

**TREASURY NEWS****FROM THE OFFICE OF PUBLIC AFFAIRS**

FOR IMMEDIATE RELEASE
Wednesday, January 10, 2000
LS-1118

**Statement of the Parties
Following the Meetings on California's Electricity Situation**

The Governor of California and the bipartisan leadership of the State legislature met with major generators (including qualifying facilities), marketers, utilities, regulators, and Federal officials, to discuss the electricity situation in California.

Recognizing the importance of the issue, as laid out in the Governor's State of the State speech last evening, the participants agreed on the need for cooperation to maintain stability and avoid bankruptcy of California utilities, and assure the long-term regularity of market conditions.

Crucial elements of a solution include:

- The development of approaches to promote long-term purchases of electricity, possible by the State, from generators at an attractive fixed rate.
- The willingness of generators, qualifying facilities, and marketers to provide on a short-term basis forbearance of amounts owed by Pacific Gas and Electric and Southern California Edison in the context of the framework of a comprehensive long-term solution.
- The need to find satisfactory approaches with respect to the obligation accumulation of the utilities for the purchase of power, consistent with contractual obligations, and which are in the public interest.
- Cooperation to better match supply and demand in the short and long term.
- Review of the existing qualifying facilities payment structures.

The parties acknowledge that the problem must be addressed while taking into account the regional nature of the market.

To advance the process further, working groups will be convened Wednesday to address additional technical details. The principals will reconvene this weekend.

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**California Electricity Meeting
Department of the Treasury
Tuesday, January 9, 2001, 5:00 PM**

Lawrence Summers
Secretary of the Treasury

Bill Richardson
Secretary of Energy

Gene Sperling
Director, National Economic Council

Martin Baily
Chairman, Council of Economic Advisers

James Hoecker
Chairman, Federal Energy Regulatory Commission

Gray Davis
Governor of California

Loretta Lynch
President, California Public Utilities Commission

Robert Hertzberg
Speaker, California State Assembly

John Burton
President Pro Tem, California State Senate

James Brulte
Minority Leader, California State Senate

William Campbell
Minority Leader, California State Assembly

Terry M. Winter
President and Chief Executive Officer
California Independent System Operator

John E. Bryson
Chairman, President and CEO of Edison International

Robert D. Glynn, Jr.
Chairman, CEO and President, PG&E Corporation

Stephen L. Baum
Chairman, President and CEO, Sempra Energy

Peter Cartwright
President, CEO, and Chairman, Calpine

Harvey J. Padewer
Group President Energy Services, Duke Energy Corporation

Steve Bergstrom
President, Dynegy, Inc.

Joe Bob Perkins
President and COO, Reliant Energy Wholesale Group

Marce Fuller
President and CEO, Southern Energy, Inc.

Jan Smutny-Jones
Executive Director, Independent Energy Producers Association

Alan Richardson
CEO, Pacificorp

Ken Lay
Chairman, ENRON

Keith Bailey
Chairman, President and CEO, The Williams Companies

Lynn Schenk
Chief of Staff to Governor Davis

FAX

Date: 1-9-01

Number of pages including cover sheet:

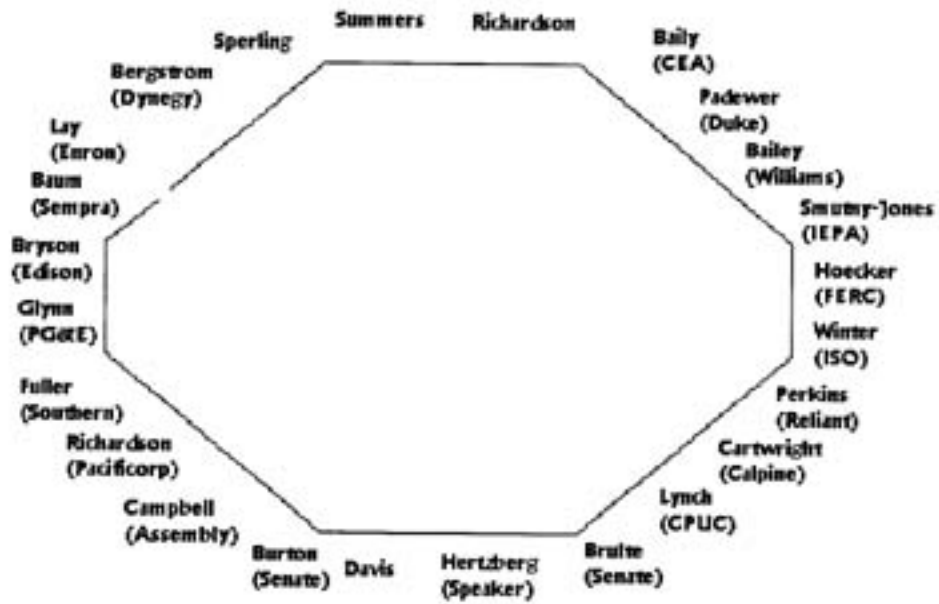
	Name	Fax Number	Phone Number
To:	<i>Rene Spelling</i>	<i>456-2878</i>	
	<i>G. Hensler</i>	<i>622-0265</i>	<i>x1703</i>
	<i>Sachs</i>	<i>622-4774</i>	
	<i>Thick</i>	<i>586-0178</i>	
	<i>Smith</i>	<i>622-2808</i>	<i>622-2920</i>

From: _____

Remarks: URGENT For your review Reply ASAP Please comment

Latest Version

Window



Door

Door

**Invitees to California Electricity Meeting
Department of the Treasury
Tuesday, January 9, 2001, 5:00 PM**

1. Secretary Richardson (202-586-6210)
2. Secretary Summers (202-622-1100)
3. Gene Sperling (202-456-2807)
4. Chairman Hoecker (202-208-0000)

5. Governor Davis
6. CPUC Chair Loretta Lynch
7. CA Assembly Speaker Hertzberg
8. CA Senate President Burton

any and all need to be invited?

9. Terry Winter: ISO Director (916-351-2366)
10. John Bryson: Southern California Edison (626-302-2265)
11. → Robert Glynn: Pacific Gas and Electric (415-267-7110)
12. → Stephen Baum: Sempra Energy (619-696-4635)

*Tue., Jan. 9
mtg @ 5:00
entrance
15th st exit 3327
RSVP 622-1703
622-1702
w/ Sec Sec + Dec 31 P
prctum id
CEO + 1*

13. Peter Cartwright: Calpine (408-995-5115)
14. Jim Donnell: Duke Energy North America (713-627-6512)
15. ~~Chuck Watson: Dynergy (713-507-6816) - K2~~
Steve Bergstrom, Pres.
16. Joe Bob Perkins: Reliant Wholesale Group (713-207-5670)

*Questions:
Ken Rink: Minsk
456-2809
456-2809*

17. ^{MS} Marce Fuller: Southern Energy (678-579-7647)
18. ^{RP} Jan Smutney-Jones: QF Representative (916-448-9499)

19. Alan Richardson: Pacificorp (503-813-5279) *(Kevin Lynch attending too)*

20. Enron -
21. Williams Co
22. ? San Brulte

e-mail to Nancy 2-1391

456-
2807

1-800-Williams

The Williams Company Tulsa, OK
Keith E. Bailey →

ENRON
Ken ~~Leigh~~
Chairman
ENRON


713-853-6773

Rick Shapiro

we have
an list
two from Duke

get chairs
into room

- 23 chairs @ table
35 folding chairs
get big chairs out
Use many RSVP's
not at table

- 14). Harvey J. Padewer
Group President, Energy Services of Duke Energy Corporation
- 15). James M. Donnell
President and CEO of Duke Energy North America
- 16). Steve Bergstrom *(Chuck Watson not attending)*
President, Dynegy, Inc.
- 17). Joe Bob Perkins
President and COO, Reliant Energy Wholesale Group
- 18).  Marce Fuller
President and CEO, Southern Energy, Inc.
- 19). Jan Smutny-Jones
Executive Director, Independent Energy Producers Association
- 20). Alan Richardson
CEO, Pacificorp

Waiting to hear:

⊙ 21. ENRON

⊙ 22. Williams Company

23. Senator Brulte

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Member, California State Senate

William Campbell
Member, California State Assembly

Ken Lay
Chairman, ENRON

Keith Bailey
Chairman, President and CEO, The Williams Companies

Martin Baily
Chairman, Council of Economic Advisers

Lynn Schenk
Chief of Staff to Governor Davis

minority leader,
minority leader

move up immediately following Burton

move to immediately following Sperling

*Lynn Schenk
Chief of Staff to Governor Davis*



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

BRIEFING

December 15, 2000

MEMORANDUM FOR THE SECRETARY

From: David Wilcox *DW*

Subject: Conversation with Steven Kean (Executive Vice President, ENRON Regarding the California Electricity Market)

You have been asked to speak by phone with Mr. Kean, who is concerned about recent turmoil in the California electricity market. Mr. Kean may raise the following issues:

[(b)(5)]

00300000000034

[(b)(5)]

[(b)(5)]

Enron Rewards President With Promotion to Chief Executive

HOUSTON, Dec. 13 (Bloomberg News) — The Enron Corporation named Jeffrey Skilling as its chief executive today, promoting a manager who helped make the company into the largest competitor in the growing energy-trading business.

Mr. Skilling, 47, who was president and chief operating officer, succeeds Ken Lay, 58. Mr. Lay said he would continue as chairman, a position he has held since February 1986.

Enron's revenue will more than double this year, possibly topping \$90 billion, largely because of Mr. Lay's and Mr. Skilling's efforts to exploit deregulation of natural gas and power markets, analysts and investors said. Enron has focused on arrang-

ing sales and purchases of energy for large buyers like utilities.

"I'm glad to see that Ken Lay had the presence of mind to allow Jeff, who's really been running the show for a couple of years anyway, to go ahead and take over," said Donato Eassey, a Merrill Lynch analyst. "Jeff has worked hard to position this company to be an energy exploiter in an era of new technology."

Mr. Skilling joined Enron in 1990 after leading McKinsey & Company's energy and chemical consulting practices. He became Enron's president and chief operating officer in 1996.

Enron's stock has doubled this year as its energy-trading strategies

have continued to pay off. Earnings have risen by more than 30 percent in each of the last four quarters.

"The best time for the succession to occur is when the company is doing well," said Mr. Lay, who predicted revenue could top \$90 billion this year, compared with \$40 billion in 1999. "Enron is doing extremely well now."

Record natural gas prices and Enron's move to switch its electricity, gas, oil and commodities trading business to the Internet have helped increase earnings and revenue.

In November 1999, the company opened EnronOnline, an Internet site where buyers and sellers of commodities can conduct business with

the company. The site handled \$380 billion in transactions in its first year and now manages \$2.4 billion in trades each day. On the site, Enron sells everything from paper pulp to space on fiber optic telecommunications networks.

Mr. Skilling "has been driving the evolution of this company from asset-based pipeline company to something no other company in the world is," said David Fleischer, a managing director of Goldman, Sachs & Company, which has put Enron on its list of top 30 stocks. "It's a company that is now growing on its intellectual capital and providing products and services to energy companies."

Shares of Enron fell \$2.69, to 74.59.

