

January 25, 2007

**Comments of Pacific Gas and Electric Company
On CASIO Proposed Tariff on Long Term Congestion Revenue Rights**

PG&E provides these comments to address the tariff language proposed by the CAISO to implement Long-Term Congestion Revenue Rights (“LT-CRR” or “LT-FTR”) that comply with the requirements of FERC Order No. 681-A, issued July 20, 2006 (“Order 681”) and preceding orders.

PG&E appreciates the efforts of CAISO staff in working with stakeholders to formulate a LT-CRR proposal that balances the varied interests of market participants. Some of the policy concerns that PG&E raised in its previous comments remain unaddressed, while others appear to be successfully resolved.

PG&E will not reiterate points communicated through previous comments, which it understands the CAISO has already considered, but incorporates by reference PG&E’s prior comments for a detailed description of these issues and associated recommendations. Although PG&E greatly appreciates the CAISO’s work to date, and its timely compliance with Order 681, it remains concerned about some aspects of the proposal, which may meet some stakeholder needs but not comply with all the substantive requirements of Order 681.

Specific comments on the revised tariff language are brief and reflect the early draft nature of the LT-CRR and CRR tariff sections. The CAISO’s proposed tariff language does not yet incorporate changes in policy presented during the January 9, 2007 stakeholder meeting and January 16, 2007 stakeholder conference call. Examples of such changes include: fundamentally revised provisions associated with full funding such as assessment of charges/credits to Demand, the monthly clearing of balancing accounts and the disposition of auction revenues; the priority treatment of expiring Existing Transmission Contracts (ETCs) and; the basis for the historical reference period. Detail corrections additionally have not been incorporated, for example the limit of Tier 1 should correctly be 66.7% according to the CAISO, not 50% as indicated in the published tariff language.

The CAISO’s LT-CRR proposal has made tremendous progress and has successfully addressed quite a number of PG&E key concerns. With the addition of several of the safe guards important to PG&E and the most recent revisions indicated above, PG&E is confident that the final LT-CRR design will meet the needs of market participants, the CAISO and FERC. PG&E will submit comments on specific tariff language after the next version is posted on the CAISO’s website.

PG&E looks forward to working with the CAISO and other stakeholders in finalizing the design and implementation of LT-CRRs. For follow-up or questions, please contact Brian Hitson (415-973-7720) or Glenn Goldbeck (415-973-3235).