

**June 19, 2000, 14:03**

Broker 1: Hey, what's up?

Reliant Trader 1: Hey, not much. Hey, what do you think about this? Are people just backing up or we hitting stop-loss limits and people are bailing?

Broker 1: There are some people bailing, there's no two ways about it, I mean, I'm watching a couple people definitely get puked out. Um, there is, you know, I, and, what the problem is is like one of the big problems is AEP has been selling, going short in my opinion, I think he's going short. I'm not a hundred percent positive of that . . .

Reliant Trader 1: Um huh.

Broker 1: And he's like, you know, being all Mr. Big Tough Guy because there's no Schwarz . . . and knowing, knowing—

Broker 1: —no one's stepping up to challenge him.

Reliant Trader 1: Right.

Broker 1: And it's not, and that Matt and Schwarz are out, who normally, you know, keep him in check because he won't take them on and no one else wants to step up to the plate against him, so . . .

Reliant Trader 1: Right so it's pretty much AEP out there just seeing how far he can push it you think?

Broker 1: Yeah, that's pretty much it.

Reliant Trader 1: Okay. Matt will be back Wednesday? I mean, what do you think—

Broker 1: Uh yeah on Wednesday. . . . Not any more.

Reliant Trader 1: Okay.

Broker 1: I don't have any idea.

Reliant Trader 1: Because it's come down a lot and they're still long.

Broker 1: Yeah I, I mean, I have no f\_\_ing idea what they're going to do. You know that Enron's long, I mean, I would think that, that they're gonna probably, I would, I, my opinion is they're gonna run it back up, I mean, I think that there's, I, if it was me, I'd be buying in here, you know, like I would probably be trying to buy Q2 Palo at 93 dollars. I'd be trying to buy July Palo at 88 and they keep, they keep Q4s I would try to buy 50 bucks. Those would be kind of my levels, that's, that would be my levels if I was . . .

Reliant Trader 1: Right. Yeah, we're looking at some new stuff right now I'm kinda ... They are kind of nervous over here. So I was trying, they were asking me questions, I'm like, well, I'm going to call you and see what you thought about, where, you know, we were just getting puked out because the people are hitting limits.

Broker 1: I mean, I don't know if, what, what you think, if you think you can hold on, honestly, until Matt comes back. I think it's probably worth it and you mean they want you to get out of some stuff?

Reliant Trader 1: No, I mean, well, no, because I told them I won't because I'm not going to go across these bid offer spreads, c'mon.

Broker 1: I don't blame you.

Reliant Trader 1: As soon as you hit a bid, it's gone They're running.

Broker 1: I mean, if anything, maybe you might want to purchase a couple of puts just in case.

Reliant Trader 1: Yeah.

Broker 1: Well, I mean, you may want to talk to those guys about maybe some options.

Reliant Trader 1: Yeah.

Broker 1: But otherwise I wouldn't, I don't think I'd be, you know, I wouldn't be selling here.

Reliant Trader 1: [Unintelligible], oh no, me neither, I can't go short this time of year. We're not allowed to go short.

Broker 1: Right.

Reliant Trader 1: That's the other problem is I can't go short.

Broker 1: Right.

Reliant Trader 1: And for Q3 so that's not an option for me. So what do you think about like last week though we went seven hundred dollars daily and we didn't react.

Broker 1: Well, the problem is is because, everyone was kind of brought out, I mean, I ...

Reliant Trader 1: Everybody was at their limit.

Broker 1: Yeah, it's like, I mean, yeah, they're reaching the point in this market where you just—buying does expire because no one can purchase any more than they, than they already have, and that's that's always the key to—that the market's going to turn.

Reliant Trader 1: Right.

Broker 1: So Wednesday, you know, we didn't rally on that with those huge PXs.

Reliant Trader 1: Right.

Broker 1: That to me tells you we're due for correction now.

Reliant Trader 1: Right.

Broker 1: You know and that's . . .

Reliant Trader 1: Yeah we saw that coming.

Broker 1: I was kind of hyping that to basically everybody, like look you know.

Reliant Trader 1: Yeah.

Broker 1: If this thing is not going higher after all that . . .

Reliant Trader 1: It's not going.

Broker 1: It's not any, that means we've kind of reached a temporary limit where people aren't prepared to buy anymore.

Reliant Trader 1: Right and that's where we're prepared, you know, we're prepared to hold. It's just, I'm still kind of amazed that we've dropped as far as we have.

Broker 1: And on not a lot of volume.

Reliant Trader 1: Yeah, that's what I mean . . .heavy trading—

Broker 1: —there's definitely some people shell shocked.

Reliant Trader 1: Really.

Broker 1: Um yeah, they just . . .

Reliant Trader 1: Do you see utilities even coming out looking now that we've corrected?

Broker 1: I, a couple of my, well, one of my utilities has, P&M has absolutely nothing to do.

Reliant Trader 1: Yeah.

Broker 1: They can't, they can't purchase up here and they. . .

Reliant Trader 1: They're not about to sell it.

Broker 1: Hold on.

Reliant Trader 1: Okay.

Broker 1: [*To someone else:* Fifty and quarter at fifty-one and a quarter. If I get room, you're going to know about it, alrighty. I'll sell fifty-ones Q4 Palo, but who gives a s\_\_\_\_.]

Reliant Trader 1: That's the thing, I mean, it's just so thin, it's like . . .

Broker 1: Yeah, there's not, there's not been a ton of volume, there really, it really hasn't. We, you know, we're getting stuff done, we got stuff done on Friday. We got this stuff done today but, you know, there's not much going on at all.

Reliant Trader 1: Okay.

Broker 1: There really isn't so, I mean, you know, and that doesn't necessarily mean that someone is gonna come in and all of a sudden lift everything, you know, I mean, that's the problem.

