

**SVP Comments Regarding the CAISO's Final Proposal and Draft Tariff Language:  
Central Counterparty Exception for Self-Supply from Generation Financed by Tax-  
Exempt Debt**

The City of Santa Clara, California (d/b/a Silicon Valley Power ("SVP")) welcomes the opportunity to comment on the California Independent System Operator Corporation's ("CAISO") Final Draft and Tariff Language relative to a Central Counterparty Exception for Self-Supply from Generation Financed by Tax-Exempt Debt, which the CAISO posted on August 23, 2012, in anticipation of a August 30, 2012 stakeholder conference call and submittal to the CAISO Board of Governors during its meeting on September 13 and 14.

SVP appreciates the CAISO's efforts to address issues relative to tax-exempt financing. The proposed tariff language results in a sensible work-around in response to stakeholder concerns about the impact of the central counterparty construct on tax advantaged project power. SVP has no objection to the proposed language as drafted but does have some questions about how it will be implemented.

Specifically, since the exception does not exempt all municipal Self-Schedules, SVP seeks clarification as to how Self-Schedules relating to resources funded by municipal tax-exempt financing will be identified. Will the CAISO assume that all municipal supply schedules are for resources funded by tax-exempt financing? Alternatively, will there be a need to identify Self-Schedules as being for resources funded by tax-exempt financing every time they are submitted? If so, how will that be achieved?

SVP fully believes that a methodology for identifying Self-Schedules for resources funded by tax-exempt financing can be settled upon and submits this question simply to understand how the CAISO envisions this being achieved. SVP's question should not be interpreted as an objection to the language as drafted.

We look forward to discussing this and any other matters during the August 30, 2012 stakeholder conference call.