Enron Documents

2001

Folder Profile

Control #	2001-000102
Name	Copy of letter to Secretary Bill Richardson to David Boerger
Priority	Important
Folder Trigger	Letter
DOE Addressee	Bill Richardson
Source	PM-O
Date Received	1/4/01
Subject Text	Enclosing for filing Docket No. RM99-2-000, Utah Associated Municipal Power Systems' Answer to Joint Motion of Electricity Consumers Resource Council, Et Al.
Correspondence Date	1/2/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	GREENA
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	GC
Special Instructions	
Date Due	
Date Completed	1/4/01

b

2001-000102 1/4/01 9:14 a

SHEA & GARDNER
1800 MASSACHUSETTS AVENUE, N.W.
WASHINGTON, D.C. 20036-1872

(202) 828-2000
FAX: (202) 828-2195

January 2, 2001

By Hand Delivery

Mr. David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Docket No. RM99-2-000

Dear Mr. Boergers:

Enclosed for filing in the above-referenced docket are an original and 14 copies of "Utah Associated Municipal Power Systems' Answer to Joint Motion of Electricity Consumers Resource Council, Et Al."

Please file-stamp and return the extra copy of the foregoing document by the delivering courier.

Very truly yours,

Timothy K. Shuba

TKS/jg
Enclosures
cc: Service List

A

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations	)))	Docket No. RM99-2-000

UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS' ANSWER TO JOINT MOTION OF ELECTRICITY CONSUMERS RESOURCE COUNCIL, ET AL.

On December 15, 2000, Electricity Consumers Resource Council, Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc., and Dynegy Inc. (collectively, the "Joint Movants"), filed in this docket a Joint Motion to Convene a Technical Conference on Interregional Coordination. Pursuant to Commission Rule 213, Utah Associated Municipal Power Systems ("UAMPS") hereby files this answer in support of the Joint Motion.

The Joint Motion correctly points out that "few of the RTO compliance filings showed meaningful steps towards interregional coordination," and that the "push" to resolve these issues and achieve "seamless trading areas" consisting of multiple RTOs "must come from FERC." Joint Motion at 5. The Joint Movants therefore urge the Commission to "convene a technical conference to develop a specific template for seams resolution which RTOs would be required to meet." *Id.* at 7.

UAMPS wholeheartedly agrees with the Joint Movants' shared perceptions (1) that resolving "seams issues" between RTOs is of critical importance, and (2) that to this point, jurisdictional utilities and other stakeholders have not devoted the time or resources necessary to

B

adequately address these points. UAMPS agrees with the Joint Movants' view that seams issues must be addressed in order to maximize the effective size -- and thus the benefits -- of the markets that RTOs are intended to create. However, UAMPS is more immediately concerned with the actual harm that a lack of effective interregional coordination will have on load-serving entities like it, whose loads and resources do not fall within the borders of a single proposed RTO. The Commission should therefore act as the Joint Movants request, not only to maximize the benefits Order No. 2000 was expected to achieve, but to avoid impairing some entities' ability to provide reliable electric service.

As UAMPS has noted in other dockets, UAMPS has members and resources in two different proposed RTO regions in the Western Interconnection: RTO West and Desert STAR. See Protest and Motion to Intervene of Utah Associated Municipal Power Systems, Docket No. RT01-35-000 (Nov. 20, 2000). While most of UAMPS' members and resources are dependent upon RTO West utilities, four of its members and more than a third of its firm resources, measured in megawatts, are located within Desert STAR's proposed territory.[1] Because of the substantial number of transactions that UAMPS will therefore have to schedule across proposed RTO borders, UAMPS has a great appreciation for the difficulties that seams issues may cause, and a unique perspective on the benefits that may be gained by further expanding or combining proposed RTOs' geographic scope. However, regardless of whether existing or proposed RTOs are ever combined, the various RTOs within each interconnection must be able to operate compatibly across their borders. For both of these reasons, the currently-proposed RTOs should

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[1] Historically, and including both firm and nonfirm resources, nearly half of UAMPS' resources have come from the proposed Desert STAR service area.

be formed in a manner that minimizes their differences by adequately addressing seams issues and ensuring compatible operations. Reconciling differences will become increasingly difficult as methods and practices are agreed to, and then institutionalized and implemented within each RTO.

Because of its geographic position, UAMPS has actively participated in the workgroups and policy committees of both RTO West and Desert STAR, and has consistently focused on trying to ensure that those two organizations' operations, pricing, congestion management, and planning will be as compatible as possible. UAMPS hosted the only meeting specifically held between some of the participants of the two organizations, and has participated in Western Market Interface Committee meetings where the issues of compatibility between RTO operations were discussed. UAMPS is well aware, then, that the three potential RTOs in the Western interconnection, at least, have devoted very little time thus far to coordinating plans or proposals. As a result, serious incompatibilities in fact appear to be developing.

While their respective filings are not complete, the existing RTO West and Desert STAR documents suggest that their operations may be incompatible in significant respects. For example, RTO West is proposing to alter the current contract path method of reserving transmission to a flow based model, in which RTO West will use a source, a sink, and powerflow distribution factors to determine what specific flowpaths the proposed transaction will use. Desert STAR has considered flow-based models, but because of the topology of its transmission system has determined that they are not needed. Finally, we understand that the CAL ISO intends to propose flow-based scheduling within its borders, but will continue to use contract path methodology at its interfaces with other RTOs or control areas. These methodologies, of course, must be coordinated if interregional transactions are to occur. If UAMPS schedules a delivery from Powerex at the Canadian Border to serve load in Utah, under the RTO West model a significant amount of this energy will flow over facilities controlled by the CAL ISO and/or Desert STAR. Neither the RTO workgroups nor the RTO West RRG have resolved how this flow would be handled by RTO West, the California ISO and Desert STAR, respectively. This hodgepodge of methodologies, most of which are incomplete, will cause substantial operational problems if the differences are not accommodated or reconciled well before the RTOs are implemented.

In addition to causing operational problems that may threaten reliability, inconsistent RTO policies may cause unjustifiable and unintended cost shifts among users of combined RTO systems. For example, the current RTO West and Desert STAR documents show that RTO West does not currently anticipate charging export fees for the use of its transmission system for export or "through" transactions, whereas Desert STAR does intend to utilize such fees as a part of its pricing structure. The result of this mismatch is that UAMPS' resources in Desert STAR will share the costs of transmission usage for exports to UAMPS loads in RTO West, while the costs of the transmission system serving UAMPS' RTO West loads will not be similarly shared by generator or marketer exports out of RTO West. Thus, load-serving entities such as UAMPS will therefore be required to subsidize marketers and others who make similar use of more than one RTO's facilities – an anomalous result which surely should not occur simply by default.

UAMPS recognizes that at least in the West, the failure thus far to focus on seams issues may be due largely to the large number of difficult internal issues that each of the three nascent RTOs have been facing. The RTOs' continuing preoccupation with internal issues, however, only emphasizes the need for the FERC to take action to ensure that interregional coordination – required Function 8 – does not fall through the cracks as RTO negotiations continue. UAMPS therefore supports the Joint Motion. UAMPS, however, further suggests that while convening a technical conference, as the Motion requests, would help to jump-start and guide RTO development, it may in the long run be more beneficial and productive to convene separate technical conferences specific to each Interconnection, either in addition to or instead of a single nation-wide conference. Although the Eastern and Western Interconnections certainly have some issues in common, the differences between the two Interconnections in geography and system configuration and operations warrant separate attention from affected stakeholders and the Commission.

Respectfully submitted,

Timothy K. Shuba
Heather H. Anderson
Shea & Gardner
1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036
(202) 828-2000

Attorneys for UAMPS

Dated: January 2, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding. Dated at Washington, D.C., this 2nd day of January, 2001.

Timothy K. Shuba
SHEA & GARDNER
1800 Massachusetts Avenue, N.W.
Washington, D.C. 20036
(202) 828-2000

Folder Profile

Control #	2001-003377	**Name**	Letter to Secretary Abraham from David G. Drexler (State o
Priority	Important Critical	**Folder Trigger**	Letter
DOE Addressee	Spencer Abraham	**Source**	SO
		Date Received	2/6/01
Subject Text	Encloses Motion for Late Intervention and Comments regarding Regional Transmission Organizations	**Correspondence Date**	1/18/01
		RIDS Information	Head of Agency
		Sensitivity	Not Applicable
Action Office #		**Classification**	None
Signature/Approval	NA	**Point of Contact**	HOLLOWAG
		Organization ID	EXECCORR2
Action Requested	Information Only	**Assigned To**	GC
Special Instructions	Secretary Abraham courtesy copy of a letter addressed to The Honorable David P. Boergers, FERC.	**Date Due**	
		Date Completed	2/8/01

Release

2

STATE OF NEW YORK DEPARTMENT OF PUBLIC SERVICE
THREE EMPIRE STATE PLAZA, ALBANY, NY 12223-1350
Internet Address: http://www.dps.state.ny.us

2001-003377 Feb 6 A 9:49

January 18, 2001

Honorable David P. Boergers,
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Docket No. RM99-2 - Regional Transmission Organizations

Dear Secretary Richardson:

Enclosed for filing please find an original and fifteen (15) copies of the New York Public Service Commission's Motion for Late Intervention and Comments in the above-referenced proceeding as well as a certificate of service. Please date-stamp and return an enclosed copy in the postage paid self-addressed envelope. Should you have any questions, please feel free to contact me at (518) 473-8178.

Very truly yours,

David Drexler

David G. Drexler
Assistant Counsel

Enclosures

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

REGIONAL TRANSMISSION ORGANIZATIONS	)	Docket No. RM99-2

MOTION FOR LATE INTERVENTION AND COMMENTS OF THE PUBLIC SERVICE COMMISSION OF THE STATE OF NEW YORK

Pursuant to Rule 214(d)(1) of the Commission's Rules of Practice and Procedure (18 C.F.R. §385.214), the Public Service Commission of the State of New York (NYPSC) hereby submits its motion for intervention out of time and comments in the above referenced proceeding.

Copies of all correspondence and pleadings should be addressed to:

Lawrence G. Malone, Esq.
Public Service Commission
of the State of New York
3 Empire State Plaza
Albany, NY 12223

Paul Powers
Public Service Commission
of the State of New York
3 Empire State Plaza
Albany, NY 12223

The NYPSC regulates electric service in New York State. Accordingly, the NYPSC's participation is this proceeding is in the public interest and cannot be protected adequately by any other party.

In a document dated December 15, 2000, Electricity Consumers Resource Council, Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc. and Dynergy Inc. (collectively, Joint Petitioners) as well as the Independent Market Operator (IMO), have been collaborating to standardize their reliability and market interface practices in order to address interregional coordination concerns and to make their markets more compatible pursuant to the ISO-MOU process. Although the Joint Petitioners criticize the ISOs for not resolving the issues more quickly, the volume and complexity of the issues that must be addressed require careful analysis. The criticism also ignores the time that must be devoted to achieving consensus among the stakeholders.

The ISO-MOU process has already produced some successes and is moving forward while focusing on the issues of greatest importance to the Northeast market participants and identifying the best practices for dealing with each of those issues. Initiatives are also underway to prioritize interregional coordination issues between ISO-NE, NYISO, PJM and IMO. The Commission should permit the ISO-MOU process to continue on the timetable established by the MOU participants and their stakeholders. A technical conference at this time could disrupt the MOU participants' efforts and could lead to the hasty implementation of poorly designed inter-regional structures.

CONCLUSION

The NYPSC respectfully requests that its motion for late intervention be granted and that the Commission adopt the NYPSC's proposal to defer consideration of another technical conference[5] until the ISO-MOU process has been fully explored and the RTO compliance filings have been made.

Respectfully Submitted,

Lawrence G. Malone

Lawrence G. Malone
General Counsel

By: David G. Drexler
Assistant Counsel
Public Service Commission
Of the State of New York
3 Empire State Plaza
Albany, NY 12223-1305
(518) 473-8178

Dated: January 18, 2001
Albany, New York

---

[4]Currently, NYISO and ISO-NE have proposed to undertake joint initiatives to expedite resolution of interregional coordination issues.

[5]On January 11, 2001, the Commission issued a supplemental notice that a technical conference regarding the NYISO would be held January 22 and 23, 2001. Also included in the notice was an agenda that indicated interregional coordination issues and the impact of NYISO practices and procedures on regional transactions would be discussed.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Albany, New York, this 18th day of January, 2001.

John R. Baugh

John R. Baugh
Public Service Commission
of the State of New York
3 Empire State Plaza
Albany, NY 12223
(518) 474-1521

release

Folder Profile

Control #	2001-001606
Name	Letter to Secretary Abraham from Robert Pickel - Executive
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	1/23/01
Subject Text	Invites Secretary Abraham to be keynote speaker at ISDA's Energy and Developing Products conference in Houston, Texas, at the Four Seasons Hotel, March 6, 2001
Correspondence Date	1/19/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Package picked up via FedEx. Regrets
Date Due	
Date Completed	1/24/01

3

2001-0016U6 1/23/01 5:51pm

ISDA

International Swaps and Derivatives Association, Inc.
600 Fifth Avenue, 27th Floor
Rockefeller Center
New York, NY 10020-2302
Telephone: (212) 332-1200
Facsimile: (212) 332-1212
e-mail: isda@isda.org
website: http://www.isda.org

January 19, 2001

The Honorable Spencer Abraham
Secretary-Designate
Bush-Cheney Transition Headquarters
1800 G Street, N.W.
Washington, D.C. 20270

Dear Secretary-Designate Abraham:

On behalf of the board of directors and member institutions of the International Swaps and Derivatives Association (ISDA), I am pleased to invite you to be the keynote speaker at ISDA's Energy and Developing Products conference, which will be held in Houston at The Four Seasons Hotel on March 6, 2001.

ISDA is the global trade association representing leading participants in the derivatives and risk management industry. Our members include most of the world's major financial institutions, as well as leading end-users. Since its inception in 1985, ISDA has pioneered efforts to identify and reduce the sources of risk in, and encourage the prudent and efficient development of, the privately negotiated derivatives business. This includes our groundbreaking work in creating documentation, in the form of international contractual standards that reduces legal uncertainty and credit risk.

It also involves close cooperation with U.S. and international public policymakers on a range of issues: ensuring the appropriate regulatory and legal framework for derivatives transactions; developing an effective capital adequacy framework and treatment of specific transaction types; and fostering and advancing sound risk management practices.

All of these issues continue to be of keen interest to our members, policymakers and the financial system in general. Our Energy and Developing Products conference in Houston therefore promises to be an important conference for industry participants. The Conference will highlight issues involving recent events and growth of new products, natural gas, coal and other energy products, e-commerce, electricity trading, bandwidth trading, weather derivatives, public policy issues in Europe and North America, and documenting energy and power derivatives.

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The Commodity Futures Modernization Act of 2000, which passed in the final hours of the 106th Congress, is landmark legislation for the OTC derivatives industry generally. The legislation, which provides legal certainty for bilateral derivatives, is of special interest to the OTC energy industry due to the positive treatment of energy derivatives in electronic trading. Transactions in energy, metal and chemical products are now excluded from the Commodity Exchange Act, except for CFTC antifraud and anti-manipulation authority. This exclusion provides the industry with the freedom to innovate.

Your participation in this event would be highly valued, and we appreciate very much your consideration of our invitation. Please do not hesitate to have your staff contact me with any questions you might have.

Sincerely,

Robert Pickel

Robert G. Pickel
Executive Director and Chief Executive Officer

ISDA

International Swaps and Derivatives Association, Inc.

Energy and Developing Products

Featuring Workshops On:

- *Electricity Trading*
- *Bandwidth Trading*
- *Weather Derivatives*
- *Natural Gas, Coal and Other Energy Products*
- *Mastering the 1992 ISDA Master Agreements*

Tuesday, March 6, 2001
The Four Seasons Hotel
Houston

b B

International Swaps and Derivatives Association, Inc.

Energy and Developing Products

Tuesday, March 6, 2001
The Four Seasons, Houston

Program Agenda

8:00 AM **Registration and Continental Breakfast**

8:45 AM **Introduction and Welcoming Remarks**
Robert G. Pickel, Executive Director and Chief Executive Officer, ISDA

9:00 AM **Overview of Energy and Developing Markets**
Dave Delaney, President and CEO, Enron Capital & Trade Resources Corp. (TBD)

9:30 AM **Panel Discussion on Recent Events and the Growth of New Products**
Moderator: Christophe Chassard, Global Head of Structuring and Risk Management, RWE Trading GmbH
Mark Haedicke, ISDA Director, Managing Director and General Counsel, Enron Capital & Trade Resources Corp.
Speakers TBD

Issues to be discussed include:
- Power Price Spikes
- Delivery Failures
- OPEC Production Decisions
- Emissions Trading
- New and Developing Products

10:15 AM **Morning Break**

10:45 AM **E-Commerce Panel Discussion**
Martin Chavez, President and CEO, Kiodex, Inc.
Andy Zipper, Vice President of E-Commerce, Enron On-line
DynegyDirect (Speaker to be announced)
IntercontinentalExchange (TBD)

11:30 AM **Public Policy Issues – Europe and North America**
Moderator: Kenneth Raisler, Partner, Sullivan & Cromwell
Christophe Chassard, Global Head of Structuring and Risk Management, RWE Trading GmbH
Commissioner James E. Newsome, The Commodity Futures Trading Commission

12:00 PM **Use of a Single Master Agreement for Physical and Financial Trading**
Harlan E. Murphy, Assistant General Counsel, Dynegy Marketing and Trade
Dede Russo, Senior Counsel, Reliant Energy Wholesale Group
Elizabeth Sager, Senior Counsel, Enron Capital & Trade Resources Corp.

Issues to be discussed include:
- Review of standardized documentation in North America and Europe
- Benefits of using a single Master Agreement for all physical and/or financial trading

12:45 PM **Luncheon**

C

International Swaps and Derivatives Association, Inc.

Energy and Developing Products

Tuesday, March 6, 2001
The Four Seasons, Houston

Program Agenda

Note: After lunch, starting at 2:00 PM, there will be two sessions with a variety of topics. Delegates may select one workshop topic during each session.

2:00 PM — SESSION ONE (2:00 – 3:15 PM): **Delegates may select one workshop topic for session one.**
Workshops 1 and 2 in each session will provide global and regional perspectives on different product types with a focus on business and trading issues. Issues to be discussed include: transaction structures, indices and other measurements, physical delivery and market participants.

Workshop 1. **Electricity Trading**
Christophe Chassard, Global Head of Structuring and Risk Management, RWE Trading GmbH
Adele M. R. Raspe, Assistant General Corporate Counsel, PSEG Energy Resources & Trade LLC

Workshop 2. **Bandwidth Trading**
Speakers TBD

Workshop 3. **Documenting Energy and Power Derivatives Under the 1992 ISDA Master Agreements**
This workshop, repeated in session two, is for attendees who are interested in a more in-depth understanding of the ISDA Master Agreement and how it can be used to document energy and power derivatives.
Robert G. Pickel, Executive Director and Chief Executive Officer, ISDA
Robert Rabalais, Partner, Vinson & Elkins L.L.P.
Mark Taylor, Assistant General Counsel, Enron Capital & Trade Resources Corp.

An Overview of the Architecture of the 1992 ISDA Master Agreements
- Definitions and Confirmations
- User's Guide
- Recent Developments
- Conflict of Law Issues

Mastering the 1992 ISDA Master Agreements

A. **The Basics**
- Payment Mechanics
- Representations
- Agreements

B. **Early Termination**
- Events of Default/Termination Events
- Termination Mechanics
- Calculating Settlement Amounts
- Bankruptcy/Insolvency: Netting and Regulatory Aspects

3:15 PM — **Afternoon Break**

3:45 PM — **Session Two Begins**

International Swaps and Derivatives Association, Inc.

Energy and Developing Products

Tuesday, March 6, 2001
The Four Seasons, Houston

Program Agenda

3:45 PM **SESSION TWO: Delegates may select one workshop topic for session two.**

Workshop 1. **Weather Derivatives**
Kenneth Raisler, Partner, Sullivan & Cromwell
Speakers TBD

Workshop 2. **Natural Gas, Coal and Other Energy Products**
John Herbert, Vice President and Counsel, Dynegy Inc.
Speakers TBD

Workshop 3. **Documenting Energy and Power Derivatives Under the 1992 ISDA Master Agreements**
This workshop is a repeat of workshop 3 in session one.
Robert G. Pickel, Executive Director and Chief Executive Officer, ISDA
Robert Rabalais, Partner, Vinson & Elkins L.L.P.
Mark Taylor, Assistant General Counsel, Enron Capital & Trade Resources Corp.

5:00 PM **Conference Concludes**

SAVE THE DATE
ISDA's 16th Annual General Meeting
April 3 – 6, 2001
Omni Shoreham Hotel, Washington, D.C.
(Only ISDA members are eligible to attend the AGM)

(Agenda is subject to modifications, please contact the ISDA office for an update on conference.)

release

Folder Profile

Control #	2001-001530
Name	Letter to Secretary Spencer Abraham from Kenneth L. Lay,
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	1/23/01
Subject Text	Invites Secretary Abraham to address the morning session of the winter meeting at the Park Hyatt Hotel – February 22, 2001
Correspondence Date	1/22/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	ALSTONL
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info:ES/Carpenter
Date Due	
Date Completed	1/23/01

4

2001-001530 Jan 23 A7:28

Kenneth L. Lay
Chairman and
Chief Executive Officer

Enron Corp.
P. O. Box 1188
Houston, TX 77251-1188
(713) 853-6773
Fax (713) 853-5313
klay@enron.com

January 22, 2001

The Honorable Spencer Abraham
Secretary
US Department of Energy
1000 Independence Avenue, SW
Room 7A-257
Washington, DC 20585

Dear Spencer:

In my capacity as Vice Chairman of the Business Council, I am writing to invite you to address the morning session of our winter meeting at the Park Hyatt Hotel in Washington, DC on February 22, 2001. If you are able to join us, which we very much hope you are, we will work with your staff to determine the most convenient time for you to speak. We envisage about a 20-minute speech with 10 to 15 minutes with our members.

The Council, formed in 1933, is a voluntary association of America's top 100 or so business leaders dedicated to service in the national interest. As a gathering of current and former Chief Executive Officers from virtually every major industry, the Council is entirely an educational and deliberative forum. The Council does not take positions as an organization; instead, it provides a forum for exchange between the leaders of the US business and government communities in an effort to achieve greater understanding and consensus on the important issues facing our country.

Our winter meeting is held in Washington, DC in order to facilitate broad participation by our nation's top political leaders including the President, Cabinet officers and Congressional majority and minority leaders. We would be delighted to have your participation at this winter's event.

Please feel free to call me directly, or have someone on your staff contact Philip Cassidy (Business Council) at 202-298-7650 or Linda Robertson (Enron) at 202-466-9159.

Sincerely,

Ken

A

Folder Profile

Control #	2001-001758
Name	Invitation to Secretary Spencer Abraham from Kenneth Lay
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-I
Date Received	1/24/01
Subject Text	Mr. Kenneth Lay of Enron Business Council invites Secretary Abraham to address the morning session of the winter meeting on February 22, 2001, in Washington, DC
Correspondence Date	1/22/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	HOLLOWAG
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter
Date Due	
Date Completed	1/24/01

5

01/24/01 11:17 FAX ⊘001
01/24/01 11:02 FAX ⊘001
JAN 24 2001 09:36 FR ENRON :TO 5867644 P.01/01

2001-001758 1/24 A 11:50

ENRON

Kenneth L. Lay
Chairman and
Chief Executive Officer

Enron Corp.
P.O. Box 1188
Houston, TX 77251-1188
(713) 853-6773
Fax (713) 853-5313
klay@enron.com

January 22, 2001

The Honorable Spencer Abraham
Secretary
US Department of Energy
1000 Independence Avenue, SW
Room 7A-257
Washington, DC 20585

Dear Spencer:

In my capacity as Vice Chairman of the Business Council, I am writing to invite you to address the morning session of our winter meeting at the Park Hyatt Hotel in Washington, DC on February 22, 2001. If you are able to join us, which we very much hope you are, we will work with your staff to determine the most convenient time for you to speak. We envisage about a 20-minute speech with 10 to 15 minutes with our members.

The Council, formed in 1933, is a voluntary association of America's top 100 or so business leaders dedicated to service in the national interest. As a gathering of current and former Chief Executive Officers from virtually every major industry, the Council is entirely an educational and deliberative forum. The Council does not take positions as an organization; instead, it provides a forum for exchange between the leaders of the US business and government communities in an effort to achieve greater understanding and consensus on the important issues facing our country.

Our winter meeting is held in Washington, DC in order to facilitate broad participation by our nation's top political leaders including the President, Cabinet officers and Congressional majority and minority leaders. We would be delighted to have your participation at this winter's event.

Please feel free to call me directly, or have someone on your staff contact Philip Cassidy (Business Council) at 202-298-7650 or Linda Robertson (Enron) at 202-466-9159.

Sincerely,

Ken

Post-it® Fax Note 7671	Date 1/24	# of pages ▸ 1
To Scheduler	From Ken Lay	
Co./Dept.	Co. ENRON	
Phone #	Phone #	
Fax # 586-7644	Fax #	

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** TOTAL PAGE.01 **

5A

Folder Profile

Control #	2001-002647
Name	Letter to Secretary Abraham from Scot M. Faulkner & Jacq
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	1/31/01
Subject Text	Mr. Faulkner and Ms. Grapin invite the Secretary to a Roundtable on Energy, Environment and Transportation re the U.S. and Europe. No date mentioned.
Correspondence Date	1/29/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copies: SL/Johnston, Cathy Carpenter. Regrets
Date Due	
Date Completed	2/1/01

Regrets

6A

THE EUROPEAN INSTITUTE

5225 WISCONSIN AVENUE, N.W., SUITE 200, WASHINGTON, DC 20015-2014
TELEPHONE: (202) 895-1670 ▪ FAX: (202) 362-1088 ▪ E-MAIL: INFO@EUROPEANINSTITUTE.ORG

2001-002647 Jan 31 A 11:34

January 29, 2001

The Honorable Spencer Abraham
Secretary of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

REF: Meeting with European Embassies

Dear Mr. Secretary:

The European Institute would like to arrange a meeting with senior representatives from 24 European countries at a time and place of your choosing. This meeting would be conducted in coordination with The European Institute's *Roundtable on Energy, Environment and Transportation*. The Roundtable examines questions related to energy and sustainable development within the context of evolving policies in Europe and the U.S.

Members of the *Roundtable on Energy, Environment and Transportation* include Airbus Industrie of North America, American Forest & Paper Association, BMW (US) Holding Corp., The Boeing Company, British Nuclear Fuels Ltd. (BNFL), COGEMA Inc., DaimlerChrysler, Delta Air Lines, Inc., Electricité de France, ENI, Enron Corporation, Exxon Mobil Corporation, General Electric Company, IBM Corporation, Lafarge Corporation, Lufthansa German Airlines, Nuclear Energy Institute, Siemens AG, and Swissair/Sabena.

The European Community is eager to meet members of the Bush Administration and to begin addressing the issues facing the U.S. and Europe. We hope you can participate in this important dialogue. We have included The European Institute's President's Report for your information. Please feel free to call at (202) 895-1670.

Sincerely,

Scot M. Faulkner
Executive Director

Jacqueline Grapin
President

Copies: Kyle McSlarrow, Joe McMonigle

6A

Folder Profile

Control #	2001-003284
Name	Letter to Secretary Spencer Abraham from Jerry Ribnick, In
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	2/5/01
Subject Text	Jerry Ribnick from Interchange Energy Group invites Secretary Abraham to be keynote speaker at the upcoming "LDC Forum Southeast - Gas and Power" on June 4-5, 2001, in Atlanta, Georgia
Correspondence Date	2/1/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copies: SL/Johnston and ES/Carpenter. Regrets
Date Due	
Date Completed	2/5/01

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2001-003284 2/25 P 1:12

INTERCHANGE
ENERGY GROUP
The Interchange of Information
...for the Energy Industry

February 1, 2001

The Honorable Secretary Spencer Abraham
Office of the Secretary of Energy
U.S. Department of Energy, Headquarters
Forrestal
1000 Independence Ave. SW
Washington DC 20585
PHONE: 202-586-6210
FAX: 202-586-4403

Dear Secretary Abraham,

I would like to invite you to be the keynote speaker at the upcoming *LDC Forum Southeast - Gas and Power*, which will be held in Atlanta, Georgia on June 4-5, 2001. The Forum will be the largest meeting of gas buyers from LDCs, power generators, electric utilities, industrial end users and others in the industry.

The Forum is sponsored by a number of major companies involved in the energy industry. For your convenience, I have enclosed a list of current year sponsors (to-date) and a list of the continuing sponsors from both our Boston and Chicago Forums. The Atlanta Forum will be patterned after our hugely successful Boston and Chicago LDC Forums, which each individually attract 400-500 industry professionals. This meeting will focus primarily on power generation, and the interconnections between the gas and electric industries. In addition, we will discuss the changing regulatory and market environments, including industry consolidation, electronic commerce and new projects in the Southeast region.

At past Forums, we have had commissioners from the FERC as the keynote speakers. Recently, Commissioner Breathitt spoke in Chicago and Chairman Herbert is speaking at this year's Boston Forum in April. Commissioner Ruth Kretschmer, from the Illinois Commerce Commission has been an annual speaker at our Chicago Forum for the past five years. I would encourage your office to contact any of these individuals and they will confirm the value of these industry events.

I think that this would be a great opportunity for you to dialogue with the industry and respectfully request that you consider this invitation to speak at the LDC Forum Southeast.

Thank you very much for your consideration in this matter. I look forward to seeing you in Atlanta.

Yours very truly,

Jerry Ribnick

P.S.: We will accommodate our agenda to meet your schedule at any time during the two days of the conference.

620 Mendelssohn N. #161 • Minneapolis, Minnesota 55427 • Phone (763) 545-1515 • Fax (763) 545-1818

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1st Annual

The LDC Forum Southeast Gas and Power

June 4-5, 2001 - Atlanta, Georgia

Corporate Sponsors

(as of 2-1-01)

Aquila

Caminus

Columbia Gulf Transmission

Dominion Transmission

Duke Energy Gas Transmission

Enron North America Corp.

Koch Energy Trading

Reliant Energy Wholesale Group

Williams

Logo Presentation not yet available.

7B

6th Annual

THE LDC FORUM ❄ WINTER OF 2001

Boston, Massachusetts April 19-20, 2001

Corporate Sponsors

Altra Energy Technologies
Aquila
Columbia Gas Transmission
Conoco Gas and Power Marketing
Dominion Transmission
Duke Energy
eCORP - The Energy Company
El Paso Merchant Energy
EnergyUSA-TPC Corporation
Enron North America Corp.
Iroquois Gas Transmission System LP
Koch Energy Trading
PG&E National Energy Trading
Reliant Energy Wholesale Group
TransCanada PipeLines Limited
TXU Energy Trading
Union Gas-Storage & Transportation Services
Vector Pipeline
Williams

Logo Presentation not yet available.

1c

12th Annual

The LDC Forum
Gas Storage Strategies and Market Center Hubs

September 11-13, 2000 -- Chicago, Illinois

Corporate Sponsors

Altra Energy Technologies Corp.

Aquila

Columbia Gas Transmission

Conoco Gas and Power Marketing

EnergyUSA-TPC Corporation

Engage Energy US LP

Enron North America Corp.

Guardian Pipeline

Independence Pipeline

Nicor Gas

Oneok Inc.

Peoples Energy Corporation

PG&E National Energy Group

ProLiance Energy LLC

Reliant Energy Wholesale Group

Southern Company Energy Marketing

TransCanada PipeLines Limited

Union Gas-Storage & Transportation Services

Vector Pipeline

Whitecap Energy System LLC

Williams

The LDC Forum

Gas Storage Strategies and Market Center Hubs

September 11-13, 2000 • Chicago, Illinois

2000 Corporate Sponsor Listing

ENRON

Enron, North America Corp.

150 N. Michigan Ave. #3610
Chicago, IL 60601
Company Web Site: www.enron.com
Key Contact: Ms. Laura Luce

GUARDIAN PIPELINE

Guardian Pipeline

330 Town Center Dr #1000
Dearborn, MI 48126
Company Web Site: www.cmsenergy.com
Key Contact: Mr. George C. Hass

Independence Pipeline

520 Renaissance Ctr.
Detroit, MI 48243
Company Web Site: www.independence.twc.com
Key Contact: Mr. Todd Persells

INDEPENDENCE PIPELINE

EL PASO MERCHANT ENERGY

P O Box 2511, Room 2445B
Houston TX 77252-2511
Company Web Site: www.epenergy.com
Key Contact: Steve Durio

ENERGY SOLUTIONS INT'L., INC.

13831 NW Freeway, #235
Houston TX 77040
Company Web Site: www.energy-solutions.com
Key Contact: Glen Sartain

ENERGYUSA-TPC CORPORATION

200 Westlake Park Blvd. #1000
Houston TX 77079
Company Web Site: www.energyusa.com
Key Contact: Peter I. Tumminello

ENRON NORTH AMERICA CORP.

1400 Smith St.
Houston TX 77002
Company Web Site: www.enron.com
Key Contact: Beth Perlman

INDEPENDENCE PIPELINE

2800 Post Oak Blvd.
Houston TX 77056
Company Web Site: www.independence.twc.com
Key Contact: Jamie D. Craddock

The LDC Forum

Gas Storage Strategies & Market Center Hubs

Corporate Sponsor Listing

7F

Gas Storage Strategies and Market Center Hubs

September 11-13, 2000 • Chicago, Illinois

2000 Corporate Sponsor Listing

Conoco Gas and Power Marketing

600 N. Dairy Ashford
Houston, TX 77079
Company Web Site: www.conoco.com
Key Contact: Mr. J. Mike Stice

CONOCO Gas and Power Marketing

EnergyUSA-TPC
A NiSource Company

EnergyUSA - TPC Corporation

2603 Augusta #1400
Houston, TX 77057
Company Web Site: www.energyusa.com
Key Contact: Mr. Peter I. Tumminello

ENGAGE energy for life

Engage Energy US LP

3000 Town Center #2800
Southfield, MI 48075
Company Web Site: www.engageenergy.com
Key Contact: Mr. David J. Slater

2000 Corporate Sponsor Listing

nicor

Nicor Gas

1844 Ferry Road
Naperville, IL 60563
Company Web Site: www.nicorinc.com
Key Contact: Mr. Stephen J. Cittadine

ONEOK

ONEOK Inc.

100 West Fifth St
Tulsa, OK 74103
Company Web Site: www.oneok.com
Key Contact: Mr. Mark J. Quinlan

PEOPLES ENERGY

Peoples Energy Corporation

150 North Michgan #3610
Chicago, IL 60601
Company Web Site: www.pecorp.com
Key Contact: Mr. Timothy Hermann

Folder Profile

Control #	2001-003607	**Name**	Letter to Secretary Spencer Abraham from Dorothea H. El M
Priority	Important	**Folder Trigger**	Invitation
DOE Addressee	Spencer Abraham	**Source**	PM-O
		Date Received	2/7/01
Subject Text	Dr. Dorothea H. El Mallakh invites Secretary Abraham to participate in the International Research Center 28th annual Energy Conference on 4/22-25/01	**Correspondence Date**	2/2/01
		RIDS Information	Head of Agency
		Sensitivity	Not Applicable
Action Office #	Regular	**Classification**	None
Signature/Approval	IA	**Point of Contact**	GORHAMO
		Organization ID	EXECCORR2
Action Requested	Prepare Response	**Assigned To**	IA
Special Instructions	Info: SL/Johnston, ES/Carpenter and OS/Fahmy-Hudome. Relates to ES00-027170. S-1 regret.	**Date Due**	3/13/01
		Date Completed	3/7/01

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INTERNATIONAL RESEARCH CENTER FOR ENERGY & ECONOMIC DEVELOPMENT

850 Willowbrook Road
Boulder, CO 80302 U.S.A.

Telephones: (303) 442-4014, 442-2070 / Fax: 442-5042
E-mail: iceed@stripe.Colorado.EDU

2001-003607 2/7 P 12:06 February 2, 2001

The Honorable Spencer Abraham
Secretary of Energy
U. S. Department of Energy
1000 Independence Ave., SW
Washington DC 20585

Dear Secretary Abraham:

As announced in the letter you were sent last October, our Center's 28th annual international energy conference entitled "Sustainable Development: Defining and Refining Energy's Role" will be held from the evening of April 22 (Sunday) to midday April 24 (Tuesday). The 22nd annual international area sessions on "Managing Short-Term Energy Markets: Supplies and Suppliers" will begin midday April 24 and conclude midday April 25 (Wednesday). It is with pleasure that we invite you to attend.

For over a quarter of a century, we have been organizing conferences unique in the mix of attendees and participants: high-ranking representatives and specialists in industry, finance, and national/multinational governmental agencies from as many as 27 countries. The sessions are noted for their valuable contacts as well as the formal and informal exchange of views and data. Attendance is by invitation and reservation only. Should your schedule preclude your own participation, we would be pleased to have you nominate one or more representatives.

A brief outline with the topics and some of the preliminary speakers is enclosed, along with registration and hotel information, some of which is new. Should you require further details, including an updated listing of participants, please contact me. The best telephone number at which to reach me any time is (303) 442-4014. In order to keep the conferences to the optimal size, we may need to close registration prior to the April 16 deadline.

Sincerely yours,

Dorothea H. El Mallakh

Dr. Dorothea H. El Mallakh

DEM/ty
Enclosures

It would be a special pleasure to have you participate or, should you prefer, simply attend and participate informally. I believe your office has already received background on the Center as well as samples of our publications, including the Journal of Energy and Development.

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INTERNATIONAL RESEARCH CENTER FOR ENERGY & ECONOMIC DEVELOPMENT

850 Willowbrook Road
Boulder, CO 80302 U.S.A.

Telephones: (303) 442-4014, 442-2070 / Fax: 442-5042
E-mail: iceed@stripe.Colorado.EDU

The 28th Annual International Energy Conference on SUSTAINABLE DEVELOPMENT: DEFINING AND REFINING ENERGY'S ROLE will open Sunday evening, April 22, 2001, and conclude midday Tuesday, April 24. Various industries, governmental agencies, and non-governmental organizations utilize the term "sustainable development" in setting agendas. There appear to be substantial differences in not only the process to achieve this goal but how to balance its components. Some key questions to be addressed include: What is the place of economic efficiency in evaluating the attractiveness of various energy forms? Can a quantified value be assigned to the environmental benefits of one energy source over another? How can governmental policy encourage the consumption of specific energy forms in a way that does not violate economic principles? For energy-exporting developing nations, how can sustainable development be accomplished when revenues are based overwhelmingly on a wasting asset? Will globalization be a factor? Under what oil-price scenarios could environmentally preferred products, applications, and fuels make major inroads within established consumption patterns?

The 22nd Annual International Area Conference, MANAGING SHORT-TERM ENERGY MARKETS: SUPPLIES AND SUPPLIERS, runs from midday Tuesday, April 24, to midday Wednesday, April 25. In recent years, emphasis has been placed on supply and the willingness of energy suppliers to proactively manage the short-term market fluctuations. Internationally, oil exporters—particularly the Organization of the Petroleum Exporting Countries—have been called upon to fine-tune output to achieve price levels deemed acceptable both to meet revenue requirements at home and to keep importing economies viable. Domestically, the current California electricity shortfalls stand as one example of failure in short-term energy-market management. What instruments might be fashioned to lessen the economic and political pressure on supply and suppliers?

Some 80 percent of conference attendees have attended at least one earlier meeting. Thus, most are aware that the following is only a partial listing as schedules are still being set to accommodate speakers. A more detailed list and initial program, available by early March, can be furnished upon request. Among expected attendees and/or participants are: Dr. Said Al-Shaikh (Chief Economist, National Commercial Bank, Jeddah); Salim Al-Shanfari (President, Sands Petroleum Consultancy, Oman); Dr. Herman Franssen (Director, Petroleum Economics Ltd.); Dr. Shokri Ghanem (Director, Research Division, OPEC, Vienna); Dr. Sharif Ghalib (Energy Intelligence Group, New York); Michael C. Lynch (Vice President, Petroleum Service Energy Group, WEFA, Inc.); Hisanori Nei (Director, Middle East and Africa Office, International Trade Policy Bureau, Ministry of Economy, Trade and Industry, Tokyo); Dr. Øystein Noreng (Fina Professor of Petroleum Economics and Management, Norwegian School of Management); Bill Reinert (National Manager, Advanced Technology Group, Toyota Motor Sales, U.S.A., Inc.); H. H. Rogner (Head, Planning and Economic Studies, International Atomic Energy Agency, Vienna); Dr. Mohamed Sadeqi (Kuwait Fund for Arab Economic Development); Dr. Paul Stevens (BP Professor of Petroleum Policy & Economics, University of Dundee, United Kingdom) as well as representatives from Algeria, the California Air Resources Board, Canada, Indonesia, the International Energy Agency, Japan (through special coordination with the Japanese External Trade Organization or JETRO), Kuwait, Mexico, Norway, Saudi Arabia, the United Kingdom, the U. S. Departments of Energy and State, and private-sector and national companies such as BP Amoco, Conoco, Enron, Exxon Mobil, Kuwait Petroleum Corporation, Petroleos de Venezuela, and Saudi Aramco, among others. As in past years, we expect strong media participation, including the *Financial Times, Oil & Gas Journal, Petroleum Intelligence Weekly, Wall Street Journal,* and *World Oil,* as a sampling.

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INTERNATIONAL RESEARCH CENTER FOR ENERGY & ECONOMIC DEVELOPMENT

850 Willowbrook Road
Boulder, CO 80302 U.S.A.

Telephones: (303) 442-4014, 442-2070 / Fax: 442-5042
E-mail: iceed@stripe.Colorado.EDU

Twenty-Eighth Annual International Energy Conference

SUSTAINABLE DEVELOPMENT: DEFINING AND REFINING ENERGY'S ROLE

April 22, 23, and 24, 2001

Twenty-Second Annual International Area Conference

MANAGING SHORT-TERM ENERGY MARKETS: SUPPLIES AND SUPPLIERS

April 24 and 25, 2001

If you are planning to attend either or both of the Conferences and are *not a speaker*, please make your own hotel reservations. If you would like assistance for a reservation, contact the Center. When making your reservation, inform the hotel you are attending the ICEED Conferences to receive the special conference rates. At check-in, be certain to ask for your information envelope and the bus schedule. **The sessions will be held at the Omni Hotel, which is only five minutes from Boulder.** (Please notify the Conference if you will not be staying at the Omni Hotel.) **Reserve early as the Conferences have a block of rooms held only until March 23 at:**

The Omni Interlocken Hotel and Resort
500 Interlocken Blvd.
Broomfield, Colorado 80021 U.S.A.
Telephone: (303) 438-6600 /Fax: (303) 438-7224
Web site: http://www.omnihotels.com/

From the Denver International Airport (DIA), the **Super Shuttle** leaves at 10 minutes after the hour from 8:10 a.m. to 11:10 p.m.; check in and purchase tickets at the **Super Shuttle** ticket counter located on the west side of level 5 (baggage claim) of the main terminal. One-way cost to The Omni Hotel in Broomfield is $18, and the trip takes about one hour to the hotel.

REGISTRATION INFORMATION: Registration will be held at The Omni Hotel from 11 a.m. to 6 p.m. on Sunday, April 16. Thereafter, registration will be held in the Conference office at the hotel. There will be a continental breakfast (juice, coffee, tea, breakfast breads) available prior to the morning sessions on April 23, 24, and 25, compliments of the Conference.

PRE- AND POST-CONFERENCES EVENTS: Because of the theme of the energy sessions, Blue Star Sustainable Technologies Corporation, with offices in nearby Arvada, invites those interested to tour the company's plant. Other activities involving distributed power generation may be included. Toyota will have hybrid and alternative-fueled vehicles for inspection and driving.

(OVER)

INTERNATIONAL RESEARCH CENTER FOR ENERGY & ECONOMIC DEVELOPMENT

850 Willowbrook Road
Boulder, CO 80302 U.S.A.

Telephones: (303) 442-4014, 442-2070 / Fax: 442-5042
E-mail: iceed@stripe.Colorado.EDU

Twenty-Eighth Annual International Energy Conference
SUSTAINABLE DEVELOPMENT: DEFINING AND REFINING ENERGY'S ROLE

and

Twenty-Second Annual International Area Conference
MANAGING SHORT-TERM ENERGY MARKETS: SUPPLIES AND SUPPLIERS

April 22-25, 2001 — Boulder/Broomfield, Colorado

To streamline conference administration, the Center initiated a policy in 1996 of a moderate ***registration fee to cover all meals, transportation to and from events scheduled for the two and a half days of the sessions, and distribution of the available papers***. You are requested to indicate the meals you *anticipate* taking with the Conferences (back of this page). Those who have attended past meetings will recall the effort to provide exceptional lunches and dinners at different locations; this is unchanged with the same outstanding restaurants reserved for our events in April.

The fee schedule below is in keeping with the Center's nonprofit status. We prefer fee payment (in dollars payable on a U.S. bank) to accompany the registration form; credit cards are not accepted. However, the fee may be paid at the time of the sessions at a higher level. ***If you plan to use the late registration option, you still need to complete the form below in order to reserve your place. As with all our previous conferences, attendance is by invitation and reservation only in order to keep the number of attendees to a level that preserves the optimal exchange of views and contacts. Should you need to cancel your reservation/registration, your fee will be refunded in full if notification of cancellation is received before April 12. In order to accommodate changing schedules, we can keep the reservation and change the name of the registrant if notified prior to the sessions.***

FEE PRIOR TO APRIL 12, 2001	FEE AFTER APRIL 12 (RESERVATION REQUIRED)
$590 per registered attendee	$630 per registered attendee
$345 per accompanying spouse or family member	$345 per accompanying spouse or family member

---------------------------------(Detach and return)---------------------------------

Twenty-Eighth International Energy Conference (April 22, 23, and 24, 2001)
Twenty-Second International Area Conference (April 24 and 25, 2001)
c/o ICEED
850 Willowbrook Road
Boulder, Colorado 80302 U.S.A.

Name ____

Position/Title ____

Company/Organization ____

Complete mailing address (including postal code) ____

____

Phone ______________ **Fax** ______________ **E-mail** ______________

(OVER - SEE OTHER SIDE)

Folder Profile

Control #	2001-004148
Name	Invitation to Secretary Abraham from Ken Lay, Chairman (E
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	2/12/01
Subject Text	Mr. Ken Lay, Chairman of Enron invites Secretary Abraham to a retirement reception in Washington, D.C. on February 22, 2001 (6:00 - 8:00 p.m.), honoring Joe Hillings for his 18 years of Service
Correspondence Date	2/12/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Social
Classification	None
Signature/Approval	NA
Point of Contact	CARPENTC
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Kohs
Special Instructions	Please RSVP. Information copy: SL/Johnston
Date Due	
Date Completed	2/13/01

r plea

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Ken Lay, Chairman

Enron

Invites You To

A Retirement Reception

Honoring

Joe Hillings

For 18 Years of Service

2001-004148 Feb 12 p 1:24

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Folder Profile

Control #	2001-004823
Name	Letter to Secretary Abraham from Bob Wilson (Columbia R
Priority	Important
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	2/20/01
Subject Text	Expresses concerns regarding the energy crisis in California and the Pacific NW du eto financial Mismanagement/artifical induced energy shortages by power brokers
Correspondence Date	2/12/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	ALSTONL
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	PO
Special Instructions	
Date Due	
Date Completed	2/21/01

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2001-004823 Feb 20 p 4:39

COLUMBIA RIVER CONSERVATION LEAGUE
1942 Hetrick Ave.
Richland WA. 99352

February 12, 2001

Spencer Abraham, Secretary of Energy
1000 Independence Ave. SW
Washington DC 20585

Secretary Abraham:

Investigations into energy supply in California and the Pacific Northwest are revealing that the so called "energy crisis" is due to financial mismanagement and artificially induced energy shortages by power brokers, not deep shortages of power supplies. Therefore, using the excuse of largely artificially induced energy shortages for opening environmentally sensitive public lands such as the Arctic National Wildlife Refuge, The Rocky Mountain Front or national forest roadless areas to energy exploration is a Trojan Horse approach for turning the public's natural resources over to private developers for corporate profit.

The brokers of the current "energy shortage" claim shortages of cash reserves to deal with power purchases. However, major power brokers such as ENRON Corporation, Calpine Corporation, Dynegy Incorporated and Reliant Energy have transferred billions of dollars to holding companies rather than to reserve accounts. ENRON, for example, posted fourth quarter profits up at 34% yet power prices for the energy ENRON brokers continue to escalate. Kaiser Aluminum Incorporated found it more profitable to shut down its mills in Washington State, throwing hundreds of workers out of their jobs, in order to sell its power allotment at huge profit on the grid.

While the power brokers are making billions trading energy back and forth and shuttling the profits into their holding companies, a number of California power plants have been off-line up to 50% of their operating time in just the past year (industry standards for off-line outages are approximately 5%). Something is obviously wrong here.

The cost of all of this manipulation is passed on to the consumer. And while all this money shuffling, energy selling and re-selling, and artificial reduction in supply is occurring, the power brokerages shamelessly attempt to blame escalating energy prices on shortage of generation and fuel feed supply. Ironically, the brokers and energy suppliers seek to use the artificially inflated energy process they have created to make billions more by invading our public lands for energy resources.

Don't let America's public lands become a corporate oil patch, gas field or coal mine. If we allow this, the American people will once again be left with the environmental damage and degraded landscape while the corporate profiteers make off with the cash. America's public lands, particularly those that remain roadless and wild, are invaluable to future generations of Americans. Don't let the next generation of Americans be sold out by today's false prophets that try to declare crisis where none exists.

Sincerely,
Bob Wilson
Bob Wilson

cc: Washington State Congressional Delegation

10A

Folder Profile

Control #	2001-004911
Name	Letter to Secretary Spencer Abraham from Joe Hilings & Do
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	2/21/01
Subject Text	Urging DOE to maintain a strong level of commitment to the energy services negotiations by providing a full complement of Departmental support
Correspondence Date	2/21/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	IA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Prepare Response
Assigned To	IA
Special Instructions	Info copy: GC
Date Due	3/14/01
Date Completed	3/22/01

release

11

004911

Energy Services

COALITION

Chairmen

E. Joseph Hillings,
Enron

Donald A. Deline,
Halliburton

Executive Members

Christina M. Bolton,
Capitol Strategies

Chris Long,
Enron

Brian Petty,
International Association of Drilling Contractors

Timothy J. Richards,
General Electric

1775 Eye Street, Suite 800
Washington, D.C. 20006
T (202) 828-3360
F (202) 828-3372

February 21, 2001

The Honorable Spencer Abraham
Secretary
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Secretary:

The Energy Services Coalition (ESC) is a coalition of almost 60 companies and trade associations whose goal is to promote the global liberalization of energy services. A membership list is attached. We are working closely with the Department of Energy, the Office of the US Trade Representative, and the Department of Commerce to achieve this end in the services negotiations underway in the World Trade Organization and in ongoing bilateral and regional negotiations such as those involving Chile and the Free Trade Area of the Americas.

We are writing to urge that the Energy Department maintain its strong level of commitment to these negotiations. [illegible] plays a central role as energy advisor to the U.S. delegation, providing [illegible] expertise about the energy industry to our trade negotiators as well as [illegible] trade advice. Two Energy Department employees in particular – Mr. [illegible] Santiago and Ms. Harvetta Asamoah – have done an excellent job in providing the staff-level input needed for these negotiations. Unfortunately, Mr. Santiago [illegible] retired, leaving a void in the critical advisory role played by the Energy Department.

The ESC asks you and your staff to find someone with the same level of [illegible] expertise in the energy sector and trade policy experience as Mr. Santiago and assign that person to assist the U.S energy services negotiating team, in addition to continuing the able support provided by Ms. Asamoah. The U.S. energy services negotiating team needs [illegible] support from the Energy Department.

Time is short. The U.S. WTO negotiating team is due to return to Geneva at the end of March. Negotiators for the U.S.-Chile free trade agreement also are scheduled to meet at the same time.

The United States has made energy services liberalization one of its priorities in the current round of trade negotiations. The annual global market for our companies is estimated at somewhere between $600 billion to over $1 trillion. All

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nations need access to the energy services that will allow them to develop and use energy resources in the most efficient and cost-effective manner. We can achieve our goal of opening global energy services markets if we continue to receive the strong support of the Energy Department and other U.S. agencies.

Respectfully yours,

Joe Hillings
Co-Chairman

Don Deline
Co-Chairman

Encl.

Membership of the Energy Services Coalition as of: 2/21/01

ABB
American Consulting Engineers Council
American Wind Energy Association
American Petroleum Institute
ARCO
Baker Hughes, Inc.
BP AMOCO Corporation
Business Council for Sustainable Energy
CG/LA Infrastructure
Capitol Strategies
The Chevron Companies
CMS Energy
Coalition of Service Industries (CSI)
Conoco
Domestic Petroleum Council
Duke Energy
Edison Electric Institute
EDS
Electric Power Supply Association (EPSA)
El Paso Energy
Emerson Electric Co.
ENERX Development
Enron
Entergy Wholesale
Environmental Export Council
EPRI
European American Business Council (EABC)
Export Council for Energy Efficiency
Exxon-Mobil
EZ Solutions, Inc.
Duke Energy
General Electric
Halliburton Company
Honeywell
International Association of Drilling Contractors (IADC)
Interstate Natural Gas Association of America (INGAA)
International Gas Center
Independent Petroleum Association of America (IPAA)
Kelley Drye & Warren
McDermott Inc.
Mid-American Energy Holdings Company
National Association of Energy Services Companies (NAESCO)
National Foreign Trade Council (NFTC)
National Electrical Manufacturers Association (NEMA)
New York Mercantile Exchange
NRG Energy, Inc.
Petroleum Equipment Suppliers Association (PESA)
Rockwell Automation
Sarkeys Energy Center, University of Oklahoma
Schlumberger Technology
Siemens
United States Energy Association (USEA)
US ASEAN Business Council
US Chamber of Commerce
United States Council for International Business (USCIB)
U.S. Oil & Gas Association
US Pacific Economic Cooperation Council (US-PECC)
Westinghouse
World Environment Center

February 21, 2001

B

ENERGY SERVICES
AND THE
WTO SERVICES NEGOTIATIONS

Energy Services
COALITION

November 2000

ea

A. ENERGY SERVICES - SECTOR STATUS

All nations and all forms of economic activity – developed or developing economy; agriculture, manufacturing, or services company – depend on clean, reliable, efficiently produced, and reasonably priced energy. Demand for energy continues to grow. According to the U.S. Department of Energy (DoE), global energy consumption is projected to rise by 60 percent over the next 20 years. Almost two-thirds of the increase in demand is projected to occur in developing countries.[1] DoE also estimates that the global energy services market today is roughly $600 billion.

A thriving energy sector – including energy services – is today a basic element of economic well-being. There is a high correlation between rising energy usage and economic growth, increased life expectancy, and higher standards of living. Moreover, modern energy services mean that we can develop energy resources in an environmentally sound manner and in ways that promote responsible and efficient development and usage of energy resources.

There is today no internationally agreed definition or classification of energy services. Yet for those companies active in the sector, there is wide agreement about the types of activities that comprise energy services. As a working definition of energy services, the Energy Services Coalition[2] has adopted the following:

> Energy services are those services that comprise or are related to the exploration, development, extraction, production, generation, transportation, transmission, distribution, marketing, consumption, management and efficiency of energy, energy products and fuels.

The reasoning behind the definition is simple – energy services comprise a closely related set of activities that begins with the process of locating and developing energy resources, through their production and provision to final consumers, to cleanup and decommissioning, to activities in every stage to promote the development and usage of clean and energy efficient technologies.

B. WTO CLASSIFICATION OF ENERGY SERVICES

Energy services do not have a discrete classification under the current WTO Sectoral Classification List (W/120). When the W/120 was developed and the GATS negotiated, energy services largely were omitted from the negotiations. At the time, the energy sector largely was dominated by state-owned monopolies operating within national (or even subnational) markets. Whether public or private, oil and gas companies and power generating utilities performed most of their own services internally.

W/120 does contain for three classifications that specifically provide for limited elements of the energy services sector, including:

- Services incidental to mining;
- Services incidental to energy distribution; and

[1] International Energy Outlook 2000, Energy Information Agency, U.S. Department of Energy.
[2] A group of 55 companies and trade associations whose goal is to promote energy services trade liberalization.

- Pipeline transport.

However, these classifications are narrowly defined and do not cover the breadth of energy services activities, including those related to energy development, production, energy networks, and wholesale and retail activities. While some activities related to energy services may be covered under existing, non-energy specific classifications – design, engineering and construction of generating facilities, for example – it simply is not clear where the full range of energy services activities falls within the GATS classification system or even if the system provides for all of these activities.

Because most countries make market access commitments on the basis of the W/120 classification list, it is imperative that work be done to ensure that the full array of commercial activities by energy services providers be covered by that list. Any classification also should be sufficiently flexible so as to encompass new energy services activities and technologies as they arise.

C. BARRIERS TO ENERGY SERVICES

Energy services providers face a variety of barriers that fall within two key categories – limits on market access and restrictive or discriminatory regulatory systems.

Market access restrictions are similar to those faced by many services providers and include lack of a right of establishment, an inability to provide cross-border service, barriers to entering needed personnel and equipment, restrictive procurement practices, among others.

But just as important – or in some cases even more important – are regulatory frameworks that are opaque, discriminatory, arbitrary, or simply confusing. Without a regulatory network that provides a basis for fair competition, energy services companies often are at a disadvantage to one favored competitor.

Both market access and regulatory issues therefore must be addressed in the services negotiations. Market access commitments may well be meaningless without regulatory reform, and its does little good to create a pro-competitive regulatory environment unless market access restrictions are eliminated. To take but one example, if a country were to make a market access commitment liberalizing the trading and brokering of energy, that commitment would be meaningless unless it also committed to a regulatory environment that ensured fair, nondiscriminatory access to the electricity grid or the pipeline system so that the trader could deliver its product.

D. NEGOTIATING OBJECTIVES

Given the nature of the barriers commonly faced by energy services providers, we believe that the best way to ensure broad, meaningful liberalization in energy services trade would be to negotiate a broad set of market access commitments and a pro-competitive regulatory reference paper.

I. Market Access Commitments

The market access commitments could be based upon an agreed set of energy services and related sectors covering those energy services not already provided for within the GATS classification system as well as activities essential to energy services that already are covered in the system (e.g. construction and engineering services, transportation services, maintenance and repair, etc.). They should incorporate a variety of principles aimed at ensuring the broadest possible market opening for energy services. The maximum removal of barriers to energy services trade will create an environment in which energy services providers can deliver the highest degree of benefits to energy services consumers in terms of cost, investment, transfer of technology, and employment.

The following are principles that we would urge be embodied in market access obligations undertaken by all Members subscribing to an energy services agreement[3]:

- Broadest possible market access commitments: Energy services providers should have the opportunity to provide and distribute their services through all four modes provided under the GATS – cross border supply, consumption/purchase abroad, establishment of a commercial presence, or through the temporary movement of natural persons. Commitments should be made in all four modes, with minimal exceptions, so as to ensure the most efficient means of providing a given energy service.[4]

- Technological neutrality: Technology in energy services continues to evolve at a rapid pace. To ensure that energy services providers can use the best available technology, market access commitments should be made without regards for the technology used to provide energy services.

- Temporary entry of equipment/tools of the trade: Energy services providers often rely on specialized equipment to perform their service. When market access commitments are made in energy services, energy services providers should be allowed to enter, on a temporary, duty-free basis, tools of the trade and equipment essential to the provision of those services.[5]

- Temporary entry of business persons and specialists: Energy services companies employ many people with highly specialized skills and should have the right to the temporary entry of essential personnel necessary to provide a covered service.

- Unrestricted movement of electronic information and transactions: Many energy services today rely on electronic information flows and transactions, including geologic data analysis, trading and brokering, and energy efficiency services. Any negotiation should ensure the free movement of these information exchanges and transactions.

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[3] Consistent with GATS Articles XIV (General Exceptions) and XIV bis (Security Exceptions).
[4] We recognize that several countries have sensitivities in the energy area, such as ownership of resources. We believe an energy services agreement could be negotiated that would address these nations' concerns in a manner that could allow them to more effectively develop their resources and create new market opportunities for energy services providers.
[5] We have made this recommendation on the basis that negotiations now are limited to the mandated agenda. Should negotiations on goods commence, we would strongly urge governments to consider eliminating tariffs on energy related goods. While not fully resolving the issues surrounding the need to temporarily enter equipment and tools of the trade, such an initiative could significantly help facilitate such activities and would enhance greatly the costs savings and benefits associated with energy services liberalization.

II. Regulatory Framework

Regulation and technical standards play a critical role in energy services. Indeed, regulations and technical requirements often are the key barriers to market entry and growth.

In the negotiations on Basic Telecommunications, WTO members recognized the need for specific disciplines in a highly regulated sector. We believe that a similar approach is required for energy services. Indeed, the prior work in the WTO on telecommunications issues may provide an appropriate basis for crafting a reference paper on energy services. Building on the work done in both the Annex on Telecommunications and the Basic Telecommunications Reference Paper, a reference paper on energy services should ensure the following requirements are applied to both governments and to major suppliers[6] of energy services.

- Transparency in the formulation, promulgation and implementation of rules, regulations, and technical standards.
- Non-discriminatory third-party access to and interconnection with energy networks and grids.
- An independent regulatory system separate from and not accountable to any supplier of energy services.
- Transparent, objective and timely procedures for the allocation of scare network resources, such as transmission capacity and rights of way.
- Disciplines to prevent anti-competitive business practices, including cross-subsidization.