Reliant Trader 1: Right. It's how long are we gonna sit at this kind of.

Broker 1: Right, I mean, I have . . .

Reliant Trader 1: . . . kinda slow.

Broker 1: I mean I have a feeling that we're going to be, uh I mean, you know, and also we only have basically nine days left to trade, you know, Julys.

Reliant Trader 1: Right.

Broker 1: So the Q3s and the Julys are going to be off the board, you know, it might be into next week.

Reliant Trader 1: Right. Yeah, really by next Wednesday because they trade early because of the holiday.

Broker 1: Yeah, I guess that's true so, I mean, we basically have one two three four six seven, this is seven full business days and what's left of today.

Reliant Trader 1: Yeah, okay. Well, let's see what we're going to do.

Broker 1: Alright, well, if there's anything I can do for you, let me know and I'll, I mean, as I feel out what some of the other players are doing, I'll let you know but unfortunately no one's tipping us off on anything.

Reliant Trader 1: Yeah and cal '01 right now, you're still like fifty-five, fifty-seven?

Broker 1: Yeah that's where it should be, yeah.

Reliant Trader 1: Okay.

Broker 1: Alrighty?

Reliant Trader 1: Thanks guy.

Broker 1: Okay.

Reliant Trader 1: Yeah.

Broker 1: See you later.

#### **END OF RECORDING**

#### **BEGINNING OF RECORDING**

Reliant Trader 1: . . . What's up?

Broker 2: Q3 Palo index today was forty—

Reliant Trader 1: Hold on a second.

Broker 2: Okay.

Reliant Trader 1: Okay, sorry. Say that again. My phone was screwing up on me.

Broker 2: Q3 Palo index on 40-cent bid, for top?

Reliant Trader 1: I have seen a 45-cent bid.

Broker 2: Okay.

Reliant Trader 1: Q3 Palo. And I can show you a 75-cent offer.

Broker 2: Okay.

Reliant Trader 1: Okay.

Broker 2: Thank you.

Reliant Trader 1: Uh-huh.

**June 19, 2000, 14:22**

Reliant Trader 1: Yeah?

Broker: What's going on here?

Reliant Trader 1: Absolutely nothing.

Broker: How many trades have you done today?

Reliant Trader 1: Let's find the sheet. Um, one.

Broker: You sold Q4 Palo?

Reliant Trader 1: No.

Broker: Oh.

Reliant Trader 1: I sold Q4 Mead.

Broker: Q4 what?

Reliant Trader 1: Mead.

Broker: Really?

Reliant Trader 1: Um huh.

Broker: Who bought that?

Reliant Trader 1: Nevada.

Broker: Ah those boys, huh?

Reliant Trader 1: Yeah.

Broker: Excellent.

Reliant Trader 1: That was it.

Broker: Besides that was their number really out of the market?

Reliant Trader 1: Theirs?

Broker: Yeah.

Reliant Trader 1: Not too bad.

Broker: Oh.

Reliant Trader 1: I mean it was just something I had to get done, so I was like okay.

Broker: There you go.

Reliant Trader 1: So you know.

Broker: This is brutal.

Reliant Trader 1: I know, it's terrible. Do you think you saw a lot of people puke out that had to, you know, they got their stop-loss limits and had to get out, you think?

Broker: Yeah I think a lot of people finally sold a few things, uh. [*To someone else: Last ninety-three, ninety-eight.*] Q3 Palo, that was.

Reliant Trader 1: Yeah, so now you think people are just sitting kind of scared for the moment?

Broker: I think so, just sitting here waiting.

Reliant Trader 1: Was gas puked it up today?

Broker: Oh God. Horrified.

Reliant Trader 1: That's terrible. Everybody was like, oh, wait a minute.

Broker: [*To someone else: 5-10 last.*] So, that's the story.

Reliant Trader 1: Nice tight market too.

Broker: You like that?

Reliant Trader 1: Yeah. I hear Reed's out there kind of trying to sell it and then buy it back, sell it.

Broker: [*To someone else: Gotcha.*] What was that [ ]?

Reliant Trader 1: I said I heard Bill Reed's kind of out there playing.

Broker: That's basically it, basically it.

Reliant Trader 1: Basically . . . Nobody else—none of the other guys are—

Broker: But they're not, they're not playing, they're just kind of reacting?

Reliant Trader 1: Yeah, they're reacting to him trying to move it.

Broker: Yeah people are like, oh s\_\_\_, I got to sell that. Try to go sell that, try to go sell that, so—

Reliant Trader 1: Okay. Allrighty. If you hear anything more about the index, let me know.

Broker: Yeah, I got still a fifty bid, probably get to fifty-five.

Reliant Trader 1: Okay.

Broker: Watching you at seventy?

Reliant Trader 1: Yeah, I [*unintelligible*] probably go sixty five.

Broker: Alright cool.

Reliant Trader 1: Okay thanks.



**June 19, 2000, 17:31**

[Operational discussion not transcribed.]

Reliant Ops Manager 1: . . . And, there is a possibility, we'll take a hard look at this morning, that three and four may be coming off tomorrow.

Reliant Plant Operator 1: Really?

Reliant Ops Manager 1: Yeah.

Reliant Plant Operator 1: Huh!

Reliant Ops Manager 1: I mean that's how soft the market is getting and...

Reliant Plant Operator 1: Holy smokes.

Reliant Ops Manager 1: ... trying to do some moving in the market and it's really pretty low prices. So, you may see three and four off a few ... a while tomorrow night going into Wednesday. Wednesday – Thursday.

Reliant Plant Operator 1: You have a schedule for them for tomorrow though, right?

Reliant Ops Manager 1: Yes. Oh yeah. Yeah, three and four are scheduled for tomorrow.

Reliant Plant Operator 1: Okay.

Reliant Ops Manager 1: We may be shutting down a lot of units tomorrow... see what happens.

