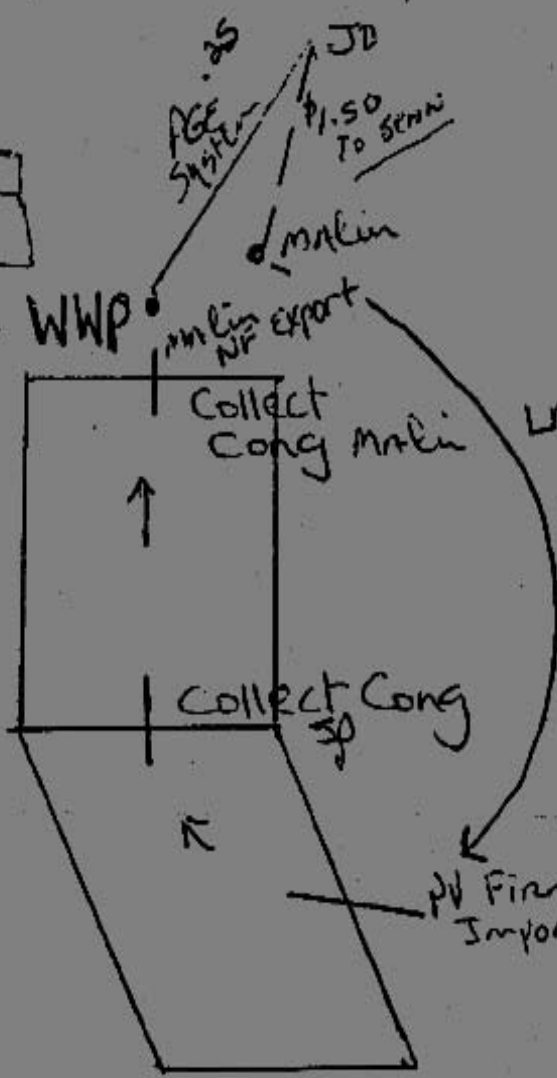
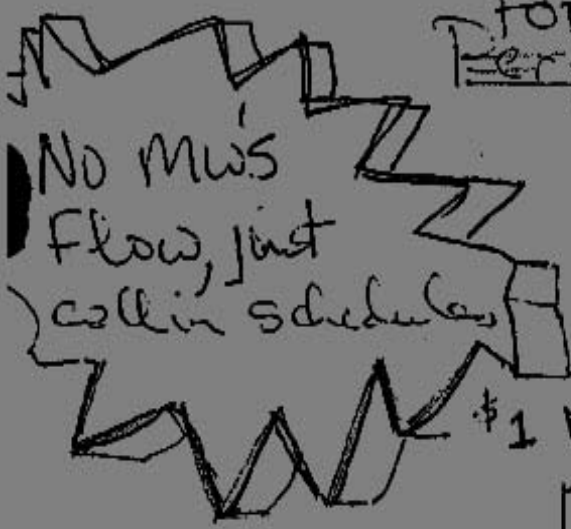


FORNEY
 Perpetual Loop - J Forney
 925-10415



LADWP(T)
 87.33 + 33 / MW's F #

20 MW \$150
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FORNEY
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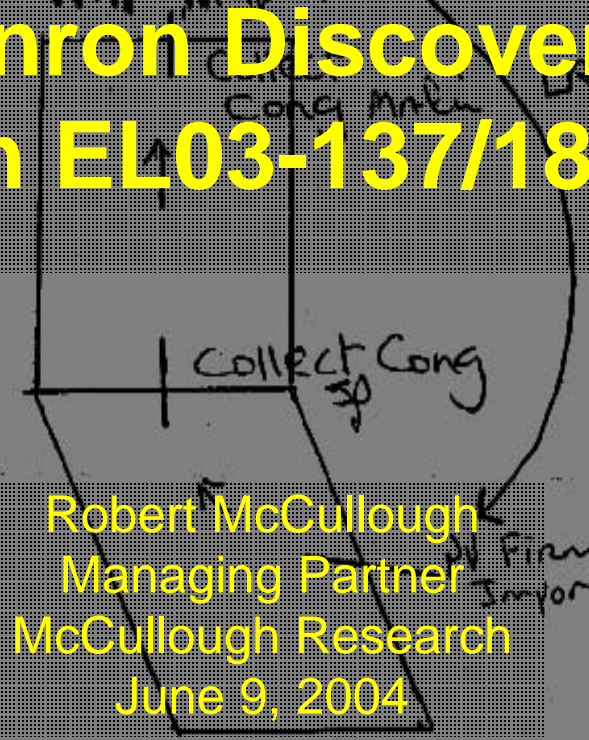
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Enron Discovery in EL03-137/180



Robert McCullough
 Managing Partner
 McCullough Research
 June 9, 2004

20 MW \$150
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87,334.33 / MW's #

Restructuring Today

Friday January 23 2004

FERC resolves 23 West Coast market gaming charges

Enron lost its market-pricing privilege.

Commissioner Joseph Kelliher agreed and reminded marketers that market-based rates are not a right but a privilege.

Charges were dropped against most but two were denied motions to dismiss the charges — Sempra Energy Trading because a settlement is pending and the Colorado River Commission of Nevada.

The latter body had told FERC it had no paper showing a partnership that was mentioned in the initial show-cause order.

The agency brushed that viewpoint aside.

Some litigants settled and FERC OK'd those agreements yesterday — American Electric Power (\$45,240), the City of Redding (\$6,300), Puget Sound Energy

(\$17,092), San Diego Gas & Electric (\$27,972) and Williams (\$45,230).

The agency's authority does not include penalty authority but it has the right to order the return of excess profits whatever that may be.

The commission's staff urged dismissal of show-cause orders on the grounds that it could not find enough evidence to show the 23 had gamed the market in 2000-2001, the California crisis period.

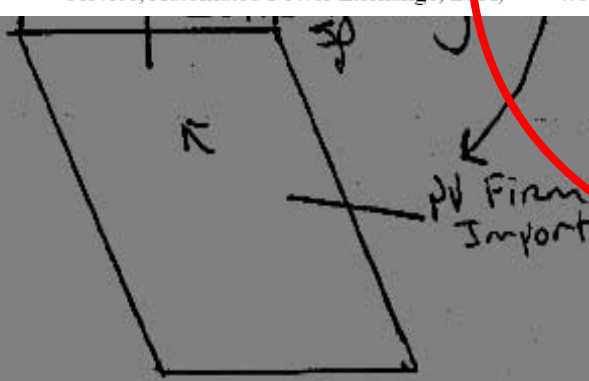
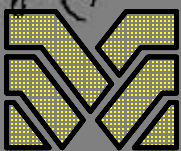
Charges were dropped against Constellation Power Source, El Paso Merchant Energy, Eugene Water & Electric Board, Idaho Power, Koch Energy Trading, MIECO and PPM Energy.

Another group included Arizona Public Service, Automated Power Exchange, BPA,

LADWP, the Power Exchange, Cargill-Alliant, municipal power firms of Anaheim, Azusa, (not Cucamonga) Pasadena and Riverside, EPL Energy, the Northern California Power Agency, Pacific Gas & Electric and its marketing affiliate PGE Energy Services, Public Service of Colorado, Public Service of New Mexico, Salt River Project, Sierra Pacific Power, Southern California Edison, TransAlta Energy Marketing, Tucson Electric Power and WAPA itself.

Chairman Wood was asked what he would say if California critics say the settlement is not enough considering the state's injury.

FERC's message, Wood replied, is that "we're doing the maximum we can do."



handwritten notes on the right side of the page, including "LAWT) is firm", "main > merch", "we can be", "main > merch", and "on n...".



Enron Discovery in EL03-137/180

- Law West of the Pecos?
- Background on the problem
- EL02-2-000 and the Yoder/Hall Memos
- Enron Testimony Before Congress
- Prior discovery before December 2003
- FERC efforts since EL02-2-000
- Enron's Infrastructure
 - West Desk
 - Trader recordings
 - Enron Accounting
- New Schemes




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Where are the Pecos?



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Import

Law West of The Pecos?

- FERC has ceased active work on Enron issues
- The California ISO has caught exactly zero offenders over the past six years
- The California PUC has no jurisdiction
- The courts have deferred to FERC
- The U.S. Department of Justice has two guilty pleas and several outstanding prosecutions
 - Only Reliant is facing criminal prosecution
- Market surveillance has devolved to the local "posse", Pacific Northwest market participants -- primarily Snohomish, but also Seattle, Tacoma, and Port of Seattle -- and the California AG

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on n...



Active Participants

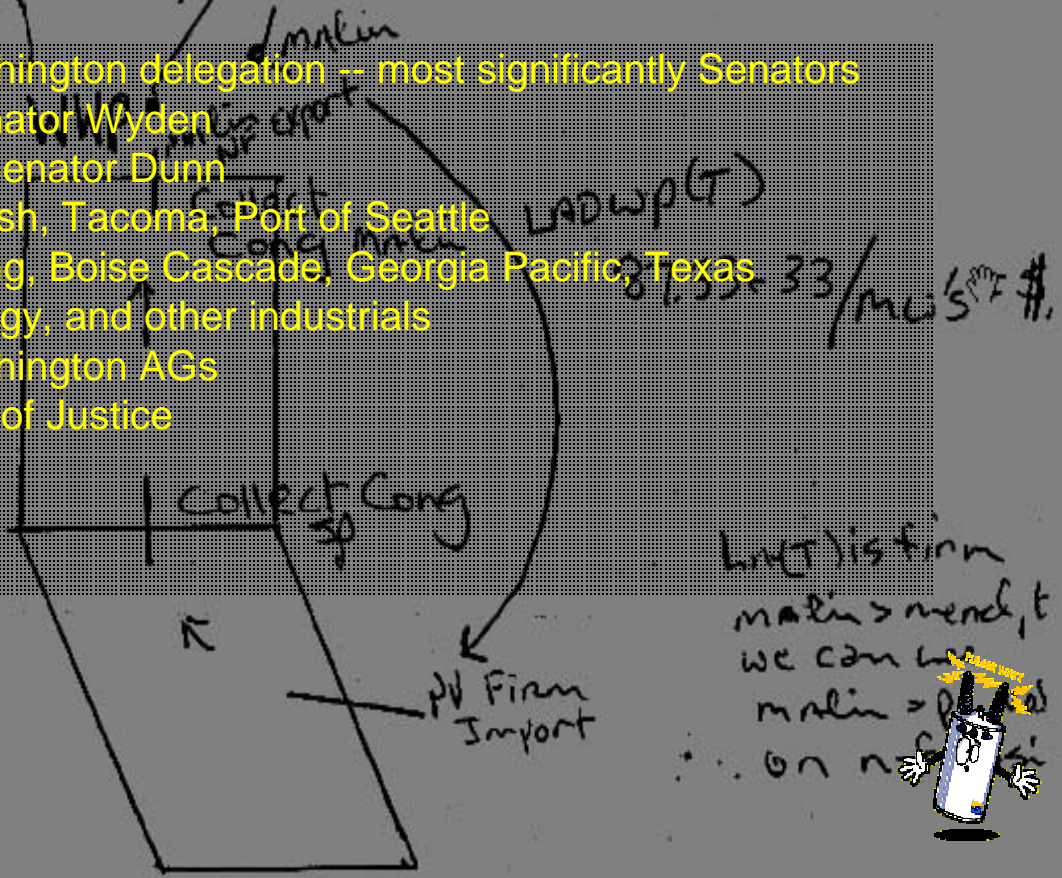
- Oregon and Washington delegation -- most significantly Senators Cantwell and Senator Wyden
- California State Senator Dunn
- Seattle, Snohomish, Tacoma, Port of Seattle
- Alcan, Wah Chang, Boise Cascade, Georgia Pacific, Texas Commercial Energy, and other industrials
- Oregon and Washington AGs
- U.S. Department of Justice
- California AG
- SCE
- Sierra Pacific

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Largely Passive

FORNEY

J Forney
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- California PUC
- Independent System Operator
- Energy Oversight Board

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87.33 + 33 / mws #

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Background on the Problem

- California adopted the new market structure in April 1998
- Misguided consultants to the ISO and PX taught classes in weaknesses of the system during 1998
- Initial schemes -- Silver Peak I and II occurred in 1999 -- the PX pursued Enron for Silver Peak II, but were intimidated by Enron into a \$25,000 settlement
- Enron pioneered numerous market manipulation schemes during 1999 and 2000 -- training other market participants in the techniques in their "Services Desk". Most significantly, Powerex and Coral effectively duplicated Enron schemes almost exactly
- The crisis started on May 22, 2000 when ISO reserves fell below Stage 2 Emergency levels (more about this later)



pv Firm
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Background on the Problem II

