



FEDERAL ENERGY REGULATORY COMMISSION

Date April 17, 2008
Docket No. PL07-2-000
Item No. G-1

Commissioner Suedeen G. Kelly

Talking Points of Commissioner Suedeen G. Kelly on

Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity

"I would like to recognize and thank the team for their efforts over the course of the last year. You have done an excellent job, from working on this issue from the drafting the proposed policy statement last July, through the tech conference in January to today.

I agree with Commissioner Wellinghoff: while the casual reader may not likely pick this up, those of us who must read this will find that staff has made a complex issue, with many moving parts, simple to understand and the Commission is better for that.

I am pleased to support today's policy statement on the composition of ROE proxy groups because we have found a reasonable means of incorporating these partnerships into our ratemaking processes.

Congress created MLPs with the goal of getting infrastructure built and there has been a clear trend toward their use in the pipeline industry. And our policy statement allows us to properly reflect this trend in our ratemaking processes.

I want to highlight two important aspects of the policy statement:

First, we do not depart from our traditional ratemaking analysis. The policy statement relies on the tried and true DCF model, which has been upheld by the courts as an appropriate means of establishing ROEs.

We are not complicating our ratemaking processes by adopting an intricate model, which I believe achieves our objective of regulatory certainty."