Reliant Plant Operator 1: They're predicting a cooling trend, or...

Reliant Ops Manager 1: Well, it's... it's... uhm.

Reliant Plant Operator 1: It's a soft market?

Reliant Ops Manager 1: It's just... it's a soft market plus there's some other issues from a trading perspective.

Reliant Plant Operator 1: Oh, okay.

Reliant Ops Manager 1: Longer term that we may, you know, we may need to get some units off for a couple of days to try to create some movement hopefully in the PX ... create movement in other markets that help us out longer term.

Reliant Plant Operator 1: Yeah. I see. Okay then, I'll just look at my manning schedule and cancel some overtime, probably.

Reliant Ops Manager 1: Okay. But I'll let you tomorrow. Are you going to be on there tomorrow?

Reliant Plant Operator 1: Uh, I will be...let's see, uh, no, I'm off tomorrow.

Reliant Ops Manager 1: Oh, okay.

Reliant Plant Operator 1: Uh, that'd be... [Reliant Plant Operator 4] I believe is on tomorrow – day shift.

Reliant Ops Manager 1: Okay. I'll let them know on three and four shortly after we get the bid. That's the way it's looking right now.

Reliant Plant Operator 1: Okay.

Reliant Ops Manager 1: Okie doke?

Reliant Plant Operator 1: Yip.

Reliant Ops Manager 1: Alright, thanks a lot, [ ].

Reliant Plant Operator 1: Yep. Bye.

**June 20, 2000, 06:30**

Reliant Manager 1: Hey.

Reliant Trader 2: Hey.

Reliant Manager 1: Heard anything yet this morning?

Reliant Trader 2: No we have not heard anything yet. We're just kind of talking about our plan.

Reliant Manager 1: Okay. The other thing is—we could come out and do—in order to do it is to come out and sell it, but if it comes up, put the sells that we have into the plant book and take the larger sells into our book.

Reliant Trader 2: What we are kinda thinking about doing right now is coming out and trying to buy Q3. Buy dailies and then shut down all the plants and then if it goes against us putting that, unwind hedges in the plant book.

Reliant Manager 1: Yeah.

Reliant Trader 2: And then that way we going to put out that we are short NOx, we're short capacity factor—or we're worried about the capacity factor of units, and trying to get people to say look we can't – these levels don't make sense to do. I mean at 88 bucks and just kinda um....then we can make the argument internally if we have to.

Reliant Manager 1: That it was a 21 buck margin.

Reliant Trader 2: Yeah. I mean, we're down to \$40.00 profit margin now where as last week we were \$70.00, and we'd rather unwind stuff and carry into the summer.

Reliant Manager 1: Yeah. And plus we'll use the deal we don't know what Ormond's going to be doing and there's problems popping up.

Reliant Trader 2: Right. I mean, I feel more—I feel better about that than going out and just coming out short when I think the market is going to rebound at some point. Right now. But we're still talking about it right now.

Reliant Manager 1: Well I was talking about the Q—the 2001.

Reliant Trader 2: Well, yeah, I mean if it props up there and we're selling 2001. I mean we're doing this to prop up 2001 to sell into it.

Reliant Manager 1: But what I was going to say is that if 2001 looks like it's not going to do anything, in order to do it, is—then we're happy with profit margin in

2001 as our front line hedges, what we can do is go out sell some of it in 2001. I know it put downward pressure, but then if the market keeps falling off we'd just put it in our book. If it goes back up we'd put the lesser ones in the plant book and do the other ones the other way.

Reliant Trader 2: Right.

Reliant Manager 1: At least that way we're hedged—at least that way we have locked in.

Reliant Trader 2: Some of it, yeah.

Reliant Manager 1: Some of it there.

*[Unrelated business conversation through the end of call not transcribed.]*

**June 20, 2000, 6:56**

Reliant Trader 1: Hey, guy.

Broker: How are you?

Reliant Trader 1: Good. I'm going to try this again today.

Broker: Yep. What do you think? Do you think it continues off or do we bounce?

Reliant Trader 1: You know. I thought we would have bought them \$5 or \$10 ago. So ...I'm going "huh?" So you know, gas—I haven't had any gas this morning but looks like last night it kind of leveled off. It didn't continue totally to downward.

Broker: Right. How much does that count on a day?

Reliant Trader 1: 46¢ yesterday.

Broker: "Hello!"

Reliant Trader 1: Yeah. So you know . . .

Broker: That's over, done.

Reliant Trader 1: Yeah. And that was bound to carry over into us, you know, and I think some people hit their limits and they had to bail.

Broker: Yeah.

Reliant Trader 1: You know people got nervous.

Broker: Let me ask you, do you think, when you got in, do you think there was a lot going on or do you think it was like drop a buck, drop two bucks, you know, a couple of things go through and then drops again?

Reliant Trader 1: Yeah. That's what it seemed like all day.

Broker: It's all very thin you know.

Reliant Trader 1: I've felt like that for a few days. I didn't even get here 'til 9 o'clock my time and it was like, one trade would happen, and the next trade would be \$4 less.

Broker: Yes. Exactly. I mean we're down on light volumes.

Reliant Trader 1: Uh-huh.

Broker: The only thing you've got to worry about there is your risk managers come in and say that's enough pain, now you've got to get out.

Reliant Trader 1: That's what I'm thinking started to happen you know because a lot of companies are not going to lose going into summer. They know a big risk is during it, and if people are starting to see that kind of move, if they were long, which I think the market was long.

Broker: No question about that.

Reliant Trader 1: Without a doubt. I think people were bailing. You know, nobody except for maybe Freak Boy and Ohio were willing to go short.

Broker: "Freak boy." I love it.

Reliant Trader 1: Well I can't help it.

