



Southern California Public Power Authority

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Subject: Letter Supporting the Final Proposal and Draft Tariff Language: Central Counterparty Exception for Self-Supply from Generation Financed by Tax-Exempt Debt

The Southern California Public Power Authority ("SCPPA") is a joint powers authority and a public entity organized under the laws of the State of California. SCPPA was created pursuant to the California Joint Exercise of Power Act found in Chapter 5 of Division 7 of Title 1 of the Government Code of the state of California, and through the SCPPA Joint Powers Agreement for the purpose of planning, financing, developing, acquiring, constructing, operating and maintaining projects for the generation or transmission of electric energy.

The membership of SCPPA consists of eleven cities and one irrigation district which supply electric energy within Southern California, including the municipal utilities of the cities of Anaheim, Azusa, Colton, Pasadena and Riverside (collectively, the "Six Cities"). The Six Cities are participants of the California Independent System Operator's ("CAISO") grid system. As such, these SCPPA members would be directly and significantly impacted by the implementation of the May 25, 2012 CAISO tariff amendment filed with the Federal Regulatory Energy Commission ("FERC") by the CAISO to become a central counterparty to market transactions effective September 1, 2012, in compliance with FERC Order No. 741.

The original amendment would implicate the tax exempt status of the financing structures which these cities regularly utilize and could violate certain private use treasury regulations. SCPPA, however, welcomes and supports the August 23, 2012 Final Proposal and Draft Tariff Language: Central Counterparty Exception for Self-Supply from Generation Financed by Tax-Exempt Debt (the "Proposal").

The Proposal as currently drafted achieves the objective of avoiding the potential clash with private use restrictions in the federal treasury regulations with respect to the Six Cities and other similarly situated CAISO Participants who utilize tax exempt financing to fund their generation resources. Furthermore, as provided for in the Proposal, the amendment sets forth a narrow exemption having only tax exemption implications but at the same time does not, as a practical matter, change the existing procedures and operation of the CAISO vis-à-vis the Six Cities and other similarly situated CAISO participants.

In sum, SCPPA respectfully, on behalf of its CAISO member participants, the Six Cities, submits this letter in support of the Proposal and looks forward to the expeditious implementation of the Proposal.



Sincerely,

BILL D. CARNAHAN
Executive Director

Date