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Tri-State Generation and Transmission Association, Inc. v. Federal Energy Regulatory Commission

United States Court of Appeals, Tenth Circuit - March 24, 2026 - F.4th - 2026 WL 807037

Generation-and-transmission electric cooperative filed proposed exit-fee methodology with Federal Energy Regulatory Commission (FERC) for calculating fees that distribution-cooperative members would pay to terminate their all-requirements contracts and withdraw from membership.

FERC initiated hearing and proceedings to determine if existing wholesale electricity rates, contracts, or terms were unjust, unreasonable, or unduly discriminatory.

Administrative law judge concluded that cooperative's proposed lost-revenues methodology was not just and reasonable but that FERC's balance-sheet approach was just and reasonable. FERC agreed with administrative law judge that cooperative's methodology was not just and reasonable, adopted modified version of balance-sheet approach and directed cooperative to submit compliance filings.

Cooperative petitioned for review of FERC's methodology order, methodology rehearing order, second compliance order, and compliance rehearing order.

The Court of Appeals held that:

- Just-and-reasonable standard of Federal Power Act applied to methodology for calculating fees that distribution-cooperative members would pay to terminate their all-requirements contracts;
- FERC engaged in reasoned decisionmaking when it rejected lost-revenues approach for exit-fee methodology;
- FERC did not act contrary to evidence before it when it rejected argument that bylaws supported using lost-revenues approach for methodology for calculating fees;
- FERC engaged in reasoned decisionmaking when it adopted balance-sheet approach for methodology for calculating fees;
- FERC responded meaningfully to concerns by cooperative that balance-sheet approach could impact its credit rating or its contracts with other entities;
- FERC did not act arbitrarily and capriciously by applying credit to entire Open Access Transmission Tariff (OATT) invoice for member that was departing from cooperative under exit-fee methodology; and
- FERC did not act arbitrarily and capriciously by including payment for non-networked debt in transmission credit when adopting transmission-crediting mechanism under exit-fee methodology.