E. CONCLUSION

When the WTO first addressed the services in the Uruguay Round, the energy services sector was in its infancy. The time would not have been ripe to attempt to address this sector and its issues within the context of the GATS.

Today, however, the energy services sector has developed to the point where it can benefit most – and deliver the greatest benefits in return – from a system of global commitments that ensure the broadest possible market access and a pro-competitive regulatory environment. We urge governments to make a firm commitment to broad energy services liberalization in the current WTO services negotiations.

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[6] For purposes of this paper, the terms "major supplier" and "essential facilities" are defined as in the Basic Telecommunications Reference Paper on Regulatory Principles. A major supplier is a supplier that has the ability to materially affect the terms of participation (having regard to price and supply) in the relevant market for an energy service as a result of: (a) control over essential facilities (such as transmission networks); or (b) use of its position in the market. "Essential facilities" means facilities of an energy, energy product, or fuel transmission network or service that are (a) exclusively or predominantly provided by a single or limited number of suppliers; and (b) cannot feasibly be economically or technically substituted in order to provide a service.

Department of Energy
Washington, DC 20585

MAR 22 2001

Mr. E. Joseph Hillings
Energy Services Coalition
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Dear Mr. Hillings: Joe

In response to your letter of February 21, 2001, to Secretary Abraham, I am pleased to inform you that Lana Ekimoff and Pamela Cochran from the Office of International Affairs are now working with Harvetta Asamoah on the energy services section of the General Agreement on Trade and Services as well as other energy related trade issues. Mr. Henry Santiago's vast experience will be missed with his retirement, but we are confident that the team including Lana Ekimoff, Pam Cochran, and Harvetta Asamoah will provide the technical support needed and sought by the Office of the U.S. Trade Representative in its trade negotiations.

The liberalization of the energy services sector is a priority energy trade issue. The Department is working in the bilateral and multilateral fora to encourage the adoption of transparent, efficient and fair regulatory regimes that will enhance trade and investment in development of energy globally. We look forward to continuing our successful cooperation with the Energy Services Coalition to achieve this goal.

Sincerely,

Dave

David L. Pumphrey
Acting Director
Office of International Affairs

Department of Energy
Washington, DC 20585

MAR 22 2001

Mr. Donald A. Deline
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Dear Mr. Deline:

In response to your letter of February 21, 2001, to Secretary Abraham, I am pleased to inform you that Lana Ekimoff and Pamela Cochran from the Office of International Affairs are now working with Harvetta Asamoah on the energy services section of the General Agreement on Trade and Services as well as other energy related trade issues. Mr. Henry Santiago's vast experience will be missed with his retirement, but we are confident that the team including Lana Ekimoff, Pam Cochran, and Harvetta Asamoah will provide the technical support needed and sought by the Office of the U.S. Trade Representative in its trade negotiations.

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Sincerely,

David L. Pumphrey
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Office of International Affairs

E

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Control #	2001-004961
Name	Letter to Secretary Spencer Abraham from David Parker, A
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	2/22/01
Subject Text	David Parker, American Gas Association, looks forward to meeting Secretary Abraham on February 26, 2001. No location or date mentioned
Correspondence Date	2/21/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
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Classification	None
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AGA

American Gas Association

DAVID PARKER
President and CEO

February 21, 2001

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Secretary:

On behalf of the American Gas Association, I want to congratulate you again on your confirmation as Secretary of Energy. Our Board of Directors is looking forward to meeting you on February 26, 2001.

The American Gas Association represents 185 local natural gas utilities, including the natural gas units of combination electric and gas utilities, which deliver natural gas to 58 million homes and businesses in the United States. Additionally, AGA provides services to member natural gas pipelines, marketers, gatherers, international gas companies and a variety of industry associates.

We take very seriously our responsibility to provide the Administration and Congress with the comprehensive and accurate information it needs to develop sound public policy regarding the natural gas industry. We are anxious to serve you and your colleagues, and we hope that you will rely on us as your principal source of information for inquiries related to natural gas.

In anticipation of your meeting with our Board, I thought you would find useful a brief summary of some of the key issues that our members will be discussing. The attachment to this letter should give you a better idea our industry's priorities.

If you require any additional information, please do not hesitate to call. We look forward to working with you to help meet America's energy goals.

Sincerely,

Dave

David N. Parker

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A

American Gas Association Priority Issues

Development of National Energy Policy

This year we have a major opportunity to develop a national energy policy that would reduce our reliance on foreign energy, enhance domestic production, increase the reliability of our energy infrastructure, increase energy efficiency, improve the environment, and protect consumers. The National Petroleum Council 1999 study on Natural Gas, and the American Gas Foundation's *Fueling the Future* study and policy recommendations, provide a clear picture of the central role that natural gas can play in meeting national energy needs.

Pipeline Safety Legislation

The Senate recently passed S. 235, the Pipeline Safety Improvement Act. The safe operation of our systems is our highest priority. While we support many aspects of S. 235, we are concerned that the final bill may impose new burdensome standards on our systems that do not truly improve safety, but merely increase the cost of operations.

Low Income Home Energy Assistance Program (LIHEAP)

With rising energy prices, we support an increase in funding for LIHEAP. Compared to the need, LIHEAP is underfunded. Only one out of five who qualify for LIHEAP actually receive assistance. The overall funding for LIHEAP should be increased and emergency funding for the remainder of this winter is also needed.

Reduce Government Bureaucracy to Produce Energy on Public Lands

DOE should lead interagency efforts with the Departments of the Interior, Agriculture, EPA and others to create a mechanism that reduces the bureaucratic delay in producing energy on federal lands — a delay that often occurs due to conflicting and overlapping authorities of different federal agencies. This can result in the effective removal of these lands from production.

Research and Development

DOE should increase its leadership role in the research, development and demonstration of new technologies for the improved safety and reliability of our energy infrastructure, for the exploration and production of resources, and for more efficient end-use.

Energy Efficiency and Conservation

Efficiency also must be a critical component of a national energy policy, and the Federal government must lead by its own actions. Through Executive Order 13123, the previous Administration recognized that the direct use of natural gas is highly efficient on a total energy efficiency basis, and the new Administration should embrace this Order. As the new Administration considers standards and goals to conserve energy and reduce emissions, it is critical that any measurement must include all stages of the energy path: production, generation, distribution and consumption.

Energy Standards

In January 2001, the outgoing Administration issued a rule regarding the minimum efficiency standard for residential water heaters. DOE also approved ASHRAE 90.1, a new efficiency standard for commercial buildings. Neither of these actions was in the best interest of the environment or the related industries. Both should be reviewed as soon as possible.

Energy Education Campaign

In addition to the development of a national energy policy, the Administration should initiate a public education campaign about energy. We cannot meet our energy challenges without public support and understanding. The education campaign should focus on:

- the importance of energy to the economy and national security
- where energy comes from and what it takes to deliver it to residences, industry and businesses
- the environmental and consumer impact of energy decisions.

B

Committee Roster

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Scope

Provides policy-level direction to the operations and activities of A.G.A.

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Source	PM-O
Date Received	2/27/01
Subject Text	Kenneth Lay, Enron Corporation, on behalf of the Business Council, expresses appreciation to Secretary Abraham for attending and participating at their meeting in Washington, DC
Correspondence Date	2/27/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	GREENA
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	Spencer Abraham
Special Instructions	
Date Due	
Date Completed	2/28/01

release

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2001-005425 2/27 P 3:45

Kenneth L. Lay
Chairman of the Board

Enron Corp.
P.O. Box 1188
Houston, TX 77251-1188
713-853-6773
Fax 713-853-5313
kenneth.lay@enron.com

February 27, 2001

The Honorable Spencer Abraham
Secretary
US Department of Energy
1000 Independence Avenue, SW
Room 7A-257
Washington, DC 20585

Dear Secretary Abraham:

On behalf of the Business Council I want to express our sincere appreciation for your attendance and participation at our meeting in Washington, DC.

Your remarks struck a real chord with our members and provided us with insightful observations about the new administration's priorities.

Thank you for fitting us into your busy schedule. Very best wishes for success to you and your fellow colleagues.

Sincerely,

Ken

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Folder Profile

Control #	2001-005718	**Name**	Letter to Secretary Abraham from Richard McKean, Montre
Priority	Important	**Folder Trigger**	Letter
DOE Addressee	Spencer Abraham	**Source**	PM-O
		Date Received	3/8/01
Subject Text	RIchard McKean requests Secretary Abraham to give the keynote address at the Montreux Energy Roundtable to be held inMontreux, Switzerland on May 28-30	**Correspondence Date**	2/28/01
		RIDS Information	Head of Agency
		Sensitivity	Not Applicable
Action Office #		**Classification**	None
Signature/Approval	NA	**Point of Contact**	MACKALLB
		Organization ID	EXECCORR2
Action Requested	Appropriate Action	**Assigned To**	SL/Johnston
Special Instructions	Very similar ltr, dated same date (2/28) 2001-006192 from Mr. McKean controlled to SL/Johnston. BLM	**Date Due**	
		Date Completed	3/11/01

r [illegible]

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2001-005718

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MONTREUX ENERGY

INTERNATIONAL ENERGY INVESTMENT

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February 28, 2001
Geneva

The Hon. Spencer Abraham
Secretary of Energy
U S Department Of Energy DOE
Forrestal Building,IE 141, 1000 Independance Ave.,SW
Washington DC 20585
USA

Dear Mr. Secretary,

We would be honored if you could accept to give the keynote address this year at the **Montreux Energy Roundtable** to be held **May 28-30, 2001** in Montreux, Switzerland about one hour from the Geneva airport. We believe we can offer you an occasion to meet informally with an important number of world energy leaders and an opportunity to share with them your vision of the new administrations' energy polices and concerns.

The theme for this year's roundtable ***"Global Energy Investment: Soft Issues and Hard Realities"*** is particularly challenging and timely. Please find enclosed our program and list of other speakers already confirmed. I have also enclosed last year's program and a list of previous speakers 1990-1999 which will give you some idea of the scope and focus of our efforts.

The Montreux Roundtable is a private meeting limited to about 100 industry, government, and financial leaders where participants can exchange frank views and develop or renew relationships. Traditionally, participants are from all segments of the industry and with over 25 nationalities present, the scope is very international. We urge speakers to remain with us during the entire roundtable and to take an active part in all discussions.

If you are able to accept our invitation, we would be happy to explore with you the best timing for your presentation. Your address could be in the opening or closing sessions or more traditionally at the Gala dinner at the Chateau de Chillon on Tuesday evening May 29.

Many Montreux participants bring their wives and there will be a spouses program. Spouses are most welcome at the opening reception and the formal dinner on Tuesday evening at the Chateau de Chillon which is quite special. The roundtable begins Monday evening May 28 at 19:00 with an opening reception and ends at 15:30 on Wednesday to allow participants to make evening flights from Geneva.

We know the heavy demands on your time, but hope that you might be able to join us in May. Allow me to take this occasion to wish you every success with your new challenge.

Yours sincerely,

Richard McKean
President

cc: Edwin Feulner, Washington.

A

MONTREUX ENERGY ROUNDTABLE XII

"Global Energy Investment: Soft Issues and Hard Realities"

May 28-30, 2001 Montreux Palace Hotel, Montreux, Switzerland

Monday May 28, 2001, 19:00 *Registration and Opening Reception*

Tuesday May 29

8:45 Roundtable Briefing: Richard McKean, President, Montreux Energy

Session 1 **SUPPLY, DEMAND & GLOBAL MARKET OUTLOOK**

- *The Call on OPEC oil: Can Members Deliver?*
- *The Environment and the Consumer*
- *Energy Prices and Economic Growth: How will Central Bankers React?*
- *Appropriate Regulation in Competitive Power Markets*

Dr. Ali Rodriguez, Secretary General, OPEC, Vienna
Robert Priddle, Executive Director, International Energy Agency, Paris
DeAnne Julius, Advisor to the Governor, Bank of England, London
Gerald Doucet, Secretary General, World Energy Council, London

Session 2 **TOWARDS SUSTAINABLE COMPETITIVE ADVANTAGE**

- *Can Technology Prolong Supply?*
- *Overcoming Political Realities Internally and Externally*
- *Outlook for Upstream Growth and Investment*
- *Governments and the Utility Company of Tomorrow*

Andrew Gould, Executive Vice President, Schlumberger, New York
Nick Zana, President, Chevron Petroleum Technology Company, San Ramon
Charles Mattenet, S.V.P. Strategy & Bus. Dev. E&P, TotalElfFina, Paris
Dr. Bruce Stram, Vice President, Enron Energy Services, Houston

Session 3 **NEW TECHNOLOGIES: HOW SOON, HOW MUCH AND WHICH MARKETS?**

- *Micro-turbines and Fuel Cells*
- *Is Distributed Generation the Path to Reliability and Development?*
- *Clean Hydrocarbon Fuels for Advanced Vehicle Powertrains*
- *Gas to Liquids: A Serious Contributor to Greener Fuels Now?*

Tony Prophet, President & CEO, Honeywell Power Systems, Albuquerque
Harol Koyama, Vice President Strategy, International Fuel Cells, South Windsor
James Katzer, Strategic Planning, ExxonMobil Research & Engineering, Annadale
Mark Agee, President & COO, Syntroleum Corporation, Tulsa

B

Session 4 **NEW WORKING RELATIONSHIPS**

- *Does Size Matter? Is Industry Consolidation Over?*
- *The Growing Convergence of Gas and Electricity*
- *National Oil Companies and Private Industry Alliances: Can Both Win?*
- *How Government's Views of Energy Assets and Needs are Changing*

David Martin, Chairman, Ivanhoe Energy, Santa Barbara
Pierre Offant, Senior Vice President, Gas & Power, TotalFinaElf, Paris
Adrian Lajous, President, Petrometrica, Mexico City
Dr. Majid Al-Moneef, Advisor to the Minister of Petroleum & Min. Resources, Riyadh

19:30 Cocktails and Gala Dinner: *Le Chateau de Chillon*

Wednesday May 30

9:00
Session 5 **E BUSINESS AND THE OIL, GAS & POWER INDUSTRIES:**

- *Knowledge Management: Keys to Cost Savings & Business Development*
- *Collaborative Supply Change Management via the Internet*
- *The Promise and Challenges of E-Trade and Procurement*
- *Using E Business to Reduce Transaction Costs & Increase Strategic Options*

Ian Miller, President, EDS Energy Group, Dallas
Claire Farely, Chief Executive Officer, Trade-Ranger, Houston
Dr. Holger Kisker, Program Manager, SAP, Walldorf
Cordell W. Hull, Chairman & CEO, Infrastructureworld.com, San Francisco

Session 6 **FINANCING THE FUTURE**

- *Corporate Investors As Innovators*
- *Venture Capital Availability and Focus: A Bankers View*
- *Will Energy Companies Meet the Competition for Capital?*
- *Can Industry and Governments Meet the Investment Challenge?*

Michael Miller, Vice President Principal Investments, Enron, Houston
Terry Cryan, Senior Managing Director, Bear Stearns, New York
J Roderick Peacock, Co-Head Natural Resources & Power, JP Morgan, London
Matt Simmons, President, Simmons & Company International, Houston

14:00-15:30 Roundtable Conclusions

All speakers are confirmed as of the printing of this program

Folder Profile

Control # 2001-005905

Name Letter to Former Secretary Bill Richardson from Doyle Hart

Priority Important Critical

Folder Trigger Letter

DOE Addressee
Bill Richardson

Source PM-O

Date Received 3/5/01

Subject Text
Expresses concerns about the Duke Energy Field Services improperly threatened pipeline disconnection from Doyle Hartmann-operated State "BV" No. 1 Well – S/CC

Correspondence Date 2/28/01

RIDS Information Head of Agency

Sensitivity Not Applicable

Action Office #

Classification None

Signature/Approval
NA

Point of Contact GREENA

Organization ID EXECCORR2

Action Requested
Prog Determination

Assigned To
ME-70

Special Instructions
Richardson courtesy copy of letter addressed to Ron Barcroft & James Donnell (identical package received for OS/Abraham) - File

Date Due

Date Completed 3/6/01

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ad

2001-005905 3/5 A 11:35

005905

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MIDLAND, TEXAS 79702

(915) 684-4011
(915) 682-7616 FAX

Via Hand Delivery and FedEx

February 28, 2001

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Duke Energy Field Services, L.L.C.
3300 N. A St., Bldg. 7 (79705-5421)
P.O. Box 50020
Midland, TX 79710-0020

James Donnell, President and CEO
Duke Energy, North America
5400 Westheimer Ct.
Houston, TX 77056-5310

Re: **Duke Energy Field Services, L.L.C's Improperly Threatened Pipeline Disconnection, from the Doyle Hartman-operated State "BV" No. 1 Well, South Empire Morrow Gas Pool, Eddy County, New Mexico**
[State of New Mexico Lease No. XO647-394 (<u>Designated Beneficiaries</u>: 57.93% University of New Mexico, 42.07% Common Schools)]

Gentlemen:

Reference is made to Duke Energy Field Services, L.L.C.'s (Duke's) certified letters, to us, dated January 24, 2001 (received February 5, 2001) and February 22, 2001 (received February 26, 2001), regarding Duke's threatened disconnection of the Doyle Hartman-operated State "BV" No. 1 gas well, from Duke's Artesia, New Mexico gas gathering system (copies enclosed).

Reference is also made to our letters, to Duke, of February 8, 12, 20 and 22, 2001, also pertaining to Duke's threat, to deny essential market access, to our State "BV" No. 1 gas well, by unilaterally disconnecting our State "BV" No. 1 well, from Duke's Artesia, New Mexico gas gathering system.

In regard to Duke's February 22, 2001 letter, Duke inaccurately, and with some exaggeration, stated:

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"As you admitted in your letter, the State "BV" No. 1 wellbore contained dangerous levels of oxygen at year-end 2000. It appears based on the statements contained in your letter, that the high oxygen level was a result of your decision to improperly clean out your well into our gathering system after utilizing a high-volume air drilling and clean out a unit. By introducing elevated levels of oxygen into our system from the State "BV" No. 1 well, you created a dangerous situation. The oxygen levels caused elevated levels of hydrogen sulfide in the gas stream at Artesia Plant due to the adverse affect on the plant's amine recovery system, accelerated corrosion and created a dangerous plant situation due to its flammability.

DEFS also faced having to shut-in all of the producers behind the Artesia Gas Plant due to your improper actions. DEFS had been experiencing operational problems at the Artesia Gas Plant and was notified by Transwestern Pipeline Company that the plant would be shut-in unless the high oxygen content contained in the residue gas being delivered to Transwestern was immediately curtailed. In response to Transwestern's request, DEFS requested time to find the source of the excessive oxygen. Because of the holidays, DEFS did not have a technician immediately available but Transwestern volunteered their technician, Terry Younggren, to help trace the elevated oxygen levels back to its source. Using a manometer, Transwestern and DEFS were able to identify your well as the problem. DEFS immediately shut in the well. As soon as the State "BV" well was shut in, the oxygen levels at the Artesia Gas Plant and operational problems experienced to date were immediately resolved (emphasis added)."

Concerning Duke's February 22, 2001 letter, Doyle Hartman, Oil Operator finds Duke's allegation, that we acted in an improper manner, by producing our State "BV" No. 1 well, at year-end 2000, through Duke's existing State "BV" No. 1 meter run, instead of flaring the well (in violation of New Mexico's no-flare regulations), to be lacking in both logic and credibility. We also find it convenient, for Duke, that no mention was made, in Duke's February 22, 2001 letter, of Transwestern Pipeline Company's 0.2% (2000 ppm) oxygen limit, when it further alleged, in the same letter, that Doyle Hartman, Oil Operator almost caused Duke's Artesia, New Mexico plant to be shut in ". . .due to the high oxygen content contained in the residue gas being delivered to Transwestern...."

In recognition of (1) Transwestern's 2000 ppm oxygen limit, and (2) the large gas throughput volumes, of gas processing plants, the only way that our single State "BV" No. 1 well could have been responsible for Duke's Artesia plant residue stream temporarily exceeding Transwestern Pipeline Company's 2000 ppm oxygen limit, would have been for the blended multi-well plant inlet stream, to have already been significantly in excess of Duke's alleged oxygen-content limit of 10 ppm (for its Artesia gathering system), prior to the addition of our State "BV" No. 1 wellstream, to the inlet stream. If this was the case, obviously the subsequent addition of our State "BV" No. 1 wellstream, to Duke's Artesia gathering system, at year-end 2000, could not have been the sole and only cause of Duke's Artesia plant residue stream exceeding Transwestern's 2000 ppm oxygen limit.

In as much as (1) Transwestern's oxygen limit is 2000 ppm and (2) our State "BV" No. 1 total wellstream rate, at year-end 2000, was approximately 600 MCFPD, our single State "BV" No. 1 well was not capable of adding sufficient incremental oxygen, to Duke's Artesia plant system, to cause the plant residue stream to exceed Transwestern's 2000 ppm oxygen limit, providing that all other wells behind the plant were operating at, or below, Duke's alleged Artesia gathering system oxygen limit of 10 ppm.

Furthermore, from an objective and careful review of our February 8, 2001 letter, and contrary to the allegations contained in Duke's February 22, 2001 letter, it is apparent that there were no statements or admissions, in our February 8, 2001 letter, that our State "BV" No. 1 wellstream contained dangerously-high levels of oxygen, at year-end 2000. In this regard, please be advised that the utilization of a **foam/air drilling and cleanout unit,** during a well workover, does not automatically and directly translate to a producer knowingly and intentionally producing dangerously-high levels of oxygen, into a pipeline.

In case Duke's employees have lost touch with the current state of today's natural gas industry, we would like to point out that our nation now finds itself in a critical situation concerning natural gas; i.e., while demand growth has continued, gas supplies and deliverability have simultaneously and materially tightened. To solve this problem, on a long-term basis, there will have to be significant gas reserve/deliverability additions, from high-potential gas areas such as deep-water Gulf of Mexico and frontier Canada and Alaska.

However, in the short-term, there is still a strong need for continued focus on incremental reserve replacements and additions, from historical gas producing areas, as a result of improved recovery efficiencies, through the utilization of state-of-the-art techniques and equipment such as large foam-fracture-stimulation treatments and foam/air drilling and cleanout units. The utilization of such techniques and equipment is necessary because of the low reservoir pressures that now exist in mature gas producing provinces such as the Permian Basin of West Texas and Southeast New Mexico, where many of Duke's plants and gathering systems are located.

Also, as to the various operational problems, that Duke alleged, in its February 22, 2001 letter, were caused by our State "BV" No. 1 well being produced through Duke's existing State "BV" No. 1 meter run, instead of being flared, it needs to be stressed that the measurement of oxygen content, in a wellstream, is not a routinely performed measurement, and, as a result, a number of industry laboratories do not perform oxygen analyses (Laboratory Services, Inc.'s letter enclosed). Therefore, it appears that a precise scientifically-performed oxygen number, corresponding to the State "BV" No. 1 well, was not obtained (either by Duke or Hartman), at year-end 2000, with the only known year-end 2000 oxygen number being the 34,000 ppm reading that was purportedly measured, by Transwestern, using a *"manometer"* (a device that measures pressure, not oxygen).

Nonetheless, based upon the 34,000 ppm oxygen reading, that was purportedly measured, at year-end 2000, by Transwestern, Duke, in order to resolve its alleged operational problems, promptly and temporarily removed our State "BV" No. 1 well, from its Artesia, New Mexico gas gathering system, on January 1, 2001, and the well did not produce into Duke's Artesia, New Mexico gas gathering system, for a 16-day period, or until January 17, 2001, after Duke subsequently measured a 900 ppm oxygen content, on January 16, 2001, for our State "BV" No. 1 wellstream. Moreover, before our State "BV" No. 1 gas well was again allowed to produce into Duke's Artesia, New Mexico gas gathering system, it was necessary for Duke to unlock its State "BV" No. 1 meter-run block valve, which confirms that the State "BV" No. 1 well was turned back into Duke's Artesia, New Mexico gas gathering system, on January 17, 2001, with the full knowledge and permission of Duke.

The true reality, of this matter, is that Doyle Hartman, Oil Operator has made every attempt to cooperate, with Duke, concerning its alleged high-oxygen-content problem, once Duke made known its problem. The State "BV" No. 1 well was turned back into Duke's Artesia, New Mexico gas gathering system (on January 17, 2001) only after Duke granted its permission and voluntarily unlocked its State "BV" No. 1 meter-run. The well then produced into Duke's Artesia, New Mexico gas gathering system, from January 17, 2001 until

January 24, 2001 (or an additional seven days), before Duke, on January 24, 2001, subsequently issued its *certified* well disconnection notice, wherein Duke stated:

> "...We have recently experienced problems meeting our residue gas quality specifications out of our Artesia Plant due to oxygen content and have traced the high oxygen content in our gathering system to your lease. Due to increased oxygen content in the gas received by DEFS at this meter, DEFS can no longer accept deliveries of gas from this delivery point. Please accept this as our notification that, effective March 1, 2001, DEFS will disconnect the subject meter station and discontinue receipt of gas from this delivery point (emphasis added)."

Upon our receipt (on February 5, 2001) of Duke's January 24, 2001 disconnection notice, and in consideration of the allegations made therein, we immediately engaged Mobile Analytical Laboratories, of Odessa, Texas, to perform an independent and scientifically-measured oxygen analysis corresponding to our State "BV" No. 1 wellstream. On February 6, 2001, Mobile Analytical Laboratories obtained a gas sample, from our State "BV" No. 1 well, and reported back a measured oxygen content of 10 ppm. On February 20, 2001, to confirm the accuracy of Mobile Analytical Laboratories' February 6, 2001 oxygen content measurement, a follow-up oxygen content measurement was performed, corresponding to our State "BV" No. 1 wellstream, with the result being a measured oxygen level of 3 ppm. Both of Mobile Analytical Laboratories' oxygen measurements are in close agreement (copies enclosed) and reveal oxygen values that are substantially lower than Duke's earlier-alleged State "BV" No. 1 oxygen values of 34,000 ppm and 900 ppm.

Therefore, in recognition of the large differences in the two oxygen values reported by Duke, for our State "BV" No. 1 well (34,000 ppm vs 900 ppm), it is obvious that Duke should have taken prudent action to obtain a scientifically-performed follow-up analysis, corresponding to our State "BV" No. 1 well, prior to issuing its January 24, 2001 well disconnection notice. If Duke had obtained a follow-up oxygen analysis, and as documented by the herein-enclosed State "BV" No. 1 six-month gas production/oxygen content plot, the follow-up analysis would have confirmed the existence of a materially-lower oxygen reading, for our State "BV" No. 1 well, than Duke's prior-reported oxygen readings of 34,000 ppm and 900 ppm.

Notwithstanding Duke's failure to prudently obtain a scientifically-performed follow-up oxygen analysis, in its January 24, 2001 well disconnection notice, Duke clearly implied the continued existence, of an ongoing high-oxygen-content problem, "...out of [its] Artesia plant...due to increased oxygen content in the gas received..." at the State "BV" No. 1 meter. If Duke, on January 24, 2001, had exercised reasonable caution, and prudently obtained a scientifically-performed follow-up analysis, prior to issuing its January 24, 2001 State "BV" No. 1 well disconnection notice, it would have realized that the State "BV" No. 1 wellstream oxygen content, on January 24, 2001, was materially-lower than its prior reported oxygen readings of 34,000 ppm and 900 ppm, which would have (1) established that the State "BV" No. 1 well could not be the cause of Duke's alleged and still ongoing high-oxygen-content problem, "...out of [its] Artesia plant..." and (2) precluded Duke from issuing its improper January 24, 2001 well disconnection notice, corresponding to our State "BV" No. 1 well.

Consequently, since (1) our State "BV" No. 1 wellstream oxygen content is now down to 3 ppm, and (2) Duke proposes to continue purchasing our State "BV" No. 1 gas, under the terms of that certain August 25, 1986 contract corresponding to the 320-acre State "BV" No. 1 proration unit, we hereby decline to execute Duke's proposed February 22, 2001 contract amendment, in as much as Duke's overall Artesia, New Mexico plant inlet stream (less our State "BV" No. 1 wellstream) appears to significantly exceed the 10 ppm oxygen limit that Duke has proposed for our State "BV" No. 1 well, and the August 25, 1986 State "BV" No. 1 gas contract already contains all necessary language and terms (including a specified oxygen limit), to allow for the continued production and sale of gas, from our State "BV" No. 1 well, during the post ten-year term period.

Moreover, recognizing that Duke is the common gatherer of gas throughout the low-pressure South Empire Morrow gas pool, please be advised that Duke, under **New Mexico's Common Purchaser Statute** (Section 70-2-19, NMSA 1978), does not possess the right to deny our State "BV" No. 1 well essential market access, by unilaterally disconnecting our State "BV" No. 1 well, and **this letter is to advise Duke that it must not take such unilateral action.**

Very truly yours,

DOYLE HARTMAN, Oil Operator

Doyle Hartman

rcs
wp7\corresp.dh\duke-state-bv.hi-oxygen.sv2

cc: Terry Younggren, Technician
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Enron Gas Pipeline Operations
2605 W. Main St.
Artesia, NM 88210-9560

Arnie Bailey, Regional Advisor
Transwestern Pipeline Co.
Enron Transportation & Storage
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Attn: William R. Cordes, President
Roderick J. Hayslett, Vice President and Treasurer
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Mary Kay Miller, Vice President Rates & Certificates
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Attn: J.W. (Jim) Mogg, Chairman and President
Ronald J. Barcroft, Comm. VP
Edward M. Marsh, Secretary
David L. Hauser, Treasurer

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Washington, DC 20510

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Washington, DC 20515

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2302 Rayburn HOB
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Chairman of the House Appropriation Comm
New Mexico Legislature
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New Mexico Legislature
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Santa Fe, NM 87501

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Chairman of the Energy and Natural Resources Committee
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Jemez Pueblo, NM 87024

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Vice-Chairman of the Energy and Natural Resources Committee
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The White House
Washington, DC 20501

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Secretary of Energy
White House Energy Task Force
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The Honorable Don Evans
Secretary of Commerce
White House Energy Task Force
14th St. and Constitution Ave.
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The Honorable Paul O'Neill
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Attn: Don L. Whitaker, CEO
Mark Whitaker, President
Wayne Pennington, Supervisor

Dr. Craig Van Kirk, Chairman
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Colorado School of Mines
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Maddox and Holloman
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Hobbs, NM 88240

DOYLE HARTMAN, Oil Operator (Dallas)

DOYLE HARTMAN, Oil Operator (Jal Field Office)
Harold Swain, Supervisor

<u>DOYLE HARTMAN, Oil Operator</u> (Midland)
Linda Land, Controller
Don Mashburn, Engineer
Steve Hartman, Engineer

DUKE ENERGY FIELD SERVICES, L.L.C.
CERTIFIED WELL DISCONNECTION NOTICE
OF
JANUARY 24, 2001

AND

SUBSEQUENT *CERTIFIED* LETTER
OF
FEBRUARY 22, 2001

B

Duke Energy.
Field Services

Duke Energy Field Services, L.L.C.
3300 North "A" Street, Building 7
Midland, Texas 79705-5421
P.O. Box 50020
Midland, Texas 79710-0020

January 24, 2001

RECEIVED
FEB - 5 2001

VIA CERTIFIED MAIL; RETURN RECEIPT

Doyle Hartman
Oil Operator
3811 Turtle Creek Blvd., Suite 200
Dallas, Texas 75219

RE: State "BV" No. 1
S/2 Section 25 T-17S-R-28E
Eddy County, New Mexico
Gas Purchase Contract: LEE 0644-00* (dated August 25, 1986)
DEFS Meter No. 0681-076019-00

Gentlemen:

Duke Energy Field Services, LP ("DEFS") has been purchasing gas from the subject lease on a month to month basis, subsequent to your June 11, 1997 notice of termination of the subject contract. We have recently experienced problems meeting our residue gas quality specifications out of our Artesia Plant due to oxygen content, and have traced the high oxygen content in our gathering system to your lease. Due to increased oxygen content in the gas received by DEFS at this meter, DEFS can no longer accept deliveries of gas from this delivery point. Please accept this as our notification that, effective March 1, 2001, DEFS will disconnect the subject meter station and discontinue receipt of gas from this delivery point.

Yours truly,

Lewis C. Short

Lewis C. Short, Agent
(915) 620-4056

LCS:ydg

Duke Energy.
Field Services

Duke Energy Field Services, L.L.C.
P.O. Box 50020
Midland, Texas 79710-0020

CERTIFIED

Z 137 381 981

MAIL

MIDLAND/ODESSA TX 797 01/24/01 15:20

RECEIVED
FEB - 5 2001

Doyle Hartman
Oil Operator
3811 Turtle Creek Blvd., Suite 200
Dallas, Texas 75219

MIDLAND, TX CLAYDESTA STA
JAN 30 2001
USPS

Paid

NRLW
2-2
HARTMAN

75219-4537 11

Duke Energy. Field Services

Duke Energy Field Services, L.L.C.
3300 North "A" Street, Building 7
Midland, Texas 79705-5421
P.O. Box 50020
Midland, Texas 79710-0020

February 22, 2001

Mr. Doyle Hartman
Oil Operator
500 North Main
P.O. Box 10426
Midland, Texas 79702

Re: Doyle Hartman –Operated State "BV" No. 1 Well

Dear Mr. Hartman:

We are in receipt of your February 8, 2001 letter. Your letter does not accurately reflect all of the facts or circumstances leading to Duke Energy Field Services' ("DEFS") decision to disconnect the State "BV" No. 1 well from our system.

As you admitted in your letter, the State "BV" No. 1 wellbore contained dangerous levels of oxygen at year-end 2000. It appears based on the statements contained in your letter, that the high oxygen level was a result of your decision to improperly clean out your well into our gathering system after utilizing a high-volume air drilling and clean out unit. By introducing elevated levels of oxygen into our system from the State "BV" No. 1 well, you created a dangerous situation. The oxygen levels caused elevated levels of hydrogen sulfide in the gas stream at Artesia Plant due to the adverse affect on the plant's amine recovery system, accelerated corrosion and created a dangerous plant situation due to its flammability.

DEFS also faced having to shut-in all of the producers behind the Artesia Gas Plant due to your improper actions. DEFS had been experiencing operational problems at the Artesia Gas Plant and was notified by Transwestern Pipeline Company that the plant would be shut-in unless the high oxygen content contained in the residue gas being delivered to Transwestern was immediately curtailed. In response to Transwestern's request, DEFS requested time to find the source of the excessive oxygen. Because of the holidays, DEFS did not have a technician immediately available but Transwestern volunteered their technician, Terry Younggren, to help trace the elevated oxygen levels back to its source. Using a manometer, Transwestern and DEFS were able to identify your well as the problem. DEFS immediately shut in the well. As soon as the State "BV" well was shut in, the oxygen levels at the Artesia Gas Plant and operational problems experienced to date were immediately resolved.

After DEFS shut in the well, we were in weekly contact with your field people about bringing the State "BV" No. 1 well back on line. On January 16, 2001, even though the well still contained oxygen levels of 900 ppm, which is well in excess of DEFS' current oxygen limit of 10 ppm, DEFS, in an effort to accommodate Doyle Hartman, again began accepting deliveries of gas from the State "BV" No. 1 well. Almost immediately, the Artesia Plant began to experience problems and after two days the decision was made to reroute the gas to DEFS'

DOYLE HARTMAN
OIL OPERATOR
RECEIVED
FEB 26 2001

Page 52
(Gas Quality)
FERC GAS TARIFF
Transwestern Pipeline Company

GENERAL TERMS AND CONDITIONS
(continued)

2. QUALITY

2.1 The gas stream delivered into Transporter's pipeline system (excluding the La Plata Facilities) by Shipper or Shipper's designee at receipt points shall conform to each of the following quality specifications:

A. shall be commercially free from objectionable odors, solid matter, dust, gums, and gum forming constituents, or any other substance which interferes with the intended purpose or Merchantability of the gas, or causes interference with the proper and safe operation of the lines, meters, regulators, or other appliances through which it may flow;

B. shall contain not more than seven (7) pounds/MMcf of water at the temperature and pressure at which the gas is delivered into Transporter's pipeline system;

C. shall contain no hydrocarbons in liquid form at the temperature and pressure at which the gas is delivered into Transporter's pipeline system;

D. shall contain not more than 0.2% by volume of oxygen; (0.2% = 2000 ppm)

E. shall contain not more than 2.0% by volume of carbon dioxide;

F. shall contain not more than a combined total of 3.0% by volume of carbon dioxide plus nitrogen;

G. shall contain not more than one quarter (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet of gas;

H. shall contain not more than 0.3 grains of mercaptan sulfur per one hundred (100) cubic feet of gas;

I. shall contain not more than 0.75 grains of total sulfur per one hundred (100) cubic feet of gas;

J. shall not contain any toxic or hazardous substance in concentrations which, in the normal use of the gas, may be hazardous to health, injurious to pipeline facilities, or be a limit to Merchantability or be contrary to applicable government standards;

K. shall have a minimum total heating value of not less than nine-hundred-seventy (970) Btu's per cubic foot; and

L. shall have a temperature of not less than forty (40) degrees Fahrenheit, and not more than one hundred twenty (120) degrees Fahrenheit.

$\boxed{(0.2\%)\ (1/100\%)\ (1{,}000{,}000) = 2000 \text{ ppm}}$

FEBRUARY 28, 2001 LETTER
FROM
LABORATORY SERVICES, INC.
HOBBS, NEW MEXICO

Laboratory Services, Inc.
4016 Fiesta Drive
Hobbs, New Mexico 88240

Telephone: (505) 397-3713

Doyle Hartman
500 N. Main
Midland, Texas 79701

February 28, 2001

Mr. Hartman:

Laboratory Services is not equipped to analyze Natural Gas for Oxygen content. We do not run this analysis.

Thank you,

Rolland Perry

DOYLE HARTMAN
OIL OPERATOR
RECEIVED
FEB 28 2001

MOBILE ANALYTICAL LABORATORIES
WELLSTREAM OXYGEN CONTENT MEASUREMENTS
STATE "BV" NO. 1 WELL

Sample Date	Oxygen Content (ppm)
2/6/01	10
2/20/01	3

Mobile Analytical Laboratories

LABORATORIES IN ODESSA, GIDDINGS & STACY DAM
WEST UNIVERSITY AND WESTOVER STREET
P.O. BOX 69210
ODESSA, TEXAS 79769-0210
PHONE (915) 337-4744
FAX (915) 337-8781

February 7, 2001

Mr. Doyle Hartman
Hartman Oil
500 North Main Street
Midland, Texas 79701

Sample ID: Trip No. 140
State BV #1 System 0681
Meter Run 76019-00
Sampled 02/06/01

Oxygen ppm
10

Method - Oxygen by Teledyne

We appreciate the opportunity to work with you on these tests. If you have any questions or require any further information, please feel free to contact me at any time.

Sincerely,

Stephen Reid

Stephen Reid
SR/jl

DOYLE HARTMAN OIL OPERATOR
RECEIVED
FEB 07 2001

Mobile Analytical Laboratories

LABORATORIES IN ODESSA, GIDDINGS & STACY DAM
WEST UNIVERSITY AND WESTOVER STREET
P.O. BOX 69210
ODESSA, TEXAS 79769-0210
PHONE (915) 337-4744
FAX (915) 337-8781

FEBRUARY 21, 2001

MR. DOYLE HARTMAN
HARTMAN OIL
500 NORTH MAIN STREET
MIDLAND, TEXAS 79701

SAMPLE ID: TRIP NO. 162
STATE B V #1
SAMPLED 02/20/01

OXYGEN: 3 ppm

TEST METHOD: GC/PHEID

WE APPRECIATE THE OPPORTUNITY TO WORK WITH YOU ON THESE TESTS. IF YOU HAVE ANY QUESTIONS OR REQUIRE ANY FURTHER INFORMATION, PLEASE FEEL FREE TO CONTACT ME AT ANY TIME.

SINCERELY,

Stephen Reid

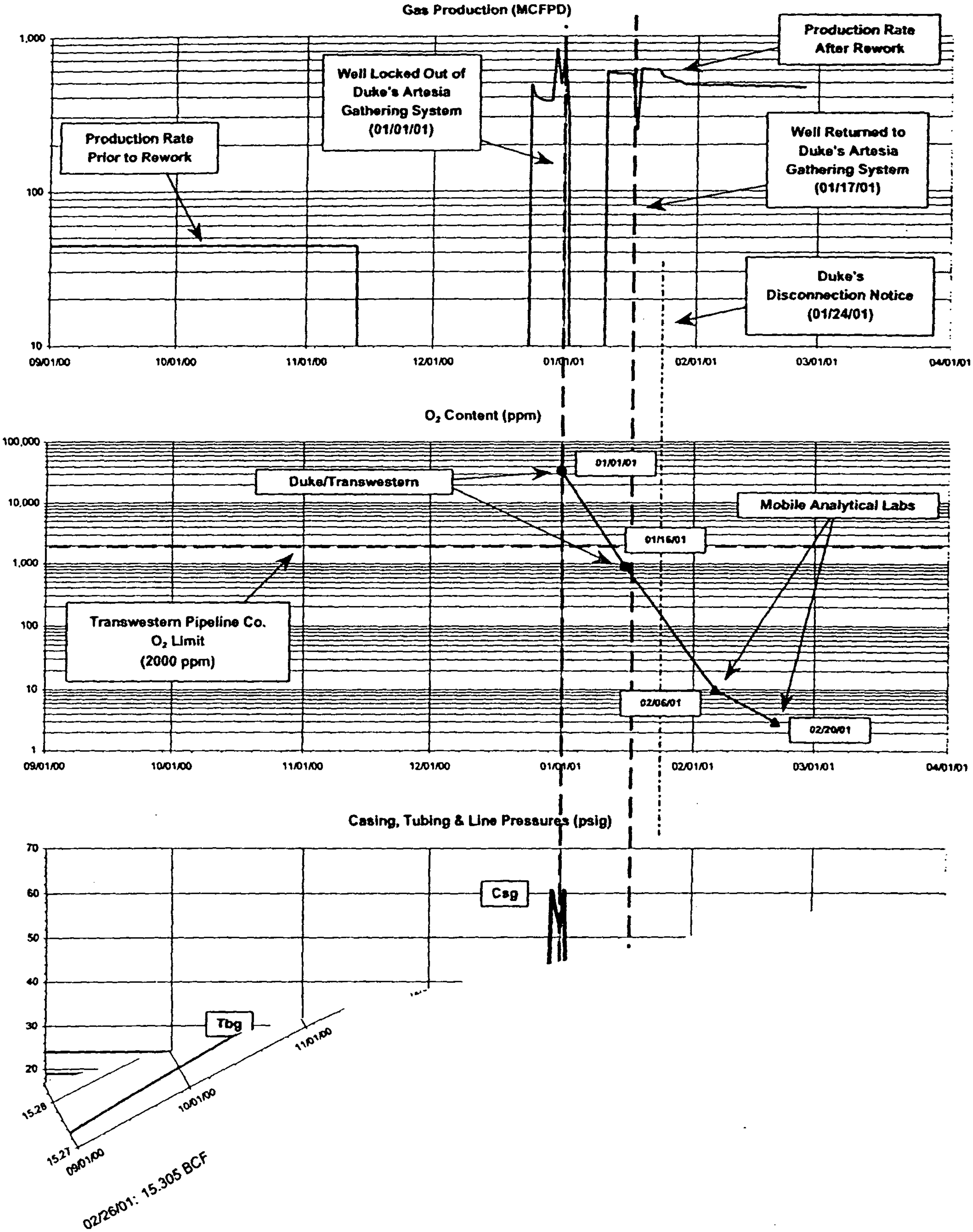
STEPHEN REID
SR/dt

DOYLE HARTMAN
OIL OPERATOR
RECEIVED
FEB 21 2001

STATE "BV" NO. 1

6-MO. GAS PRODUCTION/OXYGEN CONTENT PLOT
AND
COMPLETE PRODUCTION HISTORY

Doyle Hartman
State BV #1
J-25-17S-28E
Empire South (Morrow)
State of New Mexico Lease No. XO647-394



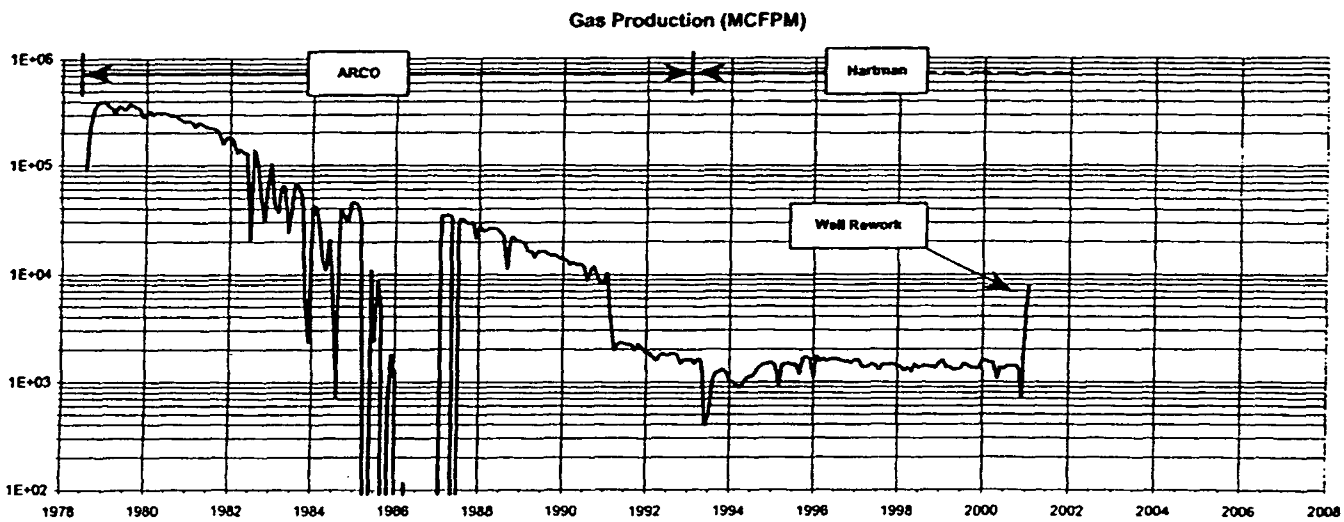
Doyle Hartman

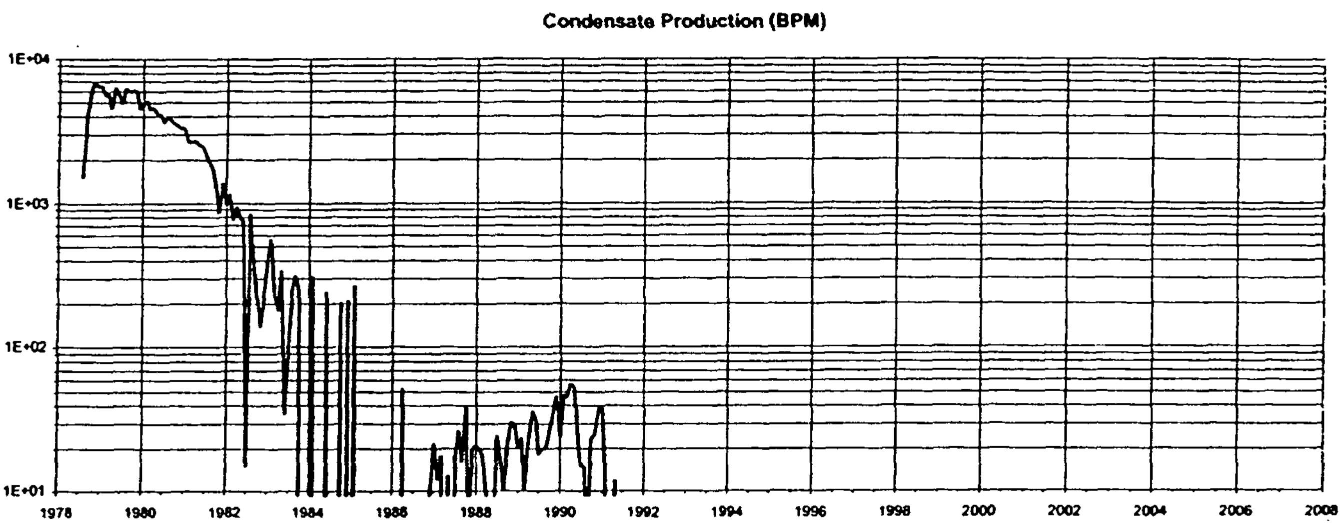
State BV #1

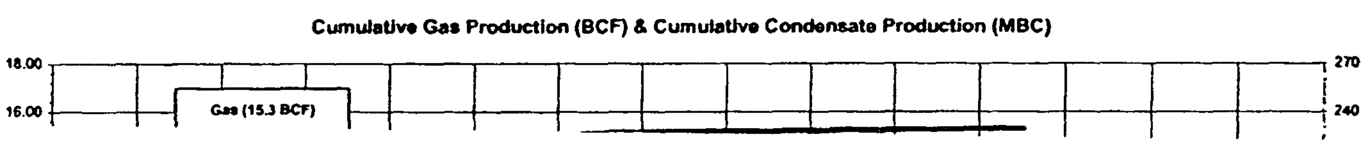
Empire South (Morrow)

J-25-17S-28E

State of New Mexico Lease No. XO647-394







NMOCD FORM C-103
FILED FEBRUARY 12, 2001

DOYLE HARTMAN-OPERATED STATE "BV" NO. 1
S/2 SECTION 25, T-27-S, R-28-E
EDDY COUNTY, NEW MEXICO

Submit 3 Copies Appropriate District Office

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-103
Revised 1-1-89

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

2040 Pacheco St.
Santa Fe, NM 87505

WELL API NO.
30-025-22317

Indicate Type of Lease
STATE ☒ FEE ☐

State Oil & Gas Lease No.
X0647-394 (formerly Lease No. 647)

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

Lease Name or Unit Agreement Name
State "BV"

Type of Well:
OIL WELL ☐ GAS WELL ☒ OTHER

Name of Operator
Doyle Hartman

Well No.
1

Address of Operator
500 N. Main St., Midland, Texas 79701

Pool name or Wildcat
South Empire Morrow

Well Location
Unit Letter J : 1800 Feet From The South Line and 1980 Feet From The East Line

Section 25 Township 17S Range 28E NMPM Eddy County

Elevation (Show whether DF, RKB, RT, GR, etc.)
3700.5' RKB (3683.5' GL)

Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:				SUBSEQUENT REPORT OF:			
PERFORM REMEDIAL WORK	☐	PLUG AND ABANDON	☐	REMEDIAL WORK	☐	ALTERING CASING	☒
TEMPORARILY ABANDON	☐	CHANGE PLANS	☐	COMMENCE DRILLING OPNS.	☐	PLUG AND ANBANDONMENT	☐
PULL OR ALTER CASING	☐			CASING TEST AND CEMENT JOB	☐		
OTHER:	☐			OTHER: Run 5 1/2" tieback liner, add perfs, and stimulate Notice of threatened meter disconnection	☒		

Describe Proposed or Completed Operations (*Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work*) SEE RULE 1103.

For details of completed operations, please refer to pages 2 of 4, 3 of 4 and 4 of 4 enclosed herewith.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Tricia Barnes TITLE Production Analyst DATE 02-12-01

TYPE OR PRINT NAME Tricia Barnes TELEPHONE NO. 915-684-4011

(This space for State Use)

APPROVED BY ______ TITLE ______ DATE ______

CONDITIONS OF APPROVAL, IF ANY:

AMERICAN GAS ASSOCIATION
WORKING GAS STORAGE LEVELS
AS OF FEBRUARY 23, 2001

	Total U.S. (Bcf)	2/23/01 Short-fall (Bcf)	2/23/01 Short-fall (%)
This Week's Working Gas	859	-	-
Same Week 1-Year Ago	1194	335	28.1
Prior 5-Year Average	1237	378	30.6

March 1, 2001

Policy Analysis Statistics \ Underground Storage Statistics

Weekly American Gas Storage Survey

Published: 2/23/01

1

Report of Estimated US Working Gas Levels In Underground Storage as of 9:00 AM Friday Week Ending **February 23, 2001**

Estimated Working Gas in Storage

	This Week Bcf	Last Week Bcf	Change Bcf	Percent Full(5)[5]
Producing Region[2]	242	257	- 15	25%
Consuming Region East[3]	456	537	- 81	25%
Consuming Region West[4]	161	166	- 5	32%
Total US	859	960	-101	26%

	Survey Sample Percent[6]	Estimated Full Bcf	Working Gas In Underground Storage: Same Wk Yr Ago	Prior Five-Yr Avg.
Producing Region[2]	78%	953	376	367
Consuming Region East[3]	92	1,835	551	631
Consuming Region West[4]	76	506	267	239
Total US	85%	3,294	1,194	1,237

(1) A complete explanation of AGA's methodology for this report can be found in AGA Issue Brief 2000-01, "American Gas Storage Survey Procedures and Methodology." Copies of the Issue Brief can be obtained by calling (202) 824-7126.

(2)Includes Texas, Oklahoma, Kansas, New Mexico, Louisiana, Arkansas, Mississippi and Alabama.

(3)Includes all states east of the Mississippi River less Alabama and Mississippi, plus Iowa, Nebraska and Missouri.

(4)Includes all states west of the Mississippi River less the Producing Region and Iowa, Nebraska and Missouri.

(5)This Week regional and Total U.S. volumes divided by Estimated Full regional and Total US volumes. This statistic is intended to show how "full" working gas is at any given time.

(6)This percentage value describes the survey sample size each week (sample may change if companies fail to report or a company is added to the weekly survey). It is determined by dividing the maximum volume held in recent years in reported pools for all the reporting companies in a given region for that week by that regions estimated full. Any additions to the sample or failures to report are reflected in a percentage change from the prior week.

TRANSCRIPT OF
TELEVISED INTERVIEW
BETWEEN
CNBC's MARIA BARTIROMO
AND JAMES DONNELL, CEO
OF DUKE ENERGY NORTH AMERICA

STREET SIGNS
2:00 PM - 4:00 PM ET
FEBRUARY 15, 2001

Street Signs
February 15, 2001
Interview Between CNBC's Maria Bartiromo and
James Donnell, CEO of Duke Energy North America

Maria Bartiromo: California is in the middle of the fifth straight week of, uh, extremely low power reserves and the possibility of even more rolling blackouts. Yet despite the urgency, no solution has been reached between state officials and utility companies. Joining us to discuss California's energy crisis and his company's involvement in the crisis is Jim Donnell, CEO of Duke Energy North America. Jim, good to have you with us.

James Donnell: Thank you Maria, it's good to be here.

Bartiromo: Your comments on what's going on in California and, uh, the fact that we have yet to see a solution.

Donnell: Maria, it's, it's, a very complex issue, it's driven by uh, supply and demand imbalance, it's also contributed to heavily by the market design flaws for the last several years. And we've been working on the problem now for, uh, uh, a long time at Duke Energy and fortunately some six weeks ago, the stakeholders at the federal level, the state level and, uh, the significant players in the market gathered together and I think it's fair to say that we've been working, uh, night and day on it to try, to try to come up with a real long term solution.

Bartiromo: Ok, you say the supply demand situation; we've got demand surging, not enough supply, and companies like yours and others aren't even able to, uh, begin, uh, creating more supply. What do you think needs to be done?

Donnell: Well, Maria, there, there's, uh, no question that, uh, economic expansion of California is, is taking supply numbers, taking demand numbers, above anyone's expectations. Certainly to get more supply added to the picture, we need to have, uh, uh, a permitting process and a citing process that is, that has reasonable time constraints and, and can actually get, uh, get effectuated, and we do this all over the country, every day, and California is the single most onerous environment in which we try to permit plans.

KEY INFORMATION REGARDING NEW MEXICO STATE LAND OFFICE AND BENEFICIARIES OF NEW MEXICO STATE LANDS

GENERAL INFORMATION (VISION)

STATE LAND TRUST

BENEFICIARIES OF THE *TRUST*
State of New Mexico Lease No. XO647-394
(State "BV" No. 1 Well)
(Beneficiaries: 57.93% University of New Mexico, 42.07% Common Schools)

H.

NEW MEXICO STATE LAND OFFICE

Home | About SLO | Commercial Resources | Mineral Resources | Surface Resources | Community Development | Special Projects | Mesa del Sol | Administration

General Information

Land Commissioner

Executive Staff

State Land Trust

Beneficiaries

Advisory Board

News

Annual Reports

More Information

General Information

About the Land Office

Our Vision

Welcome to the New Mexico State Land Office web site. Our vision at the State Land Office is to be the nation's model for state trust land management, providing for current and future productivity of the state trust lands for the next generation of beneficiaries.

Our mission is to support the beneficiaries of the trust which include: universities, public schools, special schools and hospitals that serve children with physical, visual, and auditory disabilities, prisons, and public buildings at the Capital complex.

In the past 20 years, state trust lands and the permanent funds have contributed more than $4 billion to education in New Mexico while generating revenues resulting in the $8 billion Land Grant Permanent Fund. The State Land Office is responsible for administering the 9 million acres of surface land and 13 million acres of subsurface rights for the beneficiaries. Each section of land is designated for a specific beneficiary, with public schools as the designee of the majority of the acreage.

NEW MEXICO STATE LAND OFFICE

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State Land Trust

About the Land Office

The State Land Office is responsible for administering 9 million acres of surface and 13 million acres of subsurface land for the beneficiaries of the trust. Each acre of land is designated to a specific beneficiary, with public schools receiving more than 90 percent of the acreage. State trust land is located in 32 of New Mexico's 33 counties. The goals of the trust are to optimize revenues while protecting the health of the land for future generations.

Trust lands were granted to New Mexico by Congress under the Fergusson Act of 1898 and the Enabling Act of 1910. The latter act allowed New Mexico's admission to the United States upon voter approval of the state constitution.

In general terms, the state was granted four square miles – or sections 2, 16, 32, and 36 – in each 36-section township for the benefit of the public schools. Today, this amounts to 8.6 million surface acres of land.

Where sections were sold or allocated to Indian Pueblos, tribal reservations, or pre-existing land grants, the state was allowed to pick lands instead of the four designated sections elsewhere.

Also, the state was allowed to choose "quantity grants" from the federal government, in specific amounts, to benefit the specified schools, institutions, and other purposes.

Those land grants were chosen by a commission, comprised of the governor, attorney general, and the commissioner of public lands. The grants totaled about 5 million acres.

Revenue generated from the extraction of oil and gas, from other mining, the sale of land, and any other activity that depletes the resource is placed in the permanent fund, which is invested for the beneficiaries.

Revenue from activities, like grazing and commercial activities that do not permanently deplete the resource are distributed through the maintenance fund to the designated beneficiaries after the Land Office covers its own expenses -- an amount which typically is equal to less than 6 percent of the revenue generated.

In fiscal year 1999, the trust lands generated $154 million, including $129 million from nonrenewable sources and $28.7 million from renewable sources, bonuses, and fees.

NEW MEXICO STATE LAND OFFICE

Beneficiaries of the Trust

About the Land Office

◆ **University of New Mexico** – The University of New Mexico is the state's largest university with an enrollment of more than 30,000 students. The university is one of New Mexico's largest employers with a capital budget of about $971 million. The main campus is located in Albuquerque, New Mexico, which includes the Health Sciences Center. There are also branch campuses located in Taos, Gallup, Los Alamos, Santa Fe, and Belen.

This beneficiary received more than **$4.3 million** in income from state trust land revenues in 1999.

For more information: http://www.unm.edu

NEW MEXICO STATE LAND OFFICE

Beneficiaries of the Trust

◆ **Public (common) schools** – There are a total of 89 public school districts in the State of New Mexico with a total enrollment of 331,815 students. There are a total of 725 public schools within those statewide districts, which include 135 high schools, 139 junior high/middle schools, and 451 elementary schools. About one third of the budgets for these schools are supported by income generated from state trust lands.

This beneficiary received more than **$209.4 million** in income from state trust land, plus permanent fund, revenues in 1999.

For more information: http://www.sde.state.nm.us

Folder Profile

Control #	2001-006977
Name	Letter to Secretary Abraham from Patty Voss (PennWell)
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	3/15/01
Subject Text	Patty Voss, PennWell, invites Secretary Abraham to be keynote speaker at the opening ceremony at the upcoming Middle East Energy 2001 Conference on October 8-10, 2001 in Dubai, United Arab Emirates
Correspondence Date	3/12/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	HOLLOWAG
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter
Date Due	
Date Completed	3/16/01

rl clsn

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PennWell
Global Energy Group

PennWell Corporation • PennWell House
Horseshoe Hill • Upshire • Essex EN9 3SR • United Kingdom
Tel: +44 (0)1992 656 600
Fax: +44 (0)1992 656 700
Website: www.pennwell.com

12 March 2001

2001-006977 Mar 15 A 11:09

Spencer Abraham
US Secretary of Energy
Department of Energy
1000 Independence SW
Washington DC 20585

Dear Secretary Abraham,

On behalf of PennWell, I would like to invite you to be the Keynote Speaker at the opening ceremony at the upcoming Middle East Energy 2001 Conference and Exhibition (MEE) to be held October 8-10, 2001 in Dubai, United Arab Emirates. MEE 2001 is being held under the patronage of the Ministry of Petroleum and Mineral Resources and the Ministry of Electricity and Water Authority, United Arab Emirates.

The event will attract government organizations, utilities, independent power producers, major oil operating companies, state owned oil companies, project developers and project finance companies from the Middle East Countries. Participating companies will share their significant involvement in the Middle East energy projects and portray their strategic commitment to the development of the region.