ECONOMY

State's Electricity Deregulation Is in Chaos

California Generators Seek Credit Guarantees to Sell Power as U.S. Steps In

By REBECCA SMITH

Staff Reporter of THE WALL STREET JOURNAL

California's four-year-old experiment in electricity deregulation lurched from crisis to chaos as a group of generators demanded extraordinary credit guarantees in order to continue selling power and the state's No. 2 utility demanded an immediate return to traditional regulation.

The moves — and the threat of blackouts throughout the world's sixth-largest economy — prompted Energy Secretary Bill Richardson to invoke an emergency federal provision to force generators to stay in the market. "Our objective is to keep the lights on," he said, adding that he would "not allow generators to unjustly profit from the unstable situation."

Mr. Richardson's intervention comes as wholesale electricity prices in the Western U.S. have soared to record levels as a result of booming demand, chronic supply shortages and a spike in the price of natural gas, used by most generators to power their plants. The high wholesale prices, in turn, are threatening the solvency of California utilities that must buy most of their power from outside generators and currently aren't allowed to pass along higher prices to consumers.

To keep the situation from getting any further out of control, Mr. Davis and Ms. Feinstein yesterday called on the FERC to impose a low, uniform price cap on what generators can charge throughout the region. They also want the commission to order generators to enter into long-term contracts with the state's utilities at reasonable price levels.

John Bryson, chairman of Edison International, parent of California's second-largest utility, wants to go further than that. "The new market structure is broken and must be discarded," he said.

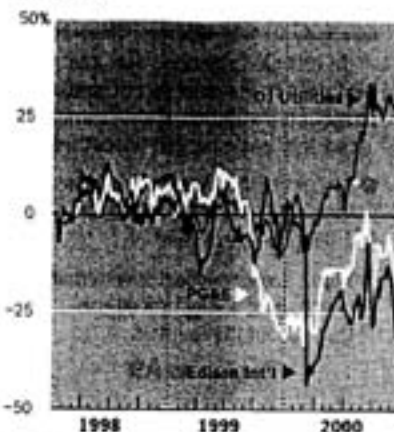
Mr. Bryson, formerly a leading proponent of deregulation, said the utility would "soon be compelled to take drastic measures" to serve its customers, including rationing. "It is time to break decisively from this failed policy," he added. "We need to reform, and, where necessary, reregulate California's electrical system."

In an interview, Mr. Bryson said Edison has in recent days faced difficulty in

Please Turn to Page A6, Column 4

Electric Shock

Percent change since Dec. 26, 1997, in weekly closes of the Dow Jones U.S. Utilities Index and Edison International and PG&E.



Sources: Tradeline.com; Dow Jones Indexes

The troubling state of affairs in California, and the clear difficulty regulators and lawmakers are facing in coming up with a politically palatable solution to the crisis, is likely to cast a pall on electricity deregulation initiatives across the U.S. Currently, 24 states have either deregulated their markets or are in the process of doing so.

The situation yesterday came to a head

during a Washington meeting attended by California Gov. Gray Davis, U.S. Sen. Dianne Feinstein, Federal Energy Regulatory Commission Chairman Jim Hoecker and Mr. Richardson. As they debated how to fix California's broken market, they were notified by officials from the grid-operating California Independent System Operator, or ISO, they would have to begin rolling blackouts for the first time and faced an apparent mutiny by 13 generators and traders. Soon after, Mr. Richardson asserted his emergency powers under the Federal Power Act to make sure suppliers don't abandon the market.

While Mr. Richardson's move buys some time, it didn't address the underlying financial problem that threatens to engulf not only the utilities but, eventually, consumers throughout the West. California's three investor-owned utilities, which supply power to customers at frozen rates ranging between \$54 and \$65 per megawatt hour, are paying as much as \$1,200 per megawatt hour for their juice.

Since June, they have amassed a deficit of more than \$7 billion. Prior to deregulation, California spent \$23 billion a year on electricity. Recently, it has been spending as much as \$850 million a day.

Over the course of the last week, the credit ratings of both Southern California Edison and Pacific Gas & Electric Co., the state's other big utility, have been cut. Yesterday, Standard & Poor's joined in the chorus, putting the two utilities on negative credit watch.

securing a \$1 billion credit line from a consortium led by Chase Manhattan Bank owing to fears that it will never get paid. "There's no question we need this money," Mr. Bryson said. "It is a serious credit crunch."

Indeed, generators say they are worried that the financial drain on the utilities is nudging them toward default. One of them, though, says that as a group they have never threatened to cut off supplies.

"All we said was, you either need to give us a letter of credit, or the state needs to step forward," said Steve Bergstrom, president of Dynegy Inc. of Houston, operator of 16% of California's fossil-fuel generating capacity. "All the governor has to do is prove he's not going to let the utilities go under, that's he's going to allow them to pass along their costs to consumers."

That's clearly the rub. Mr. Davis and Ms. Feinstein, neither of them eager to foist the enormous cost of the troubled deregulation policy on consumers, yesterday accused the generators of price gouging.

The governor even went so far as to release a list of 13 generating companies, including Dynegy and power giant Enron Corp., that "are unwilling to sell power into the California markets." Mr. Davis added that he hoped Mr. Richardson's emergency actions would "stop market abuses" and bring temporary relief.

MEMORANDUM FOR THE SECRETARY

From: David Wilcox

Subject: Conversation with Steven Kean (Executive Vice President, Chief of Staff,
ENRON Regarding the

~~Subject:~~ California Electricity Market

~~Friday December 15, time?~~

You ~~have been asked to~~ are scheduled to speak by phone with Mr. Kean, who is concerned about recent turmoil in the California electricity market. Mr. Kean may raise the following issues:

[(b)(5)]

[(b)(5)]

[(b)(5)]

Huffman, Lucy

From: Huffman, Lucy
Sent: Friday, January 11, 2002 5:29 PM
To: Worth, John
Subject: enron

we both understand that this is preliminary and we will add or subtract as the issues become clearer. aas you will see, i included a sentence to this effect. if you prefer, strike there and include in cover.



Enron.doc

Tracking:

Recipient
Worth, John

Read
Read: 01/11/2002 5:32 PM

Hambor, John

From: Hambor, John
Sent: Monday, January 14, 2002 11:08 AM
To: Murphy, Edward
Subject: FW: proposed outline for the terrorism insurance project

FYI.

-----Original Message-----

From: Warshawsky, Mark
Sent: Friday, January 11, 2002 12:25 PM
To: Huffman, Lucy; Hambor, John
Subject: FW: proposed outline for the terrorism insurance project

FYI. I like the outline. Thanks, Mark

-----Original Message-----

From: Warshawsky, Mark
Sent: Friday, January 11, 2002 12:23 PM
To: Carida, Richard
Subject: proposed outline for the terrorism insurance project

Rich,

The outline, which Lucy, John, and I have put together, is attached.

[(b)(5)]

See you on Monday.



TerrorInsuranceOutline.doc

Mark

Hambor, John

From: Clarida, Richard
Sent: Friday, January 11, 2002 1:41 PM
To: Warshawsky, Mark
Cc: Hambor, John
Subject: RE: proposed outline for the terrorism insurance project

Mark

[(b)(5)]

-----Original Message-----

From: Warshawsky, Mark
Sent: Friday, January 11, 2002 12:23 PM
To: Clarida, Richard
Subject: proposed outline for the terrorism insurance project

Rich,

The outline, which Lucy, John, and I have put together, is attached.

[(b)(5)]

See you on Monday.

Mark << File: TerrorInsureOutline.doc >>

Hambor, John

From: Huffman, Lucy
Sent: Thursday, February 15, 2001 2:36 PM
To: Hambor, John
Subject: FW: Proposed Changes to Netting Bill -- Comments

FYI--working with Norman on netting provisions of the bankruptcy bill.

-----Original Message-----

From: Huffman, Lucy
Sent: Wednesday, February 14, 2001 5:24 PM
To: Carleton, Norman
Subject: RE: Proposed Changes to Netting Bill -- Comments

Thanks for forwarding. I've read the proposals and Krimminger's comments, and, as you know, unencumbered by more than a little experience in this area, would like to ask you the following questions. (see between dotted lines under Krimminger's comments)

-----Original Message-----

From: Carleton, Norman
Sent: Tuesday, February 13, 2001 5:10 PM
To: Huffman, Lucy
Subject: FW: Proposed Changes to Netting Bill -- Comments

-----Original Message-----

From: Krimminger, Michael H. [mailto:MKrimminger@FDIC.gov]
Sent: Tuesday, February 13, 2001 4:47 PM
To: 'norman.carleton@do.treas.gov'; 'stephanie.martin@frb.gov'; 'Tom.McGivern@do.treas.gov'; 'MooneyJ@sec.gov'
Cc: DeLoose, Michael; Ivie, Stanley R.; Tishuk, Barbara Starke
Subject: Proposed Changes to Netting Bill -- Comments

[(b)(5)]

[(b)(5)]

[(b)(5)]

Please review and let me know your thoughts.
Thanks,
Mike

MEMORANDUM FOR THE SECRETARY

From: David Wilcox

Subject: Conversation with Steven Kean, Chief of Staff, ENRON
Subject: California Electricity Market
Friday December 15, **time?**

You are scheduled to speak by phone with Mr. Kean, who is concerned about recent turmoil in the California market. Mr. Kean may raise the following issues:

[(b)(5)]

[(b)(5)]

00300000000102

[(b)(5)]

4

0030000000103

Hambor, John

From: Wilcox, David
Sent: Thursday, December 14, 2000 2:53 PM
To: Squitieri, Ray
Cc: Chryst, Nancy; Vandivier, David; Rao, Geetha; Flanagan, Rosemary; Cononi, Rachel; Flynn, Timothy; Murphy, Edward; Hambor, John
Subject: RE: Krugman on Calif power market

Importance: High



calif1.doc

Ray: This is a very interesting piece. Please address the questions in the attached to the best of your ability, then forward the result to Rosemary for processing to the Secretary tonight if at all possible.

Rosemary: Please use the following as a transmittal note from me to Larry:

The attached note, prepared by Ray Squitieri, analyzes statements made by Paul Krugman recently about the California market for electricity. It will be particularly relevant background for a call from the CEO of Enron, should that occur.

-----Original Message-----

From: Squitieri, Ray
Sent: Thursday, December 14, 2000 2:12 PM
To: Wilcox, David
Cc: Chryst, Nancy; Vandivier, David; Rao, Geetha; Flanagan, Rosemary; Cononi, Rachel; Flynn, Timothy; Murphy, Edward; Hambor, John
Subject: Krugman on Calif power market

To: David Wilcox
From: Ray Squitieri
Subject: Paul Krugman's claims about the California power market
[(b)(5)]

[(b)(5)]

[(b)(5)]

[(b)(5)]

LA-Region
16th fl
300 Spring

4EST
DOE EOC
1000
1200
400
S.W

- ① Rmk4@PGE.COM
- ② RJ P 2 @ PGE.COM
- ③ ~~DDR~~ @ PGE.COM

- ① add these three to the email list
- ② please ~~add~~ email to long list
- ③ please get a hard copy or email to Gaylen (sp?) in Lee's office, so that she can fax to the Gov's office in CA
- ④ get hardcopies (I don't know how many) to the crew at PGE.

