California Public Utilities Commission

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News Release

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PUC DECREASES COST PG&E RATEPAYERS CONTRIBUTE TO BANKRUPTCY SETTLEMENT BY APPROVING THE SALE OF BONDS

SAN FRANCISCO, Nov. 19, 2004 - The California Public Utilities Commission (PUC) today decreased the amount ratepayers of Pacific Gas and Electric Company (PG&E) must contribute under the utility's bankruptcy settlement by an estimated amount of between $450 million and $625 million on a net present value basis. The Commission did this by approving a financing order giving PG&E authority under Senate Bill (SB) 772 and a previous Commission decision (D.03-12-035) to refinance PG&E's bankruptcy Regulatory Asset by issuing up to $3 billion of Energy Recovery Bonds.

The actual savings will depend on several factors that are not known at this time, such as the interest rate on the Bonds, the cost of credit enhancements, the cost of servicing the Bonds, and the resolution of outstanding tax issues by the Internal Revenue Service.

To restore PG&E's financial health, D.03-12-035 authorized PG&E to collect $2.21 billion from its electric ratepayers over a nine-year period. Specifically, D.03-12-035 authorized PG&E to record a bankruptcy Regulatory Asset in the amount of $2.21 billion on an after-tax basis and to include the Regulatory Asset in rate base. PG&E was authorized to collect the Regulatory Asset from its ratepayers on a level, mortgage-style basis over a nine-year period starting in 2004. PG&E anticipated that the total costs to ratepayers for the Regulatory Asset, including rate of return on the Regulatory Asset, income taxes, franchise fees, and uncollectibles, would exceed $4.6 billion.

To lower the costs borne by PG&E's ratepayers, D.03-12-035 directed PG&E to seek to issue $3 billion of Energy Recovery Bonds to refinance the Regulatory Asset and the associated federal income taxes and State franchise taxes. This action was expected to save ratepayers money because the interest rate on the Energy Recovery Bonds would be much lower than the rate of return on PG&E's Regulatory Asset.

The Bond principal, interest, and related costs will be recovered via two new surcharges called the Dedicated Rate Component and the Energy Recovery Bond Balancing Account charge. All consumers of electricity in PG&E's service territory will be required to pay these new surcharges, except for those consumers that are exempt from the new surcharges pursuant to SB 772.

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