



FEDERAL ENERGY REGULATORY COMMISSION

STATEMENT

January 15, 2009

Commissioner Suedeen G. Kelly

Docket Nos. RP04-274-000, RP04-274-007 and RP04-274-009

Item No. G-1

Statement of Commissioner Suedeen G. Kelly on Kern River Return on Equity

"I would like to thank the team for a very well written, thoughtful order. Here, for the first time, we are implementing our policy statement on the composition of a proxy group for determining a gas pipeline ROE. The team has done an excellent job of applying our policy statement and ensuring that the resulting rates will be just and reasonable. I was impressed by the order's careful, step-by-step analysis of which entities should be included in the resulting proxy group.

The final proxy group has two corporations and three MLPs. I agree with the decision to allow ROE proxy groups to include MLPs because we have found a reasonable means of incorporating these partnerships into our ratemaking proceedings.

Congress created MLPs with the goal of getting infrastructure built and there has been a clear trend toward their use in the pipeline industry. Our actions here properly reflect that trend.

In this final order, we do not depart from our traditional ratemaking analysis. We continue to apply the tried and true DCF model, which has been upheld by the courts as an appropriate means of establishing ROEs.

This order also demonstrates that the Commission is flexible and capable of ensuring that our traditional ratemaking analysis reflects facts on the ground. We recognize here that there has been an unmistakable trend toward MLPs in the pipeline industry. And it is time that our traditional ratemaking processes recognize that trend.

I am therefore pleased to support this order."

