

**PG&E's July 28, 2006, Comments on CAISO White Paper:  
"Proposed Tariff Amendment to Address Low Voltage Transmission Revenue  
Requirement (LVTRR) Cost Recovery for Non-Load Serving Participating  
Transmission Owners (NLS PTO)" Dated July 25, 2006**

In response to the CAISO's notice of July 26, 2006, PG&E appreciates the opportunity to provide written comments on the CAISO's most recent proposal to amend the CAISO Tariff, to address the LVTRR recovery for NLS PTOs. PG&E supports the CAISO's white paper as revised on July 25, 2006, but also responds to comments described in section 3 of that document.

1. PG&E fully supports the concepts provided in comments of Southern California Edison (SCE). PG&E agrees that specific tariff language must be added to Tariff Section 26.1 and that the following concepts should be reflected in the tariff amendment to implement the principles resulting from the July 13, 2006 stakeholder discussion:

- The CAISO should bill and collect a NLS PTO's LVAC from any UDCs or MSS operators physically connected to the low-voltage facilities of a NLS PTO.
- The NLS PTO must be required to place any over- or under-recovery of its LVTRR in its TRBA for true-up each year.
- The PTO that is also a UDC or MSS operator to whom the LVAC of the NLS PTO is billed must include those LVAC amounts in its TRBA.

PG&E looks forward to participating in the development of the CAISO Tariff amendment to implement the proposal.

2. PG&E disagrees with the proposal of the Department of Water Resources State Water Project (SWP), that for NLS PTO low-voltage facilities connected to more than one load-serving PTO, the NLS PTO's LVTRR should be allocated between PTOs based on load scheduled on these facilities. PG&E continues to support the use of a PTO's UDC/MSS load ratio as allocator, in precisely the same way it is currently used to allocate NLS PTO HVTRR.

Even though SWP participated in both stakeholder discussions, it did not make this proposal until the late date of July 24<sup>th</sup>, precluding discussion. Nor did SWP present any rationale for departing from the consensus of the stakeholders. The SWP proposal is contrary to the current treatment of revenue requirement recovery for high-voltage facilities in the CAISO Tariff. Furthermore, the SWP proposal would lead to a less predictable LVAC for both the NLS PTO and the interconnected UDC/MSS Operators. The proposal in the CAISO white paper, supported by SCE's comments, provides for a predictable, consistent cost recovery method that follows the precedent set for high-voltage transmission revenue requirement recovery for NLS PTOs.

3. As a clarification, PG&E observes that in item number 5 on page 4 of the White Paper, a PTO, in its status as a UDC or MSS Operator, will be charged a LVAC by the CAISO—not a LVTRR. This LVAC will be *based on* the LVTRR of the NLS PTO.