



**Federal Energy Regulatory Commission
July 19, 2007
Open Commission Meeting
Statement of
Commissioner Philip D. Moeller**

Item G-1: Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity (Docket No. PL07-2-000)

"The Commission's existing Discounted Cash Flow ("DCF") analysis has served the industry well for many years by providing an accepted method for composing proxy groups and determining returns on equity for the oil and natural gas pipelines. However, in recent years, it has become apparent to the industry and this Commission that there are not always a sufficient number of traditional proxy group companies to perform an ideal DCF analysis as a result of mergers and changes in the industry.

During this same time, the popularity of Master Limited Partnerships ("MLPs") has grown due to the nature of its tax-efficient ownership structure. There is also wide speculation that going forward, the majority of pipeline assets will organize as MLPs to obtain the associated tax benefits. Accordingly, the Commission recognizes the need to adapt in a changing environment and is proposing a new policy to permit the inclusion of MLPs in proxy groups.

That said, I recognize that any change to our ratemaking policies will have long term effects for both the industry and its ratepayers. I therefore believe that before this Commission commits to a policy shift of this magnitude, that we seek input and public comment from those who have an informed opinion on today's proposal. Tax experts, financial analysts, consumer advocates, industry representatives, and those in academia are particularly welcome to share their views, and I'm looking forward to hearing them."