- California thermal generation -- Duke, Dynegy, AES/Williams, Reliant, and Mirant -- remained at 50% dispatch levels during the emergency
- Richard Sanders and Stephan Hall began their in-house investigation of Enron's West Desk in August, 2000
- Enron and others opposed price caps ably -- finally eliminating them entirely in December 2000
- Stephan Hall produced the first version of the Yoder/Hall memo in October and Sanders distributed to the litigation team
- In December, Christian Yoder and Stephan Hall issued their memo and Enron's lawyers told traders to desist from schemes
- Also in December, FERC dissolved the ISO board and the ISO began an active role in the crisis
- Enron schemes continue
- John Forney transferred to Texas -- initiates Get Shorty there
- First price cap in April, 2001



Background on the Problem III

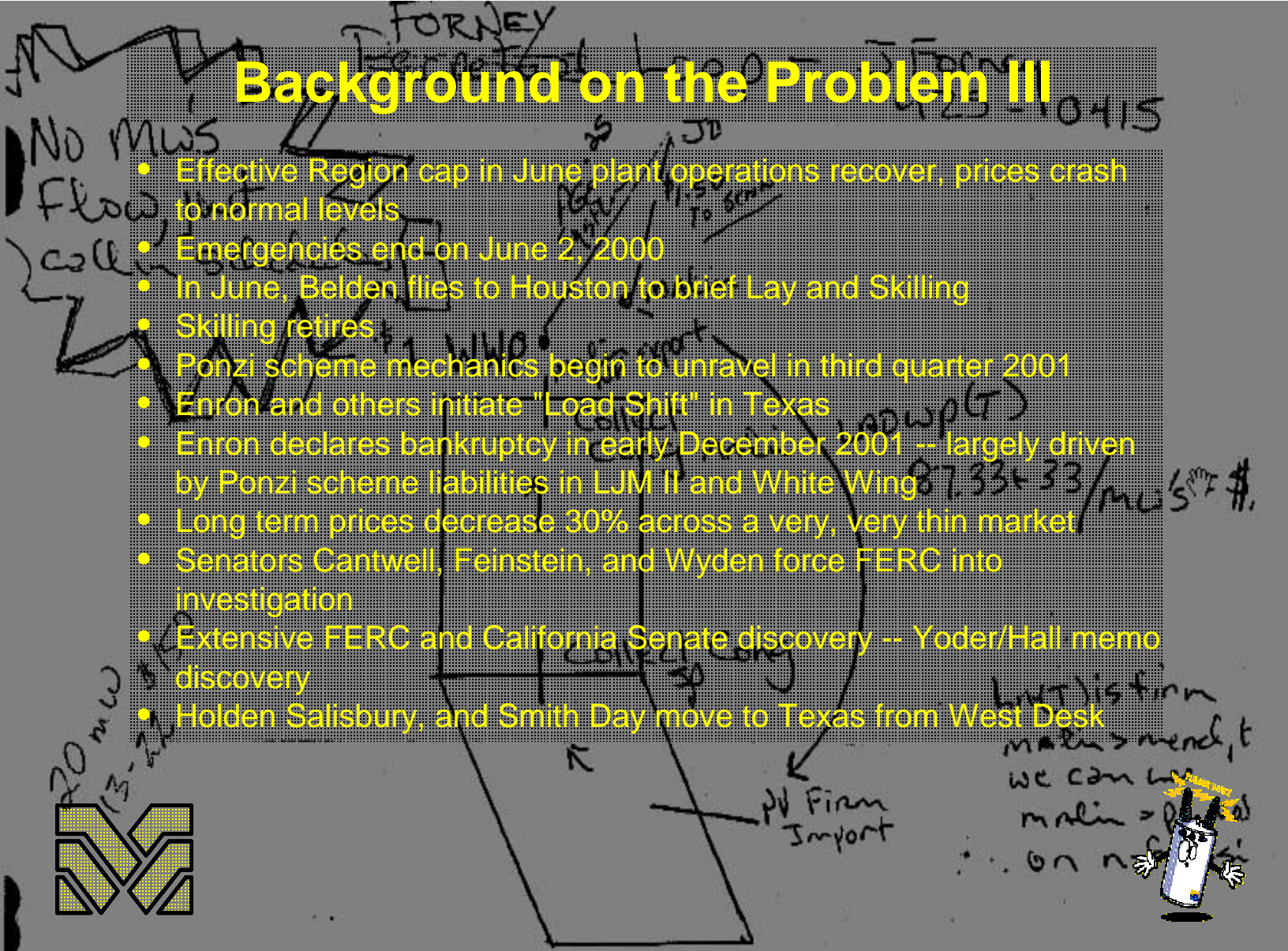
- Effective Region cap in June plant operations recover, prices crash to normal levels
- Emergencies end on June 2, 2000
- In June, Belden flies to Houston to brief Lay and Skilling
- Skilling retires
- Ponzi scheme mechanics begin to unravel in third quarter 2001
- Enron and others initiate "Load Shift" in Texas
- Enron declares bankruptcy in early December 2001 -- largely driven by Ponzi scheme liabilities in LJM II and White Wing
- Long term prices decrease 30% across a very, very thin market
- Senators Cantwell, Feinstein, and Wyden force FERC into investigation
- Extensive FERC and California Senate discovery -- Yoder/Hall memo discovery
- Holden Salisbury, and Smith Day move to Texas from West Desk

20 MW
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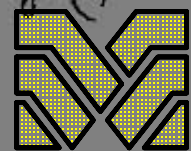
pv Firm
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Background on the Problem IV

- FERC requires affidavits from all market participants in May 2002
- PGE, Avista, and El Paso Electric FERC cases initiated
- U.S. DoJ start their investigation in July, 2002
- Belden guilty plea in October
- 100 Days case starts in December, ends in March
- Final staff report in EL02-2-000 corroborates technical work done by Northwest and California parties
- FERC rejects PNW discounts in the late spring
- Texas price spikes reflect "Thin Man" -- Forney, Salisbury and Day implicated
- FERC settles PGE, Avista, and El Paso cases favorably to defendants
- FERC initiates EL03-137/180 cases to recover illegal profits
- FERC staff request return of \$6 million (out of \$1.5 billion) Enron profits -- largely due to absence of evidence



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Background on the Problem V

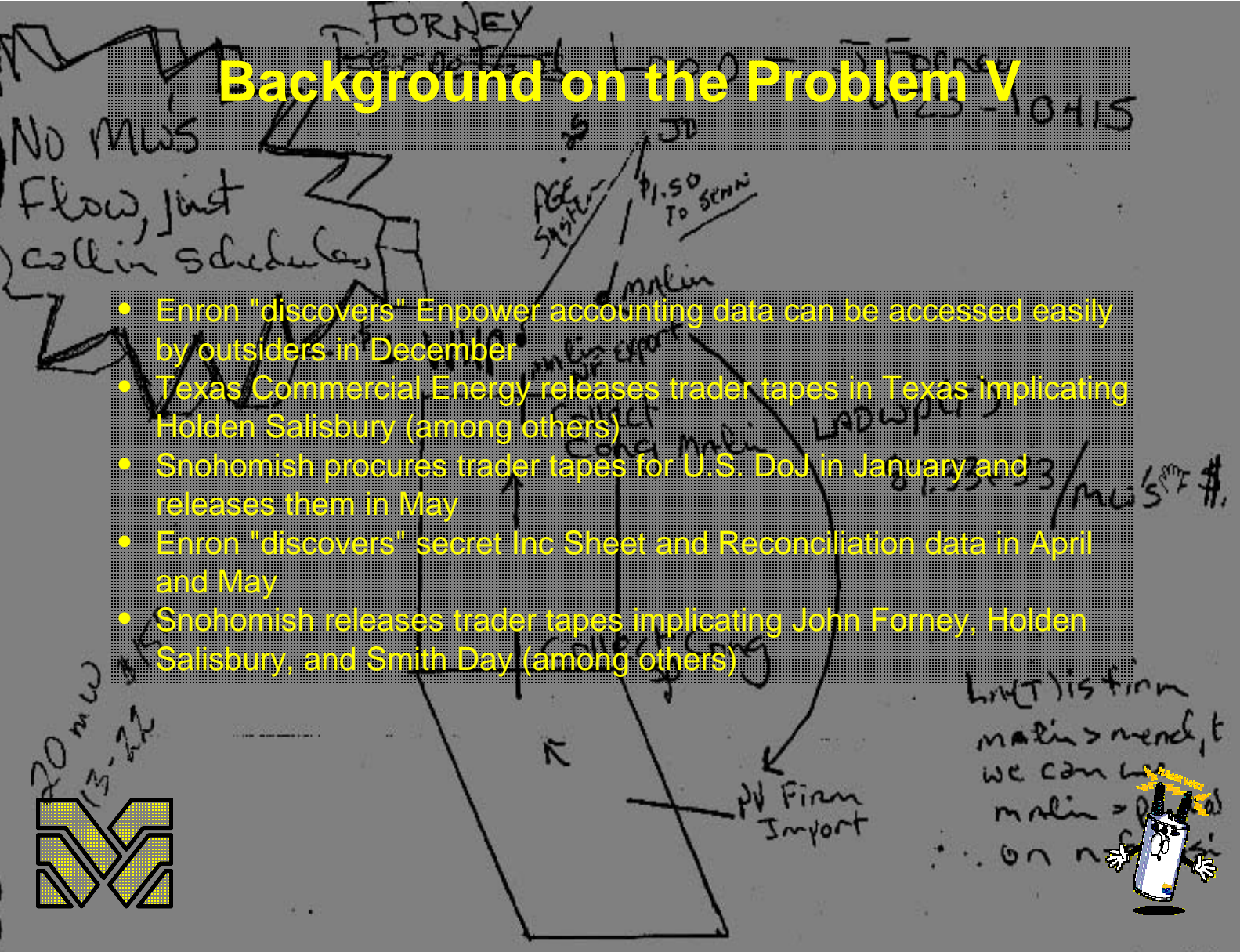
- Enron "discovers" Enpower accounting data can be accessed easily by outsiders in December
- Texas Commercial Energy releases trader tapes in Texas implicating Holden Salisbury (among others)
- Snohomish procures trader tapes for U.S. DOJ in January and releases them in May
- Enron "discovers" secret Inc Sheet and Reconciliation data in April and May
- Snohomish releases trader tapes implicating John Forney, Holden Salisbury, and Smith Day (among others)

20 MW
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on n...


pv Firm
Import



Enron Geography

- Management
 - Lay
 - Skilling
 - LAVORATO
- Enron North America (90% of profits)
 - Houston (gas and non-West Desk electricity)
 - West Desk (\$2 billion in profits in 2000 and 2001)
- Enron International (mainly losses)
 - South America
 - India
 - Europe
- Two sets of criminals
 - Ponzi schemes in Houston
 - Trading schemes in Portland

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West Desk

J Forney
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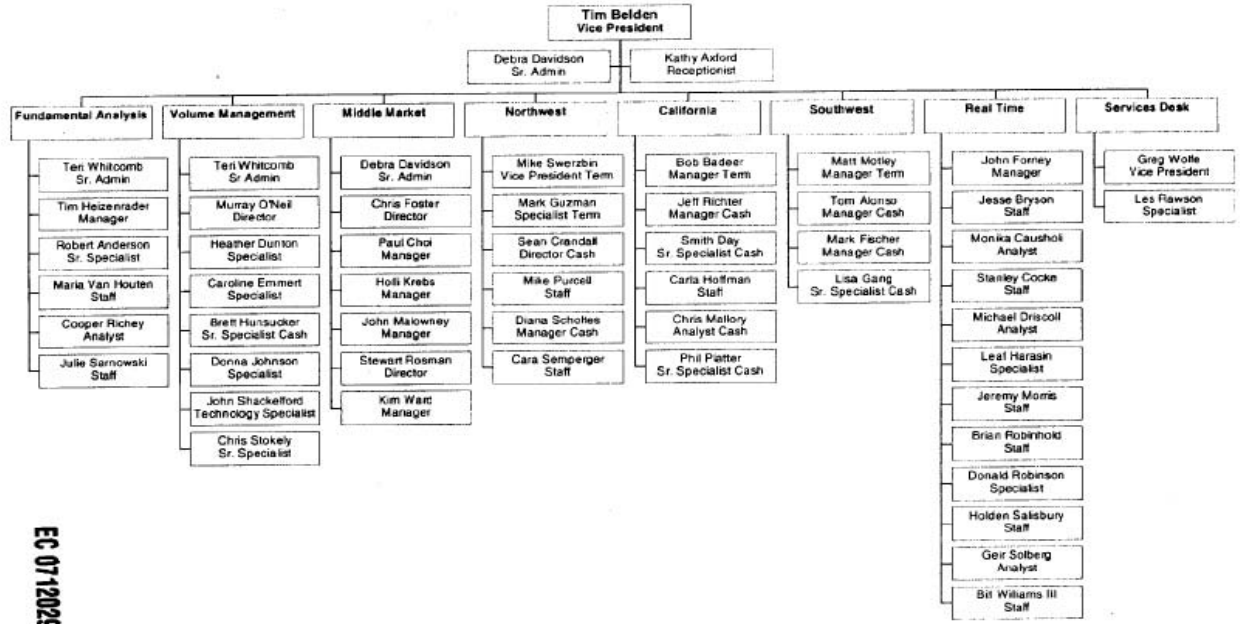
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Enron North America West Power Trading

