

UNITED STATES OF AMERICA 123 FERC ¶ 62,091
FEDERAL ENERGY REGULATORY COMMISSION

In Reply Refer To:
EM-5.5
Docket Nos. ES08-36-000
ES08-36-001

May 1, 2008

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

Dear Mr. Regan:

On March 17, 2008, as supplemented on April 10, 2008, you filed an application pursuant to section 204 of the Federal Power Act, 16 U.S.C. § 824c (2000), requesting that the Commission authorize California Independent System Operator Corporation (California ISO) to issue fixed rate bonds in an amount not to exceed \$215 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*).

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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 April 7, 2008 and April 25, 2008. Motions to intervene were filed by Modesto Irrigation District and the City of Santa Clara, California. We received no petitions, protests, or requests opposing the granting of the authorization.

Authorization:

California ISO is authorized to fixed rate bonds issue bonds in an amount not to exceed \$215 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 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 *Westar*.

The long-term borrowings are exempt from compliance with the Commission's competitive bidding and negotiated placement requirements at 18 C.F.R. § 34.2.

California ISO 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 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.

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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 (2007). 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 (2007).

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

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