LA
Rmk4
Rich Glick
56559
richard.glick@HQ.DOE.gov

Put these on big list

→ sonnet.edmonds@southernenergy.com

rahayes@seeworldwide.com

sjcapoma@seeworldwide.com

rehabarris@seeworldwide.com

smfoller@seeworldwide.com

→ dtmiller@seeworldwide.com

→ jwholden@seeworldwide.com

julie.greenisen@troutmansanders.com

server
seems to be
down

Poffenberger
202/208-0518

www.duke-energy.com

duke

1800-543-3853

725 12th Rm
230

wf hall

ENRON Emails

Add to TREAS. e-mail list

Richard, Shapiro @ enron.com

Robert. Badeer @ enron.com

Soares, Chris

From: Soares, Chris
Sent: Friday, January 12, 2001 1:34 PM
To: 'Martha Altamar'; alexm@calpine.com; jmacias@calpine.com; jason_s_seligman@cea.eop.gov; shg@cpuc.ca.gov; Soares, Chris; Wilcox, David; Sachs, Lee; Greene, Michelle; Squitieri, Ray; Stokes, Veronica; eisenstat@DSMO.com; sbvanleer@duke-energy.com; joel.newton@dynegy.com; lynn.lednicki@dynegy.com; smara@enron.com; Linda Lee; dan.poffenberger@ferc.ged.us.treas.gov; pmohler@hewm.com; richard.glick@hq.doe.gov; smutany@iepa.com; karen.tomcala@pge-corp.com; cxg2@pge.com; DxH4@pge.com; RMK4@pge.com; joebob-perkins@reliantenergy.com; marvin_k_ballard@reliantenergy.com; KMcCrea@sablaw.com; fieldjr@sce.com; harold.ray@sce.com; dreed@sdge.com; wsakaria@sdge.com; rahayes@seiworldwide.com; sjcapoma@seiworldwide.com; mlierney@sempira.com; sonnet.edmonds@southernenergy.com; cread@steptoe.com; lemoreland@swidlaw.com; julie.greenisen@troutmansanders.com; alex.goldberg@williams.com;
 [(b)(6)]
Cc: Barbour, Gaylen; Curtis Wagner
Subject: RE: California Energy Group e-mail

Tracking: Recipient	Read
'Martha Altamar'	
alexm@calpine.com	
jmacias@calpine.com	
jason_s_seligman@cea.eop.gov	
shg@cpuc.ca.gov	
Soares, Chris	Read: 01/12/2001 7:31 PM
Wilcox, David	Read: 01/15/2001 12:07 AM
Sachs, Lee	Read: 01/12/2001 1:59 PM
Greene, Michelle	Read: 01/12/2001 1:55 PM
Squitieri, Ray	Read: 01/22/2001 10:49 AM
Stokes, Veronica	Read: 01/12/2001 1:48 PM
eisenstat@DSMO.com	
sbvanleer@duke-energy.com	
joel.newton@dynegy.com	
lynn.lednicki@dynegy.com	
smara@enron.com	
Linda Lee	
dan.poffenberger@ferc.ged.us.treas.gov	
pmohler@hewm.com	
richard.glick@hq.doe.gov	
smutany@iepa.com	
karen.tomcala@pge-corp.com	
cxg2@pge.com	
DxH4@pge.com	
RMK4@pge.com	
joebob-perkins@reliantenergy.com	
marvin_k_ballard@reliantenergy.com	
KMcCrea@sablaw.com	
fieldjr@sce.com	
harold.ray@sce.com	
dreed@sdge.com	
wsakaria@sdge.com	

01/15/2002

0030000000112

rahayes@seeworldwide.com
sjcapoma@seeworldwide.com
mberney@sempra.com
sonnet.edmonds@southernenergy.com
cread@steeptoe.com
temoreland@swidaw.com
julia.greenisen@troutmansanders.com
alex.goldberg@williams.com

[(b)(6)]
Barbour, Gaylen
Curtis Wagner

Read: 01/12/2001 2:15 PM

Latest version of Long-Term Contracts Group report.

01/15/2002

00300000000113

File India

Christopulos, Greg

From: Rao, Geetha
Sent: Monday, January 22, 2001 3:01 PM
To: Grewe, Maureen; Mills, Marshall; Sampliner, Gary; Christopulos, Greg; Clapp, Gene
Cc: Radelet, Steve
Subject: FW: India/Dabhol Meeting



Dabhol PPA - DC

Talking Points... Attached is background material for the Enron meeting on Wednesday. Pls. note Mr. John Hardy will also be attending.

-----Original Message-----
From: Tom.Briggs@enron.com [mailto:Tom.Briggs@enron.com]
Sent: Monday, January 22, 2001 1:54 PM
To: geetha.rao@do.treas.gov
Subject: India/Dabhol Meeting

Geetha,

My apologies for the delay in sending this material. I have lost both my regular assistant and my temp so I am a bit overwhelmed.

John Hardy will be attending the meeting tomorrow at 3. **[(b)(6)]**
If you could remind me of the address of the meeting I would appreciate it. I managed to lose that as well.

John and I have a brief agenda: 1) we want to update you on Dabhol and 2) we want to discuss way in which the USG may become involved in encouraging market reform necessary to extract value out of our generating asset. Specifically, we want to focus on reformat at the Indian federal level that will be necessary to deliver power to customers other than MSEB.

We look forward to meeting you tomorrow.

(See attached file: Dabhol PPA - DC Talking Points.doc)

Dabhol Power Company
January 10, 2001

Events

[(b)(4)]

[[b)(4)]

2025-03-07 10:00:00 AM
[b](4)

MODE = MEMORY TRANSMISSION

START=JAN-23 10:27

END=JAN-23 10:29

FILE NO. #819

STN NO. COMM. ABBR NO. STATION NAME/TEL NO. PAGES DURATION
 881 OK <15> MURPHY, H.B.S 082/082 00:00:54

-OPS:ATI

BUSINESS

-202 622 8391 -

202 622 8391- *****

howNottoNameAco

NAMING a child is one of the most taxing things new parents do. So many family sensitivities to consider, so much need to pick something that will be memorable but not mocked. Companies find it even more traumatic, partly because they often hunt for a new name when they are in the throes of a disturbing merger, or when an old name has become devalued.

This week, for example, Glaxo unveiled a new cordery developed by Futaba, a design company that as the intermediate upper has joins the illustrious PricewaterhouseCoopers (or Chrysler as exemplar) ties that merge but cannot die which is the underdog and consigned to oblivion. Fred Barrelland's creative director, has with a new logo built around the is, which is presumably what it end up calling the company.

But are initials a way to gloss over an awkward past? British Petroleum, gobbling up Amoco and Arco, managed to avoid becoming BritishAmocoArco. Prudently, it decided that the "British" was a burden-

some logo sent for with ads to it over, for this was the company's monitor. A name that is widely recognized does



not need much meaning. When a telecoms company asked John Williamson of Wolff Olins, a consultancy, what he thought of Micronid as a name for a wireless network, he thought it was terrible and suggested Orange instead. It turned out to be one of the branding triumphs of the past decade. Not many people know that Starbucks was the coffee-drinking firm mate of "Moby Dick", says Julia Corneau, director of naming at brandbrand in New York, but the

name of the is never out (the responsibility) of Lander Associates in San Francisco, took Agilent, the name he developed for a spin-off of its (as Hewlett-Packard was in provider days). At least Agilent is pronounceable, as are other esoteric-classic's such as Vivendi, Aventis and Conus. Not so Diagen, product of the Guinness-Grand Mer merger ("we hate it when people say Diagen," complain the staff). Inology, formerly Britain's National Power, or Thales, once Thomson-car, a French group now (curiously) named after a Greek scientist.

These days, a new name has to be available as a domain name. It also has to squeak through trademark law, and to avoid an undesirable meaning in a foreign language (like the ome's Novo, whose name meant "No go" in Spanish). And it has to pass muster with the corporate top brass, who are likely to be deeply conservative. How else to explain why Andersen Consulting should reject the vivid and memorable name of Mind Rocket and settle instead for the meaningless Accountant?

Enron in India

Generation gaps

Enron's Maharashtra power project continues to spark controversy

SINCE its conception nearly a decade ago, the Dabhol power project in the Indian state of Maharashtra, has generated more problems than power. Dabhol and its main shareholder, Enron Corp. based in Texas, were accused of bribing Indian officials in order to get the project approved, and of tolerating police brutality to get it built, charges Enron says were dismissed by the courts. This week its sole customer, the Maharashtra State Electricity Board (MSEB), came close to default on 1.2 billion rupees (\$21m) of bills owed to Dabhol since last October.

Catastrophe was averted on January 9th when the state came up with the money to meet the bill, but the crisis is not over. Dabhol's power will become even more expensive when a second phase of the project goes into operation later this year. It is hard to say which is the bigger worry: the burden on Maharashtra of a power plant that it cannot afford, or the damage that would be done to India's reputation as a destination for foreign investment were the state to default.

Enron's investment in India was supposed to foster both. India liberalised its economy in 1991 and Enron looked brave for pioneering foreign investment in the country's power sector. But the Dabhol project, on the Malabar coast, caused so much controversy that in subsequent elections it helped to defeat the state government that had approved it.

The World Bank refused to finance it, saying that Maharashtra could not absorb the additional power at the price which Dabhol would charge. Yet in 1996 the new, ostensibly anti-Dabhol government approved a 740 megawatt plant costing \$1.2 billion that went into operation in May 1999 ("Phase One"), and a second 1,440-megawatt plant costing \$1.9 billion, which is now built ("Phase Two"). "India had no experience in negotiating," says a top Indian government official dealing with electricity. "Enron was a savvy negotiator." The process was secret, deepening suspicions.

Phase One supplies champagne power

to a customer whose budget does not even extend to beer. As India insisted, its fuel is naphtha, which unexpectedly doubled in price after the agreement was negotiated, driving up the variable component of Dabhol's tariff. MSEB is also obliged to pay a fixed "capacity charge" of 940m rupees a month—covering debt, fixed running costs, and the profits of Enron and other shareholders—even if it takes no electricity from Dabhol. Even when the plant is operating at close to full capacity, its electricity is more expensive than that from other sources available to MSEB, mostly old coal-fired and hydro-electric plants. The state's electricity regulator has ordered MSEB to favour cheaper sources of supply; the resulting drop in Dabhol's output makes each unit ridiculously expensive.

Naphtha prices have again soared, so variable costs should drop soon. But with the tripling of capacity, Dabhol will switch from naphtha to liquefied natural gas. This is a cheaper fuel, but it is bought under a 20-year contract. Dabhol's fixed charge to MSEB will therefore soar. The worried state government has set up a committee to review the project.

MSEB's financial plight is not entirely Dabhol's fault. As in other states, Maharashtra's politicians oblige the electricity board to supply power at below cost to farmers and other favoured consumers. Moreover, MSEB

Sent: Monday, January 22, 2001 1:54 PM
To: geetha.rao@do.treas.gov
Subject: India/Dabhol Meeting

Geetha,

My apologies for the delay in sending this material. I have lost both my regular assistant and my temp so I am a bit overwhelmed.

John Hardy will be attending the meeting tomorrow at 3. [(b)(6)]
If you could remind me of the address of the meeting I would appreciate it. I managed to lose that as well.

John and I have a brief agenda: 1) we want to update you on Dabhol and 2) we want to discuss way in which the USG may become involved in encouraging market reform necessary to extract value out of our generating asset. Specifically, we want to focus on reformat at the Indian federal level that will be necessary to deliver power to customers other than MSEB.