July 17, 2000



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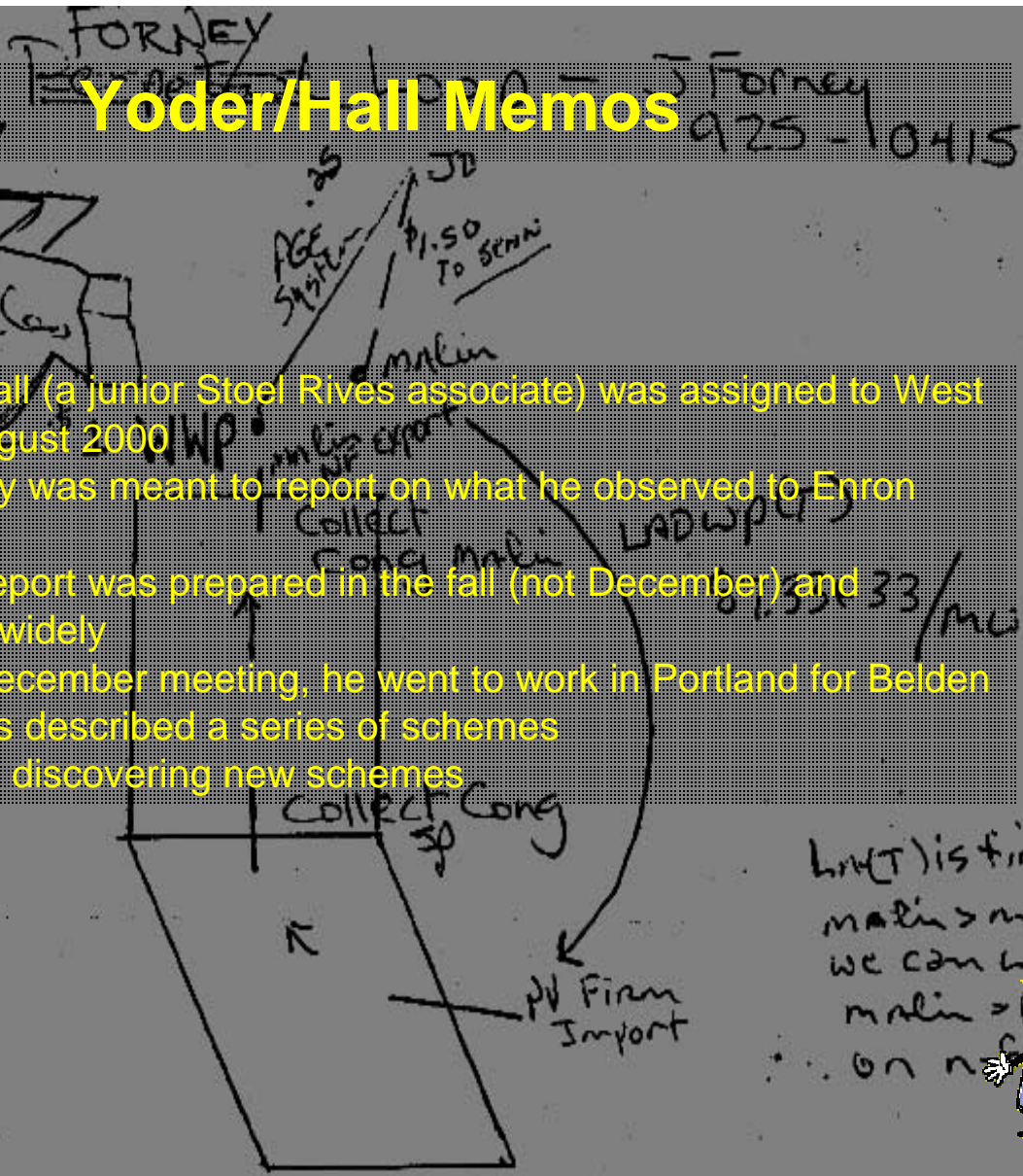
57 #



Yoder/Hall Memos

- Stephan Hall (a junior Steel Rives associate) was assigned to West Desk in August 2000
- He probably was meant to report on what he observed to Enron Legal
- His initial report was prepared in the fall (not December) and distributed widely
- After the December meeting, he went to work in Portland for Belden
- The memos described a series of schemes
- We are still discovering new schemes

20 MW \$15
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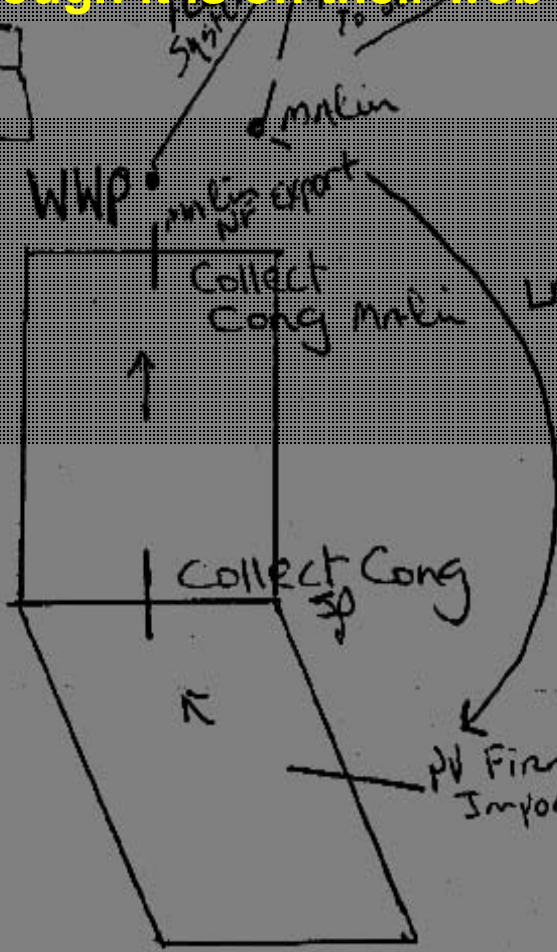
low(T) is firm
main > merch, t
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Hall Memo from October 2000

FERC has not discovered this document although it is on their web site

- Load Shift
- Get Shorty
- Death Star
- Non-firm Export
- Wheel Out
- Fat Boy



87.33 + 33 / MW's #

LADWP(T) is firm
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20 MW \$150
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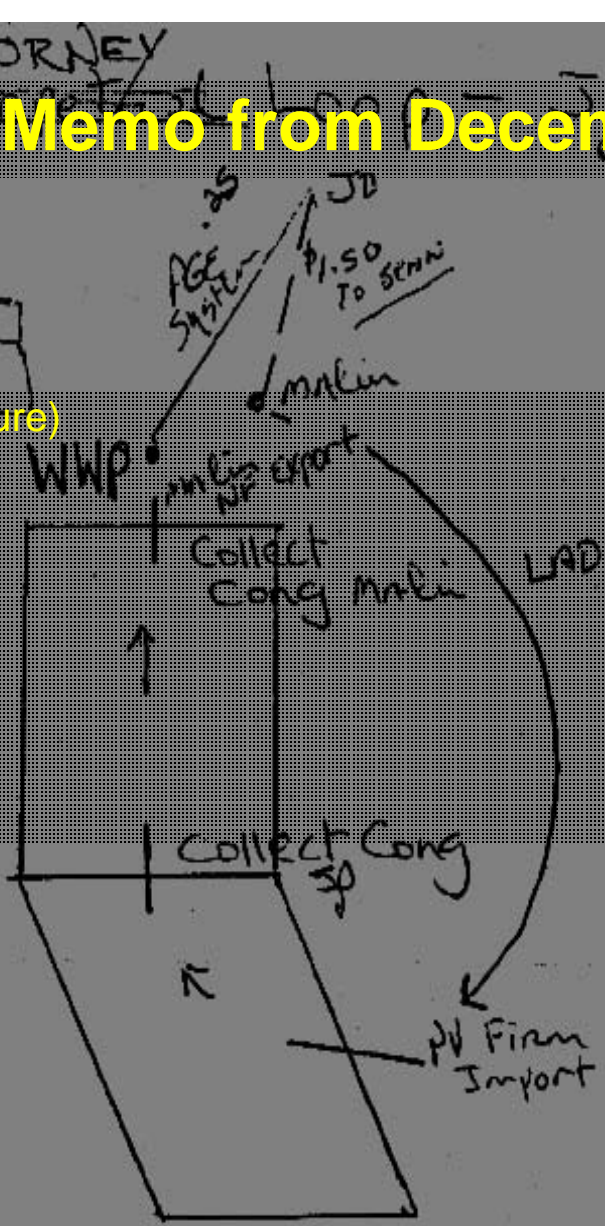
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Yoder/Hall Memo from December 2000

No MWS
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collin schedules

- Fat Boy (Big Picture)
- Export
- Non-firm Export
- Death Star
- Load Shift
- Get Shorty
- Wheel Out
- Non-firm As Firm

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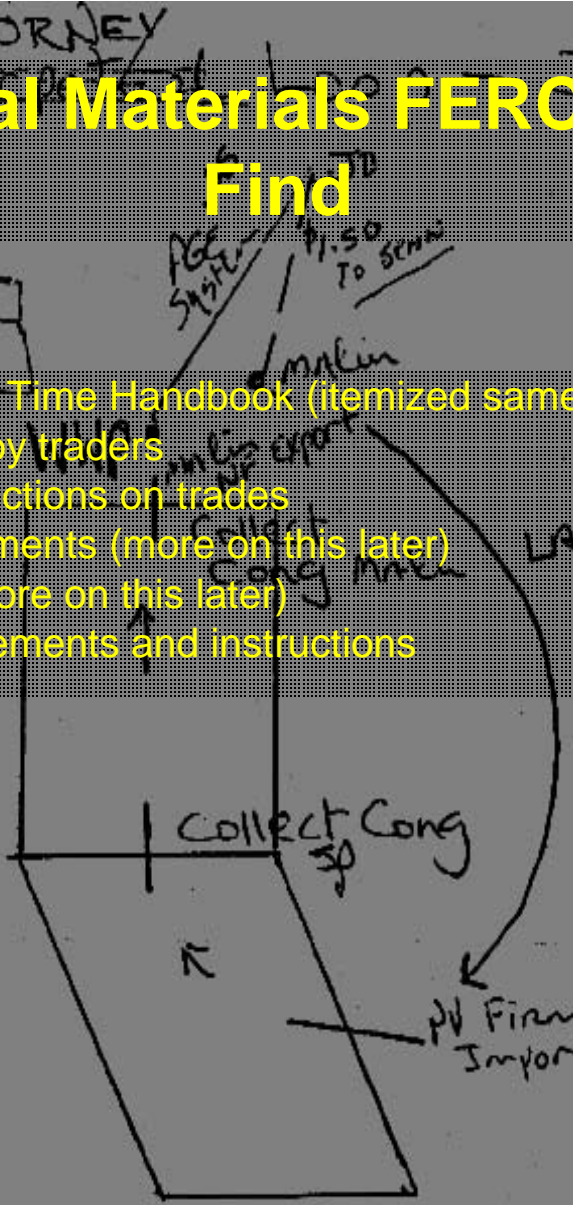

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Additional Materials FERC Did Not Find

- March 2000 Real Time Handbook (itemized same schemes)
- Trading "books" by traders
- Emails with instructions on trades
- Accounting documents (more on this later)
- Trading tapes (more on this later)
- Partnership agreements and instructions

