

**COMMENTS  
OF THE  
CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION (“CMUA”)  
  
THE FINAL PROPOSAL AND DRAFT TARIFF LANGUAGE:  
CENTRAL COUNTERPARTY EXCEPTION FOR SELF-SUPPLY FROM  
GENERATION FINANCED BY TAX-EXEMPT DEBT**

CMUA submits these Comments to the CAISO on its Final Proposal and Draft Tariff Language: Central Counterparty Exception for Self-Supply from Generation Financed by Tax-Exempt Debt, dated August 23, 2012 (“Proposal”).

CMUA files these brief comments in support of its members on this issue. CMUA supports the Proposal set forth by the CAISO and appreciates the CAISO’s responsiveness to concerns expressed by CMUA and its members.

As CMUA, NCPA, and the Six Cities noted in comments to the Federal Energy Regulatory Commission in FERC Docket No. ER12-1856-000, municipal utilities have relied upon tax-exempt debt to fund generation resources used to meet the needs of their customers. For such facilities funded with tax-exempt debt, “private use” as defined in law and regulation is restricted. CMUA and its members were concerned that the central counterparty tariff revisions could give rise to claimed private use, which would have extraordinarily detrimental consequences for CMUA members, and the bondholders of the relevant tax-exempt securities.

The focused exception to the central counterparty policy will make clear that Bids, as defined in the ISO Tariff, for Supply from generating resources funded by tax-exempt debt that are matched with contemporaneous metered Demand for the entities that hold the entitlements to such resources constitute self-supply consistent with the public use requirement. It is CMUA’s understanding that the CAISO proposal is consistent with treatment of such transactions in certain other RTOs.

Because of the importance of this matter, and the need to avoid ringing the “private use bell,” CMUA requests that the CAISO seek waiver of the generally-applicable sixty-day advance notice provision when it files the tariff language in the proposal with the FERC.

CMUA appreciates the responsive approach to this issue evidenced in the CAISO Proposal.

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