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

“I think that it is important to emphasize what we are proposing to change and what we are not proposing to change.

What we are doing here is proposing to allow changes to the proxy groups for pipeline cases so that they will reflect reality and allow the inclusion of MLPs.

We also propose some conditions in order to assure that there is no unintentional over-recovery in rates, because of the difference in how MLPs pay out dividends versus how C corporations do it.

I think this proposal, including the proposed conditions, is a good one, and I'll be interested in hearing the comments on it.

However, I also want to highlight what we are not proposing to change.

We do not propose to change our general approach to determining an appropriate return on equity, and I think that is because the DCF model, which we have long used, has stood the test of time.

It has been specifically upheld by the Court of Appeals as an appropriate method to determine ROE.

I think this proposed Policy Statement reflects the fact that the DCF model is, indeed, flexible enough to adjust to changed circumstances because at the heart of the DCF analysis is a reasoned approach to setting ROEs.

So, I'm pleased with our proposal here and look forward to the comments from those who are concerned about these issues.

Thank you”