Broker: I love it. No, I think you're right. I guess you're right. I agree with that 100%. I think the market is long as hell.

Reliant Trader 1: Uh-huh.

Broker: You know.

Reliant Trader 1: My question is that I can't figure out is—what kind of length is still out there? You know, what if other people had to puke up this week, what is still there?

Broker: Right.

Reliant Trader 1: You know. We know what Enron is long but Motley and Schwarzman are both out, so they're sitting on it.

Broker: And [*unintelligible*] and [*unintelligible*] was selling. Well, he was selling the prompt stuff. I don't know what he was doing in the back.

Reliant Trader 1: Yeah. He was selling [*unintelligible*] from COB.

Broker: He was stepping on everything in July.

Reliant Trader 1: Yeah. So, you know—how much length is left? That's what I'm trying to figure out.

Broker: Shwarzman is not in for a while. Motley should be in tomorrow.

Reliant Trader 1: Yeah, Motley will be in tomorrow and Shwarzman doesn't come back until after holiday, does he?

Broker: I think he's like the last week in June.

Reliant Trader 1: Oh, okay.

Broker: Maybe like the middle of next week sometime.

Reliant Trader 1: Oh okay. Still.

Broker: Or maybe the end of next week. I don't know.

Reliant Trader 1: By then we've already rolled off July.

Broker: Oh yeah.

Reliant Trader 1: You know, so . . .

Broker: By then you know what's been done, will have been done.

Reliant Trader 1: Uh-huh. And by then you're definitely going to have any of the players that like you said, are going to have to, they're going to have to puke it up.

Broker: Yeah.

Reliant Trader 1: So you know, I'd like to say we're at a bottom, but I'm still not convinced. I think if gas holds any support, you know, looks like AGA's may possibly be bearish.

Broker: Right.

Reliant Trader 1: You know, two schools of thought on that one.

Broker: Right.

Reliant Trader 1: So.

Broker: Alrighty. Anything you up to?

Reliant Trader 1: Yeah. I'm going to look at some Q3 today. We've kind of had some change over here. We're getting from our guys it looks like we could be in NOx trouble.

Broker: In what?

Reliant Trader 1: NOx trouble. That's a credits, so we may not be able to run like we thought.

Broker: Right.

Reliant Trader 1: So I'll probably be out looking at buying some Q3 today.

Broker: Alrighty.

Reliant Trader 1: Looking to unwind some stuff.

Broker: Okay.

Reliant Trader 1: Thanks. Let me know when it starts.

Broker: Alright. Bye-bye.



**June 20, 2000, 07:01**

Reliant Trader 1: Hey, [ ].

Broker 1: Good morning [ ]. How are you?

Reliant Trader 1: Good. How's it going?

Broker 1: Hold on one second. Hey. I'm sorry, [ ]. What's happening?

Reliant Trader 1: Not much. What's going on?

Broker 1: Jack diddly.

Reliant Trader 1: Jack diddly, huh?

Broker 1: Yeah.

Reliant Trader 1: Well.

Broker 1: Got in here about 20 minutes ago. Just sitting down talking to people now.

Reliant Trader 1: OK.

Broker 1: Figured I might as well see if we could do any business.

Reliant Trader 1: Yeah. Well, I'm going to be looking at Q3 today.

Broker 1: Oh, really?

Reliant Trader 1: Yeah. Looks like we've got some stuff we've got to undo for the plants.

Broker 1: Cool.

Reliant Trader 1: We're going to be in a little – little bit of capacity problem.

Broker 1: Oh really?

Reliant Trader 1: Well we ran so hard last week and in May, which is unusual . . .

Broker 1: Yeah.

Reliant Trader 1: That we're going to hit capacity limits early, they look like, we think.

Broker 1: Ooh.

Reliant Trader 1: Yeah, so we're going to – we think we need to buy back some stuff. So . . .

Broker 1: The horrible thing about that is the way this market is right now.

Reliant Trader 1: Yeah, I know. It's like you tell me, where's the bottom, you know?

Broker 1: And the good thing about that is that I think people might want to continue to try and push it down more.

Reliant Trader 1: Uh-huh.

Broker 1: So maybe you can get the people to try to . . .

Reliant Trader 1: Support?

Broker 1: Push down. Get these people out, you might get some volume that way.

Reliant Trader 1: Well that's what I'm wondering. What do you think? I mean, some people have had to puke it up, because of limits, you know?

Broker 1: I think if you need to buy it, you could sit back and let's see how it sizes out for the first 20, 30 minutes, and don't even show a number.

Reliant Trader 1: That's what I was going to see. Is just kind of see how, I mean, things get started.

Broker 1: Yeah, don't even settle it there. Don't even settle it.

Reliant Trader 1: Un-huh. I mean like, yesterday, we just – you know, one trade would happen, and the next trade would be five dollars lower.

Broker 1: Exactly.

Reliant Trader 1: So . . .

Broker 1: I think, I think you let it, let it feel itself out.

Reliant Trader 1: OK.

Broker 1: Because things will be happening very slow here, so . . .

Reliant Trader 1: Yeah. Well, it's that - I, I don't know – it seemed like a very thin, for . . .

Broker 1: Oh, it's been so thin.

Reliant Trader 1: So, . . .

Broker 1: Well, you know, like I said. You know, feel it out, see what they want to do and if they want to walk it down, that's your best deal.

Reliant Trader 1: Yeah. Yeah. I mean . . .

Broker 1: One piece at a time and let 'em keep hitting you.

Reliant Trader 1: Are you seeing anybody, I mean, significant, trying -- besides, I know Enron was out late trying to do COB.

Broker 1: Yeah, I think they'll probably be, -- I think they had the advantage -- that's what I'm saying. If they try and walk it down a little bit, then you start getting hit with more piece at a time?

Reliant Trader 1: Uh-huh. Yeah.

