Kept on non-firm cuts
& cong. rev.
How often did beep split

State AG investigating

① 
② Cut non-firm-buy from them & cut it ⇒ as soon as Stage 1

Tim -
Gov. appointed
What are you at risk for? ~~cut~~
Reliability problem
But don't think we affected prices.

$200 Congestion
+ $200

Mock Prosc. on AG Investigation

- Power Ex gamed target price
- New target price - $0 - Had to predict when would de
- Started buying at $0 - sold in at $750 for option + $750 =

→ hr. 3 at Sun. morning
→ If any negati inc bids

Malin
Palo
NOB
June 26 1000 MW
$1.5 mil./hr.

- I'll sell 1 MW at $-1. → then target price set to $0

Seller up until
Now buyer
will say hydro.

Every body -

- Under scheduling load
{ We ⇒ Overschedule → we get paid imbalance - we buy in day ahead. & sell in exposte. ]

- They will be incing every day - there's no teethin imbalance

- Tie pt. generators
→ Our generators
we sell some in real time (overscheduling our load)
Need cash-in-cash out mechanism
like on the gas side
→ Ten-minute schedule only works when
decing
~~they~~

W/out us overscheduling -
- they would be devistated
- We're not causing them to need energy

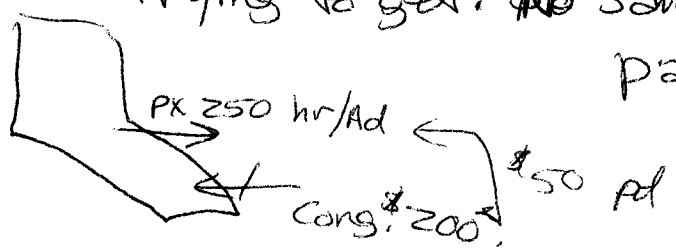
We buy from PX for known bid at tie pt. export $ at $250.
We sell at same time, overschedule load
by importing
Do buy/sell W/ El Paso
Dispatchers said we can't do it
discrim. ~~in~~ cutting sched.
Even though client rep said we could
Let us in N but not in S.

Every body does this in North
BPA provides hub service to
do this

Iso told BPA they were cutting our schedule
So BPA cut it next time → so Pac. charged us
$10 rather than $5.

Can't
~~Could~~ ~~buy~~ adjust bid → can't go to load zone.

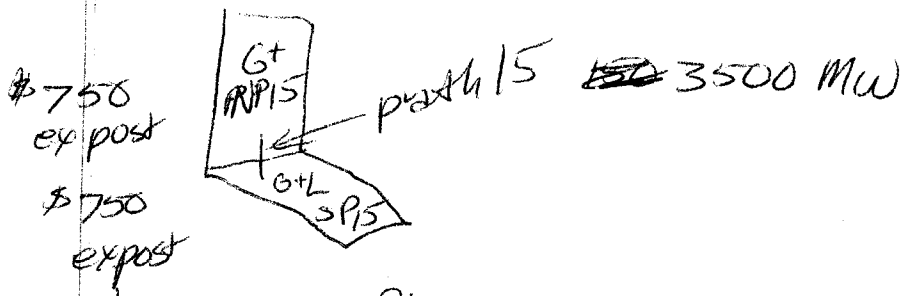
Congestion revenue – ISO says that's all we're trying to get. ~~No~~ same hr. so have to pay cong. too.




lost sint – we got imbalance & congestion

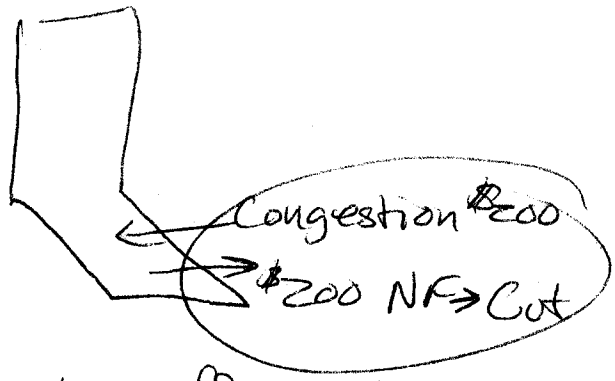
*** Cutting strategy → most problematic for us
→ ISO reliab. problem had to dec.

Beep split




hot day – flow N → 15
→ ~~energy~~
If 4000 MW scheduled or line goes down
North s

Ex post price beep
Beep split price N-$0, S → $750




Can this effect Beep split
→ would drive price in S. down
→ So we're not making the Beep split.
We just get congestion rev.
Only reliability issue → time spent on it.
We Actually helped congestion
→ we actually go phys
We buy all the tranny

Law is Cal. related to making excess ~~pr~~ profits

Lebion Adamson - Economist -

* EEMC = PG&E → where is Sub?
→ Get more time for PGE gen.

10/03/00

- Mike Day - Richard Sanders - Steve Hall
- Mike Smith - Christian Yoder - Gary Ferguson
- Seabron Adamson Jeff Dasovich - Paul Kaufman

10/06
~~Date~~ 10/05 plan of what we will do → Objections to protective order. → Narrow scope - fozz
10/13 produce - 1st wave. → By producing not waiving objections.

1. Org. Charts
2. Tele. Directories
3. Corp. Histories
4. Family Trees.

= Will give them exemplars for relevant period
- Not every single

** 20. FERC docs. - I'll do this ←

Entities will produce separate responses.
- tell PGE -

- PGE is short - say that -
* → Tell PGE - Mike Day asking for more time

7 - 10 - to extent pub. records.

- Look like we're forthcoming
- Show the PowerEx / Williams - hogs at trough.
- Compliance Unit's report - screwed up mkt, trading at opportunity cost.
- Will we win battle.

- No E-mails except to Richard@his direction.

