

167 FERC ¶ 61,271  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

June 28, 2019

In Reply Refer To:  
Southwest Power Pool, Inc.  
Docket No. ER19-1396-000

Steptoe & Johnson LLP  
1330 Connecticut Avenue, NW  
Washington, DC 20036-1795

Attention: Steven J. Ross

Dear Mr. Ross:

1. On March 21, 2019, Southwest Power Pool, Inc. (SPP), on behalf of American Electric Power Service Corporation and its affiliates, Public Service Company of Oklahoma, Southwestern Electric Power Company, AEP Oklahoma Transmission Company, Inc. and AEP Southwestern Transmission Company, Inc. (collectively, the AEP West Companies), filed a Settlement Agreement (Settlement) in Docket No. ER19-1396-000. This Settlement resolves all matters at issue in the complaint and hearing proceedings in Docket Nos. EL17-76-001 and EL18-199-000, involving the base return on equity (ROE) component to be used in the AEP West Companies' transmission formula rate templates in SPP's Open Access Transmission Tariff (OATT). Concurrently with the Settlement, SPP filed revised tariff records,<sup>1</sup> reflecting the Settlement. The

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<sup>1</sup> Southwest Power Pool, Inc., FERC FPA Electric Tariff, Open Access Transmission Tariff, Sixth Revised Volume No. 1, Attachment H Add. 4 Pt 1, Attachment H Addendum 4 (AEP) Part 1, 6.0.0, Attachment H Add. 12 Pt 1, Attachment H Addendum 12 Part 1 (AEP Transco), 6.0.0.

Settling Parties include the AEP West Companies, East Texas Electric Cooperative, Inc. and Oklahoma Municipal Power Authority.<sup>2</sup>

2. On April 10, 2019, the Commission's Trial Staff filed initial comments that do not oppose certification of the Settlement to the Commission or its approval by the Commission. No other comments were filed. On May 3, 2019, the Presiding Judge certified the Settlement as uncontested.<sup>3</sup>

3. Article 3.1 of the Settlement reduces the base ROE contained in the formula rate templates of SPP's OATT to 10 percent, effective January 1, 2019. Article 3.2 of the Settlement provides that these revised formula rate templates supersede the transmission formula rate templates for the Rate Year 2019 that were to become effective on January 1, 2019, pursuant to a prior settlement agreement filed on February 8, 2019, in *Southwest Power Pool, Inc.*, Docket No. ER18-194-001, *et al.*, which is pending before the Commission.<sup>4</sup>

4. Article 5.1 of the Settlement establishes the following standard of review:

The public interest standard of review set forth in *United Gas Pipe Line v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), and *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County*, 554 U.S. 527 (2008), shall govern the Commission's consideration of any modification of this Settlement Agreement that is proposed by a Settling Party unilaterally or with the concurrence of less than all Settling Parties. The "ordinary" just and reasonable standard of review, as discussed in

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<sup>2</sup> The following intervenors neither join as Settling Parties nor contest the Settlement: Arkansas Electric Cooperative Corporation, Golden Spread Electric Cooperative, Inc., Western Farmers Electric Cooperative, Public Utility Commission of Texas, and Arkansas Public Service Commission.

<sup>3</sup> *East Texas Electric Cooperative, Inc. v. Public Service Company of Okla.*, 167 FERC ¶ 63,019 (2019).

<sup>4</sup> The Commission is concurrently issuing an order in *Southwest Power Pool, Inc.*, Docket No. ER18-194-001, *et al.*, which addresses the transmission formula rate templates that the instant Settlement supersedes. As the Commission notes in that order, 167 FERC ¶ 61,272, at n.6 (2019), because the instant settlement in Docket No. ER19-1396-000 comprehensively resolves all issues in Docket Nos. EL17-76-001 and EL18-199-001, to which the ROE in Docket No. ER18-194-001, *et al.* is subject, it moots East Texas Cooperative, Inc.'s Motion to Clarify the Status of Return on Equity Issues, filed September 7, 2018 in Docket Nos. ER18-194-000 and ER18-195-000.

*Morgan Stanley*, 554 U.S. 527, 535 (2008), shall govern the Commission's consideration of any modification to this Settlement Agreement that is proposed by a non-Settling Party or the Commission itself acting *sua sponte*.

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. This letter order terminates Docket Nos. ER19-1396-000, EL17-76-001, and EL18-199-000.

By direction of the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.