Broker 1: Then might be just stand like they're stopping you out?

Reliant Trader 1: Yeah.

Broker 1: And then you can maybe get some size.

Reliant Trader 1: OK. And then was Bill out there?

Broker 1: What's that?

Reliant Trader 1: AEP?

Broker 1: Yeah, he was walking it down, so maybe he'll continue to do that. I don't know.

Reliant Trader 1: OK. And he's a freak, so. We'll see what happens. Let me know if you get started and kind of size it up.

Broker 1: No problem.

Reliant Trader 1: Thanks.

Broker 1: Bye [Reliant].

**END OF RECORDING**

**BEGINNING OF RECORDING**

Reliant Trader 1: Good morning.

Broker 2: What's going on?

Reliant Trader 1: Hey. It's Tuesday. It's morning.

[*Unrelated conversation not transcribed.*]

Reliant Trader 1: . . . So, what's going on?

Broker 2: Well, I have an 83 bid to start in July Palo, and I have an 85 bid to start Q3 Palo. I haven't seen any offers yet.

Reliant Trader 1: Okay.

Broker 2: And, I don't know. What do you got cooking?

Reliant Trader 1: I'm probably going to look at having to go out and buy some Q3 this year.

Broker 2: This year?

Reliant Trader 1: Yeah. Looks like we may have some unit problems, so we're going to unwind some stuff from our plants today.

Broker 2: Okay.

Reliant Trader 1: So, not what we want to do. But, you know, we don't have a choice. So, you know, we may get out at pretty good levels today.

Broker 2: Alright.

Reliant Trader 1: So, kind of seeing if you know if anybody's going to try to keep whacking it down. Or, you know, pick and choose some pieces here and there, or so . . .

Broker 2: Allrighty. Any level you want me to start you off at?

Reliant Trader 1: No, I'm going to kind of wait and see how it gets started here this morning.

Broker 2: Allright, you got it.

Reliant Trader 1: Still cranky.

Broker 2: That—we're talking about 2000, right?

Reliant Trader 1: Yeah, we're talking about 2000.

Broker 2: Okay.

Reliant Trader 1: Allrighty?

Broker 2: Allrighty.

Reliant Trader 1: Thanks.

Broker 2: You got it.

**June 20, 2000, 08:25**

*[Operational discussion not transcribed.]*

Reliant Ops Manager 1: Yeah. That's probably the way to go if ya'll can swing it. If not, if we have to do it then I don't necessarily foresee those units being run the remainder of this week. In fact you will probably see, in fact I know, tomorrow we will have all the units at Coolwater off.

Reliant Plant Operator 2: Really?

Reliant Ops Manager 1: Potentially. Even number four. More due to some market manipulation attempts on our part. And so, on number four it probably wouldn't last long. It would probably be back on the next day, if not the day after that. Trying to uh...

Reliant Plant Operator 2: Trying to shorten the supply, uh? That way the price on demand goes up.

Reliant Ops Manager 1: Well, we'll see.

Reliant Plant Operator 2: I can understand. That's cool.

Reliant Ops Manager 1: We've got some term positions that, you know, that would benefit. So, we'll see what happens. So you're scheduled tomorrow on two and four probably initially at least. I know two will be off and the initial schedule will say four is off. Whether or not we actually do that real time, we'll see.

Reliant Plant Operator 2: How long do you project unit two be on?

Reliant Ops Manager 1: Uh, probably a day or two.

Reliant Plant Operator 2: Okay.

Reliant Ops Manager 1: Oh number two?

Reliant Plant Operator 2: Yeah.

Reliant Ops Manager 1: Yeah, I would imagine. I don't know that we would start that one back up going into the outage next week. We may leave it off. Number four would probably be back within a day or two.

Reliant Plant Operator 2: Okay. Good enough.

Reliant Ops Manager 1: Okie doke.

Reliant Plant Operator 2: Thanks.

Reliant Ops Manager 1: Thanks a lot, [ ]. Bye.

**June 20, 2000, 16:50**

*[Discussion of prospective maintenance needs and weather trends not transcribed.]*

Reliant Ops Manager 1: Yeah. So that should provide some strength in the market. We're having some relative strength now, you know, for tomorrow and the next day. And just between me and you, a lot of that's being caused by us taking deliberate actions to provide that strength. For longer term trading issues.

Reliant Plant Operator 3: Okay.

Reliant Ops Manager 1: What, we're shutting down six power plants tonight.

Reliant Plant Operator 3: Ouch. Tonight?

Reliant Ops Manager 1: Yeah. So we didn't bid 'em all in tomorrow, maybe not the next day, but we'll probably be back to more normal operations after that. So if you're seeing relative strength in the market now, some of that's being caused by us.

Reliant Plant Operator 3: Okay.

Reliant Ops Manager 1: It was intentional.

Reliant Plant Operator 3: Proving a point, huh?

Reliant Ops Manager 1: Well, yeah, sometimes you have to.

Reliant Plant Operator 3: I'm going to send my noms in through Thursday.

Reliant Ops Manager 1: Okay.

Reliant Plant Operator 3: What is your recommendation? Should I just go in pretty close to – because I've been bidding with the one unit – real close, you know, to what we can generate. Should I trim a little bit off of that, or should I just – I mean, you know, I don't want to get into your guys turf. If you know what I mean.