Whether PUC has jurisdiction
→ say no
→ Put burden on PUC to go to Superior Ct
Concurrent jurisdiction.
→ Problems w/ wholesale can regulate utils.
→ Submit proposals in FERC proc.

Timing is very important.

P&L { Daily position report - Tim gets ~~every day~~
Yearly

Object to 7+10 as extra juris - public info. &
→ Phys. → lmtd data ←
Allow to recover source info → phys. vs. financial.

- EES hurt by ~~lor~~ high wholesale prices in Calif. → Lowered profit
- PGE got hurt by " " " " " ?

Tell will object & get declar. relief action.

Act. - Tim will they get financial deal from ISO & PX?
Answer → No
→ Cal./WSCC - okay if
Tags → Out & back in → data won't allow to trace easily

but PUC

*** Give all info. & tell to focus on Stage 2 days.

~~Generation~~ -

Meeting w/ Kim / Bob / Jim

Gen. give them
Enron Wind stuff
Sue
L.V.

P.&L. - fight w/ exceptions
Spread sheet w/ Physical so can figure out
P&L
- Tim's questions
Definition of Physicals -
How long can we not disclose bookouts
Issues on bookouts
not captured on any system but schedule work sheets.
have a lot of extra info.
Includes tags.
- A couple of weeks to pull out non-physical &
- notes → show Portland deals. - remove notes!
→

How -
→ Sched. show source & sink but show how we move power
or → Query deal. → won't get tags → will get tags
from Trad. - Calif. but not for USCS

→ Tell PG&E to give consistent treatment
~~of~~ Query deals rather than

Tim will build one day.

Tim's list strategies

| Defense | Offers. |
| --- | --- |
| 1. Export | Path 15 |
| 2. Non-firm Energy Sales | Withholding P.A. |
| 3. Get Short x | |
| 4. Richochet | |
| 5. load mvmt | |
| 6. FTR Optimization | |
| 7. D.A v. Ex Post | |
| 8. Death Star | |

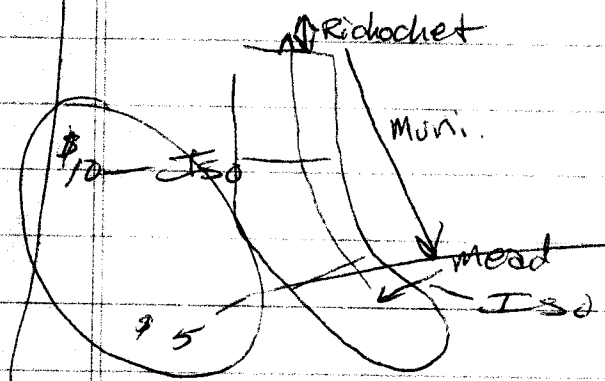
1. Export 400MW
P.V. $125 We're exporting
SP15 115 wheel $6

① Death Star – → We ride in highway lane not owned by ISO
owned by Muni.
(trans.) Import E.g. Export
– Schedule Wheel thru Calif. Mead → Malin
~~As~~ Get paid x flow
Richochet in NW
Buy trans COB → Mead tr
↳ Serves import
→ makes
tariff rate buy → sell at congestion charge
Move from ISO to muni. Instuction to ISO
~~If~~ congestion exceeds costs flow sched.
Good for Mkt → reduces congestion charge
We used trans. that no one else was using (LADWP.)
– primarily.

Another version of Death S.

Sch. firm import
" non-firm export
gets cut in Phase 2

Would have to get power
so don't do during Stage 2




collect congestion charges.

To avoid ancillary service risk.

If it doesn't get cut no power flows
Or fill sched. → (sometimes paying more than cap.) or sometimes agreed to cancel trans.
Violation firm import – 1 time reduced to lower import → this was on a light day
so Liquid vs ex post price → tariff response –
Hour Ahead play
Do daily
Coral
PowerEx
Also do

Not bringing prices up
Bringing congestion up
No hour-ahead commodity mkt.

Higher utilization of grid & made trans available by paying for muni. trans.

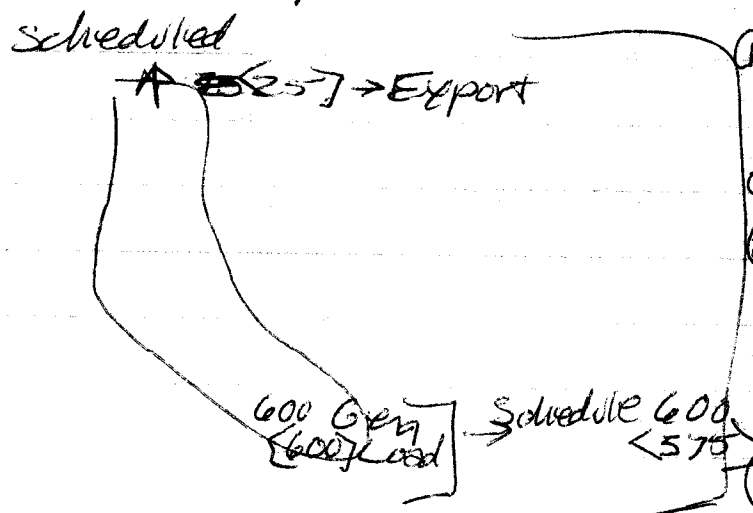
We allow more power to move from N → S happening in ISO hr. ahead trans. Mkt. $5 m

Schemes = $10 m total

ISO not supposed to use non-firm.

Don't do adjustmt bid like bilat.
It's independent. Depends on
- flows
- congestion

(2) Non-firm Export.




Revenue
(1) Get paid (a) counter flows & congestion payment ~~counters~~ w/ COB
(2) No trans. or anc. service
(3) But pay Export charge (Grid Admin, Wheelout
spin (% share)
non spin (% share)

→ Don't pay if non-firm
Sched. 3 hrs ahead, Mkt. runs 2 hrs. ahead —
can cut → [illegible]

in tariff so should not pay congestion
charge on non-firm
$3 m.
Coral & PowerEx ] Don't.

