</sup> Third, Six Cities state that Applicants fail to explain their proposed 30 year recovery period for Morongo Transmission's expected capital investment over the Lease's term, given Applicants' representation that the West of Devers Project's expected useful life is 57 years.<sup>21</sup> Finally, if the Commission approves the Proposed Transaction, Six Cities ask the Commission to direct SoCal Edison to properly credit Morongo Transmission's prepaid rent and O&M expenses to SoCal Edison's transmission revenue requirement.<sup>22</sup>

**c. Answer**

18. Applicants state that Six Cities and M-S-R have raised concerns outside the scope of the Commission's FPA section 203 analysis. They further state that the Application does not request authorization for "actual recovery" of the West of Devers Project's costs or a finding that the inputs to the model used to determine the SCE Representative Rate are just and reasonable.<sup>23</sup> Instead, they state that if Morongo Transmission decides to exercise its leasing option, the Commission will establish the final dollar value of the SCE Representative Rate in a future FPA section 205 proceeding, which will "be calculated based on the methodology set forth in the DCA . . . , including [SoCal Edison's] return on equity . . . , debt cost rate, stated and federal income tax rates,

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<sup>18</sup> Six Cities June 21, 2013 Comments at 3 (Six Cities Comments); M-S-R June 21, 2013 Comments at P 11 (M-S-R Comments).

<sup>19</sup> *Id.*

<sup>20</sup> *Id.* at n. 3.

<sup>21</sup> Six Cities Comments at 4-5. Similarly, M-S-R, argues that the Application fails to explain how SoCal Edison will ensure that it properly accounts for the lease payments received from Morongo Transmission. M-S-R Comments at PP 12-14.

<sup>22</sup> Six Cities Comments at 5.

<sup>23</sup> Applicants July 8, 2013 Answer at 3 (Applicants Answer).

Cost of Transfer Capability, and AFUDC amount.”<sup>24</sup> Applicants further state that this section 205 filing will demonstrate that Morongo Transmission’s rates are just and reasonable and that they do not exceed the SCE Representative Rate. For these reasons, Applicants reiterate their position that the SCE Representative Rate helps ensure that the Proposed Transaction does not adversely affect rates.<sup>25</sup>

19. With regard to Six Cities’ concern about the capital structure reflected in the SCE Representative Rate model, Applicants state that the debt-equity ratio is consistent with authorized capital structures for an investor-owned utility like SoCal Edison. They note, however, that when Morongo Transmission files its base transmission revenue requirement in a future FPA section 205 proceeding, it will propose and justify its capital structure at that time. Additionally, with respect to the ROE, Applicants state that Morongo Transmission will file its own proposed ROE in an FPA section 205 filing separate from the Application for the Proposed Transaction. They state, however, that the “actual ROE that will be used in the SCE Representative Rate model at the time the [L]ease goes into effect will be [SoCal Edison’s] authorized ROE for its FERC-jurisdictional transmission assets as of that time.”<sup>26</sup>

20. Applicants note that M-S-R and Six Cities also raised a concern about the 30-year amortization and recovery period for the lease. Applicants state that it is reasonable that the amortization period for the portion of the West of Devers Project subject to the Lease be the same as the Lease’s negotiated term, so that Morongo Transmission’s investment will be fully amortized at the end of the lease term. Applicants also note that Morongo Transmission will include this amortization and lease recovery period in its future FPA section 205 transmission revenue requirement filing for evaluation.<sup>27</sup>

21. Finally, Applicants state that SoCal Edison will not double collect capital or O&M expenses. They state that SoCal Edison intends to offset the capital costs it incurs to construct the project by the prepaid rent it receives from Morongo Transmission. Likewise, SoCal Edison intends to offset the O&M expenses it incurs for the project by the amount of O&M payment received from Morongo Transmission.<sup>28</sup>

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<sup>24</sup> *Id.* at 5.

<sup>25</sup> *Id.*

<sup>26</sup> Applicants Answer at 5-6.

<sup>27</sup> *Id.* at 6-7.

<sup>28</sup> *Id.* at 7.

**d. Commission Determination**

22. We note that our analysis of rate effects under FPA section 203 differs from the analysis of whether rates are just and reasonable under FPA section 205. Our focus here is on the effect that the Proposed Transaction will have on rates, whether that effect is adverse, and whether any adverse effect will be offset or mitigated by benefits that are likely to result from the transaction.<sup>29</sup> Based on the record in this proceeding, we find that the Proposed Transaction will not have an adverse effect on rates, as discussed more fully below.

23. With regard to wholesale rates, we note that SoCal Edison will continue to make wholesale sales at market-based rates. Morongo Transmission and its affiliates do not make any sales of electric energy at wholesale.

24. With regard to the effect on transmission rates, we note that the Proposed Transaction does not involve the transfer of in-service transmission facilities from one entity to another where new or incremental costs are incurred by the new owner. The Proposed Transaction instead concerns the lease of transfer capability of transmission facilities that are not yet in service and for which neither SoCal Edison nor Morongo Transmission has filed a transmission revenue requirement for Commission approval. Our finding that the Proposed Transaction will not have an adverse transmission rate impact is not determinative of whether costs incurred in developing, constructing, owning or operating the West of Devers Project (including any payments to Morongo Transmission) were prudently incurred and just and reasonable. The Commission will consider the costs and establish the just and reasonable rate when Applicants submit their FPA section 205 filings. All parties will have an opportunity to address the reasonableness of Applicants' proposed rates when they submit these filings.<sup>30</sup>

25. However, the transmission rate impacts associated with the Lease are subject to our review under FPA section 203. Pursuant to the terms of the DCA and the Lease, Morongo Transmission's Lease transmission rates cannot exceed the SCE Representative Rate, which, according to the DCA, "provides for recovery of [Morongo Transmission's] costs but does not exceed the rate [SoCal Edison could recover at the time of [commercial operation] if SoCal Edison held [Morongo Transmission's] Transfer

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<sup>29</sup> See *ITC Midwest LLC*, 133 FERC ¶ 61,169, at P 23 (2010); *ALLETE, Inc.*, 129 FERC ¶ 61,174, at P 19 (2009); *Startrans IO, L.L.C.*, 122 FERC ¶ 61,307, at P 25 (2008); *ITC Holdings Corp.*, 121 FERC ¶ 61,229, at P 120 (2007).

