

North America United States  
 Industrials Utilities and Power

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**INDUSTRY ALERT** **Breaking News**  
**Utilities and Power** **CPUC appointments; Peevey staying as president?**

**Focus stocks**  
 Edison International  
 (EIX.N),USD37.50 Buy, Price Target  
 USD42.00  
 PG&E Corp (PCG.N),USD47.00  
 Hold, Price Target USD50.00

**Gov. Brown appoints two to the CPUC.** Last night, California Governor Jerry Brown made two new appointments to the California Public Utilities Commission (CPUC). Michael Florio, a consumer advocate and lawyer from The Utility Reform Network (TURN), and Catherine Sandoval, a law professor with a focus on telecommunications, were both previously suggested to be on the governor's short list. Reports in the local press seem to be indicating that Sandoval could also take on more of a consumer advocate role on the CPUC, but we expect it will take some time to see where she stands on electric utility issues.

**Third appointment pending.** Interestingly, Gov. Brown did not make a third appointment, leaving one seat open. He also did not directly comment on Michael Peevey's status as President of the CPUC, which could raise concerns that the third appointee will also be named president. An article in the San Francisco *Chronicle* today quoted a Brown spokesman noting Mr. Peevey is expected to continue serving as president (in response to State Assemblyman Hill who had pushed Brown to name a new president). We believe Peevey's status is the key question for overall CPUC continuity for most investors, so this indication that he will be able to serve as president for the rest of his term (which runs to 2014) will likely be viewed positively.

**EIX favored over PCG.** We reiterate our Buy rating on EIX, as we continue to believe it is more attractive than fellow California utility PCG on a valuation basis, with a faster-growing utility in a more favorable service territory and less downside risk in a 2013 cost of capital reset. We also believe PCG faces ongoing headline risks from the San Bruno explosion, particularly with the March 1-3 National Transportation Safety Board (NTSB) hearing approaching.

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