We look forward to meeting you tomorrow.

(See attached file: Dabhol PPA - DC Talking Points.doc) << File: Dabhol PPA - DC Talking Points.doc >>

Christopoulos, Greg

From: Rao, Geetha
Sent: Tuesday, January 23, 2001 9:37 AM
To: Grewe, Maureen; Mills, Marshall; Sampliner, Gary; Christopoulos, Greg; Clapp, Gene
Cc: Radelet, Steve
Subject: RE: India/Dabhol Meeting

[(b)(5)]

Cable # 029799 Dec 08
Cable #032693 Dec 13
Cable #034319 Dec 15
Cable #044561 Jan 09

-----Original Message-----

From: Grewe, Maureen
Sent: Tuesday, January 23, 2001 8:55 AM
To: Rao, Geetha; Mills, Marshall; Sampliner, Gary; Christopoulos, Greg; Clapp, Gene
Cc: Radelet, Steve
Subject: RE: India/Dabhol Meeting

Please note the following article from this morning's press summary:

US Envoy: India's Enron Project Key To Foreign Investment

BOMBAY (AP)—U.S. Ambassador to India Richard Celeste warned Monday that foreign investment in India would falter because of political pressures that threatened to derail the \$3 billion Enron Corp. (ENE) power project.

"It regrettably feeds the concern among American and other foreign investors that India remains a less-than-reliable destination for their investment dollars," Celeste told an audience of business leaders, politicians and nongovernment agencies in Bombay, India's financial hub.

India's largest-ever foreign investment has been in trouble since December after the government of Maharashtra state, in which Bombay is situated, said it would review a power-purchase agreement with U.S. energy giant Enron Corp. Maharashtra considers the power rates being charged are exorbitant.

The agreement signed in 1995 details the rate at which Enron's Indian subsidiary, the Dabhol Power Co., will sell electricity to the state.

The project's first phase, a power plant of 740 megawatts, already has been commissioned, while the second phase of 1,444 megawatts is scheduled for completion by end 2001.

Depreciation of the Indian rupee and high cost of naphtha used to generate electricity caused the power generated by the Enron project to touch 7 rupees a unit as against INR1.80 agreed on when the deal was signed six years ago (\$1=INR46.375).

Enron has said it saw no current need to renegotiate the tariff and maintained that a transition from naphtha to liquefied natural gas would reduce the tariff.

Celeste, an appointee of former U.S. President Bill Clinton, said he hoped both sides would find a solution in ongoing discussions, but cautioned that "perceptions among American and other foreign investors will be affected by the challenge to Dabhol and how it is resolved."

He said despite partnerships in software and information technology, U.S. investors were wary of India because of political pressures at the federal and state level that had slowed the economic-reform agenda.

Stressing the need to strengthen business ties with India, Celeste focused on the Enron project and asked that "The Dabhol power plant remain a symbol of successful American investment in India and not a symbol of the impediments that still hinder even greater foreign direct investment."

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Received by NewsEDGE/LAN: 1/22/01 7:23 PM

-----Original Message-----

From: Rao, Geetha
Sent: Monday, January 22, 2001 3:01 PM
To: Grewe, Maureen; Mills, Marshall; Sampliner, Gary; Christopoulos, Greg; Clapp, Gene
Cc: Radelet, Steve
Subject: FW: India/Dabhol Meeting

Attached is background material for the Enron meeting on Wednesday. Pls. note Mr. John Hardy will also be attending.

-----Original Message-----

From: Tom.Briggs@enron.com [mailto:Tom.Briggs@enron.com]
Sent: Monday, January 22, 2001 1:54 PM
To: geetha.rao@do.treas.gov
Subject: India/Dabhol Meeting

Geetha,

My apologies for the delay in sending this material. I have lost both my regular assistant and my temp so I am a bit overwhelmed.

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We look forward to meeting you tomorrow.

(See attached file: Dabhol PPA - DC Talking Points.doc) << File: Dabhol PPA - DC Talking Points.doc >>

Christopoulos, Greg

From: Christopoulos, Greg
Sent: Thursday, January 10, 2002 11:42 AM
To: Hargraves, Dianita
Subject: FW: Bldg Clearance Data for Garrison and Miceli

Importance: High

Dee -- please get them cleared in.

-----Original Message-----

From: Miceli, Keith [mailto:Keith.Miceli@enron.com]
Sent: Thursday, January 10, 2002 11:26 AM
To: greg.christopoulos@do.treas.gov
Subject: Bldg Clearance Data for Garrison and Miceli

Greg: Following is the information you requested for the meeting with DAS Englehard on Tuesday, January 15 at 9:30 am at Main Treasury:

Keith L. Miceli [(b)(6)]
John Garrison

President and CEO, Azurix Corp.

If you have any questions, I can be reached at (713) 345-5956.

Regards, Keith

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Christopulos, Greg

From: Christopulos, Greg
Sent: Wednesday, December 12, 2001 4:18 PM
To: 'Thompsonsh@State.gov'
Cc: Neil Ebird (E-mail)
Subject: FW: Request for Meeting re. Azurix Corp Dispute with the Province of BA in Argentina



AzurixBriefingPaperRevisedNov19.doc

Steve, this is the background paper on the Azurix/Enron dispute in Argentina.

Neil -- I don't remember if I sent you a copy of this before I left. DAS Strubel met with Azurix on this yesterday.

-----Original Message-----

From: Miceli, Keith [mailto:Keith.Miceli@enron.com]
Sent: Friday, November 30, 2001 12:02 PM
To: greg.christopulos@do.treas.gov
Subject: Request for Meeting re. Azurix Corp Dispute with the Province of BA in Argentina

November 30, 2001

Greg Christopolus
International Economist
International Affairs
Treasury Department
Washington, D.C.

Dear Greg:

Thanks for offering to arrange a meeting with John Garrison, President and CEO of the Azurix Corp. and myself. The purpose of the meeting to provide a briefing on the status of a half a billion dollar investment dispute that the Azurix Corp. has with the Province of Buenos Aires. Attached is a confidential briefing paper that provides a history of the dispute; our efforts to resolve it amicably; the lack of good will on the part of the Provincial authorities to find a resolution, and some suggestions to break the impasse to the benefit of all parties concerned.

I understand that you will be on travel for those dates, and that you will speak with Bonnie Resnick about meeting with us. I can be contacted at (713) 345-5956 or keith.miceli@enron.com to finalize arrangements. Many thanks,

Sincerely,

Keith L. Miceli
Senior Director
International Public Relations

<<AzurixBriefingPaperRevisedNov19.doc>>

.....
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.....



File
Brazil

E. Joseph Hillings
Vice President and General Manager
Federal Government Affairs

Enron Corp.
1775 Eye Street, NW, Suite 800
Washington, DC 20006-4607
(202) 466-9145
Fax (202) 628-3372
jhilling@enron.com

VIA FAX
202-622 5304 (fax)

June 1, 2000

Ms. Meg Lundsager
Deputy Assistant Secretary for Trade & Investments
Department of Treasury
1500 Pennsylvania Avenue, NW
Room 3208
Washington, DC 20220

Dear Meg:

We have been advised the Brazilian Minister of Energy and Mines, Roberto Tourinho will be in Washington, DC next week to meet with the InterAmerican Bank and the World Bank.

Petrobras has not lived up to the conditions of their loan to sell their controlling interest in the Bolivia-Brazil Pipeline. They were to have submitted a plan to do so in November 1998, but neither of those institutions has taken action to require compliance. Petrobras continues to restrict capacity on the pipeline which allows them, despite privatization, to exercise control over the natural gas supply which they are now extending into power generation.

I hope you can use the opportunity of the Minister's visit to advise the Government of Brazil that this conduct has put a strangle-hold on market access. The principals had agreed in the Summit of the Americas agreement and subsequent agreements to the principle of market access.

Sincerely,

cc: Luis

Natural gas. Electricity. Endless possibilities.™

Sao Paulo, May 26, 2000

Mr. Ronald MacLean Abaroa
Minister of Finance
La Paz, Bolivia

Mr. José Luis Lupo Flores
Minister of Economic Development
La Paz, Bolivia

Dear Messrs. Ministers of Finance and Economic Development:

On behalf of Enron South America LLC ("ENRON"), I would hereby like to express our deep concern regarding the Memorandum of Understanding subscribed between the Ministry of Economic Development of the Republic of Bolivia and the Ministry of Mines and Energy of the Federative Republic of Brazil, dated May twenty three of the year two thousand (the "Memorandum").

ENRON's interest in this important matter obeys both its condition as a holder of a 25% (twenty five percent) equity interest in Transredes S.A., as well as to its quality as a potential investor in projects destined to develop new market options for the Bolivian natural gas and to strengthen regional energetic integration based on the principle of free competition.

As you are well aware of, for quite a long period of time our company assumed an obligation with the Supreme Government of Bolivia to meet the natural gas requirements of the Federative Republic of Brazil within the so-called emergency thermoelectric program, as well as to undertake the construction of the Puerto Suárez thermoelectric plant destined to export electric energy to the Brazilian market. However, the Memorandum seems to impose certain conditions upon the Republic of Bolivia for the development of the aforesaid projects, to the detriment of existing as well as pledged investments in Bolivia, disregarding the current regulatory framework and depriving private investors from the opportunity to exercise the rights foreseen in the norms.

As a matter of fact, the Memorandum creates the basis for the construction of a gas pipeline in Bolivia to transport gas to Brazil and establishes the agreement to support the Puerto Suárez thermoelectric plant project, but conditioned to PETROBRAS participation as a shareholder in said plant, and stating that the required gas is to be supplied by PETROBRAS - Bolivia S.A. Likewise, it establishes an

agreement allowing PETROBRAS to participate in a postage stamp tariff to be established for the transportation of natural gas for the domestic and export market, and defines in conjunction with the technical mission appointed by the Ministry of Economic Development the operational aspects related to said tariff as well as the other points detailed in the Memorandum, at the meetings to be held in Rio de Janeiro.

The aspects foreseen in the Memorandum have given rise to lengthy discussions and analysis to date. Bearing this in mind, and within the framework of existing norms and regulations in the Republic of Bolivia, negotiations were undertaken with several representatives of the oil industry, establishing, among other aspects, that the strategy of PETROBRAS - Bolivia S.A. to construct the bypass along the YABOG is inconsistent, both from an economic as well as a regulatory standpoint.

At the economic level, PETROBRAS' bypass project is at a disadvantage in relationship to Transrodes S.A., because it is not capable of meeting in time the Brazilian demand requirements (i.e. the time required to build the pipeline) nor competing from an economic standpoint, unless it eludes the obligation to pay the deferred account. Within this perspective, the increased service costs resulting from the bypass shall respond to PETROBRAS' exclusive market control objective.

Within the regulatory framework, the company that was capitalized and gave rise to Transrodes S.A., was capitalized subject to the obligation to charge a lower tariff, temporarily subsidizing the domestic market, a subsidy that must be recovered based on the new tariff and the volume of gas transported. Upon the absence of amendments to existing regulations, the construction of a new gas pipeline to export gas to Brazil, will impose the recovery of the deferred account based on lower gas volumes, with the ensuing negative economic impact on the Bolivian domestic market as well as on other producers that use the existing transportation system.