<sup>30</sup> See *Trans Bay Cable LLC*, 130 FERC ¶ 61,160, at P 25 (2010).

Capability.”<sup>31</sup> This requirement helps to ensure that the transmission rates Morongo Transmission receives do not exceed the rates that transmission ratepayers would have paid in the Lease’s absence. Therefore, for the reasons stated above, we find that the Proposed Transaction will not result in adverse rate impacts.

#### **4. Effect on Regulation**

##### **a. Applicants’ Analysis**

26. Applicants argue that the Proposed Transaction will have no adverse impact on regulation at either the state or the federal level. Applicants state that SoCal Edison is, and will continue to be, a public utility subject to the Commission’s jurisdiction under the FPA. Likewise, Applicants state that Morongo Transmission will be a public utility subject to the Commission’s jurisdiction upon the closing of the Proposed Transaction. Applicants further assert that the Lease will not impair the Commission’s authority to regulate SoCal Edison, Morongo Transmission, or transmission service over the Subject Facilities. Finally, Applicants state that nothing about the Lease will affect the ability of the California Commission to regulate the sale of power to retail customers.

##### **b. Commission Determination**

27. We find that neither state nor federal regulation will be impaired by the Proposed Transaction. The Commission’s review of a transaction’s effect on regulation focuses on ensuring that it does not result in a regulatory gap at the federal or state level.<sup>32</sup> We find that the Proposed Transaction will not create a regulatory gap at the federal level because the Commission will retain its regulatory authority over the Applicants.

28. In the Merger Policy Statement, the Commission stated that it ordinarily will not set the issue of the effect of a transaction on the state regulatory authority for a trial-type hearing where a state has authority to act on the transaction. However, if the state lacks this authority and raises concerns about the effect on regulation, the Commission stated that it may set the issue for hearing, and that it will address such circumstances on a case-by-case basis.<sup>33</sup> We note that no party alleges that regulation would be impaired by the Proposed Transaction, and no state Commission has requested that the Commission address the issue of the effect on state regulation.

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<sup>31</sup> Application at Exhibit I, Development and Coordination Agreement, Sect. 5.4.2.

<sup>32</sup> Merger Policy Statement, FERC Stats. & Regs. ¶ 31,044 at 30,124.

<sup>33</sup> *Id.*

## 5. Cross Subsidization

### a. Applicants' Analysis

29. Applicants state that, based on facts and circumstances known to them or that are reasonably foreseeable, the Proposed Transaction will not result in, at the time of the Proposed Transaction or in the future: (1) any transfer of facilities between a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, and an associate company; (2) any new issuances of securities by a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; (3) any new pledge or encumbrance of assets of a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, for the benefit of an associate company; or (4) any new affiliate contracts between a non-utility associate company and a traditional public utility associate company that has captive customers or that owns or provides transmission service over jurisdictional transmission facilities, other than non-power goods and services agreements subject to review under section 205 and 206 of the FPA.<sup>34</sup>

### b. Commission Determination

30. Based on the facts as presented in the Application, we find that the Proposed Transaction will not result in cross-subsidization or the pledge or encumbrance of utility assets for the benefit of an associate company. We note that no party has argued otherwise.

## 6. Other Considerations

31. Information and/or systems connected to the bulk power system involved in the Proposed Transaction may be subject to reliability and cyber security standards approved by the Commission pursuant to section 215 of the FPA. Compliance with these standards is mandatory and enforceable regardless of the physical location of the affiliates or investors, information databases, and operating systems. If affiliates, personnel, or investors are not authorized for access to such information and/or systems connected to the bulk power system, a public utility is obligated to take the appropriate measures to deny access to this information and/or the equipment/software connected to the bulk power system. The mechanisms that deny access to information, procedures, software, equipment, etc., must comply with all applicable reliability and cyber security standards.

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<sup>34</sup> Application at 15.

The Commission, the North American Electric Reliability Corporation or the relevant Regional Entity may audit compliance with reliability and cyber security standards.

The Commission orders:

(A) The Proposed Transaction is hereby authorized, as discussed in the body of this order.

(B) Applicants must inform the Commission within 30 days of any material change in circumstances that departs from the facts the Commission relied upon in granting the Application.

(C) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determinations of costs, or any other matter whatsoever now pending or which may come before the Commission.

(D) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted.

(E) The Commission retains authority under sections 203(b) and 309 of the FPA to issue supplemental orders as appropriate.

(F) Applicants, to the extent that they have not already done so, shall make any appropriate filings under section 205 of the FPA, as necessary, to implement the Proposed Transaction.

(G) Applicants did not submit proposed journal entries to show the effects of the transaction. Applicants represent that they will provide their proposed accounting treatment when they file their respective applications under section 205 of the FPA. The accounting submission shall provide all the accounting entries and amounts related to the transaction along with narrative explanations describing the basis for the entries.

(H) Applicants shall notify the Commission within 10 days of the date on which the transaction is consummated.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.