

January 12, 2005

The Honorable Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

RE: California Independent System Operator Corp.
Docket No. ES04-49-000

Dear Secretary Salas:

On September 3, 2004, the California Independent System Operator Corporation ("ISO") filed, in the captioned proceeding, an application under Section 204 of the Federal Power Act for a Commission order authorizing the ISO to issue bonds in an amount not to exceed \$130 million ("Application"). On November 12, 2004, the ISO filed an amendment to the Application and provided evidence of the ISO Governing Board's approval of the transaction. The Commission approved the Application, as amended, by a letter order issued on November 30, 2004 ("Order"). The bond offering took place on December 16, 2004.


As required by the Order and Sections 34.10 and 131.43 of the Commission's regulations, 18 C.F.R. §§ 34.10, 131.43, the ISO hereby submits a "Report of Securities Issued" attached hereto as Exhibit 1.


The ISO notes that, as required by the Order, the bond issuance and use of proceeds from the issuance will comply with the four restrictions set forth by the Commission in its *Westar* order.¹

¹ *Westar Energy, Inc.*, 102 FERC ¶ 61,186 (2003).

Should the Commission have any further inquiries concerning this matter, communication may be directed to me by telephone at (916) 351-4450 or to the ISO Treasurer, Philip Leiber, at (916) 351-2168.

Respectfully submitted,


William J. Regan, Jr.
Chief Financial Officer
California Independent
System Operator Corporation


Kenneth G. Jaffe
Stephen C. Palmer
Bradley R. Miliauskas
Swidler Berlin LLP

**Counsel for the California
Independent System Operator
Corporation**

EXHIBIT 1

California Independent System Operator Corporation
REPORT OF SECURITIES ISSUED

Reference: ES04-49-000 and ES04-49-001

Section 204 Application filed September 3, 2004 and as Amended November 12, 2004

Approved by the Commission on November 30, 2004

Security Issuance Date: December 16, 2004

Description of security.....

California Infrastructure and Economic Development Bank
Variable Rate Demand Bonds
(California Independent System Operator Corporation Bonds)
2004 Series A: \$84,100,000
2004 Series B: \$40,000,000

Variable rate demand bonds supported by bond insurance and a standby bond purchase agreement (liquidity line).

| Description | Amount | | Total | Notes |
|--|------------|------------|-------------|-------------|
| | Series A | Series B | | |
| 1. Face value or principal amount | 84,100,000 | 40,000,000 | 124,100,000 | |
| 2. Plus premium or less discount | - | - | - | |
| 3. Gross proceeds | 84,100,000 | 40,000,000 | 124,100,000 | |
| 4. Underwriter's spread or commission | 168,688 | 80,232 | 248,920 | Note 2 |
| 5. Securities and Exchange Commission registration fee | - | - | - | |
| 6. State mortgage registration tax | - | - | - | |
| 7. State commission fee | 2,033 | 967 | 3,000 | Note 3 |
| 8. Fee for recording indenture | - | - | - | |
| 9. United States document tax | - | - | - | |
| 10. Printing and engraving expenses | 3,388 | 1,612 | 5,000 | |
| 11. Trustee's charges | 3,388 | 1,612 | 5,000 | |
| 12. Counsel fees | | | | |
| Bond Counsel | 81,322 | 38,678 | 120,000 | |
| Trustee Counsel | 4,405 | 2,095 | 6,500 | |
| Liquidity Bank Counsel | 13,811 | 6,569 | 20,380 | |
| Issuer Counsel | 13,554 | 6,446 | 20,000 | Anticipated |
| Underwriter Counsel | 37,272 | 17,728 | 55,000 | Note 3 |
| 13. Accountant's fees | - | - | - | |
| 14. Cost of listing | | | | |
| CUSIP | 89 | 42 | 131 | Note 3 |
| DTC | 271 | 129 | 400 | Note 3 |
| 15. Miscellaneous expenses of issue | | | | |
| Rating Agency Fees-1st Agency | 33,884 | 16,116 | 50,000 | |
| Rating Agency Fees-2nd Agency | 31,851 | 15,149 | 47,000 | |
| Credit Facility Fee (Liquidity Bank) | 25,413 | 12,087 | 37,500 | |
| Pricing Agent | 12,198 | 5,802 | 18,000 | |
| Conduit Issuer Fee | 50,826 | 24,174 | 75,000 | |
| Agent's Fee (State Treasurer's Office) | 6,723 | 3,197 | 9,920 | |
| Bond Insurer Premium | 609,248 | 289,773 | 899,021 | |
| Other Underwriter Expenses | | | | |
| Day Loan | 2,336 | 1,111 | 3,447 | Note 3 |
| Syndicate Wire (DALCOMP + tax) | 5,901 | 2,807 | 8,707 | Note 3 |
| Travel and Out of Pocket | 8,471 | 4,029 | 12,500 | Note 3 |
| Miscellaneous | 3,364 | 1,600 | 4,964 | Note 3 |
| Other Expenses Budgeted in Cost of Issuance Fund | 81,029 | 38,539 | 119,568 | Note 1 |
| 16. Total deductions | 1,199,464 | 570,494 | 1,769,958 | |
| 17. Net amount realized | 82,900,536 | 39,429,506 | 122,330,042 | |
| Less: | | | | |
| Debt Service Reserve Fund | 8,410,000 | 4,000,000 | 12,410,000 | |
| Equals: Project/Construction Fund | 74,490,536 | 35,429,506 | 109,920,042 | |