ISO needs to Inc (South) & Dec (North) in real time
they have to cut imports → so creates constraints

We liquidate length vs NP15 ] speculate on
We serve load vs SP15 ] zonal price difference.
→ We have to commit 2 hrs ahead –
find out how much we made after the fact
We stopped doing this → when they published
their notice

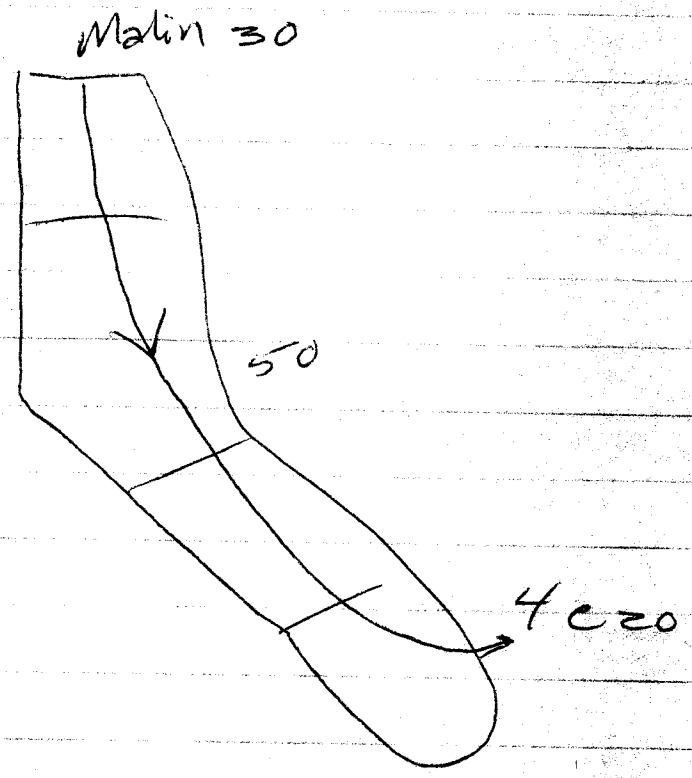
End result price higher in one zone than
another.
For every hr we did this we saved all the
trans. buyers $, if NP & SP prices
didn't separate. → very common.
→ Could argue net societal benefit.
Sometimes sched. cut –

---

Death Star
Sometimes we sold non-firm & didn't cut.
to save on anc. services; e.g. if mkt. in NW strong.
→ makes our case strong

Paid us for service we didn't provide
they would have inc'd & not assumed they
didn't have to

③ Wheel out




Congestion $100. ] counter flow
Get paid $100.
Buy from BPA to Seattle

a. Don't Show up
If NW → $1000 or can't find
250 Congestion
Commit 3 hrs ahead
If SO → you're done 2 hrs ahead
"Can't find → 1/2 hr. ahead.
→ No effect on grid price

Get pd. congestion.

ISO
Brings ties down to zero ¢ people
stupidly sched. on. or
If price taker,
or ISO's software is screwed up.
Whenever you see line out → schedule
counter flow → know you'll get pd congestion

- Loser person who tried to submit sched.
They pay us smaller # than they would have
pd ISO.

---

Summary we're using to take advantage of NW/SW
spread
Calif. can't choose when they want us to do this.

No penalties if you don't show up.

The ISO's problem → they don't control whole Mkt.

Don't have to pay ISO → if cut we assume we pay something

$12 m total real time desk

④ Fat Boy - price taker
- But get to secure trans. ahead of time

Control Area (PX) has tremendous flexibility
We have to sell @ a loss

PX Analysis of price activity
Ex Poste → higher than day ahead

We buy in day ahead & sell at Ex post

EES does the same. → Lmtd to ESPs
need load
EES: (we schedule)

Info. Avail. from ISO

NP15 Gen ~~Load~~ 500
Load <500>

SP15 Gen 600 (purch/import)
Load <600>

EES gives to us but before we do

we do this

Gen 1000
Load <1000>

500 EES 500 ENA

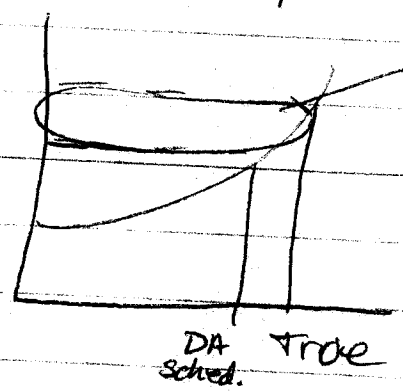
ISO doesn't see

ⓐ EPMI
① Buy from PX in DA ⓑ take existing purchases & don't sched.
② Over sch. Load
→ ③ Price-taker sale to ISO Ex Post →
Offered at zero → no other choice → You think it'll be higher - but not always
Long 1500 in N Cal. → rather than sell in DA, divert to
→ Rare we actually bought from PX

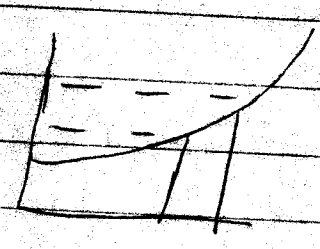
In response to undersched & failure to hedge by IOUs

$30 m. → PG&E's paying – they're long & we're short.

Power Ex ⇒ doesn't have load.
submit sup. energy bids at tie pt. ⇒ actually setting price




Savings → CTC recovery
price discrim due to monopsony



supply curve

In state sellers to PG&E shareholder wealth transfer.

Bringing

We
Inc. price in DA Mkt.

→ Bought a bunch forward ←

~~We follow who~~

Some hrs. every day
For a yr. →
We lose $

So NP 15 mkt power

Fat Boy is Real time not day ahead

~~Wouldn't have had to~~
We sched. ahead ⇒ so we reduced replacemt. reserve.