Under said circumstances, the Hydrocarbons Superintendency, applying the dispositions of Article 10 of the STRESE Law No. 1600 dated October 28, 1994, may not grant the concession for the new pipeline due to the negative impact on the market or because it considers it contrary to public interests. Within this context, PETROBRAS chose to involve the Brazilian Government in the negotiations, thus avoiding a direct negotiation with Enron and other industry participants.

Concerning the agreement to support the implementation of the thermoelectric plant in Puerto Suárez, conditioned to PETROBRAS participation interests in the same, and the gas to be supplied by PETROBRAS- Bolivia S.A., this constitutes an unnecessary meddling of the Governments of Bolivia and Brazil in the market and free competition. The wording of the second item in the Memorandum seems to indicate that both governments prioritize a project led by PETROBRAS against the efforts of all other private participants, forcing them to accept PETROBRAS as a partner and to use the gas produced by PETROBRAS - Bolivia S.A. in the project.

Likewise, through the agreement that allows PETROBRAS to participate and respect a postage stamp tariff to be established for the transportation of natural gas for the domestic and export markets, the Ministry of Economic Development arrogates itself the attributions acknowledged by the SIRESE Law to the Hydrocarbons Superintendency, in adherence to the procedures established in said norm and its regulations. Under said norms, the Supreme Government is neither entitled to dispose of the proprietorship of the thermoelectric plant to be built in Puerto Suárez nor designate the supplier of natural gas for the same.

In its condition as investor in Bolivia, ENRON abides strictly by the existing norms. Under the terms of the Memorandum, Bolivia's Supreme Government sends a highly negative message to private investment, when it chooses to resolve PETROBRAS' commercial and regulatory difficulties through bilateral governmental negotiations, requiring at the same time that private investors abide by existing norms and regulations in similar situations. In this sense, ENRON must insist on the need that the Supreme Government of Bolivia carries on with the process subject to current norms and mechanisms in effect in the country, ensuring at the same time that the Supreme Government of Brazil guarantees equal conditions as well as the issuance of the necessary authorizations and licenses, under the principles of non-discrimination and free access acknowledged in the Economic Complementation Agreements, the Trade Promotion Agreements and the Energetic Integration Agreements subscribed between Bolivia and Brazil.

Apparently, PETROBRAS and the Brazilian Ministry of Mines and Energy are trying to establish that the only way to enter the Brazilian energetic market is through agreements between Governments, and using PETROBRAS as a vehicle. If this were a reality, it would contravene the agreements assumed to attain regional integration, based on the concepts of free competition and open access.

To sum up, ENRON believes that the decision adopted by the Supreme Government of Bolivia to intervene on behalf of PETROBRAS, which would otherwise be considered a private commercial negotiation or a matter to be resolved in adherence to existing regulatory proceedings, constitutes an obstacle for the development of the private sector in Bolivia. ENRON ratifies its will to support the Bolivian Government's efforts to create equitable and non-discriminatory conditions aimed at fostering and enhancing competition, requiring that all participants within the industry comply with the same regulatory mechanisms foreseen by law to advance their commercial interests. In any case, ENRON expects that the rights conferred by law both to it and its affiliates are respected.

We reiterate our highest considerations.

José Bestard
Vice President
Enron South America LLC

cc:

Minister of Foreign Affairs and Cult
Madame Ambassador of Bolivia in the United States of America
Madame Ambassador of the United States of America in Bolivia



Enron América do Sul
Avenida das Nações Unidas, 11.451
Brooklin Novo 5º Andar
Sao Paulo - SP, Brasil

São Paulo, Mayo 26, 2000

Señor Licenciado
Don Ronald MacLean Abaroa
Ministro de Hacienda
La Paz, Bolivia

Señor Licenciado
Don José Luis Lupo Flores
Ministro de Desarrollo Económico
La Paz, Bolivia

Excelentísimos Señores Ministros:

Por la presente, en representación de Enron South America LLC ("ENRON"), deseo expresar nuestra mayor preocupación por los términos y los alcances del Memorandum de Entendimiento suscrito entre el Ministerio de Desarrollo Económico de la República de Bolivia y el Ministerio de Minas y Energía de la República Federativa del Brasil, de fecha veintitres de mayo de dos mil años ("el Memorandum").

El interés de ENRON sobre este importante aspecto, obedece tanto a su condición de accionista en un 25% (veinticinco por ciento) de Transedes S.A., como a su calidad de potencial inversionista en nuevos proyectos destinados a desarrollar nuevas opciones de mercado para el gas natural boliviano y a fortalecer la integración energética regional, en base a la libre competencia.

Como es de su conocimiento, nuestra empresa se halla desde hace mucho tiempo atrás comprometida con el Supremo Gobierno de Bolivia en dar respuesta a los requerimientos de gas natural de la República Federativa del Brasil dentro del denominado programa de emergencia de las termoelectricas, y en la construcción de la termoelectrica de Puerto Suárez, destinada a la exportación de energía eléctrica al mercado brasilero. Empero, el

Memorandum parece imponer sobre la República de Bolivia condiciones para el desarrollo de los proyectos señalados, en detrimento de las inversiones existentes y comprometidas en Bolivia, pasando por alto el marco regulatorio vigente y negando a los inversionistas privados la oportunidad de acogerse a los derechos previstos en sus normas.

En efecto, el Memorandum crea las bases para la construcción de un gasoducto en Bolivia para el transporte de gas al Brasil y establece el acuerdo para apoyar el proyecto de la termoeléctrica de Puerto Suárez, pero condicionada a la participación accionaria de PETROBRAS en la misma, y con el aporte de gas proveniente de PETROBRAS - Bolivia S.A. Asimismo, establece el acuerdo para que PETROBRAS participe en una tarifa estampilla de transporte de gas natural para el mercado interno y de exportación a ser establecida y definida con la misión técnica destacada por el Ministerio de Desarrollo Económico, los aspectos operacionales en relación a dicha tarifa y a los demás puntos señalados en el Memorandum, en las reuniones que se desarrollarán en Rio de Janeiro.

Los aspectos contemplados en el Memorandum han sido motivo de larga discusión y análisis hasta la fecha. Con ese objetivo, y dentro del marco de las normas y regulaciones existentes en la República de Bolivia, se han llevado a cabo negociaciones con diversos representantes de la industria, estableciéndose, entre otros aspectos, que la estrategia de PETROBRAS - Bolivia S.A. para construir el ducto derivado al YABOG ("bypass") es inconsistente, tanto desde el punto de vista económico como regulatorio.

En el plano económico, el proyecto bypass de PETROBRAS se encuentra en desventaja con Transredes S.A., al no hallarse en condiciones de responder a tiempo los requerimientos de la demanda brasilera (v.gr. el tiempo de construcción del ducto) ni poder competir económicamente, salvo que eluda la responsabilidad de pagar la cuenta diferida. En esa perspectiva, el incremento del costo del servicio consecuencia del bypass, respondería al exclusivo objetivo de control del mercado por parte de PETROBRAS.

En el plano regulatorio, la empresa de cuya capitalización emerge Transredes S.A., fue capitalizada con la obligación de cobrar una tarifa inferior a la necesaria, subsidiando temporariamente al mercado interno, subsidio que debe ser recuperado en base a la nueva tarifa y al volumen de gas transportado. En ausencia de enmiendas a las regulaciones existentes, la construcción de un nuevo gasoducto para la exportación de gas al Brasil, impondrá la recuperación de la cuenta diferida sobre un volumen menor de gas, con el consecuente impacto económico negativo sobre el mercado interno boliviano y sobre otros productores que utilizan el sistema de transporte existente.

Endless Possibilities

En dichas circunstancias, la Superintendencia de Hidrocarburos, en aplicación de lo dispuesto por el artículo 10 de la Ley No. 1600 del SIRESE de 28 de octubre de 1994, pudiera negar el otorgamiento de la concesión para el nuevo ducto por el impacto negativo en el mercado o por considerarla contraria al interés público. En este contexto, PETROBRAS ha optado por involucrar al Gobierno Brasileiro en las negociaciones, evitando así llevarlas a cabo directamente con Enron y los demás participantes de la industria.

En cuanto al acuerdo para apoyar la implementación de la termoeléctrica de Puerto Suárez, condicionado a la participación accionaria de PETROBRAS en la misma, y al aporte del gas proveniente de PETROBRAS - Bolivia S.A., el mismo constituye una innecesaria intromisión de los Gobiernos de Bolivia y Brasil en el mercado y la libre competencia. El texto del segundo punto del Memorandum parece reflejar que los dos Gobiernos dan prioridad a un proyecto liderado por PETROBRAS contra los esfuerzos de los diversos participantes privados, forzándolos a aceptar a PETROBRAS como socio y a utilizar el gas de PETROBRAS - Bolivia S.A. en el proyecto.

Asimismo, mediante el acuerdo para que PETROBRAS participe y respete una tarifa estampilla de transporte de gas natural para el mercado interno y de exportación a ser establecida, el Ministerio de Desarrollo Económico se arroga las atribuciones reconocidas a la Superintendencia de Hidrocarburos por la Ley SIRESE, de acuerdo a los procedimientos establecidos en dicha norma y sus reglamentaciones. Bajo dichas normas, el Supremo Gobierno tampoco se halla facultado para disponer acerca de la propiedad de la planta termoeléctrica a ser construida en Puerto Suárez o acerca del proveedor de gas natural para la misma.

En su condición de inversionista en Bolivia, ENRON se sujeta estrictamente a las normas existentes. En los términos del Memorandum, el Supremo Gobierno de Bolivia envía un mensaje altamente negativo a la inversión privada, al elegir resolver las dificultades comerciales y regulatorias de PETROBRAS a través de negociaciones gubernamentales bilaterales, al mismo tiempo que requiere de los inversionistas privados la sujeción a las normas y regulaciones existentes en aspectos similares. En este sentido, ENRON debe insistir en la necesidad de que el Supremo Gobierno de Bolivia conduzca el proceso dentro de los mecanismos y normas vigentes en el país, asegurando al mismo tiempo, que el Supremo Gobierno del Brasil garantice condiciones igualitarias y la emisión de las licencias y autorizaciones necesarias, bajo los principios de no discriminación y libre acceso reconocidos en los Acuerdos de Complementación Económica, los Acuerdos de Promoción del Comercio y de Integración Energética suscritos por Bolivia con dicha República.

Endless Possibilities

Aparentemente, PETROBRAS y el Ministerio Minas y Energía de Brasil están tratando de establecer que el único camino para entrar en el mercado energético brasilero es través de acuerdos entre Gobiernos y utilizando a PETROBRAS como vehículo. Si esto fuera realidad, contravendría todos los compromisos asumidos para alcanzar la integración regional, basada en los conceptos de libre competencia y acceso abierto.

En suma, ENRON cree que la decisión del Supremo Gobierno Boliviano de intervenir en favor de PETROBRAS en lo que sería de otro modo considerado como una negociación privada comercial o un tema a ser resuelto de acuerdo a los procedimientos regulatorios existentes, constituye un obstáculo para el desarrollo del sector privado en Bolivia. ENRON ratifica su voluntad de apoyar al Gobierno de Bolivia en los esfuerzos que realizara para crear condiciones de equidad y no discriminación para una mayor competencia, requiriendo de todos los participantes en la industria el cumplimiento de los mismos mecanismos regulatorios previstos por ley para el desarrollo de sus intereses comerciales. En cualquier caso, ENRON espera que los derechos que le asigna la Ley, a ella y a sus empresas afiliadas, sean respetados.