Some background on this event: The impetus for MEE 2001 originated from the extremely successful "Arab Electricity" Event that was held in Bahrain in 1997. MEE 2001 Conference and Exhibition will focus on the entire energy cycle including Power, Water, and Natural Gas.

The Keynote speech will take place on the morning of October 8th. Other speakers on this day will include executive ranking representatives with UAE Offsets Group, CMS Energy and Enron.

Please do not hesitate to contact me with any questions. I look forward to your positive response.

Yours respectfully,

Patty Voss

Patty Voss
International Project Director

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MIDDLE EAST ENERGY 2001
October 8-10, 2001
Al Bustan Rotana Hotel
Dubai, United Arab Emirates

DAY 1 - October 8 - Opening Day of the Conference

Welcome Address by:
Ministry of Petroleum and Mineral Resources, United Arab Emirates
Ministry of Electricity and Water, United Arab Emirates

Keynote Speaker - Spencer Abraham, U.S. Secretary of Energy (invited)

Industry Panel - ADWEA, DEWA, Oman Electricity and Water, Saudi Arabia Electricity and Water

Luncheon

ADNOC - Near term or long range supply of fuel (primarily natural gas) for power generation and water desalination to support economic growth. Current and future projects that are directed at providing adequate fuel supplies to meet expected infrastructure demand.

Dolphin Initiative - Both Enron and UAE Offsets Group

OMAN - OMAN Oil Company and Oman Gas Company (invited)

DAY 2 and DAY 3
Technical Sessions focused on:
Privatization, project finance, power plant technology, plant operation and maintenance, desalination, water treatment, etc.

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Folder Profile

Control #	2001-008040
Name	Letter to Secratary Spencer Abraham from Mel Sembler
Priority	Important
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-I
Date Received	3/26/01
Subject Text	Expressing interest regarding development of ocean wave technology in Florida and requests feedback from DOe
Correspondence Date	3/21/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	EE
Point of Contact	POLICYC
Organization ID	EXECCORR2
Action Requested	Prepare Response
Assigned To	EE
Special Instructions	
Date Due	4/18/01
Date Completed	4/20/01

17

008040

MEL SEMBLER

2001-008040 3/26 P 12:07

March 21, 2001

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
7A 257/FORS
1000 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Secretary:

Congratulations on your elevation to this most vital cabinet position. You were a shining star in the Senate and I know you will do equally well in your new post.

My cousin, Norman Trenton, sent me the enclosed letter and asked that I forward this information regarding ocean current energy to your department. I would appreciate it if you could have a member of your staff look this over to determine if someone from DOE will meet with Jim Dehlsen. Your response can be sent to me and I will relay it to Norman. My office number is 727-384-6000 and the fax number is 727-381-0224.

Betty and I send you our warmest wishes for success and joy in your latest endeavor. Give our regards to Jane and your family.

Best personal regards,

Mel

Mel Sembler

5858 Central Avenue • St. Petersburg, Florida 33707
727-384-6000 • Fax 727-381-0224

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N. B. TRENTON

March 13, 2001

Melvin Sembler, CEO
The Sembler Company
5858 Central Avenue
Pasadena, Florida 33707

Dear Mel:

I had the opportunity to speak with Jim Dehlsen last week and I thought it would be appropriate to try to enlist your help with an important project Jim is working on. Jim founded Zond Corporation in 1980, which is now Enron Wind Corporation, and is one of the world's true pioneers of renewable energy. As you may or may not know, I served on Jim's Board for 16 years at Zond until Enron purchased it. He is now applying his experiences in wind technology development into a new, emerging technology, ocean current energy.

Project Aquantis, aimed at capturing as much as 10,000 MW of electricity from the Gulf Stream off of south Florida, has been in development since 1997. Over the past three years, the National Renewable Energy Laboratory and the Department of Energy (DOE) have been monitoring this project closely. Aquantis petitioned for and won a grant from DOE in 2000. Subsequently, DOE has taken the rare step of formally establishing a new program for Ocean Current Energy. The leadership at NREL recently told Jim that Aquantis represents the best new technology concept they had seen in the past 25 years. DOE is supporting Aquantis' efforts to establish a budget inclusion item in the 2002 budget.

Jim has also been advancing the regulatory framework for large-scale commercialization of this renewable energy resource. The National Oceanographic and Atmospheric Administration (NOAA) has agreed that it is the appropriate lead agency for inter-agency coordination of this effort, and it is expected that the agency will provide future assistance with oceanographic profiling, energy assessment, and environmental impact analyses.

Ocean Current Energy will significantly benefit Florida, providing the generating equivalent of six large nuclear reactors, or 6000 MW, within ten years. The technology team for this effort includes Florida Atlantic University's Sea Tech Laboratory, Nova Southeastern University's Department of Oceanography, and the Navy's Carderock Division, among others. These players have helped

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in the assessment and measurement of the ocean current resource and in the preliminary evaluation of potential environmental benefits and impacts associated with ocean current turbines. The project also aims to develop a National Ocean Current Technology Center in Ft. Lauderdale, which in combination with the developing industry, promises to create hundreds of new jobs for Florida.

Aquantis estimates that $15 million in R&D funding will be required over the next three years to bring the project to commercialization. Aquantis has spent over $2 milliion of private capital on this effort to date. Legislation to provide $5 million in 2002 for a new Ocean Current Energy Program at DOE will be introduced by Florida Congressman Clay Shaw shortly, and Jim expects to receive support for this line item from Congressman Bill Thomas, Chairman of the Ways and Means Committee.

The benefits to Florida from project Aquantis are substantial and include: utilizing a large domestic energy resource to provide cost competitive base-load power, greater diversification of the critical energy resources relied on; increased technical employment; and, deployment of a large component of clean energy to help offset pollution from existing power plants and in meeting Environmental Protection Agency requirements.

Jim is planning to visit Washington, D.C., on March 26th and 27th, continuing on to Florida on the 28th and 29th of March. He would like to present this information to Energy Secretary Spencer Abraham or any other appropriate member of the Vice President's Task Force on Energy. In addition, he would like the opportunity to brief Governor Bush on the project with the objective of gaining the Governor's endorsement for Project Aquantis with Dick Cheney's Energy Task Force. Any assistance you could provide in setting up such meetings would be greatly appreciated.

Warm regards,

Norm

Norman B. Trenton

Folder Profile

Control #	2001-008854
Name	Letter to Secretary Spencer Abraham from Howard H. Sha
Priority	Important
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	4/2/01
Subject Text	U.S. before the FERC -- Comments of ISO New England, Inc. with respect to motion for technical conference (Docket No. RM99-2-000)
Correspondence Date	3/29/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	CARPENTC
Organization ID	EXECCORR2
Action Requested	Information Only
Assigned To	PM
Special Instructions	
Date Due	
Date Completed	4/5/01

release

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations) Docket No. RM99-2-000

**COMMENTS OF ISO NEW ENGLAND INC.
WITH RESPECT TO MOTION FOR TECHNICAL CONFERENCE**

In response to the Notice of Filing issued March 28, 2001 by the Commission in response to the "Motion to Convene a Technical Conference on Interregional Coordination" filed in the referenced docket on December 15, 2000 by the Electricity Consumers Resource Council, Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc. and Dynegy, Inc. (the "Joint Motion"), ISO New England Inc. (the "ISO") hereby provides its comments.

The ISO's Board of Directors and senior management have made the ISO's compliance with the Interregional Coordination function of Order 2000 an extremely high priority. Accordingly, the ISO agrees with the views of the Commission and the proponents of the Joint Motion regarding the importance of this function. While the ISO is still in the process of considering whether the requested technical conference would assist compliance efforts nationwide, it has recently prepared (and attaches hereto) a preliminary report, following consultation with PJM Interconnection, L.L.C. ("PJM") and ALSTOM ESCA Corporation ("ESCA"), the systems development contractor for both PJM and the ISO.

This report is directly responsive to the concerns expressed in the Joint Motion, and is consistent with the Commission's focus on fostering interregional coordination as

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evidenced by its request for comments on the Joint Motion. The report outlines the ISO's preliminary conclusions with respect to the potential implementation in New England of a standardized market based on the successful PJM market model, with future common enhancements in both PJM and New England markets developed through collaboration between the ISO and PJM. This "Standard Market Design" would support accelerated and simultaneous implementation in New England of a PJM-type Congestion Management System and Multi-Settlement System, and the PJM and ISO market designs would largely converge.

The ISO plans to present the Standard Market Design to NEPOOL, regulators and other affected stakeholders and, in collaboration with PJM and ESCA, develop a detailed schedule for implementation. A filing with respect to the proposed Standard Market Design will be made with the Commission in May.[1]

Respectfully submitted,

Howard H. Shafferman
Counsel for
ISO New England Inc.

Kathleen A. Carrigan
Vice President, General Counsel and
Secretary
ISO New England Inc.

March 29, 2001

[1] Accordingly, the ISO seeks no Commission action on this enclosed preliminary report.

DC_DOCS_A #1071993 v3 WORD97

Preliminary Report of ISO New England Inc.
Regarding "Standard Market Design"

Executive Summary

ISO New England will be proposing, in May 2001, the acceptance by the Commission of a comprehensive wholesale market program that combines salient features of the PJM market model with elements of its own existing wholesale market design. The combination creates a standardized structure for wholesale electricity markets (the "Standard Market Design ").

The Standard Market Design being developed by the ISO (in close collaboration with PJM and with the systems contractor for both PJM and the ISO, ALSTOM ESCA ("ESCA")) would use PJM's current market design as a starting point, and combine and standardize the ISO and PJM market designs, including common future enhancements. The ISO would use the Standard Market Design in lieu of its current markets and the planned markets incorporating New England-specific phased Congestion Management Systems and Multi-Settlement Systems (collectively, "CMS/MSS"). Note that this approach is not a superimposition of PJM CMS/MSS software on existing New England markets, which continues to be infeasible.

The Standard Market Design would, compared with the existing arrangements and circumstances: (1) improve convergence among the Northeast markets, (2) reduce risk of CMS/MSS implementation, (3) accelerate the CMS/MSS schedule, and (4) reduce CMS/MSS implementation costs. The Standard Market Design builds upon a combination of the options identified in the Commission staff report on Northeast markets.[1]

Specifically, the Standard Market Design has the following advantages:

- Reduce risk by implementing a proven market design (with common enhancements) will reduce risk.
- Provide nearly 100 percent market convergence between PJM and the ISO
- Reduce ongoing support and maintenance costs.
- Facilitate transactions in the Northeast through uniform market rules.
- Satisfies the major requirements of a CMS/MSS system design.

[1] See *Investigation of Bulk Power Markets – Northeast Region* (November 1, 2000), at 1-91 through 1-96 ("Staff Report").

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- Implementation of both CMS and MSS is much as 9 to12 months earlier than under the ISO's current plans. This translates into potential cost savings of $20 million to $40 million, plus additional future savings due to spreading the cost of developing modifications across two markets.

The ISO has signed a Letter of Intent with PJM and ESCA for the development of the Standard Market Design. This effort seeks to fulfill several goals consistent with the Commission's policy objectives: to complete CMS/MSS as quickly as possible,[2] to include numerous features required by the Commission,[3] and to take all feasible steps to converge its market with that of PJM and the New York Independent System Operator ("NYISO").

Specifically, the ISO plans to present the Standard Market Design proposal to NEPOOL, regulators and other affected stakeholders and, in collaboration with PJM and ESCA, develop a detailed schedule for implementation. A filing with respect to the proposed Standard Market Design will be made with the Commission in May.[4]

As its name implies, the Standard Market Design would set a new national benchmark for a "best practices" wholesale electricity markets and could be applied in other parts of the country.

The ISO will continue to work with the NYISO to resolve seams issues.

The remainder of this report is organized as follows:

I. Advantages of the Standard Market Design versus New England-specific markets[5]
II. Potential Schedule and Budget Improvements with The Standard Market Design
III. Next Steps.

I. Advantages of Standard Market Design Versus New England-specific Markets

The Standard Market Design offers significant advantages versus a New England-specific market design that incorporates customized CMS/MSS.

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[2] See *New England Power Pool*, 88 FERC ¶ 61,147, at 61,492 (1999); *ISO New England Inc.*, 91 FERC ¶ 61,311, at 62,060 (2000) ("CMS/MSS Order").

[3] The CMS/MSS Order required separate availability bids for spinning reserves (at 62,064), self-scheduling of energy and operating reserves (at 62,068-69), provide load a choice between nodal prices or zonal prices (at 62,071), base weights for zonal prices on actual hourly load at each node (62,071), and provide financial congestion rights ("FCRs") as both financial options or obligations (at 62,074).

[4] Accordingly, the ISO seeks no Commission action on this preliminary report.

[5] As used herein, "New England-specific markets" means the existing markets in New England, as modified to meet the requirements of the CMS/MSS Order.

A. Market Conformance

The Staff Report's recommendation for convergence of the Northeast markets represented a significant potential change in focus from market experimentation to standardization of best practices.[6]

The ISO has evaluated the degree of conformance with PJM and New York that would be achieved with the implementation of a New England-specific design for CMS/MSS markets. Attachments A, B and C hereto provide a comparison of PJM and New York markets with today's ISO markets, with New England-specific CMS functionality and with complete New England-specific CMS/MSS functionality, respectively. Based on that evaluation, the ISO found that its current plans for full CMS/MSS implementation on a New England-specific basis would still leave substantial gaps in conformance with PJM and NYISO.

A detailed comparison of the differences between PJM's current and the ISO's planned CMS/MSS markets found that:

- The ISO's settlement system is more complex, with the ISO providing more functionality to its market participants than PJM;
- The ISO market has five products (energy, ten-minute spinning reserve, ten-minute non-spinning reserve, thirty minute reserve, and regulation market), compared with two (energy and installed capacity) in PJM;
- PJM does not produce any price forecasts while the ISO produces a day-ahead price forecast;
- PJM sends dispatch instructions composed of a price signal every 15 seconds. The ISO sends a desired MW dispatch instruction every 5 minutes;
- PJM calculates settlement prices after the fact, while the ISO calculates them based upon a forecast when the dispatch instructions are calculated; and
- PJM's external transaction market is primarily OATT reservation-based. The ISO's will be economic-based, i.e., supply offers and demand bids.

Based on the current schedule for CMS/MSS, substantial non-conformance would still exist even after full CMS/MSS implementation in the 1st quarter of 2004 at the earliest. This would mean additional, and likely costly, rework after that point to achieve further convergence.

[6] See Staff Report, at 1-93 and 1-94.

1. Effects of Unique Markets

Implementing a unique market for New England will have long-term operational effects resulting in higher ongoing costs compared with a standardized market design. While the New England specific market design is "leading edge" in nature, it is also very complex and unique. Further, the market design is unproven. A unique and complex market will mean the ISO must rely on customized software and, as a result, any changes will be costly and time-consuming. If the ISO moves to a more standardized market, it could use more standardized products. ESCA, the ISO's vendor for its energy management system ("EMS") and market system, is encouraging standardization for this reason.

The fact that the New England specific market design is unproven due to its uniqueness will almost certainly result in implementation issues once the markets go live. These issues could lead to significant expenditures to fix and maintain the markets. The operation of new, complex software systems and novel market structures, as evidenced by experience with existing electricity markets, often reveal flaws that can lead to market disruption and/or permit some participants to unfairly benefit at the expense of other market participants.

To address these potential impacts, the ISO has developed an alternative approach with PJM and ESCA that would implement a proven market design, together with "best practices" and other future improvements.

B. Overview of Standard Market Design

To enhance greater conformance and address the "unique market" risks, and the schedule impacts of the complexity of the New England markets, the ISO completed an evaluation of implementing the proven PJM markets (with certain enhancements) in New England. This evaluation was completed with the direct involvement of PJM and ESCA. Under this alternative approach, the ISO would adopt PJM's market model and operating practices, and would work together with PJM to develop enhancements to the current PJM market model. The ISO would only make modifications to reflect differing physical realities of the New England region power system. This approach would enhance conformance between the ISO and PJM and would position the ISO and PJM to work together with ESCA to develop standard software to support the markets.

1. Implications of Implementing Standard Market Design

Implementing the Standard Market Design means adopting PJM's market rules and operating practices and implementing them for New England. While most of the software will still need to be modified or developed by the ISO, there are three primary pieces of software that the ISO will be able to adopt from PJM. Specifically, PJM's external transaction software, its locational marginal pricing ("LMP") calculator, which PJM and ESCA are marketing in partnership, and its dispatch management tool can be adapted for use by the ISO. The ISO would also acquire PJM's settlement system requirement documents as the basis for modifying the ISO's settlement system.

From a market standpoint, implementing the Standard Market Design will provide the major requirements of a CMS/MSS system. Table 1 demonstrates this through a comparison of the core features in the CMS/MSS Order with the Standard Market Design:

TABLE 1

Core Features of CMS/MSS System	**Standard Market Design**	**ISO-NE Market Model**	**Does the Standard Market Design Provide the Desired Functionality?**
Locational Pricing	Calculate locational prices after the fact	Calculate prices based on forecast conditions	Yes
Day Ahead ("DA") Financially Binding	Yes	Yes	Yes
FCR	Provided with transmission service. Residuals auctioned	100% Auction	Yes
ARR	For new FTRs revenues are allocated to transmission owners. Auctioned FTRs revenues go to FTR holders	Auction Revenues allocated initially to congestion paying entities, transmission owners and NEMA LSEs' thereafter to ARR holders.	Yes
Security Constrained Dispatch	Yes	Yes	Yes
Permanent Reserve Solution	Spinning reserve market, contingent upon joint development by PJM & ISO-NE, along with a capacity market	ISO has spinning, non-spinning and 30 minute reserve markets	Will have appropriate reserve markets
3 Part Bids / Net Commitment Period Compensation	Yes	Yes	Yes
Demand Bidding	Yes	Yes	Yes

DA Indicative Publishing	Post DA LMPs & schedules at close of DA market.	Yes	Yes
Rebidding	Allows re-bidding for generators not selected DA	Yes	Yes

As can be seen, all of the core features are provided in the Standard Market Design

Table 2 below shows features of a CMS/MSS system that the ISO considers of secondary importance. Four of these six features would be provided by the Standard Market Design.

TABLE 2

Secondary Features of a CMS/MSS System	**Standard Market Design**	**ISO-NE Market Model**	**Does the Standard Market Design Provide the Desired Functionality?**
FCR Options	Not currently provided	Required by the Commission in CMS/MSS Order	No
Zonal/Nodal Selection	Yes	Yes	Yes
Transmission Bids	Allowed	Allowed	Yes
Indicative Scheduling	Post DA LMPs & schedules at close of DA market. No real-time price forecasts	Yes	Yes
Reserve Availability Bids (Spinning Reserves)	Under Development	Required by the Commission in CMS/MSS Order	Yes
4 Hour Reserve Market	No	Yes	No

The ISO has also completed a detailed comparison, in cooperation with PJM and ESCA, of how market features are implemented at PJM versus under a New England-specific CMS/MSS implementation. Attachment D provides the results of that comparison. Assuming implementation of the PJM market design, the ISO has concluded there are no significant technical requirements that cannot be resolved.

II. Potential Schedule and Budget Improvements with Standard Market Design

The evaluation of implementing this new Standard Market Design included an evaluation by the joint ISO, PJM, ESCA team of the potential impact on the implementation schedule for CMS/MSS in New England The conclusion of that team and specifically ESCA was that the simplifications afforded by adopting the Standard Market Design should make it possible to deliver both CMS and MSS to New England 9 to 12 months earlier than under the current plan.

Figure 1 shows the anticipated schedule for CMS/MSS implementation based upon the Standard Market Design. As can be seen, by simplifying the approach it is estimated that the completion of both CMS and MSS can be advanced into the first half of 2003 compared to the first half of 2004 under the current plans.

In addition to the accelerated schedule for full implementation of CMS/MSS, publishing trial LMPs is planned for the second quarter of 2002. These LMPs would be published for information purposes only to provide the market with information on congestion. This information will also be valuable in providing a basis for bidding when the initial FCR auction is run.

This alternative also provides opportunity for significant cost savings in implementing CMS/MSS in its entirety. First, the 9 to 12 month reduction in project duration, on a project that costs $2 million to $3 million per month, can result in a $20 million to $40 million dollar reduction in overall costs. Secondly, the implementation of a simpler and standard market can result in reduced ongoing support and maintenance costs.

In summary, the ISO has concluded preliminarily that the best course of action is to adopt and implement the Standard Market Design as described above. This approach provides the best opportunity for a successful implementation of CMS/MSS and for the long-term success of the New England electricity markets by providing:

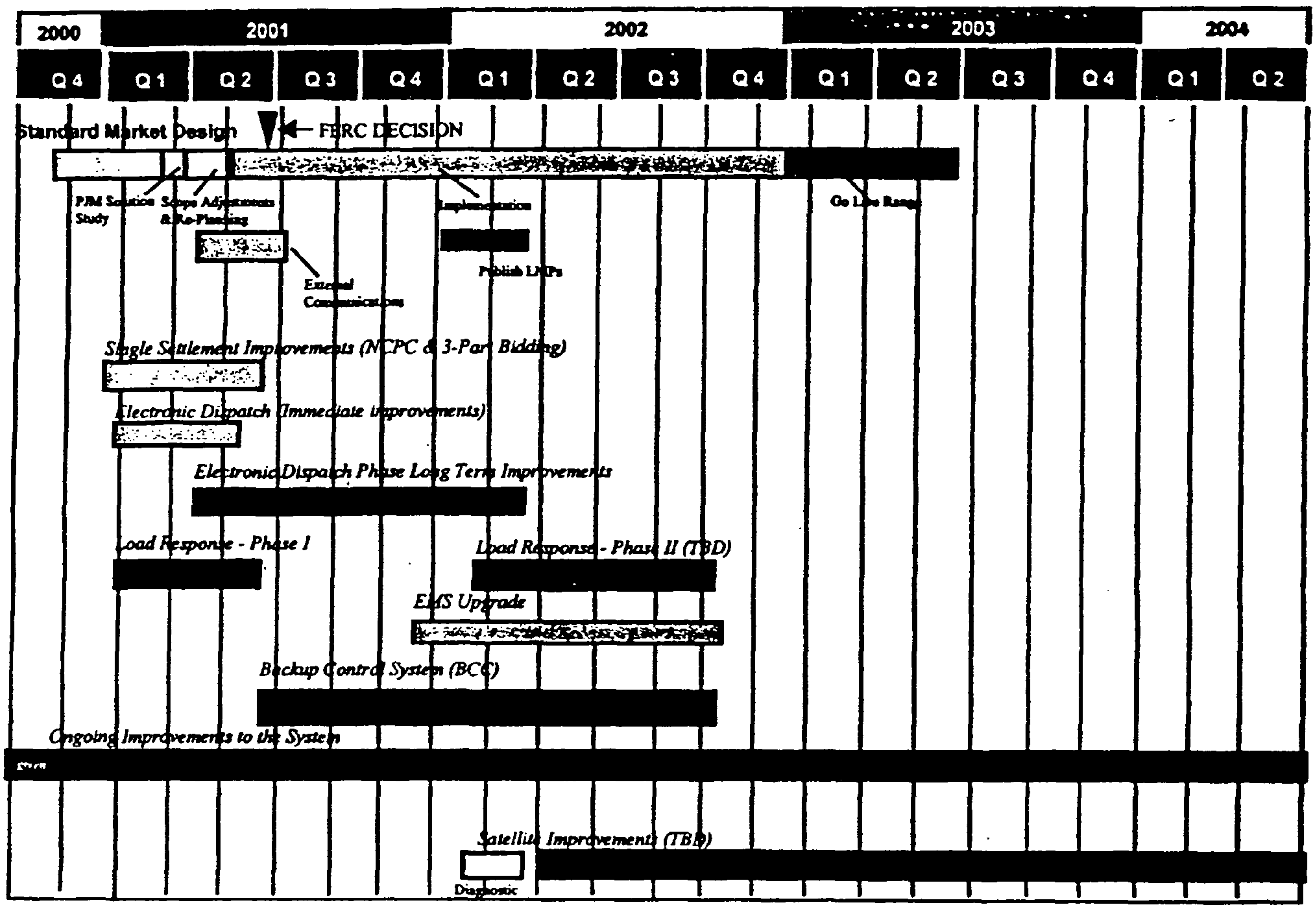
- Nearly 100% conformance between PJM and New England
- Use of a simplified, proven market approach for New England
- Simplification of New England reserve markets
- Simultaneous implementation of CMS and MSS, and on a shorter overall schedule
- Use of existing PJM designs to modify and develop the ISO software[7]

[7] Even with the adoption of PJM's market design, the ISO will still need to have ESCA develop new software to work with the ISO's EMS system. The ISO will also need to modify its settlement system, as PJM has indicated it is not possible to export its system to the ISO. These issues were identified in the December 1 Filing in Docket No. EL00-62-014.

- Reduction of project costs by $20 million to $40 million
- Use of existing PJM business processes as a basis to implement necessary changes at the ISO
- Use of existing PJM training materials as the basis of training at the ISO
- Software savings by working with a single market system vendor for both PJM and ISO.

FIGURE 1

CMS/MSS with Adoption of the Standard Market Design



III. Next Steps

The ISO recognizes that it cannot proceed unilaterally to implement the Standard Market Design. It will first consult with NEPOOL and other interested stakeholders, and it must obtain the approval of the Commission before changing direction from that specified in the CMS/MSS Order. The ISO and/or NEPOOL plans to seek, in May 2001, the issuance of a Commission order by no later than the end of July 2001 permitting this change in direction.

Pending approval by the Commission, the ISO will continue to work on activities that are independent of the approach taken. For example, the ISO is essentially adopting the PJM approach to FCRs so work can continue in that area. Also, the ISO will need to understand ESCA's unit commitment product which is the basis for the day-ahead market and which is not currently used by the ISO. Installation of that product and its use by the ISO to gain experience can continue since that product will be used for MSS regardless of the approach taken.

The ISO has also entered into a Letter of Intent with PJM and ALSTOM ESCA to work together to implement the Standard Market Design at the ISO. The three parties will work to negotiate contracts over the next month.

The following action items and timeline have been established to seek the necessary approvals on the ISO's recommended approach:

Action	Target Completion
Seek approval of desired approach from NEPOOL market participants	May 2001
Establish contracts between the ISO, PJM and ESCA based upon the Letter of Intent	April 2001
Continue work on CMS/MSS activities that are independent of the approach taken	April 2001 and beyond
File for approval of a change in approach with the Commission and a schedule for completion	May 2001
Update the work plan and schedule for CMS/MSS to reflect the selected approach including identification of phase in opportunities	May 2001
Obtain a decision from the Commission	July 2001

Comparison of Current Markets in New England, New York and PJM

Attachment A

SHADED AREAS INDICATE CONVERGENCE

	New England Today	New York Today	PJM Today
Market Structure	Single Settlement	[redacted]	[redacted]
Energy			
Congestion Pricing	None - Uplift	[redacted]	[redacted]
Bidding	1-Part	[redacted]	[redacted]
Spinning Reserves			
Market	Yes-Single Settlement	Yes	No
Payment	Bid + Lost Opportunity Cost (LOC)	Bid + LOC	Assumed included in 3-Part Bid
Non-Spinning Reserves			
Market	Yes-Single Settlement	Yes	No
Payment	Bid	Bid plus LOC	No
Regulation			
Market	[redacted]	[redacted]	[redacted]
Payment	[redacted]	[redacted]	[redacted]
Installed Capacity			
Market	No-Deficiency Charge	[redacted]	[redacted]
Bidding	N/A	[redacted]	[redacted]
External Transactions			
Transmission Reservations	[redacted]	No	[redacted]
Short Notice Transmissions	[redacted]	[redacted]	30 Minutes
Curtailment	Tariff/Economics	Economics	Tariff

SHADED AREAS INDICATE CONVERGENCE

DC_DOCS_A #1071993 v3 WORD97

Comparison of New England Market with Planned CMS and Today's Markets in New York and PJM

Attachment B

	New England With CMS	New York Today	PJM Today
Market Structure	*Single Settlement*	Multi-Settlement	Multi-Settlement
Energy			
Congestion Pricing	Locational Based	Locational Based	Locational Based
Bidding	3-Part	3-Part	3-Part
Spinning Reserves			
Market	*Yes-Single Settlement*	Yes	*No*
Payment	*Bid + Lost Opportunity Cost (LOC)*	Bid + LOC	*Assumed included in 3-Part Bid*
Non-Spinning Reserves			
Market	Yes-Single Settlement	Yes	No
Payment	Bid	Bid plus LOC	No
Regulation			
Market	Yes	[illegible]	Yes
Payment	[illegible]	[illegible]	[illegible]
Installed Capacity			
Market	*No-Deficiency Charge*	Yes	Yes-Deficiency Charge
Bidding	*No-Deficiency Charge*	[illegible]	Yes
CMS Transactions			
Transmission Reservations	*Yes - Through or Out*	No	*Yes*
Short Notice Transactions			*30 Minutes*
Curtailment			*Tariff*

SHADED

DC_DOCS_A #1071993 v3 WORD97

Comparison of New England Market with Planned CMS/MSS and Today's Markets in New York and PJM

Attachment C

	New England With CMS/MSS	New York Today	PJM Today
Market Structure	Multi-Settlement	Multi-Settlement	Multi-Settlement
Energy			
Congestion Pricing	Locational Based	Locational Based	Locational Based
Bidding	3 Part	3 Part	3 Part
Spinning Reserves			
Market	Yes	Yes	*No -- Market Under Development*
Payment	Bid + Lost Opportunity Cost (LOC)	[illegible]	*Assumed included in 3-Part Bid*
Non-Spinning Reserves			
Market	Yes	Yes	No
Payment	Bid Price	Bid Price	No
Regulation			
Market	Yes	[illegible]	[illegible]
Payment	Capacity Payment plus Service Charges plus LOC	Capacity Payment	Capacity Payment
Installed Capacity			
Market	*No-Deficiency Charge*	Yes	Yes-Deficiency Charge
Bidding	*No*	[illegible]	[illegible]
CMS/MSS Transactions			
Transmission Reservations	*Yes - Through or Out*	No	*Yes*
Short Notice Transactions	[illegible]	[illegible]	*30 Minutes*
Curtailment	[illegible]	[illegible]	*Tariff*

SHADED AREAS INDICATE CONVERGENCE

DC_DOCS_A #1071993 v3 WORD97

ATTACHMENT D

Feature	PJM	ISO New England
(1) Real-time Dispatch Signals	PJM currently dispatches using ACE and a composite incremental cost curve to dispatch the power system. PJM uses manual process	ISO New England co-optimizes energy and spinning reserve and then accounts for non-spin and AGC in its dispatch signal ISO New England has an infrastructure built to handle this.
(2) Real-time LMP Calculation	PJM supports ex post price calculations, the dispatch signal reflects desired output and LMPs are then based on actual system conditions. (ex post).	ISO New England produces the LMP and the dispatch signal at the same time (ex ante price).
(3) Losses in LMP Calculation	PJM does not include losses in its LMP calculation. PJM does not currently implement penalty factor dispatch and it may be a few years before the infrastructure is in place to support this function.	ISO New England includes losses in its LMP calculation.
(4) Eligibility to Set LMP	PJM has established criteria for allowing a generator to set locational price.	ISO NE has issues to resolve with real-time dispatch and pricing, including determining when generators are eligible to set clearing price
(5) Regulation Market	PJM did not require this capability.	ISO New England needs the capability to support multiple AGC ranges for aggregated generators and large steam units.
(6) Transaction Scheduling Tools	PJM uses an internet-based tool, EES, to support bilateral transactions scheduling activities. Associated with EES is the TMS, which is the dispatcher interface to the EES database.	ISO New England is currently evaluating transaction-scheduling tools.
(7) SPS Enhancement in SFT		ISO New England needs the ability to support special protection systems procedures via the operator interfaces for the two-settlement and congestion management systems.

(8) Dispatch Management Tool	PJM dispatchers log all scheduling and generation activities in a tool, called the DMT. The DMT is also dispatchers' interface into the Markets Database and is used to administer the regulation market, as well as support settlement processes.	
(9) Settlements Redesign		The settlements redesign and coding schedule will be longer for CMS/MSS implementation compared to a CMS only implementation but shorter than implementing CMS followed by a MSS implementation.
(10) Virtual Offers and Bids	PJM's market design supports both increment offers and decrement bids (virtual supply and demand).	ISO New England current supports virtual demand only.
(11) Generator Offer Data	PJM's generator offer data includes data parameters that ISO New England does not currently require, such as notification times and hot, cold, and intermediate start-up times. PJM allows only single incremental curve or block per day.	ISO New England does not currently require (but will with the implementation of NCPC), Startup and No-Load costs. Some aspects of notification times are and will be different between ISO-NE and PJM.
(12) Real-time Offers	PJM supports limited re-bidding period the day prior to the operating day during which participants can modify price and quantity. During real-time PJM supports quantity and unit status changes only; no hourly financial re-bidding.	ISO New England supports real-time offers, allowing generating resources to submit changes in price and quantity.
(13) Reserve Markets	PJM plans to support one reserve product, a 10-minute synchronized reserve product.	ISO New England plans to include three reserve products in their market implementation: 10 minute synchronized reserves, 10-minute non-synchronized reserves, and 30-minute reserves. All three reserve products are priced during the day-ahead market.

(14) External Transaction Scheduling	The PJM Open Access Transmission Tariff is a reservation - based physical transmission rights model.	The current NEPOOL Open Access Transmission Tariff has moved New England toward a financial transmission service model. ISO New England has planned on implementation of a full financial transmission service model under CMS/MSS.
(15) Willing to Pay Congestion Transmission Service	The PJM Open Access Transmission Tariff allows Participants the option of paying congestion with non-firm transmission service for all external bilateral transactions under a reservation-based physical transmission rights model.	The NEPOOL Open Access Transmission Tariff would allow an up to congestion bid price for through bilateral transactions under a financial transmission service model.
(16) Economic Options for Bilateral Transactions	PJM supports several options for external transactions, including fixed, dispatchable, and up-to congestion (day-ahead market only).	
(17) OASIS Phase 2	The NERC initiative is to support "frag tagging", allowing a transaction schedule for each piece of a transactions to be developed and then the pieces are fit together to form a complete transaction. File posting, using XML technology, will be used to implement this capability. There will probably be some type of common interface developed, but this is yet to be resolved. This requires a more standard model to allow inter-regional transactions to be linked. Target implementation is Fall 2002.	
(18) Self Scheduling Ancillary Services	PJM support self-scheduling of regulation service and plans to support self-scheduling of spinning reserve service.	
(19) Posting Market Information	PJM does not post any non-binding energy prices.	ISO New England currently posts non-binding forecasted prices, based on load forecast and unit commitment.
(20) Capacity Market	PJM currently supports a capacity market, based on an installed capacity requirement. PJM supports self-scheduling, bilateral transactions, and market access.	ISO New England recently eliminated its capacity market. Loads engage in bilateral transactions to meet their obligations.

(21) Verification of LMPs	PJM currently posts verified LMPs by noon the day following the operating day.	ISO New England flags real-time LMPs that may be incorrect. Verification occurs within 5 business days.
(22) Internal Bilateral Settlements		ISO New England supports significantly more settlements activity for internal bilateral
(23) Energy Ramping Capability		ISO New England supports hourly limit and self-schedule transition logic.
(24) FTR Allocation		There is a difference between the PJM and the planned ISO New England process for allocation of FTR revenue.

SHADED AREAS INDICATE CONVERGENCE

Folder Profile

Control #	2001-009085
Name	Fax to OS/Dandy from Linda Robertson, ENRON
Priority	Important
Folder Trigger	Invitation
DOE Addressee	OS/Dandy
Source	PM-O
Date Received	4/3/01
Subject Text	Linda Robertson, ENRON, requests a meeting for Dr. Lay with Secretary Abraham on 4/4/01 at 4:30 pm (no location provided)
Correspondence Date	4/3/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	GREENA
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Received after the fact in ES on 4/4/01 pm - Regret
Date Due	
Date Completed	4/5/01

release

19.

04/03/01 11:53 FAX 001

APR 03 2001 11:16 FR ENRON TO 5867573 P.01/01

2001-009085 Apr 3 p 12:15

ENRON, WASHINGTON
1775 EYE STREET, NW
Suite 800
Washington, DC 20006
202-466-9145
202-828-3372 (fax)

FAX COVER SHEET

DATE: 4/3/01 11:30 AM
NAME: fax number:
TO:

Ms. Majida Dandy
Senior Advisor to the Secretary
The Honorable Spencer Abraham
Secretary of Energy
US Department of Energy
1000 Independence Avenue, SW
Room 7A-257
Washington, DC 20585
202-586-6210
202-586-7644 (fax); (for quick faxing!)
202-586-4403 (fax)
Direct fax for 202-586-7573 (fax)

FROM: Linda Robertson, Vice President, Federal Government Affairs
Lora Sullivan PHONE: 202-466-9142
FAX: 202-828-3372

Number of pages: 1

Re: **Request for meeting with Secretary Abraham on Friday, April 6, 2001**

Dear Ms. Dandy:

Thank you for your faxed letter of March 30 advising Secretary Abraham is not available on April 5th. Dr. Lay is also available at 4:30 PM on Thursday, April 4th. Is there any possibility of scheduling a meeting with the Secretary at this time?

Linda Robertson
202-466-9159 (phone)
202-828-3372 (fax)

** TOTAL PAGE.01 **

19
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Folder Profile

Control #	2001-009158
Name	Letter to Secretary Spencer Abraham from Jared Blum, Alli
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	4/3/01
Subject Text	Provides examples of ways to reduce federal energy use
Correspondence Date	4/3/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	EE
Special Instructions	
Date Due	
Date Completed	4/4/01

20

009158

2001-009158 4/3 P 4:12

ALLIANCE TO
SAVE ENERGY
Third Decade of Leadership

April 3, 2001

The Honorable Spencer Abraham
Secretary of Energy
1000 Independence Avenue, SW
Washington, DC 20585

RE: Federal Agency Response to California Electricity Crisis

Dear Secretary Abraham:

I commend your remarks last Sunday on ABC concerning the federal government's need to help avoid future California power shortages. I strongly encourage you to assist federal agencies by whatever resources at your disposal to reduce unnecessary energy use and accelerate investments in energy-efficient technologies to reduce summer power demand.

For over a decade, the Alliance to Save Energy has advocated ways to reduce federal energy use and relieve the taxpayer burden through wise energy efficiency investments. In January, the Alliance's Federal Energy Productivity Task Force, which I chair along with Paula Prahl of Honeywell, provided the Bush Administration six simple actions (attached) that could dramatically reduce federal energy use. Our task force, comprised of over 30 companies and organizations who work closely with federal energy managers, stands ready to assist you by tapping their expertise.

Again, your recognition of the contribution federal agencies in California can make to help avoid a summer energy crisis is commendable.

Sincerely,

Jared

Jared Blum, Chair
Federal Energy Productivity Task Force

Enclosures

1200 18th Street NW • Suite 900 • Washington, DC 20036
(202) 857-0666 • Fax (202) 331-9588 • E-mail: info@ase.org • Web: www.ase.org

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Federal Energy Management
Saving Taxpayers A Billion Dollars a Year

Recommendations from the Alliance to Save Energy's Federal Energy Productivity Task Force

Since 1995, the Federal Energy Productivity Task Force, comprised of 34 companies and organizations that market energy-saving products and services, has monitored the performance of federal-energy saving efforts. The Task Force, chaired by Jared Blum of Polyisocyanurate Insulation Manufacturers Association and co-chaired by Paula Prahl of Honeywell, worked to encourage federal agencies to implement fully the Presidential Executive Order 13123 on federal energy saving and the complementary goals outlined in the Energy Policy Act of 1992.

In 1997, the Task Force issued a groundbreaking report entitled ***Leading by Example: Improving Energy Productivity in Federal Government Facilities***, which recommended how to improve the Federal Energy Management Program (FEMP) based on experience in the private sector. Near the end of the Clinton Administration, Executive Order 13123 was issued to implement many of our recommendations.

To date, we estimate that FEMP has saved taxpayers more than $8 billion in energy costs in the government's 500,000 buildings.

The Task Force continues to assess agency performance, providing private sector assistance and recommendations and would like to continue its role with the Bush Administration developing new policy initiatives and helping agencies make wise energy efficiency investments.

Members of the Federal Energy Productivity Task Force

Alliance to Save Energy
Alliance for the Polyurethane Industry
American Gas Association
American Gas Cooling Center
Andersen Corporation
Armstrong International
Battelle
CertainTeed Corporation
Conservation Management Corporation
Edison Electric Institute
E-Mon
Energy Systems Laboratory (Texas A&M)
Enron
Fannie Mae
Geothermal Heat Pump Consortium
Honeywell
Johns Manville Corporation
Johnson Controls
Lawrence Berkeley National Laboratory
National Insulation Association
National Renewable Energy Laboratory
North American Insulation Manufacturers Association
Ogontz
OSRAM SYLVANIA
Owens Corning
Pacific Gas & Electric Company
Polyisocyanurate Insulation Manufacturers Association
Public Service Company of New Mexico
Sempra
Solar Energy Industries Association
Swagelok
Washington Gas
Whirlpool Corporation
Xenergy

Why Bother with Saving Energy

- **We Can Save the Taxpayers An Additional Billion Dollars a Year** – Reducing energy use in government facilities by installing the latest, cost-effective energy efficient technologies and improving energy management practices offers the Administration a great way to save taxpayers as much as a billion dollars a year. [1] Sensible energy management also increases employee productivity and minimizes environmental impacts. We estimate this effort would generate $5 billion in economic activity and purchase of advanced energy technologies.

[1] *Estimates based on research from U.S. Department of Energy, Alliance to Save Energy, Office of Technology Assessments and Pacific Northwest National Laboratory*

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- **The Private Sector Strongly Supports This Effort** – The private industry strongly supports government efforts to improve energy productivity through energy efficiency. Companies have the off-the-shelf technologies – insulation, windows, controls, HVAC systems, controls and metering -- needed to make it happen. They also have a wealth of experience on how to reduce energy costs that they are willing to share and offer a range of alternative financing solutions that agencies can use to make improvements at no up-front cost to the government.

- **Leading by Example** – Consumers, businesses, and governments throughout the world look to the United States as a model of economic productivity, efficiency, responsibility, and high quality of life. Effective management of the federal government's energy use demonstrates the new Administration's and nation's commitment to use energy resources wisely, clean up the environment, increase economic productivity, and reduce the federal debt.

The Role of DOE FEMP

While DOE FEMP leads the government's efforts to improve energy management, it doesn't have the authority to mandate agencies to act. However, FEMP is doing an important job through its guidance and technical assistance to federal agencies and the Office of Management and Budget. FEMP, after years of under funding, now receives $27.7 million and the Task Force believes that recent funding increases were necessary to provide critical project financing assistance.

Task Force Policy Recommendations

The Alliance's Federal Energy Productivity Task Force recommends that the Bush Administration adopt the following policies to greatly enhance the Federal Energy Management Program:

1. ***Make Federal Energy Productivity a Presidential Priority and Hold the Agencies Fully Accountable***-- Ensure that federal energy productivity is a management priority by appointing energy management czar within the Executive Office of the President to hold agencies accountable to implement fully the program's goals. Experience has shown that without presidential leadership on this issue, agencies will drop the ball.

2. ***Establish Energy Efficiency Investment Goals*** – Set goals for each agency requiring them to invest at least 10 percent of their annual utility cost in life-cycle cost-effective energy-efficiency improvements to ensure they meet their energy-saving goals and create more productive and healthy work environments for their employees.

3. ***Get the Department of Defense More Involved*** -- Since DOD owns 80 percent of government buildings and uses 65 percent of the energy, FEMP can only succeed with DOD's active participation. Reducing military energy demand enhances national security and frees additional resources for core missions. DOD needs to establish senior energy management team within Office of Secretary to communicate their seriousness on the issue.

4. ***Expand Financial Options*** – Financing improvements is often one of the biggest barriers agencies face. The Administration should use the successful funding model offered by the Texas State government energy improvement loan program, *LoneSTAR*, to create a new, low-cost pool of retrofit funds to supplement appropriations and third party financing.

5. ***Maximize Energy Efficiency Opportunities in Unregulated Utility Markets*** – When agencies purchase lower cost and green power in restructured electric and gas markets, the Administration should ensure they incorporate energy saving and peak demand measures.

Fact Sheet

Alliance to Save Energy

Federal Energy Productivity Program

Federal Energy Waste

The U.S. federal government is the nation's single largest energy consumer. Civilian and defense agencies spend $3.5 billion annually to heat, cool, and power over 500,000 buildings. The Alliance to Save Energy and the former Congressional Office of Technology Assessment have estimated that the federal government could save $1 billion annually if it installed currently available, cost-effective energy-efficient products. To capture these savings, Pacific Northwest National Laboratory calculated that an investment of $5.2 billion in insulation, energy efficient windows, energy management control systems, efficient appliances and office equipment, lighting, heating and cooling equipment, metering, and steam traps is needed.

Federal Energy Productivity Program

Alliance's Federal Energy Productivity Program partners with the private sector to help Congress and federal agencies reform policies and increase investments in energy-saving technologies. Our efforts are supported by the Federal Energy Productivity Task Force, comprised of representatives from over 30 businesses and organizations that provide energy-saving products and services to the federal government. Chaired by Jared Blum from the Polyisocyanurate Insulation Manufacturers Association and co-chaired by Paula Prahl of Honeywell, the Task Force meets regularly to discuss important federal energy management programs and policies.

In 1998, the Alliance-led Task Force issued its landmark report, *Leading By Example: Improving Energy Productivity in Federal Government Facilities*. The report describes the tremendous energy-saving opportunities in federal facilities and outlines a series of recommendations for improvement. Many of them were incorporated into Presidential Executive Order 13123 that sets stringent new goals for agencies to reduce energy use and greenhouse gas emissions, increases agency accountability, and gives the Office of Management and Budget greater responsibility for compliance.

Executive Order 13123 may be downloaded at www.eren.doe.gov/femp/aboutfemp/exec13123.html. A copy of the 1998 Alliance report may be downloaded at www.ase.org/profess/femp/index.htm.

04/03/01

1200 18th Street NW • Suite 900 • Washington, DC 20036
(202) 857-0666 • Fax (202) 331-9588 • E-mail: info@ase.org • Web: www.ase.org

Folder Profile

Control #	2001-009249
Name	Letter to Secretary Abraham from Melissa Willis (Dais-Anal
Priority	Important
Folder Trigger	Fax Message
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	4/4/01
Subject Text	Requests the opportunity to prove the value of their fuel cell technology with DOE
Correspondence Date	4/4/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	EE
Point of Contact	POLICYC
Organization ID	EXECCORR2
Action Requested	Prepare Response
Assigned To	EE
Special Instructions	
Date Due	5/8/01
Date Completed	5/14/01

release

21

DAIS-ANALYTIC CORPORATION

11552 • PROSPEROUS DRIVE • ODESSA FL • 33556
PHONE 727-375-8484
FAX 727-375-8485

FAX COVER

DATE: 4/4/01

FROM: Melissa Willis

TO: Spencer Abraham, Secretary of Energy

FAX #: 202-586-4403

NO. OF PAGES INCLUDING COVER: 3

REGARDING: Fuel Cell Technology

COMMENTS: IMPORTANT

2001-009249 Apr 4 p 5:26

C:\MY DOCUMENTS\FAXCOVER.DOC

A

DAIS-ANALYTIC

Dais-Analytic Corporation
11552 Prosperous Way
Odessa, FL 33556
(727) 375-8484 Phone
(727) 375-8485 Fax
tnt@daisanalytic.com

April 4, 2001

Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Mr. Secretary:

Our company, Dais-Analytic Corporation, is an energy technology firm working on polymer materials and fuel cells. We have been developing novel membrane materials in many energy related applications since 1994.

One of our key accomplishments in fuel cells has been our development of low cost membrane materials, where the efficient transport of water is a critical property. We determined that these same membranes would work well in other moisture and energy transfer applications, such as in energy recovery ventilation equipment.

Last year along with Enron Corp and Dow Chemical, our strategic partners, we conclusively demonstrated the material's potential in a membrane-based energy recovery ventilator application.

We have conducted industry-accepted tests (ASHRAE) in actual HVAC systems with results showing the system's ability to transfer moisture was increased by 30% (or more). We have engaged third party firms to corroborate and validate our findings.

Simply stated, when integrated with popular commercial heating ventilation and air conditioning units this technology can return more than $.30 on the $1.00 in energy costs. Can you imagine the **immediate** impact of this technology in California?

In retrofit applications we see complete payback in twenty months or less, and in new installations the payback is potentially immediate given the lower capital cost involved as the HVAC equipment size is reduced.

In the past energy recovery ventilation technology has had limited consumer penetration; candidly, the value proposition was not always compelling. The introduction of this simple, cost effective, membrane based technology can alter

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that value proposition and dramatically reduce energy consumption, peak usage, and help save our environment.

Your department is balancing a myriad of critical situations ranging from rising energy costs to an insufficient supply of energy against the need to be good stewards for the our land, air, and water. That is a tall order by any measure.

We wish to help. I submit one of the fastest ways we can get energy saving technology into the marketplace is to have the backing of one of its largest potential customers – the US Government. We are looking for your department's support – not in the form of grant money - rather the opportunity to prove the value of our technology in government installations.

Sadly many U.S. businesses fear the new technology transfer process and will only subscribe when the demand for the new technology is created. We also submit the demand for energy efficient technology is now and would like to accelerate the implementation process.

May I please ask to hear back from you or one of your representatives to discuss our exciting technology?

Please contact me at your earliest convenience on 727.375.8484 X205.

Thank you.

Sincerely,

Timothy N. Tangredi
President/CEO

Cc: Honorable Senator Bob Graham
Honorable Senator Bill Nelson
Honorable Congressman Michael Bilirakis

Folder Profile

Control #	2001-010162
Name	Invitation to Secretary Abraham from Scot M. Faulkner, Exe
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-I
Date Received	4/13/01
Subject Text	Scot Faulkner and Jacqueline Grapin, The European Institute, invites the Secretary to present the U.S. National Energy Policy to Roundtable on energy, environment & transportation; no date mentioned
Correspondence Date	4/11/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	GORHAMO
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	
Date Due	
Date Completed	4/16/01

release

2001-010162 4/13/01 3:23 010162

THE EUROPEAN INSTITUTE

5225 WISCONSIN AVENUE, N.W., SUITE 200, WASHINGTON, DC 20015-2014
TELEPHONE: (202) 895-1670 • FAX: (202) 362-1088 • E-MAIL: INFO@EUROPEANINSTITUTE.ORG

April 11, 2001

The Honorable Spencer Abraham
Secretary of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

REF: National Energy Policy Briefing for European Officials

Dear Mr. Secretary:

On behalf of the Board of Directors and Members of The European Institute, we would like to invite you to present the U.S. National Energy Policy to our Roundtable on Energy, Environment and Transportation. The Roundtable examines questions related to energy and sustainable development within the context of evolving policies in Europe and the U.S.

This meeting would include senior representatives from 24 European countries at a time and place of your choosing.

The Roundtable on Energy, Environment and Transportation also includes Airbus Industrie of North America, American Forest & Paper Association, BMW (US) Holding Corp., The Boeing Company, British Nuclear Fuels Ltd. (BNFL), COGEMA Inc., DaimlerChrysler, Delta Air Lines, Inc., Electricité de France, ENI, Enron Corporation, Exxon Mobil Corporation, General Electric Company, IBM Corporation, Lafarge Corporation, Lufthansa German Airlines, Nuclear Energy Institute, Siemens AG, and Swissair/Sabena.

European and corporate officials are eager to initiate a transatlantic energy dialogue to better understand the U.S. approach to meeting its energy needs.

We would be honored to receive you for this important meeting. If you or your staff have any questions, please call us at (202) 895-1670 or email: sfaulkner@europeaninstitute.org.

Sincerely,

Scot M. Faulkner
Executive Director

Jacqueline Grapin
President

A

Folder Profile

Control #	2001-010604
Name	Letter to Secretary Abraham from Marshall Kaplan & David
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	4/23/01
Subject Text	Marshall Kaplan & David Olsen, Univ. of CO, Denver, invite Secretary Abraham to a Strategic Leadership Forum re Sustainable Energy, Denver Chamber of Commerce, Denver, CO, 5/22-23/01, 8:10 am-11:00 am
Correspondence Date	4/17/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter
Date Due	
Date Completed	4/24/01

release

23

2001-010604 Apr 23 p 12:07

University of Colorado at Denver

Wirth Chair in Environmental and Community Development Policy
Institute for Policy Research and Implementation
1445 Market Street, Suite 350
Denver, Colorado 80202-1727
Phone: 303-820-5676
Fax: 303-534-8774

April 17, 2001

Hon. Spencer Abraham, Secretary of Energy
U.S. Dept. of Energy
1000 Independence Ave., SW, Forrestal Bldg
Washington, DC 20585

Dear Hon. Abraham:

The Western States face major power problems; some have called it a power crisis. The Governors have proposed policy recommendations to assure a predictable supply of power. Many business and non-profit leaders have suggested alternatives to meet power needs.

The CEO Coalition to Advance Sustainable Technology and the Wirth Chair at the University of Colorado at Denver would like to **invite you to participate in a strategic Leadership Forum on Securing a Sustainable Energy Future for the Western United States**. The Forum is supported by CH2M-Hill and the U.S. Department of Energy. It will occur **May 22 and May 23, 2001** in the **Denver Chamber of Commerce's 4th Floor Board Room at 1445 Market Street in Denver.**

We are attaching the Forum's agenda. It identifies the outstanding group of confirmed speakers and discussants. They include: Governor Jim Geringer of Wyoming; Ken Lay, Chairman of Enron; Ralph Peterson, President and CEO of CH2M Hill; Bill Keese, Chair of the California Energy Commission; Admiral Richard Truly, Director National Renewable Energy Laboratory; Nora Mead Brownell, Nominee, Federal Energy Regulatory Commission; Gary Goldberg, President and CEO of Kennecott Energy Company; Peter Cartwright, CEO of Calpine; Jeff Sterba, President and CEO of Public Service Company of New Mexico; and, Paul Yahouse, President and CEO of Holnam Corporation.

The Forum's objective will be to increase understanding of power problems and power needs in the Western States. Participants will discuss the lessons learned from California. As important, we will explore future power needs in the West and we will begin to define strategic policy opportunities to convert the "power crisis" to a predictable sound energy future-a future consistent with shared economic development and environmental goals.

We only are inviting key CEOs from business as well as senior government and NGO leaders from the Western States who are involved in or can impact power and energy policy. Indeed, because we want the Forum to foster direct interactive discussion, we are purposely limiting attendance to 70 leaders. **As a result, we need to know within the next few days whether or not you will join us. RSVP by faxing the enclosed reservation form to us by April 27th.**

We look forward to hearing from you.

Sincerely,

Marshall Kaplan	David Olsen
Executive Director	President
Institute for Policy Implementation	CEO Coalition to Advance Sustainable Technology

A

University of Colorado at Denver

Wirth Chair in Environmental and Community Development Policy
Institute for Policy Research and Implementation
1445 Market Street, Suite 350
Denver, Colorado 80202-1727
Phone: 303-820-5676
Fax: 303-534-8774

Securing the Energy Future of the Western United States

A Regional Leadership Forum

May 22-May 23, 2001
Denver Metro Chamber of Commerce Building
1445 Market Street, Executive Board Room, 4th floor

Convened by:
CEO Coalition to Advance Sustainable Technology
and the Wirth Chair at the University of Colorado at Denver[1]

with Support from:
CH2M Hill and the U.S. Department of Energy

Agenda

Tuesday, May 22, 2001

8:10 a.m. Welcome

David Olsen, Forum Co-Chair and CEO Coalition President
- Goals of the Forum

Rick O'Donnell, Deputy Chief of Staff for Policy, Office of Governor Bill Owens
- The Governor's Energy Principles and Concerns

8:25 a.m. Framing the Agenda

Ralph Peterson, President and CEO, CH2M Hill
- Putting Our Energy Needs in Context: Regional and National Challenges and Environmental Stewardship

8:45 a.m. Causes of the Power Crisis and What We've Learned So Far

Bill Keese, Chair, California Energy Commission
- Causes of the Crisis

1 Marshall Kaplan, Executive Director of the Wirth Chair, will facilitate sessions

B

Discussants
Ray Gifford, Chair, Colorado Public Utilities Commission
Judi Johansen, Executive, Vice President, PacifiCorp
Matthew Brown, National Conference of State Legislatures

10:15 a.m. How Much Power Do We Need?

Doug Larson, Executive Director of the Western Interstate Energy Board
- Regional and State-by-State Energy Needs

Ralph Cavanagh, Energy Program Director of the National Resources Defense Council
- How Much Can We Rely on Efficiency?

Discussants
Steve Kean, Executive Vice President and COO, Enron
Jeff Burks, Utah State Energy Manager
William Brack, Vice President, Phelps Dodge Corporation
Bill Chew, Managing Director, Standard and Poors

Noon **Lunch: The Western Governors Action Plan**

Lunch address by Wyoming Governor Jim Geringer
Overview of the Western Governors Association (WGA) Recommended Objectives, Policies and Initiatives to Respond to Electricity and Energy Needs in the West.

Commentary: Jim Souby, Executive Director of Western Governors Association
- Details of Western Governors Association's Action Plan and Next Steps

1:30 p.m. **Framework for Considerations of Western Energy Alternatives**

Admiral Richard Truly, Director of the National Renewable Energy Laboratory
NREL's Agenda - Moving the United States and the West Toward a Cleaner, More Efficient and More Secure Energy Future

1:50 p.m. **Regulation, New Technologies, and Transmission**

Nora Mead Brownell, Nominee, Federal Energy Regulatory Commission
– Transmission Investment, Consolidation of Grid Operations, and Cooperation of Regulated and Deregulated Systems

Discussants
Robert Dixon, Acting Deputy Assistant Secretary, Office of Power Technologies, U.S. Department of Energy
Bob Anderson, Commissioner, Montana, Public Service Commission
Hank Habicht, CEO of Global Environment Technology Foundation
Charles Murphy, Managing Director, Merrill Lynch's Global Energy and Power Group

3:30 p.m. **Power Supply**

Gary Goldberg, President and CEO, Kennecott Energy Company
- Potential and Challenges of Coal in the Western Electricity Mix

Peter Cartwright, Chairman and CEO, Calpine
- Potential and Challenges of Gas Fired Generation;

Rachael Shimshak, Executive Director, Renewable Northwest Project
- The Western Regional Air Partnership's Goal for Renewable Energy

Discussants
Jeff Sterba, CEO, Public Service New Mexico
Bill Becker, Director, Denver Regional Office, U.S. DOE

6:30 p.m. **Reception-Denver Marriott Hotel**
1701 California Street, Denver

7:15 p.m. **Dinner-Denver Marriott Hotel**

Dinner Speakers Chris Hessler, Chief of Staff and Chris Miller, Senior Minority Staff of the U.S. Senate Environment and Public Works Committee:
What will the Administration and Congress Likely Do with Respect to Energy and Related Environmental and Greenhouse Gas Emission Issues?

9:30 p.m. **Adjourn**

Wednesday, May 23

7:30 a.m. **Breakfast**

Dr. John Firor, National Center for Atmospheric Research:
- An Overview of Climate Change

8:30 a.m. **Keynote**

Ken Lay, Chairman, Enron
- Energy and Climate Realism in a Political World

9:00 a.m. The Convergence of Energy, Environmental and Greenhouse Gas Issues

Dr. Robert Repetto, Senior Wirth Fellow, University of Colorado
- An Overview of the Economics of Climate Change

Paul Yahouse, President and CEO, Holnam Corporation
- Mini Case Study of Holnam's Environmental and Energy Efficiency Objectives

Discussants
Dirk Forrister, Managing Director of NatSource
Donna Kraisinger, Director of Health, Safety and Environment for the Western U.S. Region, BP Amoco
Mike Miller, Energy Manager, Ball Corporation
Nancy Kete, Vice President of World Resources Institute
Dr. Ronald Follet: United States Department of Agriculture (USDA)

ll:00 a.m. **Wrap Up: Next Steps Toward Western Energy Policy**

The final session will summarize the deliberations of the Forum. Participants will assess areas of agreement and disagreement. Participants also will discuss initiatives and actions to build common ground on policy issues.

Folder Profile

Control # 2001-011019

Name Letter to Secretary Spencer Abraham from William Quigley,

Priority Important

Folder Trigger Letter

DOE Addressee Spencer Abraham

Source PM-O

Date Received 4/27/01

Subject Text Enclosing Administrative Complaint and Reaquest for Federal Investigation into Unfair Pricing of Natural Gas in Louisiana

Correspondence Date 4/18/01

RIDS Information Head of Agency

Sensitivity Not Applicable

Action Office #

Classification None

Signature/Approval ME-70

Point of Contact SEISERP

Organization ID EXECCORR2

Action Requested Prepare Response

Assigned To SP

Special Instructions Transfer to the Federal Trade Commission

Date Due 6/15/01

Date Completed 5/31/01

2001-011019

Department of Energy
Washington, DC 20585

May 31, 2001

Ms. Rosemary Straight
Executive Secretary
Federal Trade Commission
600 Pennsylvania Avenue, N.W. (Room 426)
Washington, D.C. 20580

Dear Ms. Straight:

Because the subject of this letter does not fall within the purview of the Department of Energy, we are forwarding it to your agency for appropriate action.

If you have any questions, please call me on (202) 586-8923.

