

UNITED STATES OF AMERICA 109 FERC ¶ 62, 138
FEDERAL ENERGY REGULATORY COMMISSION

OFFICE OF MARKETS, TARIFFS, AND RATES

In Reply Refer To:
MT – 5.2
Docket No. ES04-49-000 and
ES04-49-001

November 30, 2004

California Independent System
Operator Corporation
Attention: Mr. William J. Regan, Jr.
Chief Financial Officer
151 Blue Ravine Road
Folsom, CA 95630

Thank you for your September 3, 2004 application, as amended on November 12, 2004, filed under section 204 of the Federal Power Act. The application requests that the Commission authorize California Independent System Operator Corporation (CAISO) to issue bonds in an amount not to exceed \$127 million.

CAISO also requests a waiver of the Commission's competitive bidding and negotiated placement requirements at 18 C.F.R. § 34.2.

On February 20, 2003, the Commission issued an order announcing four restrictions on all future public utility issuances of secured and unsecured debt.¹ First, public utilities seeking authorization to issue debt backed by a utility asset must use the proceeds of the debt for utility purposes. Second, if any utility assets that secure debt issuances are divested or "spun off", the debt must follow the asset and also be divested or "spun off". Third, if any of the proceeds from unsecured debt are used for non-utility purposes, the debt must follow the non-utility assets. Specifically, if the non-utility assets are divested or "spun off", then a proportionate share of the debt must follow the divested or "spun off" non-utility asset. Finally, if utility assets financed by unsecured debt are divested or "spun off" to another entity, then a proportionate share of the debt must also be divested or "spun off".

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

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The Commission issued a notice of the application on September 15, 2004. The Public Utilities Commission of the State of California, the California Electricity Oversight Board, the Cogeneration Association of California, the Energy Producers and Users Coalition, The Cities of Redding and Santa Clara, California, the M-S-R Public Power Agency, The Transmission Agency of Northern California and the Modesto Irrigation District filed motions to intervene. We received no petitions, protests, or requests opposing the granting of the authorization.

Authorization:

The Commission authorizes CAISO to issue bonds in an amount not to exceed \$127 million upon the terms and conditions and for the purposes specified in the application, to the following conditions:

The authorization is effective as of the date of this letter order and terminates two years thereafter.

The securities are subject to the Commission's restrictions on secured and unsecured debt as outlined above and in the Westar Order.

The issuance is exempt from the Commission's competitive bidding and negotiated placement requirements at 18 C.F.R. § 34.2.

CAISO must file a Report of Securities Issued, under 18 C.F.R. §§ 34.10 and 131.43, no later than 30 days after the sale or placement of long-term debt or equity securities.

This authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determination of cost or any other matter whatsoever now pending or which may come before this Commission.

Nothing in this letter order shall be construed to imply any guarantee or obligation on the part of the United States with respect to any security to which this letter order relates.

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Authority to act on this matter is delegated to the Director, Division of Tariffs and Market Development-Central, pursuant to 18 C.F.R. § 375.307. This order constitutes final agency action. Requests for rehearing by the Commission may be filed within thirty (30) days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.

Sincerely,

Michael C. McLaughlin, Director
Division of Tariffs and Market
Development-Central