Con este motivo, reiteramos a ustedes, Señores Ministros, las seguridades de nuestra distinguida consideración.

José Bestard
Vicepresidente
Enron South America LLC

cc: Señor Ministro de Relaciones Exteriores y Culto.
Señora Embajadora de Bolivia en los EE.UU de N.A.
Señora Embajadora de los EE.UU. de N.A. en Bolivia

Endless Possibilities



E. Joseph Hillings
Vice President and General Manager
Federal Government Affairs

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VIA FAX
202-622-0417 (Fax)

May 30, 2000

The Honorable Edwin N. Truman
Assistant Secretary, International Affairs
Department of Treasury
1500 Pennsylvania Avenue, NW
Room 3432
Washington, DC 20220

Dear Secretary Truman:

We wanted to bring to your attention Enron's serious concerns about a Memorandum of Understanding (MOU), which was signed this week by the Governments of Bolivia and Brazil regarding a second gas pipeline to provide additional natural gas to Brazil for the benefit of Petrobras, the state-owned Brazilian energy company. Earlier today, I sent to your attention a letter sent last Friday by Enron South America LLC to Economic Development Minister Lupo and Finance Minister MacLean of Bolivia, outlining the situation.

As described in the letter, the terms of this MOU are counter to the objectives of energy integration and fair treatment of investors that have been supported at the Miami Summit of the Americas, the Santa Cruz Energy Summit, and the Santiago Summit of the Americas. This matter deserves prompt attention and action by the U.S. Government. We must ensure that at the highest levels of the Governments of Bolivia and Brazil, as well as in other Mercosur countries, the risks of allowing market domination by Petrobras to run unchecked are known and understood. I would highlight that while the discussions leading to this MOU involved high-level participation of Petrobras with the Governments of Bolivia and Brazil, neither Transredes nor other private investors or potential participants were offered a seat at the table.

I hope that we can count on the strong support of the U.S. Government to promote open competition in the participation of private and foreign investors in the crucial Mercosur energy sector. This week will be a critical time, as a technical meeting will be held between Bolivia and Brazil in Rio de Janeiro to work out the details of the MOU. The Government of Brazil must understand that it cannot preach about open energy integration, on the one hand, while pressuring the Government of Bolivia for preferential treatment for Petrobras, on the other. Such behavior is good neither for regional investment nor for energy integration.

It would be helpful if a coordinated U.S. message could be sent to the Mercosur Governments on this issue. In the short term, we would like to prevent the non-competitive nature of the MOU from being solidified in the bilateral meetings in Rio this week. However, issues of energy integration are an integral part of ongoing Mercosur discussions; a working group meeting of the Mercosur Energy Subgroup is taking place Monday and Tuesday of this week in Buenos Aires, while the Mercosur Energy Ministers will meet later this month. As such, it is critical that the key Mercosur Governments hear from the U.S. Government on the importance of open competition and access in energy investments, as well as the economic benefits to be gained by an even playing field as the region contemplates deeper energy integration.

Please feel free to contact me for further information or details regarding this situation. We thank you for your consideration and your support.

Sincerely,

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agreement allowing PETROBRAS to participate in a postage stamp tariff to be established for the transportation of natural gas for the domestic and export market, and defines in conjunction with the technical mission appointed by the Ministry of Economic Development the operational aspects related to said tariff as well as the other points detailed in the Memorandum, at the meetings to be held in Rio de Janeiro.

The aspects foreseen in the Memorandum have given rise to lengthy discussions and analysis to date. Bearing this in mind, and within the framework of existing norms and regulations in the Republic of Bolivia, negotiations were undertaken with several representatives of the oil industry, establishing, among other aspects, that the strategy of PETROBRAS - Bolivia S.A. to construct the bypass along the YABOG is inconsistent, both from an economic as well as a regulatory standpoint.

At the economic level, PETROBRAS' bypass project is at a disadvantage in relationship to Transredes S.A., because it is not capable of meeting in time the Brazilian demand requirements (i.e. the time required to build the pipeline) nor competing from an economic standpoint, unless it eludes the obligation to pay the deferred account. Within this perspective, the increased service costs resulting from the bypass shall respond to PETROBRAS' exclusive market control objective.

Within the regulatory framework, the company that was capitalized and gave rise to Transredes S.A., was capitalized subject to the obligation to charge a lower tariff, temporarily subsidizing the domestic market, a subsidy that must be recovered based on the new tariff and the volume of gas transported. Upon the absence of amendments to existing regulations, the construction of a new gas pipeline to export gas to Brazil, will impose the recovery of the deferred account based on lower gas volumes, with the ensuing negative economic impact on the Bolivian domestic market as well as on other producers that use the existing transportation system.

Under said circumstances, the Hydrocarbons Superintendency, applying the dispositions of Article 10 of the SIRESE Law No. 1600 dated October 28, 1994, may not grant the concession for the new pipeline due to the negative impact on the market or because it considers it contrary to public interests. Within this context, PETROBRAS chose to involve the Brazilian Government in the negotiations, thus avoiding a direct negotiation with Enron and other industry participants.

Concerning the agreement to support the implementation of the thermoelectric plant in Puerto Suárez, conditioned to PETROBRAS participation interests in the same, and the gas to be supplied by PETROBRAS- Bolivia S.A., this constitutes an unnecessary meddling of the Governments of Bolivia and Brazil in the market and free competition. The wording of the second item in the Memorandum seems to indicate that both governments prioritize a project led by PETROBRAS against the efforts of all other private participants, forcing them to accept PETROBRAS as a partner and to use the gas produced by PETROBRAS - Bolivia S.A. in the project.

Likewise, through the agreement that allows PETROBRAS to participate and respect a postage stamp tariff to be established for the transportation of natural gas for the domestic and export markets, the Ministry of Economic Development arrogates itself the attributions acknowledged by the SIRESE Law to the Hydrocarbons Superintendency, in adherence to the procedures established in said norm and its regulations. Under said norms, the Supreme Government is neither entitled to dispose of the proprietorship of the thermoelectric plant to be built in Puerto Suárez nor designate the supplier of natural gas for the same.

In its condition as investor in Bolivia, ENRON abides strictly by the existing norms. Under the terms of the Memorandum, Bolivia's Supreme Government sends a highly negative message to private investment, when it chooses to resolve PETROBRAS' commercial and regulatory difficulties through bilateral governmental negotiations, requiring at the same time that private investors abide by existing norms and regulations in similar situations. In this sense, ENRON must insist on the need that the Supreme Government of Bolivia carries on with the process subject to current norms and mechanisms in effect in the country, ensuring at the same time that the Supreme Government of Brazil guarantees equal conditions as well as the issuance of the necessary authorizations and licenses, under the principles of non-discrimination and free access acknowledged in the Economic Complementation Agreements, the Trade Promotion Agreements and the Energetic Integration Agreements subscribed between Bolivia and Brazil.

Apparently, PETROBRAS and the Brazilian Ministry of Mines and Energy are trying to establish that the only way to enter the Brazilian energetic market is through agreements between Governments, and using PETROBRAS as a vehicle. If this were a reality, it would contravene the agreements assumed to attain regional integration, based on the concepts of free competition and open access.

To sum up, ENRON believes that the decision adopted by the Supreme Government of Bolivia to intervene on behalf of PETROBRAS, which would otherwise be considered a private commercial negotiation or a matter to be resolved in adherence to existing regulatory proceedings, constitutes an obstacle for the development of the private sector in Bolivia. ENRON ratifies its will to support the Bolivian Government's efforts to create equitable and non-discriminatory conditions aimed at fostering and enhancing competition, requiring that all participants within the industry comply with the same regulatory mechanisms foreseen by law to advance their commercial interests. In any case, ENRON expects that the rights conferred by law both to it and its affiliates are respected.

We reiterate our highest considerations.

José Bestard
Vice President
Enron South America LLC

cc:

Minister of Foreign Affairs and Cult
Madame Ambassador of Bolivia in the United States of America
Madame Ambassador of the United States of America in Bolivia



Enron América do Sul
Avenida das Nações Unidas. 11.451
Brooklin Novo 5º Andar
Sao Paulo - SP. Brasil

São Paulo, Mayo 26, 2000

Señor Licenciado
Don Ronald MacLean Abaroa
Ministro de Hacienda
La Paz, Bolivia

Señor Licenciado
Don José Luis Lupo Flores
Ministro de Desarrollo Económico
La Paz, Bolivia

Excelentísimos Señores Ministros:

Por la presente, en representación de Enron South America LLC ("ENRON"), deseo expresar nuestra mayor preocupación por los términos y los alcances del Memorandum de Entendimiento suscrito entre el Ministerio de Desarrollo Económico de la República de Bolivia y el Ministerio de Minas y Energía de la República Federativa del Brasil, de fecha veintitrés de mayo de dos mil años ("el Memorandum").

El interés de ENRON sobre este importante aspecto, obedece tanto a su condición de accionista en un 25% (veinticinco por ciento) de Transredes S.A., como a su calidad de potencial inversionista en nuevos proyectos destinados a desarrollar nuevas opciones de mercado para el gas natural boliviano y a fortalecer la integración energética regional, en base a la libre competencia.

Como es de su conocimiento, nuestra empresa se halla desde hace mucho tiempo atrás comprometida con el Supremo Gobierno de Bolivia en dar respuesta a los requerimientos de gas natural de la República Federativa del Brasil dentro del denominado programa de emergencia de las termoeléctricas, y en la construcción de la termoeléctrica de Puerto Suárez, destinada a la exportación de energía eléctrica al mercado brasileiro. Empero, el

- 2 -

Memorandum parece imponer sobre la República de Bolivia condiciones para el desarrollo de los proyectos señalados, en detrimento de las inversiones existentes y comprometidas en Bolivia, pasando por alto el marco regulatorio vigente y negando a los inversionistas privados la oportunidad de acogerse a los derechos previstos en sus normas.

En efecto, el Memorandum crea las bases para la construcción de un gasoducto en Bolivia para el transporte de gas al Brasil y establece el acuerdo para apoyar el proyecto de la termoeléctrica de Puerto Suárez, pero condicionada a la participación accionaria de PETROBRAS en la misma, y con el aporte de gas proveniente de PETROBRAS - Bolivia S.A.. Asimismo, establece el acuerdo para que PETROBRAS participe en una tarifa estampilla de transporte de gas natural para el mercado interno y de exportación a ser establecida y defina con la misión técnica destacada por el Ministerio de Desarrollo Económico, los aspectos operacionales en relación a dicha tarifa y a los demás puntos señalados en el Memorandum, en las reuniones que se desarrollarán en Rio de Janeiro.

Los aspectos contemplados en el Memorandum han sido motivo de larga discusión y análisis hasta la fecha. Con ese objetivo, y dentro del marco de las normas y regulaciones existentes en la República de Bolivia, se han llevado a cabo negociaciones con diversos representantes de la industria, estableciéndose, entre otros aspectos, que la estrategia de PETROBRAS - Bolivia S.A. para construir el ducto derivado al YABOG ("bypass") es inconsistente, tanto desde el punto de vista económico como regulatorio.

