From: NAYAK, VINAY
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Subject: GS Utilities: Commentary: CPUC finalizes RoEs and approves efficiency revenues - a positive for CA Utilities; EIX raises its dividend by 4%

Goldman Sachs Global Investment Research

Commentary: CPUC finalizes RoEs and approves efficiency revenues - a positive for CA Utilities; EIX raises its dividend by 4%

News

The California Public Utility Commission (CPUC) finalized authorized RoEs in the cost-of-capital docket and approved incentive mechanisms related to energy efficiency on December 20 2012.

Edison International (EIX, Neutral) raised its annual dividend from $1.30 per share to $1.35 per share and updated its dividend policy.

Implications

(+) We view the authorization of RoEs as a modest positive for the Califronia Utilities, as approved RoEs in the band of 10.1%-10.45% remain above the average RoE of 10.0% across other states in the US. The CPUC approved RoEs of 10.4% for Pacific Gas & Electric (PCG), 10.45% for SoCalEdison (EIX's utility), 10.3% for San Diego Gas & Electric (SRE's Utility), and 10.1% for SCG (SRE's utility).

(+) Mechanisms approved by the CPUC to earn incentive revenues related to energy efficiency should benefit revenues, as the CPUC disbursed revenues of roughly $21mn to Pacific Gas & Electric (PCG), $15mn to SoCalEdison (EIX's utility), $3.3mn to San Diego Gas & Electric (SRE's Utility), and $2.7mn to SCG (SRE's utility).

(-/+) While the dividend hike of 4% at EIX came below our expectation of 10%, the company's announcement regarding returning to a 45%-55% dividend payout ratio on SoCalEdison's earnings implies significant growth in upcoming years at EIX.

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