Sincerely,

Brenda Mackall
Brenda L. Mackall
Work Group Leader
Correspondence and Records Management
Office of the Executive Secretariat

A

2001-011019 4/27 A 10:58

011019

LOYOLA
UNIVERSITY
NEW ORLEANS

SCHOOL OF LAW
Gillis W. Long Poverty Law Center

April 18, 2001

Mr. Spencer Abraham
Secretary of Energy
1000 Independence Avenue, S. W.
Washington, D.C. 20585

RE: **Citizens for Change, et al v. All Natural Gas Providers to Entergy New Orleans, et al**

Dear Mr. Secretary:

Enclosed please find a copy of our Administrative Complaint and Request for Federal Investigation Into Unfair Pricing of Natural Gas which we have filed this day.

Sincerely,

William P. Quigley / fmw

William P. Quigley
Director

WPQ:fmw

Enc.

7214 St. Charles Avenue, Campus Box 902, New Orleans, LA 70118, Telephone: 504.861.5762, Facsimile: 504.861.5426

B

ADMINISTRATIVE COMPLAINT
AND
REQUEST FOR FEDERAL INVESTIGATION
INTO UNFAIR PRICING OF NATURAL GAS

FILED WITH
UNITED STATES DEPARTMENT OF ENERGY
AND
UNITED STATES DEPARTMENT OF JUSTICE

Citizens for Change and Alliance for Affordable Energy
On behalf of Utility Consumers and Ratepayers of New Orleans

Versus

All Natural Gas Providers to Entergy New Orleans and Each and Every Supplier To or Participant In the 'Henry Hub' Spot Market and Futures Pricing Mechanism Operated by the New York Mercantile Exchange

ADMINISTRATIVE COMPLAINT AND REQUEST FOR INVESTIGATION INTO UNFAIR PRICING BY THE NATURAL GAS PROVIDERS TO ENTERGY NEW ORLEANS AND ANY AND ALL OTHER SUPPLIERS TO OR PARTICIPANTS IN THE SO-CALLED 'HENRY HUB'

Summary

Over the past several months, the citizens of New Orleans were charged natural gas prices more than 400% higher than the prices for the same product in the past several years. While the average cost for natural gas was around $2.50 per thousand cubic feet for the past several years, the cost for natural gas was $10.08 per thousand cubic feet in December 2000 and rose to $11.67 per thousand cubic feet in January 2001. These 400% higher prices were charged to ratepayers despite statements by the Natural Gas Association, the latest in March 2001, that the wholesale prices for natural gas were 100% higher than last year. The undersigned asks the U.S. Department of Energy and the U.S. Department of Justice to conduct an expedited, wide-ranging investigation into this matter. If unfair pricing is found, the agencies should pursue all available civil and criminal remedies against those involved and order that ratepayers be immediately refunded whatever unfair prices were charged.

Complaint and Call for Investigation

This complaint is being filed by the organizations Citizens for Change and the Alliance for Affordable Energy on behalf of all the ratepayers in the City of New Orleans, particularly the elderly, the working poor, and those on fixed incomes. It is being filed against the suppliers of natural gas to the citizens of New Orleans.

Entergy New Orleans (hereafter Entergy) is the local distribution company for natural gas operating within the boundaries of Orleans Parish in Louisiana. The price of natural gas is passed on to the customer by means of the City Gate Adjustment, an automatic pass-through clause on utility bills that reimburses Entergy for the cost of natural gas.

Throughout the last few years, the City Gate Adjustment in Orleans Parish has been approximately $2.50 per thousand cubic feet (hereafter Mcf) of natural gas.

In December 2000 the City Gate Adjustment for natural gas was $10.0882 per thousand cubic feet. In January 2001, the City Gate Adjustment was $11.6699.

Entergy has publicly advised New Orleans that they charged customers five times as much for the same amounts of natural gas that they were providing last winter.[1] Though Entergy has not advised the public who these suppliers are or what exactly the charges were, petitioners are asking that the U.S. Department of Energy and the U.S. Department of Justice find that information out in the course of the investigation into whether or not these prices were fairly and legally charged to ratepayers in New Orleans.

To the best of our knowledge, the companies that provided natural gas to Entergy during December 2000 and January 2001 include the following:

Apache Corporation
Bridgeline Gas Distributors
Texaco Natural Gas Incorporated
Coral Energy Resources LP
Devon Energy Producers Company LP
Enron North American Corporation
Koch Gateway Pipeline Company
LGS Intrastate
MidCoast Marketing Inc.
Western Gas Resources, Inc.

[1] See Entergy web site report on high gas problems in New Orleans: www.entergy-neworleans.com/gas/ "This winter we have had to pay five times as much for the gas acquired for our customers than a year ago."

This complaint does not accuse any single one of these companies of illegal conduct but asks for an investigation into an intolerable situation that has caused considerable hardship for tens of thousands of families which have had to pay crushingly high utility bills. The facts show that the price of natural gas was 100% higher in the winter, but that customers in New Orleans were charged rates 4 and 5 times higher than that. The customers do not know how this happened or who caused this. That is why this investigation is being requested. For the sake of justice, this matter must be investigated.

The undersigned have no specific evidence that any individual natural gas marketer and/or supplier which actually supply natural gas to Entergy has any more or less culpability, if any exists, for the huge price increases seen this winter than any of the other market participants That is why we are also including all of the suppliers to and/or participants in the Henry Hub pricing mechanism in our complaint. If this inquiry uncovers other companies involved in providing natural gas at unfairly high prices, this complaint asks that those companies be included in the investigation.

The price of natural gas for resale (also known as burner-tip gas) cited on bills by Entergy throughout the winter 2000-2001 has been upwards of 400% higher than average natural gas prices over the last several years.

This sharp increase is a primary cause --along with greater usage of natural gas due to the return of a "normal," i.e. colder, winter-- that Entergy gas bills for residential customers were typically 200%-300% higher than last year and continue to be significantly higher.

Tens of thousands of families in New Orleans have been unable to fully pay utility bills that even Entergy admits on their web site are "outrageously high." Families are being forced to choose between paying their utility bills and paying for other necessities of life. More than 40,000 homes in New Orleans have been unable to pay their monthly utility bills in full and on time in the winter of 2000-2001 because of these outrageously high bills. The high bills have forced customers to start paying their bills on the installment plan or risk termination of utilities.

Entergy purchases gas through a series of gas marketers and suppliers governed by several types of contracts: *firm contracts*, some with a set amount at a firm price and the rest indexed to the Henry Hub --an actual terminus of a large group of gas pipelines in Henry, Louisiana that is used as an index of spot and futures market prices by the New York Mercantile Exchange-- and other contracts with the entire amount indexed to the Henry Hub; and *interruptible contracts* which allow for natural gas purchases from time to time on the spot market, i.e. directly at the Henry Hub price.

The spot prices on the Henry Hub during the winter of 2000-2001 have mirrored the resale gas prices in Orleans Parish. The prices on the Henry Hub have averaged about \$2.17/Mcf over the last several years but skyrocketed to beyond \$10/Mcf in January 2001.

Notwithstanding any unique, poorly designed regulatory policies in Orleans Parish or imprudent act(s) that Entergy may or may not have made concerning its local franchise responsibility this winter (several dockets have been established before Entergy's regulator, the New Orleans City Council, which will review these issues), the unprecedented high prices and volatility of the Henry Hub natural gas prices require an investigation and a response by the Department of Justice and the Department of Energy to ensure the public has been fairly treated.

Entergy and their regulator, the City Council of New Orleans, have made numerous public statements acknowledging the problem of much higher natural gas prices. For example, in an April 2, 2001 public letter released by former state court judge Eddie Sapir, now Councilman at Large and Chairman of the Utility Committee of the New Orleans City Council, to Antoinette Harrell-Miller, a party to this complaint and organizer of Citizens for Change, and Gary L. Groesch, another party to this complaint and executive Director of the Alliance for Affordable Energy, Councilman Sapir states "while [the Council does] have regulatory authority over Entergy, we have no authority over the gas producers who have taken advantage of market conditions and run the cost of gas up from less than $2.50 per MCF last year to over $10 per MCF this year during the time when our ratepayers needed the gas most to stay warm. These gas producers have reaped huge profits on the backs of our citizens." Likewise, Entergy has publicly stated that home heating bills in New Orleans are "in comparison to previous years, outrageously high."[2]

If the operation of the Henry Hub has been illegally manipulated, warped, or thwarted by those with the market power, then the U.S. Department of Energy and the U.S. Department of Justice have the statutory and public responsibility to find which companies have done this and bring them to justice.

This complaint assumes that there was no collusion in the 400-500% increases in natural gas prices between any of the companies which sold natural gas to Entergy and Entergy itself. Therefore this complaint is not a call for an investigation of Entergy. However, if facts develop in the investigation that call this assumption into question, this complaint should be expanded to include all culpable parties.

Free markets are supposed to be the most efficient way to reflect the real value of a commodity and give consumers a correct price signal. When a commodity like natural gas is inextricably linked to the health and well-being of the consumer, the manipulation, mismanagement, or simply misunderstanding of that commodity's market can quickly render social injustice much faster than a system of regulated prices, however inefficient that earlier system may have been.

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[2] See Entergy web site report on high gas problems in New Orleans: www.entergy-neworleans.com/gas/ "We know that yourbills for natural gas this winter have been a shock. In comparison to previous years, outrageously high."

On September 26, 2000 the American Gas Association (AGA), one of the leading trade associations of the natural gas utilities in the United States told the U.S. Senate Committee on Energy and Natural Resources that it expected a mere 25% increase in natural gas prices over the winter months of 2000-2001 with no natural gas reliability problems at all. "We don't fly stand-by," boasted Laurence M. Downes, CEO of New Jersey Natural Gas Company speaking on behalf of American Gas Association, "we have a firm reservation." Just six weeks later, the AGA issued a policy paper entitled "The Potential Impact of Higher Natural Gas Prices on Residential Customers," (November 6, 2000) a detailed, *post hoc* explanation of why natural gas prices were spiraling out of control with no visible ceiling in sight. In classic understatement, the report concludes "most consumers will pay significantly more for each unit of natural gas this winter than they did last winter."

In January 2001, the U. S. Department of Energy advised the public that residential customers could expect to pay about 70 percent more for their natural gas bills this winter.[3] Customers in New Orleans have been charged heating bills much, much higher than 70% over what was paid last year. In fact, many customers were charged bills that were 200% to 300% higher than ever before.

In March 2001. The Natural Gas Association, through it's spokesperson Karen Hill, told USA Today that wholesale prices for natural gas were 100% higher this winter than they were last year.[4] Despite that, customers in New Orleans were paying 400-500% higher rates than last year. Something is very, very wrong.

Many of the elderly, working poor, and people on fixed incomes are being forced to choose between paying their utility bills or cutting back on expenses for basic necessities. As the hot summer days approach citizens have indicated that they will not be able to afford to cool themselves for fear of incurring additional utility costs. These circumstances are combining to create both an economic and a public health problem for senior citizens and the poor in New Orleans.

The Citizens for Change and the Alliance for Affordable Energy ask the U.S. Department of Energy and the U.S. Department of Justice to conduct an investigation to see if there is indeed unfair pricing by Entergy New Orleans and their suppliers in this matter.

The fact that Entergy New Orleans has charged customers five times what they charged

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[3] "Residential Natural Gas Prices: What Consumers Should Know," National Energy Information Center, U. S. Department of Energy, January 2001.

See www.eia.doe.gov/oil_gas/natural_gas?analysis_publications/residential_natural

[4] Thomas A. Fogarty, "Budget Billing Helps Gas Customers With High Heating Costs," USA Today March 6, 2001.

last year for the same amount of gas despite statements by the Natural Gas Association that the wholesale price of natural gas is only 100% higher than last year is a cause for investigation. Additionally, despite the estimate by the U.S. Department of Energy that home heating bills would rise 70%, Entergy is charging bills much. much higher than that is another cause for investigation.

If there is unfair pricing by natural gas suppliers, petitioners request that all available civil and criminal remedies be pursued against those involved and that ratepayers be immediately refunded whatever unfair prices were charged.

Citizens for Change and the Alliance for Affordable Energy request that this complaint be handled on an expedited basis in order to reduce the injuries being suffered by the citizens of New Orleans.

Respectfully submitted this 17 day of April, 2001.

William P. Quigley
7214 St. Charles Avenue
New Orleans, La 70118
504-861-5590
504-861-5440 fax

Thomas Milliner
300 Canal Street, Suite 2800
New Orleans, LA 70130
504-524-5297
504-586-8451 fax

Counsel for:

Citizens for Change
c/o Antoinette Harrell-Miller
PO Box 791578,
NOLA 70179-1578
504-949-1853
fax 504-947-8763

Alliance for Affordable Energy
c/o Gary Groesch
504 Julia Street
NOLA 70130
504-525-0778
fax 504-525-0779

Folder Profile

Control #	2001-010667
Name	Letter to Secretary Abraham from Kateri Callahan, Electric
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	4/23/01
Subject Text	Kateri Callahan, Electric Vehicle Association..., invites Secretary Abraham to speak at the "EVAA Electric Transportation Industry Conference..." on 12/11-14/01 in Sacramento, CA (no time provided)
Correspondence Date	4/20/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	GREENA
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	EE
Special Instructions	Info: ES/Carpenter - Surrogate to EE/Tom Gross
Date Due	
Date Completed	12/13/01

25

2001-010667 Apr 23 p 12:34

EVAA

Electric Vehicle Association of the Americas

701 Pennsylvania Avenue, NW
Third Floor
Washington, DC 20004
202.508.5995
fax 202.508.5924

P.O. Box 1383
Burlingame, CA 94011
650.558.0526
fax 650.558.0527

www.evaa.org

April 20, 2001

The Honorable Spencer Abraham
Secretary
U.S. Department of Energy
Forrestal Building
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Abraham:

It is with great pleasure that I write to invite you to speak at our 2001 industry conference, the "EVAA Electric Transportation Industry Conference: Battery, Hybrid, Fuel Cell" (ETIC), being held December 11-14 in Sacramento, California. You have been identified by our Conferences Committee and Partners as someone that we "must have" in order to accomplish our goal of an interesting, informative and cutting edge agenda!

We are anticipating between 600 and 1000 attendees, many of whom will participate in the Conference tour of the California Fuel Cell Partnership facilities. The conference partners—CARB, California Energy Commission, California Fuel Cell Partnership, Edison Electric Institute, EPRI, the Environmental Research Institute of Michigan, the Natural Resources Defense Council, the U.S. Departments of Energy and Transportation, the U.S. Environmental Protection Agency, and the U.S. Fuel Cell Council—predict ETIC will prove to be the premier U.S. event for electric drive technologies, from batteries to fuel cells, this year.

It is my hope that you will participate in the Opening Session panel discussion, which will be held on Wednesday, December 12 from 8:00 a.m. to 10:00 a.m. The topic of the panel is *"Fuels of the Future: What's Required to Move Away from a Petroleum Based Economy."* Those invited to participate on your panel include John Wallace, Executive Director, Ford Motor Co. Th!nk Group; Rodney Chase, Deputy CEO of BP Amaco; Ken Lay, Chairman and CEO of Enron Corp.; Governor Gray Davis, State of California; Norm Mineta, US Secretary of Transportation; David Ratcliffe, President and CEO of Georgia Power Company; and Firoz Rasul, President and CEO of Ballard Power Systems.

As a speaker, we would ask that you provide a 10-minute, prepared presentation on the session topic, and then participate in a question and answer period along with your fellow session speakers. EVAA will be pleased to work with your staff on the development of any presentation. Please let me know how I might best assist.

Thank you for considering this invitation. Our Conference Director, Katie Angioletti, will contact your office next week to determine your interest and availability in joining us in December. If you have any questions, please feel free to call me at 202.508.5995.

With best regards,

Sincerely,

Kateri Callahan

Kateri Callahan

A

Folder Profile

Control # 2001-010711

Name Letter to Secretary Spencer Abraham from Barry Worthingt

Priority Important Critical

Folder Trigger Letter

DOE Addressee
Spencer Abraham

Source PM-O

Date Received 4/23/01

Subject Text
Barry Worthington, US Energy Association, invites Secretary Abraham to address their Annual Membership Meeting on 5/8/01 from 12:00-4:00 pm, in Washington, DC

Correspondence Date 4/23/01

RIDS Information Head of Agency

Sensitivity Not Applicable

Action Office # Regular

Classification None

Signature/Approval
NA

Point of Contact GREENA

Organization ID EXECCORR2

Action Requested
Appropriate Action

Assigned To
SL/Johnston

Special Instructions
Info: ES/Carpenter

Date Due

Date Completed 4/24/01

USEA
United States Energy Association

1300 Pennsylvania Ave., N.W.
Suite 550, Mailbox 142
Washington, DC 20004-3022
Tel: (202) 312-1230
Fax: (202) 682-1682

010711

April 23, 2001

2001-010711 4/23 P 2:34

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Room 7A-257
Washington, DC 20585

Dear Mr. Secretary:

It is my pleasure to invite you to address the Annual Membership Meeting of the United States Energy Association. This meeting will be held in **Washington, DC on May 8, 2001 from 12:00 noon to 4:00 PM in the Ronald Reagan Building and International Trade Center, located at 1300 Pennsylvania Avenue, NW, Suite 550.** We would like you to address the luncheon beginning at about 12:00 PM but will accommodate your schedule if another time is preferable to you.

USEA is the broadest based organization in the energy arena. Our membership encompasses every sector of the energy economy. Attached is our Annual Report, which lists our Board of Directors on page two and our complete membership list on page 16. USEA members will be pleased to hear your insight into the approach to put in place a National Energy Strategy.

One additional item to mention is that the recipient of our *United States Energy Award* for 2001 will be recognized at the meeting. This year's award recipient is your friend Ken Lay, Chairman of ENRON. I hope you will be able to address this important gathering and look forward to hearing from you.

Sincerely,

Barry K. Worthington
Executive Director

BKW/kyg

A

Folder Profile

Control #	2001-010583
Name	Letter to Secretary Spencer Abraham from William Quigley
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	4/23/01
Subject Text	Administrative Complaint and Request for Federal Investigation into Unfair Pricing of Natural Gas
Correspondence Date	4/17/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	PO
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Prepare Response
Assigned To	PO
Special Instructions	Sweeney, Terry & mitchell, Jocelyn(5/14/01 3:54 PM): No response is necessary.
Date Due	5/15/01
Date Completed	5/14/01

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2001-010583 4/23 A 9:50

ADMINISTRATIVE COMPLAINT
AND
REQUEST FOR FEDERAL INVESTIGATION
INTO UNFAIR PRICING OF NATURAL GAS

FILED WITH
UNITED STATES DEPARTMENT OF ENERGY
AND
UNITED STATES DEPARTMENT OF JUSTICE

Citizens for Change and Alliance for Affordable Energy
On behalf of Utility Consumers and Ratepayers of New Orleans

Versus

All Natural Gas Providers to Entergy New Orleans and Each and Every Supplier To or Participant In the 'Henry Hub' Spot Market and Futures Pricing Mechanism Operated by the New York Mercantile Exchange

ADMINISTRATIVE COMPLAINT AND REQUEST FOR INVESTIGATION INTO UNFAIR PRICING BY THE NATURAL GAS PROVIDERS TO ENTERGY NEW ORLEANS AND ANY AND ALL OTHER SUPPLIERS TO OR PARTICIPANTS IN THE SO-CALLED 'HENRY HUB'

Summary

Over the past several months, the citizens of New Orleans were charged natural gas prices more than 400% higher than the prices for the same product in the past several years. While the average cost for natural gas was around $2.50 per thousand cubic feet for the past several years, the cost for natural gas was $10.08 per thousand cubic feet in December 2000 and rose to $11.67 per thousand cubic feet in January 2001. These 400% higher prices were charged to ratepayers despite statements by the Natural Gas Association, the latest in March 2001, that the wholesale prices for natural gas were 100% higher than last year. The undersigned asks the U.S. Department of Energy and the U.S. Department of Justice to conduct an expedited, wide-ranging investigation into this matter. If unfair pricing is found, the agencies should pursue all available civil and criminal remedies against those involved and order that ratepayers be immediately refunded whatever unfair prices were charged.

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Complaint and Call for Investigation

This complaint is being filed by the organizations Citizens for Change and the Alliance for Affordable Energy on behalf of all the ratepayers in the City of New Orleans, particularly the elderly, the working poor, and those on fixed incomes. It is being filed against the suppliers of natural gas to the citizens of New Orleans.

Entergy New Orleans (hereafter Entergy) is the local distribution company for natural gas operating within the boundaries of Orleans Parish in Louisiana. The price of natural gas is passed on to the customer by means of the City Gate Adjustment, an automatic pass-through clause on utility bills that reimburses Entergy for the cost of natural gas.

Throughout the last few years, the City Gate Adjustment in Orleans Parish has been approximately \$2.50 per thousand cubic feet (hereafter Mcf) of natural gas.

In December 2000 the City Gate Adjustment for natural gas was \$10.0882 per thousand cubic feet. In January 2001, the City Gate Adjustment was \$11.6699.

Entergy has publicly advised New Orleans that they charged customers five times as much for the same amounts of natural gas that they were providing last winter.[1] Though Entergy has not advised the public who these suppliers are or what exactly the charges were, petitioners are asking that the U.S. Department of Energy and the U.S. Department of Justice find that information out in the course of the investigation into whether or not these prices were fairly and legally charged to ratepayers in New Orleans.

To the best of our knowledge, the companies that provided natural gas to Entergy during December 2000 and January 2001 include the following:

Apache Corporation
Bridgeline Gas Distributors
Texaco Natural Gas Incorporated
Coral Energy Resources LP
Devon Energy Producers Company LP
Enron North American Corporation
Koch Gateway Pipeline Company
LGS Intrastate
MidCoast Marketing Inc.
Western Gas Resources, Inc.

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[1] See Entergy web site report on high gas problems in New Orleans: www.entergy-neworleans.com/gas/ "This winter we have had to pay five times as much for the gas acquired for our customers than a year ago."

This complaint does not accuse any single one of these companies of illegal conduct but asks for an investigation into an intolerable situation that has caused considerable hardship for tens of thousands of families which have had to pay crushingly high utility bills. The facts show that the price of natural gas was 100% higher in the winter, but that customers in New Orleans were charged rates 4 and 5 times higher than that. The customers do not know how this happened or who caused this. That is why this investigation is being requested. For the sake of justice, this matter must be investigated.

The undersigned have no specific evidence that any individual natural gas marketer and/or supplier which actually supply natural gas to Entergy has any more or less culpability, if any exists, for the huge price increases seen this winter than any of the other market participants. That is why we are also including all of the suppliers to and/or participants in the Henry Hub pricing mechanism in our complaint. If this inquiry uncovers other companies involved in providing natural gas at unfairly high prices, this complaint asks that those companies be included in the investigation.

The price of natural gas for resale (also known as burner-tip gas) cited on bills by Entergy throughout the winter 2000-2001 has been upwards of 400% higher than average natural gas prices over the last several years.

This sharp increase is a primary cause --along with greater usage of natural gas due to the return of a "normal," i.e. colder, winter-- that Entergy gas bills for residential customers were typically 200%-300% higher than last year and continue to be significantly higher.

Tens of thousands of families in New Orleans have been unable to fully pay utility bills that even Entergy admits on their web site are "outrageously high." Families are being forced to choose between paying their utility bills and paying for other necessities of life. More than 40,000 homes in New Orleans have been unable to pay their monthly utility bills in full and on time in the winter of 2000-2001 because of these outrageously high bills. The high bills have forced customers to start paying their bills on the installment plan or risk termination of utilities.

Entergy purchases gas through a series of gas marketers and suppliers governed by several types of contracts: *firm contracts*, some with a set amount at a firm price and the rest indexed to the Henry Hub --an actual terminus of a large group of gas pipelines in Henry, Louisiana that is used as an index of spot and futures market prices by the New York Mercantile Exchange-- and other contracts with the entire amount indexed to the Henry Hub; and *interruptible contracts* which allow for natural gas purchases from time to time on the spot market, i.e. directly at the Henry Hub price.

The spot prices on the Henry Hub during the winter of 2000-2001 have mirrored the resale gas prices in Orleans Parish. The prices on the Henry Hub have averaged about $2.17/Mcf over the last several years but skyrocketed to beyond $10/Mcf in January 2001.

Notwithstanding any unique, poorly designed regulatory policies in Orleans Parish or imprudent act(s) that Entergy may or may not have made concerning its local franchise responsibility this winter (several dockets have been established before Entergy's regulator, the New Orleans City Council, which will review these issues), the unprecedented high prices and volatility of the Henry Hub natural gas prices require an investigation and a response by the Department of Justice and the Department of Energy to ensure the public has been fairly treated.

Entergy and their regulator, the City Council of New Orleans, have made numerous public statements acknowledging the problem of much higher natural gas prices. For example, in an April 2, 2001 public letter released by former state court judge Eddie Sapir, now Councilman at Large and Chairman of the Utility Committee of the New Orleans City Council, to Antoinette Harrell-Miller, a party to this complaint and organizer of Citizens for Change, and Gary L. Groesch, another party to this complaint and executive Director of the Alliance for Affordable Energy, Councilman Sapir states "while [the Council does] have regulatory authority over Entergy, we have no authority over the gas producers who have taken advantage of market conditions and run the cost of gas up from less than $2.50 per MCF last year to over $10 per MCF this year during the time when our ratepayers needed the gas most to stay warm. These gas producers have reaped huge profits on the backs of our citizens." Likewise, Entergy has publicly stated that home heating bills in New Orleans are "in comparison to previous years, outrageously high."[2]

If the operation of the Henry Hub has been illegally manipulated, warped, or thwarted by those with the market power, then the U.S. Department of Energy and the U.S. Department of Justice have the statutory and public responsibility to find which companies have done this and bring them to justice.

This complaint assumes that there was no collusion in the 400-500% increases in natural gas prices between any of the companies which sold natural gas to Entergy and Entergy itself. Therefore this complaint is not a call for an investigation of Entergy. However, if facts develop in the investigation that call this assumption into question, this complaint should be expanded to include all culpable parties.

Free markets are supposed to be the most efficient way to reflect the real value of a commodity and give consumers a correct price signal. When a commodity like natural gas is inextricably linked to the health and well-being of the consumer, the manipulation, mismanagement, or simply misunderstanding of that commodity's market can quickly render social injustice much faster than a system of regulated prices, however inefficient that earlier system may have been.

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2 See Entergy web site report on high gas problems in New Orleans: www.entergy-neworleans.com/gas/ "We know that yourbills for natural gas this winter have been a shock. In comparison to previous years, outrageously high."

On September 26, 2000 the American Gas Association (AGA), one of the leading trade associations of the natural gas utilities in the United States told the U.S. Senate Committee on Energy and Natural Resources that it expected a mere 25% increase in natural gas prices over the winter months of 2000-2001 with no natural gas reliability problems at all. "We don't fly stand-by," boasted Laurence M. Downes, CEO of New Jersey Natural Gas Company speaking on behalf of American Gas Association, "we have a firm reservation." Just six weeks later, the AGA issued a policy paper entitled "The Potential Impact of Higher Natural Gas Prices on Residential Customers," (November 6, 2000) a detailed, *post hoc* explanation of why natural gas prices were spiraling out of control with no visible ceiling in sight. In classic understatement, the report concludes "most consumers will pay significantly more for each unit of natural gas this winter than they did last winter."

In January 2001, the U. S. Department of Energy advised the public that residential customers could expect to pay about 70 percent more for their natural gas bills this winter.[3] Customers in New Orleans have been charged heating bills much, much higher than 70% over what was paid last year. In fact, many customers were charged bills that were 200% to 300% higher than ever before.

In March 2001, The Natural Gas Association, through its spokesperson Karen Hill, told USA Today that wholesale prices for natural gas were 100% higher this winter than they were last year.[4] Despite that, customers in New Orleans were paying 400-500% higher rates than last year. Something is very, very wrong.

Many of the elderly, working poor, and people on fixed incomes are being forced to choose between paying their utility bills or cutting back on expenses for basic necessities. As the hot summer days approach citizens have indicated that they will not be able to afford to cool themselves for fear of incurring additional utility costs. These circumstances are combining to create both an economic and a public health problem for senior citizens and the poor in New Orleans.

The Citizens for Change and the Alliance for Affordable Energy ask the U.S. Department of Energy and the U.S. Department of Justice to conduct an investigation to see if there is indeed unfair pricing by Entergy New Orleans and their suppliers in this matter.

The fact that Entergy New Orleans has charged customers five times what they charged

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[3] "Residential Natural Gas Prices: What Consumers Should Know," National Energy Information Center, U. S. Department of Energy, January 2001.

See www.eia.doe.gov/oil_gas/natural_gas?analysis_publications/residential_natural

[4] Thomas A. Fogarty, "Budget Billing Helps Gas Customers With High Heating Costs," USA Today March 6, 2001.

last year for the same amount of gas despite statements by the Natural Gas Association that the wholesale price of natural gas is only 100% higher than last year is a cause for investigation. Additionally, despite the estimate by the U.S. Department of Energy that home heating bills would rise 70%, Entergy is charging bills much, much higher than that is another cause for investigation.

If there is unfair pricing by natural gas suppliers, petitioners request that all available civil and criminal remedies be pursued against those involved and that ratepayers be immediately refunded whatever unfair prices were charged.

Citizens for Change and the Alliance for Affordable Energy request that this complaint be handled on an expedited basis in order to reduce the injuries being suffered by the citizens of New Orleans.

Respectfully submitted this ____ day of April, 2001.

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PSEG
Services Corporation

April 26, 2001

VIA FEDERAL EXPRESS

David P. Boergers, Secretary
Federal Energy Regulatory Commission
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Office of the Secretary
Room 1A East
888 First Street, N.E.
Washington, DC 20426

Re: **Regional Transmission Organizations**
RM99-2-000

Dear Mr. Boergers:

Enclosed are an original and fifteen (15) copies of the Comments of the PSEG Companies to the Joint Motion to Convene a Technical Conference on Interregional Coordination in the above-captioned matter. Please date-stamp the extra copy and return it to the undersigned in the enclosed self-addressed envelope.

Very truly yours,

Tamara L. Linde

TLL/fml
Enclosure(s)

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations	)	Docket No. RM99-2-000

COMMENTS OF
THE PSEG COMPANIES
TO THE JOINT MOTION TO CONVENE A TECHNICAL CONFERENCE ON INTERREGIONAL COORDINATION

Pursuant to the request for comments by the Federal Energy Regulatory Commission ("FERC"), Public Service Electric and Gas Company ("PSE&G"), PSEG Power LLC ("PSEG Power") and PSEG Energy Resources & Trade LLC ("ER&T") (collectively referred to herein as the "PSEG Companies") hereby jointly submit the following comments with respect to the matters raised by the joint motion of Electric Consumers Resource Council, Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc., Dynegy Inc., to convene a technical conference on interregional coordination (the "Joint Motion").

IDENTITY OF THE PSEG COMPANIES

1. PSE&G is a public utility company under the laws of the State of New Jersey engaged in, among other things, the purchase, transmission and distribution of electric energy. PSE&G owns and operates transmission lines, purchases electricity from various sources and provides electricity service to over 1,860,000 retail customers in an area extending from the

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Hudson River opposite New York City, south to the Delaware River at Trenton and west to Camden, New Jersey. PSE&G is a transmission owner member of the PJM Interconnection LLC and provides wholesale transmission service to surrounding regions. PSE&G has direct transmission interconnections with utility companies in the New York ISO.

2. In accordance with the retail choice plan approved by the New Jersey Board of Public Utilities, PSE&G sought and received Commission approval to separate its generation and wholesale marketing businesses from its transmission and distribution businesses.[1] These generation and wholesale businesses are now contained within PSE&G's affiliate PSEG Power. PSEG Power's wholly-owned subsidiaries own more than 11,200 MW of generation in PJM and NYISO, with significant new-generation projects being planned in the Alliance RTO – Midwest ISO region. PSEG Power's subsidiary ER&T is PSEG's energy trading company. ER&T engages in the wholesale trading of electricity throughout PJM, the NYISO, ISO New England and Alliance. The Commission has previously authorized PSEG ER&T to sell power and certain ancillary services at market based rates.

JOINT MOTION

3. On December 15, 2000, the Joint Motion was filed requesting that the Commission convene a technical conference to provide guidance on implementation of Function 8 of Order 2000 – Interregional Coordination.

4. Citing Order 2000's Function 8 requirement that Regional Transmission Organizations ensure integration of reliability practices and market interface practices, the Joint Motion supported FERC's objective of ensuring interregional coordination. The Joint Motion

[1] *Public Service Electric and Gas Company, et al.*, Order Authorizing Disposition of Jurisdiction Facilities and Conditionally Accepting for Filing Related Rate Schedule Filings, Docket No. EC99-79, 88 FERC ¶61,299 (September 29, 1999).

contends, however, that the lack of FERC involvement in the efforts to achieve such interregional coordination has been problematic and suggests that there is a need for a "push" from FERC.

THE PSEG COMPANIES SUPPORT THE JOINT MOTION'S REQUEST FOR A TECHNICAL CONFERENCE BUT DISAGREE THAT ONGOING EFFORTS TO ADDRESS SEAMS ISSUES HAVE BEEN INEFFECTIVE

5. The PSEG Companies, in their unique position as both a transmission owner at the "seams" of PJM ISO and NYISO, as well as a generation owner and trading company actively involved in the competitive sale of electricity throughout the Northeast and Midwest, agree with the Joint Motion's objective of ensuring that RTOs make "immediate progress on interregional coordination." The PSEG Companies support forming large regional markets that effectively minimize barriers to trading and which promote reliability. In order to accomplish this goal, it is crucial that there be appropriate resolution of the seams issues.

6. While the PSEG Companies agree that a FERC technical conference on interregional coordination would be both appropriate and helpful, we do not agree that all ongoing efforts to address the seams issues have been as ineffective as the Joint Motion has suggested. To the contrary, we in fact submit that there has been progress made toward addressing many of the seams issues suggesting that the objectives of Order 2000's Function 8 might be achieved.

7. Specifically, PJM, together with its neighboring RTOs, is working toward improving coordination on several levels including (a) the PJM West (b) the recently announced PJM – ISO New England proposal and (c) the Alliance/MISO settlement agreement discussions. Each of these ongoing, voluntary proposals represents a solution to numerous seams issues.

8. PJM West. Through agreements approved by the PJM and Allegheny Power boards, and filed on March 15, 2001, PJM's energy marketplace will be extended across the combined PJM/Allegheny territory, and Allegheny's transmission facilities will become a part of the PJM RTO. Duquesne Power & Light Company also is expected to join the PJM West arrangements, further increasing the size of the single market and RTO and addressing regional coordination and planning.

9. ISO New England. On March 29, 2001, ISO New England announced its intention to acquire the PJM market software and configure its market to be essentially identical to that of PJM. Use of the PJM market software will go a long way toward resolution of systems integration and coordination issues.

10. Alliance-MISO Settlement. The recently filed Alliance RTO–Midwest ISO settlement agreement calls for negotiations with PJM to address rates and operational issues for transactions at that seam. The settlement agreement set a proposed date of November 15, 2001 for the parties to attempt to voluntarily resolve such issues. Should such voluntary efforts fail, the parties will seek Commission involvement. These voluntary discussions between the PJM members and the Alliance-MISO will provide an additional platform for voluntary resolution of interregional coordination issues.

11. In addition to these PJM activities, the ISO Memorandum of Understanding ("MOU") working groups' efforts continue to address and rectify priority market related seams issues, and progress towards creating a "virtual Super-RTO" is being made. Several of the MOU groups have been diligently working toward coordination of crucial market related seams issues including such items as (a) transaction check-out (b) ramping of interchange transactions (c)

transaction scheduling (d) transaction curtailment (e) ATC (f) operating reserves and (g) energy pricing at boundaries.

12. While it cannot be denied that implementation of solutions to these seams issues has been slow, some progress has been made in the MOU process to resolve stakeholder selected high priority market issues, including those listed above, to address system operations and market rules, protocols, definitions and procedure differences. For instance, a Common Interface Tool for transactions across interfaces between ISOs and the Ontario Independent Market Operator ("IMO") has been developed and is slated to be tested in a voluntary pilot project during this summer period between the PJM and NYISO. Dispatch and redispatch coordination between system operators has been shown to be theoretically possible and has been tested in modeling simulations. This concept is scheduled to be tested in real-time operations this summer, in a pilot project involving PJM and the NYISO. This will be the first time that a consistent, least cost solution to inter-regional congestion will be attempted.

13. As another example of a significant advancement made to resolve differences in ramping and transaction scheduling in PJM and the NYISO, changes are expected to be made shortly in the market rules and to the EES. PJM will recommend to its Energy Market Committee business rule changes to permit acceptance and ramp reservation of schedules made in New York for up to 3 hours in advance. Such change will enable PJM to accommodate New York transactions with little potential for significant operating and market difficulties in PJM. The EES will be modified to allow entries to be made by NY entities earlier to form a queue, but will not finalize them until three hours before they are to begin. The ISO MOU process has also compared ATC/TTC calculation methodologies between ISOs, and a proposal for a means to post consistent values on control area ties is expected to be presented to the May joint meeting of

the Operations and Business Practices stakeholder Working Groups of the ISO MOU. These are only some examples and more can be furnished in the event FERC elects to convene further proceedings.

14. Implementation of these types of "virtual" solutions, as described above, is an efficient and non-intrusive means of achieving a seamless inter-regional market and warrants FERC's unqualified support. If these pilot programs are successful, these concepts can be extended to all three ISO regions, and conceivably later to Ontario, to create the foundation for a super-regional market.

INSUFFICIENT PROGRESS HAS BEEN MADE IN ADDRESSING TRANSMISSION PLANNING SEAMS ISSUES

15. While progress has been made in addressing many of the market related seams issues, the PSEG Companies suggest that necessary coordination of transmission planning between the RTOs has deteriorated significantly.

16. PJM currently has a Regional Transmission Expansion Plan (RTEP) by which all system interconnections and upgrades within PJM are coordinated and planned in a collective fashion. This is an innovative and open process available to all market participants; however, this effort ends at the boundaries of PJM. Coordination of impacts among neighboring systems is crucial for consideration in the planning for each RTO and was historically addressed between transmission companies.

17. A timely example of the need for transmission planning coordination is the approximately 2710 MW of new generation proposed to be constructed at the NY/PJM border. Since these new projects are technically to be connected to the transmission system of Consolidated Edison in the area of Ramapo, New York, the transmission impact studies that have

been conducted by the NYISO have largely ignored the obvious impacts on the adjacent PJM transmission system. The absence of any coordinated interregional planning process has made it difficult for the impacts on PJM to be considered within the NYISO project approval process. Instead, the parties have had to become embroiled in State electric generation siting proceedings to try to address these undeniable impacts on the interstate transmission system.

18. The Commission should strongly encourage or, if such encouragement is unsuccessful, require each RTO to utilize a consistent and coordinated protocol by which transmission owning utilities and control area operators can be assured that their transmission systems will not be negatively impacted by uncoordinated generation or transmission developments in neighboring control areas. This will also ensure that all market participants are protected from undue burdens of cost-shifting that can result from the lack of a coordinated regional planning process.

19. A regionally coordinated transmission planning process, which takes into account all effects on the complex transmission network, is essential to a well-functioning interregional grid. Affected parties must also be assured of equitable cost-sharing mechanisms that are a critical part of the solution to this issue.

THE SCOPE OF THE TECHNICAL CONFERENCE SHOULD INCLUDE COORDINATION AND ADOPTION OF COMMON PRACTICES AND INFORMATION SYSTEM INTERFACES

20. Due to the importance of the seams issues, and the inconsistent approaches taken to date by the RTOs, the PSEG Companies encourage the FERC to hold a technical conference and to address those issues raised by the Joint Motion. We also suggest that there be a

discussion of the essential issue of coordination or adoption of common practices and information system interfaces by the existing ISOs; this issue should be added to the agenda.

21. Efforts to ensure coordination among the Northeastern RTOs could take various forms. The most widely discussed approaches include (a) merging PJM, the NYISO and ISONE into one legal entity – the "Super Regional RTO" (b) development of a "Virtual Super Regional RTO" which results in a continuation of the three separate legal entities, but which utilizes common systems, rules and procedures and possibly a common Board of Directors and (c) voluntary coordination through the adoption of common market models, uniform rules and procedures. Each of these approaches has benefits. The PSEG Companies believe, however, that the Super Regional RTO approach would likely result in additional capital costs for the participants and should be reserved until other less intrusive and expensive approaches are reasonably exhausted.

22. Various efforts are underway, as described above, to address the much-needed coordination on some seams issues through the least intrusive approach – voluntary coordination. If the ongoing voluntary attempts to coordinate prove unsuccessful, or in areas such as coordination of transmission planning where there has been no progress, the Commission should become more directly engaged in efforts to resolve these issues through administrative remedies. To ensure that all of the Stakeholders work diligently toward resolving seams issues, the PSEG Companies urge the Commission to participate and support the ongoing discussions and to set a deadline by which the seams issues must be resolved.

23. As the parties to the MOU process have learned, the seams issues are often complex and technical in nature. One of the factors that exacerbates the difficulties of resolving some of these issues is that the systems that are being developed by RTOs are based upon

inconsistent platforms. The anticipated use of the PJM market software systems by the ISO New England and PJM West will certainly go a long way toward facilitating resolution of these issues, since two of the three northeastern RTOs will then be using a common system. Use of the PJM systems by the NYISO would remove the remaining obstacle to a seamless wholesale energy market spanning the northeastern United States and should be encouraged by the Commission.

24. The use of common market rules and procedures among PJM, the NYISO and ISO New England, and the implementation of a single market information system interface covering all three ISOs – one place to shop – where all OASIS, transactional scheduling, settlement, billing and any other ISO-related facet of a transaction can take place, would in fact solve the majority of the seams issues. This is not to suggest that discussion of structural issues should be precluded, but discussions focused on structural solutions should not stand in the way of resolving the significant issues that can be accomplished by aligning market rules and practices through information system interfaces that would create a virtual ISO. These same issues need to be addressed and do not disappear simply by a combining of structures which might in fact impede momentum toward solutions now underway.

25. In addition to seams issues at the wholesale market boundaries, seams also can occur between wholesale and retail markets. Each retail program was carefully designed to mesh with the associated ISO wholesale market. This meshing of design between the retail and wholesale markets is critical to the smooth functioning and settlement of both markets.

26. The coordination of three ISO markets is not a simple matter of forcing a compromise agreement to a set of wholesale market features and rules. If dysfunctional results are to be avoided, the reconciliation of differences in the associated design and features of the multiple underlying retail programs needs also to be addressed, so that they mesh and settle with

the wholesale markets. Sound reconciliation of differences at both the wholesale and retail levels requires careful scholarship that respects the realities of engineering, economics and law. Anything less would be a disservice to the customers who ultimately bear the costs of dysfunction. If there is one lesson-learned from the current California situation, it is that quick "feel-good" and "forced-compromise" solutions to complex market and electrical system issues should be avoided.

27. By interfacing the data systems, and exchanging and processing data on a uniform basis, many of the seams between ISOs will become transparent to the market participants.

ACTIONS THE COMMISSION CAN TAKE TO ENCOURAGE INTERREGIONAL COORDINATION

28. The Commission has assured the industry that open architecture and market forces are the best means of addressing the ultimate structuring of the RTOs.[2] The PSEG Companies urge the Commission to allow Staff and the stakeholder groups of each of the ISOs to continue to negotiate and design common protocols and information interfaces to realize a virtual RTO that will bring most if not all of the benefits of a physical merger, but at far less expense, distraction, delay and risk to reliability than would a massive forced merger.

29. Once the PJM West expansion and the Alliance RTO–Midwest ISO discussions have been given the opportunity to gain a reasonable degree of actual operational experience, all stakeholders and the Commission will be in a far better position to determine what works and what does not with respect to interregional coordination. Once the future real life data is in, it may well be that the most cost effective approach will be to continue efforts with an eye towards

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[2] See 18 C.F.R. § 35.34(h).

ultimate creation of the Super Regional RTO, but in the context of a smoothly operating market in which the significant seams issues have already been satisfactorily and voluntarily addressed.

30. In areas where progress is being made, FERC's role should be that of an active facilitator to assist in bringing the parties to a consensus on what details on practices, procedures, protocols and rules should be adopted uniformly throughout the northeast. Whether by efforts of FERC Staff or by ultimately appointing a settlement judge, FERC can assist the stakeholders to agree on the identification of best practices and how to implement them in each RTO.

31. The desire to allow industry to negotiate stakeholder consensus on these issues, however, must be balanced with the need to achieve timely implementation of efficient, competitive wholesale markets. Toward this end, FERC should consider: first, establishing reasonable, firm deadlines by which specific goals would be reached on what practices, procedures, protocols and rules would be implemented uniformly throughout the northeast, including timelines; and, second, asserting itself in the role of active facilitator to assist in bringing the parties to a consensus on these coordination issues. Whether by efforts of FERC Staff or by ultimately appointing a settlement judge, FERC can assist the stakeholders to agree on the identification of best practices and how to implement them in each RTO.

CONCLUSION

WHEREFORE, for the foregoing reasons, the PSEG Companies jointly support the Joint Motion's request to convene a technical conference.

Respectfully submitted,

Public Service Electric and Gas Company,
PSEG Energy Resources & Trade LLC
and PSEG Power LLC

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Dated: April 26, 2001
Newark, New Jersey

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the service list compiled by the Secretary in this proceeding.

Dated at Newark, New Jersey, this 26th day of April 2001.

Tamara L. Linde

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455-5505

April 27, 2001

VIA HAND DELIVERY

Honorable David P. Boergers
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Region Transmission Organizations
Docket No. RM99-002

Dear Secretary Boergers:

Enclosed for filing are one (1) original and fourteen (14) copies of the comments of the Joint Commenters in the above captioned docket.

The Joint Commenters, consisting of Central Hudson Gas & Electric Corporation, LIPA, New York State Electric & Gas Corporation, and Rochester Gas and Electric Corporation, support functional and structural integration of the Northeast ISOs.

Respectfully submitted,

Stuart Caplan / KDB

Stuart A. Caplan
Counsel for
New York State Electric & Gas
Corporation

SAC:rr

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UNITED STATES OF AMERICA
BEFORE
THE FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations) Docket No. RM99-2-002

JOINT COMMENTS OF
CENTRAL HUDSON GAS & ELECTRIC CORPORATION,
LIPA,
NEW YORK STATE ELECTRIC & GAS CORPORATION,
AND ROCHESTER GAS AND ELECTRIC CORPORATION

The Joint Commenters[1] file these comments to urge the Federal Energy Regulatory Commission (the "Commission") to take immediate action to facilitate the identification and implementation of the best practices by the three Northeast ISOs.[2] In its March 28, 2001 notice in this docket, the Commission requests comments on whether to convene a technical conference on inter-regional coordination as part of the generic RTO proceeding. For the reasons discussed below, the Joint Commenters do not believe a technical conference as applied to the Northeast ISO markets would be as productive at this time as the more aggressive program described below.

A technical conference may be a very positive step to facilitate inter-regional coordination in many markets. NYSEG supported the motion for a technical conference in its January 2, 2001 answer to the December 15, 1999 Joint Motion To Convene a

[1] The Joint Commenters consist of Central Hudson Gas & Electric Corporation, LIPA, New York State Electric & Gas Corporation ("NYSEG"), and Rochester Gas and Electric Corporation ("RG&E"). The Joint Commenters are already parties to this proceeding.
[2] The three northeast ISOs are the Pennsylvania-New Jersey-Maryland Interconnection ("PJM"), the New York Independent System Operator ("NYISO") and ISO-New England ("ISO-NE"), collectively the "Northeast ISOs."

Technical Conference on Interregional Coordination in Docket No. RM99-002 (the "December 15 Motion"). Since December, however, two important events have occurred which lead the Joint Commenters to request more directed Commission action with respect to the Northeast ISOs over a technical conference.

To the extent the technical conference would focus on identifying seams issues and solutions, the Northeast ISOs have already accomplished a significant part of this task and efforts are on going. To the extent the conference is to focus on broader RTO markets, the Joint Commenters have set forth a specific and aggressive plan to achieve functional and structural integration[3] of the Northeast ISOs. In either event, the Northeast ISOs would not benefit from a technical conference on inter-regional coordination, but would benefit from the targeted deployment of Commission resources to facilitate the aggressive integration process described below.

The December 15 Motion that precipitated Commission activity last month focused on Function 8 of Order No. 2000, which requires integration of reliability practices within an interconnection and market interface practices among regions. December 15 Motion at 3. The Commission, in Order No. 2000, clarified that all RTOs need not have uniform practices, but that "market interface practices must be compatible with each other, especially at the "seams."" 65 Fed. Reg. 810, 911 (Jan. 6, 2000). To the extent that the purpose of the proposed technical conference is to review and identify seams issues, and to coordinate the development of practices designed to resolve those

[3] "Structural integration" as used in these comments includes several different possible changes among the three Northeast ISOs. As described below, once the ISOs have adopted a common platform (functional integration) for a particular market function, the ISOs should consolidate the function in one organization wherever competition, operational and market efficiency, and reliability will be served. This is one form of structural integration. As more ISO functions are consolidated, then additional structural changes will need to be considered, such as mergers, a single RTO for certain purposes with satellite ISOs for other purposes and alternate structures.

seams issues, the Joint Commenters believe that a technical conference for many geographic areas will be valuable. For the Northeast ISOs, each formerly a tight power pool and currently with centrally administered markets, and the ISO MOU participants, however, much of this work has already been accomplished.

The Northeast ISOs would not benefit from a technical conference designed to identify seams issues and solutions. To the extent that the technical conference is to identify and prioritize seams issues for resolution, the process is already under way in the Northeast. The ISO MOU participants have already identified and agreed on a list identifying over 30 seams issues. At the January 4 MOU meeting market participants and ISO staff reached consensus on the eight-(8) highest priority issues to be resolved first. Participants agreed to research and offer best practices to resolve those eight-(8) seams issues at subsequent MOU meetings. As of the date of these comments, the NYISO and PJM have reached consensus on a single set of best practices to address the eight-(8) issues. NEPOOL is expected to approve the same set of best practices the last week in April. The Joint Commenters fully expect to have consensus among the FERC-jurisdictional Northeast ISOs at the May 2 MOU meeting in Springfield, Massachusetts. With the support of ADR Staff and a settlement judge backstop, the Joint Commenters are confident that the resolution of additional seams issues and implementation of common best practices can proceed more expeditiously.

Although resolving short-term seams issues is an important first step, it is by no means an end point. The Joint Commenters have a far more ambitious goal than integrating reliability practices within a control area and making inter-control area practices compatible. The Joint Commenters urge the Commission to support the next phase of the MOU process with the goal of aiding the three Northeast ISOs, with the participation of the IMO, in achieving many objectives, including the following:

1. Adoption of common market rules and software[4] wherever competition and operational/market efficiency will be served and reliability will not suffer;

2. Development of inter-ISO staff exchange and training programs to aid ISO staff in understanding the impacts that each ISO's rules and practices have on the others and to facilitate selection of best practices;

3. Adoption of seamless day-ahead and real-time energy market operations and settlement functions;

4. Development of a centralized OASIS and scheduling process;

5. Adoption of uniform transmission congestion terms, conditions and auctions;

6. uniform installed capacity markets with compatible if not identical products; and

7. consolidated ancillary services markets.

Reaching consensus on best market practices will require a collaborative process to vet best market rules and practices and so that market participants doing business with the Northeast ISOs and the staffs of those ISOs can share experiences – to find out what works and what to avoid. The MOU infrastructure already provides a forum for market participants, ISO staff, and the IMO to engage in collaborative dialogue and work efforts.

[4] The New England ISO recently announced and filed with the Commission a preliminary plan to adopt PJM's market design for use in New England. The Joint Commenters look forward to seeing the details of this plan after they are developed. At this time, however, the Joint Commenters cannot take a position in support of or opposition to New England's preliminary plan.

Again, a technical conference is not the remedy that will most expeditiously aid this process. Again, the Commission ADR Staff with a settlement judge backstop will give the MOU teeth.

Once a common platform is adopted by the Northeast ISOs, each function that can more efficiently be performed on a common basis across the Northeast by a single operator should be consolidated in a single organization, so long as competition and efficiency are served and reliability is not degraded. Structure will follow function as quickly as possible, with the consolidation of as many market functions in a single administrator as possible. The Plan does not predetermine that a single regional RTO is the only conceivable end-state. At this time, it remains unclear whether the Northeast ISOs can operate reliably and efficiently with a single control area for all short-term reliability and transactional purposes, or whether satellite control area operators will be required to administer markets that have a common platform across all three areas.

The Joint Commenters recognize that the Plan, no matter how desirable its goals, will be insufficient to overcome inertia and resistance to changes without the Commission's leadership and support through targeted deployment of Commission resources to help effectuate the Plan. This is true irrespective of the broad support for the Plan.[5] For the reasons discussed above, the companies reiterate their request that the Commission:

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[5] In comments provided in the New York Regional Transmission Organization, Docket No. RT01-95-000, the Plan's goal of functional and structural integration enjoyed the strong support of a broad cross- section of market participants, including Central Hudson Gas & Electric Corporation (See Joint Answer), Dynegy Inc. (Dynegy Intervention at 4), Electric Power Supply Association (EPSA Intervention at 16), Enron (Enron Protest at 1), New York State Electric & Gas Corporation, and Rochester Gas and Electric Corporation (See Joint Answer).

- direct its ADR Unit to assist the Northeast ISOs' staffs and market participants in resolving scams issue, establishing common energy and ancillary services markets, and adopting best practices;[6]

- supplement the ADR process by designating one or more settlement judges to convene quarterly conferences to impel consensus on issues not resolved in the MOU process;

- require the Northeast ISOs to file periodically with the Commission a report documenting and detailing the status of common implementation of functional practices and procedures;[7]

- as common functions are integrated, and where efficiency gains without system reliability degradation could occur, require the common function to be placed in a single organization; and, finally;

- require the Northeast ISOs, on or before October 1, 2003, to report to the Commission on how the Northeast ISOs should be consolidated under a single organization.

Through use of the Commission's Alternative Dispute Resolution Unit to facilitate consensus in the MOU process and a Commission settlement judge to monitor progress and to convene quarterly settlement conferences to impel additional consensus, the MOU can achieve integration of the Northeast ISOs, with active coordination with the IMO.

[6] Best practices refers to the best market rules, business practices, and software to be applied across the Northeast ISOs. Best practices may include either adopting an existing practice of an existing ISO or adopting a new or hybrid approach.
[7] To motivate the Northeast ISOs to consolidate functions, the companies suggested the Commission consider providing financial incentives.

To the extent the proposed technical conference would be used to facilitate broader RTO markets, the Joint Commenters have already submitted for the Commission's consideration a plan for expedited integration of the Northeast ISO markets. If the commission allows the northeast ISOs to be swept into a national generic technical conference, the opportunity to build on recent momentum and to push the MOU process into the integration stage would be lost or delayed.

CURRENT INITIATIVES ARE NOT ENOUGH – THE PLAN IS NEEDED NOW

To date, the Plan summarized above, and more fully described in the March 23, 2001 Joint Answer and the February 22, 2001 Comments of NYSEG and RG&E filed in Docket No. RT01-95-000, is the only comprehensive and thought out plan to integrate the Northeast ISOs. The Joint Commenters warn against premature reliance on the three other processes offered by some as the solution. Those are: (1) the PJM-ISO-NE Standardized Market proposal; (2) the MOU; and (3) the Northeast Day-Ahead Market Study. These proposals are not the answer.

The Standard Market Design agreement excludes New York. Converging PJM and New England markets when New York sits in the middle hardly seems ideal. The Northeast Day-Ahead Market concept is being considered by Ontario IMO, New England and New York, but not PJM. This is equally undesirable because PJM is not at the table. Third, these initiatives are at odds. Unless the procedures that result from the New England-New York inter-control area proposal and the procedures that result from the Standard Market Design proposal are identical, it is difficult to see how New England can implement both.

Not one of these initiatives obviates the need to bring all three Northeast ISOs together, with the participation of the IMO. The Northeast markets need a program for all three Northeast ISOs to develop common markets based on the best practices that can be adopted. Without functional and structural integration, the existence of seams issues is a foregone conclusion. Moreover, the inefficiencies in the markets will continue and liquidity will remain inadequate. The MOU provides a useful forum, but has no teeth. The targeted deployment of Commission resources set out in the Plan will harness the collaborative efforts of the MOU and ensure greater commitment and follow-through to achieve integration.

CONCLUSION

The Joint Commenters applaud the Commission's vision of bigger, seamless markets among the Northeast ISOs and request the Commission's support as outlined herein to effectuate functional and structural integration, the only reasonable path to accomplish this goal.

The Joint Commenters have proposed a blueprint for Commission action to facilitate integration of the Northeast markets. Through targeted deployment of Commission resources, including the ADR Unit, settlement judges, and Commission orders establishing the process, all market participants and the Northeast ISOs will assign a new sense of urgency to Northeast ISO functional and structural integration.

The technical conference will be a valuable tool to help market participants in other geographic areas that have not begun addressing seams issues or considering the larger issues of market integration. The Commission's resources as applied to the

Northeast, however, would be better spent boosting the MOU process and facilitating implementation of the process described above.

For the reasons discussed above, Joint Commenters urge the Commission expeditiously to issue an order endorsing the functional and structural integration process outlined above and deploying Commission resources in accordance with the Plan.

Respectfully submitted,

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& Electric Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have this day served or caused to be served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at New York, NY this 27 day of April 2001.

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01/124

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations) Docket No. RM99-2-000

INTERVENTION AND COMMENTS OF INDICATED TRANSMISSION OWNERS

Pursuant to the Commission's Notice of Filing dated March 28, 2001 in the above-captioned proceeding and the Commission's Practice and Procedures, the Indicated New York Transmission Owners ("Indicated Transmission Owners"),[1] respectfully provide these comments in opposition to the December 15, 2000 Motion to Convene a Technical Conference on Interregional Coordination filed by Electricity Consumers Resource Council, Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc. and Dynegy Inc. ("Joint Movants").

As the Commission is well aware, seams issues vary by region. Many regions, including the Northeast, are working already to address and improve interregional coordination, in accordance with Order No. 2000. Convening a generic technical conference of nationwide applicability, to address seams issues, is inappropriate and unnecessary and would likely disrupt the processes already underway. In support hereof, the Indicated Transmission Owners respectfully state as follows:

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[1] Consolidated Edison Company of New York, Inc., Orange and Rockland Utilities, Inc., the Power Authority of the State of New York and Niagara Mohawk Power Corporation. Each of the Indicated Transmission Owners reserves the right to participate collectively or individually.

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I.

The Indicated Transmission Owners are comprised of four of the eight electric systems in the State of New York, which recently transferred operational control over significant portions of their transmission facilities to the New York Independent System Operator, Inc. ("NYISO" or "ISO"). As owners of the transmission facilities which the NYISO operates, the Indicated Transmission Owners have a significant interest in this proceeding. In addition, the Indicated Transmission Owners are among the largest LSEs in the New York Control Area ("NYCA"). Because LSEs are the most active participants in the NYCA and are the largest buyers of energy and ancillary services in the NYISO-administered markets, this filing has a significant effect on LSEs and the consumers that they serve. Accordingly, the Indicated Transmission Owners will be directly affected by the filing and any Commission decision with respect thereto. No other party can adequately represent the Indicated Transmission Owners' interest in this proceeding, and it is in the public interest to permit this intervention.

II.

All communications, pleadings, and orders with respect to this proceeding should be sent to the individuals listed in Attachment A,[2] and to Counsel to the Indicated Transmission Owners:

Elias G. Farrah
Rebecca J. Michael
LeBoeuf, Lamb, Greene & MacRae, L.L.P.
1875 Connecticut Avenue, N.W.

[2] In light of the fact that this is a joint filing, waiver of the Commission's regulations (18 C.F.R. § 385.203) is requested to allow the inclusion of more than two persons for service and communications.

Suite 1200
Washington, DC 20009-5728

and

Paul L. Gioia
LeBoeuf, Lamb, Greene & MacRae, L.L.P.
One Commerce Plaza, Suite 2020
99 Washington Avenue
Albany, NY 12210-2820

III.

The Indicated Transmission Owners agree that swift and efficient resolution of seams issues is necessary to facilitate the establishment of robust, competitive markets. However, the Indicated Transmission Owners do not support, at this time, the scheduling of a generic, universal technical conference to address seams issues.[3]

Order No. 2000 recognizes that improved coordination among different control areas will require additional attention post-RTO formation and recognizes that a cookie cutter approach to seams resolution is not feasible or constructive. The Indicated Transmission Owners have expressed support for the development of common practices to establish seamless, common

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[3] The extent to which a technical conference is appropriate in the Northeast is already the subject of numerous pleadings. See, e.g., Answer of the Indicated New York Transmission Owners to the Joint Motion to Convene a Technical Conference on Interregional Coordination, Docket No. RM99-2 (dated January 2, 2001); Answer of New York State Electric & Gas Corporation to the Joint Motion to Convene a Technical Conference on Interregional Coordination, Docket No. RM99-2 (dated January 2, 2001); Joint Comments of New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation in Support of Functional and Structural Integration of the Northeast ISOs, Docket No. RT01-95 (dated February 22, 2001); Answer of the Member Systems to Various Motions and Requests for Relief. Docket No. RT01-95 (dated March 23, 2001); Joint Answer of Central Hudson Gas & Electric Corporation, Long Island Power Authority, New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation to Motions, Comments and Protests, Docket No. RT01-95 (dated March 23, 2001).

energy and ancillary service markets throughout the entire Northeast region. Indeed, implementation of a coordinated day-ahead market within the three Northeast ISOs, uniform business rules, and cooperative daily operations are necessary to ensure seamless markets in the Northeast.

