

Federal Power Act (“FPA”) or that the transactions adversely affected markets in California.

I (A)(2)(c) PGE denies that its participation in the transactions violated Enron’s “Conduct of Business Affairs, Procedures for Use of Communication Services and Equipment.” (“Conduct of Business Affairs”). Furthermore, PGE denies that violation of the Conduct of Business Affairs would constitute violation of any statute or regulation enforced by the Commission.

I (A)(3) PGE admits that a sleeve was used in the transactions. PGE denies that the sleeves were used for the purposes stated in this assertion and PGE further denies that such purposes would constitute a violation of any statute or regulation enforced by the Commission.

I (A)(3)(a) PGE denies that use of the sleeves was improper or constituted unjust and unreasonable practices under the FPA or that use of the sleeves may have adversely impacted markets in California.

I (A)(3)(b) PGE denies that the use of sleeves violated its Code of Conduct.

I (A)(3)(c) PGE denies that the use of the sleeves violated the ISO Tariff.

I (A)(4) PGE denies that scheduling the transactions violated the IR Agreement. Furthermore, PGE denies that it granted any undue preference to EPMI.

I (A)(5) PGE denies that any of its personnel has indicated a belief that the transactions were illegal or inappropriate. PGE admits that its personnel implemented the transactions, but denies that there was any obligation for them to report any of the transactions to ethics officials or PGE legal Staff.

- I (A)(5)(a) PGE denies that its transmission personnel failed to function independently by scheduling the transactions with EPMI.
- I (A)(5)(b) PGE denies that the traders had any obligation under its Code of Conduct to report the transactions to ethics officers or the legal department.
- I (A)(5)(c) PGE denies its traders had any obligation under Enron's Conduct of Business Affairs to report the transactions to ethics officers or PGE's legal department. PGE further denies that a violation of the Conduct of Business Affairs would represent a violation of any regulation or statute enforced by the Commission or of its Code of Conduct.
- I (A)(5)(d) PGE denies that its traders had any obligation under PGE's Energy Trading Policy and Procedure ("P&P") to report the transactions to ethics officers or PGE's legal department. PGE further denies that a violation of the P&P would represent a violation of any regulation or statute enforced by the Commission or of its Code of Conduct.
- I (A)(6) PGE denies that there was any failure to monitor its employees or that there was any violation of its Code of Conduct.
- I (A)(7) PGE does not know the context of the statements referenced in this paragraph or whether they in fact occurred. However, PGE denies that any such expression of concern by a PGE trader could represent a violation of its Code of Conduct.

I (A)(8) PGE denies that the transaction proposed by EPMI in 1999 imposed an obligation on PGE to have its legal and ethics staff review all proposed EPMI transactions from that time forward or that its Code of Conduct required PGE's legal and ethics staff to review all EPMI transactions after 1999.

I.B. FERC's assertion of PGE affiliate transaction posting violations.

I (B) (1)(a) – (f) PGE admits to the number of posting violations listed in subsections a-f. PGE denies the descriptions of the errors provided by Staff in the Statement. The errors are properly described in the PGE self-reporting letter sent to FERC. These violations were self-reported by PGE to the Commission in the first half of 2002 when PGE discovered that they had occurred.

I (B)(2) PGE admits that the posting errors violated its market-based rate tariff. These violations were self-reported to the Commission in the first half of 2002.

I (B)(3) PGE admits that it did not have an adequate system in place for posting its transactions with EPMI. As soon as PGE determined that this was the case, PGE self-reported the violations and acted to address the problem.

Conclusion

Other than the self-reported posting violations, PGE committed no violations of any statute or regulation enforced by the Commission or of PGE's Code of Conduct. The other asserted violations included in the Statement are unsupported by the facts known to PGE and/or do not constitute violations of any statute or regulation enforced by the Commission or of PGE's Code of Conduct. PGE reserves the right to amend this Response to conform to amendments in the Statement made by Staff.

Nothing in this Response should be construed as reflecting PGE's agreement that the violations asserted by Staff are within the scope of this proceeding or that they fall under the jurisdiction of the Commission under the Federal Power Act, the Commission's Rules and Regulations thereunder, or PGE's Code of Conduct. Once PGE has had the opportunity to review testimony filed by Staff and interveners, PGE reserves the right to file motions to strike or otherwise to limit the scope of this proceeding to that ordered by the Commission pursuant to its authority under the Federal Power Act.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon each person designated on the email service list and the restricted service list established in this proceeding.

Dated at Washington, DC, this 27th day of November, 2002.

Matthew W.S. Estes