



Pacific Gas and
Electric Company

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January 27, 2004

Debi
Ms. Deborah A. Le Vine
Director, Contracts and Compliance
California Independent System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Dear Ms. Le Vine,

Pacific Gas and Electric Company (PG&E) is in the process of reviewing the application by Western Area Power Administration, Sierra Nevada Region (Western), as filed on December 17, 2003, to become a Participating Transmission Owner (PTO) in the California Independent System Operator Corporation (CAISO) (Application). PG&E has some concerns and questions we are hopeful you can answer so that it can provide meaningful comments on this application,

Application

In Section 8 of its Application, Western states it is "currently evaluating whether to turn over operational control of the Path 15 Project as a merchant transmission line." Additionally, in its proposed Notice of Filing, Western states it "is an open discussion item" as to whether it will become a PTO. PG&E understands this to mean Western's application is conditional, which does not appear to conform to the Transmission Control Agreement because there is no apparent commitment to completing the process. Is it the CAISO's position that a Transmission Owner who files a Participating TO application subject to a condition has submitted a conforming application? If so, is there any time by which the application must become unconditional to be approved? What is the expected time for Western's decision? Is Western, through this Application, committing to become a new PTO? PG&E will have a difficult time providing meaningful comment without knowing the timing or certainty of Western's Application.

Transmission Owner Tariff

In Section 8 of the Application, Western states it will "develop its TO Tariff through a public process." Has this process begun? What is the schedule for this process? How will this process and its schedule affect the timing of the CAISO, Participating TOs and FERC considering this Application and a TO Tariff and of Western becoming a Participating TO? Once again, PG&E will be unable to comment on the specifics of Western's proposed TO Tariff until Western supplies the "final form or content" of its final tariff.

Transmission Revenue Requirement

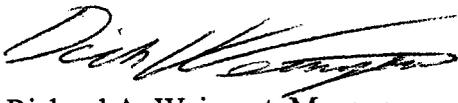
In Section 9 of its Application, Western states it is “*currently* not seeking a Transmission Revenue Requirement (TRR) for the Path 15 Upgrade Project.” (emphasis added) Is Western planning to request a TRR in the future? What would prompt Western to ultimately request a TRR? Does a Transmission Owner have the ability to become a Participating TO with no TRR and add one later? If so, must that TRR be filed with FERC? Additionally, assuming Western’s TRR remains zero, PG&E is unsure how this will impact the ISO distribution of certain revenues (such as wheeling revenues) based on TRRs and would appreciate the CAISO’s clarification.

Firm Transmission Rights

In Section 12 of its Application, Western states it “does not have any loads being served from the Path 15 Upgrade Project.” Section 9.4.3 of the CAISO Tariff states un-auctioned FTRs will be provided to New PTOs that have an “obligation to serve load.” Based on the above referenced language, PG&E understands the CAISO will not be granting any FTRs to Western for its share of the Path 15 Upgrade Project. Please verify this understanding.

PG&E supports increased CAISO participation by other parties and is anxious to work with the ISO and Western to obtain the information necessary to complete our analysis.

Sincerely,



Richard A. Weingart, Manager
Policy and Strategy Development

cc: Terry Winter (CAISO)
Tom Boyko (Western)
Koji Kawamura (Western)
Geoff Gaebe (San Diego Gas and Electric)
Bruce Malkenhorst (City of Vernon)
Robert Mitchell (Trans-Elect NTD Path 15, LLC)
Sheryll A. Schroeder (City of Anaheim)
Joseph Hsu (City of Azusa)
Paul Toor (City of Banning)
Thomas Evans (City of Riverside)
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