Toward this end, the Indicated Transmission Owners together with all other interested parties already are engaged in extensive collaborative efforts to resolve seams issues in the Northeast. Recently, additional steps were approved by the NYISO to intensify efforts to address short-term "seams issues," including collaborative efforts with the neighboring ISOs.[4] These efforts currently underway in the Northeast, which are consistent with the goals of Order No. 2000, provide a sound basis for addressing seams issues and permit the participation and input of all interested and affected parties.

While the Indicated Transmission Owners do not believe that a generic, nationwide technical conference should be convened at this time, the Commission can take several proactive steps, within the individual RTO proceedings, to ensure continued progress toward the successful resolution of seams issues. Specifically, the Commission should encourage parties to address seams issues on an expedited basis and to work collaboratively to ensure timely resolution. The Commission also should encourage parties to establish a schedule to address seams issues and to provide regular progress reports to the Commission. However, at this stage, the Commission should refrain from dictating the structure of the process or the agenda that governs this process.

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[4] See Attachment B to Answer of the Member Systems to Various Motions and Requests for Relief, Docket No. RT01-95-000 (dated March 23, 2001).

If the collaborative efforts fail to produce timely and efficient resolution of seams issues, parties can then request more aggressive Commission intervention, as appropriate, at that time.[5]

Conclusion

WHEREFORE, the Indicated Transmission Owners, in view of the foregoing, respectfully request that the Commission grant the motion to intervene and take action consistent with the comments provided herein.

Respectfully submitted,

Rebecca J. Michael

Elias G. Farrah
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(202) 986-8000

Counsel to the Members of the Transmission Owners Committee of the Energy Association of New York State

April 27, 2001

5 Answer of the Member Systems to Various Motions and Requests for Relief, Docket No. RT01-95 (dated March 23, 2001); Carolina Power & Light Company, et al., 94 FERC ¶ 61,273 (2001).

CERTIFICATE OF SERVICE

I hereby certify that I have this day service the foregoing document upon each person designated on the official service list in this proceeding in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure.

Dated at Washington, D.C. this 27th day of April 2001.

Rebecca J. Michael

Rebecca J. Michael
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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations	)	Docket No. RM99-2

JOINT COMMENTS OF
THE BONNEVILLE POWER ADMINISTRATION, DESERT STAR, INC., IDAHO POWER COMPANY, THE MONTANA POWER COMPANY, NEVADA POWER COMPANY, PACIFICORP, PORTLAND GENERAL ELECTRIC COMPANY, PUGET SOUND ENERGY, INC., AND SIERRA PACIFIC POWER COMPANY IN *RESPONSE TO JOINT* MOTION OF ELECTRICITY CONSUMERS RESOURCE COUNCIL, ET. AL. TO CONVENE A TECHNICAL CONFERENCE

On December 15, 2000, Electricity Consumers Resource Council ("ELCON"), Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc., and Dynegy, Inc. (the "Joint Movants") filed with the Commission a Joint Motion to Convene a Technical Conference on Interregional Coordination (the "ELCON Motion"). The ELCON Motion requested the technical conference to enable the Commission to "provide guidance on implementation of Function 8 of Order 2000 – Interregional Coordination." ELCON Motion at 1. Pursuant to the Commission's March 28, 2001 *Notice of Filing related to the ELCON Motion*, the Bonneville Power Administration, Desert STAR, Inc., Idaho Power Company, The Montana Power Company, Nevada Power Company, PacifiCorp, Portland General Electric Company,

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Puget Sound Energy, Inc., and Sierra Pacific Power Company (the "Western Joint Commenters") offer these joint comments in response to the ELCON Motion.

In their Motion, the Joint Movants state that "...*effective resolution of seams* issues is critical: (i) to increase commercial activity between and among regions, and (ii) to improve reliability without adverse impacts on operations or markets." ELCON Motion at 4. The Joint Movants conclude "there can be little doubt about the need for immediate progress on interregional coordination" and "respectfully request that FERC convene a technical conference or workshop to address 'seams' issues and appropriate implementation of Function 8." *Id.* at 4 and 7.

While the Western Joint Commenters agree with the Joint Movants that "...effective resolution of seams issues is critical" they do not believe a technical conference is needed. The Western Joint Commenters believe, however, that if FERC wishes to proceed, a separate technical conference focused on the Western Interconnection, rather than a national technical conference, would best advance interregional coordination in the West because system characteristics and practices in the West are in many respects unique. If the Commission would like to convene a separate technical conference for the West, the Western Joint Commenters would be pleased to act as co-hosts with the Commission for that conference. We would prefer to schedule a technical conference for summer 2001 to avoid conflicts with the Western Joint Commenters' current efforts to complete their proposals to satisfy Order 2000.

Additional time would also enable western parties to identify and focus on those West-wide issues that could most benefit from a Commission technical conference.

The Western Joint Commenters support the Commission's vision of an integrated, seamless western market and acknowledge the need for progress on interregional coordination and effective resolution of seams issues as stated in the ELCON Motion. To meet this need, the Western Joint Commenters have been participating in the Western Market Interface Committee ("WMIC") Seams Task Force, a West-wide regional technical forum of electricity industry stakeholders which has been meeting monthly since December, 2000 to discuss and resolve seams issues between and among RTOs in the Western Interconnection. The Western Joint Commenters welcome the Commission's participation in meetings of WMIC as an opportunity to assess first-hand the seams activities currently underway.

In addition, the Western Joint Commenters, in connection with their work to establish Desert STAR and RTO West as Regional Transmission Organizations in the West, have been meeting directly to aggressively work toward the creation of an integrated, seamless western market (see attached Memorandum dated April 13, 2001). The Western Joint Commenters intend to closely coordinate their activities so that priorities and policy decisions can be addressed by the forming RTOs and their participating transmission owners and other stakeholders, while the technical coordination work can be accomplished through WMIC.

Through WMIC and their other communications, the Western Joint Commenters are committed to interregional coordination in such areas as (a) congestion management, (b) transmission scheduling, (c) ancillary services market mechanisms, (d) transmission outage scheduling mechanisms, (e) use of phase shifters, (f) development of compatible business practices, product definitions, and trading rules, (g) addressing issues related to liability, (h) bulk transmission planning processes, and (i) emergency response plans. The Western Joint Commenters believe the quickest path to a seamless western market is through RTO-to-RTO integrating mechanisms and seams agreements.

We urge the Commission to support approaches tailored to recognize that interregional coordination issues follow the contours of the physical systems within each North American interconnected region.

Dated: April 27, 2001

Respectfully submitted,

BONNEVILLE POWER ADMINISTRATION

By /s/ Mark W. Maher
Mark W. Maher
Vice-President, Transmission System
Transmission Business Line

PUGET SOUND ENERGY, INC.

By /s/ Kimberly Harris
Kimberly Harris
Assistant General Counsel

DESERT STAR, INC.

By /s/ Michael Raezer
Michael Raezer
Project Manager

IDAHO POWER COMPANY

By /s/ James M. Collingwood
James M. Collingwood
General Manager, Grid Operations and Planning

THE MONTANA POWER COMPANY

By /s/ Ted. D. Williams
Ted D. Williams
Director, Transmission Marketing

NEVADA POWER COMPANY and SIERRA PACIFIC POWER COMPANY

By /s/ Gary Porter
Gary Porter
Executive Director Transmission

PACIFICORP

By /s/ Donald N. Furman
Donald N. Furman
Vice-President, Transmission System

PORTLAND GENERAL ELECTRIC

By /s/ Stephen R. Hawke
Stephen R. Hawke
Vice President System Planning and Engineering

Attachment

MEMORANDUM

DATE: April 13, 2001

Desert STAR (DSTAR) and RTO West (RTOW) intend to pursue discussions of seams issues and envision memorializing the results of such discussions in a future agreement. This memorandum reflects the desire of the parties to fulfill the spirit and letter of FERC Order 2000 for Interregional Coordination by developing two independent RTOs whose products, processes and interfaces support a seamless energy and transmission market in the Western interconnection.

The parties intend to accomplish the following:

1. Investigate coordination of RTO startup/phasing plans;
2. Explore possibilities for coordinating purchases of hardware/software systems and services to achieve economies of scale;
3. Investigate options for the joint provision of control center backup;
4. Review the parties' approaches to creating RTOs and identify areas of consistency and inconsistency, including coordination of terminology and wording;
5. Jointly develop a letter to FERC outlining the parties' similar approaches in areas of common interest;
6. Jointly develop comments to FERC Orders, as appropriate;
7. Negotiate reciprocity arrangements. This includes (i) exploring the impact of a transaction-based "Through and Out Fee", and the possibility for its replacement with an annually-determined inter-RTO transfer payment and (ii) exploring the elimination of "Through and Out Fees" and "inter-RTO transfer payments" between the two entities;
8. Coordinate public communications as appropriate;
9. Engage the Board and the officers of the ISO in California to establish an interregional coordination plan;
10. Work jointly to set priorities for interregional coordination issues of a technical nature to be dealt with at the WMIC Seams Task Force and work within this framework to study alternatives and develop proposals for consideration by the RTOs in the Western interconnection; and
11. Meet regularly to coordinate plans and manage issues.

B

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I have this day served the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Portland, Oregon this 27th day of April, 2001.

/s/ Stephen R. Larson
Stephen R. Larson
Attorney
Bonneville Power Administration

UNITED STATES DEPARTMENT OF ENERGY

BONNEVILLE POWER ADMINISTRATION

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations) Docket No. RM99-2-000

**COMMENTS OF PJM INTERCONNECTION, L.L.C.
ON JOINT MOTION TO CONVENE
A TECHNICAL CONFERENCE
ON INTERREGIONAL COORDINATION**

PJM Interconnection, L.L.C. ("PJM"), pursuant to the Commission's March 28, 2001 notice in this docket, hereby submits its comments on the "Joint Motion of Electricity Consumers Resource Council, Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc., [and] Dynegy, Inc. ["EPSA, et al."] To Convene A Technical Conference On Interregional Coordination" ("Joint Motion").

In the Joint Motion, EPSA, et al. ask the Commission to convene a technical conference "to provide guidance on implementation of Function 8 of Order 2000 – Interregional Coordination." Joint Motion at 1. EPSA, et al. state that "Function 8 does not spell out how interregional coordination is to be achieved." Id. at 2. Therefore, they contend, a "forward-looking" technical conference is needed to provide additional guidance on how regional transmission organizations will comply with Function 8.

EPSA, et al. suggest that, at a minimum, the technical conference would include discussion of the following issues:

> (i) What are the substantive seams issues that must be addressed to assure Function 8 compliance?
>
> * * *
>
> (ii) Should FERC establish more stringent Function 8 requirements for smaller RTOs?

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(iii) Should FERC establish a supplemental timetable for Function 8 compliance?

(iv) Should FERC require RTOs to adopt stakeholder processes to assure broad input from all segments of the industry concerning barriers to trading?

(v) Have individual RTOs found interregional solutions which would be promising models for other RTOs to adopt?

Id. at 6-7.

PJM is committed to interregional coordination and believes that, with an appropriately structured process, EPSA's request has merit. PJM has devoted considerable resources to resolving "seams" issues, with some notable successes. Those seams resolutions have taken different forms, given the unique circumstances at each of PJM's borders. However, each of those efforts has advanced the goal of a seamless marketplace.

For example, PJM and Allegheny Power System recently filed with the Commission to extend the scope of PJM's markets through the "PJM West" arrangement, which will virtually eliminate seams issues on PJM's existing western border. PJM will, for the first time, establish a market-based congestion management system that spans multiple control areas.

Looking to the north, PJM and ISO-New England, Inc. ("ISO-NE") also recently announced their agreement to adapt a "standard market design" for use by ISO-NE, based on PJM's existing market model. As ISO-NE reported to the Commission in this proceeding on March 29, 2001, "[t]his "Standard Market Design" would support accelerated and simultaneous implementation in New England of a PJM-type Congestion Management System and Multi-Settlement System." ISO-NE Comments at 2. In addition to reducing risk and saving money for ISO-NE and its stakeholders, this action will "[p]rovide nearly 100 percent market convergence between PJM and [ISO-NE]" and "[f]acilitate transactions in the Northeast through uniform market rules," as ISO-NE recognized in its comments. Id., Preliminary Report at 1.

In the northeast, PJM also has spent considerable time attempting to resolve seams issues through the Memorandum of Understanding ("MOU") process with ISO-NE, the New York ISO ("NYISO") and Ontario's independent market operator. That process, despite some initial start-up problems due to resource constraints in other regions, is making progress towards significant improvements in the PJM-NYISO interface. For example, as a direct result of the MOU process, PJM and NYISO are working toward a program for inter-regional redispatch of units in each other's control area to solve congestion. Currently, congestion is managed solely within the individual control area. PJM is hopeful that the interregional redispatch program will commence in the near future. In addition, the MOU process also is working towards a mechanism for "single-point" scheduling of transactions across PJM, NYISO, and ISO-NE, as opposed to the current requirement to schedule separately with each of these transmission providers.

To its south and west, PJM has actively participated in the inter-regional RTO seams collaborative with the Alliance Companies ("Alliance"), GridSouth, L.L.C., and the Midwest Independent System Operator, Inc. ("MISO"). In addition, PJM has proposed to Alliance a process, managed at a senior executive level, to identify and resolve seams issues between the two entities. PJM is awaiting Alliance's identification of issues to advance this senior management level dialogue.

On a broader scale, PJM also has devoted considerable resources to national efforts at interregional coordination. PJM personnel are actively involved in the

Transaction Information System Working Group, which is investigating ways in which data can more easily be shared between systems, the Market Interface Committee, which addresses inter-market seams issues, and the Electronic Scheduling Collaborative and OASIS Standards Collaborative, which are working to reduce or eliminate seams in the areas of transmission service reservation and scheduling. A PJM senior manager is the Chair of the Electronic Scheduling Collaborative.

Based on these experiences, PJM can offer several conclusions that are highly relevant to the topic of additional Commission guidance on interregional coordination. First, "seams" will vary from location to location around the country. Because seams arise from incompatibilities or inconsistencies in the design or operation of markets between regions, they are context-specific. Different regions of the country have adopted different market and transmission practices, to the extent they have adopted any practices at all (most areas of the country do not even have regional energy markets). For example. Alliance and MISO appear to have committed to a form of flow-gate congestion management while PJM and the northeast ISOs use locational marginal pricing to resolve congestion. However, until Alliance and MISO have a congestion management system in place, they will have to resort to TLR processes in accordance with NERC directives. PJM uses market prices through LMP, rather than TLRs, to address congestion. These different choices in congestion management systems create a "seam" on PJM's western border that is different than those in the northeast, where the grid managers use LMP.

Necessarily, the different features of each region interact in unique ways with the different features of each other adjacent region, producing unique problems in each case. Inter-regional scheduling problems may be a larger problem in some areas; while in other areas, generation interconnection differences or system planning differences may cause bigger problems. Moreover, the scheduling problems at one interface may be quite different from the scheduling problems at another interface. Therefore, the solutions to these problems will vary from region to region and cannot be solved with a uniform mandate from a single technical conference. Rather they need to be solved by sustained, focused effort by the affected parties in each case. The Commission does not have the resources to attempt to solve all of these individual problems in technical conferences.

Second, many seams problems arise from differences in market design.[1] In Order No. 2000, the Commission adopted a flexible approach on RTO market design. While there is some merit in that flexibility, it should be recognized that when the Commission approves a new market model adjacent to an existing market model, it creates "seams" in the process. Moreover, the problems created by different market designs are more difficult to solve than seams issues that arise from less fundamental sources, such as different scheduling deadlines. Based on its involvement in the process, it is clear to PJM that the issues that the Electronic Scheduling Collaborative is attempting to address are far more difficult to resolve at interfaces between regions with different market designs. When adjacent regions have different approaches to the relationship of capacity and energy, or to congestion management, or to the treatment of operating reserves or other ancillary services, then cross-regional "one-stop shopping" is much harder to achieve, and concerns about a "common look and feel" for OASIS nodes become largely irrelevant. As detailed below, the technical conference should distinguish between operational issues, which may not need intense Commission staff involvement, versus

[1] Such problems arise not only where neighboring regions have adopted different market models but also at interfaces where one region has developed a regional market mechanism and others have not.

policy-oriented issues, such as market design incompatibilities, where Commission guidance would be appropriate.

Third, transmission service will not be successfully coordinated until related markets and operations are coordinated. Market participants request and use transmission service in connection with their market transactions, and want their transmission services to respond to changes in their market transactions. Similarly, control area operators and security coordinators need to respond to, or anticipate, market events that affect their operational actions. PJM, for example, has adopted an integrated customer interface that ties together all of the related transmission, capacity, energy, and ancillary services. This customer system also ties to the energy management system used by PJM in its control area operator role. As others participating in the Electronic Scheduling Collaborative have recognized, the industry will ultimately move in this same direction, for reasons of both efficiency (greater control and ease of use for customers) and reliability (deeper and earlier knowledge by operators of market actions). Therefore, efforts to standardize transmission reservation and scheduling practices will need to recognize that transmission information systems will become more closely integrated with market and operations information systems and must be flexible enough to allow for that integration.

Fourth, the Commission can best serve the process by making ultimate decisions on "big picture" questions such as market design. The Commission assumed a similar "backstop" role when it directed industry efforts to reduce inconsistencies between interstate pipeline business practices through the Gas Industry Standards Board ("GISB") process.[2] However, the basic market design is more unsettled in the current state of the

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2 See Standards for Business Practices of Interstate Natural Gas Pipelines, Order No. 587, FERC Stats. and Regs. (Regs. Preambles) ¶31,038 (1996).

electric industry than was the case in the gas industry in the 1990's at the outset of the GISB process. Therefore, the Commission must confront the probability that it will have to resolve a number of significant market design issues and alternatives if it seeks ultimately to engender seamless reliability and market practices across regions.

Based on these conclusions, PJM has the following recommendations on the proposed technical conference on interregional coordination:

1. The Commission should recognize and not try to duplicate or supercede the existing processes that are already underway to address seams issues where those efforts are focused on operational issues. For those issues the Commission may want to consider setting deadlines for parties to report on their progress. A technical conference could perhaps advance this process, by producing more detailed categorizations and definitions of those operational-type seams issues, compared to the limited discussion in Order No. 2000. This elaboration on the issues could provide greater focus for the industry groups working on these issues, to which the Commission could largely defer. Operational issues include those where differences exist due to unique scheduling deadlines or terminology but where a common market design is utilized. In addition, the inter-RTO seams collaborative has identified many "day one" issues where interim solutions may be needed until congestion management systems and other market designs are put into place. For these issues, the Commission could set deadlines for progress but not try to micromanage each activity.

2. For certain fundamental market design issues, the Commission should take a more focused approach and acknowledge that different designs can exacerbate seams issues. For example, such an approach could focus on whether it is feasible to maintain separate market rules within the northeast and whether such different practices (or the

creation of a third design) meet the needs of the marketplace in the timeframe it demands. Such an approach would also focus on issues such as whether and how the flowgate congestion management model can interface with LMP-based systems and what fundamental designs need to be built into the models to ensure maximum compatibility. These could be specific topics of focused technical conferences involving market participants from each of the RTOs. However, for these types of policy and market design issues, the Commission must be prepared to make the final decision if it truly wishes to foster seamless transacting on a broad interregional scale.

3. A separate technical conference could be held on the subject of interregional planning and siting. PJM has recently been forced to intervene in a New York state generation siting proceeding to raise concerns about the impact on PJM of a proposed new generation facility in New York. Ironically, some of the market participants that most vigorously call for seams resolutions have opposed PJM's efforts to raise a "seam issue" associated with a project planned for construction near the border of one ISO which will have an adverse impact on another. The New York Public Service Commission's assigned Administrative Law Judge has recently limited the scope of the proceeding, leaving PJM largely without a remedy in that forum. There is much that the Commission can do to bring parties together while still respecting the unique role of the states and the Commission's limited authority in this area. For this reason, a technical conference involving both this Commission and the state commissions could be helpful to identifying regional models that would ensure the interregional planning and siting coordination that is so necessary to making the system work. PJM believes that this interregional coordination issue would be an appropriate topic of a separate technical conference of its own.

In short, PJM believes that a focused approach where certain market design and siting issues are made the subject of targeted individual technical conferences while other more technical operational issues are assigned to the RTOs, is a preferred approach. PJM believes that such a roadmap would move all concerned closer to the goal of a seamless market, which PJM embraces.

Respectfully submitted,

WRIGHT & TALISMAN, P.C.

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April 27, 2001

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 27th day of April, 2001.

Paul Flynn

Paul M. Flynn

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Folder Profile

Control #	2001-011352
Name	Letter to Secretary Abraham from David K. Wiesner,Brown
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DOE Addressee	Spencer Abraham
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Date Received	5/1/01
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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations	)))	Docket No. RM99-2-000

**COMMENTS OF
AQUILA ENERGY MARKETING CORPORATION,
CONSTELLATION POWER SOURCE, INC.,
EDISON MISSION ENERGY,
EDISON MISSION MARKETING & TRADING, INC., AND
NRG POWER MARKETING INC.
WITH RESPECT TO MOTION FOR A TECHNICAL CONFERENCE**

Pursuant to the Notice of Filing issued on March 28, 2001, 66 Fed. Reg. 17695, by the Federal Energy Regulatory Commission ("Commission"), Aquila Energy Marketing Corporation, Constellation Power Source, Inc., Edison Mission Energy, Edison Mission Marketing & Trading, Inc., and NRG Power Marketing, Inc. (collectively, the "Commenters") hereby submit their comments in the above-referenced proceeding.

I. NOTICES AND COMMUNICATIONS

All notices and communications concerning this proceeding should be addressed to the following persons:

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II. BACKGROUND

On December 15, 2000, Electricity Consumers Resource Council, Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc., and Dynegy Inc.

(hereinafter, the "Conference Movants") jointly filed a Motion to Convene a Technical Conference on Interregional Coordination. The Conference Movants urged this Commission to convene such a technical conference to provide guidance on the implementation of Function 8 of Order 2000 – Interregional Coordination.

Given the critical importance of resolving seams issues across regions in order to increase commercial activity and improve reliability, the Conference Movants suggested that the Commission adopt a more active role in guiding market participants toward a specific and concrete plan for establishing successful interregional coordination. Underpinning their request for a technical conference, the Conference Movants cited the general failure of RTO compliance filings to expand geographic scope, described meaningful steps towards interregional coordination or set forth milestones for the accomplishment of related objectives. The Conference Movants expressed the need for immediate progress in this area and also noted the ineffectiveness to date of the Northeast ISO MOU process as a means of developing a seamless trading area in a timely fashion.

The Conference Movants raised numerous issues relative to the Commission's future role in the development of functional and effective interregional markets which will promote commerce and eliminate barriers to trading across regions. To address and resolve these concerns, the Conference Movants requested that the Commission convene a technical conference for all stakeholders to air the issues, exchange views and develop specific templates for future action.

III. COMMENTS

Commenters are marketers of electric power, own generating resources and have plans to develop generating resources in the control areas encompassed by PJM Interconnection ("PJM"), ISO

New England ("ISO-NE"), the New York ISO ("NYISO"), the midwest and other parts of the country. As such, the Commenters have significant interests in the development of seamless power markets across control areas, transparent and liquid markets in and across contiguous control areas and the reduction of the currently substantial (and increasing) transaction costs in the northeast and elsewhere. Of singular importance to the Commenters is the development of a larger electric power market in the northeast and midwest with common features and seamless borders between control areas. The northeast currently has three operating ISOs and it is this region that has undertaken certain, somewhat limited initiatives to create seamless markets, reduce transaction costs and create common features across these control areas. Because of their origins as "tight" power pools these control areas have, moreover, experience with intrapool and some interpool coordination that can be readily expanded. The Commenters have substantial investments and market positions in PJM, New England and New York.

Commenters believe that the Commission's request for comments is propitious. It comes at a time after the Commission's own staff has suggested further coordination and the development of common features in the northeast:[1]

> It might be more effective to devote the resources of all market segments and regulators to the potential for northeastern regional solutions to issues such as transmission planning or congestion management than to perfect separate ISO-administered markets. Synergies that will further the Commission's goal of broader regional coordination may be lost, at a minimum, in the near term and quite possibly longer term *once NYISO and ISO-New England have made considerable investments in fixing or enhancing their separate markets.* To

[1] Staff Report to the Federal Energy Regulatory Commission on the Bulk Power Markets in the United States, Part II, Investigation of Bulk Power Markets, Northeast Regions, November 1, 2000 ("Staff Report") (emphasis added).

prevent the possibility of continued internal changes by ISOs that do not also enhance, and may hinder, further trade across the Northeast, the Commission may want to take a more active role in the coordination and standardization process begun with the MOU.

As noted above, certain initiatives have been undertaken by PJM, ISO-NE and the NYISO to improve coordination and ISO-NE has announced it will be adopting certain features of the PJM market design and adapting PJM software to the newly designed markets supervised by ISO-NE. Much additional work, however, must be done as the progress of a number of these initiatives has either been slow or, at best, intermittent; and much of this progress has been by dint of persistent and aggressive efforts of a handful of market participants. There is also no assurance that the process will be sustained or that while progress is being made on one set of issues, the separate ISOs will not adopt different and potentially costly practices on another set of issues. The Commenters and other market participants have also consistently urged greater interregional coordination in various filings in connection with the RTO filings.

Finally, there is the very recent experience of Judge Wagner in developing a settlement of the issues involving the Midwest ISO and the Alliance Companies. This settlement, which has broad support, develops a broad framework which should be extended to include common market elements as discussed below.

The Commenters believe that there should be market designs and features common to all the markets across the northeast and into the midwest and contiguous control areas (e.g., Ontario). The Commission should see to the establishment of an arrangement that initiates, develops and enforces "commonality", assures that common features are preserved and prevents retrogression into uncommon and "unique" practices. By way of contrast, the current MOU arrangement, as more fully described below, is a purely voluntary one and has no clear prescription for resolving differences or enforcing common practices. In the context of the Commission's request for comments and the suggestion for a technical conference, Commenters urge the Commission to convene a series of technical or "settlement" conferences under the auspices of a senior Administrative Law Judge familiar with interregional issues with Commission staff assistance. These conferences would develop the steps necessary to achieve "commonality" and the arrangements required to achieve a larger seamless wholesale power market with common features.

A. <u>Our Goal Must Be The Establishment of an Arrangement to Coordinate the Markets</u>

At bottom, as observed by the Commission's staff in the Staff Report these markets are "interdependent." Thus, to most effectively achieve true interregional coordination of markets, market participants and regulators alike must embark upon a course of action which will promote a set of mandatory arrangements that coordinates the markets in all regions – the control areas operated or soon to be operated by ISO-NE, PJM, NYISO, the Alliance and the Midwest ISO.[2] Such an arrangement, moreover, can be designed with the northeast markets as a starting point, including PJM, ISO-NE and NYISO and with an open architecture that will permit an eventual expansion to include Ontario's Independent Electricity Market Operator ("IMO") and other control areas. In light of the fact that New York is the hub for power trading in the northeast – the path from New England to PJM,

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[2] Commenters do not necessarily advocate the adoption of any particular structure or organization(s) to perform the functions of regional market coordination and other functions described in Order 2000, and believe that flexibility is a virtue in the development of interregional coordination arrangements.

ECAR and potentially the largest Canadian market, Ontario, the design and implementation of a coordinating arrangement is the common sense solution to existing problems within this trading area.

Momentum is beginning to build for such a coordinating arrangement. Recently, for example, ISO-NE announced its intent to adopt a market design substantially based on that currently in effect in PJM and to take all feasible steps to converge its market with the NYISO.[3] The NYISO's RTO filing,[4] moreover, contained recurrent "invitations" to undertake closer coordination of New York's markets and institutions with New England's markets and institutions, and, where feasible, PJM and other control areas.

As discussed below, salutary initiatives are underway to address seams issues across the region's borders. Although the ISOs and market participants are engaged in a process designed to increase commercial activity and improve reliability across the entire region, the Commenters fear that stopping short of establishing an arrangement that provides a formal basis for establishing common market elements will result in the continued balkanization of the northeast region and failure to achieve a truly seamless trading area that could form the basis for expanding the arrangements into the midwest. Such a seamless trading area would achieve results believed to be critical by the Commenters: increased market transparency and liquidity and decreased transaction costs for market participants;

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[3] Preliminary Report of ISO New England Inc. Regarding "Standard Market Design," ("Standard Market Design Report") at 2, attached to the Comments of ISO New England Inc. With Respect to Motion For Technical Conference, dated March 29, 2001 and filed in the instant proceeding ("ISO-NE Comments").

[4] Six of the members of the Transmission Owners Committee of the Energy Association of New York State together with the NYISO Conferencely submitted their Order 2000 compliance filing on January 16, 2001, in Docket No. RT01-95-000.

these goals are consistent with the conclusion of the Staff Report. With the Commission involvement these current efforts, moreover, can provide a foundation upon which the ultimate goal is realized: a "common power market".

B. Current Inter-Regional Initiatives

Whether as part of the ISO Memorandum of Understanding ("MOU") working group process in which all three of the northeast ISOs are involved, or as part of the extensive efforts on the part of market participants prior to the January, 2001 RTO filings by ISO-NE and the NYISO, stakeholders have convened and discussions have begun about how to effectively move toward the goal of a seamless trading area. In fact, since December, 15, 2000, when the Conference Movants' motion to convene the technical conference was filed, significant initiatives to address market issues have been pursued and are in various states of study and discussion. The Commenters and other major market participants, all of which actively participate in the electric power industry on a national level, are engaged in the process and support these initiatives, including indicating such support in their respective comments in response to the RTO filings in January by ISO-NE and the NYISO. The Commenters nonetheless believe that these initiatives will not in and of themselves result in the timely development of a coordinating organization or arrangement for regional markets.

1. Convergence of NE and PJM Markets

PJM and ISO-NE have announced a plan to implement a standardized market based on the successful PJM market model and expect to file their proposed Standard Market Design with the

Commission in May, 2001.[5] The implications of implementing the Standard Market Design are that NEPOOL would adopt PJM's market rules and operating practices, primarily based on the PJM market design. PJM's software would be adopted for use in the development of ISO-NE's Standard Market Design.[6] ISO-NE expressly states a desire to also converge its markets with New York.[7]

The Commenters support ISO-NE's adoption of the Standard Market Design approach as a means to implement a congestion management system and day-ahead market in New England in a more timely and less expensive way. However, the Commenters are concerned that the Standard Market Design, once implemented, may diverge significantly form the PJM model through single pool refinements and modifications. ISO-NE has already made it clear through its initial presentations to NEPOOL committees that the Standard Market Design will not be identical to the PJM market system. In the absence of appropriately designed arrangements that promote and enforce commonality, Commenters believe that further divergence of market systems and procedures may occur even between market structures which initially have many common elements and that the initiative may be lost including the common elements into the midwest.

2. Seams Issues Initiative

Within the context of the ISO MOU working group process, seams issues and preferred practices are being identified. The NYISO, PJM, ISO-NE and involved market participants have reached consensus regarding the five highest priority seams issues: (1) transaction checkout, (2)

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5 ISO-NE Comments, at 2.

6 Standard Market Design Report, at 4.

7 Standard Market Design Report, at 2.

schedule ramping, (3) transaction scheduling, (4) transaction curtailment, and (5) ATC/TTC.[8] As the NYISO has noted, the need to resolve these issues is driven by the disparity in the way the ISOs schedule and effect inter-control area exchanges, creating obstacles to the development of liquid markets.[9] Of particular concern to the Commenters, however, is that while the "seams issues"/"best practices" reports from the MOU groups identify certain discrete practices, which if adopted, could remove barriers to interpool energy trading, these reports do not clarify how and when these barriers will be removed. In other words, the reports express a commitment in principle to resolve barriers to energy trading and lay out common, efficient practices, but there are no mechanisms to achieve even the modest "best practices" the reports identify. The Commission's staff was cognizant of this problem as reflected by its statement last November that "this process began over one year ago and has yet to make significant progress."[10] Nearly five months later, there still are no time tables for implementation of any of the identified "best practices." Clearly, while the seams issues resolution process within the ISO MOU relationship has been helpful at identifying seams issues and proposing potential solutions, it has not proven to be the vehicle through which a seamless common market for the northeast will be developed.

3. An Independent Market Monitor for Multiple ISO Regions

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[8] Other high priority items which have been identified include (1) a capacity market, (2) ICAP recall, and (3) trading hubs.

[9] See NYISO – Market Participant Conference Proposal, at 2, attached to the NYISO Committee Proposal, Seams Issues, High Priority Items, posted on the ISO MOU web site at http://www.iosmou.com/working_groups/business_practices/documents/meeting/nyiso_seams_issues.pdf

[10] Staff Report, at 1-85.

Certain of the Commenters were actively involved in designing a conceptual Independent Market Monitoring Unit ("IMMU") which could be established to monitor markets across the northeast market regions. It was the conclusion of those who developed the IMMU concept that market monitoring cannot be confined to monitoring the behavior of market participants to the exclusion of assessing the effects of activities of the ISO staff and implications of transmission expansion plans on the efficiency and competitiveness of the markets. Thus, the IMMU would monitor markets to identify potential market abuse, review the operations of the ISOs (and of transmission entities where transmission functions affect the markets), and identify the need for changes to market rules, policies and procedures to ensure efficient operation of competitive markets. The IMMU's activities would be complementary to the real-time market monitoring and mitigation activities of the participating ISOs.

The objectives of the IMMU would be to assure that (1) the free interplay of market forces is sufficient to produce prices that are consistent with competitive markets; (2) rules, practices and procedures affecting the markets rely upon market mechanisms to the maximum extent possible and do not inhibit the effect of competitive market forces, while being administered properly; and (3) both the price information and mitigation activities affecting markets are sufficiently transparent to warrant the confidence of market participants in the free functioning of competitive market forces as the determinant of market prices.

As noted above, the IMMU initiative had considerable support among market participants in New York and New England. The NYISO and ISO-NE, while not fully endorsing the IMMU, undertook to establish a "jointly appointed market advisor." The Commenters believe that the broad support demonstrated for the IMMU concept suggests that market participants and other stakeholders would welcome the opportunity to participate in Commission-facilitated discussions regarding the development of a regional coordinating arrangement.

4. Regional Day-Ahead Market Study

Certain of the northeast ISOs commissioned a study to determine the feasibility of a single regional day-ahead market. The study addressed the potential costs, benefits and feasibility of a single day-ahead market for the northeast region. While the Commenters are encouraged by the conclusions of the DAM Study, they were disappointed by the refusal of the PJM to participate in the study and view this as an example of an area where Commission involvement could greatly facilitate further initiatives.

5. Transmission Issues

With regard to transmission issues, PJM and the NYISO have engaged in some initiatives. PJM, for example, is changing from its current two- proxy bus arrangement to a single proxy bus which will match the NYISO's one proxy bus. The NYISO is developing an initiative designed to address interregional congestion management, developing pilot scenarios for testing inter-ISO congestion management and addressing possible pilot program constraints. Remote constraints between New York and New England, Ontario and PJM have been identified as areas in which the NYISO can experiment with various actions and determine which actions have the overall effect of relieving constraints.

In addition to these ISO initiatives, certain of the Commenters and others have developed proposals for more extensive inter-pool cooperation to assure expanded access to and increased liquidity and transparency in the now separate markets. While these initiatives would enhance the functioning of the ISOs if they were to remain separate entities, the most effective and efficient result would be the creation of a coordinating arrangement.

C. A Coordinating Arrangement Is Superior to Stand-Alone RTOs

Although the nature of the institution of a coordinating arrangement is as yet undefined, the Commenters agree that it must encompass the following important and critical elements: certain key market design features and the coordination of day-ahead market transactions. In addition, access to the system, whether financial or physical, must be consistent. The hallmark of the coordinating arrangement would be "commonality" – there would no longer be any seams issues, but markets with key common elements that promote a seamless market between adjacent regions.

D. Relief Sought

The Commenters agree that the most effective way to proceed toward the desired end-state is to have this Commission convene a series of technical or settlement conferences, the purpose of which will be to develop concrete steps to the formation of a coordinating arrangement. Recent experience in New England under the supervision of Judge Cowan is instructive: the sheer magnitude of this effort will require a series of meetings and supervision by a senior Administrative Law Judge ("ALJ") will be essential. A one- or even two-day session is likely not to be sufficient to develop consensus on the issues. It is also clear that broad participation by many will produce the best result. In addition to the ISOs, the ALJ and market participants, active involvement by Commission staff will facilitate the process. In this regard, the Commenters are encouraged by the recent success of the Commission's ADR process in facilitating a comprehensive settlement among utilities belonging to the Midwest ISO and the Alliance. See Illinois Power Company, 95 FERC ¶ 63,003 (Chief Judge's Certification of Settlement, April 6, 2001). While that settlement resulted in a general transmission framework, market related issues for which commonality is needed should also be addressed between regions, including the midwest areas.

The Commenters recommend that as a result of this process the Commission establish a series of milestones, guidelines and timelines for the development and implementation of a regional coordinating arrangement.

IV. CONCLUSION

For the foregoing reasons, the Commenters respectfully request that the Commission:

1. Convene technical or settlement conferences as described in these comments under the supervision of a senior Administrative Law Judge and with the assistance of Commission staff;
2. Establish, after due consideration and the results of the discussions at the conferences, milestones, guidelines and timelines for the development and implementation of a regional coordinating arrangement; and
3. Grant such other and further relief as will be just and reasonable under the circumstances.

AQUILA ENERGY MARKETING CORPORATION
CONSTELLATION POWER SOURCE, INC.
NRG POWER MARKETING, INC.

By their Attorneys,

BROWN, OLSON & WILSON, P.C.

Dated: April 27, 2001

By: /s/ Peter W. Brown
Peter W. Brown, Esq.
David K. Wiesner, Esq.
Pamela G. Van Horn, Esq.
501 South Street
Concord, NH 03304
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EDISON MISSION ENERGY
EDISON MISSION MARKETING & TRADING, INC.

By their Attorney,

Dated: April 27, 2001

By: /s/ John Mathis
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CERTIFICATE OF SERVICE

I hereby certify that the within document was this day served via U.S. Mail, first class, postage prepaid, on the parties on the official service list.

Dated: April 27, 2001

David K. Wiesner

David K. Wiesner, Esq.

Folder Profile

Control #	2001-011412
Name	Letter to Secretary Spencer Abraham from George Williams
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	5/2/01
Subject Text	Regional Transmission Organizations, Docket No. RM99-2-000, Comments Of Transenergie In Support Of Motion For Technical Conference
Correspondence Date	4/27/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	GREENA
Organization ID	EXECCORR2
Action Requested	Prog Determination
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Special Instructions	
Date Due	
Date Completed	5/4/01

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations	)	**Docket No. RM99-2-000**

COMMENTS OF TRANSÉNERGIE IN SUPPORT OF MOTION FOR TECHNICAL CONFERENCE

Pursuant to the Notice of Filing issued on March 28, 2001 by the Commission in the captioned proceeding, TransÉnergie, the transmission division of Hydro-Québec, hereby provides its comments.

The Commission's March Notice requested comments on a motion filed by the Electricity Consumers Resource Council, Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc. and Dynegy, Inc. (together "Joint Movants"). Joint Movants have requested that the Commission convene a technical conference to provide guidance on the implementation of Function No. 8 of Order No. 2000. Function No. 8 requires that RTOs ensure interregional coordination, which Order No. 2000 defines as ensuring the integration of reliability practices within an interconnection and market interface practices among regions. TransÉnergie agrees with the Joint Movants that there is a need for immediate progress on interregional coordination and believes that a technical conference to discuss this issue would be useful. This is particularly true with respect to RTO formation in the northeast United States, both generally and specifically with respect to the reliability issues faced in the Northeast this summer.

The Commission can achieve the necessary immediate progress on interregional coordination by convening a technical conference with strict deadlines for prompt resolution of the seams issues between the various regions. Earlier resolution of the seams issues will directly contribute to system reliability and commercial stability this summer. Recognizing that RTOs will not be in place before the end of this year, the Commission should give immediate priority to regional coordination and not wait for the full implementation of the various RTOs.

I. TRANSENERGIES' INTERESTS

TransÉnergie is responsible for operating Hydro-Québec's large integrated transmission system, a NERC control area. TransÉnergie performs both the transmission and system operations functions without any intervention by the merchant function of Hydro-Québec. *TransÉnergie provides open access transmission pursuant to a transmission tariff, comparable to* the Order 888 *pro forma* tariff.

TransÉnergie filed initial comments in this docket on August 23, 1999 and reply comments on October 6, 1999.

II. COMMUNICATIONS

Communications with respect to these comments should be directed as follows:

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III. DISCUSSION

TransÉnergie submits that a technical conference can advance the objective of integration between the regions in the northeast United States. TransÉnergie further submits that the resolution of "seams issues" will directly contribute to system reliability this summer and thus a priority should be given to forging regional coordination immediately, rather than waiting for RTOs to begin operation, which will occur by December 15, 2001, at the earliest.

In their RTO filings before the Commission, PJM Interconnection, L.L.C. ("PJM"), ISO New England, ("ISO-NE") and the New England Transmission Owners' and the New York ISO ("NYISO") and the New York Transmission Owners for the most part rely on the ISO-MOU as the principle way to address RTO Function 8. The Commission staff has expressed concern about whether this MOU process will be effective. Federal Energy Regulatory Commission

Staff Report on Bulk Power Markets at 1-85 (November 1, 2000) (noting that in its first years. the MOU process had "yet to make significant progress."). But, regardless of whether the MOU process can be effective in the long term, there is reason to be concerned about whether that process can be effective in the immediate term and so can assist in resolving the reliability issues that will be faced this summer.

Moreover, the MOU process does not provide for sufficient coordination between the four regions included in the MOU and others outside the MOU. It is therefore essential that Commission launch other initiatives, such as the technical conference requested by Joint Movants, to ensure that all necessary parties are involved. However, the Commission should impose strict deadlines, lest the goal of broad participation become a vehicle for delay.

Real and immediate benefits can be achieved by virtue of this technical conference. The transfer capability between Québec and the United States can be immediately increased – to the benefit of both New England and New York – by specific actions that can be developed at this technical conference and implemented promptly. Transfer capabilities over many of the interconnections between Québec and the United States are affected by internal constraints in New England, New York, and PJM. It is possible to develop means to address those internal constraints and so increase that transfer capability. For example, when, as is often the case, events in PJM affect the transfer capability over the Hydro-Québec New England HVDC interconnection, some action from PJM to release constraints on the HVDC interconnection would provide an additional 500 MW to New England. The HVDC line has a nominal capacity of 2000 MW. But, mainly because of constraints in PJM, the line is limited to 1500 MW. Relieving those constraints in PJM would increase the transfer capacity. This would benefit New England and New York, by bringing more supply into these regions.

Accordingly, TransÉnergie requests the convening of an immediate technical conference. To be most effective, this technical conference should address at a minimum the following issues:

- the calculation and posting of Total Transfer Capacity (TTC) and Available Transfer Capacity (ATC) on interconnections between control areas,
- joint planning for maintenance,
- emergency transactions for reliability purposes, and
- interregional actions for constraint relief and increasing TTC and ATC.

In TransÉnergie's view, these issues are the issues most likely to produce benefits in time for this summer.

WHEREFORE, TransÉnergie respectfully urges that the Commission convene a technical conference to address interregional coordination, including, at a minimum, the above listed issues. This conference should occur immediately. The Commission should not miss the opportunity to address the very real difficulties that may be faced in the northeast United States this summer.

Respectfully submitted,

George H. Williams, Jr.
Attorney for TransÉnergie.

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April 27, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this Docket No. RM99-2-000, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Washington, D.C., this 27th day of April, 2001.

Lucy J. Gibbon

Lucy J. Gibbon

Folder Profile

Control #	2001-011413
Name	Letter to Secretary Spencer Abraham from Robert Daileade
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	5/2/01
Subject Text	Regional Transmission Organizations, Docket No. RM99-2-000, Comments Of ABB Power T&D Company, Inc. To Joint Motion To Convene A Technical Conference
Correspondence Date	4/27/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	GREENA
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	GC
Special Instructions	
Date Due	
Date Completed	5/4/01

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations) Docket No. RM99-2-000

**COMMENTS OF ABB POWER T&D COMPANY INC.
TO JOINT MOTION TO CONVENE A TECHNICAL CONFERENCE**

Pursuant to the Notice issued by the Federal Energy Regulatory Commission ("Commission") on March 28, 2001, ABB Power T&D Company Inc. ("ABB") hereby files its Comments in response to the Joint Motion filed by Electricity Consumers Resource Council, Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc. and Dynegy, Inc. ("Joint Movants") to Convene a Technical Conference on Interregional Coordination. ABB recognizes the importance of interregional coordination and, specifically, a coordinated method for addressing such "seams" issues. Without taking a position at this time on whether a technical conference is necessary to address these issues, ABB supports strongly the processes currently underway to develop best practices and further interregional coordination, especially among the New York, PJM and New England ISOs. ABB believes that, in developing best practices and other processes for addressing interregional coordination and seams issues, all interested participants must be able to provide input and all potential methods to address these issues must be explored to ensure that the best practices are, indeed, developed. Otherwise, the development of truly competitive markets will be hampered. In support of these Comments, ABB submits as follows:

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I.

Notices and Communications

Notices and communications respecting these comments should be addressed to:

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II.

Interests of ABB

ABB, through its Utilities Automation business, develops and implements software systems for the global energy industry. ABB is a part of the ABB Group of companies (http://www.abb.com/), serving manufacturing, process and consumer industries, utilities, and the oil and gas markets throughout the world.

ABB has worked with a number of ISOs to develop state of the art software and systems for managing the electricity markets and transmission grid. ABB's systems are the most complete, and field-proven, solutions found in the industry. ABB has developed state of the art software and has helped in the implementation of the New York ISO's systems for managing day-ahead, hour-ahead, and real-time electricity markets. ABB's software and systems are also managing the extremely volatile California electricity markets and are currently undergoing market trials by the Ontario IMO. In addition to its initial system deployments, ABB is working with customers to refine and improve market designs. ABB is currently developing a system for market stabilization for the California ISO which has characteristics similar to the NY ISO day-ahead scheduling system. Thus, ABB is on the "leading edge" in terms of developing systems and software and methods to implement best practices to address seams issues across regions.

III.

Background

On December 15, 2000, the Joint Movants filed with the Commission a Motion requesting the Commission establish a technical conference, the purpose of which would be to provide guidance on implementation of Function 8 of Order No. 2000 – Interregional Coordination. Specifically, the Joint Movants seek to develop a template of guidelines that each regional transmission organization ("RTO") would have to meet in order to satisfy Function 8 of Order No. 2000. The Joint Movants are concerned that RTOs are not voluntarily addressing seams issues in a meaningful way and need such standards and guidance from the Commission to ensure that seams issues are addressed in a timely manner. The Joint Movants criticized the efforts underway in the Northeast, among the New York, New England and PJM ISOs, to address seams issues in a coordinated fashion. The Joint Movants stated that the Memorandum of Understanding ("MOU") process underway among market participants in the Northeast was ineffective and that Commission intervention is necessary.[1]

On January 1, 2001, the Indicated New York Transmission Owners[2] filed an Answer to the Motion. In its Answer, the Indicated New York Transmission Owners asserted that the Joint

1 As noted by the Indicated New York Transmission Owners (Answer at 2), the NYISO, PJM, ISO-NE and the Ontario Independent Electric Market Operator are participants in the MOU process and have been working for more than one year on market interface practices to address seams issues.

2 The Indicated Transmission Owners listed include Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., the Power Authority of the State of New York, Niagara Mohawk Power Corporation and Rochester Gas and Electric Corporation.

Movants mischaracterized the nature and efforts of the MOU process and expressed their commitment to resolving seams issues. The Indicated New York Transmission Owners opposed a technical conference and suggested that efforts should be undertaken to strengthen the MOU process or, if the MOU process is unable to resolve all seams issues, develop alternate processes to ensure that seams issues are addressed in the Northeast.

On March 29, 2001, ISO New England, Inc. ("ISO-NE") filed Comments with respect to the Motion for Technical Conference. ISO-NE's Comments consist of the submission of a "Preliminary Report of ISO New England, Inc. Regarding 'Standard Market Design'" ("Preliminary Report"). In this Preliminary Report, ISO-NE represents that it has developed and will shortly submit for Commission approval, a standardized structure for wholesale electricity markets. According to ISO-NE, it has developed this "Standard Market Design" in "close collaboration with PJM and with the systems contractor for both PJM and the ISO, ALSTOM ESCA" ("ESCA").[3] ISO-NE indicates that it has signed a Letter of Intent with PJM and ESCA for the development of the "Standard Market Design" in an attempt to complete its Commission-ordered market design changes as quickly as possible. ISO-NE indicates (at 2) that it plans to present (but apparently had not yet presented) the proposal to NEPOOL, regulators and "other affected stakeholders." ISO-NE hopes that this proposal would "set a new national benchmark for a 'best practices' wholesale electricity markets. . ." and stated that ISO-NE would continue to work with NYISO to resolve seams issues.

3 Preliminary Report at 1.

IV.

Comments

ABB opposes adoption of a "Standard Market Design" concept as put forward by ISO-NE. ABB is concerned that ISO-NE has moved forward with its proposed "Standard Market Design" without appropriate consideration of other methods and products that could achieve greater interregional coordination and/or efficiencies for the benefit of all market participants. ABB supports interregional coordination and development of best practices through the participation in such development by ALL interested parties in all relevant regions. ABB believes that the current MOU process underway among the Northeast ISOs is an integral part of the process of developing and implementing "best practices." However, the MOU process and other coordinated efforts will not succeed unless all interested persons, including all ISOs and stakeholder/participants in the ISOs are permitted to analyze the various options available to address the applicable seams issue. ISO-NE should reach out to interested parties in developing/announcing its Standard Market Design.

ABB also opposes the ISO-NE's use of the term "Standard Market Design" in connection with its proposal. As ISO-NE acknowledges (Preliminary Report at 2), this term implies that the proposed design is a benchmark standard that could be applied elsewhere. In fact, however, a design based on the PJM market model is not necessarily the most appropriate design for ISO-NE much less one that is appropriate for other markets. ISO-NE itself (Preliminary Report at 3) acknowledges that the PJM and ISO-NE systems are very different, with the ISO-NE systems being significantly more complex (and more akin to those of the NYISO).[4] PJM's software will

[4] The report states, for example, that: (1) the ISO-NE's settlement system is more complex, with the ISO providing more functionality to its market participants than PJM; (2) the ISO-NE market has five products,
(Footnote continued on next page)

require substantial modification to meet the ISO-NE specifications. The same would be true across other ISO/RTOs. Any software and systems designed for a RTO must operate and meet the needs of the location in which the RTO is located. Thus, while the ability to operate in conjunction with a neighboring RTO is important, each RTO must adopt software and systems to meet the needs of the region in which it is located.

Even as it would apply to the ISO-NE market, the proposal is problematic. By starting from the PJM design, the proposal will require substantial software and systems development. Since the results of the new development will not have been field-proven, this approach will be a continuation of a costly market experiment. ABB believes that, by working with other ISOs with relevant operational experience, ISO-NE can reduce the risk associated with such an experiment and considerably expedite the system implementation.

(Footnote continued from previous page)
PJM has two; (3) ISO-NE provides a day-ahead price forecast, PJM does not; and (4) ISO-NE's transaction market is economic based and PJM's is reservation based.

WHEREFORE, ABB respectfully requests that the Commission focus its efforts on interregional coordination by requiring the development of best practices in a coordinated way through the MOU process with the advice/input of all interested parties.

Respectfully submitted,

Robert L. Dailleader, Jr.

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Dated: April 27, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on each person listed on the Official Service List compiled by the Secretary in this proceeding.

Dated this 27th day of April, 2001.

Elizabeth W. Whittle

Elizabeth W. Whittle

2001-009718

Department of Energy
Washington, DC 20585

2001-009249

MAY 14 2001

Mr. Timothy N. Tangredi
President/CEO
Dais Analytic Corporation
11552 Prosperous Way
Orlando, Florida 33556

Dear Mr. Tangredi:

Thank you for your letter of April 4, 2001, to the Secretary of Energy concerning advanced fuel cell membranes. The Office of Power Technologies has been asked to respond.

The Office of Power Technologies has a small program in the area of Proton Exchange Membrane (PEM) fuel cells for stationary applications and the development of advanced reformers. The membrane program is researching high-temperature membranes to allow fuel cells to cogenerate, poisoning of membranes, and low-cost membranes with good water transport capability. Additionally, the Department is looking at PEM fuel cells for transportation applications within the Office of Transportation Technologies.

We would be pleased to set up a time to hear about new developments in your membrane technologies. Please contact Ronald Fiskum, (202) 586-9154 on my staff to set up a time convenient to you for a briefing.

Sincerely,

Patricia Hoffman

Patricia Hoffman, Office Director
Distributed Energy Resources
Office of Power Technologies
Energy Efficiency and Renewable Energy

cc: Ronald Fiskum, EE-16

Folder Profile

Control #	2001-012352
Name	Letter to Secretary Abraham from Ted J. Murphy (United S
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	FO
Date Received	5/16/01
Subject Text	Submits comments in the proceeding concerning Electricity Consumers Resource Council and the New York Independent System Operator, Inc.
Correspondence Date	5/16/01
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Classification	None
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Organization ID	EXECCORR2
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Date Completed	5/17/01

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Regional Transmission Organizations) Docket No. RM99-2-000

NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.'S REPLY COMMENTS

The New York Independent System Operator, Inc. ("NYISO") hereby respectfully submits its Reply Comments in this proceeding concerning the Electricity Consumers Resource Council, *et al.*'s joint motion ("Motion")[1] which requested that the Commission convene a technical conference to provide guidance on the implementation of Order No. 2000's[2] Inter-Regional Coordination requirement.

I. THE INITIAL COMMENTS IN THIS PROCEEDING CONFIRM THAT A "NATIONAL" SEAMS CONFERENCE WOULD NOT HELP, AND COULD HINDER, ONGOING EFFORTS TO RESOLVE SEAMS ISSUES IN THE NORTHEAST

The initial comments in this proceeding demonstrate that most Northeastern stakeholders, including some, such as PSEG Companies,[3] that support the Motion, agree that substantial progress has been made towards creating a seamless trading area in the Northeast. Several New

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[1] *Joint Motion of Electricity Consumers Resource Council (ELCON), Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc., Dynegy, Inc. to Convene a Technical Conference on Inter-Regional Coordination*, Docket No. RM99-2-000 (December 15, 2000).

[2] *Regional Transmission Organizations*, Order No. 2000, III FERC Stats. & Regs. ¶ 31,089 (1999); Order No. 2000-A, III FERC Stats. & Regs. ¶ 31,092 (2000).

[3] *See Comments of the PSEG Companies to the Joint Motion to Convene a Technical Conference on Interregional Coordination* ("*PSEG Companies*"), at 3-6.

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York transmission owners,[4] National Grid USA[5] and ISO New England Inc. ("ISO-NE"),[6] join the NYISO in strongly opposing a national technical conference on "seams" issues because it would: (i) divert attention from ongoing seams resolution efforts in the Northeast; (ii) have the potential to override much of what the Northeast has already achieved; and (iii) be unwieldy and unworkable. Similarly, the New York State Electric & Gas Corporation ("NYSEG"), and several other New York transmission owners, which favor accelerating ISO consolidation in the Northeast, agree that a national seams technical conference would be unhelpful in the region given the progress that has already been made.[7] Even the PJM Interconnection, L.L.C. ("PJM"),

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4 *See Intervention and Comment of Indicated Transmission Owners* (Consolidated Edison Company of New York, Inc., Orange and Rockland Utilities, Inc., the Power Authority of the State of New York and Niagara Mohawk Power Corporation), at 1 ("Many regions, including the Northeast, are working already to address and improve interregional coordination in accordance with Order No. 2000. Convening a generic technical conference of nationwide applicability, to address seams issues, is inappropriate and unnecessary and would likely disrupt the processes already underway.")

5 *Motion to Intervene, Comments on Request for Technical Conference and Response to ISO New England Comments of National Grid USA ("National Grid USA")*, at 7-8 (Emphasizing the Motion's failure to recognize the practical and technical difficulty of Inter-Regional Coordination and failure to acknowledge the significant progress that Northeastern stakeholders have made on seams issues.) *See also National Grid USA* at 10-11 (The technical conference proposed in the Motion would be unworkable.)

6 *Supplemental Comments of ISO New England Inc. With Respect to Motion for Technical Conference*, at 3-10, 3 ("The Commission should deny the Motion because: (i) much progress has been made on inter-regional coordination since the Motion was filed; (ii) Order No. 2000, and subsequent RTO Orders, have been sufficiently clear (yet flexible) concerning inter-regional coordination; (iii) the Motion's request for more stringent standards and stricter timetables constitutes a collateral attack on Order No. 2000; and (iv) holding a technical conference now would only divert time and effort from existing RTO implementation and seams resolution efforts.)

7 *See, e.g., Joint Comments of Central Hudson Gas & Electric Corporation, LIPA, New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation ("NYSEG")*, at 1-3.

which favors greater Commission involvement pertaining to seams issues, nevertheless recognizes that different regions are facing different problems which should be addressed separately. PJM also asks that the Commission "recognize and not try to duplicate or supercede the existing processes that are already underway to address seams issues . . . ."[8]

In addition, several commenters that are based outside of the Northeast share the NYISO's view that it would be highly inadvisable for the Commission to attempt to find one-size-fits-all solutions because different regions have legitimately different seams and interface practices. For example, the Pinnacle West Companies, which oppose a technical conference, ask that if the Commission decides to more actively address seams matters that it schedule separate conferences for the East and West because of the numerous technical differences in regional transmission systems and markets.[9] A broad coalition of western stakeholders makes a similar request that the Commission reject the Motion or, as a second-best alternative, hold regional conferences in recognition of the fact "interregional coordination issues follow the contours of the physical systems within each North American interconnected region."[10] The transmission owning sponsors of the proposed Alliance RTO make much the same point when they urge the

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[8] *Comments of PJM Interconnection, L.L.C. on Joint Motion to Convene a Technical Conference on Interregional Coordination* ("*PJM*"), at 7. *See also PJM* at 5 ("Therefore, the solutions to these problems will vary from region to region and cannot be solved with a uniform mandate from a single technical conference. Rather they need to be solved by sustained, focused effort by the affected parties in each case.")

[9] *The Pinnacle West Companies Comments on Motion Requesting Technical Conference* ("*Pinnacle West*") at 3.

[10] *Joint Comments of the Bonneville Power Administration, Desert STAR, Inc., Idaho Power Company, The Montana Power Company, Nevada Power Company, Pacificorp, Portland General Electric Company, Puget Sound Energy, Inc. and Sierra Pacific Power Company in Response to Joint Motion of Electricity Consumers Resources Council, Et. Al. to Convene a Technical Conference,* at 2, 4.

Commission to avoid mandating specific seams "templates" and to do no more than provide flexible guidance that recognizes regional differences, consistent with the spirit of Order No. 2000.[11]

Finally, a number of commenters agree that any conference, or conferences, which may be held should, at a minimum, be postponed until after the conclusion of this summer's peak demand season.[12]

By contrast, those commenters that favor holding a national seams conference in the very near term unreasonably minimize the enormous practical, technical and logistical problems that such a conference would pose. A number of these commenters disparage the Northeast's seams resolution efforts but fail to establish their claims. Several critics rely entirely on the Commission Staff's November 1, 2000 Report on Northeastern Bulk Power Markets,[13] ignoring the fact that this report is now six and a half months old, was prepared using even older information and, whatever its initial merit,[14] no longer accurately describes conditions in the Northeast. Others assert that the Inter-ISO Memorandum of Understanding ("MOU") process in

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[11] *Initial Comments of the Alliance Companies on Implementation of Function 8 of Order No. 2000*, at 5-6.

[12] *See, e.g., Pinnacle West* at 2 (Requesting delay); *Comments of Edison Electric Institute on Request for Technical Conference*, at 2 (Requesting delay until early 2002.).

[13] *Investigation of Bulk Power Markets, Northeast Region*, issued by Commission Staff on November 1, 2000.

[14] *See New York Independent System Operator, Inc.'s Answer to Certain Motions and Request for Leave to Answer and Answer to Certain Motions and Comments ("Answer")*, Docket No. RT01-95-000 (March 23, 2001) at Section II.F (Explaining that the Northeast Report contains a number of inaccuracies attributable to: (i) the haste with which it was prepared; (ii) the use of stale data; and (iii) the lack of consultation between Commission and NYISO staffs on technical issues. The NYISO also noted that it had addressed many of these inaccuracies at the technical conference held on January 22-23 in Docket No. ER00-3591-000, *et al.*).

not working without explaining why, or acknowledging the many non-MOU-specific efforts also directed at resolution of seams issues among the Northeastern ISOs. No commenter has justified the claim that the Northeastern seams resolution process should be abandoned in favor of a generic effort to create one-size-fits all systems that will not reflect the market and physical system realities of each region.

In short, even if the Commission decides to become directly involved in the highly technical work of developing seams and interface standards, it should recognize that the Northeast has made substantial progress toward achieving this goal and avoid doing anything that would undermine it. Instead, the Commission should support the ongoing seams resolution initiatives in the Northeast while encouraging other regions to take a similar approach. There is no need for a technical conference to accomplish this. Alternatively, if the Commission decides to initiate technical conference proceedings, it should hold separate regional conferences, which would not begin until after the end of the summer.

II. CERTAIN INITIAL COMMENTS MAKE PROPOSALS THAT ARE BEYOND THE SCOPE OF THIS PROCEEDING AND SHOULD BE REJECTED

A number of the Initial Comments in this proceeding make substantive proposals that are far removed from the subject matter addressed by the Petition, are outside of the legitimate scope of this proceeding, and should therefore be rejected. This is especially true because a number of these proposals are already pending before the Commission in other proceedings and should not be rehashed here.

