Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Timber & Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

NRG POWER MARKETING, LLC, ET AL. *v*. MAINE PUBLIC UTILITIES COMMISSION ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 08–674. Argued November 3, 2009—Decided January 13, 2010

The *Mobile-Sierra* doctrine—see *United Gas Pipe Line Co.* v. *Mobile Gas Service Corp.*, 350 U. S. 332, and *FPC* v. *Sierra Pacific Power Co.*, 350 U. S. 348—requires the Federal Energy Regulatory Commission (FERC) to presume that an electricity rate set by a freely negotiated wholesale-energy contract meets the Federal Power Act's (FPA) "just and reasonable" prescription, 16 U. S. C. §7824d(a); the presumption may be overcome only if FERC concludes that the contract seriously harms the public interest. *Morgan Stanley Capital Group Inc.* v. *Public Util. Dist. No. 1 of Snohomish Cty.*, 554 U. S. ___, ___.

For many years, New England's supply of electricity capacity was barely sufficient to meet the region's demand. FERC and New England's generators, electricity providers, and power customers made several attempts to address the problem. This case arises from the latest effort to design a solution. Concerned parties reached a comprehensive settlement agreement (Agreement) that, *inter alia,* established rate-setting mechanisms for sales of energy capacity and provided that the *Mobile-Sierra* public interest standard would govern rate challenges. FERC approved the Agreement, finding that it presents a just and reasonable outcome that is consistent with the public interest. Objectors to the settlement sought review in the D. C. Circuit, which largely rejected their efforts to overturn FERC's approval order, but agreed with them that when a challenge to a contract rate is brought by noncontracting third parties, *Mobile-Sierra*'s public interest standard does not apply.

Held: The *Mobile-Sierra* presumption does not depend on the identity of the complainant who seeks FERC investigation. The presumption is not limited to challenges to contract rates brought by contracting par-

ties. It applies, as well, to challenges initiated by noncontracting parties. Pp. 5–11.

(a) *Morgan Stanley* did not reach the question presented here, but its reasoning strongly suggests that the D. C. Circuit's holding misperceives the aim, and diminishes the force, of the *Mobile-Sierra* doctrine. Announced three months after the Court of Appeals' disposition in this case, *Morgan Stanley* reaffirmed *Mobile-Sierra*'s instruction to FERC to "presume that the rate set out in a freely negotiated . . . contract meets the 'just and reasonable' requirement" unless "FERC concludes that the contract seriously harms the public interest." 554 U. S., at ___. The *Morgan Stanley* opinion makes it unmistakably clear that the public interest standard is not, as the D. C. Circuit suggested, independent of, and sometimes at odds with, the "just and reasonable" standard. Rather, the public interest standard defines "what it means for a rate to satisfy the just-and-reasonable standard in the contract context." *Id.*, at ___. And if FERC itself must presume just and reasonable a contract rate resulting from fair, arms-length negotiations, noncontracting parties may not escape that presumption. Moreover, the *Mobile-Sierra* doctrine does not neglect third-party interests; it directs FERC to reject a contract rate that "seriously harms the consuming public." 554 U. S., at ___. Finally, the D. C. Circuit's confinement of *Mobile-Sierra* to rate challenges by contracting parties diminishes the doctrine's animating purpose: promotion of "the stability of supply arrangements which all agree is essential to the health of the [energy] industry." *Mobile*, 350 U. S., at 344. A presumption applicable to contracting parties only, and inoperative as to everyone else—consumers, advocacy groups, state utility commissions, elected officials acting *parens patriae*—could scarcely provide the stability *Mobile-Sierra* aimed to secure. Pp. 5–10.

(b) Whether the rates at issue qualify as "contract rates" for *Mobile-Sierra* purposes, and, if not, whether FERC had discretion to treat them analogously are questions raised before, but not ruled upon by, the D. C. Circuit. They remain open for that court's consideration on remand. Pp. 10–11.

520 F. 3d 464, reversed in part and remanded.

GINSBURG, J., delivered the opinion of the Court, in which ROBERTS, C. J., and SCALIA, KENNEDY, THOMAS, BREYER, ALITO, and SOTOMAYOR, JJ., joined. STEVENS, J., filed a dissenting opinion.