20 MW \$150
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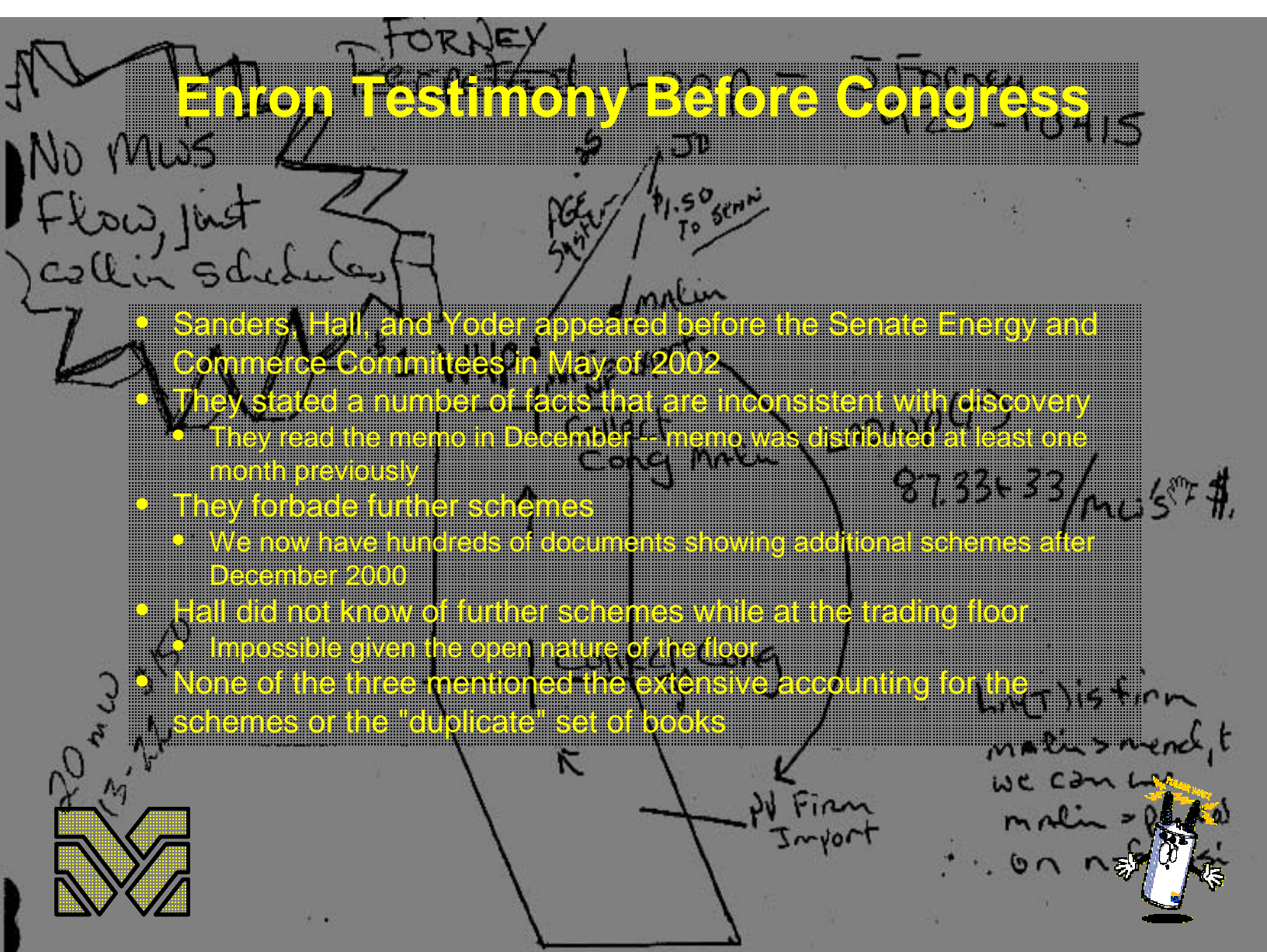
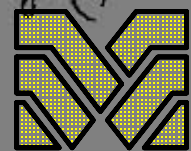


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Enron Testimony Before Congress

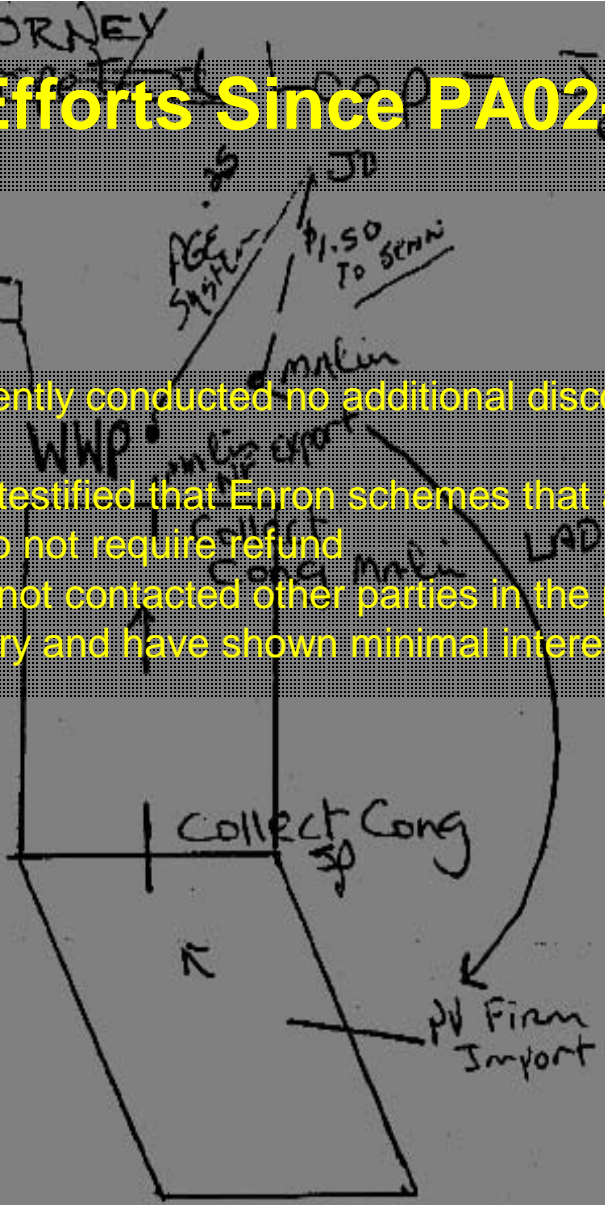

- Sanders, Hall, and Yoder appeared before the Senate Energy and Commerce Committees in May of 2002
- They stated a number of facts that are inconsistent with discovery
 - They read the memo in December -- memo was distributed at least one month previously
- They forbade further schemes
 - We now have hundreds of documents showing additional schemes after December 2000
- Hall did not know of further schemes while at the trading floor
 - Impossible given the open nature of the floor
- None of the three mentioned the extensive accounting for the schemes or the "duplicate" set of books



FERC Efforts Since PA02-2-000

- FERC has apparently conducted no additional discovery since spring 2003
- FERC staff have testified that Enron schemes that are undocumented do not require refund
- FERC staff have not contacted other parties in the proceeding for copies of discovery and have shown minimal interest

20mw \$150
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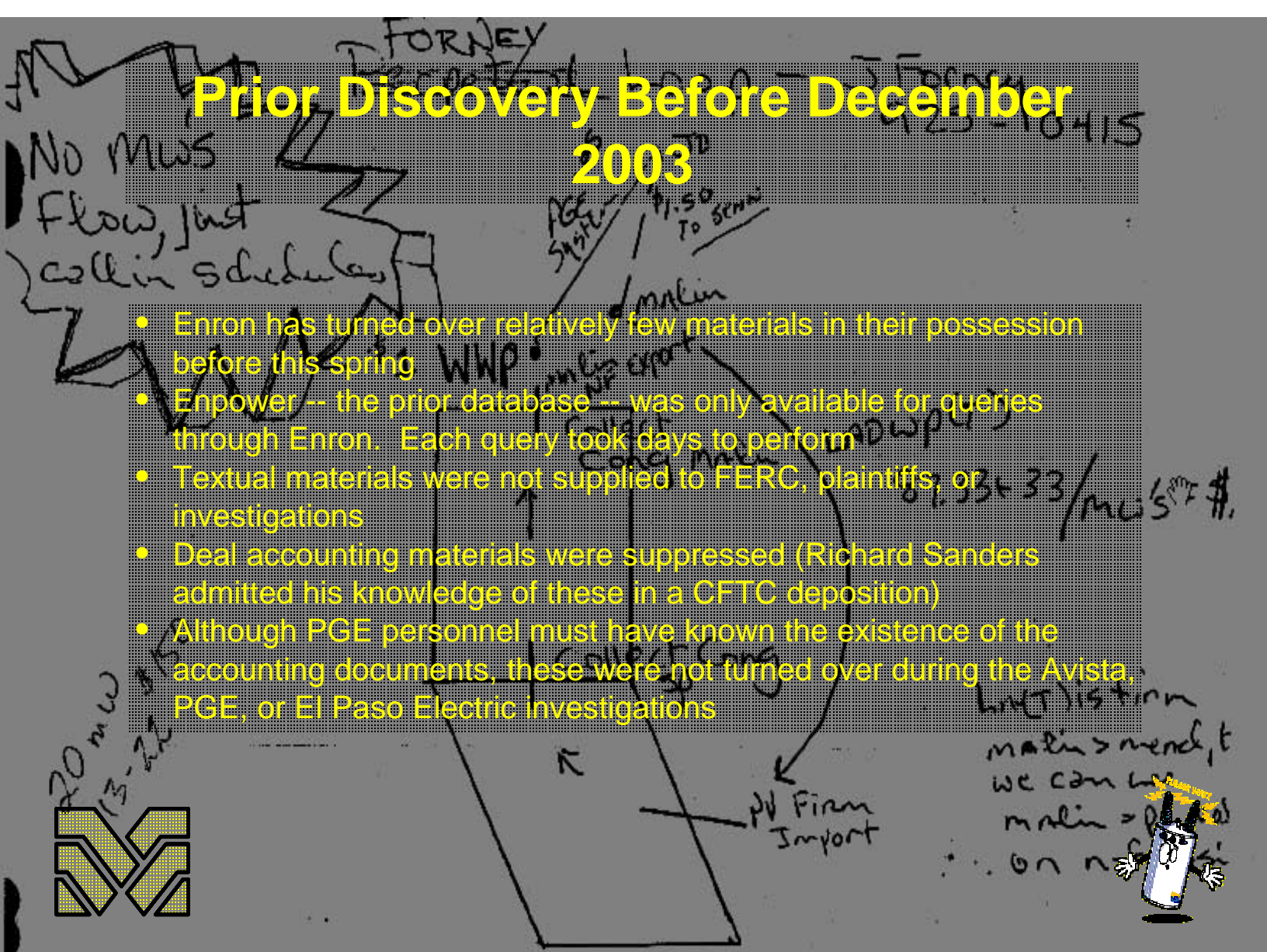
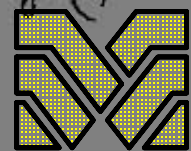
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Prior Discovery Before December 2003

- Enron has turned over relatively few materials in their possession before this spring
- Enpower -- the prior database -- was only available for queries through Enron. Each query took days to perform
- Textual materials were not supplied to FERC, plaintiffs, or investigations
- Deal accounting materials were suppressed (Richard Sanders admitted his knowledge of these in a CFTC deposition)
- Although PGE personnel must have known the existence of the accounting documents, these were not turned over during the Avista, PGE, or El Paso Electric investigations



Nancy Tingle-Stewart

Q. HAVE YOU BEEN ABLE TO QUANTIFY REVENUES OR PROFITS RELATED TO THIS PRACTICE?


A. No. I have seen two different amounts listed for Enron relating to its participation in the Load Shift practice. The first is from the ISO October 2002 report (Table 4), which shows for the period February 1, 2000 through March 31, 2001 (during periods when Enron could have caused congestion and used Load Shift strategy over Path 26), the net revenues that could have been earned were \$181,227. (See Exhibit No. ISO-2, page 14).

The second amount comes from the December 6, 2000 Enron memo in which Enron itself estimates that the company earned more than \$30 million in revenues from Load Shift activities during Fiscal Year 2000 alone. (See Exhibit S-20, page 5) However, in a follow up memo on the Enron practices, the Enron attorneys on page 3, state that the estimates of profits from this strategy "was vastly overstated and indeed confused." (See Exhibit No. S-20, page 19) It further states that "the confusion may have been the Preliminary Memorandum reported the total profit attributable to the EPMI firm transmission rights on Path 26, as reflected in ISO public documents, as opposed to any calculation of the profit of this particular strategy."

Pending receipt of additional information with regard to the Commission's January 1, 2000 to June 20, 2001 time period established for the Load Shift practice, the most reliable estimate appears to be that of the ISO.

