

127 FERC ¶ 62, 136
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

In Reply Refer To:
EM-5.5
Docket Nos. ES09-26-000

May 15, 2009

California Independent System
Operator Corporation
Attention: Mr. Kenneth G. Jaffe
Alston & Bird LLP
950 F Street, N.W.
Washington, D.C. 20004

Dear Mr. Jaffe:

On April 10, 2009, you filed an application pursuant to section 204 of the Federal Power Act, 16 U.S.C. § 824c (2006) on behalf of California Independent System Operator Corporation (California ISO), requesting that the Commission authorize California ISO to issue bonds in an amount not to exceed \$225 million. Your request is granted as detailed in the authorization section of this letter order.

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

On February 21, 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

¹ *Westar Energy, Inc.*, 102 FERC ¶ 61,186, *order on reh'g*, 104 FERC ¶ 61,018 (2003) (*Westar*).

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."

Notice of the filing was published in the *Federal Register*, with protests or interventions due on or before May 1, 2009. Motions to intervene were filed by Modesto Irrigation District, the City of Santa Clara, California and the M-S-R public Power Agency. We received no petitions, protests, or requests opposing the granting of the authorization.

Authorization:

California ISO is authorized to issue bonds in an amount not to exceed \$225 million, upon the terms and conditions and for the purposes specified in the application subject to the following conditions:

The authorization is effective as of June 1, 2009 and terminates two years thereafter.

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

California ISO is granted waiver from compliance with the Commission's competitive bidding and negotiated placement requirements at 18 C.F.R. § 34.2 (2008) for the long-term debt authorized under this order.

California ISO must file a Report of Securities Issued, under 18 C.F.R. §§ 34.10 and 131.43 and 131.50 (2008), 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.

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.

Authority to act on this matter is delegated to the Director, Division of Tariffs and Market Development - West, under 18 C.F.R. § 375.307 (2008). 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 (2008).

If you have any questions concerning this letter order, please contact Tina C. Briscoe at (202) 502-8751 or Andrew P. Mosier, Jr. at (202) 502-6274.

Sincerely,

Steve P. Rodgers, Director
Division of Tariffs and Market
Development - West