Reliant Ops Manager 1: Oh, no. I would, well, I would think, for the most part, the past couple of days – except yesterday there was a few strong hours – tomorrow is kind of strange. I think, I think there's quite a lot of people – tomorrow's Wednesday, I'm trying to see what was happening tomorrow. We're not totally out with the market today yet. They're doing some revisions in the market's liable to come out . . . I think they're revising their load forecast up. I think – if we're doing the same thing Thursday, the day-ahead market, I think it came out like



\$74, today, I don't know if we had any congestion or not. That's not out yet. I would think Thursday, just my gut feeling is, I think that there'll be some relatively good imbalance prices for a few hours tomorrow. On average, probably relatively close to the day-ahead, what the PX day-ahead clears at, except for the four or five hours – perhaps 13, 14, 15, 16, 17. The ISO, it appears that they're going to pick up additional reserves. They're going back and re-running the market now. They published it and then they came back and “No, wait, we're going to redo it.” It appears that's for the purpose of picking up additional reserves so that they can buy additional capacity and lock that up. So it appears that there's some concern on their end for not enough capacity tomorrow. And I would think that would carry in, to a certain extent, to Thursday also. So, that's how come – I don't see a lot changing in the market between Wednesday and Thursday. So, kind of, however I see tomorrow going, I kind of think the same thing I think will happen Thursday.

- Reliant Plant Operator 3: Are you looking at real high prices then on that PX or . . . ?
- Reliant Ops Manager 1: No. I don't think PX prices for Thursday, I would anticipate they would clear somewhere in the same range they did for tomorrow. 74, 75 dollars.
- Reliant Plant Operator 3: I was just thinking about backing down and picking up like 20, leaving 20 on the ex post, or something like that.
- Reliant Ops Manager 1: Right. I think, I think on average that that 20 on the ex post would be higher than what the PX clears at.
- Reliant Plant Operator 3: Okay. Okay.
- Reliant Ops Manager 1: Because, I think – I guess what I'm saying, the majority of day-ahead would be pretty close. And then the peak hours, there's the possibility of it going quite a lot higher. So, when you look at the average over the day, I mean, I don't think you're going to see many zero dollars. And if you do, with only one unit on, you're dispatchable. You can always get down to schedule. You're not hung out there. So, you've got an advantage there, actually.
- Reliant Plant Operator 3: Um. Shoot, that's good to know. But, what you're saying, this weekend kind of looks not too bad. We may be totally down then this weekend.
- Reliant Ops Manager 1: I would think, if I was looking at doing an outage, I would be looking at this weekend.
- Reliant Plant Operator 3: Okay.

Reliant Ops Manager 1: You know, if not before. You know, some of the units we're actually shutting down, we're going to work on tomorrow and the next day. We probably wouldn't do that if we weren't trying to make another point. But, would look more towards this weekend, could be that you're going to get to July 4<sup>th</sup> and it will be even softer.

Reliant Plant Operator 3: Okay.

Reliant Ops Manager 1: That's just an unknown. This weekend does not look particularly strong to me.

*[Discussion of timing for prospective maintenance continues through the end of the call.]*

**June 21, 2000, 14:34**

Reliant Trader 2: Hey.

Unidentified Reliant Employee: Hey. Your ass is in trouble I guess, huh? I've never seen [Reliant Manager 2] on the floor.

Reliant Trader 2: I didn't know he was here. I mean [Reliant Trader 1] just told me he came down.

Unidentified Reliant Employee: What did he have to say? Where the hell is my 3 million bucks?

Reliant Trader 2: No, we've made back.

Unidentified Reliant Employee: Oh, did you?

Reliant Trader 2: Yeah.

Unidentified Reliant Employee: So what's he doing down here?

Reliant Trader 2: We shut down all of our plants yesterday, for today and for tomorrow.

Unidentified Reliant Employee: Yeah, and he wanted to know why?

Reliant Trader 2: No, no, no, he was – we made all the money back and he thought that, I mean he just thought that was the coolest strategy ever.

Unidentified Reliant Employee: Did you take all the credit for that?

Reliant Trader 2: I wasn't here.

Unidentified Reliant Employee: Well, who made the decision to shut the plants then?

Reliant Trader 2: Well, [Reliant Manager 1], I mean, we all kind of came up with it. [Reliant Manager 1]–

Unidentified Reliant Employee: Look over here, you know I've got you on the speaker phone.

Reliant Trader 2: Oh, do you? I didn't even, I wasn't even around. No, [Reliant Manager 1]. I'm not even talking to you, bye.

**June 21, 2000, 14:43**

*[Personal conversation not transcribed.]*

Reliant Ops Manager 2: Cool. How did it work today?

Reliant Trader 1: Ah, 129 for the PX.

Reliant Ops Manager 2: Yeah. I saw that.

Reliant Trader 1: And then we traded up to 113 for Q3 next year.

Reliant Ops Manager 2: Sweet.

Reliant Trader 1: I mean this year.

Reliant Ops Manager 2: This year? How about . . .

Reliant Trader 1: And then I traded as high as 97 for Q3 next year.

Reliant Ops Manager 2: All right . . .

Reliant Trader 1: We pretty much made back everything we lost.

Reliant Ops Manager 2: Uh huh. Thank God.

Reliant Trader 1: Yea. Every penny, so, I mean, we even had [Reliant Manager 2] down here.

Reliant Ops Manager 2: Really?

Reliant Trader 1: You know. He reports to [Reliant Manager 3].

Reliant Ops Manager 2: Yeah.

Reliant Trader 1: He came down, talked to [Reliant Manager 4]. He just wanted to know, he was, everybody thought it was really exciting that we were gonna play some market power.

Reliant Ops Manager 2: Yeah.

Reliant Trader 1: So he came down and asked how it was going and wanted to da-da-da . . .

Reliant Ops Manager 2: Cool.

Reliant Trader 1: He's like "This is cool."

Reliant Ops Manager 2: Actually it was kind of fun.

Reliant Trader 1: It was.

Reliant Ops Manager 2: The circumstances really sucked.

Reliant Trader 1: Yeah, but I mean, you know, it's great because real time right now is \$300, you've got Coolwater in. I think they're 400 long right now.

Reliant Ops Manager 2: Cool.

