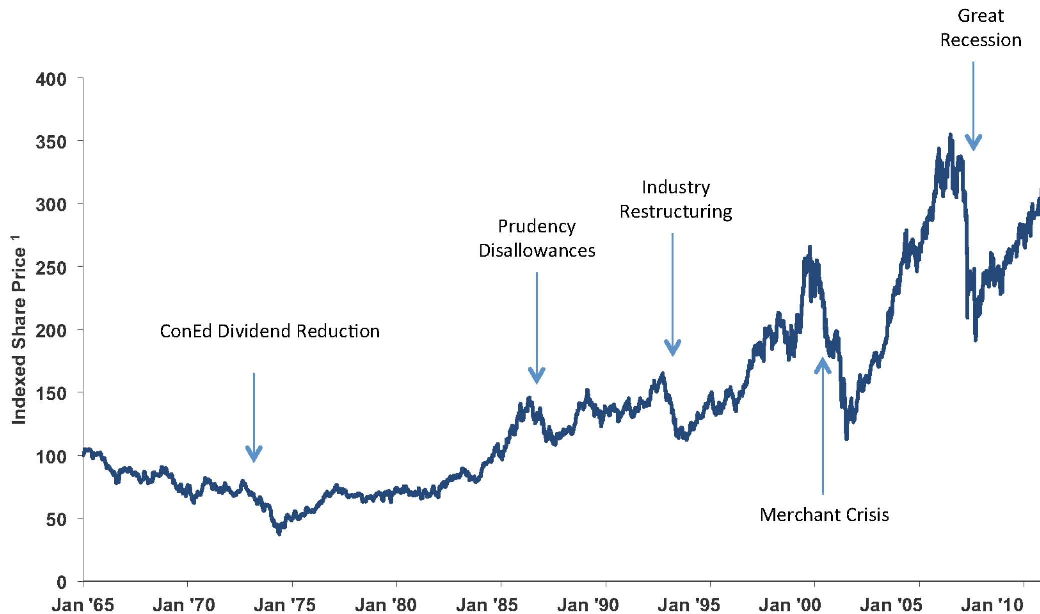
Exhibit 1
Dow Jones Utility Index: 1965-2012



(1) Indexed to 1/2/1970 price

Source: Bloomberg

Prior to the 1980s, the utility sector was dominated by "AA" credit ratings. Power supply-side cost pressures, declining economic and customer growth trends, inflation in cost-of-service provision, and an evolving industry and regulatory model have resulted in steady erosion in credit quality over each of the last five decades. (See Exhibit 2 for a credit-rating history of the electric utility sector.) Investors responded to these periods of significant industry challenge with a rethink of their "blind" faith in the regulatory model and became more focused on company selection as they approached investment strategy. But, for the most part, as utilities and regulation adjusted to political, regulatory, and economic challenges, investor faith in the regulatory model has been restored.

After five decades of decline in industry credit quality, a potential significant concern now is that new competitive forces, which have not been a concern of investors to date, will lead to further credit erosion. The industry cannot afford to endure significant credit quality erosion from current ratings levels without threatening the BBB ratings that are held by the majority of the industry today. Non-investment grade ratings would lead to a significant rerating of capital costs, credit availability, and investor receptivity to the sector. The impact on customers would be dramatic in terms of increased revenue requirements (i.e., the level of revenues required for a utility to cover its operating costs and earn its allowed cost of capital), customer rates, and reduction in the availability of low-cost capital to enhance the system.