@ Shift Load – dovetailed w/ our FTR
subj't to scrutiny
* Impact on price of whole sys. is the problem.

1,000 FTR
out of 1,500 auctioned
2,300 path

P26

Mkt surveillance said we'll be watching

| | | |
|---|---|---|
| NP 15 | Gen | 500 |
| | Load | <500> |
| SP 15 | Gen | 600 |
| | Load | <600> |

Two Cong iterations in DA

| | | | | |
|---|---|---|---|---|
| prelim | @ 10:00 | → | results | 11:30 |
| Final | 12:00 | | " | 1:00 |

sched. prelim prices for next day

Run every hour

Find times when we can influence trans. price because transm translates into power price in final mkt.

DA Mkt.
Read PX Price calculator Rept.

To Max FTR Rev

① → Inc. price ↓ quantity

NP Gen = $500
Load = <450>

Out of balance implicitly req. trans. so

SP G – 600
L – <650>

| ↑ Price | ↓ Q |
|---|---|
| 100 | 1000 |
| ↑ 200 | ↓ 950 |

Trying to figure price curve on constrained ~~path~~ submit ~~in~~ multiple bids to find.

Resubmit in final to max. revs.
– Doing since June –

Sometimes doing this the other way:

FTR $10 m spent
Made 40 m

Effect on clearing price → ?

We could say just optimizing portfolio. →
might have crossed ourselves out sometimes →
we didn't do a very good job.
We weren't easing the congestion ⇒ just increasing.

No one can prove → give complexity of our portfolio
we were just adjustment bidding – we just thought
it was going to be hot

→ someone could submit counter flow ← the reason they
don't is ~~it's~~ too complicated.

E-mail → Enron Gry scheduling
Knows inc. in rev.
Probably deleted

~~(b) Get Shorty~~

Get pd. counter flow if on flat part of
curve so inc. vol. w/ out Δ price

| | DA | Ex post |
|---|---|---|
| NP | 200 | 250 |
| SP | 220 | 150 |

liquidate long & short positions in
Buy virtual trans Sell actual trans

We try to bid unique ## so we know when we
set price
We never set price in the beep stack
Might happen @
Hour Ahead & Day Ahead Adj. Trans

(B) Get Shorty — $5 m.
- Anc. Services we sched. into Calif. for others.
- Submit sched in day ahead & submit zero in hr. ahead
~~they~~ ISO buys back on our behalf.
- We don't need generation to do this.
- Forgot to zero out once or twice.
(e.g. we deleted schedule)
We didn't fill one of them → we filled immediately
- Other times LV Cogen → N Power
trans. side wouldn't let happen
- Tariff amendmt → No pay → don't pay
capacity pymt.
- ISO doesn't know about.
- Buy ~~hour~~ day ahead sell hr. ahead →
- No one is complaining about.

Hr Ahead price goes up
Our performance is very good in anc. service Mkt

Buy parking & sell as replacemt reserves.

- Tell customers SCs for
  - tell us what you've done
  - give honest answers.

Don't act in concert w/ rest. - we don't coordinate across plants -

Bought power chesp along time ago - → based on our fund. analysis.
Sold expensive

→ We made so much money.

Liquidate our position against COB → or PXprice would show

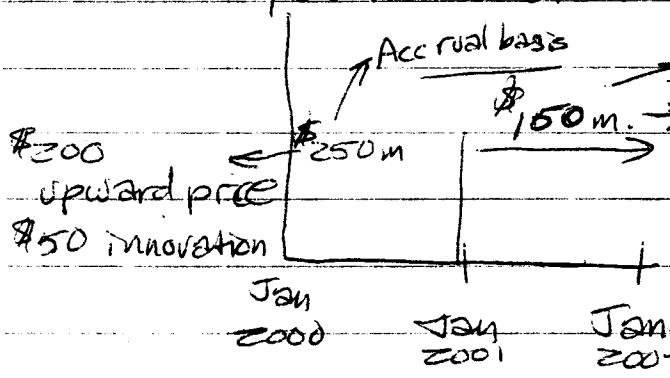
~~PX~~

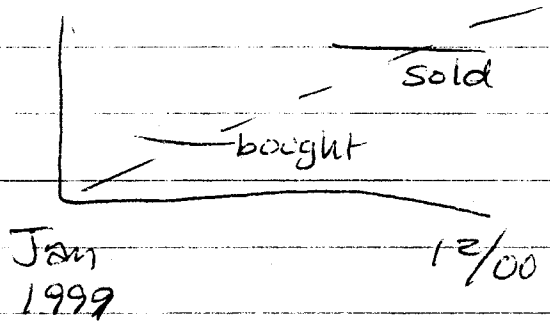
7 Mwh Long / yr.
~~&~~ ISO & PX → won't have how much we bought it for & they don't have our bookouts.
~~Sched.~~

Bookout outside ISO, schedule net w/ ISO.
→ But don't agree on prices ~~in ISO~~
Duke, So, Reliant, Dynegy booked out in Cal.
→ do in rest of WSCC

$400 m.

By deliv. Mo. of trans.




Include 10 yr. deals? → No. don't volunteer.

→ Figure out pub. policy position

① Answer questions, say nothing
② " " , finger others

Range

→ Didn't think good idea
→ Offered hedges

Commodity
## Deal Attributes

Start Date
End Date
X-party
price attribute - Fixed
- Index
- Option - strike
  - expiration date/time
  - premium paid/rec'd

Quantity
Delivery location
Deal #
Trade Date
Desk ~~#~~
~~Strike price~~
Purchase/sale
Peak/ off-peak/shaped

Forward Ob. Rept.
Go to data base
Query any day/everydate by deliv. location
Goes into scheduling sheets.