A. ISO Consolidation Proposals

The "Joint Commenters," *i.e.*, Central Hudson Gas & Electric Corporation, LIPA, New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation, oppose a national seams conference but recommend that the Commission adopt a detailed functional and structural integration program to consolidate the three Northeastern ISOs over a two to three year period. NYSEG proposed an essentially identical program in its comments on the NYISO's Order No. 2000 compliance filing in Docket No. RT01-95-000. The NYISO opposed several specific aspects of this program in its Answer in that proceeding. Because these issues are already being actively considered in Docket No. RT01-95-000, and because ISO consolidation raises numerous issues that are beyond the scope of this proceeding, the Commission should not act on the Joint Commenters' proposed program at this time.[15]

B. "Independent Market Monitoring Unit" and "Regional Market Board" Proposals

A group of five power marketers (collectively the "Five Marketers")[16] and a separate group of six generating companies (collectively the "Six Generators")[17] propose that the Commission require the creation of an independent Market Monitoring Unit ("IMMU") to monitor markets across the Northeast. As an initial matter, these commenters have not explained what this proposal has to do with Order No. 2000's inter-regional coordination requirement. It is therefore not at all clear why the IMMU should be discussed in this proceeding. Moreover, several of these commenters previously submitted the IMMU proposal, which has never been approved by the governance institutions of any of the Northeastern ISOs, in Docket

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[15] However, in the event that the Commission decides to address the merits of NYSEG's ISO consolidation program in this proceeding the NYISO respectfully asks that it consider the NYISO's reply comments on the subject in Docket No. RT01-95-000.

[16] *See Comments of Aquila Energy Corporation, Constellation Power Source, Inc., Edison Mission Energy, Edison Mission Marketing & Trading, Inc. and NRG Power Marketing, Inc., With Respect to Motion for a Technical Conference*, at 10-11.

[17] *See Comments of the Generator Group In Support of Motion to Convene Technical Conference ("Six Generators")*, at 1, 2-3.

No. RT01-95-000 and in ISO-NE's RTO compliance proceeding, *i.e.*, RT01-86-000. The NYISO and ISO-NE objected to the proposal in their respective proceedings and are awaiting a Commission decision. There is thus no need to revisit the IMMU issue here.[18]

Similarly, the Six Generators ask the Commission to establish a "Regional Markets Board" ("RMB") in the Northeast. This issue is likewise already pending in Docket Nos. RT01-86-000 and RT01-95-000 and, despite the Six Generators' creative attempts to transform a governance question into a seams issue, should not be addressed again in this proceeding.

C. Proposal to Revisit Order No. 2000's Scope and Configuration and Voluntariness Principles

The Transmission Dependent Utility Systems ("TDUs") propose that the Commission look beyond Order No. 2000's Inter-Regional Coordination requirement and "conduct a 'mid-course' review assessment of whether its current policy of allowing TOs to pick the RTO of their choosing should be revisited."[19] This is an unambiguous attempt by the TDUs to re-open Order No. 2000's scope and configuration requirement, as well as its conclusion that RTO formation should be a voluntary process. The Commission has already denied similar requests in Order Nos. 2000 and 2000-A and should not consider them yet again in this proceeding.

D. Market Standardization Proposals

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[18] However, in the event that the Commission decides to address the merits of the IMMU proposal in this proceeding the NYISO respectfully asks that it consider the NYISO's reply comments on the subject in Docket No. RT01-95-000.

[19] *Comments on Request to Convene Technical Conference of the Transmission Dependent Utility Systems*, at 6-7.

PJM suggests that certain seams problems will be created, or exacerbated, so long as different regions employ different market designs and implies that the Commission should consider taking steps to force greater market standardization.[20] The PSEG Companies go further, and suggest that the NYISO should be required to adopt the "Standard Market Design" that PJM and ISO-NE propose to develop.[21]

Both of these proposals are inconsistent with Order No. 2000 and premature. Order No. 2000 did not insist that all regions in the country adopt homogenous market practices. Indeed, the very purpose of Order No. 2000's inter-regional coordination requirement is to reconcile the differences that can arise at regional borders. The Commission should support ongoing efforts to harmonize neighboring regions' market rules when it is efficient to do so, such as the current Day-Ahead Market study, "Best Practices" proposals and other market coordination efforts in the Northeast, but should not impose a particular market design without regard for the varying physical transmission realities, and reliability issues, that different regions face. Moreover, because no suitable standard market model, including the proposed "Standard Market Design,"[22] has yet been implemented, it would obviously be premature to attempt to impose a "standard" on other markets at this time.

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20 *See PJM* at 7-8.

21 *See PSEG Companies* at 9.

22 Moreover, as ABB Power T&D Company, Inc. notes in its comments, there is some question as to whether the "Standard Market Design" will prove to be a workable national standard. *See Comments of ABB Power T&D Company Inc. to Joint Motion to Convene a Technical Conference*, at 5-6.

E. Standardized Business Practices Proposals

The Electronic Scheduling Collaborative ("ESC") supports the Motion's proposed technical conference as a vehicle to consider the standardized business practices it is currently developing and their interaction with proposed standardized solutions to seams issues. The NYISO believes that this recommendation should be rejected because it would further broaden the scope of the proposed technical conference and make it even more unmanageable. In addition, ESC's request to consider the interaction between its proposed business practice standards and seams issues is premature because it proposes that the business practice standards have already been accepted. ESC's proposed standards should first be thoroughly reviewed in Docket No. RM00-10-000 and should not shape the Commission's approach to seams issues until they have been approved. Moreover, because Docket No. RM00-10-000 already provides a forum for consideration of the proposed business practices standards, it is not necessary to convene a national seams conference on seams issues in order to discuss them

III. CERTAIN COMMENTS MAKE FACTUALLY INACCURATE STATEMENTS THAT SHOULD BE CORRECTED IN ORDER TO ENSURE THE VERACITY OF THE RECORD IN THIS PROCEEDING

Finally, the NYISO wishes to correct two factually inaccurate statements that are currently part of the record in this proceeding. First, Enron alleges that the NYISO-administered markets have "failed" and that PJM and New England are "cut off from each other" as a result. This is incorrect. The NYISO has repeatedly demonstrated that its markets are working, that inter-ISO transactions are flowing more easily in the Northeast and that market efficiency will continue to increase as the Northeast increasingly becomes a single "seamless trading area." In addition, the Commission has recently acknowledged that "there is a general consensus among market participants in New York that NYISO has made progress in eliminating market design problems and software defects."[23] Enron's unsubstantiated statement that the NYISO-administered markets have failed is therefore both incorrect and inconsistent with the views of most Northeastern stakeholders.

Second, the Five Marketers state that the NYISO (and ISO-NE) did not "fully endorse" the IMMU proposal in their respective RTO compliance proceedings. They also imply that the two ISOs support the IMMU concept at some level because they have proposed to establish a "jointly appointed market advisor." These statements are misleading. The reality is that the NYISO (and ISO-NE) strongly opposed the IMMU in their respective RTO compliance proceedings and do not view their creation of a jointly appointed market advisor as an evolutionary step that will ultimately culminate in the development of an IMMU. The NYISO therefore wishes to re-emphasize that it opposes the implementation of an IMMU in the

[23] *See New York Independent System Operator, Inc.* 95 FERC ¶ 61,186, *slip op.* at 7 (2001).

Northeast for the reasons set forth in its Reply Comments in Docket No. RT01-95-000. The Commission should also keep in mind that the IMMU was not approved by either the NYISO or ISO-NE governance institutions.

Respectfully submitted,

NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC.

By Ted J. Murphy/oak
Counsel

Arnold H. Quint
Ted J. Murphy
Hunton & Williams
1900 K Street, N.W., Suite 1200
Washington, DC 20006-1109
Counsel to the New York Independent System Operator, Inc.

May 14, 2001

cc: Mr. Joshua Z. Rokach, Advisor to Chairman Hebert, Suite 11-E,
Tel. (202) 208-0748
Mr. Michael D. Alexander, Advisor to Commissioner Breathitt, Suite 11C,
Tel. (202) 208-0377
Mr. Wilbur C. Earley, Advisor to Commissioner Massey, Suite 11-D,
Tel. (202) 208-0100

Ms. Alice M. Fernandez, Director Office of Markets, Tariffs and Rates—East
Division, Room 82-15, Tel. (202) 208-0089
Ms. Andrea Wolfman, Office of the General Counsel, Room 101-29,
Tel. (202) 208-2097
Mr. Stanley Wolf, Office of the General Counsel, Room 102-37,
Tel. (202) 208-0891
Mr. Michael Bardee, Office of the General Counsel, Room 101-09
Tel. (202) 202-2068

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned proceedings in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 2010 (1999).

Dated at Washington, D.C. this 14th day of May, 2001.

Ted J. Murphy /cak

Ted J. Murphy
Hunton & Williams
1900 K Street, N.W.
Washington, D.C. 20006-1109
(202) 955-1588

Folder Profile

Control #	2001-012714
Name	Fax to OS/McSlarrow from Dave Lugar (Quinn Gillespie & A
Priority	Important
Folder Trigger	Invitation
DOE Addressee	OS/McSlarrow
Source	PM-O
Date Received	5/22/01
Subject Text	David Lugar, Quinn Gillespie & Associates requests meeting for client Enron for May 23, 2001; purpose of meeting to disucss National Energy Policy report & potential legislative activities in Congress
Correspondence Date	5/21/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	GORHAMO
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	OS/McSlarrow
Special Instructions	Other attendees:Rick Shapiro and Linda Robertson. Document controlled after-the-fact. McSlarrow received copy 5/22/01.
Date Due	
Date Completed	5/24/01

37

2001-012714 May 22 A 9:56

1133 Connecticut Avenue, N.W.
Fifth Floor
Washington, DC 20036
(202) 457-1110 phone
(202) 457-1130 fax

QUINN GILLESPIE & ASSOCIATES LLC

Fax Transmission

If you experience difficulty receiving this fax transmission please contact the operator at (202) 457-1110.

To:	Kyle McSlarrow	**From:**	Dave Lugar
Fax:		**Pages:**	2 Pages including cover
Phone:		**Date:**	5/21/01
Re:		**CC:**	

☐ **Urgent** ☑ **For Review** ☐ **Please Comment** ☐ **Please Reply**

Thanks For the System
I gave Kyle a copy
Jim

A

Quinn Gillespie
& Associates LLC

May 21, 2001

Mr. Kyle McSlarrow
Chief of Staff
United States Department of Energy
Washington, DC

Kyle,

I would like to request a meeting for our client Enron and you for this Wednesday, May 23, 2001. The purpose of the meeting is to discuss the President's National Energy Policy report and potential legislative activities in Congress.

In addition to myself, Rick Shapiro, Senior Vice President of Government Affairs, Houston and Linda Robertson, Vice President of Government Affairs, Washington, will be attending the meeting.

I will follow up with your assistant later today to see if a meeting is possible for Wednesday. In the interim, please feel free to contact me on 202-457-1110 if you should have any questions.

Thank you in advance for your consideration of this request.

Sincerely,

David R. Lugar

1133 Connecticut Avenue NW • Fifth Floor • Washington, DC 20036 • (202) 457-1110 • (202) 457-1130 fax
www.quinngillespie.com

B

Folder Profile

Control #	2001-013543
Name	Letter to Secretary Spencer Abraham from Huaibin Lu & Lo
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	6/1/01
Subject Text	Huaibin Lu and Lou Shrier invites Secretary Abraham or DOE senior official to attend and speak at a morjor international energy conference, "Beijing Oil Forum" on September 6-7, 2001 in Beijing, China
Correspondence Date	5/29/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	HOLLOWAG
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter. S-1 regrets.
Date Due	
Date Completed	6/4/01

38

Beijing Oil Forum

– China's Oil and Energy Policy in the 21st Century

- **China State Economic and Trade Commission**

International Convention Center, Beijing, September 6–7, 2001

May 29, 2001

Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary,

The Chinese government would like to invite senior energy officials of foreign countries to join and speak at a major international energy conference: the **Beijing Oil Forum**, to be held in Beijing on coming September 6 - 7.

This two-day event will bring together leading figures in the energy sector from around the world to consider and advise on China's oil and energy policy for the 21st Century. Hosts at the conference will be the **State Economic and Trade Commission (SETC)**, the government's principal coordinating body for industrial policy, foreign trade and investment, and resource conservation, in association with China's three leading oil companies: **China National Petroleum Corporation (CNPC), China Petrochemical Corporation (Sinopec), and China National Offshore Oil Corporation (CNOOC).** In addition, sponsors of the overall conference as well as individual activities will include leading foreign companies and organizations with a special interest in the role of energy in China's economic development. Delegates to the conference will be informed by leading Chinese and international authorities on the expected course of trends of China's energy supply / demand and national policy in context of the broader global outlook. Participants in discussions will include:

- Top-level Chinese government officials concerned with energy policy and oil security matters, including Vice Premier and State Councilor (invited), and Ministers of SETC and other state departments.
- Chief Executives of CNPC, Sinopec, CNOOC and other state energy companies in China.
- Leaders of the world's most important international oil companies and recognized international authorities on energy policy and security issues.

Both the United States and China are large oil consumers and importers, and are in process to urgently formulate national energy policies while confronted with increasing challenges in the international and domestic markets. The two countries are willing to seek common ground in expanding ties of their economic and trade collaborations, while reserving some differences.

The attached brochure presents the general schedule of conference sessions and activities. Future announcements will provide details of speakers and other important information about the conference. Senior speakers from the United States on the invitation list include:

A

- Harry J. Longwell, Senior Vice President, ExxonMobil;
- Jeffrey Skilling, President, Enron;
- Vahan Zanoyan, President, Petroleum Finance Corporation;
- Lou Shrier, President, Global Development Opportunities;
- Hal Harvey, President, The Energy Foundation; and
- Robert Ebel, Director Energy Program, Center for Strategic and International Studies.

We hope that you will join us for this important event. If you have any other questions, please feel free to contact either:

- Executive Secretary, Huaibin Lu, tel (01-781) 894-4798, fax (01-781) 894-5792, email <hlu@3-eee.net>;

or

- International Coordinator, Lou Shrier, tel (01-202) 965-2941, fax (01-202) 965-2942, email <alshrier@att.net>.

Sincerely yours,

Huaibin Lu
Conference Executive Secretary

Lou Shrier
Conference International Coordinator

Folder Profile

Control #	2001-013600
Name	Letter to Secretary Spencer Abraham from Miguel San Jua
Priority	Important
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	6/4/01
Subject Text	Miguel R. San Juan, President, Greater Houston Partnership, invites Secretary Abraham to participate as a keynote speaker in the 2001 Access Mexico Energy Symposium -No Date Mentioned
Correspondence Date	5/31/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	HOLLOWAG
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter
Date Due	
Date Completed	6/13/01

38

013600

GREATER HOUSTON PARTNERSHIP
Chamber of Commerce • Economic Development • World Trade

Miguel R. San Juan
President
World Trade Division

2001-013600 6/4 P 12:53

31 May 2001

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Via facsimile number: 202-586-4403

Dear Secretary Abraham:

On 7 October 1997, the Greater Houston Partnership, in cooperation with the Consulate General of Mexico, and the Mexican Secretariat of Energy, presented the Access Mexico Energy Symposium. The Symposium drew approximately 650 attendees, from Canada, Mexico, the United States, Europe, and Asia, to the one day, in-depth conference, where representatives from over 250 companies met with public and private sector leaders from the United States, Mexico and Canadian energy industries. The Secretary of Energy in 1997, the Honorable Federico Peña, gave a keynote address. The purpose of this letter is to invite you to participate as a keynote speaker in the 2001 version of the very successful 1997 Symposium. While we have not firmed up the exact day, we have targeted late September as the ideal month in which to host the event. For your review and information, I am attaching:

- Draft agenda for the Access Mexico Energy Symposium 2001
- Overview of Access Mexico Energy Symposium 1997

As you may be aware, Houston is a vibrant and growing community with an expansionary view of its future. Houston is the fourth largest city in the U.S.; it is the energy capital of the U.S.; it has our country's largest medical center; our largest foreign tonnage port, and is the center for the U.S. space program. Houston is a major market itself, but it serves also as a gateway city importing and exporting for the 75 million people in the heartland region of the U.S. The Houston area is home to 25% of the U.S. oil refining capacity, 50% of U.S. basic petrochemical capacity, and is a major supplier of equipment and technology for the exploration and production industry.

The Greater Houston Partnership is Houston's primary business advocacy organization and represents more than 2,400 member companies in a variety of industries. Our members range in size from small one and two-person firms to multi-national corporations. Together, our member companies employ more than 600,000 Houstonians, almost one out of every three area employees.

We look forward to your favorable response. Should you require additional information, please feel free to contact me directly.

Best personal regards,

Miguel R. San Juan

CL:\programs\2001\energy symposium\ltr-abraham

Enclosures

38A

FALL 2001

2001 ACCESS MEXICO ENERGY SYMPOSIUM

Organized by the

Greater Houston Partnership
and
Mexican Secretariat of Energy

DRAFT AGENDA

FALL 2001

8:00 a.m. **Conference Registration**

9:00 a.m. **Welcome & Introductions**
*William H. White (**Master of Ceremonies**)*
Boardmember, Greater Houston Partnership
President and CEO, WEDGE Group Incorporated

R. Bruce LaBoon
Chairman, Greater Houston Partnership
Managing Partner, Locke Liddell & Sapp L.L.P.

The Honorable ______________
Consul General, Consulate General of the United Mexican States

The Honorable Lee P. Brown,
Mayor, City of Houston

9:30 a.m. **Morning Keynote Address**
"The Energy Needs of North America: A United States Perspective"
The Honorable Spencer Abraham
Secretary of Energy of the United States

Morning Session

9:50 a.m. **Mexico's Integration into the World Energy Market: The Shell Experience**
Mr. Steve Miller
Chairman, Shell Oil – USA

10:10 a.m. ***The Future of PEMEX in the World Economy***
Mr. Raul Muñoz Leos,
Director General, PEMEX

10:30 a.m. **Coffee Break**

10:50 a.m. ***Investment Opportunities in Mexico's Power Industry***
Mr. Alfredo Elias Ayub
Director General, CFE

11:20 a.m. ***Regulatory Framework of Mexico's Energy Sector***
Mr. Dionisio Perez Jacome
President, CRE

12:00 p.m. **Luncheon Keynote Address**
"The Energy Needs of North America: A Mexican Perspective"
Keynote Speaker:
His Excellency Ernesto Martens
Mexican Secretary of Energy, Mexican Secretariat of Energy

DRAFT AGENDA

FALL 2001

Afternoon Concurrent Sessions (2:30p.m.-5:00p.m.)

PANEL A ***Power Generation***

TOPICS
Analysis of the Electricity Market
Regulation of the Electricity Industry
Co-generation and Power Generation for private use

MODERATORS:
To be defined

PANELISTS:
EDF General Director- France
General Director, Union Fenosa- Spain
TransAlta- Canada
El Paso Energy – USA
Mitsubishi- Japan

PANEL B ***Natural Gas***

TOPICS:
- Perspective on Reserves and Exploitation
- Distribution Projects
- Transportation Projects
- Regulatory framework

MODERATORS:
To be defined

PANELISTS:
Tractebel Gas Distribution – Belgium
Gaz de France Transport – France
LNG Project Apache GGS
Enron
BP
Anadarko

DRAFT AGENDA

FALL 2001

PANEL C **Petrochemicals**

TOPICS:
Progress of Mexico's Petrochemical Industry
Formation of New Companies
Establishment of Public Offerings (IPO's)
Recent Investment Opportunities

MODERATORS:
To be defined

PANELISTS:
Grupo Idesa
Pemex Petrochemicals
Celanese Mexicana Kosa

5:15 p.m. ***Presentation of Conclusions by Panel Moderators (7 minutes per panel)***

MODERATOR:

PANELISTS:
Power Generation
Natural Gas
Petrochemicals
Services

5:45 p.m. ***Reception***

7:00 p.m. ***Dinner***
Dinner Keynote Address
The Honourable Ralph Goodale, PC, MP
Minister of Natural Resources Canada
Ministry of Natural Resources

38B-3

ACCESS MEXICO ENERGY SYMPOSIUM
October 7, 1997
Westin Galleria Hotel
Galleria Ballroom

On October 7th, 1997, the Greater Houston Partnership, in cooperation with the Consulate General of Mexico, and the Mexican Secretariat of Energy, presented the Access Mexico Energy Symposium. The Symposium drew approximately 650 attendees, from Canada, Mexico, the United States, Europe, and Asia, to the one day, in-depth conference, where representatives from over 250 companies met with public and private sector leaders in Mexico's energy industry.

Opening the symposium were George J. Donnelly, Chairman of the Partnership's Mexico and the Americas Task Force and Vice Chairman, Americas, Spencer Stuart & Associates, Joseph Musolino, Chairman of the Greater Houston Partnership and Vice Chairman of NationsBank Texas, the Honorable Manuel Pérez Cárdenas, Consul General of Mexico, and the Honorable Jesus Reyes Heroles, Mexico's Secretary of Energy. US Secretary of Energy Federico Peña sent a video-taped greeting to the conference in which he emphasized the partnership between the United States and Mexico in the development of energy sources as a fuel for economic growth in both countries.

The Morning Session began with remarks from Robert A. Mosbacher, Sr., Former Secretary of Commerce and Chairman of Mosbacher Energy Company, on new energy challenges in the 21st Century. Mr. Mosbacher spoke of the benefits of privatization and of the need for more privatization in Mexico's energy industry. James Morgan, President and CEO of Shell Oil Products, followed with a discourse on Mexico's integration into the world energy market as illustrated by Shell's experience. A Canadian perspective on NAFTA was provided by Jake Epp, Former Minister of Energy, Mines and Resources of Canada and President of TransCanada International Business Development Ltd.

Adrián Lajous, President & CEO of PEMEX Corporation, briefed conference participants on the role of PEMEX in the Mexican economy and of future plans for cooperation. Mr. Lajous, leader of one of the world's largest corporations, affirmed the mission of PEMEX as a business operating under the ownership of the state, and called for managerial autonomy and a reduction in its contribution to the federal budget.

Rogelio Gasca Neri, President & CEO of the Comisión Federal De Electricidad (CFE), followed Mr. Lajous' speech with a detailed presentation on the electrical generation infrastructure in Mexico. Mr. Gasca Neri highlighted modifications to the Elecrtrical Public Service Law and to Natural Gas Regulation permitting private sector participation in the generation, transmission, transportation, and distribution of electrical power. He also stated that the majority of Mexico's new electrical generation will come from natural gas burning plants, in order to adequately protect the environment.

38C

Mr. Gasca Neri was followed by Hector Olea, President of the Energy Regulatory Commission of Mexico. Mr. Olea traced the developments in Mexico's energy policy leading to the creation of the independent regulatory agency, the Energy Regulatory Commission (CRE). He presented CRE's mission to the conference delegates, to "...foster productive investment and efficient energy markets in benefit of end users." He emphasized CRE's method of applying in a "...transparent, impartial and predictable manner a regulatory framework that is stable and clear."

The luncheon address was provided by the Honorable Jesus Reyes Heroles, the Mexican Secretary of Energy. The Secretary reiterated the Mexican Government's role as owner of Mexico's subsoil resources, but called for investment and cooperation with private companies, foreign and domestic.

After lunch the conference participants attended panel discussions focused on four areas of the Mexican energy sector: power generation; natural gas; petrochemicals; and services. Panel A focused on power generation, and featured the Senior Vice President of the Comisión Federal de Electricidad, Luis Almeida, and Mark Little, Vice President of Generation Projects for General Electric as moderators. Panelists were: Alfredo Phillips Greene, Chief of the Investment Promotion Office of the Mexican Secretariat of Energy; Ed Monto, President of Houston Industries Energy, Inc.; Jorge Borja Navarrete, Executive Vice President of ICA Flour Daniel; José de Jesús Valdez, President & CEO of Grupo Alpek; and, John Foster, Senior Vice President of the International Generating Company, Inc. (INTERGEN-BECHTEL).

Panel B focused on natural gas. Nicloas Mariscal, Chairman, President & CEO, of Grupo Marhnos; and, Milt Honea, Chairman, President & CEO, of Noram Energy Corporation, were the moderators. Panelists included: Marcos Ramirez, President of PEMEX-Gas; George S. Liparidis, Vice President of Enova International; Juan Diego Gutiérrez Cortina, President & CEO of GUTSA; Antonio Llardén Carratalá, Corporate Vice President for International Development, Gas Natural Latinoamericano (REPSOL); Javier Estrada, Commisioner of the Energy Regulatory Commission of Mexico (CRE); and, Thomas M. Matthews, President of the NGC Corporation.

Petrochemicals were the topic of Panel C, which was moderated by Raul Livas Elizondo, Chief of the Energy Policies and Programs Unit of the Mexican Secretariat of Energy, and Dietz A. Kaminski, President of BASF Mexico. Panelists were: Luciano Respini, President & CEO of Dow Chemical Latin America; Thomas Mohr, President & CEO of Celanese Mexicana; Peter Deleuw, Senior Vice President for Growth, Shell Chemical Corporation; and, Arturo Garcia, CEO & Corporate Director for Grupo IDESA.

The last panel, Panel D, featured services in the energy industry. Javier Casas Guzman, Undersecretary of Energy with the Mexican Secretariat of Energy, and Vidal G. Martinez, Partner with Hughes & Luce, L.L.P. moderated Panel D. Panelists were: Miguel Angel Rivera Villaseñor, the Chief Operating Officer for PEMEX Exploration and Production; Germán Sandoval, Vice President of Finance for the Comisión Federal de Electricidad (CFE); Ramón Guerrero, President of Integrated Trade Services; Juan Eibenschutz, Senior Vice President of Marketing for Luz y Fuerza del Centro (LIFC); John Donnelly, President of Chase-Mexico; and, José Mendoza Fernández, President & CEO of Bufete Industrial.

38C-1

S U M M A R Y

After the Panels concluded their discussions, their concluding remarks were presented by the Panel Moderators in a general session led by Miguel San Juan, President of the World Trade Division, Greater Houston Partnership.

The dinner keynote address was given by the Honorable Lloyd Bentsen. Secretary Bentsen voiced support for the reform policies pursued by Mexico's President Zedillo, saying "The policies followed by President Zedillo...are the correct ones." He noted the economic integration between the United States and Mexico, and how critical US support for Mexico during the peso crisis had been. He also called on Mexico to further liberalize its energy sector in order to reach its full potential.

Folder Profile

Control #	2001-014064
Name	Letter to Secretary Spencer Abaraham from R. L. Jewett
Priority	Routine
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-I
Date Received	6/11/01
Subject Text	Expressing concerns regarding BPA and the aluminum industry in the Northwest
Correspondence Date	6/6/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	BPA
Special Instructions	
Date Due	
Date Completed	6/18/01

2001-014064 6/11 P 12:20

June 06, 2001

U.S. Senator Larry Craig
United States Senate
520 Hart, Senate Office Building
Washington D.C. 20510

Dear Senator Craig:

I work in the Aluminum Industry here in the Northwest, and after watching a documentary last evening on PBS network "Frontline" which had the title of "Blackout", it made the evidence very clear that BPA did sell power to California and Enron. This was done from long term contracts from the 1990's. The BPA failed to include in these contracts any kind of cancellation clauses. Now BPA is trying to make the Aluminum Industry look like the bad guy in all of this. A lot of this is due to Steve Wright being at the helm of BPA. He is not a manager. His educational background is in journalism and public relations. His professional background is in political lobbying. BPA shouldn't be involved in politics. Their job is to administer power to the Northwest, and promote economical security and growth.

Steve Wright really needs to be replaced from his Acting Administrator role by someone from outside BPA that can rebuild the character and reputation of their organization. He has placed a cloud of suspension over the BPA. It is now under private investigation for mis-appropriation of public funds for lobbying purposes. Wright's failure to manage the BPA has put it at risk of being sold or privatized. There is an alliance from the Northeast and Midwest that is diligently towards this end. The Northwest economy cannot survive the loss of the BPA, so please strongly consider immediately removing Steve Wright from his role, and replace him with an individual from the private sector that can lead BPA out of this crisis and restore the confidence of the citizens of the Northwest.

Sincerely,

R. L. Jewett

Cc.

U.S. Senator Patty Murray

U.S. Senator Maria Cantwell

The Honorable Spencer Abraham

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[redacted]

(b)(6)

SPOKANE WA 992
PM
JUN
2001

The Honorable Spencer Abraham
Secretary, U.S. Dept. of Energy
1000 Independence Ave., S.W.
Washington D.C. 20585

39B

Folder Profile

Control #	2001-014494
Name	Letter to Secretary Abraham from Gregory Eisenstark, PSE
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	6/18/01
Subject Text	Request to Speak of the PSEC Companies -- Conference on RTO Interregional Coordination -- Docket No. PL01-5-000
Correspondence Date	6/8/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	CARPENTC
Organization ID	EXECCORR2
Action Requested	Information Only
Assigned To	GC
Special Instructions	
Date Due	
Date Completed	6/22/01

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2001-014494 Jun 18 p 12:13

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Conference on RTO Interregional Coordination	)	Docket No. PL01-5-000

REQUEST TO SPEAK OF THE PSEG COMPANIES

Pursuant to the Commission's May 31 and June 5, 2001 Notices on Technical Conference, Public Service Electric and Gas Company ("PSE&G"), PSEG Power LLC ("PSEG Power") and PSEG Energy Resources & Trade LLC ("ER&T") (collectively referred to herein as the "PSEG Companies") hereby file a Request to Speak at the technical conference scheduled for June 19, 2001. On April 26, 2001, the PSEG Companies filed comments in response to the joint motion of Electric Consumers Resource Council, Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc., and Dynegy, Inc., which requested that the Commission convene a technical conference.

Frank Cassidy, President of PSEG Power, respectfully requests an opportunity to speak at the technical conference on behalf of the PSEG Companies. Mr. Cassidy became President and Chief Operating Officer of PSEG Power in June 1999. PSEG Power is one of the largest independent electric generating and energy trading companies in the world, with more than 17,000 megawatts of generating capacity in operation, construction, or advanced development. PSEG Power's current portfolio of development projects includes capacity additions in PJM, New York, and Midwest markets. Mr. Cassidy has three decades of executive experience with

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PSEG in the electric generation, transmission, and retail distribution sectors. He has testified frequently before the Commission and Congress on critical energy-related issues.

Mr. Cassidy will address the specific seams issues that are negatively impacting the market today and will propose specific principles the Commission should apply now to improve interregional coordination, with a particular focus on the three northeast region independent system operators ("ISOs"): the PJM Interconnection, LLC ("PJM"), the New York ISO ("NYISO") and ISO-New England, Inc. ("ISO-NE"). These principles include the need for standard market design, common interconnection procedures, a regionally coordinated transmission planning process, and uniformity of capacity reserve requirements and the enforcement of such requirements across PJM, NYISO and ISO-NE. The PSEG Companies, in their unique position as members of all three northeast ISOs and a transmission owner at the "seams" of PJM and NYISO, as well as a generation owner and trading company actively involved in the competitive sale of electricity throughout the Northeast and Midwest, are particularly well-suited to propose solutions to swiftly resolve "seams" issues that will achieve timely implementation of efficient, competitive wholesale markets.

40A-1

Please contact Frank Cassidy, PSEG Power, 80 Park Plaza, Newark, N.J. 07101 (phone 973-430-5687) or Tamara L. Linde, PSEG Services Corporation, 80 Park Plaza, T5G, Newark, N.J. 07101 (phone 973-430-8058).

Respectfully submitted,

Public Service Electric and Gas Company,
PSEG Energy Resources & Trade LLC
and PSEG Power LLC

By: ______________________

Tamara L. Linde
Gregory Eisenstark
PSEG Services Corporation
80 Park Plaza – T5G
Newark, New Jersey 07102
(973) 430-8058
(973) 430-5983-Fax

Dated: June 8, 2001
Newark, New Jersey

40A-2

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the service list compiled by the Secretary in this proceeding and in Docket No. RM99-2.

Dated at Newark, New Jersey, this 8th day of June 2001.

Gregory Eisenstark
Assistant General Solicitor
PSEG Services Corporation
80 Park Plaza – T5G
Newark, New Jersey 07102
(973) 430-8334

40A-3

Folder Profile

Control #	2001-015632
Name	Letter to Secretary Abraham from Forrest E. Hoglund, Arcti
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	7/2/01
Subject Text	Forrest Hoglund, Arctic Resources Company, Ltd. requests a meeting with Secretary Abraham to discuss company's approach to building pipeline on 7/10/01 or 7/11/01 in Washington, DC (no time provided)
Correspondence Date	6/27/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	GREENA
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info: ES/Carpenter - Regret
Date Due	
Date Completed	7/3/01

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HOUSTON CHRONICLE ARCHIVES

Paper: Houston Chronicle
Date: SUN 06/17/01
Section: BUSINESS
Page: 1
Edition: 2 STAR

Pipeline politics / Competing plans in Alaska pit oilcompanies against environmentalists, natives, Canadians - andeach other

By MICHAEL DAVIS
Staff

Forrest Hoglund wants to build a new natural gas ***pipeline*** from Alaska's North Slope into Canada's Mackenzie Delta, but there are a few things in his way: the state of Alaska, Canada's biggest ***pipeline*** companies and the entire environmental community.

The ***pipeline*** Hoglund would like to see built is the shortest of two being proposed and would move gas from both Alaska and northern Canada, but a key section of it would run through the Beaufort Sea, off the Arctic National Wildlife Refuge, and that's drawn opposition from environmentalists.

It's known as the over-the-top route, a name some of the critics say is a fitting description of the entire concept.

Alaskans, Canadian pipelines and environmentalists are behind an overland route that was approved more than 20 years ago, which they say gives them an edge.

That route, commonly called the southern route, tracks inland through Alaska down the Alaska Highway and then turns southeast into the Yukon and ends at Boundary Lake near the British Columbia/Alberta border. Its gas could go either east or west from there.

Hoglund, the former chief executive of Houston's Enron Oil & Gas, believes his approach has a chance to prevail against his considerable competition because it will supply more gas for a lower price.

When asked why Alaska's major producers have not endorsed his project he says, "It's mostly ***politics*** ." But he confidently adds: "The majors will end up supporting our route."

One of the pipelines will be built, because there is no doubt that the natural gas to fill the line is there or that it's needed desperately in the lower 48 states.

There's an estimated 35 trillion cubic feet of natural gas that lies untapped on the North Slope. For decades, that gas has been reinjected to help stimulate production of oil.

The three largest producers on the North Slope - BP, Phillips Petroleum and Exxon Mobil - are deciding which ***pipeline*** project they will support. They are spending $75 million to study which route would be the best. A decision is expected by the end of this year. Whatever decision is reached and whichever system is built, it is not expected to be in operation any sooner than 2007.

Backers of the southern route aren't making predictions about how this will come out.

"This will be decided by a commercial agreement between gas producers and shippers," said Rocco Ciancio, a spokesman for Foothills Pipe Lines, which is leading the effort to have the southern route ***pipeline*** built.

Hoglund's passion for the project is undeniable. When discussing it, he compares its importance to that of the first railroad linking the West and East coasts in the United States. He thinks the logic of his route offsets the lack of clout his small firm possesses in this fight.

"Most companies brag about their employees being their greatest asset. We say this map is our greatest asset," Hoglund said.

The map illustrates a route for a natural gas ***pipeline*** that would go offshore in Prudhoe Bay and parallel the coast line down to northern Canada and the Mackenzie Delta, estimated to have 60 trillion cubic feet of gas that has been largely undeveloped. The system would then travel on to Edmonton, where it would link with other systems to move the gas into the Chicago area.

The southern route is backed by Alaska Gov. Tony Knowles, the Yukon government and Canadian pipelines TransCanada Pipelines and Westcoast Energy. Environmentalists also back the southern route.

"The conservation community has been united in its opposition to the so-called over-the-top route," said Adam Kolton, a spokesman for the Alaska Wilderness League. "We oppose any plan that would run a ***pipeline*** offshore of the Arctic National Wildlife Refuge. This would be hugely controversial and a major threat to the entire ecosystem around ANWR."

The offshore part of the system would be 350 miles long and be buried 15 feet into the sea bed in waters ranging from 30 to 60 feet in depth. Icebreakers would be needed to lay the pipe over the course of two summers. The ***pipeline*** would operate at an extremely high pressure, 3 ,000 pounds per square inch, another factor about the system that alarms environmentalists.

The opposition to Hoglund's route runs deep among Alaska state lawmakers as well. Last month, the state Senate passed a bill that forbids the state's Department of Natural Resources from issuing right-of-way permits for the over-the-top route.

The bill passed with unanimous support from all 20 state senators. It bars any state right-of-way permits for a northern-route ***pipeline*** unless a ***pipeline*** following the southern route is already in place.

To back up his stance, the governor introduced legislation that would give tax incentives for the building of a natural gas ***pipeline*** down the Alaska Highway.

Leading the charge for the southern route is Foothills Pipe Lines, a company owned byTransCanada PipeLines and WestCoast Energy. The company believes its route makes the most sense for two main reasons: It will travel through areas that have existing rights of way and therefore its construction will pose less environmental harm and it has many of the permits needed in place.

Royalties, taxes and other revenues from a ***pipeline*** traveling along the southern route could be as high as $400 million a year, according to estimates by Alaska's Department of Revenue.

Hoglund does not offer specific numbers but says his route would have lower tariffs, thereby guaranteeing producers higher net profits for their gas, giving consumers lower cost gas and offering

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greater exploration incentives.

Plans to build a natural gas ***pipeline*** from the North Slope into Canada that could connect with pipelines that could move the gas to the lower 48 states date back into the late 1970s. The Alaska Natural Gas Transportation Act authorized construction of a natural gas ***pipeline*** down the Alaska Highway to the lower 48 states. It was signed into law by President Carter.

Canada passed similar legislation but later enacted a moratorium on the project because of environmental concerns and protests from indigenous tribes living along the proposed right of way. The tribes have since dropped their objections and the moratorium was lifted in April.

The permits for the southern route date back to this period. Foothills spokesman Ciancio said they give the southern route a head start against the over-the-top route.

Hoglund counters that the permits for the southern route may not hold up. That route will have to undergo a full review by Canadian and U.S. regulators because the permits issued in the 1970s were based on an outdated design, he said. The southern route would have to cross 900 miles of mountains and still has unsettled aboriginal land claims.

When it comes to any outdated permits, Hoglund and environmentalists are in agreement.

"We want to make sure that a new environmental impact statement is done for any ***pipeline*** that is built," said Kolton with the Alaska Wilderness League.

If any changes are required to the existing permits for the southern route, they will be "more in the line of refreshing them," Ciancio said.

"We think all of this is a very powerful framework, supported by a lot of advice from Washington and Ottawa," Ciancio said. The route currently has right of way on 400 miles and is seeking an additional 225 miles, he said.

"This gives us at least a two- to three-year advantage over any green-field project," he said.

A route was proposed in 1975 that went overland before going south into the Mackenzie Delta, but that route was blocked by Canada and plans for it were shelved after the majors spent million of dollars considering the project. This route was very similar to the one Hoglund is proposing, except for the offshore element of the new route.

"The major oil companies preferred this route because it was shorter, had lower costs, tied in both Alaskan and Canadian reserves and was better environmentally," Hoglund said. "I know because I was vice president of natural gas for Exxon at the time."

Although the three major producers have yet to decide which route to support, there is some quiet support, mainly from the exploration and production industry, for the over-the-top route.

"The problem with (the southern route) is you have to cross the Rocky Mountains twice," said Robert Allison, chief executive of Anadarko Petroleum, and one of the largest acreage holders on the North Slope. "The proposal to go offshore into the Beaufort Sea east and then south to Canada doesn't cross any mountains. And that seems to make sense to me."

Anadarko has been shooting seismic on its North Slope acreage the last three winters and plans to drill its first wildcat natural gas well this coming winter season. The company is confident that a ***pipeline*** to move the gas to market is going to be built, Allison said.

4B-2

"We want one or both built," Allison said. "We would like to see them built in such a way that we can add new gas reserves as people find them in Alaska."

Hoglund contends that his route will kill two birds with one stone: enabling reserves from Alaska and the Mackenzie Delta to move to market over the same line. Even if the over-the-top route is not built, there is no doubt that a ***pipeline*** will have to be built to move Mackenzie Delta gas south to market.

Conoco's recent $4.3 billion purchase of Gulf Canada put the spotlight on the potential value of the Mackenzie Delta reserves. Developing its newly acquired reserves in the Mackenzie Delta will hinge on when a natural gas ***pipeline*** is built that could move that gas to market.

Archie Dunham, Conoco chief executive, said the company will "use all of our global relationships to the extent that we can cause them to accelerate the timetable," for getting a ***pipeline*** out of the Mackenzie Delta.

"This will be one of our highest priorities. The uncertain part is how long the regulatory process will take," Dunham said.

Dick Auchinleck, Gulf Canada's president and chief executive, said in a recent interview that he believes the over-the-top route would be a good way to bring Mackenzie Delta gas out of Canada.

Currently, a group of natural gas producers in Canada is studying a route from the Mackenzie Delta south.

Others support both routes.

Robert Boswell, chief executive of Denver-based Forest Oil, said recently that he believes both systems should be built because neither system alone would have the capacity needed to the 6 billion to 8 billion cubic feet of natural gas per day he estimates the North Slope will eventually produce.

As planned, the over-the-top ***pipeline*** would carry 4 billion cubic feet of gas per day, while the the southern route has been designed to carry 2.5 billion cubic feet of gas per day.

In a recent study titled "Alaskan Gas Development Strategies," the consulting firm Purvin & Gertz concluded that the over-the-top route was a shorter and more economic route to the continental gas grid. But it noted the strong support the southern route enjoys in Alaska as well.

"The main political drivers on the state of Alaska are the jobs created from a construction boom, sizable investment opportunities within the state, natural gas availability to local communities in central Alaska, more gas available for industrial development on Alaska's south shore as well as the fiscal impacts from development," according to the report.

Hoglund remains undaunted. He says he has not taken on this project to get rich but rather because he believes it is the best solution to the problem of getting Alaskan gas to the rest of the nation.

"I went through this 25 years ago, and I learned how not to do things then," he said.

...

Proposed routes compared

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Alaska Natural Gas Transportation System (Southern route)

Cost: $7.5 billion

Length: 1,740 miles

Capacity: 2.5 billion cubic feet per day

Route: South from Prudhoe Bay down the Alaska highway into Yukon Territory and ending at Boundary Lake near the British Columbia/Alberta border.

Arctic Resources Co. Northern Gas ***Pipeline*** System (Over-the-top route)

Cost: $6 billion

Length: 1,700 miles

Capacity: 4 billion cubic feet per day

Route: Offshore from Prudhoe Bay then southeast to return onshore at Mackenzie Delta, south through the Northwest Territories into Alberta and ending in Edmonton.

[Previous][Next][Return to Hitlist][Return to Search Screen]

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Folder Profile

Control #	2001-015514	**Name**	E-Mail address to Secretary Abraham from Carl A. Burk
Priority	Routine	**Folder Trigger**	E-Mail Message
DOE Addressee	Spencer Abraham	**Source**	PM-I
		Date Received	7/2/01
Subject Text	Requests the Secretary or representative to speak at the September 15, 2001, Windfest III	**Correspondence Date**	6/29/01
		RIDS Information	Head of Agency
		Sensitivity	Not Applicable
Action Office #		**Classification**	None
Signature/Approval	EE	**Point of Contact**	POLICYC
		Organization ID	EXECCORR2
Action Requested	Prepare Response	**Assigned To**	EE
Special Instructions		**Date Due**	9/11/01
		Date Completed	8/20/01

42

From: bentonhs@ITCTEL.COM%internet [bentonhs@ITCTEL.COM]
Sent: Friday, June 29, 2001 5:36 PM
To: Secretary, The
Subject: Renewable Energy 015514 2001 JUL -2 A 11:40

FROM: bentonhs@itctel.com
NAME: Carl A. Burk
SUBJECT: Renewable Energy
ZIP: 56149
CITY: Lake Benton
PARM.1: TO:the.secretary@hq.doe.gov
STATE: MN
TOPIC: Windfest III
SUBMIT: Send Comments
CONTACT: email
COUNTRY: United States
MESSAGE: On September 15, 2001 "Windfest III" will be held in Lake Benton, Minnesota's "Windpower Capital of the Midwest." Members of the windpower companies: Enron, Vestas and others will have representatives attending the dedication of Lake Benton's new "Windpower Education and Heritage Center. In past years the DOE has sent officials to speak at the dedication of Lake Benton 1 and 2 windpower sites. I represent the Lake Benton Chamber of Commerce and would like to inquire about the possibility of the DOE Secretary Richardson or a representative be able to speak as part of our special day dedicated to renewable energy. Thank you, Carl A. Burk Lake Benton Chamber of Commerce
MAILADDR: Box 324

42A

C-1 8-20-01

Phil Dougherty 08/20/2001 10:36 AM

To: bentonhs
cc: Peter Dreyfuss, William Hui, Audrey Newman
Subject: Request for DOE Rep for 9/15 Event

Carl Burk
Lake Benton Chamber of Commerce
Box 324
Lake Benton, Minnesota 56149

Dear Carl:

Thank you for your invitation to DOE to provide a representative for the September 15, 2001 Windfest III event in Lake Benton, Minnesota. As you know, our office has supported this event in the past and was pleased to arrange for official DOE participation at the 1999 event. Due to existing commitments we will be unable to provide a DOE Headquarter's representative to this year's event.

We will ask our Chicago regional office team to consider your request and respond directly to you.

Thanks again Carl and best wishes for your event,
P.J. Dougherty
Wind Energy Office
U.S. Department of Energy

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Folder Profile

Control #	2001-016228
Name	Fax to Secretary Abraham from Patricia Bennett Institute c
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	7/9/01
Subject Text	Paul H. Boeker,President, Institute of the Americas, invites Secretary Abraham to give the keynote speech at a one day seminar on Sept 4, 2001 to explore the Bush Administration National Energy Policy
Correspondence Date	7/6/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	HOLLOWAG
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter
Date Due	
Date Completed	7/9/01

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Jul-07-2001 08:48am From- T-357 P.001/004 F-301

INSTITUTE OF THE AMERICAS
INSTITUTO DE LAS AMÉRICAS • INSTITUTO DAS AMÉRICAS

FACSIMILE

TO: **The Honorable Spencer Abraham**
Secretary of Energy
Department of Energy
1000 Independence Ave, SW
Washington, DC 20585

Attention: **Lilia/ Robin Johnson**

Date: July 6, 2001

Tel : 1-202-586-6210

Fax1: 1-202-586-4403

Fax2:

Do we have your correct Email address ?

FROM: Patricia Bennett
Program Director - Energy Programs

If you do not receive this fax correctly please contact :
Bennett, Patricia (858) 453-5560 X 120 Email: patricia@iamericas.org

Total # of pages: 4

CONTENT & MESSAGE:

Please see attached
- invitation letter to participate as a Keynote Speaker
- draft outline
- information about the Energy Program of the Institute

2001-016228 Jul 9 A 9:46

10111 NORTH TORREY PINES ROAD • LA JOLLA • CALIFORNIA • 92037 • U.S.A
TEL: (858) 453-5560 • FAX: (858) 453-2165 • HTTP://WWW.IAMERICAS.ORG

43A

A.

INSTITUTE OF THE AMERICAS

ENERGY STEERING GROUP MEMBERS

AES Corporation
Arthur Andersen
Bechtel Corporation
BP
Caterpillar/Solar Turbines
Chevron Overseas Petroleum
CMS Energy
Duke Energy International
elpaso
Enron
ExxonMobil Gas Marketing
GE Capital, Structured Finance Group
GE Power Systems
INTESA
JP Morgan & Company
PSEG Americas
SAIC
Sempra Energy International
Shell International Exploration & Production
Shell International Gas Limited
Société Générale
Techint Group
Thelen Reid & Priest LLP

Contact
Patricia Bennett
Director
pbennett@iamericas.org
ext. 120

Friday, July 06, 2001

The Honorable
Spencer Abraham
Secretary of Energy
Department of Energy
1000 Independence Ave, SW
Washington, DC 20585

Dear Secretary Abraham:

The Institute of the Americas, in collaboration with the Inter-American Dialogue is organizing a one day seminar to explore the Bush Administration National Energy Policy and its linkages with Latin American energy strategies. The event is scheduled to take place on September 4, 2001 at the St. Regis hotel in Washington, D.C.

We would be honored if you would accept to give the Keynote Speech on this important international forum.

Following a recommendation by our Steering group member companies, listed at the margin, the Institute is convening this high-level forum to analyze how US Energy Policy both in its national and international scope, influences the Latin American energy sectors and indirectly, their economies. Included among the key topics to be covered are: the benefits and challenges of hemispheric energy globalization; cross-boundary energy trade; lessons learned, similarities and correlation of electric power crises in Brazil and California; and multilateral and bilateral trade agreements advancing competition and investment.

We anticipate participation of the US Secretaries of State, Energy and Commerce, representatives from Latin American Energy Ministries, particularly Bolivia, Brazil, Mexico, Peru, and Venezuela, and private sector representatives of the financing and energy industries interested on Latin American investment addressing issues enhancing global alliances and energy security.

Attached is a draft outline of the program, for your information. We welcome your comments or suggestions regarding this program.

Patricia Bennett, Director of Energy Programs for the Institute will be in touch with your office to verify availability. Meanwhile, if you need to contact us, please do so at (858) 453-5560 via fax at (858) 453-2165 and via e-mail at pbennett@iamericas.org

Sincerely,

Paul H. Boeker

Paul H. Boeker
President

10111 North Torrey Pines Road • La Jolla, California 92037 U.S.A. • tel. (858) 453-5560 • fax (858) 453-2165 • web site: www.iamericas.org

43B

Institute of the Americas
US Energy Policy and its implication on Latin American Economies

St. Regis Hotel, Washington D.C.
September 4, 2001
Preliminary Agenda

Tuesday, September 4

8:00 Registration

8:45 Welcome and Opening Remarks
Paul H. Boeker, President, Institute of the Americas

9:00 The Implementation of the National Energy Policy
US Dept. of Energy

9:30 Demand vs. Capacity: The Energy Challenge for the Americas

10:00 Achieving Common Prosperity: Sharing the Benefits of Globalization
US Dept. of Commerce (OECD) (WTO) (FTAA)

10:30 The Role of Multilateral Organizations and Bilateral Relationships: Advancing Competition, trade and investment

11:00 Coffee Break

DEVELOPING ENERGY INTEGRATION: Policy, Trade, and Investment Analysis

11:30 Mexico:
North American Energy Group
Oil, natural gas, and electricity cross-border trade
Border Region and "Presidential Permitting"
Mexico's Electric Power Opening
(US Secretary of Energy, FERC, Mexico Secretary of Energy, CRE, US Private sector energy companies,
Multilateral Trade Policy in the Ministry of Economy of Mexico

1:00 Lunch

2:00 Bilateral Investment Treaties:
Venezuela
Brazil
(US Commerce Dept. and Venezuela and Brazil Energy Ministries)

3:00 North-Bound Trade: South American Gas for US Markets
Bolivia

3:30 Coffee Break

4:00 Promoting Sustained Economic Growth: Collaborative market based solutions to environmental concerns

5:00 Hemispheric Implications of US Energy Policy

6:30 Reception

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Institute of the Americas
Energy Program 2001

The Institute of the Americas' energy sector program main goals are to promote economic integration in the region and to identify new project opportunities, new financing mechanisms, and means for the public and private sectors to work together for trade liberalization and cooperation that will facilitate business transactions and investment throughout the hemisphere.

We accomplish these goals by working closely with the public and private sectors as well as with the multilateral financial institutions that are major sources of funding for such projects.

To keep pace with the events in the rapidly evolving energy sector, the Institute brings together experts in business development, competitive intelligence, and strategic planning on business opportunities in the oil & gas, petrochemicals, and electric utilities sectors in Latin America.

The Institute's work focuses on the importance of the regulatory structure governing private involvement and sector integration to help identify, evaluate, and develop the critical planning strategies required for a successful enterprise, in collaboration with the various energy ministries.

Tenth Annual Latin America Energy Conference

Celebrating ten successful years, *The La Jolla Conference*, was held on May 21-22, 2001, convening the most influential players of the Latin American energy sector. The meeting addressed energy integration, private sector restructuring strategies, energy trade, and the latest policies and plans affecting the Latin American markets, incorporating in-depth analysis of the energy trade, emerging trends, and opportunities for private investment in Latin America.

Roundtables

The Energy Roundtables offer opportunities to examine energy policy issues and its implication, by encouraging greater strategic input from business and fostering understanding amongst key energy sector players.

These private events, held in cooperation with the pertinent government agencies, address energy sector's pressing issues, relevant policies and practices, market opportunities, and prospects through open and candid dialogue.

Scheduled for 2001 are five energy executive meetings

- Mexico Power Roundtable, Mexico City, March 13-14
- Brazil Energy Roundtable, Rio de Janeiro, June 25-26
- US Energy Policy and its Implications on Latin American Economies, Washington DC, September 4
- Central American Energy Roundtable, Antigua, Guatemala, October 2-3
- Venezuelan Oil and Gas Roundtable (date and venue to be defined)

Energy Sector Steering Committee

AES Corporation
Arthur Andersen
Bechtel Corporation
BP
Caterpillar/Solar Turbines
Chevron Overseas Petroleum
CMS Energy
Duke Energy International
elpaso
Enron
ExxonMobil Gas Marketing Company
GE Capital, Structured Finance Group
GE Power Systems
INTESA
JP Morgan
PSEG Americas
SAIC
Sempra Energy International
Shell International Exploration & Production
Shell International Gas Limited
Société Générale
Techint Group
Thelen Reid & Priest LLP

For additional information, please contact: Patricia Bennett, Director of Energy Programs, at +(858) 453-5560 ext. 120, email: *pbennett@iamericas.org*

To find out about sponsorship or Steering Group opportunities, please contact Marcy Morrison at +(858) 453-5560 ext.123, or via e-mail at: *mmorrison@iamericas.org*

For our latest calendar, registration, and more information, please visit our Web site at: http://www.iamericas.org

Patricia Bennett, Director of Energy Program, ext. 120 pbennett@iamericas.org Susana Crews, Associate Director, Energy Program, ext 103, susana@iamericas.org
Institute of the Americas, 10111 North Torrey Pines Road, La Jolla, CA 92037 Tel +(858) 453-5560 Fax +(858) 453-2165; +(858) 453-4062 www.iamericas.org

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D

Folder Profile

Control # 2001-016864

Name Letter to Secretary Spencer Abraham from Jeffrey Skilling,

Priority Important Critical

Folder Trigger Letter

DOE Addressee
Spencer Abraham

Source PM-O

Date Received 7/13/01

Subject Text
Jeffrey K. Skilling, Enron Corp., invites Secretary Abraham as featured commentator at the "U.S. Energy Policy at a Crossroads..." forum, Ritz Carlton, Pentagon City, 10/3/01, 7pm-9pm

Correspondence Date 7/12/01

RIDS Information Head of Agency

Sensitivity Not Applicable

Action Office # Regular

Classification None

Signature/Approval
NA

Point of Contact SEISERP

Organization ID EXECCORR2

Action Requested
Appropriate Action

Assigned To
SL/Johnston

Special Instructions
Info copy: ES/Carpenter. S-1 Regret 10/29/01

Date Due

Date Completed 7/13/01

44

2001-016864 7/13 A 11:24

2016864

Jeffrey K. Skilling
President & Chief Executive Officer

Enron Corp.
1400 Smith Street
Houston, TX 77002-7361

P. O. Box 1188
Houston, TX 77251-1188
713-853-6894
Fax 713-646-8381
jeff.skilling@enron.com

July 12, 2001

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
Forrestal Building
1000 Independence Ave. SW
Washington, DC 20585-1000

Dear Mr. Secretary,

It's clear to me that the time for a rational discussion on this country's energy policy is long overdue. That's why I'm writing to invite you to participate as a guest commentator at an energy scenarios forum this fall. This event will only yield solutions if we have true representation of the diverse range of opinions on this complex subject. It's time we come together to create a dialogue around the future of the U.S. energy environment and the recent events in California – no matter how much our opinions differ. I think you'll agree that we don't need any more empty rhetoric. We need solutions.

The forum, "**U.S. Energy Policy at a Crossroads: Alternative Futures for the Current Energy Crisis,**" will be held at The Ritz-Carlton just outside of **Washington, DC** on **October 3-4, 2001**. We want to bring together some of the country's leading thinkers and stakeholders to actively explore the real scenarios that affect us all. While certain members of the press are invited, the discussions on October 4 will be entirely off the record.

Don't expect a traditional meeting. Enron has engaged a third party global information solutions firm—Intellibridge Corporation—which uses simulation techniques at conferences all over the world. We will use them to explore the impact of energy supply, markets and regulatory policies.

That's where you come in. Given your high profile in advocating the new Bush energy plan as well your well-known ability to assimilate a range of perspectives, I would be honored if you would add your point of view as a featured commentator for the Differing Visions of America's Energy Future, from 7:00 - 9:00 p.m. on Wednesday, October 3. These are moderated discussions in which guest commentators are called upon to speak multiple times and invited to participate throughout the entire program. Please note that the preliminary program agenda is attached and includes names of a number of commentators who have not yet confirmed.

I very much hope you'll join us for this important event. Please call (202) 298-7946 if you have any questions. We'll be in touch with your office in the next few days to discuss your participation.

Sincerely,

Jeff K Skilling

Endless possibilities.™

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U.S. ENERGY POLICY AT A CROSSROAD: ALTERNATIVE FUTURES FOR THE CURRENT "ENERGY CRISIS"

PRESENTED BY ENRON IN PARTNERSHIP WITH INTELLIBRIDGE CORPORATION

October 3-4, 2001
The Ritz-Carlton Hotel, Pentagon City, Arlington, VA

WEDNESDAY, OCTOBER 3

5:30-7:00 p.m.	**Cocktail Reception and Registration for Delegates**
7:00-9:00 p.m.	**"Differing Visions of America's Energy Future"** A keynote address followed by a dinner conversation with a panel of leading policy makers:

- Richard B. Cheney, Vice President of the United States
- Spencer Abraham, Secretary, Department of Energy
- Jeffrey K. Skilling, President & CEO, Enron Corp.
- Bill Richardson, Former Secretary, Department of Energy
- Gray Davis, Governor, California
- Dianne Feinstein, California, Committee on Energy and Natural Resources

THURSDAY, OCTOBER 4

7:30-8:30 a.m. **Continental Breakfast and Registration for Delegates**

PLEASE NOTE: OPENING AND CONCLUDING PLENARY SESSIONS WILL BE OPEN TO THE GENERAL PRESS. IN THE INTEREST OF CANDOR, ALL OTHER SESSIONS WILL BE OFF THE RECORD WITH PRESS PARTICIPATION BY INVITATION ONLY.

8:30-9:30 a.m. **Opening Plenary Session:** "Markets vs. Regulation: Finding the Proper Mix"

Featured Remarks: Pat Wood, Commissioner, FERC

9:45-11:45 a.m. **Scenario Session I**

Scenario A - The Crisis is Contained. Anticipating the Next Challenge: Under this first scenario, natural gas and electricity prices continue to subside. Public concern fades as energy prices gradually decline. The crisis remains contained to California. Hydro conditions improve during Winter 2001, and other western states are able to manage any emerging supply problems. Potential trouble states in other regions, like New York, manage to install enough capacity and alleviate

44B

transmission constraints, both in gas and electricity. Efforts to mitigate the energy crisis overachieve in some regions. The nation's energy supply mix shifts slightly in response to policy changes.

Scenario B - Crisis Worsens, Spreads to Other States: Efforts to mitigate California's electricity crisis prove insufficient, or even exacerbate the problem. Shortages worsen in the Pacific Northwest, and Desert Southwest, pinching import-dependent California even further. Neighboring states refuse to export to California. Other resource supply shortages emerge as well: Natural gas prices surge, sharing of water resources between California and the Pacific Northwest become a serious point of contention. California quickly burns through the money raised by its bond issue, and the state finds itself in severe financial trouble. Federal and state authorities respond to perceived infrastructure shortages by relaxing right-of-way and environmental regulations. States in other regions also suffer supply shortages during the summers. Trends toward deregulation are halted in various states, reversed in others.

<u>Featured Commentators</u>

- Paul J. Joskow, Director, Center for Energy and Environmental Policy Research, Massachusetts Institute of Technology
- Robert Hahn, Director, AEI-Brookings Joint Center for Regulatory Studies
- Linda Breathitt, Commissioner, FERC
- Jeff Bingaman, New Mexico, Chairman, Committee on Energy and Natural Resources
- Brian Malnak, Staff Director, Senate Committee on Energy and Natural Resources

44B-1

12:00-2:00 p.m. **Luncheon Roundtable "Virtual Energy Markets: A Look Ahead"**

This luncheon discussion will focus on the challenge ahead for the energy industry itself. To what extent will "virtual" energy contracts overcome physical imbalances? Is there a trend toward "financialization" of the energy industry? What mitigating role might risk management instruments have played in California's energy crisis? Could they help avert possible future crises elsewhere?

Opening Remarks: Jeffrey K. Skilling, President & CEO, Enron Corp.