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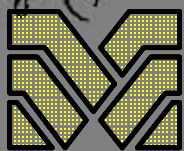

Dr. Linda Boner

Q. HOW DID YOU CALCULATE THIS TOTAL?

A. This total simply sums up the total revenues presently identified for each of the identified gaming practices. Specifically:

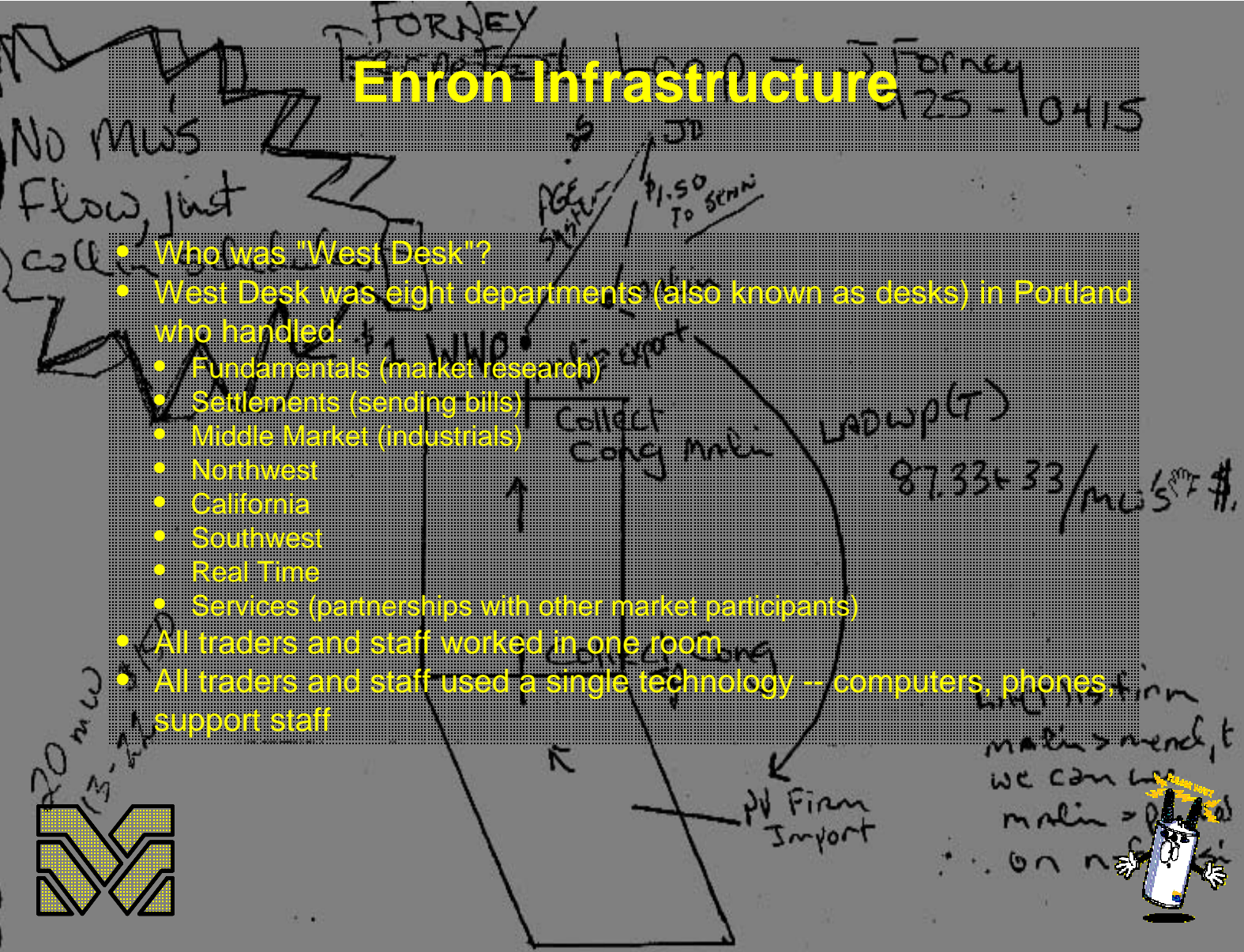
- Cutting Non-Firm (Wood, Exhibit No. S-52): \$54,414
- Circular Scheduling (Sullivan, Exhibit No. S-48): \$2,162,485
- Wheel-Out (Wood, Exhibit No. S-52): \$225,075
- Paper Trading (Gross, Exhibit No. S-54): \$3,903,445

Staff Witness Tingle-Stewart discusses the lack of revenue figures for the gaming practices of Load Shift and Selling Non-Firm Energy as Firm in Exhibit No. S-45. Thus, the total revenue figure of roughly \$6.3 million excludes revenues associated with these two gaming practices.



Enron Infrastructure

- Who was "West Desk"?
- West Desk was eight departments (also known as desks) in Portland who handled:
 - Fundamentals (market research)
 - Settlements (sending bills)
 - Middle Market (industrials)
 - Northwest
 - California
 - Southwest
 - Real Time
 - Services (partnerships with other market participants)
- All traders and staff worked in one room.
- All traders and staff used a single technology -- computers, phones, support staff



How a scheme was done

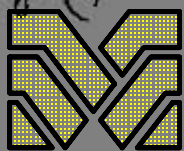
- Specific traders had specific assignments
 - John Forney and Bill Williams did short term
 - Michael Driscoll did California
 - Diana Scholtes PGE, et cetera
- Most deals were by phone, although some were through Enron Online, most phones were recorded, but many non-recorded phones were used at Enron and PGE
- Enron Online was simply an "automat" where deals were arrived at through a web browser, but still were performed by a specific trader -- no real automation was involved
- All deals had to be approved by a superior
- Most transactions were entered into Enpower and "signed" by the trader electronically
- Almost all transactions were recorded into Inc Sheets and other "private" accounting systems
- At the end of each day the accounting was "reconciled" between the different systems and signed by a trader



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How many sets of books did Enron maintain?


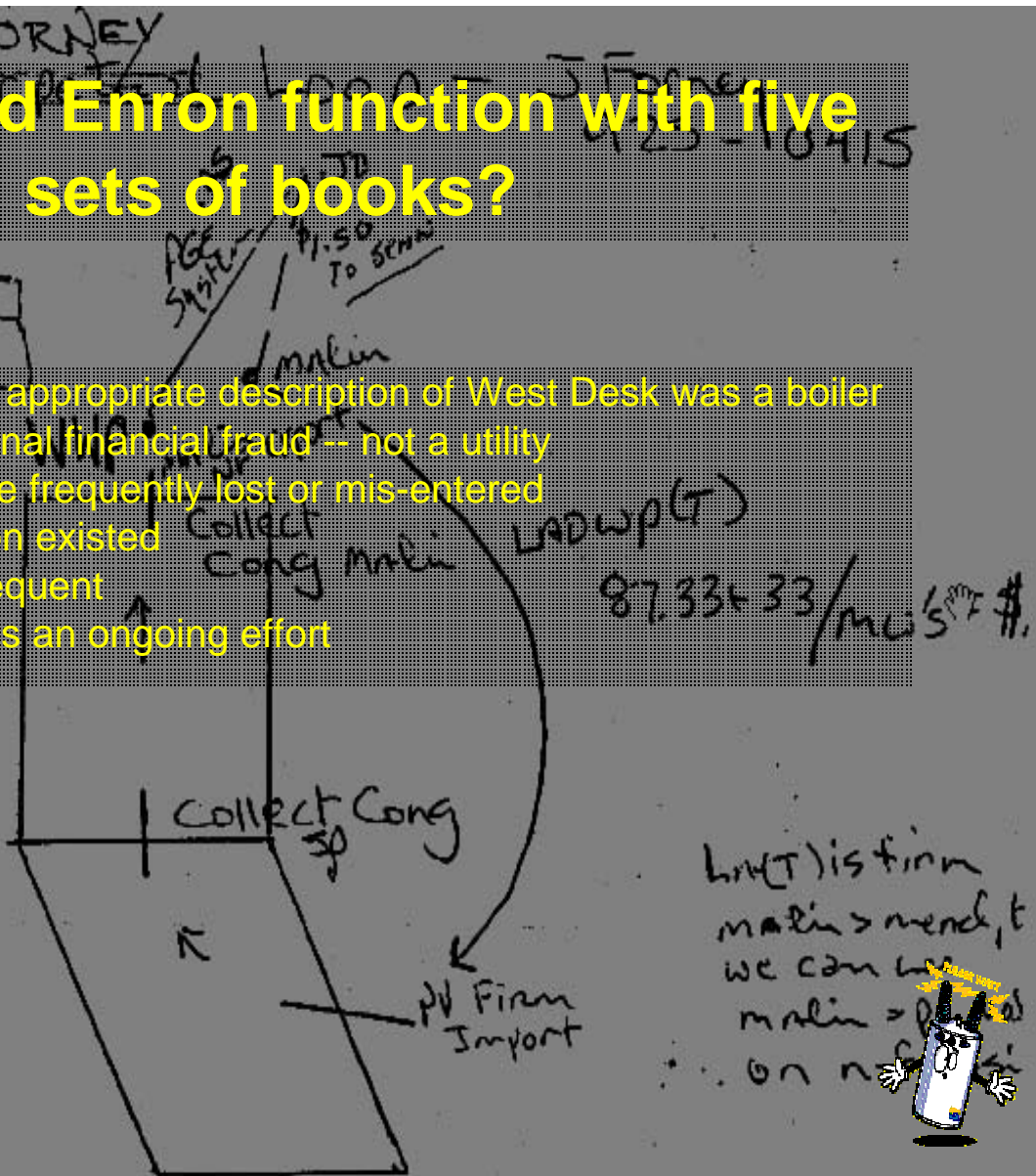
- We know about five different sets of books:
 - Enpower (general deal accounting)
 - Caps (California deal accounting)
 - Inc Sheets (Real Time Accounting)
 - Service Sheets (Services accounting)
 - Get Shorty sheets (California accounting)
- We strongly suspect that Enron maintained at least one accounting system per department
- At the end of each shift a trader had to reconcile the inconsistent accounting systems by hand, write the explanation, and sign the report
- This is the "so called" Reconciliation Report
- We now know the name and location of other materials they have not turned over to FERC, the investigations, and the plaintiffs



How could Enron function with five sets of books?

- Very poorly. The appropriate description of West Desk was a boiler shop from traditional financial fraud -- not a utility
- Transactions were frequently lost or mis-entered
- No standardization existed
- Mistakes were frequent
- Reconciliation was an ongoing effort

20 MW \$150
13-22

What is Enpower?


- Enpower was the general transaction accounting system
- Enpower frequently included comments describing criminal activity
- Mary Hain (another lawyer at Enron) apparently attempted to clean the criminal comments from Enpower in the fall of 2000 according to her notes from one of the meetings, but the sheer complexity of the task left many comments on schemes
- Enpower breaks transactions into "Deals" -- largely meaning contracts -- and "strips" -- largely meaning daily schedules of electricity
- A given scheme can be a half dozen Enpower entries each having a different "deal" or "strip" number

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An Example

FORNEY

J Forney
925-10415

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collin schedule

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TO SENN

- At the start of the California crisis, Enron removed 900 megawatts from the California market (approximately 2% of total supply). Enron's power would have probably allowed the ISO to avoid issuing the first emergency declaration of the crisis
- Enron used two schemes:
 - Fat Boy
 - Ricochet
- In the Ricochet, they bought power from the ISO, had it laundered by PacifiCorp, and then "imported" it to aid California
- In the Fat Boy, they scheduled power to a non-existent load. This removed it from the power markets and raised prices throughout the region -- we have not found the Fat Boy accounting sheets as yet

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LADWPE

87.33 + 33 / MW'S F #

20 MW
13-22



PV Firm
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Start of the California Crisis

Ricochet at 5/22/2000 4:00:00 PM To 5/22/2000 7:00:00 PM

In this Ricochet, Enron purchased undervalued real time energy from the ISO and then sold it back to them for \$750/MWh

Profit is \$222,678.00

Michael Driscoll (Enron) offers \$5.00/MWh to PacifiCorp to disguise the origin of the schedule from the California ISO.