## Systems

Enpower - All commodity deals
Schedule Sheets - Non-CA Enpower dump & sched. to xparties
CAPS - CA Enpower dump & schedules to ISO
Vol. Mnmt - CA ISO & CAPX sttlmts fed by CAPS

## Losses

Unexercised options
Transmission charges

- Other commodities have clearing houses for booking out.

We never discuss price when we book out
But Cara will look @ next party in long chain
Every body has to agree to chain.
] Direct or Indirect.

Use Month long bookouts on presched

Book out
- Monthly
- Bal. of Mo.
- Daily

DUPMI
DETM Book out APC
BPA - PWX - EPMI - LADWP - CAPX

4 deals in our sys. → removing 2 -

Once bookout done - don't go over that position w/ counter party any more.

Book out 88 - 90% of deals.
of $350

Do daily book outs too

ENPOWER - Not as accurate as Schedule Sheet - but has chains too ~~& doesn't~~ acctng control from Enron.
→ When traded who & why
Used for stllmt.
Has upstream path & tag #
→ ~~lose in~~

Bought 25 MW

Remove deal Nos.
Do in Enpower format -
Pull deal ~~##~~ phys. / tags / attributes X-party price.

Phys. paths rept.
Daily Confirm

Delivery Date

Counter X delv. Pt. Price p/s 1 - - - - - - 24

10/04/00

? → EEMC → Did ~~we~~ they get served?
Mike Smith wants to know

9:00

- Cara will ask Tim about - whether to do all 24 hrs
why not a good idea - the daily confirm sheets ~~are~~
are a document we didn't ~~create for litigation~~ -
legit bus. purpose
we use every day. & no programing to
get info from Enpower

OATI Open Access Technology
Software on web site for NERC tag.
→ Can ould ~~them~~ PUC staff "read only" access to verify the
tags

11:00 a.m. Tues. – Mtg. w/ Tim, Steve, Christian, Richard.
9:00 a.m. – Tues. – Mtg. w/ Mike Day, Richard

120
100
12,000

- Thurs. Oct. 5 – letter Lmtg scope
  - don't waive rights
  - objections, grnds
  - problems w/ production.
- I.D. other items & when.
- Fri. Oct. 13 – Easy stuff
- Happy to receive electronic
→ 1-4 want old versions too –

① Gen. Info – Easy –
② Finac. – die on hill – accrual basis – better
③ Generation – Easy – can pair down
④ Back up truck –
  Trades: Want – everything in WSCC
  a) Anywhere in WSCC outside Calif.
  b) All bilat in Calif.
  c) All other trades in Calif.
- Lmtd to yr. 2000.
- Computer print out itemizing trans.
  w/ out com
  w/ details of terms
  dates, I.D, Quant., term purch. sale, prices
  → ~~Gener~~ Interx
  Dumb spreadsheets

Don't have to duplicate what ISO & PX produces.
- Only give them what goes to phys. delivery.
- Look @ financials –
→ Duke – ~~Tim~~ Involve Tim.

BPA, Power Ex

→ Can they tell how much money were making? → if you take out the financials & give them the physical

They ~~this~~ could produce financial sample

Talk to PTF about

P & L ~~&~~ E-mail > everyday ~~&~~ monthly

#5 - Describe role of SC
Internal commitments
w/ EES.
- SC Agreement ~~w/ EES~~
- ~~Drafts~~.

Put list of counter parties in letter

Propose to Narrow ~~of~~ re. relationship just to energy ~~&~~ capacity part of business > ∴ no financials - only physicals.

#6 Propose to narrow to exercise control ~~&~~ or own

7-#11 - Fight

12 - Lmt. ~~to~~ 2000 ~~&~~ Spreadsheet ?, physicals, Dumb
~~Gw~~ Lmt to own or operate

13. Spread sheet Lmtd to 2000, physicals.
→ some info. getting from ISO or PX

14. Will get from ISO

15. Lmt to Outside Cal. -
Own & Operate →

16. Spreadsheet yr. 2000 only

17. Propose to eliminate "spread transactions"

18. How long will it take?

19. Propose to get from ISO & PX

Eric - WPTF Member - PPL - interested.
206 224 7327 → in Eric's firm
Carol Arnold for DPL &

→ fight on juris. grnds.

One idea
→ Delivered MW in 2000., those that went physical deliveries

Services deals in Calif. -
tell them to subtract out of numbers for these

→ Cara Contact on #16
Daily - Scheduling Sheets - includes daily book outs → not monthly bookouts
but not others - gives them tags/paths
- But ~~include~~ excludes options
& it's electronic. *

Service Deals in EnPower
~~to~~ Get Expense Rt for Trans.
→ Cara.

Critical days - ISO stage 2 emergency

- Mike Day
- Gary Furgus - Brobeck
- Richard Sanders

Dean Christi → Brobeck

Arodles Aquilar / Harvey Morris / Sean Gallager - PUC

Burden
Relevance
Duplicative

- How many trades per day.

Call BPA / WAPA -

1-4 & 7-10

5 Schedules — Customer Preferred / " Final — EPMI Preferred / " Final — ISO

Meterdata

- Allocation back out for settlement?
- Services we charge for?
- Overlap w/ Q 15.

5-6 / 15-19 Time to notify x-parties have confid. → Need to ~~be~~ use good faith to oppose

6. Suerro?

12. El Paso, LU, Little Guys in Tacoma, WP, Puget, Willamette, Montana

Seattle, EWEB, Tacoma, First Point.

→ Partners → Send to them

→ Sent to FERC → Not all

- No documents - go to generators.

Except LU & El Paso

Avail. of unit → how long

SC → that doesn't mean we control how power is sold, or price, act as scheduling agent.

Not hard

13. Bilat → EnPower

~~Semi-loads~~

Proprietary

What does ISO Mkts Mean
e.g. Anc, Supp,
Goes to whether truck.

