

STATEMENT OF JOHN GEESMAN

Good morning. My name is John Geesman, and I represent the Alliance for Nuclear Responsibility.

I'd like to expand upon the remarks made by Commissioner Ferron at your October 3rd meeting, after his encounter with the three Wall Street portfolio managers.

Some number of years ago, I had the privilege of working with a couple of you to rebuild from the rubble of California's so-called "banana republic" period. Before that, I spent nearly 20 years in the greener pastures of the bond markets. When I left state government, I believed that the rule of law, sanctity of contract, ability and willingness to pay debt service are the underpinnings of civilization. I still do.

Most capital markets commentary has a pretty low signal-to-noise ratio. You can expect quite a bit of heavy breathing over whatever is considered the issue of the day. Your impact, though, on how the financial markets view California's regulatory climate is accumulated over a longer period of time and spread across many decisions. Ultimately, that impact will be determined by how you address three particular challenges:

First, do you have a demonstrable commitment to the rule of law? The California Public Utilities Code is filled with time-honored principles designed to keep rates just and reasonable, rate-based assets used and useful, and utility conduct safe and prudent. Do you apply these legal requirements in a predictable fashion and with common sense?

Second, are you alert to the perils of "moral hazard" which unavoidably creep into utility regulation? Since the beginning of time, it's been recognized that someone spending other people's money is not as careful as someone spending her own. Your unenviable task is to close that gap.

Third, do you recognize that when it comes to regulated monopolies, you are the substitute for market discipline? Most utility customers have no choice over who their provider is, or what price they pay for utility services. They rely on your decisions for some semblance of fairness and balance and accountability.

As Commissioner Ferron put it, these are sobering realizations. Your choices determine what type of performance we should expect from the utilities to whom we extend so many special privileges. Our system depends on your resolve.