Malin, Oregon
PacifiCorp
"launders"
transaction at
COB
Deal #343540

Michael Driscoll (Enron) sells the energy back to the ISO on an emergency "Out of Market" basis

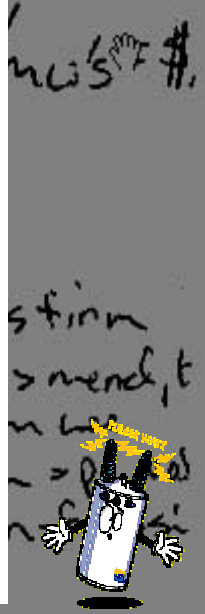
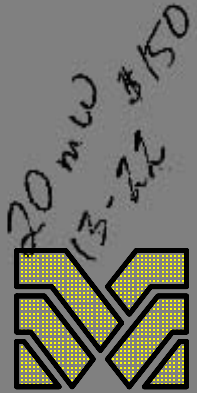
California ISO
buys the power
from Enron
Deal #348539

Michael Driscoll (Enron) purchases 300 MWh from the California ISO for \$0/MWh

He transports the power from Southern California to Malin, Oregon

Schedule named:
CISO_EPML_5050

California ISO
sells the power
to Enron
Deal #348538




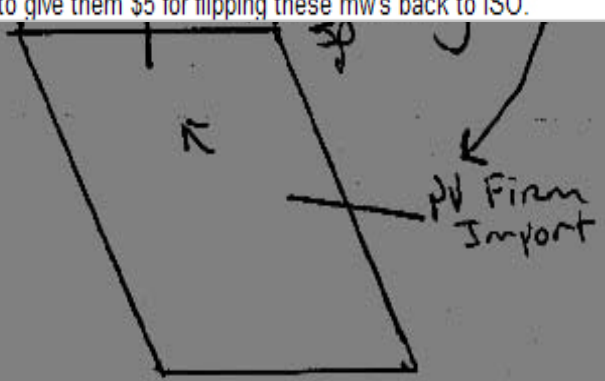
Enpower Comments For 5/22/2000 Ricochet

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AGE
SPIN
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To 5000
malin

DEAL CMT
RT helping out the ENRON FLOOR, sold to ISO out of market for \$750 at Malin for HE17 through HE19.
RT helping out the ENRON FLOOR, taking mw's out of the ISO, selling back to the ISO OUT OF MARKET, there is a buy resell is to give PACE \$5 for flipping these mw's back to ISO.
RT helping out the ENRON FLOOR, taking mw's out of the ISO, selling back to the ISO OUT OF MARKET at \$750 fixed price, this is inputed at a zero price because Heather will get the price from the ISO.
RT helping out the ENRON FLOOR, taking mw's out of the ISO, selling back to the ISO OUT OF MARKET, this buy resell is to give them \$5 for flipping these mw's back to ISO.

3/mw's #

20 mw \$150
13-22





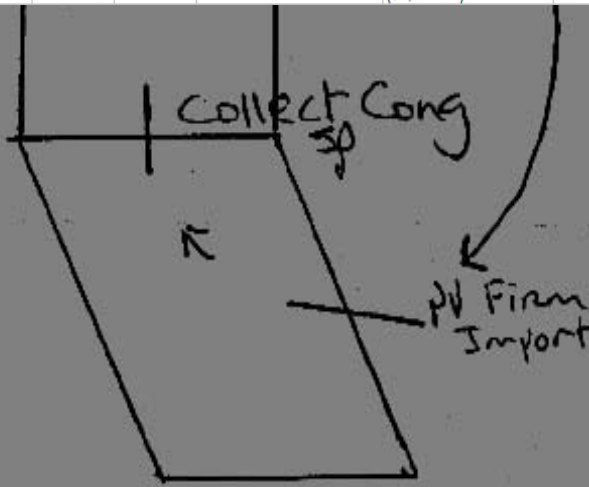
low(T) is firm
malin > mend, t
we can be
malin = p...
on n...


Enpower Data for 5/22/200 Ricochet

FORNEY
 No mws
 Flow, just
 collin schedules
 AGE SYSTEM
 JD
 P1.50
 To 5000
 making

Deal	Strip	CP1.CP_NM	CP2.CP_NM	Start	Finish	DEAL INSTR TYPE CD	Buy?	Firm?	Firmness	Volume
343536	2020821	EPMI Short Term California	EPMI California Pool	22-May-00	22-May-00	BUY-RESALE	B	Y	FIRM	100
343538	2020822	EPMI Short Term California	California Imbalance	22-May-00	22-May-00	FORWARD	B	Y	CAISO	100
343539	2020823	EPMI Short Term California	California Out-of-Market	22-May-00	22-May-00	FORWARD	S	Y	CAISO	100
343540	2020824	EPMI Short Term California	Pacificorp	22-May-00	22-May-00	BUY-RESALE	B	Y	FIRM	100
Deal	Strip	Origin	Destination	Contract Price	Sale Buy P	BuySale Sell Price	ALC'd: Expense/Revenu	Export	Quality	Trader
343536	2020821	SP-15	Malin	0	0	0		CISO_EPMI_5050	Non-firm	Mike Driscoll
343538	2020822	SP-15	SP-15	0				CISO_EPMI_5050	Non-firm	Mike Driscoll
343539	2020823	Malin	Malin	0				CISO_EPMI_5050	Non-firm	Mike Driscoll
343540	2020824	Malin	Malin	5	80	75 (\$1,500.00)		CISO_EPMI_5050	Non-firm	Mike Driscoll

20 mws \$150
 13-22


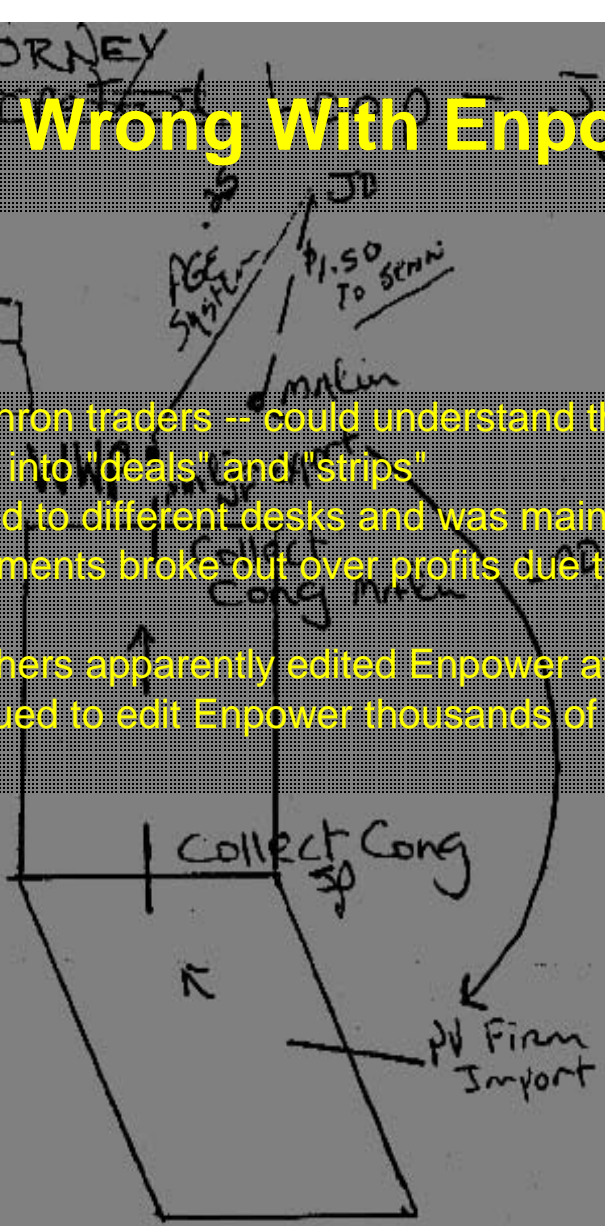



low(T) is firm
 malin > mend, t
 we can be
 malin = p...
 on n...


What's Wrong With Enpower?

- No one -- even Enron traders -- could understand the schemes after they were broken into "deals" and "strips"
- Enpower belonged to different desks and was maintained by Houston, so arguments broke out over profits due to different desks and traders
- Mary Hain and others apparently edited Enpower at will
- Enron has continued to edit Enpower thousands of times since the bankruptcy

20 MW \$150
13-22



8733+33/mw's F#

low(T) is firm
main > merch, t
we can be
main = p...
on n...



What is an "Inc Sheet"

- John Forney started Inc Sheets for his "desk" in 1998
- The Inc Sheet is a transaction by transaction accounting system
- Inc Sheets also allowed the traders to calculate profits by scheme so as to allocate rewards
- Enron turned over Inc Sheets to us just three weeks ago after we discovered that the USDoJ probably had discovered some them on their own
- Enron has hidden these documents from everyone for years
- Enron lawyers knew about the Inc Sheets, but did not turn them over in response to numerous requests for accounting data and the Enron schemes

20 m/w
13-27



FORNEY
AGE SYSTEM
JD
P1.50
TO SENN

Forney
425-10415

Collect
Consumption
LADWPER

PV Firm
Import

... on n...
main > merch, t
we can be
main = p...
on n...



Typical Inc Sheet Transaction

No MWS
Flow, just
collin schedule

FORNEY

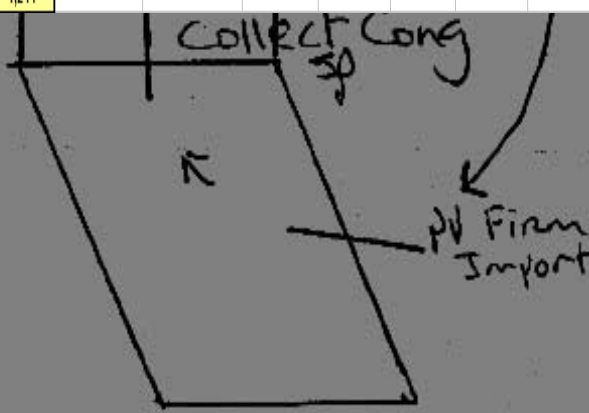
AGE SYSTEM
P1.50
To SENN
making

0415

HR END	TIME	TOT.	DEL.	SUPPLY	MW PER	TOT.	CONG/ZONAL	MARKET	PRICE	MW PER	Total	Trans	Enpower	TiePoint	LINE	P/L
HA ISO																
ENRON FLOOR POSITION sold to ISO out of market bounced off PAC for \$5 (B 80 @ \$ 75)																
17	PDT	1	SP / Malin / ISO	Cal Imb	100	100	\$ -	ISO (out mkt)	\$ 750.00	100	100	7.74	#343538, 343539, 343536, 343540			
18	PDT	1	SP / Malin / ISO	Cal Imb	100	100	\$ -	ISO (out mkt)	\$ 750.00	100	100	7.74	#343538, 343539, 343536, 343540			
19	PDT	1	SP / Malin / ISO	Cal Imb	100	100	\$ -	ISO (out mkt)	\$ 750.00	100	100	7.74	#343538, 343539, 343536, 343540			
sale inputed zero price because Heather will get the money even though it is out of market per Stokely																
					0	0	\$ -		\$ -	0	0			1.000000	\$ -	\$ -
					TOTAL	1,244									TOTAL HA:	\$ 44,899.33

5000 #

20 MW @ \$15
13-22

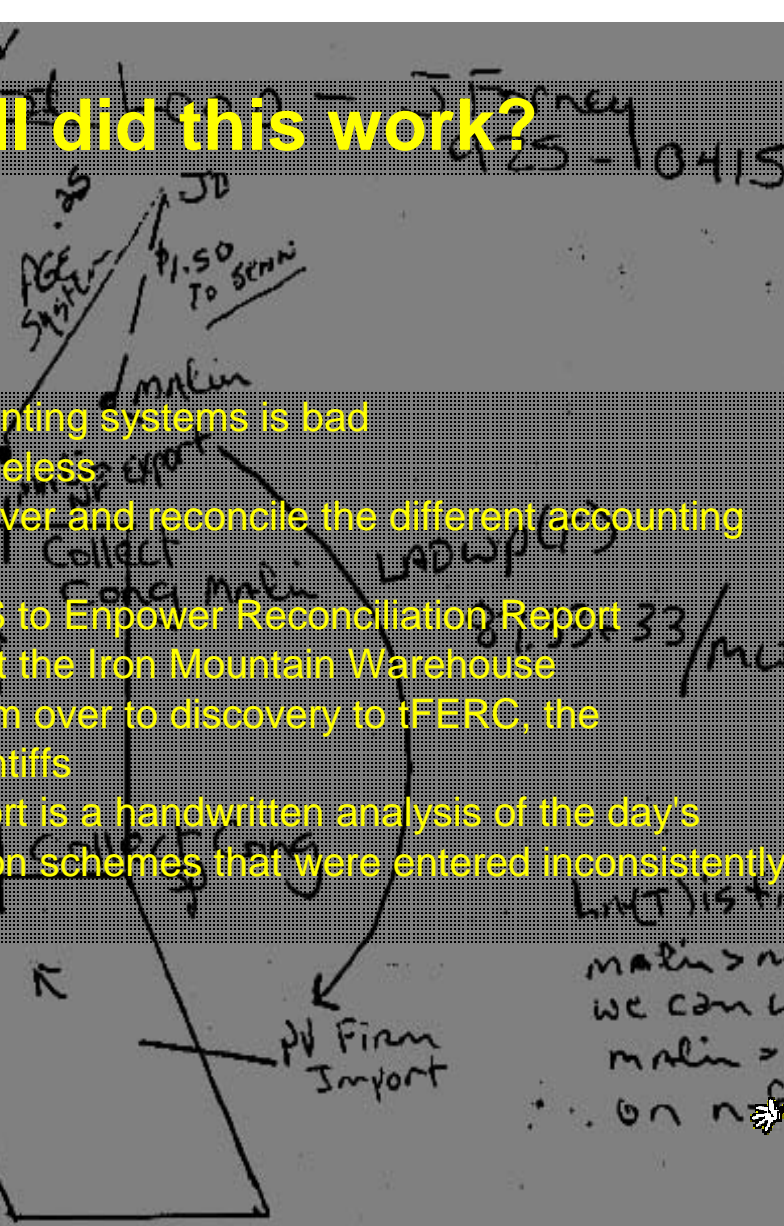
low T is firm
malin > mend, t
we can be
malin = p...
on n...