14 - Notices - Verbal → Tape → Get from ISO
- Don't keep
- Phone recordings in 1st 2½ years.
Keep for

Get from ISO / except outside Cal.

- No RMR
- Day Ahead & Hour Ahead Sched → Have - Enpower/Reps - ISO
- Instructed Dev. → Tape - ISO
→ Outside Cal. → Tags & confirmation
All request database
- Confidential Info. → ~~huge~~ huge esp. w/ Settlement statement What buying @ & charging for services ISO
→ Beyond Juris.
→ Vol. Mngmt ① - Internal to Cal
② All of purchases thru WSCC

Positions & not final for 2 months - settlement stmts.

- Docs related to actual → get from ISO.

15 - No ancillary services sales outside Cal. - Usually put more in than taking out
Tosco
El Paso - usually apply in Cal.
Not much
SC to SC trades → don't know whether the power

Holders question

how many trades/day

16. Everything → truckload.

Including Tapes
Tech Dbase →
E-mails

All invoices →
~~E~~ K confirm
Excel worksheets.

Four hundred boxes x number of non-confirms

- KimTerio - K confirm
  Rhonda Denton

→ Beyond Juris.

17. "spread transaction" → what does it mean
→ subset of 16.

~~MostlyCal~~.

Beyond Juris → Any Buy/Sell in WSCC

* Could include transactions w/ Eastern Inter K
(internal to Enron).

18. - fuel costs → nothing
- heat rate - limited
- K O&M - ~~limtd~~ No
- Unit's A&G → lmtd.
- Start up costs - EES/Enron Wind
- No load costs - lmtd.
- Avg. fixed costs - No
- RMR - No
- Emission → have in Houston - Not a large Amt.
- " - lmtd.

19. Wheeled "Import or Export" → Covered by Question 13
Get from ISO or PX

- Richard Sanders

- EES - Vicky Sharp is coordinating as

provision saying ESP have to open books in same way

call Mike Day S.B. 477 -

Al Pashke

Agent for Service of Process

→ Bob Williams -

Dynegy ESP got served
→ generator

- Retail & Wholesale -

~~Leslie Reeves~~
~~3-7962~~

- Motion to Quash -

Bob Williams will call

Request for Confid.

* - Timeline of what's gone on in Calif.

Send around -

What have our relations been
" " we been talking about
Hot buttons.

(415) 765-8408

~~Call Robin Tompkins~~

- Elizabeth Linnell - Source of information

- ~~Call Paul~~
- ~~Richard Sanders~~
  ~~4-5~~
  ~~5587~~
- 2nd Week in Oct. - Study Agrmt.
- ~~Sue 10: a.m. WPTF - all take up same issues~~ Al *
- Seabron - 617 354-0060

→ Subcommittee - info. sharing
what is every

---

Sue Nord -

Want people to cooperate & if you resist too much put on list of non coop. parties at your political paril - Will consider Amending Confid. order -

415 765-8408

Thurs. - letter proposing narrowing scope of discovery reqs.
- I.D. areas object
- Oct. 13th ~~easy to~~ quick to provide & don't object
- Can propose later for other stuff but will need later nego. after Staff sees
- Do Want ~~to~~ finac. data not public
  - Want details of Bilat, WSSC deliv. pt
  - Names dates, places prices terms

**Enron Capital & Trade Resources Corp.**

From: MBD <MDay@GMSSR.com>
09/29/2000 04:26 PM

To: James D Steffes <James_D_Steffes@enron.com>, Richard Shapiro <rshapiro@enron.com>, Mary Hain <Mary_Hain@enron.com>, Vicki Sharp <vsharp@enron.com>, Richard B Sanders <Richard_B_Sanders@enron.com>, Jeff Dasovich <Jeff_Dasovich@enron.com>, Mona L Petrochko <mpetroch@enron.com>, "'Sandi McCubbin Enron SF'" <smccubbi@ees.enron.com>, "'Sue Mara at Enron SF'" <smara@ees.enron.com>, "'skean@enron.com'" <skean@enron.com>
cc: "'gfergus@brobeck.com'" <gfergus@brobeck.com>
Subject: Political Issues Raised at Meeting with CPUC re subpoenas issued to Enron

Today, Friday, Gary Fergus of the Brobeck firm and I met with Attny. Harvey Morris of the CPUC to negotiate an extension of time for responding to the five subpoenas issued to Enron affiliates and Portland General. We negotiated both an extension for initial responses (two weeks) plus an opportunity to submit a proposal for a significant reduction in the scope of the request for production of documents. This will include a further extension for other documents that are to be produced, as well as a reservation of rights to object to the production of other documents. We are working in close contact with Richard Sanders and the EPMI legal team in Portland on further refining both responses and potential objections.

However, in light of recent communications between the Governor's office and senior Enron officials, and the prospect of additional such communications, Both Gary and I wanted to report an unusual aspect of the negotiation with the CPUC. At the beginning of the meeting, as we were indicating the overall burden of the request, the CPUC attorney indicated the extreme pressure the Commission was under to "get to the bottom" of what was happening in the California power markets. He also recited that "many parties have pledged their cooperation in this investigation to the Governor". He then proceeded to state that parties who delayed providing responses and raised objections to the requests for production instead of cooperating would "be placed on a list of non-cooperative parties" which would be made available to the Governor and legislators and that such parties would have to bear the consequences of such actions.

This rather explicit threat is, in my experience, unprecedented at the CPUC. I also know the attorney in question well enough to know that he would never invoke political reprisals on his own, and was obviously instructed to do so by CPUC Pres. Lynch or her senior staff. Both Gary Fergus and I responded that such a threat was both improper and disturbing for a party simply trying to exercise its legitimate rights to adjudicate burdensome discovery requests, but there was no attempt to withdraw the threat. This comment speaks volumes about the pressure which the CPUC President feels to achieve a politically acceptable result in this matter. Those senior Enron officials in communication with the Governor should be made aware of this incident.

