

California Public Utilities Commission
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PRESS RELEASE

Docket #: R.11-03-

CPUC UPDATES FINANCING RULES FOR UTILITIES

SAN FRANCISCO, June 7, 2012 - The California Public Utilities Commission (CPUC) today updated its competitive bidding financing rules to move them inline with current market conditions and CPUC policies.

The CPUC first established a Competitive Bidding Rule for utility financing transactions in 1946, finding, at the time, that the public interest is best served when more than one investment banker is offered an opportunity to underwrite securities.

The updates made today include:

- Utilities are allowed to choose whether to issue debt via competitive or negotiated bid, as long as the basis for the method is chosen to achieve the lowest cost of capital;
- Utilities with \$25 million or more of operating revenues are required to make every effort to encourage, assist, and recruit Women-, Minority-, and Disabled Veteran-Owned Business Enterprises in being appointed as lead underwriter, book runner, or co-manager of debt offerings; and,
- Elimination of the notification and form of communication requirement for the solicitation of bids unless required by specific law or CPUC requirement.

“As a professor of law and securities regulation, I recognize that utilities clearly need access to capital to finance critical infrastructure, facilities upgrades, and other capital projects,” said CPUC Commissioner Timothy Alan Simon, the lead for the proceeding. “Today’s decision modernizes financing rules to improve the current outdated competitive bidding rules. We have created more efficient and reasonable rules, while providing greater opportunities for diverse financial services firms in financing investor-owned utility transactions. This inclusion will introduce a broader class of investors that moves utility financing towards a more accurate reflection of California’s growing diverse ratepayer base.”

Said Commissioner Mark J. Ferron, “In place of competitive bidding, which is no longer the market standard, our new rules reflect current financial market best practices and conditions, which also help to advance our diversity goals. However, rules and restrictions set by the CPUC are no substitute for prudent risk management practices and an internal culture that emphasizes sound financial decision-making.”

The proposal voted on is available at

http://docs.cpuc.ca.gov/word_pdf/AGENDA_DECISION/167965.pdf

For more information on the CPUC, please visit www.cpuc.ca.gov.

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