

should be filed on or before the comment date. Comments may be filed electronically via the Internet in lieu of paper; see 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's Web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

*Comment Date:* May 13, 2008.

**Kimberly D. Bose,**

*Secretary.*

[FR Doc. E8-9300 Filed 4-28-08; 8:45 am]

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## DEPARTMENT OF ENERGY

### Federal Energy Regulatory Commission

[Docket No. EL08-56-000]

#### **New Brunswick Power Transmission Corp., New Brunswick System Operator, Northern Maine Independent System Administrator, Inc., Complainants v. ISO New England, Inc., Respondent; Notice of Complaint**

April 21, 2008.

Take notice that on April 18, 2008, New Brunswick Power Transmission Corporation, New Brunswick System Operator, and Northern Maine Independent System Administrator, Inc. (collectively, Complainants), pursuant to sections 206 and 306 of the Federal Power Act, 16 U.S.C. 824e, 825e, and Rule 206 of Practice and Procedures of the Commission's regulations, 18 CFR 385.206, hereby file this complaint against ISO New England, Inc. (ISO-NE). Complainants state that this complaint is in response to the ISO-NE unilateral decision to arbitrarily limit the transfer capabilities at the New Brunswick/New England external interface, which, for the reasons set forth in the complaint, is unjust, unreasonable and unduly discriminatory.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211, 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. The Respondent's answer and all interventions, or protests must be filed on or before the comment date. The Respondent's answer, motions to intervene, and protests must be served on the Complainants.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the "eFiling" link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the "eLibrary" link and is available for review in the Commission's Public Reference Room in Washington, DC. There is an "eSubscription" link on the web site that enables subscribers to receive e-mail notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please e-mail [FERCOnlineSupport@ferc.gov](mailto:FERCOnlineSupport@ferc.gov), or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

*Comment Date:* 5 p.m. Eastern Time on May 8, 2008.

**Kimberly D. Bose,**

*Secretary.*

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## DEPARTMENT OF ENERGY

### Federal Energy Regulatory Commission

[Docket No: PL07-2-000]

#### **Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity; Policy Statement**

Issued April 17, 2008.

*Before Commissioners:* Joseph T. Kelliher, Chairman; Suedeen G. Kelly, Marc Spitzer, Philip D. Moeller, and Jon Wellinghoff.

1. On July 19, 2007, the Commission issued a proposed policy statement concerning the composition of the proxy groups used to determine gas and oil pipelines' return on equity (ROE) under the Discounted Cash Flow (DCF) model.<sup>1</sup> Historically, in determining the proxy group, the Commission required that pipeline operations constitute a high proportion of the business of any firm included in the proxy group. However, in recent years, there have been fewer gas pipeline corporations that meet that standard, in part because of the greater trend toward Master Limited Partnerships (MLPs) in the gas pipeline industry. Additionally, there are no oil corporations available for use

<sup>1</sup> *Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity*, 120 FERC ¶ 61,068 (2007) (Proposed Policy Statement).

in the oil pipeline proxy group. These trends have made the MLP issue one of particular concern to the Commission and are the reason that the Commission issued the Proposed Policy Statement.<sup>2</sup>

2. After review of an extensive record developed in this proceeding, the Commission concludes: (1) MLPs should be included in the ROE proxy group for both oil and gas pipelines; (2) there should be no cap on the level of distributions included in the Commission's current DCF methodology; (3) the Institutional Brokers Estimated System (IBES) forecasts should remain the basis for the short-term growth forecast used in the DCF calculation; (4) there should be an adjustment to the long-term growth rate used to calculate the equity cost of capital for an MLP; and (5) there should be no modification to the current respective two-thirds and one-third weightings of the short- and long-term growth factors. Moreover, the Commission will not explore other methods for determining a pipeline's equity cost of capital at this time. The Commission also concludes that this Policy Statement should govern all gas and oil rate proceedings involving the establishment of ROE that are now pending before the Commission, whether at hearing or in a decisional phase at the Commission.

#### I. Background

##### A. The DCF Model

3. The Supreme Court has stated that "the return to the equity owner should be commensurate with the return on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."<sup>3</sup> Since the 1980s, the Commission has used the DCF model to develop a range of returns earned on investments in companies with corresponding risks for purposes of determining the ROE to be awarded natural gas and oil pipelines.

4. The DCF model was originally developed as a method for investors to estimate the value of securities, including common stocks. It is based on

<sup>2</sup> After an initial round of comments and reply comments, the Commission concluded that it required additional comment on the issue of the growth rates of MLPs. After notice to this effect and the receipt of a round of initial and reply comments, staff held a technical conference involving an eight member panel on January 23, 2008 that was transcribed for the record. Comments and reply comments were filed thereafter.

<sup>3</sup> *FPC v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). *Bluefield Water Works & Improvement Co. v. Public Service Comm'n*, 262 U.S. 679 (1923).