En el plano económico, el proyecto bypass de PETROBRAS se encuentra en desventaja con Transredes S.A., al no hallarse en condiciones de responder a tiempo los requerimientos de la demanda brasilera (v.gr. el tiempo de construcción del ducto) ni poder competir económicamente, salvo que eluda la responsabilidad de pagar la cuenta diferida. En esa perspectiva, el incremento del costo del servicio consecuencia del bypass, respondería al exclusivo objetivo de control del mercado por parte de PETROBRAS.

En el plano regulatorio, la empresa de cuya capitalización emerge Transredes S.A., fue capitalizada con la obligación de cobrar una tarifa inferior a la necesaria, subsidiando temporariamente al mercado interno, subsidio que debe ser recuperado en base a la nueva tarifa y al volumen de gas transportado. En ausencia de enmiendas a las regulaciones existentes, la construcción de un nuevo gasoducto para la exportación de gas al Brasil, impondrá la recuperación de la cuenta diferida sobre un volumen menor de gas, con el consecuente impacto económico negativo sobre el mercado interno boliviano y sobre otros productores que utilizan el sistema de transporte existente.

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En dichas circunstancias, la Superintendencia de Hidrocarburos, en aplicación de lo dispuesto por el artículo 10 de la Ley No. 1600 del SIRESE de 28 de octubre de 1994, pudiera negar el otorgamiento de la concesión para el nuevo ducto por el impacto negativo en el mercado o por considerarla contraria al interés público. En este contexto, PETROBRAS ha optado por involucrar al Gobierno Brasileiro en las negociaciones, evitando así llevarlas a cabo directamente con Enron y los demás participantes de la industria.

En cuanto al acuerdo para apoyar la implementación de la termoeléctrica de Puerto Suárez, condicionado a la participación accionaria de PETROBRAS en la misma, y al aporte del gas proveniente de PETROBRAS - Bolivia S.A., el mismo constituye una innecesaria intromisión de los Gobiernos de Bolivia y Brasil en el mercado y la libre competencia. El texto del segundo punto del Memorandum parece reflejar que los dos Gobiernos dan prioridad a un proyecto liderado por PETROBRAS contra los esfuerzos de los diversos participantes privados, forzándolos a aceptar a PETROBRAS como socio y a utilizar el gas de PETROBRAS - Bolivia S.A. en el proyecto.

Asimismo, mediante el acuerdo para que PETROBRAS participe y respete una tarifa estampilla de transporte de gas natural para el mercado interno y de exportación a ser establecida, el Ministerio de Desarrollo Económico se arroga las atribuciones reconocidas a la Superintendencia de Hidrocarburos por la Ley SIRESE, de acuerdo a los procedimientos establecidos en dicha norma y sus reglamentaciones. Bajo dichas normas, el Supremo Gobierno tampoco se halla facultado para disponer acerca de la propiedad de la planta termoeléctrica a ser construida en Puerto Suárez o acerca del proveedor de gas natural para la misma.

En su condición de inversionista en Bolivia, ENRON se sujeta estrictamente a las normas existentes. En los términos del Memorandum, el Supremo Gobierno de Bolivia envía un mensaje altamente negativo a la inversión privada, al elegir resolver las dificultades comerciales y regulatorias de PETROBRAS a través de negociaciones gubernamentales bilaterales, al mismo tiempo que requiere de los inversionistas privados la sujeción a las normas y regulaciones existentes en aspectos similares. En este sentido, ENRON debe insistir en la necesidad de que el Supremo Gobierno de Bolivia conduzca el proceso dentro de los mecanismos y normas vigentes en el país, asegurando al mismo tiempo, que el Supremo Gobierno del Brasil garantice condiciones igualitarias y la emisión de las licencias y autorizaciones necesarias, bajo los principios de no discriminación y libre acceso reconocidos en los Acuerdos de Complementación Económica, los Acuerdos de Promoción del Comercio y de Integración Energética suscritos por Bolivia con dicha República.

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- 4 -

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En suma, ENRON cree que la decisión del Supremo Gobierno Boliviano de intervenir en favor de PETROBRAS en lo que sería de otro modo considerado como una negociación privada comercial o un tema a ser resuelto de acuerdo a los procedimientos regulatorios existentes, constituye un obstáculo para el desarrollo del sector privado en Bolivia. ENRON ratifica su voluntad de apoyar al Gobierno de Bolivia en los esfuerzos que realizara para crear condiciones de equidad y no discriminación para una mayor competencia, requiriendo de todos los participantes en la industria el cumplimiento de los mismos mecanismos regulatorios previstos por ley para el desarrollo de sus intereses comerciales. En cualquier caso, ENRON espera que los derechos que le asigna la Ley, a ella y a sus empresas afiliadas, sean respetados.

Con este motivo, reiteramos a ustedes, Señores Ministros, las seguridades de nuestra distinguida consideración.

José Bestard
Vicepresidente
Enron South America LLC

cc: Señor Ministro de Relaciones Exteriores y Culto.
Señora Embajadora de Bolivia en los EE.UU de N.A.
Señora Embajadora de los EE.UU. de N.A. en Bolivia

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*For Chris Lundberg -
- do you know anything
about this? what about the
regional bureau?
Guy*

VIA FAX
202-622 5304 (fax)

June 1, 2000

Ms. Meg Lundsager
Deputy Assistant Secretary for Trade & Investments
Department of Treasury
1500 Pennsylvania Avenue, NW
Room 3208
Washington, DC 20220

Dear Meg:

We have been advised the Brazilian Minister of Energy and Mines, Roberto Tourinho will be in Washington, DC next week to meet with the InterAmerican Bank and the World Bank.

Petrobras has not lived up to the conditions of their loan to sell their controlling interest in the Bolivia-Brazil Pipeline. They were to have submitted a plan to do so in November 1998, but neither of those institutions has taken action to require compliance. Petrobras continues to restrict capacity on the pipeline which allows them, despite privatization, to exercise control over the natural gas supply which they are now extending into power generation.

I hope you can use the opportunity of the Minister's visit to advise the Government of Brazil that this conduct has put a strangle-hold on market access. The principals had agreed in the Summit of the Americas agreement and subsequent agreements to the principle of market access.

Sincerely,

cc: Susan

Natural gas. Electricity. Endless possibilities.™

ENRON, WASHINGTON
1775 EYE STREET, NW
Suite 800
Washington, DC 20006
202-468-9145
202-828-3372 (fax)

GC
talk to me

FAX COVER SHEET

DATE: 6/1/00 3:05 PM

NAME: _____ **fax number:** _____

TO:
Ms. Meg Lundsager
Deputy Assistant Secretary for Trade & Investments
Department of Treasury
1500 Pennsylvania Avenue, NW
Room 3208
Washington, DC 20220
202-622-0168
202-622 5304 (fax)

Jay

FROM: Joe Hillings
Lora Sullivan

PHONE: 202-468-9142
FAX: 202-828-3372

cc: Chris Long
Steve Burns

Number of pages: 9

RE: Bolivia/Brazil MOU

PLEASE SEE ENCLOSED.

Joe Hillings

Encl.

cc: Lora

DEPARTMENT OF THE TREASURY
OFFICE OF AFRICAN NATIONS
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② Helen Reynolds (State) FAX NO. _____

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FROM: ✓ Meg Donovan

- _____ EDWIN L. BARBER III, SENIOR ADVISOR
- _____ BONNIE M. BARNES, SECRETARY
- _____ MICHELE BUDINGTON, ACTING DIRECTOR
- _____ GEOFFREY GOTTLIEB - 622-0455
- _____ ELIZABETH URBANAS - 622-0182
- _____ TROY WRAY - 622-9807

IF YOU HAVE ANY QUESTIONS, PLEASE CALL ON (202) 622-1730

MESSAGE:

Enron letter as discussed



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DATE: 5/31/00

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E. Joseph Hillings
Vice President and General Manager
Federal Government Affairs

Y Y
WM
MD

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VIA FAX
202-622-0417 (fax)

May 30, 2000

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Assistant Secretary, International Affairs
Department of Treasury
1500 Pennsylvania Avenue, NW
Room 3432
Washington, DC 20220

Dear Secretary Truman:

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Natural gas. Electricity. Endless possibilities.™

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We reiterate our highest considerations.

José Bestard
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Enron South America LLC

cc:

Minister of Foreign Affairs and Cult
Madame Ambassador of Bolivia in the United States of America
Madame Ambassador of the United States of America in Bolivia



Enron América do Sul
Avenida das Nações Unidas, 11.451
Brooklin Novo 5ª Andar
Sao Paulo - SP, Brasil

São Paulo, Mayo 26, 2000

Señor Licenciado
Don Ronald MacLean Abaroa
Ministro de Hacienda
La Paz, Bolivia

Señor Licenciado
Don José Luis Lupo Flores
Ministro de Desarrollo Económico
La Paz, Bolivia

Excelentísimos Señores Ministros:

Por la presente, en representación de Enron South America LLC ("ENRON"), deseo expresar nuestra mayor preocupación por los términos y los alcances del Memorandum de Entendimiento suscrito entre el Ministerio de Desarrollo Económico de la República de Bolivia y el Ministerio de Minas y Energía de la República Federativa del Brasil, de fecha veintitrés de mayo de dos mil años ("el Memorandum").

El interés de ENRON sobre este importante aspecto, obedece tanto a su condición de accionista en un 25% (veinticinco por ciento) de Transrodes S.A., como a su calidad de potencial inversionista en nuevos proyectos destinados a desarrollar nuevas opciones de mercado para el gas natural boliviano y a fortalecer la integración energética regional, en base a la libre competencia.

Como es de su conocimiento, nuestra empresa se halla desde hace mucho tiempo atrás comprometida con el Supremo Gobierno de Bolivia en dar respuesta a los requerimientos de gas natural de la República Federativa del Brasil dentro del denominado programa de emergencia de las termoeléctricas, y en la construcción de la termoeléctrica de Puerto Suárez, destinada a la exportación de energía eléctrica al mercado brasileño. Empero, el

Memorandum parece imponer sobre la República de Bolivia condiciones para el desarrollo de los proyectos señalados, en detrimento de las inversiones existentes y comprometidas en Bolivia, pasando por alto el marco regulatorio vigente y negando a los inversionistas privados la oportunidad de acogerse a los derechos previstos en sus normas.

En efecto, el Memorandum crea las bases para la construcción de un gasoducto en Bolivia para el transporte de gas al Brasil y establece el acuerdo para apoyar el proyecto de la termoeléctrica de Puerto Suárez, pero condicionada a la participación accionaria de PETROBRAS en la misma, y con el aporte de gas proveniente de PETROBRAS - Bolivia S.A. Asimismo, establece el acuerdo para que PETROBRAS participe en una tarifa estampilla de transporte de gas natural para el mercado interno y de exportación a ser establecida y defina con la misión técnica destacada por el Ministerio de Desarrollo Económico, los aspectos operacionales en relación a dicha tarifa y a los demás puntos señalados en el Memorandum, en las reuniones que se desarrollarán en Rio de Janeiro.