Reliant Trader 1: So, um, you know, it's good because they think it'll prop everything up because with no heat; it's just showing . . .

Reliant Ops Manager 2: Yeah.

Reliant Trader 1: See that the market can still do this. So, it's got people thinking. So . . .

Reliant Ops Manager 2: Cool.

Reliant Trader 1: So that'll be cool.

Reliant Ops Manager 2: That was fu-un!

Reliant Trader 1: Yeah. So, I think tomorrow I'll start bringing stuff on, but I know I think they're gonna leave Etiwanda off through the weekend.

Reliant Ops Manager 2: Yeah. Well, I told them yesterday to . . . if they came up with a decision without me there I told them leave 'em off. We don't want 'em Saturday, Sunday.

Reliant Trader 1: Yeah. I agree. And I mean it looks like there's a little heat coming in. The thing that's helping us, too, that hopefully will help over the weekend when they start bringing stuff back is, it's gonna be warm, like 90, 91 in Spokane and the Northwest.

Reliant Ops Manager 2: Oh, sweet.

Reliant Trader 1: So, you know, every time they get hot, it freaks everybody out, so, you know, it may help.

Reliant Ops Manager 2: Cool.

Reliant Trader 1: But, uh . . .

Reliant Ops Manager 2: We could have a good week next week.

Reliant Trader 1: Yeah. Yeah. We hope so. Yeah. It's not supposed to be terribly hot in the Southwest, but . . . but the Northwest, you know anytime that gets warm, that helps, so . . . Yeah, gas went up again like 20 some cents today.

Reliant Ops Manager 2: Damn.

Reliant Trader 1: It went up -- it was all the way back to flat, and then as soon as AGAs came out, they came out real bullish and went up 27 cents.

Reliant Ops Manager 2: Huh. Cool.

Reliant Trader 1: So, cool?

Reliant Ops Manager 2: That's cool. All right.

*[Personal conversation through the end of the call not transcribed.]*

**June 21, 2000, 15:29**

Reliant Trader 2: Hey.

Reliant Ops Manager 3: How's it going?

Reliant Trader 2: It's going okay. It's going better.

Reliant Ops Manager 3: Is it?

Reliant Trader 2: Yeah. It's been a very crazy two days.

Reliant Ops Manager 3: Why has it been going bad?

Reliant Trader 2: Monday the prices for Q3 dropped \$15 and Q3 '01 dropped about \$10. So the trading books we're losing a shit load . . .

Reliant Ops Manager 3: Uh-huh.

Reliant Trader 2: So we shut, we were worried about the value of '01 and all this stuff, and the plant—we decided that the prices were too low on the daily market, so we shut down everything except Ormond.

Reliant Ops Manager 3: Excellent. Excellent. Looks like the price popped a little bit in the PX.

Reliant Trader 2: It did because we pulled everything out of the market.

Reliant Ops Manager 3: Hundred and twenty-eight bucks. That's excellent.

Reliant Trader 2: We pulled about 2,000 megs off the market.

Reliant Ops Manager 3: That's sweet.

Reliant Trader 2: So, the real time market's popping right now.

Reliant Ops Manager 3: Did that all work out for you then?

Reliant Trader 2: Yeah, I mean, the real time – the day-ahead prices going up to a level where we think we can run and make money.

Reliant Ops Manager 3: Isn't that fun when you can do things like that now?

Reliant Trader 2: Yeah. We're just trying, you know, to look at our options.

Reliant Ops Manager 3: Absolutely.

Reliant Trader 2: We've had NOx and we've been running the units hard, and going into summer and we're not going to give it away.

Reliant Ops Manager 3: You don't want to waste all your bullets in June. There's still July and August.

Reliant Trader 2: Yeah. Right. So.

Reliant Ops Manager 3: Well, that's good that it worked out.

Reliant Trader 2: Yeah.

*[Unrelated conversation about Reliant Ops Manager 3's ongoing business trip in Pennsylvania not transcribed.]*

Reliant Trader 2: I mean you know this strategy that we did, you know, yesterday and today would not have worked if not everybody in the whole group bought into it wholeheartedly.

Reliant Ops Manager 3: And was on board and said said let's try it.

Reliant Trader 2: And did not look at the personal P&L and looked at the best thing for the whole corporation.

Reliant Ops Manager 3: Yeah. I mean Darren's hedge position is looking rather well. You know?

Reliant Trader 2: Yeah. You know you have a – term book lost a little money but the overall thing was that prices for the whole portfolio were going down for Q3 if we did not do something.

Reliant Ops Manager 3: Yeah, I think that was a good call.

Reliant Trader 2: So.

Reliant Ops Manager 3: I mean it's fun when you can take that kind of risk, you know, because you've already had a good May-June now it's time to be real aggressive about the market and try and make the market do what you want it to do for you.

Reliant Trader 2: Right.

Reliant Ops Manager 3: And sounds like a good call.

Reliant Trader 2: So I apologize for not getting back with you.

Reliant Ops Manager 3: Oh no, no problem. No problem at all. . .

*[Unrelated conversation about Reliant Ops Manager 3's ongoing business trip in Pennsylvania continues through the end of the call.]*



**June 23, 2000, 09:27**

Reliant Trader 1: Hey, what's going on?

Reliant Trader 3: Not too much.

Reliant Trader 1: Cool.

Reliant Trader 3: Except that we made our budget.

Reliant Trader 1: Did you?

Reliant Trader 3: Of course our budget is smaller than your budget.

Reliant Trader 1: Oh, that's all right, ours is – kinda sucks right now, so.

Reliant Trader 3: Oh, yeah?

Reliant Trader 1: It's been an interesting week.

Reliant Trader 3: How...?