Notes:

- Cost of Issuance and Underwriter's Discount per the Official Statement was \$1,769,958. The actual cost of issuance may be less than \$1,769,958 due to lower fees than estimated at the close of the transaction. Final billings have not yet been received for certain legal expenses. An amount of \$119,568 has been shown as "Other Expenses Budgeted in Cost of Issuance Fund". If these funds are not utilized for costs of issuance, the funds will be deposited in the project fund.
- Underwriter's spread or commission consists of "management fee and takedown" and excludes other expenses paid by the underwriter totaling \$88,150. Such underwriter's expenses were also a cost of issuance paid from bond proceeds.
- These constitute "underwriter's expenses" totaling \$88,150.

**California Independent System Operator Corporation
REPORT OF SECURITIES ISSUED**

Reference: ES04-49-000 and ES04-49-001

Section 204 Application filed September 3, 2004 and as Amended November 12, 2004

Approved by the Commission on November 30, 2004

Security Issuance Date: December 16, 2004

| | Series A | Series B | Total |
|--|---|------------|-------------|
| Requirements: [Order 575, 60 FR 4855, Jan. 25, 1995] | | | |
| (a) Par or stated value of securities; | Initially authorized denominations of \$100,000 or any integral multiples of \$5,000 in excess thereof. | | |
| (b) Number of units (shares of stock, number of bonds) issued; | See above. | | |
| (c) Total dollar value of the issue; | 84,100,000 | 40,000,000 | 124,100,000 |
| (d) Life of the securities, including maximum life and average life of sinking fund issue; | Average life of the bonds is 3.616 years. Maximum life is 5.13 years. The retirement schedule and bonds outstanding at each repayment date are shown below. | | |

Outstanding

| | | |
|------------|------------|------------|
| 12/16/2004 | 84,100,000 | 40,000,000 |
| 2/1/2006 | 70,100,000 | 33,300,000 |
| 2/1/2007 | 57,200,000 | 27,200,000 |
| 2/1/2008 | 50,900,000 | 24,200,000 |
| 2/1/2009 | 31,300,000 | 14,900,000 |
| 2/1/2010 | - | - |

Redemptions

| | | |
|------------|------------|------------|
| 12/16/2004 | - | - |
| 2/1/2006 | 14,000,000 | 6,700,000 |
| 2/1/2007 | 12,900,000 | 6,100,000 |
| 2/1/2008 | 6,300,000 | 3,000,000 |
| 2/1/2009 | 19,600,000 | 9,300,000 |
| 2/1/2010 | 31,300,000 | 14,900,000 |

| | |
|--------------------------------|--|
| (e) Dividend or interest rate; | <p>Interest rate is variable, and is reset weekly by the bond remarketing agents. California ISO has entered into an interest rate swap covering 60% of the outstanding principal amount of the bonds where</p> <p>California ISO pays 2.604% to the counterparty in exchange for a variable payment stream that is intended to cover the interest payable on the bonds.</p> <p>The "all-in" cost of the bonds to the California ISO is expected to be between 3-4%.</p> |
| (f) Call provisions; | The bonds may be redeemed prior to the scheduled redemption date on any Interest Payment Date at a redemption price equal to 100% of the principal amount thereof. |
| (g) Sinking fund provisions; | The California ISO deposits monthly with the Bond Trustee 1/12 of the required annual principal redemption amount as shown in item (d). |

California Independent System Operator Corporation
REPORT OF SECURITIES ISSUED

Reference: ES04-49-000 and ES04-49-001

Section 204 Application filed September 3, 2004 and as Amended November 12, 2004

Approved by the Commission on November 30, 2004

Security Issuance Date: December 16, 2004

| | Series A | Series B | Total |
|---|---|------------|-------------|
| Requirements: [Order 575, 60 FR 4855, Jan. 25, 1995] | | | |
| (h) Offering price; | Offered at par. | | |
| (i) Discount or premium; | None | | |
| (j) Commission or underwriter's spread; | The Commission/underwriter's spread was \$248,920 comprised of Management fee and takedown fee. Other underwriting expenses of \$88,150 are in addition to the \$248,920 and are detailed on the previous page. | | |
| (k) Net proceeds to company for each unit of security and for the total issue; | 74,490,536 | 35,429,506 | 109,920,042 |
| | Note that the net proceeds amount excludes funds contributed to the "Debt Service Reserve Fund" ("DSRF"). The DSRF of \$12,410,000 will be held by the bond Trustee and used to repay bond obligations due on 2/1/2010. | | |
| (l) Net cost to the company for securities with a stated interest or dividend rate. | The bonds do not have a stated interest rate. California ISO expects that the "all-in" cost of interest will be between 3-4% over the life of the bonds. See item (e). | | |

Requirements:

§ 131.50 Reports of proposals received. No later than 30 days after the sale or placement of long-term debt or equity securities or the entry into guarantees or assumptions of liabilities (collectively referred to as "placement") pursuant to authority granted under Part 34 of this chapter, the applicant must file a summary of each proposal or proposals received for the placement. The proposal or proposals accepted must be indicated.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list for the captioned proceeding, in accordance with Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, on this 12th day of January, 2005.

 ^{BRM}
Stephen Morrison
Stephen Morrison