Featured Commentators

- James Newsome, Acting Chairman, Commodities Futures Trading Commission
- Lawrence Eagles, Director of Research, GNI, Ltd.
- Kit Konolige, Managing Director, Morgan Stanley Dean Witter, New York
- Vito Stagliano, Policy Advisor, Electric Sector Restructuring and Regional Transmission Organizations (RTOs) in association with Arthur Andersen LLP
- Vijay Vaitheeswaran, Energy and Environment Reporter, *The Economist*

2:15-4:15 p.m. **Scenario Session II**
"Political Aftershocks and Regulatory Responses"

Scenario A – More government, less markets: Under this first scenario, regulators react to the energy crisis by taking a more active role in state electricity markets. As other states experience their own, or inherit California's, electricity shortages, public opinion calls for price caps, not just mitigation, and at least some regulators respond. Congress drafts comprehensive energy legislation extending powers of a number of federal agencies to facilitate the building of infrastructure.

Scenario B – More markets, less government: Price mitigation measures are removed after a time in California, and other states (like New York) considering such measures drop their plans. Customers either benefit from lower prices, or at last come to grips with realities of a deregulated power sector, finding other ways (fixed price contracts, load curtailment programs, installing their own energy sources) of protecting themselves from price spikes. Comprehensive energy legislation fails to emerge or serves to ease restrictions on infrastructure development.

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Featured Commentators

- Lawrence Makovich, Senior Director, Cambridge Energy Research Associates (CERA)
- John Tuck, Former Deputy Energy Secretary, Of Counsel, Baker Donelson
- Fiona Woolf, Director Utilities Practice, CMS Cameron McKenna
- Glenn Lovin, Director, Power Marketing Association
- Keith Stuart Richman, State Assemblyman, 38th District, California
- John D. Dingell, Michigan, Ranking Member, Committee on Energy and Commerce

4:30-6:00 p.m. **Cocktail Reception and Concluding Plenary Session**
"Lessons from Elsewhere and Arriving at Consensus"

How have other states (or other countries) dealt with, or how do they plan to deal with impending energy shortages? Which represents the best path forward for U.S. state and federal energy policy?"

Opening Remarks: John Hanger, Former Pennsylvania PUC Commissioner

Featured Commentators

- Dennis E. Eyre, Executive Director, Western Systems Coordinating Council
- Larry Ruff, Independent Consultant and Former Senior Vice President, National Economic Research Associates (NERA)
- Robert Littlechild, Director, London Economics Consulting Group, Former UK Director General of Electricity Supply
- Peter Behr, Columnist, *The Washington Post*
- Peter Overby, Correspondent, National Public Radio
- Andrew Cassell, Columnist, *The Philadelphia Inquirer*
- Kathryn Kranhold, Reporter, *The Wall Street Journal*

Includes proposed names of some commentators who have not yet confirmed as of 7/11/01.

44B-3

Folder Profile

Control #	2001-017133
Name	Letter to Secretary Spener Abraham from Marshall Kaplan.
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	7/17/01
Subject Text	Sending Secretary Abraham five copies of: "Summary Report:A Regional Leadership Forum on Securing the Energy Future of the Western United States"
Correspondence Date	7/13/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	Spencer Abraham
Special Instructions	
Date Due	
Date Completed	7/18/01

45

2001-017133 7/17 P 3:15

017133

University of Colorado at Denver

Wirth Chair in Environmental and Community Development Policy
Institute for Policy Research and Implementation
1445 Market Street, Suite 350
Denver, Colorado 80202-1727
Phone: 303-820-5676
Fax: 303-534-8774

July 13, 2001

Hon. Spencer Abraham
Secretary of Energy
U.S. Department of energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Abraham:

We are pleased to send you five copies of the enclosed "**Summary Report: A Regional Leadership Forum on Securing the Energy Future of the Western United States.**"

Given your leadership with respect to the U.S. energy needs, we hope you find it helpful. It results from a Forum co-sponsored by the Wirth Chair at the University of Colorado and the CEO Coalition to Advance Sustainable Technology.

Nearly 80 public, private and non-profit sector leaders from the western states and nation attended the non-partisan Forum. They included: Governor Jim Geringer of Wyoming; Kenneth Lay, Chairman of Enron USA; Ralph Peterson, CEO of CH2M Hill; Gary Goldberg, CEO of Kennecott Energy Company; Judi Johansen, CEO of PacifiCorp, and many others. Discussions were intense and strategic. They resulted in increased understanding of the nation's and western states' energy problems. They also produced a shared commitment to principles and strategies concerning western state and national energy and greenhouse gas emission policies.

We would welcome an opportunity to brief you and your colleagues on the report and to work with you and them on the national energy policy.

Sincerely yours,

Marshall Kaplan
Executive Director

Enclosure

MK/sg

45A

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Folder Profile

Control #	2001-016954
Name	Letter to OS/Johnson from Heather Reed, Hart Publication
Priority	Important
Folder Trigger	Invitation
DOE Addressee	OS/Johnston
Source	PM-O
Date Received	7/16/01
Subject Text	Hether L. Reed invites Secretary Abraham to participate in the upcoming World Fuels Conference in Washington, DC as keynote speaker on 9/20/01 (no time mentioned)
Correspondence Date	7/13/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	regular
Classification	None
Signature/Approval	NA
Point of Contact	CUNNINGD
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter
Date Due	
Date Completed	7/17/01

46

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2001-016954 7/16 A 10:52

FACSIMILE TRANSMITTAL SHEET

TO: Robin Johnston	FROM: Heather Reed for Frederick L. Potter
COMPANY: Office of Scheduling and Advance	DATE: 07/13/01
FAX NUMBER: 202-586-4403	TOTAL NO. OF PAGES INCLUDING COVER: 6
PHONE NUMBER: 202-586-0868	SENDER'S TELEPHONE NUMBER: 301-354-2020
RE: World Fuels Conference	SENDER'S FAX NUMBER: 301-738-8160

☑ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☑ PLEASE REPLY ☐ PLEASE RECYCLE

Dear Ms. Johnston:

Attached please find our letter of invitation which invites Secretary Abraham to participate in the upcoming World Fuels Conference in Washington, DC on September 20th as our Keynote Speaker.

We hope that you are able to confirm Secretary Abraham's participation via email or phone as soon as possible. Mr. Potter has asked that I try to set a time with you to discuss the Conference with your office. Mr. Potter is available either by conference call or appointment as your schedule permits. You may contact me directly at +1 301-354-2020 or via email at hreed@chemweek.com upon your receipt of this information if you or your office has any questions. Fred is also available by cell (+1 703-963-8287) at anytime to answer any questions you might have.

Best regards,

Heather L. Reed

Heather L. Reed
Assistant to the Executive Director

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July 12, 2001

The Honorable Spencer Abraham
Secretary, US Department of Energy
1000 Independence Avenue, SW Room 7A-257
Washington, DC 20585

VIA FACSIMILE 202-586-4403

Dear Secretary Abraham:

On behalf of all of us at Hart Publications, we are extremely pleased to extend you an invitation to deliver Featured Remarks at the World Fuels Conference in Washington, DC on Thursday, September 20, 2001. If your schedule permits you to accept our invitation, we would suggest a 9:50 am start. If that time does not work for you, we would be more than happy to rearrange our preliminary program schedule.

We would suggest a title focusing on "The New US Energy Policy: Implications for Refiners." A 20 - minute talk with 10 minutes of Q&A would be appropriate. As you may know, past Energy Secretaries Frederico Pena and Bill Richardson have delivered remarks at our World Fuels Conferences in previous years.

This year we expect between 300 – 400 leading industry and government executives will the Conference, which is being held at the Loews L'Enfant Plaza Hotel – just blocks from your office! We are also very pleased that EPA Administrator Christine Todd Whitman has agreed to speak at this year's event. Ken Lay, Chairman of Enron and NPRA Chairman Jerry Thompson from Citgo will represent industry.

Thank you very much for your consideration to participate. I have enclosed a draft agenda for your review. We look forward to another successful and dynamic Conference. We will call your office in a few days to answer any questions and hopefully confirm your participation. In the meantime, if you can confirm your participation, or should have any questions, please contact me by email at fpotter@chemweek.com. You may also reach me, or Heather Reed by phone at 301-354-2020. Thank you very much Mr. Secretary!

Extending every admiration, I remain

Sincerely yours,

Frederick L. Potter
Executive Director

cc: Kyle E. McSlarrow – Chief of Staff
Frank Blake – Deputy Secretary of Energy
C. Boyden Gray

46B

6

Folder Profile

Control #	2001-017267	**Name**	Letter to Deputy Secretary Francis Blake from Jerald Halvo
Priority	Important Critical	**Folder Trigger**	Letter
DOE Addressee	Francis S. Blake	**Source**	PM-O
		Date Received	7/19/01
Subject Text	Jerald V. Halvorsen,Interstate Natural Gas Association of America, invites Deputy Secretary Blake to be the featured speaker at the INGAA Board of Directors meeting on 11/16-17, 2001 in Houston, Texas	**Correspondence Date**	7/18/01
		RIDS Information	Head of Agency
		Sensitivity	Not Applicable
Action Office #	Regular	**Classification**	None
Signature/Approval	NA	**Point of Contact**	HOLLOWAG
		Organization ID	EXECCORR2
Action Requested	Appropriate Action	**Assigned To**	Francis S. Blake
Special Instructions	Info copy: ES/Carpenter	**Date Due**	
		Date Completed	7/23/01

47

2001-017267 7/19 P 3:39

INGAA

JERALD V. HALVORSEN
PRESIDENT

July 18, 2001

Mr. Francis S. Blake
Deputy Secretary of Energy
Department of Energy
1000 Independence Avenue SW
Room 7B-252
Washington, DC 20585

Dear Frank:

I am writing to invite you to be the featured speaker at an October 16-17 meeting of the INGAA Board of Directors in Houston, Texas. Specifically, we would like to invite you to speak at a Board dinner on the evening of October 16. The dinner and meeting will be held in the Four Seasons Hotel in Houston and will start at 6:30 pm.

Attached is a list of our Board members. We are particularly interested in hearing from you on the status of energy policy decisions both in the Department as well as in the Congress. I hope you can join us on October 16 and please give me a call if you have any questions.

Sincerely,

Jerry

INTERSTATE NATURAL GAS ASSOCIATION OF AMERICA
10 G STREET, N.E., SUITE 700 • WASHINGTON, D.C. 20002 • 202/216-5901 • FAX 202/216-0870

47A

Department of Energy

Washington, DC 20585
July 23, 2001

2001-017267

Mr. Jerald V. Halvorsen
President
Interstate Natural Gas Association
of America
10 G Street, N.E. (Suite 700)
Washington, D.C. 20002

Dear Mr. Halvorsen:

We have received your correspondence dated July 18, 2001, inviting Secretary Spencer Abraham to be the featured speaker on October 16, 2001, at the Interstate Natural Gas Association of American board's dinner in Houston, Texas.

We have forwarded your invitation to the Secretary's Office of Scheduling and Advance. A staff member from that office will notify you regarding the status of your invitation.

If you have any questions, please call Ms. Robyne Johnston at (202) 586-5534.

Sincerely,

James N. Solit

James N. Solit
Director, Executive Secretariat

47B

47C

Mr. Craig R. Frew
President
Iroquois Pipeline Operating Company
One Corporate Drive, Suite 600
Shelton, CT 06484-6211

Mr. Rolf A. Gafvert
President
Koch Gateway Pipeline Company
P.O. Box 2626
Houston, TX 77252-2626

Mr. Murry S. Gerber
Chairman, President and CEO
Equitable Resources, Inc.
One Oxford Centre, Suite 3300
301 Grant Street
Pittsburgh, PA 15219-6041

Mr. William J. Haener
President and CEO
CMS Gas Transmission Company
Fairlane Plaza South, Suite 900
330 Town Center Drive
Dearborn, MI 48126

Mr. Bernard J. Kennedy
Chairman and CEO
National Fuel Gas Company
10 Lafayette Square, Room 1800
Buffalo, NY 14203

Mr. Thomas B. King
President and COO, West Region
PG&E National Energy Group
7500 Old Georgetown Road, Suite 1300
Bethesda, MD 20814

Harold N. Kvisle
President and CEO
TransCanada PipeLines Limited
P.O. Box 1000, Station M
Calgary, Alberta T2P 4K5
Canada

David M. McClanahan
President and COO
Reliant Energy Delivery Group
P.O. Box 4567
Houston, TX 77210-4567

Mr. Marcos Ramirez
Director General
Pemex Gas y Petroquimica Basica
Avenue Marina Nacional 329
Torre Ejecutiva Piso 39
Col. Huasteca
11311 Mexico, D.F.
Mexico

Mr. R. Todd Rushton
President
Viking Gas Transmission Company
825 Rice Street
St. Paul, MN 55117

Mr. Cuba Wadlington Jr.
President and CEO
Williams Gas Pipeline
One Williams Center, 49th Floor
Tulsa, OK 74172

47C-1

Folder Profile

Control #	2001-018177	**Name**	Letter to Secretary Spencer Abraham from John Weibe, Gl
Priority	Important Critical	**Folder Trigger**	Letter
DOE Addressee	Spencer Abraham	**Source**	PM-O
		Date Received	8/2/01
Subject Text	John Wiebe invites Secretary Abraham to be keynote speaker at the GLOBE 2002 Energy Plenary on 3/14/02 from 8:30 to 10:00am	**Correspondence Date**	7/29/01
		RIDS Information	Head of Agency
		Sensitivity	Not Applicable
Action Office #	Regular	**Classification**	None
Signature/Approval	NA	**Point of Contact**	CUNNINGD
		Organization ID	EXECCORR2
Action Requested	Appropriate Action	**Assigned To**	SL/Johnston
Special Instructions	Enclosure not scanned. Please obtain from the ES-file room.	**Date Due**	
		Date Completed	8/2/01

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018177

GLOBE*foundation*

John D. Wiebe
President and Chief Executive Officer
Président et directeur général

July 29, 2001

2001-018177 8/2 A 11:22

The Hon. Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Abraham,

The recently released Report of the National Energy Policy Development Group sets out a bold and innovative plan for the United States of America, and a framework for a continent wide energy management program. The enormous economic impact of the proposed energy plan parallels an equally daunting requirement to ensure that the environmental risks associated with it are minimized.

My purpose in writing is to personally invite you to attend as a keynote speaker at the GLOBE 2002 Energy Plenary scheduled for March 14 from 8:30 to 10:00 a.m. here in Vancouver, Canada. The theme for the Plenary is "Continental Energy, the North American Reality" and your perspective on balancing economic development with environmental risk in the context of the continental energy strategy would be an invaluable addition to the GLOBE Conference. Mr. Michael Phelps, Chairman and CEO of Westcoast Energy and incoming Chair of the Interstate Natural Gas Association (INGA) has agreed to provide a corporate perspective and joins us in inviting your participation.

GLOBE is the premier event to influence policy makers and business leaders on integrated business and environment/energy issues in Canada. It's also receives major media coverage from around the world and together with our Media partners the Globe and Mail, Canada's national newspaper, and the Report on Business we will reach out not only to all Canadians but the world as well. Your audience will include over 1200 corporate executives, policy makers, environment industry executives and international agency representatives attending one of the largest and most influential international conferences and trade fairs on business and the environment in the world.

Strategically positioned to take place before the Earth Summit in Johannesburg, GLOBE 2002 is a major platform for government and business to interact on key business and environment issues, including the all-important energy - environment linkages that are part of the emerging continental energy strategy in North America. Economic realities make clear the imperatives for Canada, the US and Mexico to operate under a continental energy strategy. While these three countries will share in the economic benefits of the strategy, they also will share a collective responsibility to minimize any associated environmental risks - ranging from climate change to air quality and land use.

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A complete track of the GLOBE 2002 Conference Program has been devoted to this subject. It will look at such issues as: Managing Environmental Issues and Tapping Into Fuel Supply for Continental Energy; Emerging Transmission Corridors; Energy Conservation Realities; and The Northern Perspective, namely managing stakeholder requirements and land-use issues.

GLOBE 2002 is the 7th biennial event of the highly successful GLOBE Series on business and the environment. We expect over 450 exhibitors will be present at the GLOBE 2002 Trade Fair, which will host some 12,000 visitors during the three days of the event. Over 1500 delegates will attend the GLOBE 2002 Conference, the theme of which is "Driving Corporate Leadership and Global Environmental Business to New Heights." International representation at previous GLOBE events has exceeded 75 countries. We expect that level to be even higher in 2002.

The GLOBE events have captured the interest of US Industry and government agencies. Indeed GLOBE is accredited by the Department of Commerce and is attended by companies and agencies from across America. The state of Pennsylvania as an example has increased its participation over the past two events from a state booth to a pavilion with over 40 companies in 2002. Senior executives from major US corporations as well as senior government officials participate as speakers or delegates at the conference. Among the speakers from the USA in 2000 were executives from the Dow Chemical Company, ITT Industries, Nike, Dow Jones,Weststart-Calstart, ENRON, Mobil Corporation, AT&T, General Motors Corporation, Preferred Energy Services of San Jose, and Bristol Myers Squibb as well as government and agency representatives from a variety of federal and state agencies. In all GLOBE 2000 had over 500 attendees from the United States.

Your government's authorities in Canada including Ambassador Celluci's Office and Consul General Hugo Llorens in Vancouver are familiar with GLOBE and can offer you valuable insights on the GLOBE event.

I look forward to welcoming you to Vancouver in March 2002. In addition to being the host city to the GLOBE Series, Vancouver is also one of the world's most spectacularly beautiful cities and has been rated as having the highest quality of living of any major metropolitan area in the world. If you have not visited here before, we would certainly like to welcome you in March.

I am enclosing for your review information on GLOBE 2002. I will be personally available at your convenience to help in any preparations you may require before your address at GLOBE 2002.

Sincerely

John D. Wiebe

Enclosure

48A-1

Folder Profile

Control #	2001-018057
Name	Letter to Secretary Abraham from R.T. "Hap" Boyd, Enron
Priority	Important
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	7/31/01
Subject Text	Robert Boyd writes Secretary Abraham to request a meeting to give a presentation on wind energy & its potential contribution of clean electricity to the nation's energy mix
Correspondence Date	7/31/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	CUNNINGD
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	
Date Due	
Date Completed	8/3/01

49

2001-018057 JUL 31 P 3:20

Enron Wind Corp.
444 S. Flower Street
Suite 4545
Los Angeles, CA 90071
Tel: (213) 452-5103
Fax: (213) 452-4888
hap.boyd@enron.com
www.wind.enron.com

TELEFAX

Date:	July 31, 2001	Pages including this cover page:	2
To:	Secretary Spencer Abraham	Fax Number:	202/586-4403
	Majida Dandy, Scheduling Director		202/586-7573
From:	Robert T. "Hap" Boyd		

Please see attached letter. Thank you.

R.T. "Hap" Boyd

L:\DocsVax e\aaaaRTBFaxTemplate.doc

49 A

Enron Wind Corp.
444 South Flower Street, Suite 4545
Los Angeles, CA 90071-2946
(213) 452-4880
Fax (213) 452-4888

Jul · 31, 2001

Th: Honorable Spencer Abraham
Sec retary of Energy
U.:. Department of Energy
10(0 Independence Avenue
W: shington, D.C. 20585

De ır Mr. Secretary:

En·on Wind Corp (EWC) is one of the world leaders in the manufacture of wind tur pines for utility scale electric generation. EWC has manufacturing facilities in Ca ifornia employing over 400 people and plants in Germany and Spain. Worldwide we employ 1,478 people.

44! 5MW of new wind energy capacity was added throughout the world in 2000 bri ıging total capacity to 18, 449MW. The U.S. had 2586MW wind capacity at the en(of 2000. Installed world wind capacity is expected to grow at a rate of over 17% pe year over the next five years. The U.S. will add 1500MW in 2001.

N(t only is new wind capacity growing at a high rate, but costs are coming down so th: t wind generated electricity is expected to be cost competitive with fossil generation in hree to five years.

I nention these facts to you because I would like to request a meeting to give you a pr(sentation on wind energy and its potential contribution of clean electricity to the na ion's energy mix. I think that once you've heard the facts that you will become an ent husiastic supporter of wind technology.

I will follow up on this letter by contracting your scheduler to arrange a meeting.

I lc ok forward to meeting with you.

Sir cerely,

Hap Boyd

R.'I'. "Hap" Boyd

Natural gas. Electricity. Endless possibilities.

49b

Folder Profile

Control #	2001-018326
Name	Invitation to Secretary Abraham from R.T. "Hap" Boyd
Priority	Important Critical
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	8/3/01
Subject Text	R.T. Hap Boyd, Enron Wind Corp, requests a meeting with Secretary Abraham to give him a presentation on wind energy - No Date Mentioned
Correspondence Date	7/31/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	HOLLOWAG
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter. Declined.
Date Due	
Date Completed	8/8/01

50

2001-018326 8/3/01 12:02

Enron Wind Corp.
444 South Flower Street, Suite 4545
Los Angeles, CA 90071-2946
(213) 452-4880
Fax (213) 452-4888

July 31, 2001

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue
Washington, D.C. 20585

Dear Mr. Secretary:

Enron Wind Corp (EWC) is one of the world leaders in the manufacture of wind turbines for utility scale electric generation. EWC has manufacturing facilities in California employing over 400 people and plants in Germany and Spain. Worldwide we employ 1,478 people.

4495MW of new wind energy capacity was added throughout the world in 2000 bringing total capacity to 18, 449MW. The U.S. had 2586MW wind capacity at the end of 2000. Installed world wind capacity is expected to grow at a rate of over 17% per year over the next five years. The U.S. will add 1500MW in 2001.

Not only is new wind capacity growing at a high rate, but costs are coming down so that wind generated electricity is expected to be cost competitive with fossil generation in three to five years.

I mention these facts to you because I would like to request a meeting to give you a presentation on wind energy and its potential contribution of clean electricity to the nation's energy mix. I think that once you've heard the facts that you will become an enthusiastic supporter of wind technology.

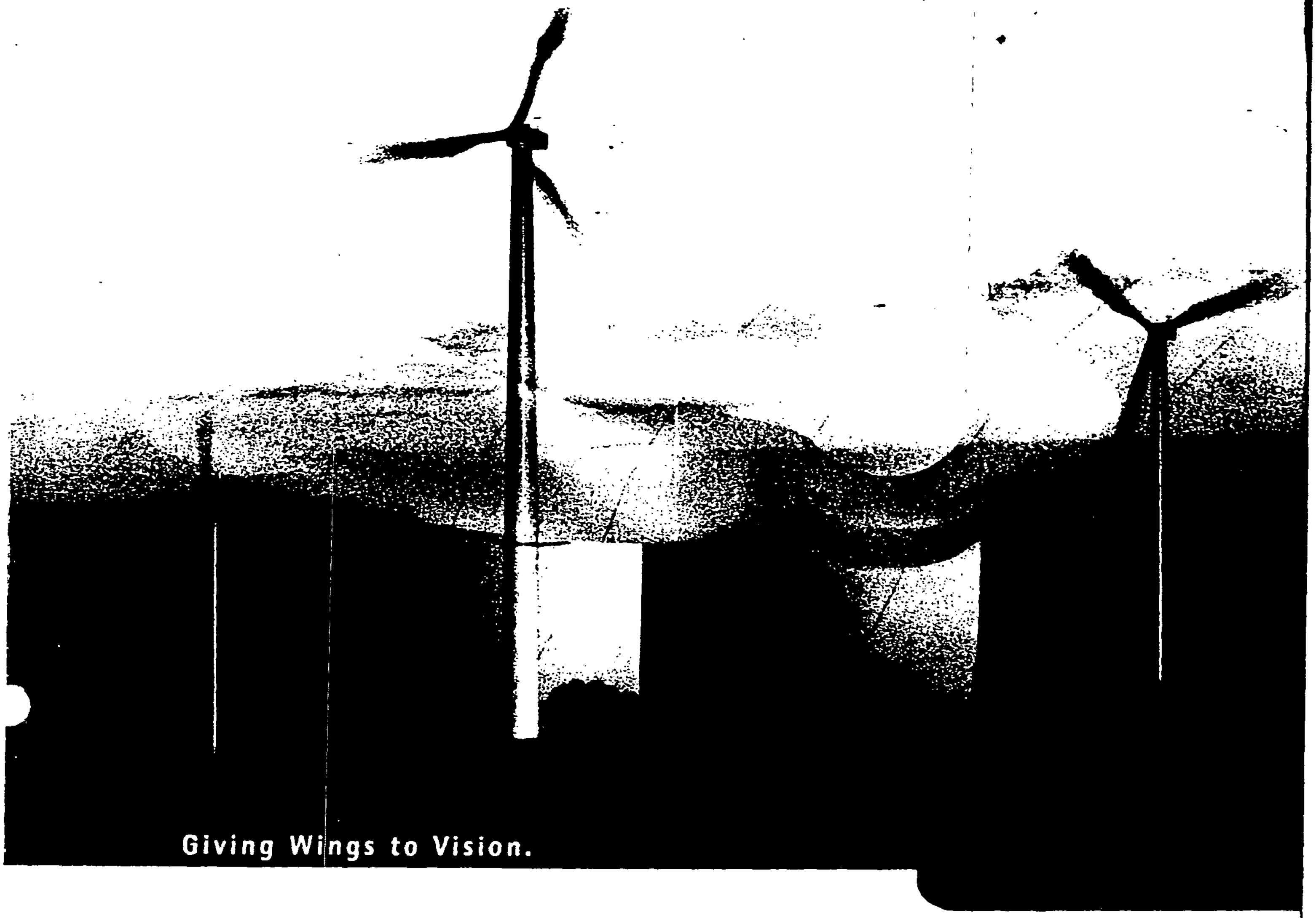
I will follow up on this letter by contracting your scheduler to arrange a meeting.

I look forward to meeting with you.

Sincerely,

Hap Boyd

R.T. "Hap" Boyd



50 B

Folder Profile

Control #	2001-018407
Name	Letter to Spencer Abraham from Kenneth L. Lay, Chairman
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	8/6/01
Subject Text	Kenneth Lay, Enron, invites Secretary Abraham as keynote speaker at the event, "U.S. Energy Policy at a Crossroads:Alternative Futures for the Current Energy Crisis," Washington, D.C, 10/3-10/4/01
Correspondence Date	7/31/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter. Duplicate of 2001-018083. S-1 Regret 10/29/01
Date Due	
Date Completed	8/6/01

51

2001-018407 8/6/01 11:03

018407

Kenneth L. Lay
Chairman of the Board

Enron Corp.
P.O. Box 1188
Houston, TX 77251-1188
713-853-6773
Fax 713-853-5313
kenneth.lay@enron.com

July 31, 2001

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
Forrestal Building
1000 Independence Ave. SW
Washington, DC 20585-1000

Dear Mr. Secretary:

I'd like to follow up with you personally on a recent invitation extended by Jeff Skilling for an event Enron is hosting, **"U.S. Energy Policy at a Crossroads: Alternative Futures for the Current Energy Crisis,"** in Washington, DC on October 3-4. We would be honored to have you as a featured keynote speaker to communicate your vision of America's energy future. The energy industry is at a critical juncture. Through this event, Enron is committed to creating an open dialogue for the industry to work together collectively and constructively to find solutions and discuss ways to get them implemented.

Your involvement in this industry forum represents an opportunity to engage with the most senior level stakeholders in our sector--key opinion leaders, policymakers, regulators, and business executives. This forum resonates with the industry. Our efforts thus far have generated a positive response, and we anticipate a productive and insightful discussion.

I'd appreciate your being part of this forum. Your participation would greatly enhance the prospects of a positive outcome.

Sincerely,

Kenneth L.

51A
A.

Folder Profile

Control #	2001-018083
Name	Letter to Secretary Spencer Abraham from Kenneth Lay, E
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	8/1/01
Subject Text	Kenneth Lay, Enron Corp., invites Secretary Abraham as keynote speaker at "U.S. Energy Policy at a Crossroads:Alternative Futures for the Current Energy Crisis", Washington, D.C., 10/3/01 to 10/4/01
Correspondence Date	7/31/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter. S-1 Regret 10/29/01
Date Due	
Date Completed	8/2/01

52

018083

2001-018083 8/1 P 12:07

F'acsimile Cover Sheet

To: The Honorable Spencer Abraham
Company: U. S. Department of Energy
Phone: 202-586-6210
Fax: 202-586-4403

From: Kenneth Lay
Company: Office of the Chairman
Phone: 713/853-6773
Fax: 713/853-9479

Date: August 1, 2001

ages including
ıis cover page: 2

C mments:

52A

Kenneth L. Lay
Chairman of the Board

Enron Corp.
P.O. Box 1188
Houston, TX 77251-1188
713-853-6773
Fax 713-853-5313
kenneth.lay@enron.com

July 31, 2001

Tl : Honorable Spencer Abraham
S(:retary of Energy
U. ;. Department of Energy
F(restal Building
1( )0 Independence Ave. SW
W shington, DC 20585-1000

D(ar Mr. Secretary:

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Your involvement in this industry forum represents an opportunity to er jage with the most senior level stakeholders in our sector--key opinion le: ders, policymakers, regulators, and business executives. This forum re onates with the industry. Our efforts thus far have generated a positive re ponse, and we anticipate a productive and insightful discussion.

I'd appreciate your being part of this forum. Your participation would gr atly enhance the prospects of a positive outcome.

Sincerely,

Kenneth Lay

52B

Folder Profile

Control #	2001-018844
Name	Letter to Secretary Spencer Abraham from Glenn Hamer, S
Priority	Important
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	8/10/01
Subject Text	Glenn Hamer, SEIA, requests a meeting with Secretary Abraham to discuss energy and environmental concerns on 9/13/01 or 9/14/01 (no time or location provide)
Correspondence Date	8/8/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	GREENA
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info: ES/Carpenter - Regret
Date Due	
Date Completed	8/13/01

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A

018844

Solar Energy Industries Association (SEIA)
1616 H Street, N.W., 8th Floor
Washington, D.C. 20006-4999

Glenn Hamer, Executive Director

202.628.7475 Fax 202.628.7779
E-mail: glennhamer@aol.com

August 8, 2001

Secretary Spencer Abraham
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, D.C. 20585

Dear Secretary Abraham:

Energy is at the top of everyone's agenda right now. The country has legitimate energy and environmental concerns. A part of the solution to these problems includes adding additional, clean sources of power to the energy pool. Solar is booming and it has the potential to play a substantial role in the energy crisis solution.

A June Washington Post/ABC News poll found an extraordinary 90% of respondents nationwide support the federal government developing "more solar and wind power." What's more, when asked what should be the "federal government's highest [energy] priority," the #1 choice across America was "develop more solar and wind power." 23% of Americans ranked it #1, the highest score for that question. In May, a USA Today/CNN/Gallup poll found that a whopping 91% of Americans support "investments in new sources of energy such as solar, wind and fuel cells."

As Executive Director of the Solar Energy Industries Association, I request a meeting with you to address both energy and environmental concerns, including global warming, with some of our top executives in the solar industry. These solar experts have innovative ideas and views to share on these issues. Ideally, we would like to meet with you on September 13, 2001, however, September 14 is also a possibility if that is more convenient.

Please contact Jennifer Trendler at (202) 628-7745 or jtrendler@seia.org to set up a time that would fit into your schedule. Thank you for your consideration and we look forward to talking with you.

Sincerely,

Glenn Hamer

Glenn Hamer
Executive Director

Our Board Members are anxious to meet with you. Thanks.

53A

Digital Spin By John C. Dvorak

Sunshine in the Forecast

GIVEN THE NASDAQ COLLAPSE, YOU'D THINK INvestors would pay more attention to an industry growing 30% a year. Sales of photovoltaic panels, which convert sun rays into electricity, are doing just that, and are expected to do so for years to come. Yet solar power continues to be tarred as a technology for crackpots and free-love hippies. Perhaps the energy crisis in the western U.S., as well as some entrants with exciting new technologies, will change things.

Photovoltaics is the process of absorbing photons from the sun or other light sources and turning them into electrons. The traditional technologies rely on silicon wafers cut from crystals and notched with circuits that absorb the photons. Until recently the crystals used to make solar receptors were inferior in quality to those used for PC semiconductors.

But solar power would be much more efficient with the use of higher-quality materials and the common chip industry practice of making things smaller, denser and cheaper. Amonix, a new Torrance, Calif. firm, is shrinking receptors to a 250th of their standard size using a high-quality substrate made of complementary metal on silicon, or CMOS, the same material used in cell phone and PC chips. Amonix then uses lenses to concentrate sunlight onto these tiny receptors. Result: Amonix's cells are 26% efficient (meaning 74% of the incoming photons are lost) compared with the industry standard of 12% to 16%.

"Amonix probably has the most interesting system out there," says Paul Maycock, editor of *Photovoltaic News*. Amonix just finished installing a $700,000, 100-kilowatt system at the Glendale Airport in Arizona. Energy will initially cost 50 cents per kilowatt-hour, twice the cost of oil-based power, but is expected to drop to 5 cents after the state finishes a 1-megawatt solar plant sometime next year.

An emerging technology to compete with wafer-based panels is thin-film photovoltaics. With thin-film technology you coat a surface such as stainless steel or glass with a photoreceptor such as amorphous silicon or selenium. While thin-films, which hold on to between 6% and 11% of photons, are less efficient than wafer technology, these flexible materials can be incorporated into building materials more easily. "You can shoot a bullet through one of these thin-film panels and it will still work," says Richard Bleiden, director of project sales for United Solar, a subsidiary of Energy Conversion Devices in Troy, Mich.

The world's biggest thin-film maker, and the biggest solar-cell manufacturer period, is BP Solar, a division of BP Amoco. Its photovoltaic sales this year should run about $250 million. Other serious contenders are Sharp and Kyocera. "BP expects future buildings to incorporate photovoltaics in their designs," says BP Solar Chief Executive Harry Shimp. To prove it, the oil giant is adding photovoltaic roofs to many of its new gas stations. AstroPower, a publicly traded photovoltaic producer in Newark, Del., is working with builder Shea Homes to offer solar panels on new homes.

People still equate solar power with the hippy-dippy 1970s. But this technology is solid, cheap and poised to get bigger.

Today most buyers are on allocation as solar costs begin to fall. Contractors quote about 15 cents per kilowatt-hour for homes and 10 cents for industry. These prices are low, thanks to subsidies from green states. Installed panels typically cost $10 per watt. California residents get a $3-per-watt rebate. A 6-kilowatt panel, costing $60,000, can produce enough juice for a three-bedroom home. After rebates the price drops to $42,000. Annual operating costs are virtually nil, and a panel might last 100 years, says Maycock.

So why is there no public buzz? These huge companies don't break out their numbers for photovoltaics, and the companies pushing the technology are too small to notice.

My theory? People still equate photovoltaics with the hippy-dippy 1970s. A recent *New York Times* article showed some hippies in Ukiah, Calif. with a solar panel outside their yurt-like home with its sod-covered roof. Presumably the solar panel was used to power a lava lamp. "The hippy thing is media nonsense. Most buyers are smart middle- and upper-middle-class homeowners," says contractor Gary Gerber of Sun Light & Power in Berkeley, Calif.

Buzz or no buzz, this technology is solid and cheap. With public resistance to oil exploration and nuclear power, photovoltaics is a big business poised to get bigger. F

John C. Dvorak, *columnist and author, is host of* Silicon Spin, *a daily TV show on ZDTV. Find past columns at* **www.forbes.com/dvorak** *or use your :CueCat device on the cue code (right) to take you there instantly.*

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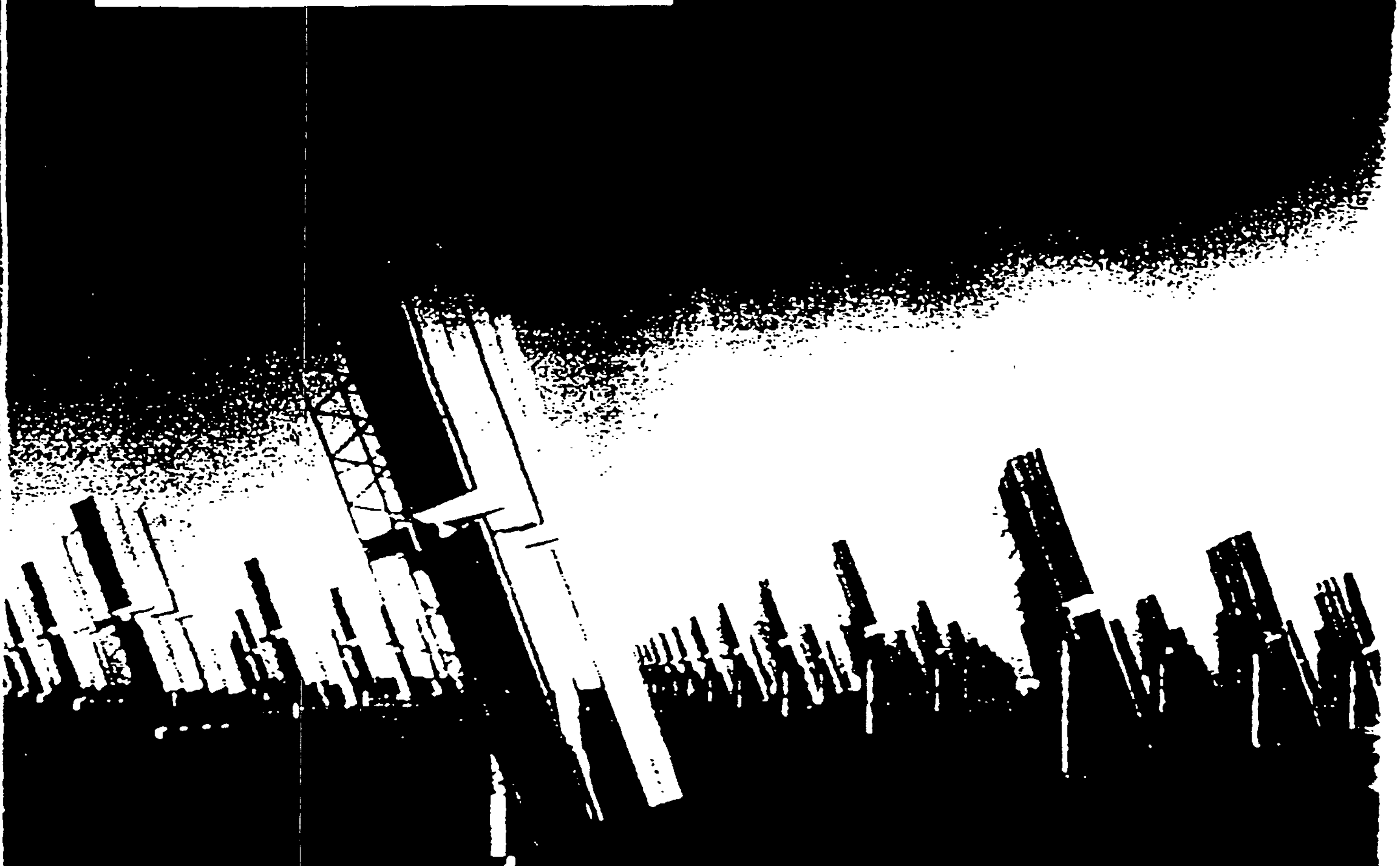
TIME July 2001

THE TRADE IN RENEWABLE ENERGY



Selling the SUN

Renewable energy has come of age—but it's mostly foreign companies that are making money on it

BY EUGENE LINDEN

There's an old joke in Brazil that it is the nation of the future—and always will be. For decades the same has been said of the renewable-energy industry. Someday soon, its promoters kept promising, solar cells and wind turbines would produce electricity more cheaply than would traditional plants burning coal and oil and natural gas. There have been many false dawns, as fossil-fuel prices soared and then swooned. But the promised day appears finally to have arrived at, among other places, windswept hilltops in Texas and Colorado. On King Mountain, near McCamey, Texas, Renewable Energy Systems has

53B-1

. . . and the WIND

teamed with Cielo Wind Power to build one of the world's largest wind-powered generating facilities, with a capacity to light as many as 139,000 homes. This was no feel-good exercise. Wind power was chosen according to the cold calculus of business. It will produce electricity over the 20-year life of the facility for an estimated 3¢ to 6¢ a kilowatt-hour (kw-h). That compares with a recent average of 7.6¢ a kw-h charged by Texas utilities. Using a similar calculation in late March of this year, the Public Utility Commission in Colorado chose wind over gas to power a new generating station built by Excel

John Browne, CEO of BP, is positioning his company for the post-petroleum world by investing in renewable-energy technology

53B-2

in Lamar. Brian Evans of Renewable Energy Systems expects that wind power could explode to supply 20% of America's electricity within 20 years. Exults Hal Harvey, president of the Energy Foundation, based in San Francisco: "We've found the holy grail: wind is now cheaper than any fossil fuel-based power source."

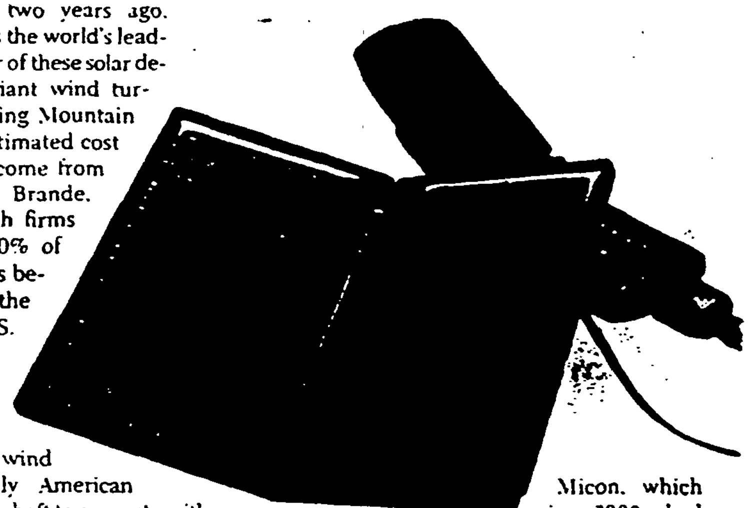
Since 1998, wind power has been the fastest-growing new source of electricity in the world, expanding an average of 30% a year. Sales of photovoltaic panels (also known as solar cells), which convert the sun's energy directly into electricity, grew by 37% last year. At high-tech companies and hospitals, executives with a special concern about power disruptions are looking at fuel cells to supply clean and reliable power on site (albeit at prices that currently remain higher on average than those charged by the big utilities).

The value of the world's electrical power generated from renewable sources such as wind and solar is about $7 billion—up from less than $1 billion a decade ago, but still a tiny fraction of the total electricity market, according to a study by green-technology consultants Clean Edge, of Oakland, Calif. That study projects the renewable market to reach $82 billion by 2010, as technological advances lower the price and make renewables easier to use. And governments around the world are pushing power producers to reduce emissions that contribute to air pollution and global warming. Joel Makower, co-founder of Clean Edge, calls this moment "a unique historical opportunity" for companies that produce renewable energy.

As the global market for renewable energy expands, however, it is European and Japanese companies—not American ones—that are winning most of the new business. As recently as 1996, manufacturers in the U.S. accounted for more than 40% of the world's photovoltaic shipments. But two years ago, Japan emerged as the world's leading manufacturer of these solar devices. The 214 giant wind turbines going to King Mountain in Texas at an estimated cost of $250 million come from Bonus, based in Brande, Denmark. Danish firms are supplying 60% of the wind turbines being installed in the fast-growing U.S. market, which this year alone will nearly double the total installed base of wind power. The only American wind firm with the heft to compete with the large European companies is an arm of the energy giant Enron, based in Houston.

European and Japanese firms have also established solid footholds in the enormous potential power markets in developing countries such as China and India, where solar and wind power offer the cheapest way to bring electricity to some of the 2 billion people just now getting their first lights and refrigeration. India is turning to renewables to bring electricity to some of the roughly 300 million of its people who lack power. The nation now has the fifth-largest installed base of wind generators in the world and plans to use renewables for as much as 15% of its new power over the next decade. So far, most of India's estimated $100 million annual spending on renewable-energy plants is going to Indian companies or firms such as Denmark's NEG Micon, which in 2000 had 9.1% of India's wind market—more than four times the share of the U.S. firm Enron. Says Dale Vince, managing director of Next Generation, which erected a large wind turbine for Britain's Sainsbury's grocery chain: "The export market will be colossal for wind energy, and the U.S. is lagging behind the Europeans."

The sale of photovoltaic cells grew by 37% last year as new applications hit the market



To be sure, Enron has opened a new wind turbine plant south of Madrid, right in the heart of the European market. And Cannon, a U.S. wind-energy developer, has launched big projects in Turkey. But the wind turbines Cannon is installing are made by Danish firms.

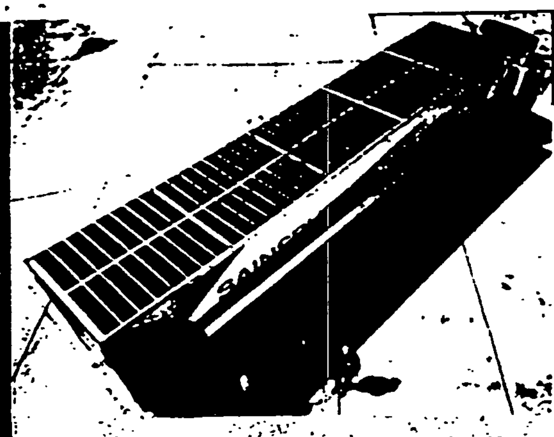
Most galling for some is that the U.S. pioneered many of the key wind and solar technologies finding commercial success today. Notes Hal Harvey in frustration: "We paid to create wind and solar power, and we have been giving it away."

Some of it, though, is coming back. Big Danish firms such as Vestas are building turbine factories in the U.S. The two largest solar-device manufacturers on American soil are British-owned BP Solar and German-owned Siemens. Ownership may be [illegible] workers benefit.

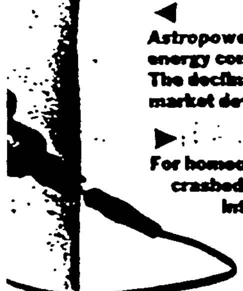
[illegible] and Japanese renewable-energy [illegible] prospered in part thanks to [illegible] and government subsidies [illegible] generous than those [illegible]. A greater advantage

Soren Krohn is president of the Danish association of wind turbine makers, who lead the world in windmill exports

53B-3



▲ **British companies have been aggressive in adopting alternative energy. Food retailer Sainsbury has developed this solar-powered refrigeration unit for some of its delivery trucks**



◀ **Astropower, America's largest independent solar-energy company, expects 50% growth this year. The declining cost of solar power enables it to market devices like this solar recharger for phones**

▶ **For homeowners faced with rotting food and crashed computers as a result of power interruptions, Astropower offers energy independence in the form of its Solar Electric Home Power system**

COURTESY OF ASTROPOWER (2), COURTESY OF SAINSBURY

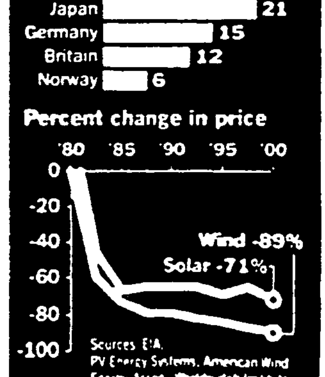
for the foreign firms, however, is the higher price charged in their home countries for electricity generated by fossil fuels. Governments in Europe and Japan heavily tax oil, gas and coal to capture some of the hidden costs—from pollution and global warming to vehicular traffic—of consuming it. In the U.S., solar and wind energy have looked less attractive—at least until recently when fuel-generated electricity prices spiked for some customers in California to more than 25¢ a kw-h.

In Britain, the fuel tax-driven rise in electricity costs helped encourage Sainsbury's in March to refrigerate part of a food-storage depot in East Kilbride, Scotland, with electricity generated by a towering, 213-ft.-tall wind turbine. Sainsbury's also powers the refrigerators on some of its delivery trucks through solar panels on the vehicles' roofs. Denmark's government used to subsidize the installation of wind turbines but abolished the program in 1989, when wind power was regarded as fully competitive with electricity produced from heavily taxed fossil fuels.

The global situation today in some ways compares to the decade after the 1973 oil embargo, when fuel prices soared. Americans suddenly wanted smaller and more fuel-efficient vehicles. The Japanese, who had been building such cars for years, won lucrative market share and customer loyalty that U.S. producers have never entirely regained. Now as then, the affected U.S. companies are debating not only corporate strategy but also the appropriate role for government.

While the Bush Administration's energy policy tilts toward traditional oil and coal interests, many renewable-energy entrepreneurs believe that global political and market forces are now on their side—and that their technologies have developed to the point where they can win, even on a playing field that is canted against them. Joseph Mahler, chief financial officer of FuelCell Energy, a Danbury, Conn., firm that builds relatively small but highly efficient and pollution-free power plants, says his factories are expanding production rapidly. Many buyers fear California-style blackouts, and he worries more about meeting demand than about whether the U.S. government tries to help.

But such assistance has proved invaluable to some renewable-energy technologies. Allen Barnett, founder and president of Astropower, America's largest independent producer of photovoltaics, developed his design at the University of Delaware with the assistance of U.S. Department of Energy funding. The U.S. government, he argues, could make American renewable-energy companies more competitive globally simply by treating them fairly in government-purchasing decisions. "The U.S. government is the biggest buyer of electricity in the world," he says, "and often at prices above what we can deliver with solar. All we are asking is that the government look at what it's paying, and anyplace where solar or other renewables are cost effective, use them."



Such pioneering purchases are a traditional way by which governments encourage new technologies. The now ubiquitous microchip is perhaps the best example. At first the U.S. military was the only market for the early integrated circuits, but by selling to it in bulk, companies learned how to make chips better and cheaper. Between 1962 and 1968, says Dennis Hayes, president of Seattle's Bullitt Foundation, the price of these components dropped 95% as their capabilities expanded, eventually making integrated circuits viable for commercial applications such as personal computers.

53b-4

Mahler of FuelCell Energy says such economies of scale would make fuel cells even more competitive with fossil fuels. He estimates that with its current production at 50 megawatts a year, his company's cells can deliver power at 7¢ or 8¢ a kw-h. But when FuelCell increases production by 2004 to 400 megawatts a year, as it plans, the attendant savings could drop the price to 5¢ or 6¢ per kw-h, all else being equal.

This is the path by which Japanese companies were able to win the lead in solar exports from U.S. competitors. As Astropower vice president Howard Wenger notes, the Japanese government's approach has been to "massively build up the domestic market through incentives to encourage industry to scale up and then, in phase two, take the show on the road and dominate the world." Japan is currently the largest market for solar in the world, and 75% of the 4 million devices sold so far are on rooftops, partly because of government incentives. The experience of selling mass quantities of photovoltaics at home helped firms such as Sharp, with 17.5% of the world market for the basic modules that convert solar energy to electricity, and Kyocera, with 14.6% of this module market, pull ahead of American rivals.

Now Japan is applying the same approach as it seeks to develop ultra-efficient green cars. The government instituted a goal to make 100% of its fleet of 7,000 official cars "green," meaning they get ultra-high mileage running, at least in part, on some ultra-clean fuel such as hydrogen. When told in May that this would take seven years, Prime Minister Junichiro Koizumi responded with "That's too long—make it three!" Denmark, Italy, Spain, Portugal, Greece, Austria and Sweden also use government purchases to stimulate production of renewables. By contrast, the U.S. has no comparable federal policies to stimulate the market for green cars. A number of states, however, have set ambitious targets for using renewables.

FuelCell Energy CEO Jerry Leitman displays *a scale model of a fuel cell in the company's test lab in Danbury, Conn.*

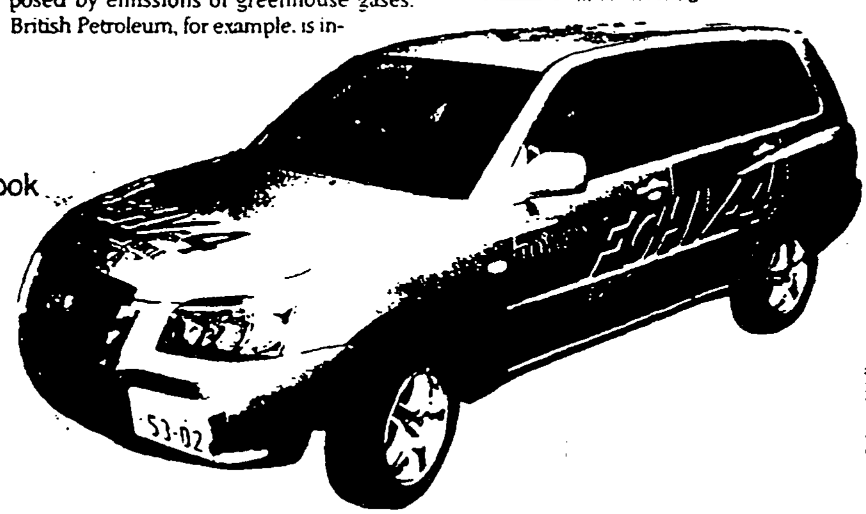
What U.S. renewable-energy execs are asking is that government provide a regulatory environment that, at minimum, doesn't discriminate against them. Amory Lovins, co-founder of the Rocky Mountain Institute and a longtime cheerleader for clean energy, points out that in 1996 the California legislature discontinued a policy that encouraged alternatives and efficiency by allowing utilities to make money even if they sold less power (a policy that was reinstituted in April). Policies that allow solar and wind power to be sold to the grid during peak production periods—now in place in more than 30 states—also are encouraging use of renewables.

Some argue that U.S. tax policy discriminates against renewable-energy companies by taxing them at virtually the same rate as fossil-fueled competitors who impose big costs on society through pollution and greenhouse gases. Almost everywhere else in the world, fossil fuels bear cumbersome taxes. Japan has a "green tax" and the U.K. a "Climate Change Levy," as well as other taxes on fossil fuels.

As the Bush Administration resists international action on climate change, governments and companies in Europe and Asia are positioning themselves to deal with the threat posed by emissions of greenhouse gases. British Petroleum, for example, is investing large sums in solar and other renewables and experimenting with carbon-trading schemes that offset emissions in one place with protection of forests that capture carbon. While such U.S.-based companies as General Motors and American Electric Power are also experimenting with carbon trading and clean fuels, they seem at the moment to be motivated more by the threat of boycotts by international environmental groups than by market economics. The interest in renewables on the part of such big oil companies as BP and Shell, on the other hand, "has gone beyond window dressing," says Vince, the British wind-power executive. "They can see the future of energy. For them, it's business." And that may be the best evidence that renewable energy's future has finally come. ***—With reporting by Maryann Bird/London, David Bjerklie/New York, Ulla Plon/Copenhagen, Toko Sekiguchi/Tokyo and other bureaus***

For more about the renewable-energy business, visit our website at **time.com/global**

With concerns about climate change mounting, carmakers look to fuel cells as a new source of efficient, nonpolluting power



A brand-new experimental vehicle that draws on readily available gas to power fuel cells, this SUV is the first stage of Toyota's effort to meet 2010 emissions standards by 2005

536-5

Folder Profile

Control #	2001-018818	**Name**	Letter to Secretary Abraham from Linda Robertson, Vice P
Priority	Important	**Folder Trigger**	Invitation
DOE Addressee	Spencer Abraham	**Source**	PM-O
		Date Received	8/10/01
Subject Text	Linda Robertson writes on behalf of Jeff Skilling, CEO of Enron who would like to schedule a meeting with Secretary Abraham to discuss the state of electricity competition & upcoming legislation	**Correspondence Date**	8/10/01
		RIDS Information	Head of Agency
		Sensitivity	Not Applicable
Action Office #	Regular	**Classification**	None
Signature/Approval	NA	**Point of Contact**	CUNNINGD
		Organization ID	EXECCORR2
Action Requested	Appropriate Action	**Assigned To**	SL/Johnston
Special Instructions	8/22/01 regretted by phone w/Laura	**Date Due**	
		Date Completed	8/13/01

5L

08/10/01 12:40 FAX 001

AUG 10 2001 12:04 FR ENRON TO 5867573 P.01/01

2001-018818 8/10/01 1:39

018818

ENRON

Linda L. Robertson
Vice President
Federal Government Affairs

Enron
1775 Eye Street, NW, Suite 800
Washington, DC 20006
202-466-9159
Fax 202-828-3372
linda.robertson@enron.com

VIA FAX
202-586-7573 (fax)

August 10, 2001

The Honorable Spencer Abraham
Secretary of Energy
US Department of Energy
1000 Independence Avenue, SW
Room 7A-257
Washington, DC 20585
Attention: Ms. Cheryl Alford, Scheduler

Dear Ms. Alford:

Jeff Skilling, CEO of Enron would like to schedule a meeting with Secretary Abraham to discuss the state of electricity competition and upcoming legislation. Mr. Skilling is available for a meeting in Washington, DC on Tuesday, September 11, 2001 in the afternoon if this is possible.

At your convenience, please call me at 202-466-9159. I look forward to talking with you.

Sincerely,

Linda Robertson

54A

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Folder Profile

Control #	2001-018943
Name	Letter to Secretary Abraham from Scot Faulkner, The Euro
Priority	Important
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	8/13/01
Subject Text	Scot Faulkner, European Institute, shares additional information about their annual energy seminar being held on 10/10/01
Correspondence Date	8/10/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	GREENA
Organization ID	EXECCORR2
Action Requested	Appropriate Action -
Assigned To	SL/Johnston
Special Instructions	Relates to ES2001-010163 - Regret
Date Due	
Date Completed	8/24/01

55

2001-018943 8/13/01 3:41

O18943

THE EUROPEAN INSTITUTE

5225 WISCONSIN AVENUE, N.W., SUITE 200, WASHINGTON, DC 20015-2014
TELEPHONE: (202) 895-1670 ▪ FAX: (202) 362-1088 ▪ E-MAIL: INFO@EUROPEANINSTITUTE.ORG

August 10, 2001

The Honorable Spencer Abraham
Secretary of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Secretary:

On October 10, 2001 The European Institute is hosting our annual energy seminar entitled *Energy Governance: Transatlantic Approaches to Energy Policy.* On behalf of the Board of Directors and Members of the Institute, I would like to reiterate our earlier invitation to have you address this special meeting of our *Roundtable on Energy, Environment and Transportation.*

In the time since our initial invitation, this seminar has taken shape. I would like to take this opportunity to share some additional information with you. This seminar will focus on the differences in transatlantic approaches to energy governance. The Institute is working to create a balanced forum for a meaningful debate on ways to make energy and environmental policy more responsive and relevant in the face of complex and ever changing market conditions.

The Honorable ***Christel Möller****, Germany's Director General for Energy*, has confirmed her participation in this dialogue. We have also invited representatives of European and American government and industry, including *EPA Administrator* ***Christine Todd Whitman****, Congressman* ***Joe Barton, Pedro Miquel de Sampino Nunes,*** *Director, Conventional Sources of Energy, European Commission,* ***Callum McCarthy****, Director General for the British Office of Gas and Electricity Markets and* ***Dr. Kenneth Lay****, Chairman and CEO of Enron Corporation.* It is our hope that you will agree to give the keynote address at the closing luncheon, from 12:45 – 2:45 p.m. on October 10.

As a reminder, The European Institute is the leading Washington-based public policy organization devoted to transatlantic affairs. It brings together Americans and Europeans in an independent and non-partisan forum. Its goal is to maintain and renew the transatlantic relationship while European integration proceeds and the Atlantic Alliance evolves. The Institute's Membership includes 23 European governments and 80 multinational corporations.

We look forward to receiving you at the Institute. If you, or your staff, have any questions, please call me at (202) 895-1670.

Sincerely,

Scot Faulkner
Executive Director

55A

Folder Profile

Control #	2001-017821
Name	Action Memo from FE/Kripowicz to the Secretary
Priority	Important
Folder Trigger	Internal Memo
DOE Addressee	Spencer Abraham
Source	AM
Date Received	8/16/01
Subject Text	Invites recommendations of nominees to serve on the National Petroleum Counsel
Correspondence Date	8/15/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	FE
Classification	None
Signature/Approval	Spencer Abraham
Point of Contact	PRYORJ
Organization ID	EXECCORR2
Action Requested	Approval/Signature
Assigned To	FE
Special Instructions	Letters dispatched in FE.
Date Due	
Date Completed	8/15/01

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The Secretary of Energy
Washington, DC 20585

August 15, 2001

Mr. Ken Lay
Chairman
Enron Corp.
1400 Smith Street
Houston, Texas 77002

Dear Ken:

The National Petroleum Council is a Federal advisory committee that advises the Secretary of Energy on matters relating to the oil and gas industry. It has a long and distinguished history of contributing to the energy strength, security, and stability of our Nation. It also has a long and distinguished history of addressing society's shared environmental concerns.

At this time, there are several vacancies on the Council. In addition, the terms of the entire membership -- approximately 175 individuals -- will expire at the end of this year. In filling these vacancies, I would like to attract the most qualified individuals from the broadest possible range of relevant disciplines to serve on the Council.

I know that you have undoubtedly had professional interactions with individuals who would add great value to this important group. I am, therefore, asking that you give some thought to individuals and organizations that you believe might appropriately serve on the National Petroleum Council and recommend them to me for service in the Council's 2002-2003 term.

Since the process of selecting and installing new members is time consuming, it would be a great help if you could provide any names, along with relevant information, if at all possible, by September 14, 2001.

Thank you for your consideration of this important matter.