Reliant Trader 1: It started out Monday losing \$3 million, market just fell out of bed. So, then we decided as a group that we were going to make it go back up, so we turned like about almost every plant off. It worked. Prices went back up. Made back about \$4 million, actually more than that, \$5 million. And then last night we get word that the – because prices last week, you know, were \$450, that the ISO is going to try and lower price caps back to 250. So, there was a board meeting last night – huh?

Reliant Trader 3: They going to do that?

Reliant Trader 1: That's what they want to do. That's what they are proposing. They are holding another meeting next Wednesday.

Reliant Trader 3: That will kill the market.

Reliant Trader 1: Oh, it did today. So, - and of course I was sitting long. So, we knew about it. So, we came in early trying to get out of whatever we could, but of course, there was no bids. So, we are sitting on length and there is no f\_\_\_ing bid in the market.

Reliant Trader 3: [*Unintelligible*] market now? Still no bid?

Reliant Trader 1: No bid. I don't think there will be the rest of today. It's a Friday, you know, to make matters worse it's a Friday and plus the news of the ISO. So, yeah. It's been fun.

Reliant Trader 3: Ugh.

Reliant Trader 1: So, it's been an interesting week.

Reliant Trader 3: Wow.

*[Unrelated conversation about Reliant Trader 3's trading group in Europe not transcribed.]*

Reliant Trader 3: We'll see. That's what kills you is regulatory

Reliant Trader 1: Oh, yeah—

Reliant Trader 3: Regulatory changes. That's what kills you is regulatory.

Reliant Trader 1: I mean, there's nothing you can do about it either. I mean, we're going to fight it, you know, kicking and screaming, obviously. So.

Reliant Trader 3: Did they make a decision soon? Or are they just going to —

Reliant Trader 1: Well, they got a letter from the Senator Pease, the guy that proposed the whole deregulation thing. His letter not only wants to take the cap back to 250 he wants to make it retroactive to May 1<sup>st</sup>, which is like \$50 million income to us.

Reliant Trader 3: He can't do that.

Reliant Trader 1: We don't think the retroactive will work, no, but the way that FERC gave them permission to decide — all FERC's order did about price caps, it says the buyer has the right to decide what they'll pay. So, ISO being the buyer if they decide they want to pay 250 going forward, then they're only going to pay 250—you know.

Reliant Trader 3: How long are you?

Reliant Trader 1: 125 for Q3 next year, and once piece of calendar '01. So, a \$4.00 move is about \$600,000.

Reliant Trader 3: Well, that's not — that's not as bad as it was, though, 'cause you were like 350 long —

Reliant Trader 1: Well, that was Q3 this year. I have been in and out of that, made my money, but the problem is, like what I was holding — yeah, I was 275

long of Q3 next year, Monday when everything fell – bottom fell out. So—

Reliant Trader 3: So, you shut everything off. I love that.

Reliant Trader 1: Huh?

Reliant Trader 3: So you shut everything off?

Reliant Trader 1: Yeah, we literally shut everything off but Ormand. Everybody's like, you can't do that, and we're like, watch us. And it worked.

Reliant Trader 3: Did the market find out?

Reliant Trader 1: No, god no. They – somebody, you know, figured out because they said that, came out in one of the rags that a non-utility generator looked like they were withholding generation. But, see we didn't because we really bid it in. We just bid it in very high.

Reliant Trader 3: So you're clear.

Reliant Trader 1: Huh?

Reliant Trader 3: So, you're cleared. You sold. You can honestly say, I did not withhold.

Reliant Trader 1: Yep, and it wasn't like at \$500, I mean we bid it in at like 250. So.

Reliant Trader 3: That helps. Well, not this week—

Reliant Trader 1: Yeah, no this week has been – talk about – you started the week out totally falling down a mountain, then we have been on a pretty good high for three days, and then today is just, I mean, it's awful. So—

*[Unrelated story about Reliant Trader 3's trading in Europe not transcribed.]*

Reliant Trader 1: Yeah, so it was, it's just the liquidity has just been killing us. Nobody, you know, we've stopped a lot of people out – that's what got us Monday, gas fell 46 cents.

Reliant Trader 3: It fell 46 cents?

Reliant Trader 1: Yes. So as gas just keep plummeting during the day, you know, bids keep backing up on the power side and all of a sudden you have got people that are long that start – they're at their stop –loss limits. They got to get out. So, a lot of risk managers, I guess, at some companies, you know, have got to sell. And if you had ask a bid – you know, find out – go call a

broker where is the bid, it would be \$5.00 less than what it was 30 seconds ago because they knew somebody was interested. Q3 dropped \$25.00 on Monday.

Reliant Trader 3: Oh my god.

Reliant Trader 1: Yeah, I mean, it's just crazy.

Reliant Trader 3: So, you shut it down Monday for Tuesday?

Reliant Trader 1: Yeah, I mean, I didn't get out of anything, we just – we took the hit. We took almost \$3.1 million hit. You know, we just weren't going to chase it down and then we decided to turn off the units and then bring stuff back. And it came back, I mean, it got strong. So—

Reliant Trader 3: Were you able to dump some of it then?

Reliant Trader 1: Yeah, then I was able to get out some and then it got strong and then they were like, oh, put those sales to the plant because they were looking at a lot of heat to sell – you know to start hedging for '01. So all my \$102.00 sales yesterday had to go towards plant hedges. So, I didn't get to keep them on my books, so that's why I'm still long.

Reliant Trader 3: And [Reliant Trader 2] agreed to that?

Reliant Trader 1: Yeah.

Reliant Trader 3: Did you want to sell it.

Reliant Trader 1: Oh, I sold it. I wanted to keep half of it for my book, you know, so I would lessen my length, but, you know, but we really didn't think. We didn't get the word on the board meeting until late yesterday and we really didn't think it would come out this bearish. So—

Reliant Trader 3: You can make or lose so much money on regulatory.

*[Unrelated and personal conversation through the end of the call not transcribed.]*