

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 wo

You'll not be surprised that they were very focused on lea two big "headline issues" San Joaquin and 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 we're of very specific rules.

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

So I've been for a kind of report card on how the C and how the investment climate is. To the extent 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. The cumulative actions of the CPUC next decade, led by President Peevey, investors absorbed their image of California as a banana republic was the most

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

This reduction in risk has led to a direct reduction in for the utility sector in California. If you're the risk 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 paying savings to the sh the payer is ultimately the direct benefactor of this Commission decisions that improve the investment climate in California.

Of course the motto on Wall Street is: "So what have they
They are ruthlessly focused on the bottom line. So these folks will look
rhetoric, and will look directly at the specific actions in the news
headline issues.

So, my conclusion: I'm not talking about policy, I'm not talking
should or should not to any of these headlines cases. I'm just
arithmetic. If, for whatever reason, we were to return to
perception of California is that it is a place that if
investors demand an incremental risk premium of 2% of time
as it did a decade ago, the cost rate payers multiple billions
added expense. That's Billions with a "B".

Personally, I find this arithmetic very sobering.