

Mail Stop 3561

August 3, 2006

Mr. Steven S. Boss
Chief Executive Officer
Commerce Energy Group, Inc.
600 Anton Boulevard, Suite 2000
Costa Mesa, California 92626

**RE: Commerce Energy Group, Inc.
Form 10-K for Fiscal Year Ended July 31, 2005
Filed October 31, 2005
File No. 1-6049**

Dear Mr. Boss:

We have reviewed your response letter dated July 13, 2006 and have the following additional comments. Where indicated, we think you should revise your document in response to these comments. If you disagree, we will consider your explanation as to why our comment is inapplicable or a revision is unnecessary. Please be as detailed as necessary in your explanation. In some of our comments, we may ask you to provide us with information so we may better understand your disclosure. After reviewing this information we may raise additional comments.

Note 2. Summary of Significant Accounting Policies, page F-6

Cash and Cash Equivalents, page F-10

1. We note your response to comment 2 in our letter dated June 20, 2006. However, as indicated in the guidance, auction rate securities have long-term maturity dates and those securities do not meet the definition of cash equivalents in paragraphs 8 and 9 of SFAS 95. Accordingly, please amend your filing to reclassify the investments in municipal auction rate securities. In doing so, please include appropriate footnote disclosures explaining the reason for the changed presentation and how you are classifying the securities under SFAS 115. In addition, if you classify all or a portion of the municipal auction rate securities as a current asset, please disclose the reason current asset classification is appropriate.

Note 3. Acquisition, page F-14

2. We reviewed your response to comment 3 in our letter dated June 20, 2006. We assume that the shares held in escrow were included in the average number of shares outstanding used in computing earnings per share data. If so, please tell us the effect of the accounting error on basic and diluted earnings per share for the year ended July 31, 2005 and for each of the fiscal quarters from the date of acquisition to April 30, 2006. If you conclude that the effects of the error on both annual and quarterly results are not material, please provide us your materiality assessment. Please refer to SAB Topic 1:M. Otherwise, please restate your financial statements accordingly.

Note 10. Investments, page F-21

3. We reviewed your response to comment 6 in our letter dated June 20, 2006. Please tell us the line items in the statements of operations that include the write-off of the note from PEC, the write-off of goodwill of PEC and the loss on deconsolidation of Summit. Please also explain to us why the deconsolidation of Summit results in a loss. In addition, it appears that the column titled "provision for impairment and distribution" and the Turbocor line item in the table in Note 10 on page F-22 do not total correctly. Please tell us the amount(s) that are incorrect and whether a correction of the table would change the amounts set forth in the investment table reconciliation in your response.

Note 16. Related Party Transactions, page F-30

4. We reviewed your response to comment 7 in our letter dated June 20, 2006. We re-issue part of our previous comment. Please tell us if you believed that the outcome of the contingency related to the 323,000 shares was determinable beyond a reasonable doubt and the basis for your determination. Refer to paragraph 26 of SFAS 141. In this regard, we note that the shares continue to be held in escrow pending resolution of the "true-up" calculation as of July 31, 2005. We are still not convinced that the 161,400 shares represent an adjustment to the purchase price as opposed to compensation for services. In this regard, we note the shares were placed in escrow for periods of 12 or 18 months, are referred to as retention shares and were subject to forfeiture in the event the employees voluntarily resigned. These factors represent strong indicators to us that the contingent consideration arrangement is compensation for post combination services. Please advise further. Please also tell us the number of shares released to Mr. Weigand in connection with the settlement.

As appropriate, please amend your filing and respond to these comments within 10 business days or tell us when you will provide us with a response. You may wish to

Mr. Steven S. Boss
Commerce Energy Group, Inc.
August 3, 2006
Page 3

provide us with copies of the amendment to expedite our review. Please furnish a cover letter with your amendment that keys your responses to our comments and provides any requested information. Detailed letters greatly facilitate our review. Please understand that we may have additional comments after reviewing your responses to our comments.

You may contact Anthony Watson, Staff Accountant, at (202) 551-3318 or William Thompson at (202) 551-3344 if you have questions regarding comments on the financial statements and related matters. Please contact me at (202) 551-3849 with any other questions.

Sincerely,

James Allegretto
Senior Assistant Chief Accountant