



# Briefing on 2007 Proposed Bond Issuance and Decision on Reimbursement Resolution

Board of Governors Meeting  
January 24-25, 2007

Presented by: Phil Leiber, Treasurer/Dir. Financial Planning

# Financing Goals

- Provide bond proceeds to meet the known funding requirement for completion of MRTU
  - Completion of MRTU original scope (\$170 million budget): \$31 million<sup>1</sup>
  - September FERC Order and other scope changes \$19 million
  - Subtotal \$50 million
- Have funding available near the date when the existing 2004 bond proceeds are fully spent
- Match the “benefits” and “burdens” of CAISO spending by recovering the costs of CAISO system infrastructure from the users of the infrastructure over a period of time that approximates the reasonably expected useful life of those assets.
- Obtain a low cost, low risk funding source
- Structure debt service to be consistent with a stable to declining bundled GMC rate of \$0.76 or less over the next several years

<sup>1</sup> 2004 Bond offering provided funding for MRTU to \$139 million. Funds will be depleted during Q1 2007

## Proposed Structure

- Tax-exempt, variable rate demand bonds
  - Face value of approximately \$60 million
    - Proceeds of ~\$55 million (\$50 million MRTU, \$1-2 million cost of issuance, balance for other CapEx needs)
    - Balance is for Debt Service Reserve Fund
- Interest rate swap for approximately 60% of bonds
- Amortize bonds over approximately 6 years
  - Consistent with GMC of 76 cents or less (most principal repayment in 2010-2013 when existing debt has been retired)

## Next Steps

- Arrange team
  - Underwriter(s), bond insurer, counsel (bond and issuer), conduit issuer, pricing agent, standby bond purchase providers, swap provider, rating agencies
- Finalize schedule
- Submit FERC Filing
- Obtain approvals of Board and Conduit Issuer
- Execute the offering, targeted for April

# Reimbursement Resolution

**RESOLUTION DECLARING OFFICIAL INTENT OF  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS  
ADOPTED JANUARY 25, 2007**

***WHEREAS, California Independent System Operator Corporation (the “Corporation”) expects to pay certain expenditures (the “Expenditures”) in connection with capital budgets for its Market Redesign and Technology Upgrade program and its other capital projects (collectively, the “Project”) prior to and in anticipation of the issuance of indebtedness for the purpose of financing the capital expenditures on a long-term basis;***

***WHEREAS, the Corporation reasonably expects that debt obligations will be issued in one or more series and that certain of the proceeds of such debt obligations will be issued to pay or reimburse the Expenditures for the Project in the amount of \$55,000,000; and***

***WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Corporation to declare its official intent to reimburse itself for prior expenditures for the Project with proceeds of debt obligations;***

***NOW, THEREFORE, THE CORPORATION hereby resolves:***

- 1. The Corporation finds and determines that the foregoing recitals are true and correct.***
- 2. The Corporation hereby declares its official intent to use proceeds of indebtedness to pay or reimburse itself for Expenditures in an amount not expected to exceed \$55,000,000.***
- 3. This Resolution shall take effect from and after its adoption.***