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July 18, 2006

Keith Johnson
California Independent System Operation Corporation
151 Blue Ravine Road
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Re: PIRP Exports

Dear Keith:

I am submitting this letter on behalf of the California Wind Energy Association ("CalWEA") in response to the California Independent System Operator Corporation's ("CAISO") request for comments on what is being called the PIRP Export Issue.

At the outset, you may be aware that CalWEA, and other wind generator advocates, have requested that CAISO treat the GMC market usage charge and market operations charge in the same manner for PIRP participants as is currently provided with respect to imbalance energy charges (e.g., based upon monthly net deviations). Unlike the PIRP Export Issue, the status quo in connection with the GMC issues involves material burdens for affected entities (i.e., PIRP participants that are incurring excessive GMC charges). Nevertheless, parties concerned about the PIRP Export Issue apparently have found a home to address the PIRP Export Issue, while it is not clear when or in what forum CAISO intends to address the more time-sensitive PIRP GMC issues.

If CAISO does not address the GMC issues in connection with its anticipated request to extend the 2004 GMC settlement, CAISO should do so at the earliest possible time, as part the PIRP Initiative. In light of their relative impacts, it makes no sense to proceed with the PIRP Export Issue ahead of the PIRP GMC issues¹.

¹ Whether or not CAISO takes up the PIRP GMC issues in the PIRP Initiative, in light of the fact that PIRP participants are currently experiencing excessive GMC charges, CalWEA reserves the right to oppose the extension of the GMC settlement should CAISO exclude consideration of the PIRP GMC issues in connection therewith.

Keith Johnson
July 18, 2006
Page 2

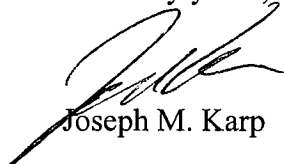
With respect to the PIRP Export Issue, CAISO has solicited comments on the original intention of PIRP vis-a-vis exports and on a number of potential alternatives for dealing with the PIRP Export Issue presented for consideration by CAISO. CalWEA has been actively involved with PIRP virtually since its inception. We address each issue below.

With respect to the intention of PIRP, it is apparent to us that the PIRP Export Issue was not specifically contemplated. Just like the parties did not expressly address the treatment of GMC market usage charges for PIRP participants during the development and initial implementation of PIRP, the parties did not address the circumstances in which PIRP participants might sell their output outside of the CAISO control area.

With respect to the various alternative options presented for consideration by CAISO, CalWEA is concerned that the CAISO is rushing to judgment that there is indeed a problem needing fixing. One obvious alternative, not presented by CAISO for consideration, is making no changes to PIRP in light of the PIRP Export Issue. From CalWEA's perspective, there appears to be the potential for legitimate arguments on both sides of the PIRP Export Issue debate. However, until CAISO presents additional information concerning the magnitude of the purported problem, whether it can be addressed through technical changes (as opposed to cost allocation or rate design changes) to PIRP and the likely impact of its alternative proposals on existing and new wind generators, it is premature to be forming opinions on any one proposal. The worst thing, from CalWEA's perspective, would be the adoption of a mechanism that hampers even a small wind project to address an issue that may be of trivial consequence.

CalWEA looks forward to addressing further the PIRP Export Issue as well as the PIRP GMC issues.

Sincerely yours,



Joseph M. Karp

JMK:mjr