Sincerely,

Spencer Abraham

Spencer Abraham

Printed on recycled paper

56A
A

Folder Profile

Control #	2001-019268	**Name**	Letter to Secretary Spencer Abraham from Paul R. Portney
Priority	Important	**Folder Trigger**	Invitation
DOE Addressee	Spencer Abraham	**Source**	PM-O
		Date Received	8/17/01
Subject Text	Paul R. Portney, Resources for the Future, invites Secretary Abraham to speak to the Resources for the Future Board of Directors and Council on October 10, 2001 in Washington, DC	**Correspondence Date**	8/15/01
		RIDS Information	Head of Agency
		Sensitivity	Not Applicable
Action Office #	Regular	**Classification**	None
Signature/Approval	NA	**Point of Contact**	HOLLOWAG
		Organization ID	EXECCORR2
Action Requested	Appropriate Action	**Assigned To**	SL/Johnston
Special Instructions	Info copy: ES/Carpenter. S-1 regrets.	**Date Due**	
		Date Completed	8/17/01

57

019268

RESOURCES
FOR THE FUTURE

Paul R. Portney
President and Senior Fellow

2001-019268 8/17 A 11:12

August 15, 2001

The Honorable Spencer Abraham
Secretary of Energy
Department of the Energy
Forrestal Building
1000 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Secretary:

At the suggestion of Richard Abdoo, I am writing to invite you to address the Resources for the Future (RFF) Board of Directors and Council following dinner on the evening of Wednesday, October 10th. RFF will be hosting a meeting of the RFF Board and Council at its conference center at 1400 16th Street, NW, Washington, DC, the subject of which is "Balancing U.S. Energy Needs and Environmental Protection," and I am hoping you might use the occasion to reflect a bit on a few of the most sharply debated policy questions. I know those attending the meeting would be especially interested in any observations you might care to make about proposed energy legislation.

The RFF Council was established in 1989 to recognize individuals who provide generous financial support to RFF, as well as representatives of foundations and corporations who do the same (RFF only accepts unrestricted gifts from corporations; we will not accept support tied to a particular research project). In addition, most of the members of RFF's Board of Directors participate in the Council meeting, as do special guests from the environmental advocacy community and from federal, state and local government. I have enclosed a draft agenda for the meeting, along with a list of the members of RFF's Board of Directors and Council. As you can see, it is an impressive group.

We would be most honored if you would be willing to speak to us. If it makes your decision any easier, we do not expect a formal speech. Rather, the relatively small size of the group—about 75-80 people in all—lends itself more to an informal presentation of perhaps 15 minutes. Since the subject of the meeting, and especially the topic I have asked you to address, is one where you have expertise, I hope you will grace us with your presence that evening.

1616 P Street, NW • Washington, DC 20036 • Telephone 202-328-5000 • Fax 202-939-3460 • Cable Resource

57 A

I am grateful to you for considering my request, and will call your office soon to follow up. Thanking you in advance, I am

Sincerely yours,

Paul R. Portney

Paul R. Portney

cc: Richard Abdoo

Enclosures

57A-1

Resources for the Future
Fall Council Meeting
October 10, 2001

"Balancing U.S. Energy Needs & Environmental Protection"

DRAFT Agenda

RFF Conference Center
1616 P Street, NW
Washington, DC 20036

2:00 **RFF Council Meeting**

Welcome: Paul R. Portney, President, Resources for the Future

2:10 **US Energy Policy During the 1990s**

Keynote: Paul Joskow, Professor, Massachusetts Institute of Technology – *invited*

2:45 **Break**

3:00 **Perspectives on the Energy Bill**

Introduction: Howard Gruenspecht, Resident Scholar, Resources for the Future

3:05 – 3:50 – Panel 1: **CAFE**

Marty B. Zimmerman, Chief Economist, Ford Motor Company – *invited*
Daniel F. Becker, Global Warming & Energy Director, Sierra Club – *confirmed*

3:50 – 4:35 – Panel 2: **ANWAR**

Executive from Phillips Petroleum
Sara Chassis, Senior Attorney, Natural Resources Defense Council – *invited*

4:35 – 5:20 – Panel 3: **Subsidies**

Jerry Taylor, Director of Natural Resource Studies, CATO Institute – *confirmed*
James Wolf, *former*-President, Alliance to Save Energy – *invited*

5:30 **Reception & Dinner**

Dinner Speaker

The Honorable Spencer Abraham, Secretary of Energy, Department of Energy – *invited*

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BOARD OF DIRECTORS

Resources for the Future • 1616 P Street, NW • Washington, DC 20036 • Telephone 202-328-5000

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RFF Council Members

Corporations

Braden R. Allenby
Vice President - Environment, Health & Safety
AT&T

Patrick R. Atkins
Director, Environmental Affairs
Aluminum Company of America

Timothy Bent
Director, Environmental Affairs
Bridgestone/Firestone, Inc.

Leslie Carothers
Vice President, Human and Natural Resource Protection
United Technologies Corporation

George D. Carpenter
Director, Worldwide Health, Safety & Environment
The Procter & Gamble Company

Robert D. Cavey
Vice President, Government and Public Affairs
American Standard Companies

Robert J. Christie
Director, Public Affairs
FMC Corporation

W. A. Collins
Director, Health, Environment, and Safety
Occidental Petroleum Corporation

Ged R. Davis
Vice President
Global Business Environment
Shell International Limited

Martin Durbin
Associate Director
Federal & International Affairs
American Plastics Council

Katherine Fish
Director of Public Policy
Monsanto Corporation

William Frick
Vice President
Health & Environment
American Petroleum Institute

Charles H. Goodman
Senior VP, Research and Environmental Affairs
Southern Company Generation

Thomas M. Hellman
Vice President, Environmental Affairs
Bristol-Myers Squibb Company

James R. Hendricks
Vice President, Environment, Health & Safety
Duke Energy

John W. Henry
President
John W. Henry and Company

Dale E. Heydlauff
Senior Vice President, Environmental Affairs
American Electric Power Service Corp.

Jane M. Hutterly
Senior Vice President
Worldwide Corporate Affairs
S. C. Johnson & Son, Inc.

Thomas C. Jorling
Vice President
Environmental Affairs
International Paper

Steven J. Kean
Senior Vice President
Government Affairs
Enron Corp.

Steve Kline
Executive Vice President & Chief of Staff
PG&E Corporation

Elliott P. Laws
President, Safety, Health & Environment
Texaco, Inc.

Michael J. McAdams
General Manager
Government Affairs
BP Amoco Corporation

John P. McMahon
Vice President
External & Regulatory Affairs
Weyerhaeuser Company

Paul G. McNulty
Director, Environmental Policy
Philip Morris Companies, Inc.

Joseph Mayhew
Vice President
Technical and Regulatory Affairs
American Chemistry Council

W. H. Moore
President & CEO
American Forest & Paper Association

Liam K. Murphy
Vice President
Safety & Environment
Merck & Company, Inc.

James R. Olson
Senior Vice President, External Affairs
Toyota Motor Sales, U.S.A., Inc.

David K. Owens
Executive Vice President
Business Operations
Edison Electric Institute

57B-2

Corporations cont'd

Robert A. Ridge
Vice President, Health
Environment & Safety
Phillips Petroleum Company

James W. Ragland
Director, Economic Research
Aramco Services Company

Stephen D. Ramsey
Vice President, Corporate
Environmental Programs
General Electric Company

David Raney
Manager – Environmental
& Safety Affairs
American Honda Motor Co., Inc.

Bernard I. Robertson
Manager, Truck Operations
DaimlerChrysler Corporation

Ernest S. Rosenberg
President
The Soap & Detergent Association

Marc I. Stern
President
The TCW Group, Inc.

Paul V. Tebo
Vice President, Safety
Health & Environment
E.I. du Pont de Nemours & Co.

Fred W. Telling
Vice President, Corporate Strategic
Planning and Policy
Pfizer Inc.

William F. Tyndall
Vice President, Environmental
Services and Federal Affairs
Cinergy Corporation

Thomas F. Walton
Director, Economic Policy Analysis
General Motors Corporation

Lawrence J. Washington
Vice President, Human Resources
The Dow Chemical Company

Martin B. Zimmerman
Chief Economist
Ford Motor Company

Individuals

Catherine G. Abbott
President, Pipeline Operations
NiSource Inc.

Christopher C. Aitken
Senior Vice President
Consulting Group Director
Salomon Smith Barney

James H.S. Cooper
Partner
Brentwood Capital Advisors, LLC

Robert K. Davis
Boulder, CO

John M. Deutch
Institute Professor
Department of Chemistry
Massachusetts Institute of
Technology

Margaret W. Fisher
Falls Church, VA

Dod A. Fraser
Former Managing Director
Global Oil and Gas Group
Chase Manhattan Bank

Robert W. Fri
Director
National Museum of Natural History
Smithsonian Institution

Mary Gade
Partner
Sonnenschein Nath & Rosenthal

Darius W. Gaskins, Jr.
Senior Partner
High Street Associates, Inc.

Robert E. Grady
Partner & Managing Director
Venture Capital
The Carlyle Group

F. Henry Habicht II
Chief Executive Officer
Global Environment &
Technology Foundation

Edward F. Hand
Vice President
Finance & Administration
Resources for the Future

Thomas E. Johnson, CFA
President
Tom Johnson Investment
Management, Inc.

Raymond J. Kopp
Vice President for Programs
Resources for the Future

W. Mitchell LaMotte
Winnetka, Illinois

Kenneth L. Lay
Chairman and
Chief Executive Officer
Enron Corp.

Lawrence H. Linden
New York, NY

Charles F. Luce
Bronxville, New York

Daniel Luchini
Littleton, CO

Lawrence U. Luchini
Partner & Portfolio Manager
ITS Investments LLC

Steven Luchini
Littleton, CO

Steven W. Percy
Akron, OH

Paul R. Portney
President and Senior Fellow
Resources for the Future

Edward L. Strohbehn Jr.
Attorney-at-Law
McCutchen, Doyle, Brown &
Enersen

Victoria J. Tschinkel
Senior Consultant
Landers and Parsons, P.A.

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Folder Profile

Control #	2001-020663
Name	Letter to CI/Brouillette from Senator Richard G. Lugar referr
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	CI
Source	CR
Date Received	9/6/01
Subject Text	Requests a meeting with a DOE representative to discuss ideas about energy efficiency
Correspondence Date	8/28/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	EE
Point of Contact	POLICYC
Organization ID	EXECCORR2
Action Requested	Prepare Response
Assigned To	EE
Special Instructions	CI concurrence
Date Due	9/28/01
Date Completed	10/3/01

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2001-020663 Sep 6 A 11:18

RICHARD G. LUGAR
INDIANA

306 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510
202-224-4814

COMMITTEES:
AGRICULTURE, NUTRITION, AND FORESTRY
FOREIGN RELATIONS
SELECT COMMITTEE
ON INTELLIGENCE

United States Senate

WASHINGTON, DC 20510-1401

August 28, 2001

Mr. Dan Brouillette
Asst. Sec. For Congressional Affairs
Department of Energy
1000 Independence Avenue SW.
Washington, D.C. 20585

Dear Mr. Brouillette:

Senator Richard Lugar has received the enclosed correspondence from W. F. Wellman regarding his request to meet with a representative from the Department of Energy. Due to the nature of the inquiry, we are forwarding it to you for review and consideration.

After you have had the opportunity to review the enclosed correspondence, please respond directly to Mr. Wellman. Thank you for your assistance and attention to this matter.

Sincerely,

Monica Bowles Kozlowski
Special Assistant

Enclosure

58A

01 AUG 10 PM 1:07

1000 east 80th place, Suite 700
merrillville, indiana 46410
telephone 219-769-6601
fax 219-757-3510

WHITECO Industries, Inc.

August 2, 2001

The Honorable Richard G. Lugar
United States Senate
306 Hart Senate Office Building
Washington, D.C. 20510-1401

Dear Senator Lugar:

Mr. Dean White sold his outdoor sign company in August of 1998 but he kept his sign company in China and a company called **"Profile"**.

In 1992, **"Profile"** developed a box that works off of the satellite which controlled the lights on billboards throughout 38 states. We could tell a sign in New York or San Diego from Merrillville, Indiana when we wanted the lights to come on and when to go off and the box would compensate for the difference between dawn and dusk each day. Mr. White realized that **"Profile"** had a future.......that is the reason he is the boss!

"Profile" now controls the parking lot lights and signs in banks, fast food restaurants, car dealers, malls, parks, government buildings and anyone interested in controlling their energy.

We have just started to work with Enron and they have us hooking up our **"Profile"** box at 18 Simon mall properties in the Chicagoland area. Next month we will be taking over the control of the lights and signs at the Castle Mall in Indianapolis and we will also be controlling over 20 rooftop air conditioners at the mall. Enron knows how this will save in energy and maintenance costs so we expect to be doing some serious business with Enron.

Now for the main reason for writing you. Mr. White rarely asks for anything but this time I think you could help me get a foot in the door with the government. We are working on a project with Vanderberg AFB where we would

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The Honorable Richard G. Lugar
United States Senate
306 Hart Senate Office Building
Washington, D.C. 20510-1401
August 2, 2001
Page Two

be controlling the interior lighting on 300 buildings as well as load shedding capabilities. We would really like to have an appointment with someone in the energy department that would listen to our story.

We are good, not expensive and very reliable. In fact, maybe we could look at the Vice President's house to see if we couldn't cut his utility bill down.

Thank you for your time and consideration regarding the above request.

Sincerely,

Bill Wellman

W. F. (Bill) Wellman
Senior Vice President Communications

WFW/cs

Enclosures:

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Folder Profile

Control #	2001-020031
Name	Fax to Secretary Abraham from Linda L. Robertson (Enron
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	8/29/01
Subject Text	Linda L. Robertson, ENRON, would like to meet with Secretary Abraham in Washington; D.C., 9/18/01 or 9/19/01, to discuss electricity issues
Correspondence Date	8/28/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	Info copy: ES/Carpenter
Date Due	
Date Completed	8/30/01

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2001-020031 Aug 29 A 10:29

Linda L. Robertson
Vice President
Federal Government Affairs

Enron
1775 Eye Street, NW, Suite 800
Washington, DC 20006
202-466-9159
Fax 202-828-3372
linda.robertson@enron.com

VIA FAX
202-586-7573 (fax)

August 28, 2001

Ms. Robin Johnston
Scheduler
The Honorable Spencer Abraham
Secretary of Energy
US Department of Energy
1000 Independence Avenue, SW
Room 7A-257
Washington, DC 20585

Dear Ms. Johnston:

Ken Lay, Chairman and CEO of Enron would like to schedule a meeting with Secretary Abraham to discuss the state of electricity competition, and upcoming electricity legislation. Dr. Lay is available for a meeting in Washington, DC from September 18 through September 19, 2001.

At your convenience, please call me at 202-466-9159. I look forward to talking with you.

Sincerely,

Linda Robertson

Folder Profile

Control # 2001-021499 **Name** Fax to Secretary Spencer Abraham from Ron Henderson, I

Priority Important

Folder Trigger Fax Message

DOE Addressee
Robert G. Card

Source PM-O

Date Received 9/20/01

Subject Text
Ron Henderson, Infocast, asks the Secretary to speak at the Energy Investor Policy and Regulation Conference December 3-4, 2001, in New York City

Correspondence Date 9/19/01

RIDS Information Head of Agency

Sensitivity Not Applicable

Action Office #

Classification None

Signature/Approval
NA

Point of Contact GORHAMO

Organization ID EXECCORR2

Action Requested
Appropriate Action

Assigned To
Robert G. Card

Special Instructions
Ron Henderson asks to send this invitation to S-2 and S-3 asking them to speak, per S-1 Scheduling Office.

Date Due

Date Completed 9/21/01

60

2001-021499 9/20/01 8:46am

021499

INFOCAST FAX COVER SHEET

22134 Sherman Way, Canoga Park, CA 91303
TEL (818) 888-4445 ext. 28 • FACSIMILE (818) 888-4440 • e-mail: ronh@infocastinc.com

Date: September 19, 2001

Attn: Catherine Carpenter
Department of Energy Executive Secretary Office

Office Facsimile No.: 202-586-7573

From: Ron Henderson
Conference Manager

This facsimile contains 7 page(s) including this cover sheet. If there is a problem with this transmission, please telephone (818) 888-4445 ext. 28.

Hi Todd:

Thank you for advising me on the process for inviting speakers. Following you will find an invitation to Secretary Abraham to speak at the upcoming *Energy Investor Policy and Regulation Conference*. I am also attaching an agenda for the program.

I would very much appreciate your help in presenting this invitation to Secretary Abraham and advising me whether he will be able to join us at this important event.

I am working on a rather tight deadline for getting the event's publicity materials to the printer. Therefore, as I mentioned to you today, I will give you a call on Monday to discuss this invitation.

Thank you for your assistance.

Ron Henderson
Infocast
818-888-4445 ext. 28
ronh@infocastinc.com

60A

Energy Investor Policy & Regulation Conference
"Washington Comes to Wall Street"

September 12, 2001

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Abraham:

We would be honored if you would join us as a featured speaker at the *Energy Investor Policy and Regulation Conference*, scheduled for December 3-4, 2001 at the W New York Hotel in New York City.

The *Energy Investor Policy and Regulation Conference* has been developed in conjunction with a stellar Advisory Board from major Wall Street firms and will be this year's most important conferences for energy investors and energy companies—both of whom have a tremendous stake in the future course of government energy and environmental policy and regulation. The conference theme will be "Washington Comes to Wall Street." This event will offer a unique opportunity for leading policy makers from the Bush Administration, the Congress, and federal and state regulators to share their perspectives with an audience that will include representatives of major energy companies and financial institutions.

In particular, we would like you to deliver the Keynote Address "The Bush Administration View of National Energy Policy" on December 3, 2001, and share with the audience the Bush Administration's perspectives on this vital national issue. Given your pivotal role as Energy Secretary, the audience at the conference will be especially interested in your remarks.

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I am attaching a conference agenda for your review. We hope that you will find the *Energy Investor Policy and Regulation Conference* to be an attractive forum for articulating your views on the energy policy issues affecting the Nation's energy consumers, the energy industry and the investment community.

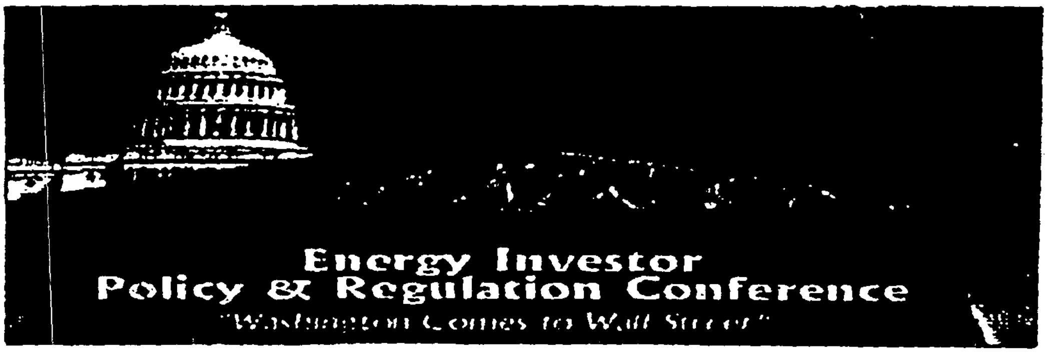
We are planning on printing soon some publicity materials for the *Energy Investor Policy and Regulation Conference*. Therefore, I will call shortly to determine whether you will be able to join us. In the meantime, please call me at 818-888-4445, ext. 28, if you have any questions regarding this important event.

With best regards,

Ron Henderson

Ron Henderson
Conference Manager
Infocast

60B-1



December 3-4, 2001 ♦ New York, NY
W New York Hotel

Agenda

Monday, December 3, 2001

8:30 – 9:00 Introduction and Opening Remarks by the Conference Chair

- Donald F. Santa Jr., Partner, Troutman Sanders LLP and formerly Commissioner, Federal Regulatory Energy Commission (confirmed)

National Energy Policy

9:00 – 9:45 *Keynote Address*:
THE BUSH ADMINISTRATION'S VIEW OF NATIONAL ENERGY POLICY
[Invited Speaker]:
Spencer Abraham, Secretary of Energy, U.S. Department of Energy

9:45 – 10:30 THE CONGRESSIONAL VIEW OF NATIONAL ENERGY POLICY
[Invited Speakers]:

- Senator Jeff Bingaman, Chairman, Energy and Natural Resources Committee, United States Senate,
or
- Staff Member, Energy and Natural Resources Committee, United States Senate

10:30 – 11:00 *Morning Refreshment and Networking Break*

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C.

11:00 – 12:00 *Panel Discussion*:
HOW NATIONAL ENERGY POLICY IMPACTS THE POWER INDUSTRY

- Charles E. Bayless, Board of Directors, Dynegy, and formerly CEO, Illinova Corporation *(confirmed)*
- David H. Peterson, Chairman, President and CEO, NRG Energy, Inc *(confirmed)*
- James E. Rogers, Chairman, President & CEO, Cinergy Corp *(confirmed)*
- Richard J. Sharples, President, Anadarko Energy Services Company *(confirmed)*

12:00 – 1:30 *Group Lunch*

National Energy Regulation

1:30 – 2:15 FERC'S STRATEGY FOR ACHIEVING COMPETITIVE WHOLESALE POWER MARKETS

- FERC Commissioner William L. Massey (tentatively confirmed)

2:15 – 3:15 *Panel Discussion*:
HOW FERC'S POLICIES AFFECT PARTICIPANTS IN WHOLESALE POWER MARKETS

- William J. Museler, President and Chief Executive Officer, New York ISO *(confirmed)*
- Douglas L. Miller, Senior Vice President and General Counsel, Mirant *(confirmed)*
- Susan Tomasky, Executive Vice President & General Counsel, American Electric Power Corp. *(confirmed)*

3:15 – 3:45 *Afternoon Refreshment and Networking Break*

3:45 – 4:45 *Panel Discussion*:
HOW FERC'S POLICIES AFFECT THE BUSINESS MODEL FOR AN INDEPENDENT TRANSMISSION BUSINESS
Moderator: Edward J. Tirello, Jr., President, Power Partners For Energy *(confirmed)*
Panelist:

- Clifford S. Sikora, Partner, Troutman Sanders LLP *(confirmed)*
- Al Statman, Executive Vice President & General Counsel, Trans-Elect, Inc. and Managing Partner, Wright & Talisman *(confirmed)*
- James P. Torgerson, President & CEO, Midwest ISO *(confirmed)*
- Joseph L. Welch, President, International Transmission Company *(confirmed)*

 60C-1

4:45 – 5:30 *Panel Discussion*:
CAN THE NATURAL GAS INDUSTRY KEEP PACE WITH GROWING DEMAND? HOW FERC'S POLICIES AFFECT NATURAL GAS SUPPLY AND INFRASTRUCTURE
[Panelist]: To Be Announced

Tuesday, December 4, 2001

Green House Gas and Other Environmental Policies & Regulations: What Will Be Their Impact on the Energy Industry?

8:15 – 9:00 *Keynote Address*:
THE BUSH ADMINISTRATION'S ENVIRONMENTAL AGENDA: GLOBAL CLIMATE CHANGE AND CLEAN AIR
[Invited Speaker]: Christie Whitman, Administrator, United States Environmental Protection Agency

9:00 – 9:45 THE CONGRESSIONAL VIEW OF ENVIRONMENTAL POLICY: GLOBAL CLIMATE CHANGE AND CLEAN AIR
[Invited Speaker]:
- Senator James Jeffords, Chairman, Environment and Public Works Committee, U.S. Senate

9:45 – 10:15 *Morning Refreshment and Networking Break*

10:15 – 11:15 *Panel Discussion*:
HOW DEVELOPMENTS IN ENVIRONMENTAL POLICY AFFECT THE POWER INDUSTRY
[Invited Panelist]:
- Dwight H. Evans, Executive Vice President–External Affairs, Southern Company *(confirmed)*
- Dale E. Heydlauff, Senior Vice President-Environmental Affairs, American Electric Power *(confirmed)*
- Jeff Keeler, Director, Environmental Strategies, Enron *(confirmed)*

60C-2

Regulation of Nuclear Power

11:15 – 12:00 WHAT THE NATIONAL ENEGY POLICY MEANS FOR NUCLEAR POWER
[Invited Speaker]:
Richard A. Meserve, Chairman, Nuclear Regulatory Commission (NRC)

12:00 – 1:30 *Group Luncheon*

The Future Role of State Regulation: How Will State Regulation Impact the Industry and Its Players?

1:30 – 2:30 THE CALIFORNIA ELECTRICITY CRISIS: IS THERE LIGHT AT THE END OF THE TUNNEL?
[Invited Speaker]: Henry M. Duque, Commissioner, California Public Service Commission

DIFFERENT MARKETS, DIFFERENT VIEWPOINTS: STATE RESTRUCTURING POLICY ACROSS THE NATION
[Invited Panelist]:

- Maureen O. Helmer, Chairman, New York State Public Service Commission (confirmed)
- Marilyn Showalter, Chair, Washington Utilities and Transportation Commission (confirmed)
- Dave Svanda, Commissioner, Michigan Public Service Commission (confirmed)

60C-3

Folder Profile

Control #	2001-022232	**Name**	Letter to Deputy Secretary Francis Blake from Mark A. Frev
Priority	Important	**Folder Trigger**	Letter
DOE Addressee	Francis S. Blake	**Source**	PM-O
		Date Received	10/1/01
Subject Text	Steve Kean, Linda Robertson, and Mark Frevert appreciated the opportunity to visit w/Deputy Secretary Blake to discuss energy issues; regret not getting a chance to see him at the conference	**Correspondence Date**	9/26/01
		RIDS Information	Head of Agency
		Sensitivity	Not Applicable
Action Office #		**Classification**	None
Signature/Approval	NA	**Point of Contact**	CARPENTC
		Organization ID	EXECCORR2
Action Requested	Appropriate Action	**Assigned To**	Francis S. Blake
Special Instructions		**Date Due**	
		Date Completed	10/4/01

61

2001-022232 10/1 P 4:26

Mark A. Frevert
Vice Chairman

Enron Corp.
1400 Smith Street
Houston, TX 77002-7361

P.O. Box 1188
Houston, TX 77251-1188
713-853-6207
Fax 713-646-3330
mark.frevert@enron.com

September 26, 2001

The Honorable Francis Blake
Deputy Secretary
U.S. Department of Energy
1000 Independence Avenue, SW
Room 7B252
Washington, DC 20585

Dear Secretary Blake:

Steve Kean, Linda Robertson and I appreciated the opportunity to visit and have a chance to talk to you about energy issues. As this debate continues to unfold, we stand ready to be a resource to you whether it is policy analysis, economic research or historical industry information.

I'm sorry I didn't get a chance to see you at the conference the next morning, but I look forward to visiting again soon.

Best personal regards.

Sincerely,

61A

Department of Energy
Washington, DC 20585

2001-020663

OCT 03 2001

Mr. William R. Wellman
Senior Vice President Communications
WHITECO Industries, Inc.
1000 East 80th Place, Suite 700
Merrillville, IN 46410

Dear Mr. Wellman:

Thank you for your letter to Senator Lugar concerning your satellite-based, lighting controls for exterior lighting systems. Buildings consume two-thirds of the electric power generated in the U.S., and lighting (for the buildings and exterior stationary applications) is the largest end use of electricity. Street, highway, signage, and parking lot lighting, as a sub-group, do consume a notable amount of energy for safety and security reasons. Your product looks very interesting. It sounds like an excellent project working with Enron, a large company in energy efficiency, to save energy at mall properties in the Chicago land area.

If you are interested in Federal purchasing of energy-efficient technologies, please contact:

1. Federal Energy Management Program <www.eren.doe.gov/femp/procurement> which provides current information on Federal procurement of energy efficient products.

2. General Services Administration <www.gsa.gov> see "selling to the government."

3. Department of Defense Business Opportunities <www.dodbusopps.com> go to DOD CCR (Central Contractor Registration).

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2001-022232 10/1 P 4:26

Mark A. Frevert
Vice Chairman

Enron Corp.
1400 Smith Street
Houston, TX 77002-7361

P.O. Box 1188
Houston, TX 77251-1188
713-853-6207
Fax 713-646-3330
mark.frevert@enron.com

September 26, 2001

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Deputy Secretary
U.S. Department of Energy
1000 Independence Avenue, SW
Room 7B252
Washington, DC 20585

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I'm sorry I didn't get a chance to see you at the conference the next morning, but I look forward to visiting again soon.

Best personal regards.

Sincerely,

61A

If you would like to discuss the Vandenberg AFB project with someone here at the Department of Energy, please contact Ted Collins (202-586-8017), Program Manager of Lighting Technologies in the Federal Energy Management Program.

Thank you for your interest in energy efficiency.

Sincerely

Mark Ginsberg

Mark Ginsberg
Deputy Assistant Secretary
Office of Building Technology, State
and Community Programs
Energy Efficiency and Renewable Energy

cc: Monica Bowles Kozlowski
Special Assistant to Senator Lugar

Folder Profile

Control #	2001-022724
Name	Email to Secretary Abraham from James A. Caprara
Priority	Routine
Folder Trigger	E-Mail Message
DOE Addressee	Spencer Abraham
Source	PM-I
Date Received	10/10/01
Subject Text	James Caprara, Earth Technics, Inc., requests information on the contact person to help get the company off the ground
Correspondence Date	10/9/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	CUNNINGD
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	FE
Special Instructions	
Date Due	
Date Completed	10/12/01

63

2001-022724 10/10/01 8:25

Secretary, The

From: James A. Caprara [JACaprara@EarthTechnics.com]
Sent: Tuesday, October 09, 2001 11:58 AM
To: Secretary, The
Subject: Accelerator for Domestic Exploration

022724 2001 OCT 10 A 8:25

tmp.htm

Dear Mr. Abraham,

My name is James Caprara and in February of this year I left a 28 year career with Sears Roebuck as a Senior Director to become part of what I am convinced is one of the key answers to this country's security.

Earth Technics, Inc. is an up-start company. Business Plan, Financials, marketing, systems build etc. all complete, it is ready to launch. This company will be the finest accelerator to domestic exploration ever introduced.

We are in the process of funding with several VCs, however , with recent events unfolding and our ability to be completely live less than 6 months from funding, speed could very well be a great positive to America's domestic activity.

With Majors working 10-14 plays annually and quality interpretation costly, our introduction at launch of over 200 plays with limited free interpretation and free acces to all vendors, operators, land and data companies for open collaboration... will accelerate domestic activity like nothing ever seen before.

Mr. Abraham, we need to get this off the ground.

I ask that a member of your staff contact me as soon as possible.

Best Regards,
James A. Caprara
Earth Technics, Inc..
w: 630-667-3738
email: JACaprara@EarthTechnics.com

The following was written from the investors viewpoint, as an introduction... it does put the business model in perspective.

Earth Technics has identified a huge opportunity to consolidate and capture a fragmented market. They have the inherent ability to utilize an existing business infrastructure and bring an entire industry into a "new economy" through technology, connectivity, and leveraged knowledge capital.

They have already generated a broad scope of interest from strategic industry partners, and contract opportunities are on the table for execution at our discretion. Their model shows them live inside of 6 months from point of funding, and valued at over $1Billion by Year 3.

To quickly quantify the business model, Earth Technics is a true "knowledge asset management" company that is leveraged in the Applied Earth Sciences. The CEO, former Chief Geologist for Enron Oil & Gas (one of the largest exploration companies in the world), is considered one of the world's "oil finders" and provides outstanding leverage and credibility in the company's launch platform (Domestic Oil & Gas Exploration). The company's President, James Caprara complements the CEO with over 20 sales, marketing and operations experience in a fortune 50 environment.This company captures, synthesizes and creates valuable and salable intellectual capital for exploration, in addition to other geology-focused Earth Sciences. Companies pay big

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money for this "knowledge capital." All companies associated with services, data, technology, drilling, operating, land, titles, etc., are drawn to ET's technology hub as a point of collaboration because its high quality interpretive information drives the exploration cycle, and because they have created a proprietary business platform that will readily become the central reference point for the entire industry. This business model also creates an "engine" which is a natural accelerator for domestic oil & gas exploration, something that the US desperately needs and wants. Note that this business model does not exist anywhere today.

In exchange for leveraged knowledge and intellectual capital, they derive large revenue streams from focused advertising, licensing and membership fees, from service companies and vendors, risk-free carried interest (equity)

in oil & gas exploration from operators and land companies, grants from federal and state grant pools, etc. There are thousands of connectivity points, all of which have an associated cash or equity value. Conservative Year 3 valuation of the company is over $1Billion. Industry sampling is indicating that this projection may be exceeded.

As to the aforementioned industry sampling, the company already has written offers from a land company for carried interest (equity) in exploration on a potential of over 400,000 acres of land in exchange for intellectual capital, joint venture and fee based offers from a large independent oil & gas exploration and operating company, a contractual offer from a provider of gravity and magnetic data interpretation, a fee based and equity offer from a database company with a focus on oil, gas and geothermal exploration, and ET is also now included as a critical partner in a NYSERDA (government) grant proposal submitted in partnership with 2 other companies. All this already, without requesting offers, letters of intent, or contractual agreements.

Imagine the scope when they actively solicit contracts?

Earth Technics is set to launch the full business model within 6-months from funding. The entire buildup has been self-funded and there is zero debt at this time. Several venture capital companies and private equity parties are currently in the due diligence process with this, and more discussions are forthcoming. One party has verbally stated that they want the deal, and we anticipate additional positive responses by next week. The key for our group is to continue to accelerate efforts and buildup, and launch as soon as possible. I will be happy to provide a verbal account on the parties involved in order to show the level of credible investors, but prefer not to commit this information to writing.

Where do they stand in ramp-up and what are the time frames? They are virtually turnkey, and are prepared to launch the entire business model at 100%, 6 months from receipt of funding. Note the following:

- Senior management team on-line and prepared to effect move to TX
- Legal Counsel on-line (Note: $400K pro bono credit over 24-month period applied by law firm towards expenses, along with lifetime flow-through expenses, in exchange for 1% equity in Earth Technics)
- Business activity has begun independent of funding, based on unsolicited approach by the CEO's personal industry following
- Contract negotiations with Strategic Partners have begun
- Business Plan and 5-Year financials complete
- Earth Technics is a registered Delaware C-Corporation
- Earth Technics' .com, .net, .org acquired
- Both "Earth Technics" and "EarthTechnics" have been trademarked
- Systems requirements complete and vendor locked
- E-mail and communications are up and on-line
- Several exploration proposals are in development
- Grant proposals are in development
- First "branding" project is work in progress
- Initial Play population is work in progress

63A-1

- Corporate location: The Woodlands, TX

  Should your investor contacts like additional information, we have an outstanding PowerPoint presentation, a comprehensive business plan, a 5-Year financial breakdown from soup to nuts, a market research package which also includes Letters of Intent and Offers for Contract from strategic partners, and a package with resumes/references of the principals. Believe me, it will be well worth their time if this venture falls anywhere within either their investment criteria or knowledge base. Again, note that this is not an

exploration company or a dot-com. This is an information technology company that has the ability to leverage knowledge assets for participation in large, multiple revenue streams and passive equity positions.

As previously noted, this investment opportunity has a short fuse, but it also has a huge upside for the initial investor. We are moving to second round discussions with another venture capital company next week, but will entertain dialogue with all investors until a firm and acceptable deal is finalized.

I look forward to talking to you soon.

63A2

Folder Profile

Control #	2001-023448
Name	Letter to Secretary Spencer Abraham from Ambassador Pa
Priority	Important Critical
Folder Trigger	Letter
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	10/19/01
Subject Text	Urging President Bush to support continuation of WTO meetings in Qatar
Correspondence Date	10/18/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	IA
Special Instructions	Cc copy
Date Due	
Date Completed	10/22/01

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SENT BY: U.S.-QATAR BUSINESS COUNCIL;

023448

U.S.-QATAR BUSINESS COUNCIL
6862 Elm Street
Suite 720
McLean, VA 22101
Phone: 703-847-2319
Fax: 703-847-6384

2001-023448 10/19 A 8:15

Facsimile transmittal

To:	The Honorable Spencer Abraham	From:	Ambassador Patrick Theros
Fax:	(202) 586-4403	Date:	10-18-01
Re:	WTO in Qatar	Pages:	3 (including cover)

Notes:

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U.S.-QATAR BUSINESS COUNCIL

6862 Elm Street, Suite 720
McLean, VA 22101
www.qatarbusinesscouncil.org

Ph: (703) 847-2319
Fax: (703) 847-6384
pntheros@qatarbusinesscouncil.org

October 18, 2001

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

On behalf of the member companies of the U.S. Qatar Business Council, I wish to add our voice to the condemnations of the outrage of September 11 and our admiration for your conduct of the crisis. Although deeply provoked, you have shown leadership, skill, determination and wisdom. An unwise and less considered and deliberate response could have worsened the chances for success in this War that terrorists have thrust upon our country.

What is most important, you have called on our country and the world in general to defy the terrorists by getting back to work in all areas. We are especially concerned that those responsible for the conduct of international trade and finance both in the United States and abroad heed your advice. You can certainly count on our member companies to do their part.

However, the Council members were disappointed to discover that some officials have suggested that the World Trade Organization meeting now scheduled to start in Doha, Qatar be postponed or moved to a different venue. Those arguing for postponement or change of venue cite security concerns to support their position. Our members are American businesses with extensive experience working in Qatar and with the Qatari people and government. We can assure you, Mr. President, that we retain the utmost confidence in the willingness and ability of the Government of Qatar and its people to ensure security for the WTO Conference and its attendees. In fact, given the objective facts of Qatar's geography and physical surroundings we do not believe that any alternative site for the WTO can be credibly described as safer or more secure than Qatar.

There are other factors arguing for continuation of the present plans to hold the WTO meeting as scheduled. Qatar is a good friend and an active supporter of American security policy in the region. It hosts, as you know Mr. President, significant American

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military assets. Five thousand American citizens live and work in Qatar, most of them for our companies, and their security would be enhanced, not lessened by holding the WTO in Doha as scheduled. Supporting continuation of the WTO meetings in Qatar will reward that loyalty and greatly improve a climate of friendship towards the United States that already has produced almost ten billion dollars in American investment in hydrocarbons.

If there is any help or information that we can provide on this or any other matter, Mr. President, I can assure you that we all stand ready to help.

Respectfully,

Patrick N. Theros
President and Executive Director

cc: The Honorable Richard Cheney, Vice President of the United States
The Honorable Donald Evans, Secretary of Commerce
The Honorable Colin Powell, Secretary of State
The Honorable Spencer Abraham. Secretary of Energy
The Honorable Robert Zoellick, U.S. Trade Representative
The Honorable Alan Greenspan, Chairman, Federal Reserve System
All Council Members

64B-1

Folder Profile

Control #	2001-024416
Name	Letter to Secretary Abraham from Steve Forbes, Forbes
Priority	Important
Folder Trigger	Invitation
DOE Addressee	Spencer Abraham
Source	PM-I
Date Received	11/19/01
Subject Text	Steve Forbes, Forbes, invites Secretary Abraham to attend the FORBES Magazine & Andrews Conference Present: "Developing, Constructing, Operating & Securing Energy/Power Projects on April 17-19, 2002
Correspondence Date	10/24/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	Regular
Classification	None
Signature/Approval	NA
Point of Contact	CUNNINGD
Organization ID	EXECCORR2
Action Requested	Appropriate Action
Assigned To	SL/Johnston
Special Instructions	cc copy: ES/Waird
Date Due	
Date Completed	11/19/01

65

2001-024416 11/19/01 9:53

027710

Forbes

PHONE: 212·620·2282 FAX: 212·620·2374 sforbes@forbes.com

STEVE FORBES

PRESIDENT & CEO
EDITOR-IN-CHIEF

October 24, 2001

The Honorable Spencer Abraham
Secretary of Energy
Forrestal Building
1000 Independence Ave. SW
Washington, DC 20585

FORBES Magazine and ANDREWS Conferences
Present:
DEVELOPING, CONSTRUCTING, OPERATING AND SECURING ENERGY/POWER PROJECTS
The Fairmont Hotel, San Francisco, CA
April 17-19, 2002

Dear Secretary Abraham:

I write to invite you to be a keynote or luncheon speaker at the above conference.

No topic could be more timely and no locale (San Francisco, California) could be better suited for holding our energy/power conference.

We have attracted the enthusiastic support of the foremost energy/power, environmental and other firms who site, finance, insure, engineer, construct, operate and secure energy/power projects as well as high level governmental regulators and administrators and private sector users of energy/power development services. The electric Power Supply Association and the Edison Electric Association which represents our nation's merchant/development companies (such as Calpine, AES, Enron, Duke, etc.) are supporting and helping us develop this event.

I personally have committed to be the morning keynote speaker on April 18, 2002.

We would be honored if you would commit to speak. We anticipate an audience of 750 to 1000 CEOs, CFOs, Presidents of providers and users, national and regional governmental representatives to share their views, agendas, issues and opportunities.

I have asked our Conference Organizing Chairman, Robert F. Cushman, Esq. to contact your scheduler to answer whatever questions you, she or he may have. We look forward to hearing from you. Your presence would add luster to our endeavor.

Sincerely,

Steve

Steve Forbes

cc: Robert F. Cushman, Esq.

65A

Folder Profile

Control #	2001-024026	**Name**	Letter to John Miller, Barry Russell, Honorable Don L. Evar
Priority	Important	**Folder Trigger**	Letter
DOE Addressee	DOE	**Source**	OL
		Date Received	11/6/01
Subject Text	Letter to John Miller, Barry Russell, Honorable Don L. Evans, Honorable Robert Mosbacher, Mr. Kenneth Lay from Secretary Abraham thanking them re: events	**Correspondence Date**	11/6/01
		RIDS Information	Head of Agency
		Sensitivity	Not Applicable
Action Office #		**Classification**	None
Signature/Approval	Spencer Abraham	**Point of Contact**	KENNEDYC
		Organization ID	EXECCORR2
Action Requested	Approval/Signature	**Assigned To**	OSE
Special Instructions		**Date Due**	
		Date Completed	11/6/01

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THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

November 6, 2001

Mr. Kenneth Lay
Chairman and CEO
Enron Corporation
1400 Smith Street
Houston, Texas 77002

Dear Ken:

Just a short note to thank you for putting together the reception I attended in Houston last week. It was great to see Bob Mosbacher and our other friends.

I hope that you are doing well, and I look forward to seeing you again soon.

With best wishes.

Sincerely,

Spen

Spencer Abraham

Ken - great to talk the other day. Please let me know if we can help. S.

66A.

Folder Profile

Control #	2001-024172
Name	Email to Secretary Spencer Abraham from Susana Crews
Priority	Routine
Folder Trigger	E-Mail Message
DOE Addressee	Spencer Abraham
Source	PM-I
Date Received	11/9/01
Subject Text	Providing information regarding the 11th Annual Latin American Energy Conference in La Jolla, CA, May 20-21, 2002
Correspondence Date	11/8/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	SEISERP
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	EE
Special Instructions	
Date Due	
Date Completed	11/9/01

67

2001-024172 11/9 A.9:14

Secretary, The

From: Susana Crews [susana@iamericas.org]
Sent: Thursday, November 08, 2001 8:26 PM
To: susana@iamericas.org%internet
Subject: Institute of the Americas Energy Events

Save the date Card.doc

Texto en español abajo. Mensagem em português abaixo.
****

The 11th Annual Latin American Energy Conference will be held in La Jolla, California on May 20-21, 2002.

If you would like to receive more information regarding the La Jolla Conference or any of the Executive Energy Roundtables planned for 2002, please fill out the attachment, mark your selections, and fax it or e-mail it back to us.

We appreciate your reply to this message, and look forward to greeting you personally during some of our events in 2002.

La Décima Primera Conferencia Anual sobre Energía Latinoamericana se llevará a cabo en La Jolla, California los días 20 y 21 de Mayo del 2002.

Si Usted quisiera obtener mayor información sobre La Conferencia de La Jolla o de cualquier otro evento del programa de energía del Instituto, por favor llene la información solicitada en el documento anexo y envienoslo por fax o por correo electrónico.

Le agradecemos su respuesta y esperamos poder saludarle personalmente durante algunos de nuestros eventos en 2002.

A Décima primeira Conferência Anual de Energia Latino-americana acontecerá em La Jolla, Califórnia nos dias 20 e 21 de maio de 2002.

Se necessitar de informações adicionais sobre à Conferência de La Jolla ou qualquer outro evento do programa de energia para 2002, por favor preencha o documento anexo, e envie fax ou e-mail para o Instituto. Agradecemos sua resposta e nós esperamos o ver em um de nossos eventos em 2002.

The Energy Program
El Programa de Energia
O Programa de Energia

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A.

Eleventh Annual Latin American Energy Conference

For the eleventh year the Institute of the Americas will convene the most influential energy leaders of the Latin American industry in the single most important conference of its kind.

The **La Jolla Conference** will take place on **May 20-21, 2002**, with participation of prominent key players of the dynamic Latin American energy sector. This conference offers an exceptional opportunity for high-level interaction and networking with policymakers, industry leaders, financiers, and advisors in a unique setting.

The Conference will take place at the **Hilton La Jolla Torrey Pines**, with its commanding views of the rugged Southern California coastline and the Pacific Ocean on the horizon. Plan to participate in the Sunday, May 19th Golf Tournament at the Torrey Pines championship golf course, and take the time to tour beautiful San Diego!

The Eleventh Annual Latin American Energy Conference principal sponsors are: *AES Corporation, Arthur Andersen, Bechtel Corporation, BP; Caterpillar/Solar Turbines; Chevron Overseas Petroleum; CMS Energy, Duke Energy International; El Paso; Enron, ExxonMobil Gas Marketing; GE Capital Structured Finance Group, GE Power Systems,. INTESA; JP Morgan & Company; PSEG Americas; SAIC; Sempra Energy International; Shell International Exploration & Production, Shell International Gas Limited, Société Générale; Techint Group,* and *Thelen Reid & Priest LLP.*

If you would like more information about Upcoming 2002 Events, please indicate your interests below and fax to +1(858) 453-2165 or e-mail: susana@iamericas.org

11th Annual Latin American Energy Conference

- ❑ I am interested; please hold a tentative seat for me
- ❑ Please send me more information about this forum
- ❑ I am interested in the Golf Tournament
- ❑ Please send me more information about sponsorship

Southern Cone Energy Markets Roundtable

- ❑ I am interested; please hold a tentative seat for me
- ❑ Please send me more information about this roundtable
- ❑ Please send me information about sponsorship

Mexico Energy Perspectives Roundtable

- ❑ I am interested; please hold a tentative seat for me
- ❑ Please send me more information about this roundtable
- ❑ Please send me information about sponsorship

Venezuela Oil & Gas Roundtable

- ❑ I am interested; please hold a tentative seat for me
- ❑ Please send me more information about this roundtable
- ❑ Please send me information about sponsorship

Brazil Oil & Gas Roundtable

- ❑ I am interested; please hold a tentative seat for me
- ❑ Please send me more information about this roundtable
- ❑ Please send me information about sponsorship

Name
Title
Company
Address
City/ State/ Zip/ Country
Telephone
Fax
e-mail

Energy Program
Institute of the Americas
10111 North Torrey Pines Road
La Jolla, CA, 92037, USA
Tel +1 (858) 453-5560 x 103
Fax +1 (858) 453-2165

67 B

Folder Profile

Control #	2001-024713
Name	Letter to Secretary Spencer Abraham from Chuck Watson,
Priority	Important Critical
Folder Trigger	Fax Message
DOE Addressee	Spencer Abraham
Source	PM-O
Date Received	11/23/01
Subject Text	Transmits press release announing Dynegy and Enron merger agreement and will be contacting Secretary Abraham in the near future to arrange a meeting to further discuss this issue
Correspondence Date	11/20/01
RIDS Information	Head of Agency
Sensitivity	Not Applicable
Action Office #	
Classification	None
Signature/Approval	NA
Point of Contact	CARPENTC
Organization ID	EXECCORR2
Action Requested	Prog Determination
Assigned To	PO
Special Instructions	Information copy: SL/Johnston. Per Scheduling Office the withdrew request.
Date Due	
Date Completed	11/29/01

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Dynegy Inc.
1000 Louisiana Street, Suite 5800
Houston, Texas 77002
Phone 713.507.6400

facsimile

DYNEGY

Date:	November 21, 2001
To:	Secretary Spencer Abraham
Fax:	202-586-7644
From:	Chuck Watson
Phone:	713-507-6827
Fax:	713-507-6888
Pages:	**9**

68A

Chuck Watson
Chairman
Chief Executive Officer

Dynegy Inc.
1000 Louisiana Street, Suite 5800
Houston, Texas 77002
Phone 713.507.6827 • Fax 713.507.6888

DYNEGY

VIA FACSIMILE 202-586-7644

November 20, 2001

The Honorable Spencer Abraham
Secretary
Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Abraham:

On Friday, November 9, Dynegy announced that its board of directors unanimously approved our merger with Enron (see the enclosed press release). The combined company will retain the name Dynegy and will be headquartered in Houston. Through this merger, Dynegy will become one of the world's largest wholesale energy merchants.

This is good news for your constituents, be they our customers, shareholders, employees, suppliers, or some combination thereof. By combining the talent and assets of these two companies Dynegy will be in a stronger position to provide reliable, competitively priced energy supply. The Dynegy/Enron merger creates a significantly larger company with combined revenues exceeding $200 billion, assets of more than $90 billion, 22,000 megawatts of strategically located generation capacity, 25,000 miles of pipeline, and 36,000 miles of broadband fiber.

Dynegy's vision and mission now and post-merger is to be a leading global energy and communications company respected for the manner in which we deliver extraordinary value to our stakeholders. Our approach to public policy issues is to be open, accessible, collegial and to strive to develop win-win resolutions for industry and consumers. Like Enron, we have been strong supporters of deregulated gas, power and communications markets and we believe competitive markets will deliver greater efficiency, innovation, reliability and lower prices to consumers than the highly regulated markets of the past. Dynegy recognizes that there are many transitional issues which must be resolved before the benefits of competitive gas, power and communications markets can be delivered to consumers and we pledge to work cooperatively with you and other government leaders to address these issues.

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We will be contacting you in the very near future to arrange a meeting to further explain the transaction and to address any questions you might have. In the meantime, for more merger information, you may refer to the enclosed press release or visit our website at www.dynegy.com.

Sincerely,

Chuck Watson

Chuck Watson

cc: Kenneth E. Randolph, Executive Vice President & General Counsel
Peter G. Esposito, Senior Vice President – Regulatory & Government Affairs
Rhod Shaw – Alpine Group

Enclosure

68b-1

Dynegy Inc
1000 Louisiana Street Suite 5800
Houston, Texas 77002
Phone 713.507.6400 • Fax 713.507.3871
http://www.dynegy.com

news release

DYNEGY

Dynegy and Enron Announce Merger Agreement

HOUSTON--(BUSINESS WIRE)--Nov. 9, 2001--Dynegy Inc. (NYSE:DYN - news)
· *Significant* earnings accretion to Dynegy in the first year
· Dynegy to provide immediate $1.5 billion asset-backed equity infusion to Enron
· Watson to be chairman and chief executive officer upon merger completion
· All stock merger at fixed ratio of 0.2685 Dynegy shares per Enron share
· ChevronTexaco to invest $2.5 billion in new equity into Dynegy
· Unleashes value of Enron's core energy businesses

Dynegy Inc. and Enron Corp. (NYSE:ENE - news) today announced the execution of a definitive agreement for a merger of the two companies. The combined company, to be called Dynegy Inc., will be headquartered in Houston, Texas. The new company will focus on the core businesses of North American and European wholesale energy markets and commercial and industrial energy users, and will capitalize on the opportunities generated by the combined company's diversified asset-backed network supported by the strongest intellectual capital in the industry.

Under the terms of the merger agreement, Enron shareholders will receive 0.2685 Dynegy shares per share of Enron common stock. Dynegy's current stockholders (including ChevronTexaco Corp.) will own approximately 64 percent and Enron's stockholders will own approximately 36 percent of the combined company's stock at closing. The combination is expected to be strongly accretive to Dynegy's earnings in the first year and thereafter. The boards of both companies have unanimously approved the transaction, and ChevronTexaco, which owns approximately 26 percent of Dynegy's outstanding common stock, has agreed to invest a total of $2.5 billion into Dynegy.

Chuck Watson, chairman and chief executive officer of Dynegy Inc., Steve Bergstrom, president of Dynegy Inc., and Rob Doty, chief financial officer of Dynegy Inc., will retain those positions in the combined company. Greg Whalley, the current president and chief operating officer of Enron Corp., will become an executive vice president of the new Dynegy. These

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executives will comprise the Office of the Chairman upon merger completion.

The board of directors of the combined company will be comprised of 14 members. Dynegy's 11 designees will include three from ChevronTexaco. Enron will have the right to designate a minimum of three board members.

Chuck Watson, chairman and chief executive officer of Dynegy Inc., said, "This strategic combination strengthens the value of our existing core business franchises by uniting the two companies' diversified global energy delivery networks, complementary wholesale strategies and strong marketing, trading and risk management capabilities. In addition, the combination fuses our intellectual capital and technology infrastructure, advancing the new Dynegy's status as a global energy merchant, with superior physical delivery capabilities and unparalleled experience navigating competitive markets for customers.

"The merger also validates Enron's core franchise and underscores Dynegy's ongoing strategy to pursue transactions that accelerate our growth, while enabling our shareholders, partners and customers to realize immediate and long-term benefits," said Watson. "With its market-making capabilities, earnings power and proven strategic approach to wholesale markets, Enron is the ideal strategic partner for Dynegy. As a combined company, we will focus on leveraging our core skill sets and, as always, we will keep a strong balance sheet and straightforward financial structure as key priorities."

Kenneth L. Lay, chairman and chief executive officer of Enron Corp., said, "The merger protects Enron's core franchise and enables the stockholders of both companies to participate in the tremendous upside of the combined enterprise. The company we are creating will have a strong balance sheet, a world-class merchant energy operation and ample liquidity. It will build upon the strength of our core wholesale gas and power franchise, and commercial and industrial energy business. It also will solidify Houston's position as the energy capital of the world and join two companies with deep roots in the Houston community and the energy industry. I am personally committed to working with Chuck Watson, Steve Bergstrom and their colleagues in the months ahead to accomplish the merger and to build a solid foundation for future value creation."

Watson continued: ``Dynegy and Enron's longstanding relationship as customers, counter-parties and leading proponents of open, competitive wholesale markets provides a common platform from which to integrate our two companies. Both companies have talented, dedicated people and share a commitment to the safe operation of our facilities and to the environment. Therefore, I expect a smooth transition throughout and following the merger process.

"Dynegy and Enron have strong histories of community involvement and economic development, and the combined company will be committed to building on those traditions in the communities where we live and work," he continued.

Steve Bergstrom, president of Dynegy Inc., said, "Our relationship with Enron puts us in a unique position to recognize the significant value in and potential of its core wholesale marketing and trading capabilities. The combination will continue to pursue an asset-backed trading strategy and look for opportunities to continually expand our energy network.

"Dynegy is aware of Enron's announcements with regard to related party transactions and accounting restatements. We believe Enron has begun to address these issues in a responsible

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manner and that they will not detract from the value of Enron's core business," Bergstrom added.

Enron President and Chief Operating Officer Greg Whalley said, "Few of the options we considered for our core businesses going forward provided us with the earnings potential and immediate synergies that a merger with Dynegy could deliver. Our leadership team believes that the new Dynegy offers the brightest future for our shareholders, our employees and our customers. Together with Enron's recently announced bank commitments, this cash infusion gives Enron immediate liquidity, which we believe will enable the company to maintain its investment grade credit rating and grow its energy marketing and trading franchise and other core businesses."

The New Dynegy

Upon completion of the merger, the new Dynegy is expected to have revenues exceeding $200 billion and $90 billion in assets. Together, the companies have gas sales of approximately 40 billion cubic feet per day through the third quarter of 2001 and power sales exceeding 500 million megawatt hours through the third quarter of 2001. In addition, the new Dynegy's delivery network will include more than 22,000 megawatts of generating capacity and 25,000 miles of pipelines.

Equity Infusion

ChevronTexaco has committed to invest $2.5 billion of new equity in the combined company of which $1.5 billion will be invested in Dynegy immediately in order to finance Dynegy's equity infusion into Enron. The balance of ChevronTexaco's equity purchase will be made at closing. The pro forma combined balance sheet of the new company will be strong and provide adequate credit strength to execute its strategic plans.

Dynegy will use the initial $1.5 billion to acquire preferred stock and other rights in an Enron subsidiary that owns the Northern Natural Gas pipeline. The funds will provide Enron with additional cash liquidity to support its operations. In the event that the merger is not completed, Dynegy will have the right to acquire 100 percent of the equity in the Northern Natural Gas subsidiary, thus providing Dynegy with the full value of its investment. ChevronTexaco will be granted rights to purchase an additional $1.5 billion in Dynegy common stock over a period of up to three years from merger completion.

Accounting

The business combination will be accounted for as a purchase of Enron by Dynegy. At closing, Dynegy will adjust the historical book value of Enron's assets and liabilities to their respective fair values.

Earnings Accretion

The merger is expected to be strongly accretive to Dynegy earnings in the first year and thereafter. With this transaction, Dynegy management establishes its conservative initial guidance for 2002 for the combined companies on a full-year pro forma 2002 basis of $3.40 to $3.50 recurring diluted earnings per share. This represents accretion of 35 percent or $0.90 to $0.95 per share to current Dynegy shareholders before taking into account expected merger synergies and cost savings. While Dynegy continues to evaluate areas for potential synergies, management estimates that the combined company will realize $400 to $500 million in recurring annual pre-tax savings as a result of the merger from the continued disposition or winding down of non-core businesses in the Enron portfolio, elimination of duplicate activities,

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improved operating efficiencies and lower capital costs.

Dividend Policy/Capitalization
It is anticipated that the combined company will adopt an initial annual dividend of $0.30 per share, subject to financial conditions, results of operations and capital requirements. It is expected that the board will review the dividend on an annual basis. The new dividend is also consistent with the company's strategic goals and would preserve capital to fund the combined company's significant growth opportunities. Given the significant growth opportunities available to the combined company, maintenance of a strong balance sheet and a solid investment grade credit rating is a top priority.

Other Terms and Conditions
The merger is conditioned, among other things, on the approval of Dynegy's and Enron's stockholders. The merger is also conditioned on approvals of the Federal Energy Regulatory Commission and the Securities and Exchange Commission, as well as expiration or termination of the Hart-Scott-Rodino waiting period.

The merger is expected to close by the end of the third quarter of 2002. Lehman Brothers Inc. is acting as financial advisor and Baker Botts and Akin, Gump, Strauss, Hauer & Feld are acting as counsel for Dynegy Inc. JPMorgan & Co. and Salomon Smith Barney are acting as financial advisors and Vinson & Elkins and Weil Gotshal & Manges LLP are acting as counsel for Enron Corp. Pillsbury Winthrop is acting as counsel to ChevronTexaco Corp.
Conference Call Simulcast

Dynegy and Enron will simulcast a merger conference call live via the Internet on Monday, November 12, 2001, at 8:00 a.m. CT, 9:00 a.m. ET. The webcast can be accessed via dynegy.com (click on "Investor Relations"). The login number is 4365632 and the password is "Dynegy."

About Dynegy Inc.
Dynegy Inc. is one of the world's premier energy merchants. Through its global energy delivery network and marketing, trading and risk management capabilities, Dynegy provides innovative solutions to customers in North America, the United Kingdom and Continental Europe.

About Enron Corp.
Enron Corp. is one of the world's leading energy, commodities, and services companies. The company markets electricity and natural gas, delivers energy and other physical commodities, and provides financial and risk management services to customers around the world. Enron's Internet address is www.enron.com.

Forward-looking Statements
Certain statements contained in this press release are forward-looking. Although Dynegy and Enron believe these statements are accurate, their businesses are dependent on various regulatory issues, general economic conditions and future trends. The completion of the transaction is conditioned upon the fulfillment of a number of conditions, and the success of the combination of the two companies will be dependent on a wide range of issues. These factors can cause actual results to differ materially from the forward-looking statements that have been made.

In particular:

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The benefits that are expected to result from the combination are predicated upon the belief that combining the complementary expertise and resources of Dynegy and Enron will result in increased opportunities and decreased expenses. Because of the complexity of the environments in which the two companies operate, there can be no certainty that these benefits will be achieved to the extent expected.

The estimate of the accretiveness of the transaction reflects the companies' current best estimates based upon available information and numerous assumptions and, accordingly, may or may not be achieved if business conditions change or the assumptions that have been made do not prove to be accurate.

Significant regulatory approvals are necessary to complete the transaction, including approvals under the HSR Act, the FERC, the SEC and certain state and foreign authorities. There can be no assurances that the exemption and approvals will be obtained on a timely basis and on acceptable terms. In addition, Dynegy and Enron operate in regulated environments. Any significant changes in these regulatory environments could negatively impact the transaction and the combined entity.

Additional Information

In connection with the proposed transactions, Dynegy and Enron will file a joint proxy statement/prospectus with the Securities and Exchange Commission. Investors and security holders are urged to carefully read the joint proxy statement/prospectus regarding the proposed transactions when it becomes available, because it will contain important information. Investors and security holders may obtain a free copy of the joint proxy statement/prospectus (when it is available) and other documents containing information about Dynegy and Enron, without charge, at the SEC's web site at www.sec.gov.

Copies of the joint proxy statement/prospectus and the SEC filings that will be incorporated by reference in the joint proxy statement/prospectus may also be obtained for free by directing a request to either: Investor Relations, Dynegy Inc., 1000 Louisiana, Suite 5800, Houston, TX 77002, Phone: 713/507-6466, Fax: 713/767-6652; or Investor Relations, Enron Corp., Enron Building, 1400 Smith Street, Houston, TX 77002, Phone: 713/853-3956, Fax: 713/646-3302.

In addition, the identity of the persons who, under SEC rules, may be considered "participants in the solicitation" of Dynegy and Enron shareholders in connection with the proposed transactions, and any description of their direct or indirect interests, by security holdings or otherwise, are available in an SEC filing under Schedule 14A made by each of Dynegy and Enron.

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