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November 12, 2004

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"). Since filing the Application the ISO has worked to finalize the structure of the planned bond offering. On November 10, 2004, the ISO Governing Board approved a borrowing resolution authorizing ISO Management to proceed with the bond offering in an amount not to exceed \$127 million. The bond offering is now scheduled for December 16, 2004.<sup>1</sup>

A copy of the Borrowing Resolution (2004-11-10) approved by the ISO Board of Governors is attached as Exhibit 1.

In addition, the structure of the offering has been finalized in certain respects:

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<sup>1</sup> When the Application was filed, the ISO anticipated a mid-November offering. See Transmittal Letter for Application at 7.

- 1) The anticipated principal amount of the bond offering is now \$124.83 million, which is slightly less than the \$127 million amount described in the Application; and
- 2) The debt repayment schedule is modified slightly, as follows:

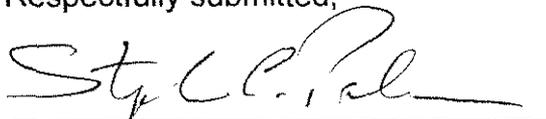
Debt Repayment Schedule  
Amounts in \$000

|        | ISO GMC         | Repayment | Final   | Per                       |
|--------|-----------------|-----------|---------|---------------------------|
|        | Rate Collection | Date      |         | September 3               |
|        | Year            |           |         | <u>Section 204 Filing</u> |
| Year 1 | 2005            | 2/1/2006  | 20,700  | 17,200                    |
| Year 2 | 2006            | 2/1/2007  | 19,000  | 22,400                    |
| Year 3 | 2007            | 2/1/2008  | 9,300   | 9,300                     |
| Year 4 | 2008            | 2/1/2009  | 28,900  | 33,900                    |
| Year 5 | 2009            | 2/1/2010  | 46,930  | 44,200                    |
|        |                 |           | -----   | -----                     |
|        | Total           |           | 124,830 | 127,000                   |

This revised debt repayment schedule reflects: (i) the reduced principal amount of \$124.83 million compared with \$127 million in the Application; (ii) shifts of the proposed principal repayments between years (to maintain stable or declining ISO Grid Management Charge ("GMC") rates over these years); and (iii) a change in the repayment dates to February 1 of each year.

The bond issuance is now scheduled for December 16, 2004. Accordingly, the ISO respectfully requests that the Commission authorize the actions requested in the Application as soon as possible, preferably by the end of November 2004.

Respectfully submitted,



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

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

**EXHIBIT 1**

Moved, that the Board approve the Borrowing Resolution set forth below:

**Borrowing Resolution (2004-11-10)**

**MOVED, that the interim Chief Executive Officer or the Chief Financial Officer of the California Independent System Operator Corporation (CAISO) be, and they hereby are, authorized and empowered, in the name and on the behalf of the CAISO, to perform the following:**

- **Issue variable rate demand bonds in an amount not to exceed \$127,000,000 through the California Infrastructure and Economic Development Bank.**
- **Borrow money, incur other obligations and guarantee the obligations of the CAISO in an amount not to exceed \$127,000,000, and in furtherance thereof to execute and deliver from time to time any note or other instrument evidencing indebtedness or other obligations of the CAISO, including related agreements and documents and guarantees of obligations or endorsements of notes, when deemed by them to be in the best interests of the CAISO, at a rate or rates of interest, and upon such other term or terms as shall be agreed upon by such officers.**
- **Procure a standby bond purchase agreement from Bank of America and JPMorganChase Bank for a term not to exceed three years at a cost not to exceed 35 basis points annually plus other associated expenses.**
- **Procure a bond insurance policy from Ambac at a cost not to exceed 66 basis points of principal, interest paid over the life of the bond, and potential swap unwind payment of \$3.5 million and other associated expenses.**

**MOVED FURTHER, that Management be authorized and directed to take any and all actions necessary and appropriate to execute an interest rate swap to partially hedge the bonds and provide for synthetic fixed rate debt for not more than 60% of the bond principal amount.**

**MOVED FURTHER, that with respect to any single transaction covered by the foregoing motions, the interim Chief Executive Officer or the Chief Financial Officer of the CAISO may delegate in writing to any one or more Officers of the CAISO the power to sign such instruments, agreements or other documents on his or her behalf as may be required to effectuate such transaction.**

Moved: Florio Second: Gage

|   |   |
|---|---|
| <b>Finance Committee Action: Passed Vote Count: 2-0-0</b> |   |
| Florio  | Y |
| Gage  | Y |

**Moved: Gage Second: Florio**

|   |   |
|---|---|
| <b>Board Action: Passed Vote Count: 5-0-0</b> |   |
| Cazalet                                       | Y |
| Florio  | Y |
| Gage  | Y |
| Kahn  | Y |
| Wiseman                                       | Y |

Motion Number: <number>

**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 12<sup>th</sup> day of November, 2004.

 <sup>BRM</sup>  
Stephen Morrison  
Stephen Morrison