Mike Day

**MEMORANDUM**

TO: Tim Belden, Chris Calger
FROM: Steve Hall
RE: Compliance With CPUC Investigation and Subpoena

As you know, the CPUC has served Enron Power Marketing Inc. with a subpoena that orders EPMI to produce certain records to the CPUC by October 4, 2000. The scope of the subpoena is extremely broad. As a result of negotiations between the CPUC and our attorneys, however, we have limited the scope of the subpoena and obtained an extension of the October 4, 2000 deadline. Despite this initial progress, the amount of work required to comply with this request should not be underestimated.

We are making every effort to minimize the disruption of daily operations. Our success will be based in part on the amount of support that you can give the legal team in the next few days, and in part on the extent to which you can obtain the support of those employees who report to you.

**What is the CPUC doing?** As an outgrowth of the CPUC's investigation into the June 14, 2000 blackouts in San Francisco, the CPUC has undertaken an investigation into the functioning of the wholesale electric market and its associated impact on retail rates. As part of this investigation, the CPUC has issued over 120 subpoenas to various participants in the California markets.

Enron has not been singled out for this investigation, but we must assume that our status as a leading power marketer and scheduling coordinator will ensure that we receive special attention.

**Why is the CPUC doing this?** The CPUC is eager to find someone to blame for the breakdown in the wholesale market this summer. It is expected that once the "guilty" parties are identified the CPUC will attempt to seek refunds, perhaps through a recalculation of the Market Clearing Price.

**What is a subpoena?** A subpoena is a legal document that requires the party receiving it to produce certain documents. Failure to do so can result in sanctions, fines, or criminal penalties.

**Does the CPUC have the jurisdiction to do this?** In our opinion, the CPUC does not have the jurisdiction to conduct an investigation into wholesale power markets. However, this investigation is politically-motivated and we must be sensitive to public perceptions. At this point, a legal challenge to the CPUC's jurisdiction is politically risky.

**What does the CPUC want?** In general terms, the CPUC is looking for documents in the following areas:

- Information relating to all deliveries of physical power in the WSCC and bilateral contracts in California for calendar year 2000
- Organizational charts, phone directories, corporate histories
- Financial documents, e.g., profit and loss statements, income statements, balance sheets, etc.
- Documents describing our role as a scheduling coordinator
- Information relating to maintenance for generators that we control
- Information we provided to FERC in data requests

**Is that it?** For now, this appears to be the minimum amount of information that will satisfy the terms of the subpoena. This may change over the next few weeks, however, depending upon the whims of the CPUC.

**When do we need to comply with this request?** We have obtained an extension from the CPUC. Under the terms of the extension, we must send a letter to the CPUC by October 5, 2000 identifying the documents we possess, the difficulties we are having, and a schedule under which we will provide those.

We have to provide the documents by October 13, 2000. Depending on the amount of reviewing, copying, and labeling that we need to do, we may need to have the documents by October 9 or October 10.

**Action needed:**

- Tell key people to take this seriously and cooperate with Legal during the next two weeks.

From: Richard B Sanders on 10/06/2000 09:16 AM CDT

To: Twanda Sweet/HOU/ECT@ECT, Steven J Kean/NA/Enron@Enron, James D Steffes/NA/Enron@Enron, Richard Shapiro/NA/Enron@Enron, Mary Hain/HOU/ECT@ECT, Jeff Dasovich/NA/Enron@Enron

cc:

Subject: Revised Draft Proposal to CPUC

Please provide your comments asap

----- Forwarded by Richard B Sanders/HOU/ECT on 10/06/2000 09:11 AM -----

"Fergus, Gary S." <GFergus@brobeck.com>

10/05/2000 09:33 PM

To: "'Richard.B.Sanders@enron.com'" <Richard.B.Sanders@enron.com>, "'msmitt "'David_Aamodt@pgn.com'" <David_Aamodt@pgn.com>, "MBD" <MDay@GM

cc:

Subject: Revised Draft Proposal to CPUC

PRIVILEGED AND CONFIDENTIAL
ATTORNEY CLIENT PRIVILEGE

DRAFT DRAFT DRAFT

Harvey Morris Esq.
California Public Utilities Commission
505 Public Utilities Commission
San Francisco, California 94102

Re: I.00-08-002 Subpoenas Served on Enron Power Marketing, Inc. ("EPMI"), Enron Energy Services Inc. ("EES"), Enron Energy Marketing Corporation ("EEMC"), Enron Energy Services Operations Inc. (EESO) and Portland General Electric Corporation ("Portland General")(collectively sometimes referred to as the "Enron Entities")

Harvey,

Here are our proposals with respect to the Enron Entities' production of documents pursuant to the above described subpoenas issued by the California Public Utility Commission (hereinafter "the Commission"). The Enron Entities are willing to assist the Commission in undertaking its investigation into the problems in the California electric markets by producing a limited quantity of specified information on a timely basis. We believe that the limited production we propose will enable the Commission to commence its investigation much sooner than if the parties were forced to litigate all of the potential objections to the requests for production, which are, by any standard, extremely broad and could involve millions of pages of documents. We make these proposals pursuant to our email exchange of October 3, 2000 with the understanding that the Commission agrees that by cooperating, offering to produce or producing documents, the Enron Entities have not waived any objections or challenges to these subpoenas whatsoever and that any claims, defenses, objections, jurisdictional or otherwise or other responses have been specifically reserved and can be raised in the future, if necessary. For all of these proposals, we exclude documents that are protected from disclosure by the attorney client and attorney work product privileges.

made Steve to change.

[SUBJECT TO VERIFICATION: Generally speaking, the documents and information that the Commission seeks can be found, if they exist, within

EPMI, EES and Portland General. To the extent that EEMC or EESO are relevant to the Commission's investigation, any documents would be located within EES. Thus, we do not anticipate specific document productions from either EEMC or EESO.]

