Commissioner Ferron's Report on Meetings with Utility Investors,
2013

This week I met with 3 groups of investors, something wh
quarters or so. Collectively these investors represented more
dollars in assets under management. (That's Trillion with a "T
individuals the ones within their respective organizations that
breathe public utilities across the country and around the wor

You'll not be surprised that they were very focused on lea
two big "headline issues" San Onofre. Of
could not and, of course, would not talk about these cases
form. I must stress that these investors did not attempt to
of pending adjudicatory cases and were very respectful ex parte rules.

But we have to keep in mind that these investors are
with some confusion and great concern as the politics surroun
have played out in a dramatic and public manner in the

So I asked them for a kind of report card on how the C
and how the investment climate is perceived. To the extent th
there was a collective judgement, here is what I heard:

In the aftermath of the Energy Crisis of 2001 and the
bankruptcy of EIX, California was perceived as a very high
investors – California was seen as an capital unfriendly, "banana
words) and that period represented a kind of "lost decade"
California utilities. But thanks to the cumulative actions of the CPUC
next decade, led by President Peevey, investors absorbed their
image of California as a banana republic was for the most

Three years ago, with a new Governor and new commissioners,
there was again considerable nervousness about the future direct
regulatory and investment climate in California. But through the actions of
Commission over a wide range of cases watched closely by
community, California has moved from being a higher risk
somewhere in the middle of the pack in terms of risk
California and this Commission taking a serious approach to c
a concerted approach to renewables, something that is somewhat unic
some concern to many sceptical investors.

This reduction in risk has led to a direct reduction in
for the utility sector in California. If you do the math,
premium the reduction in the incremental cost of capital to
when applied to the balance sheet of our utilities, is equal
million dollars every year in direct savings to customers. In sh
the ratepayer is ultimately the direct benefactor of this Commissio
decisions that improve the investment climate in California.

Of course the motto on Wall Street is: “So what have y
They are ruthlessly focused on the future. So these folks will look
rhetoric, and will look directly at the specific actions that we take on the two bi
headline issues.

So, my conclusion: I'm not talking about policy, I'm not tal
should or shouldn't do for any of these headlines cases. I'm ju
arithmetic. If, for whatever reason, we were to return to
perception of California is that it is an unfriendly place for capital that IF
investors demand an incremental risk premium for an extended period of time
as it did a decade ago, that would cost ratepayers multiple billions
added expense. That's Billions with a “B”.

Personally, I find this arithmetic very sobering.