

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System
Operator Corporation**

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Docket No. TX01-__-000

NOTICE OF FILING

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Take notice that on December 1, 2000, the California Independent System Operator Corporation (the "ISO") applied in the above-numbered docket for an order, under Section 211 of the Federal Power Act ("FPA"), 16 U.S.C. § 824j, compelling San Diego Gas & Electric Company ("SDG&E") to perform those transmission services that are necessary to fulfill the terms of the Transmission Control Agreement between SDG&E and the ISO, the Transmission Owners tariff, and the ISO Tariff. The ISO submits the application as agent for all users of SDG&E's transmission system eligible to apply under Section 211. SDG&E's concurrence is submitted with the application.

The application states that SDG&E's transmission and distribution system have been financed, in part with certain "Local Furnishing Bonds," the interest on which is tax-exempt under Section 142 of the Internal Revenue Code. According to the application, Section 142 requires that SDG&E's system be operated for the local furnishing of electricity within its two-county service territory, and operation of the system deemed by the Internal Revenue Service (the "IRS") to be inconsistent with that requirement would, as a general rule, disqualify all of the currently outstanding Local Furnishing Bonds. The application further states, however, that, under Section 142(f), if disqualifying transmission services are provided pursuant to a Commission order issued under Section 211, only the bonds that financed the portion of the system used to provide such services, rather than all of the bonds that financed the local furnishing system, cease to be eligible for tax-exempt treatment. SDG&E has advised the ISO that SDG&E's local furnishing debt currently includes approximately \$168 million relating to its transmission facilities and \$518 million relating to its distribution facilities.

SDG&E has requested a ruling from the IRS that neither the execution and implementation of the Transmission Control Agreement nor the implementation, on January 1, 2001, of a state-wide transmission Access Charge under tariffs accepted for filing in Docket No. ER00-2019 conflicts with the local furnishing requirements. To assure, however, that, if a favorable ruling on either request is not forthcoming, at least the \$518 million in bonds relating to SDG&E's distribution system will remain tax-exempt, the application seeks an order, effective with the effective date of the Transmission Control Agreement, directing SDG&E to perform the stated transmission services. Anticipating that a statewide transmission Access Charge will take effect on

January 1, 2001, the application requests that such an order issue prior to that date. SDG&E waives its right to a prior request and to a proposed order.

The ISO states that this filing has been served upon SDG&E, the Public Utilities Commission of the State of California, and the California Electricity Oversight Board.

Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR § 385.211 and 18 CFR § 385.214). All such motions or protests should be filed on or before December __, 2000. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

David P. Boergers
Secretary