How well did this work?

- Having two parallel accounting systems is bad
- Having at least five is hopeless
- Enron traders had to go over and reconcile the different accounting systems every night
- This was called the CAPS to Empower Reconciliation Report
- We found these reports at the Iron Mountain Warehouse
- Enron had not turned them over to discovery to tFERC, the investigations, or the plaintiffs
- Each Reconciliation Report is a handwritten analysis of the day's errors-- including details on schemes that were entered inconsistently

20 m/w
13-22



but it's firm
main > merch, t
we can be
main = p...
on n...



Reconciliation Report for August 15, 2000

Signed by Jesse Bryson

FORNEY
No MWS
Flow, just
collin schedule

AGE
SPARE
P.50
To SPAN

125-10415

Enpower TO CARS Reconciliation Hour Ahead (Final)

Load Shift
Scheme

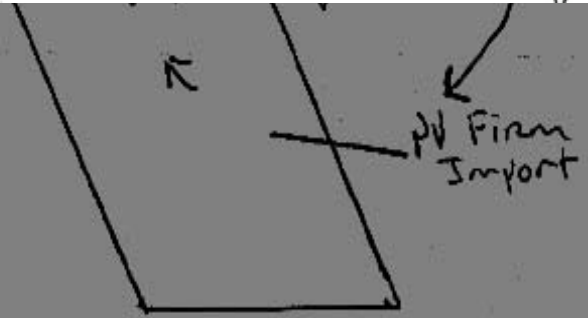
Load Shift
HE 1, 4, 9, 10
Deathstar: 12, 13,
Exports: 14, 15, taken to zone NP variance due to load SP
Export HE 18
Export from NP to Palo Verde
Variance due to this


Page # 1
Print Date: 8/15/00 5:48:36 AM
Report Dates: 8/15/00 - 8/15/00

7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	Total
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.00	25.00	50.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00	0.00	50.00
25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	0.00	0.00	25.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00

Jesse
Bryson

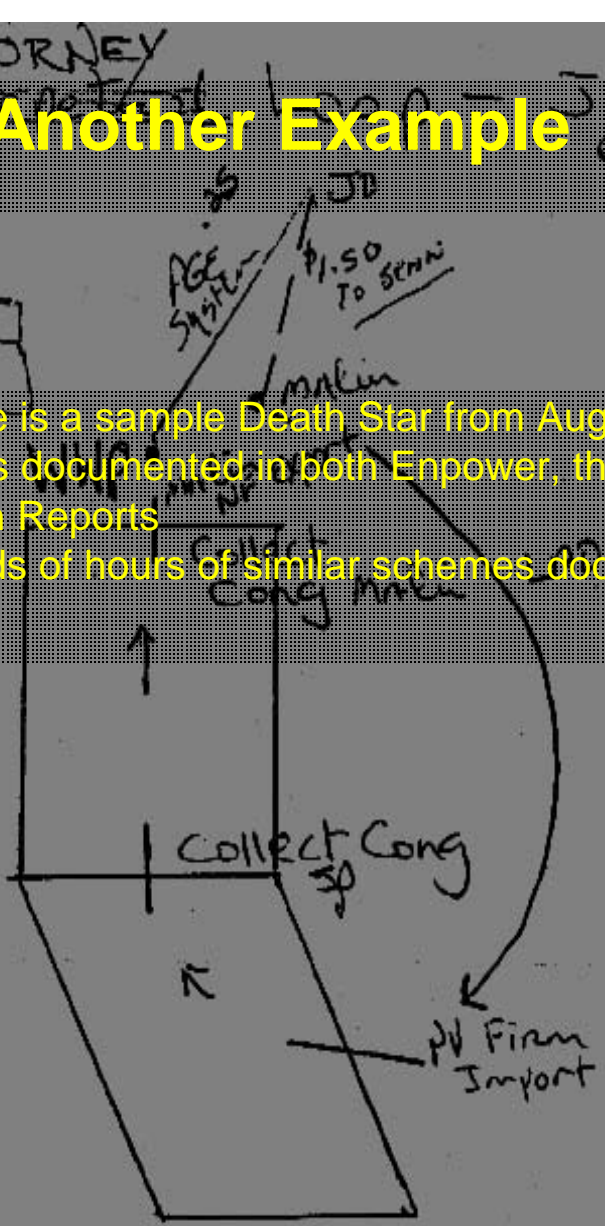
20 m/w
13-22

main > mend, t
we can be
main = p...
on n...


Another Example

- The next example is a sample Death Star from August, 2000
- This Death Star is documented in both Enpower, the Inc Sheets, and the Reconciliation Reports
- We have hundreds of hours of similar schemes documented from these sources



No MW's
Flow, just
collin schedule

J Forney
925-10415

20 MW \$150
13-22

low(T) is firm
main > mend, t
we can be
main = p...
on n...

Death Star At 8/1/2000 4:00:00 PM To 8/1/2000 6:00:00 PM

In A Death Star imaginary power was wheeled across the West Coast in order to fool the California ISO into making payments to Enron.

Profit is \$31,054.17

Holden Salisbury (Enron) offers \$5.00/MWh to PacifiCorp to disguise the origin of the schedule from the California ISO.

Malin, Oregon
PacifiCorp
"launders"
transaction at
COB
Deal #384649

California
Oregon Intertie
LADWP carries
schedule to
Mead
Deal 292672

Matt Motley (Enron) calls Sueyen Mao (LADWP)

See Kim Durham or Val Sabo with questions. Val Sabo (Enron) later worked for PacifiCorp

Holden Salisbury (Enron) offers "congestion relief" to the ISO charging them \$13,965 at 4:00 P.M. and \$15,995 at 5:00 P.M.

Transmission schedule:
EPMI_CISO_GOLDEN

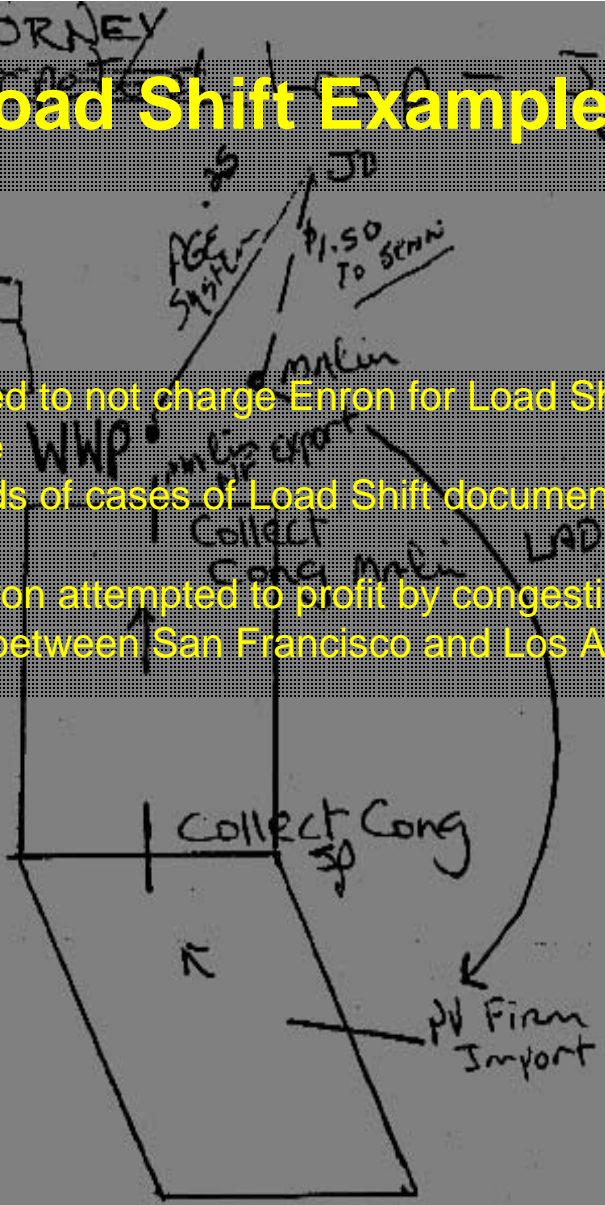

Mead, Nevada
Enron
California Pool
sells to Enron
Real Time
Desk



Load Shift Example

- FERC has decided to not charge Enron for Load Shifts because they have no evidence
- We have hundreds of cases of Load Shift documented down to the trader's signature
- In Load Shift, Enron attempted to profit by congesting the critical Path 15 corridor between San Francisco and Los Angeles

20 MW \$150
13-22



low T is firm
main > merch, t
we can be
main = p...
on n...


Inc Sheet Data

FORNEY


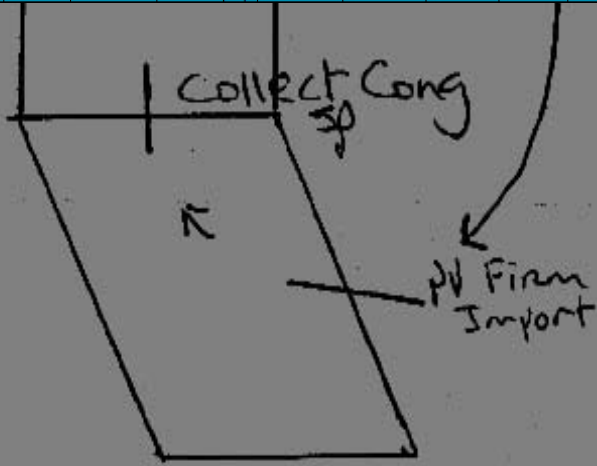
J Forney
925-10415

No mws
Flow, just
collin schedule

AGE
SPIN
JD
P1.50
TO SPIN

LOAD SHIFT												EMAIL HEATHER			
13	PDT	1	SP to NP	Cal lmb (SP)	50	50	\$ -	Cal lmb (NP)	\$ -	\$ 350.00	\$ -	load shift			17,500.00
14	PDT	1	SP to NP	Cal lmb (SP)	80	80	\$ -	Cal lmb (NP)	\$ -	\$ 299.00	\$ -	load shift			23,920.00
15	PDT	1	SP to NP	Cal lmb (SP)	50	50	\$ -	Cal lmb (NP)	\$ -	\$ 315.01	\$ -	load shift			15,750.50
17	PDT	1	SP to NP	Cal lmb (SP)	100	100	\$ -	Cal lmb (NP)	\$ -	\$ 175.30	\$ -	load shift			17,530.00
18	PDT	1	SP to NP	Cal lmb (SP)	100	100	\$ -	Cal lmb (NP)	\$ -	\$ 283.01	\$ -	load shift			28,301.00
19	PDT	1	SP to NP	Cal lmb (SP)	2	2	\$ -	Cal lmb (NP)	\$ -	\$ 315.00	\$ -	load shift			630.00
20	PDT	1	SP to NP	Cal lmb (SP)	100	100	\$ -	Cal lmb (NP)	\$ -	\$ 350.00	\$ -	load shift			35,000.00
22	PDT	1	SP to NP	Cal lmb (SP)	100	100	\$ -	Cal lmb (NP)	\$ -	\$ 25.00	\$ -	load shift			2,500.00
23	PDT	1	SP to NP	Cal lmb (SP)	100	100	\$ -	Cal lmb (NP)	\$ -	\$ -	\$ -	load shift			-
24	PDT	1	SP to NP	Cal lmb (SP)	100	100	\$ -	Cal lmb (NP)	\$ -	\$ -	\$ -	load shift			-