GENERAL DOCUMENTS
Requests 1 through 4

The Enron Entities have been very dynamic organizations having acquired, sold, divested, joint ventured, spun off and otherwise reorganized themselves extensively during the past two years. The burden and expense on Enron to locate, and produce every corporate organizational chart anywhere in its organization since April 1, 1998 is significant. The Enron entities will provide the Commission with exemplars of its current organizational charts, telephone directories and so called "family trees" to show its current organization. To the extent that Enron can readily identify and locate exemplars of significant organizational charts, telephone directories or so called "family trees" for earlier periods it will also make those available. One Enron Entity, Portland General, has published books on its corporate history. If a list of those books would be helpful, we can provide it. With respect to the other entities, to the extent that corporate histories can be found, they will be produced. We anticipate producing these documents in the first wave on October 13, 2000.

Requests 5 and 6

The Enron Entities propose that their responses to Requests 1-4 will identify their relationship to affiliated companies and the Transaction Documents will identify its customers and suppliers.

Provide the contracts but don't promise

FINANCIAL DOCUMENTS
Requests 7 through 11

The Enron Entities will produce their public filings for the period requested with respect to financial data. EPMI, EES, and Portland General will provide to the Commission electronic Transaction Documents for the purchase and sale of energy delivered which includes economic data. It is intended that this economic data will provide the Commission with financial information regarding the Enron Entities which will be useful to its investigation. We anticipate producing public filings regarding financial data on October 13, 2000 and the electronic Transaction Documents in the second wave of document productions.

GENERATING DOCUMENTS
Requests 12, 14 and 18

For the Enron Entities other than Portland General, the generation facilities are limited in number and there will probably be limited documents available. The Enron Entities to the extent they act as a scheduling coordinator or possessed the right to use or resell generation output, do not have the specific documents that pertain to each generation unit requested. The Enron Entities, other than Portland General, do have documents and information for Enron Wind, Saguaro and Las Vegas Cogeneration. We propose to produce these documents in the second wave of document productions.

For Portland General, the production of the requested documents would involve a tremendous volume of documents, as Portland General owned twenty generating facilities of a variety of types and sizes during 2000. Portland General is a net importer of energy and can only generate about one half of its total energy demand. As a result, we question whether the effort required of Portland General is warranted as its impact on the California wholesale market is necessarily limited. In addition, those transactions which do involve Portland General sales into California are limited to sales to the ISO and PX, and long term contracts with two small

California municipal utilities. Thus, the Commission will receive the essential transactional information regarding these sales from the ISO and PX. Nevertheless, Portland General proposes to provide for year 2000 electronic Transaction Documents in summary form similar to the data being provided by other Enron Entities, to the extent relevant. [We propose that the Commission defer requesting production of other information until it has reviewed the information of generators who sell a significant proportion of their energy into the California market. At that time a more accurate assessment can be made of whether this enormous effort will be valuable given the limited impact of Portland General generation on the California wholesale market.]

[Alternate ending to paragraph: We propose for the voluminous Portland General generating cost and maintenance data, that these documents be made available in Portland for inspection from a representative sampling of facilities. If there are specific documents that the Commission would like copied from that production, we can discuss the arrangements for producing these documents. We propose to make these documents available in Portland in a third wave of document productions]

TRANSACTION DOCUMENTS
Requests 13, 15, 16, 17 and 19

limit to PX & ISO

We understand that the Commission will be obtaining trading data for the purchase and sale of energy delivered in California from the ISO and PX. EPMI can provide the Commission several different sets of transaction data for year 2000 (in California and outside of California and Real Time) for the purchase and sale of energy delivered with the date, counterparty, quantity, delivery point, hours, price, and whether it is a purchase or a sale. Because of the speed with which you want this information, it is possible that some entries will be incomplete or inaccurate. For those transactions where EPMI served only as the scheduling coordinator, we understand that the ISO will show part of the transaction, but there will not be a corresponding transaction in the EPMI data we can provide quickly. The reason is that this type of transaction is passed through to EPMI's customer on an accounting system rather than as part of the trading business. EES is a retail provider of electricity, and plays a far more limited role in the wholesale markets which are the subject of the Commission investigation. However, EES can also provide similar electronic Transaction Data with the proviso that it will not include the specific names of its retail customers but instead will provide a blind customer number. This additional restriction is important to EES because many of EES's customers have agreements whereby they must be notified of any subpoena and provided an opportunity to object. EES cannot meet your time frame to release information and give its customers the notice they require. Given that EES was a retail provider and the fact that the identity of retail customers is of little or no relevance to the functioning of the wholesale market, we do not believe protecting the identity of retail customers is an unreasonable limitation or narrowing of the request. We anticipate producing the transaction data in the second wave of document productions.

FERC DOCUMENTS

Request 20

The Enron Entities will produce the requests for data they received from FERC and to the extent that FERC has been given responses, copies of those responses. We anticipate producing the FERC documents on October 13, 2000.

Based upon discussions that we have had with the various Enron Entities, we believe that we could make a second wave of productions on Friday October 27, 2000. It is possible that not all Enron Entities could

make that date but we believe the bulk of the data could be available for production by then.

We propose to make these productions with the understanding that if any entity obtains a more stringent protective order than the one currently in place, that all of the Enron Entities document productions will be protected by the most stringent protective order. In addition, if, at the request of any party or nonparty to this proceeding, the Commission or a court of competent jurisdiction orders that the requests for production be limited, reduced or eliminated, the Enron Entities reserve the right to limit the production of documents in conformance with such order.

We understand that you will consider these proposals and let us know if they are acceptable to the Commission. If you have any questions or comments about our proposal, please do not hesitate to contact Michael Day or myself.

Brobeck Phleger & Harrison LLP

Gary Fergus

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