



NEWS RELEASE

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California ISO Board of Governors Approves Settlement Agreement with PG&E Following December 1998 Outage

(Sacramento, CA) The California Independent System Operator (California ISO) Board of Governors at its general meeting May 27, 1999 authorized a settlement agreement with Pacific Gas & Electric (PG&E) regarding last December's San Francisco outage. As part of the agreement, PG&E accepted responsibility for the outage and agreed to make a payment of \$440,000 to the California ISO.

The payment equals the full amount of sanctions proposed originally by the California ISO following the ISO's investigation into the outage and allows the California ISO to resolve the issue without potentially costly litigation. The California ISO will use the \$440,000 to offset its normal operating expenses. As part of its investigation into the outage, the California ISO recommended corrective actions in 12 major areas to be implemented by PG&E and other Transmission Owners. PG&E has cooperated with the California ISO investigation and accepted recommendations identified in the March 31, 1999 report, agreeing to implement the recommendations as soon as possible.

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PG&E SETTLEMENT-2-2-2

"We believe this settlement produces a win-win outcome," said California ISO President and CEO Terry Winter. "It closes the books on the sanctions issue, as it relates to the San Francisco disturbance, so that our efforts can focus on future steps to work with PG&E to improve its operating procedures. It also allows time for a more orderly process for developing a formal sanctions program to be filed with the Federal Energy Regulatory Commission (FERC)."

Both the California ISO Tariff and the Transmission Control Agreement contemplate sanctions under certain terms and conditions. However, the \$440,000 settlement avoids the need for approval by the FERC.

It is the California ISO's responsibility to investigate all major system disturbances affecting the state's transmission system and to report those findings to the North American Electric Reliability Council (NERC) and its regional council the Western Systems Coordinating Council (WSCC). The report is available at www.caiso.com/pubinfo/notices.

The state-chartered California ISO assumed control of the bulk of California's long-distance, high-voltage transmission system on March 31, 1998 when the state opened its electricity industry to competition. The not-for-profit public benefit corporation's primary responsibility is to maintain reliability of the power grid through open markets. The ISO-controlled network of transmission lines spans 124,000 square miles, making its control area the second largest country and the fifth largest worldwide.

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