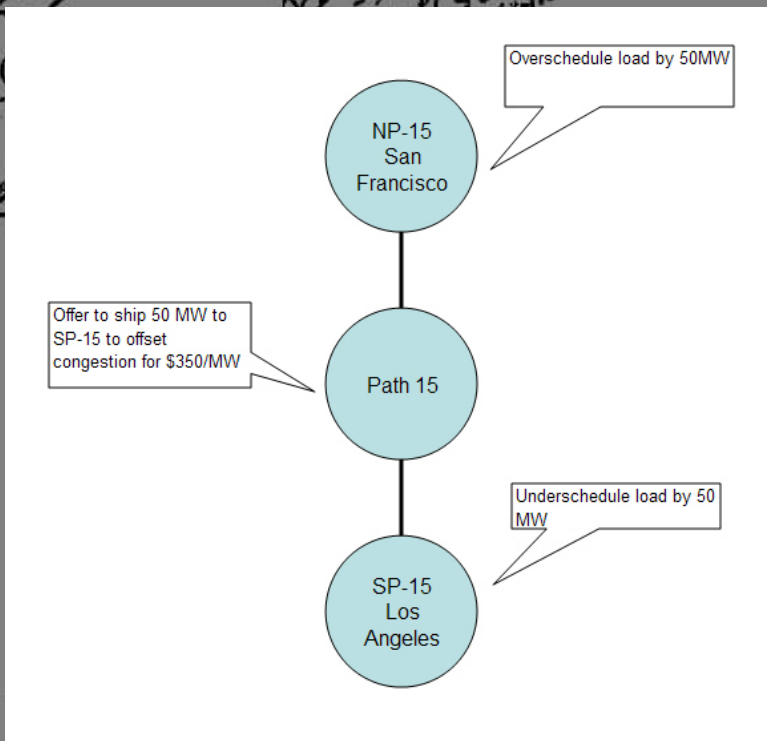
20 mws \$150
13-22

low T is firm
main > mend, t
we can
main = p
on n



August 4, 2000 Load Shift



No mws
Flow, just
collin schedul

20mw \$150
13-22

(T)
33+33/mw's #

low(T) is firm
main > mend, t
we can be
main = p...
on n...

pv Firm
Import

Trader Tapes

FORNEY

J Forney
925-10415

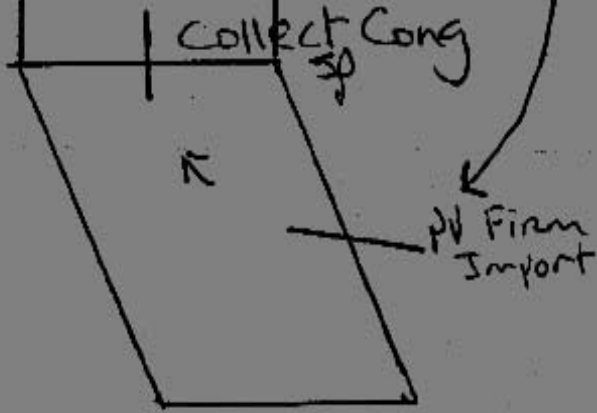
No mws
Flow, just
collin schedule

AGE
SPINER
JD
P1.50
TO SENN

- Each transaction takes place over the phone. While all phones are supposedly recorded, a number of calls ask the recipient to shift the call to an unrecorded line.
- In spite of these precautions, we hundreds of calls where illegal activities are planned out and illegal strategies discussed
- The following call describes illegal activities in California
- It also openly discusses the use of financial reserve accounts as a mechanism for hiding embarrassing profits.

8133633/mw's #

20mw \$150
13-22



low(T) is firm
main > merch, t
we can be
main = p...
on n...



FORNEY
425-10415
JD
11:50
SNO


Lavorato Call To Belden August 8, 2000

Ex. SNO-222
Page 3 of 5

- 1 shows up on any curve shift, where he just buys it from the day-ahead. He just fucks
2 California. Then, another –
3 PERSON 2: Wait a minute. OK.
4 TIM: He steals money from California to the tune of about a million –
5 PERSON 2: Will you re-phrase that?
6 TIM: OK, he, um – he arbitrages the California market to the tune of a million bucks or
7 two a day.
8 PERSON 2: Will that ever stop?
9 TIM: Yeah.
10 PERSON 2: OK. *[chuckling]* Maybe we can put him into an – a special purpose vehicle, or
11 *[inaudible]*
12 TIM: Right.
13 *[laughter]*
14 TIM: Um, then, ah, what else did we have yesterday? We typically get about 2 million bucks
15 a day in FTR revenue.
16 PERSON 2: OK *[chuckling]* Is that going to go on forever?
17 TIM: No, that's going to stop as well.


No mws
flow, just
collin s

20 m w \$150
13-22



mws \$ #

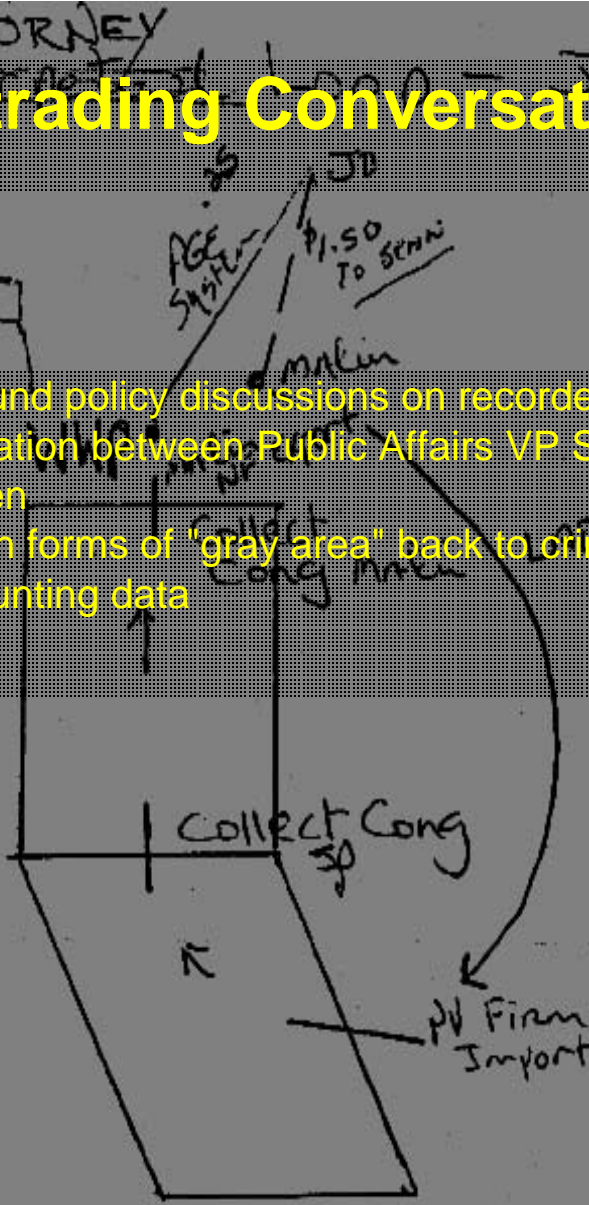

is firm
-> mend, t
on l
in = p
n f



Non-trading Conversations

- Frequently we found policy discussions on recorded lines
- This is a conversation between Public Affairs VP Shapiro and Trading VP Belden
- We can track both forms of "gray area" back to criminal activities through the accounting data

20 MW \$150
13-22



87.33 + 33 / MW'S #

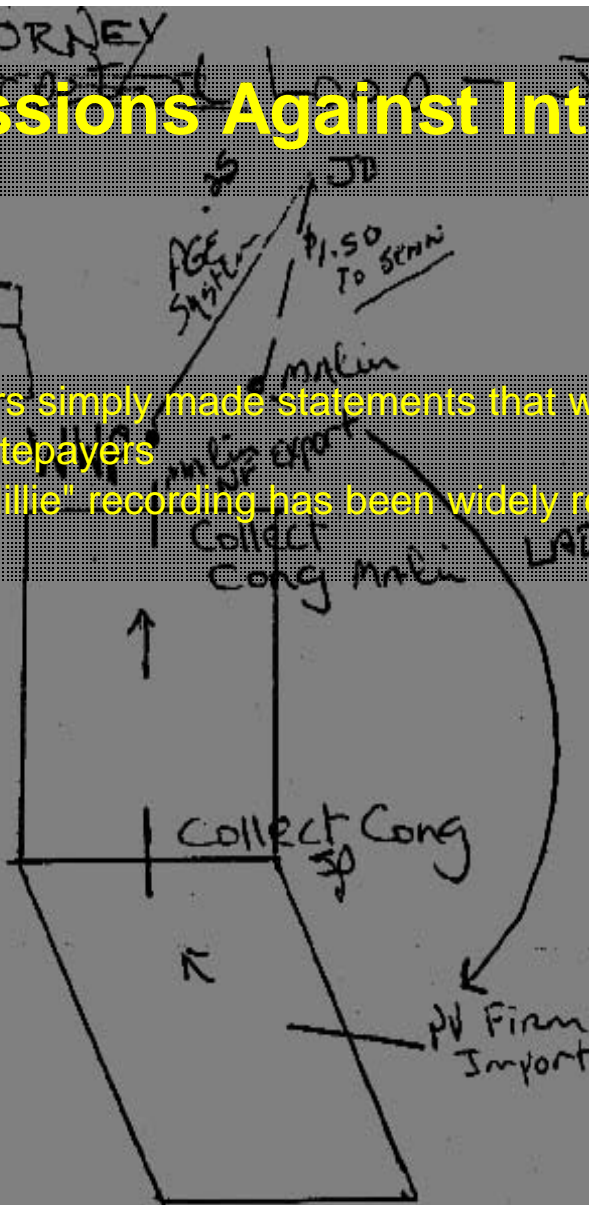

hwt) is firm
main > mend, t
we can be
main = p...
on n...



Admissions Against Interest

- A variety of traders simply made statements that were offensive to customers and ratepayers
- This "Grandma Millie" recording has been widely reported in the press

20 MW \$150
13-22



87.33 + 33 / MW's #

low(T) is firm
main > merch, t
we can be
main = p...
on n...



New Schemes

FORNEY

J Forney
925-10415

No mws
Flow, just
collin schedule

AGE SPIN
JD
P1.50
TO SENN

- The Inc Sheets proved a fruitful source for schemes not identified in the Stephan Hall memos
- These included:
 - Ping Pong
 - Russian Roulette
 - Sidewinder
 - Donkey Punch
 - Spread Play
- We are still analyzing the strategies in each of these "games"
- Ping Pong and Russian Roulette appear to be variants of Ricochet
- Sidewinder is an alternative to Death Star
- Spread Play appears to be a Get Shorty variant
- Donkey Punch is in a special category

Collect Cong maki

LADWP(T)

87.33 + 33 / mws #

20 mws
13



PV Firm Import

LADWP(T) is firm
maki > mendi, t
we can be
maki > p...
on n...



July 22, 2000 Inc Sheet

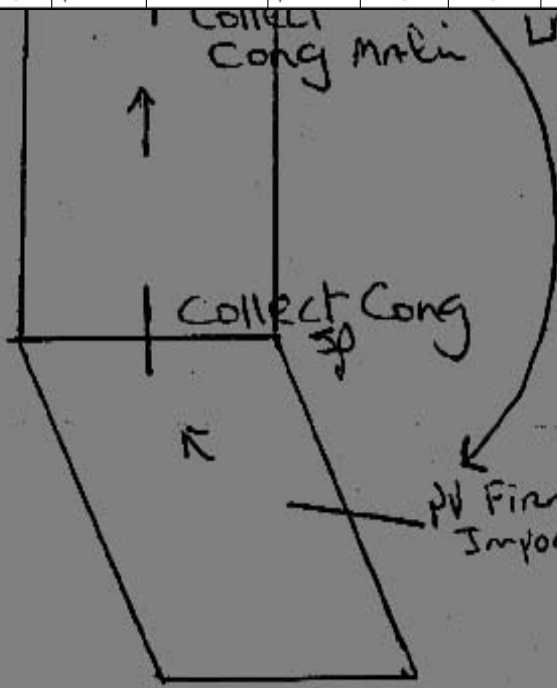
No mws
Flow, just
coll in schedule

FORNEY

FORNEY
425-10415

AGE
SPLIT
JD
P1.50
TO SENN

DONKEY PUNCH					0	0	\$.		\$.	0	0			\$.	
1	PDT	1	SP back into NP	Cal lmb	50	50	\$ 79.33	Cal lmb	\$ 79.33	50	50	5.29	#377803, 804, 807	0.9819	\$ 1.44
3	PDT	1	SP back into NP	Cal lmb	50	50	\$ 94.20	Cal lmb	\$ 94.20	50	50	8.24	#377803, 804, 807	0.9819	\$ 1.71
					0	0	\$.		\$.	0	0			\$.	



87.33 + 33 / mws #

20 mws \$150
13-22

but it is firm
main > mend, t
we can be
main = p...
on n...



Donkey Punch

- In our review of Enron documents, we came across a large trove of highly pornographic materials passed between traders
- Donkey Punch was a scheme practiced by Michael Driscoll
- He also was the distributor of the pornographic materials that lent their name to this practice
- This sexual practice involves physically knocking the partner unconscious
- We believe that the practice was designed to disrupt electric schedules without warning
- FERC has, without checking, posted this body of pornography on their web site

20 MW
13-27



FORNEY

J Forney
925-10415

AGE
SYSTEM
JD
P1.50
TO SENN

main
Cong
mca

8733+33/mc's #

PD Firm
Import

but this firm
main - merch, t
we can be
main - p
on n

