



California Public Utilities Commission 505 Van Ness Ave., San Francisco

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PRESS RELEASE

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CPUC STREAMLINES COST OF CAPITAL PROCESS

SAN FRANCISCO, May 29, 2008 - The California Public Utilities Commission (CPUC) today made improvements to the cost of capital process for the state's Investor-Owned Utilities.

“We have created a mechanism for adjusting the allowed cost of capital for the energy utilities without the need for them to file a full cost of capital review each year,” said Commissioner John Bohn. “This decision will help us to closely monitor and control the authorized returns of the utilities without the expense and use of so many resources as we usually devote to our cost of capital proceedings.”

Today's decision provides additional regulatory certainty to the utilities as they face the capital markets in the course of their business. The three major energy utilities already have authorized returns in place. The CPUC's decision will allow for adjustment of those returns in accordance with changes in the capital markets, should it be appropriate to do so, in a simple and appropriate manner, while maintaining regulatory oversight.

While this new mechanism will help to streamline the cost of capital process, the utilities may file a cost of capital application outside of the cost of capital mechanism process upon an extraordinary or catastrophic event that materially impacts their respective costs of capital and/or capital structure and affects them differently from the overall financial markets.



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