



California ISO

Decision on refinancing the 2013 bonds

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Board of Governors Meeting

General Session

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The ISO currently has \$163.4 million in outstanding debt.

- Tax-exempt bonds issued in 2013
 - Advance refunding of 2009 bonds
 - Primarily for the building of the Folsom headquarters
- Annual debt payments of \$13.5 million until 2/1/39
- All-in true interest cost = 4.48%
- Bonds callable on, or anytime after, 2/1/23

Interest rates are at historical lows and the yield curve is flat making refinancing options attractive.

- Current refunding at the call date
 - Most efficient option, but exposed to interest rate risk
- Interest rate hedge
 - Not efficient at these interest rate levels
- Advance refunding now with taxable bonds
 - Tax-exempt bonds can only be advance refunded once

Management is proposing the refinancing of existing debt with a taxable advance refunding bond issue.

- Interest rates have fallen by approximately 200 basis points (2%) since the 2013 issuance
- The spread between taxable and tax-exempt rates remains compressed allowing an efficient opportunity.

Interest rates movements since 2013

Interest Rate Trends: 10-Year Tax-Exempt and Taxable Interest Rates



In addition to annual savings, there are other benefits to refinancing our bonds.

- More efficiency around software utilization between Folsom and Lincoln
- Flexibility for usage of Folsom campus
- Removal of building and operating revenues pledge

Relatively small increases in interest rates over the next two years erode the savings.

Rates +1.0%

	Par Amount	Annual Pmt	Total Pmts	Annual Pmt	Total Pmts
Current debt (Feb '21)	158.0	13.5	243.4		
Refinance now	175.0	12.2	220.2		
Refinance at call date (Feb '23)	147.0	11.2	205.9	12.1	220.4

\$ in millions

Timeline:

Event	Date
FERC filing	November 5, 2020
Bond structure and documents	Now thru January
Board decision on debt refinancing	December 17, 2020
FERC decision	By January 5, 2021
Tentative bond pricing	Week of January 11, 2021