Los aspectos contemplados en el Memorandum han sido motivo de larga discusión y análisis hasta la fecha. Con ese objetivo, y dentro del marco de las normas y regulaciones existentes en la República de Bolivia, se han llevado a cabo negociaciones con diversos representantes de la industria, estableciéndose, entre otros aspectos, que la estrategia de PETROBRAS - Bolivia S.A. para construir el ducto derivado al YABOG ("bypass") es inconsistente, tanto desde el punto de vista económico como regulatorio.

En el plano económico, el proyecto bypass de PETROBRAS se encuentra en desventaja con Transredes S.A., al no hallarse en condiciones de responder a tiempo los requerimientos de la demanda brasilera (v.gr. el tiempo de construcción del ducto) ni poder competir económicamente, salvo que eluda la responsabilidad de pagar la cuenta diferida. En esa perspectiva, el incremento del costo del servicio consecuencia del bypass, respondería al exclusivo objetivo de control del mercado por parte de PETROBRAS.

En el plano regulatorio, la empresa de cuya capitalización emerge Transredes S.A., fue capitalizada con la obligación de cobrar una tarifa inferior a la necesaria, subsidiando temporariamente al mercado interno, subsidio que debe ser recuperado en base a la nueva tarifa y al volumen de gas transportado. En ausencia de enmiendas a las regulaciones existentes, la construcción de un nuevo gasoducto para la exportación de gas al Brasil, impondrá la recuperación de la cuenta diferida sobre un volumen menor de gas, con el consecuente impacto económico negativo sobre el mercado interno boliviano y sobre otros productores que utilizan el sistema de transporte existente.

Endless Possibilities

En dichas circunstancias, la Superintendencia de Hidrocarburos, en aplicación de lo dispuesto por el artículo 10 de la Ley No. 1600 del SIRESE de 28 de octubre de 1994, pudiera negar el otorgamiento de la concesión para el nuevo ducto por el impacto negativo en el mercado o por considerarla contraria al interés público. En este contexto, PETROBRAS ha optado por involucrar al Gobierno Brasileño en las negociaciones, evitando así llevarlas a cabo directamente con Enron y los demás participantes de la industria.

En cuanto al acuerdo para apoyar la implementación de la termoeléctrica de Puerto Suárez, condicionado a la participación accionaria de PETROBRAS en la misma, y al aporte del gas proveniente de PETROBRAS - Bolivia S.A., el mismo constituye una innecesaria intromisión de los Gobiernos de Bolivia y Brasil en el mercado y la libre competencia. El texto del segundo punto del Memorandum parece reflejar que los dos Gobiernos dan prioridad a un proyecto liderado por PETROBRAS contra los esfuerzos de los diversos participantes privados, forzándolos a aceptar a PETROBRAS como socio y a utilizar el gas de PETROBRAS - Bolivia S.A. en el proyecto.

Asimismo, mediante el acuerdo para que PETROBRAS participe y respete una tarifa estampilla de transporte de gas natural para el mercado interno y de exportación a ser establecida, el Ministerio de Desarrollo Económico se arroga las atribuciones reconocidas a la Superintendencia de Hidrocarburos por la Ley SIRESE, de acuerdo a los procedimientos establecidos en dicha norma y sus reglamentaciones. Bajo dichas normas, el Supremo Gobierno tampoco se halla facultado para disponer acerca de la propiedad de la planta termoeléctrica a ser construida, en Puerto Suárez o acerca del proveedor de gas natural para la misma.

En su condición de inversionista en Bolivia, ENRON se sujeta estrictamente a las normas existentes. En los términos del Memorandum, el Supremo Gobierno de Bolivia envía un mensaje altamente negativo a la inversión privada, al elegir resolver las dificultades comerciales y regulatorias de PETROBRAS a través de negociaciones gubernamentales bilaterales, al mismo tiempo que requiere de los inversionistas privados la sujeción a las normas y regulaciones existentes en aspectos similares. En este sentido, ENRON debe insistir en la necesidad de que el Supremo Gobierno de Bolivia conduzca el proceso dentro de los mecanismos y normas vigentes en el país, asegurando al mismo tiempo, que el Supremo Gobierno del Brasil garantice condiciones igualitarias y la emisión de las licencias y autorizaciones necesarias, bajo los principios de no discriminación y libre acceso reconocidos en los Acuerdos de Complementación Económica, los Acuerdos de Promoción del Comercio y de Integración Energética suscritos por Bolivia con dicha República.

Endless Possibilities

Aparentemente, PETROBRAS y el Ministerio Minas y Energía de Brasil están tratando de establecer que el único camino para entrar en el mercado energético brasileño es través de acuerdos entre Gobiernos y utilizando a PETROBRAS como vehículo. Si esto fuera realidad, contravendría todos los compromisos asumidos para alcanzar la integración regional, basada en los conceptos de libre competencia y acceso abierto.

En suma, ENRON cree que la decisión del Supremo Gobierno Boliviano de intervenir en favor de PETROBRAS en lo que sería de otro modo considerado como una negociación privada comercial o un tema a ser resuelto de acuerdo a los procedimientos regulatorios existentes, constituye un obstáculo para el desarrollo del sector privado en Bolivia. ENRON ratifica su voluntad de apoyar al Gobierno de Bolivia en los esfuerzos que realizara para crear condiciones de equidad y no discriminación para una mayor competencia, requiriendo de todos los participantes en la industria el cumplimiento de los mismos mecanismos regulatorios previstos por ley para el desarrollo de sus intereses comerciales. En cualquier caso, ENRON espera que los derechos que le asigna la Ley, a ella y a sus empresas afiliadas, sean respetados.

Con este motivo, reiteramos a ustedes, Señores Ministros, las seguridades de nuestra distinguida consideración.

José Bestard
Vicepresidente
Enron South America LLC

cc: Señor Ministro de Relaciones Exteriores y Culto.
Señora Embajadora de Bolivia en los EE.UU de N.A.
Señora Embajadora de los EE.UU. de N.A. en Bolivia

Endless Possibilities

TOTAL P.02

TOTAL P.10

0050000000146

From: Joe Eichenberger
To: DOM13.DOPO8 (CETINAJ, KURIYANL, SEMANST, SEVERENSA) ...
Date: 3/22/99 5:25pm
Subject: Re: Enron Indonesia IPP & MIGA -Reply

On one of Charley's last points: to my knowledge, MIGA has never had a substantial claim filed.

>>> EX.MAIL."Sdrriano@worldbank.org" 03/22/99 03:09pm >>>

Not sure it matters, but Enron told Charley, (the Commerce liaison here) that it notified of intent via e-mail.

Charley's read-out of the conversation follows:

Enron confirms that on Friday March 19, 1999 they filed a claim (actually notified MIGA by email of intent to...) against MIGA for \$15 million, for cancellation of Enron's East Java IPP in Indonesia. The reason this claim was filed now is there was an 18 month expiration date against claims and their original cancellation notice was the Indonesian Presidential Decree (KEPRES 39) in September 1997 cancelling a number of IPPs which had been in various stages of development. Enron had to file by Friday or lose their right to claim for political risk insurance.

Enron will be meeting with MIGA on Tuesday March 23 at MIGA offices to discuss details of the next steps (Enron advised that their impression is MIGA has little experience in such claims actually being filed and followed-up).

Enron advised that they had last week informed State Dept. and Commerce Dept. about this situation. I strongly urged Enron to immediately call the appropriate officials at Treasury to brief them of the situation as they had done for State and Commerce. Enron agreed they would right away do so.

Charley

"CETINAJ%DOM13.DOPO8" <JILL.CETINA@treas.sprint.com> on 03/22/99 12:50:33 PM

To: "Christopulos%Dom13.Dopo8" <Greg.Christopulos@Ms01.Do.Treas.Sprint.Com>,
"Clappg%Dom13.Dopo8" <Gene.Clapp@Ms01.Do.Treas.Sprint.Com>,
"Eichenbergerj%Dom13.Dopo8" <Joe.Eichenberger@Treas.Sprint.Com>,
"Hoarg%Dom13.Dopo8" <Gay.Hoar@Ms01.Do.Treas.Sprint.Com>,

0050000001030

"Kuriyanl%Dom13.Dopo8" <Lyla.Kuriyan@Treas.Sprint.Com>,
"Saegers%Dom13.Dopo8" <Steven.Saeger@Ms01.Do.Treas.Sprint.Com>,
"Semanst%Dom13.Dopo8" <"/G=Truman/S=Semans/Ou=Ms01/"@Treas.Sprint.Com>,
"Severensa%Dom13.Dopo8" <Alex.Severens@Treas.Sprint.Com>,
"Stewartek%Dom13.Dopo8" <Elizabeth.K.Stewart@Ms01.Do.Treas.Sprint.Com>,
Susan Driano

cc:

Subject: Enron Indonesia IPP & MIGA

Date: 03/22/1999 01:37 pm (Monday)
From: Jill Cetina
To: CHRISTOPULOS, CLAPPG, HOARG, SAEGERS, SEMANST, SEVERENSA,
StewartEK, KURIYANL, EX.MAIL."sdriano@worldbank.org",
EICHENBERGERJ
Subject: Enron Indonesia IPP & MIGA

Susan heard that Enron notified MIGA by phone on Friday of intent to file a claim for the Indonesian IPP. Enron and MIGA are to meet on Wednesday afternoon to discuss.

Susan is in the process of getting a copy of the original MIGA guarantee proposal for the project so we know precisely what the scope of MIGA's guarantee is.

Susan is meeting with MIGA staff now and will inquire where things stand.

More news to follow...

Jill

>>> Lyla Kuriyan 03/22/99 11:38am >>>
Just received a call from Enron. They did file a claim with MIGA last Friday (supposedly the last day of their 18 month trigger to file a claim with MIGA). They indicated that this was a very big deal for MIGA as a claim has never been filed before. The Enron folks said that they have been trying to work out something with GOI since the Presidential decree (397) which put power projects on hold. They weren't sure what the process would be going forward, but will be in discussions with MIGA all week (big meeting tomorrow morning) and said they would keep us updated. Also asked that we keep this very close hold, as the GOI doesn't know about this yet (they have also told State, Commerce and the Embassy). Supposedly they are sending a letter to us, which I will fax to all of you when I receive it.

>>> Jill Cetina 03/19/99 05:34pm >>>
Haven't heard anything about Enron filling a claim with MIGA -- would be a very big deal -- first call on a MIGA guarantee. Let me discuss with
OUSED [(b)(5)]

0050000001031

>>> Greg Christopoulos 03/19/99 05:05pm >>>

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Enron has told Virginia they have been trying to work out a deal with the GOI for the last 18 mos or so with no success. She thinks this claim will probably come as a surprise to GOI at the same time they get a letter from US senators complaining about the treatment of IPPs and the US abstains on an ADB elec sector loan.

I don't have any further details on this project or the claim yet. [(b)(5)]

CC: DOM13.DOP08 (CHRISTOPULOS, CLAPPG, HOARG, SAEGERS, ...)

0050000001032

From: Lyla Kuriyan
To: CHRISTOPULOS, CLAPPG, EICHENBERGERJ, HOARG, SEMANS...
Date: 3/22/99 4:16pm
Subject: Enron Indonesia IPP & MIGA -Reply

more about Enron...again, very close hold:

Enron's Country Manager for Indonesia, Brian Corbin, called the Embassy to discuss the claim process. According to Corbin, Enron took out \$15m in MIGA political risk insurance coverage to protect its equity contribution in the Pasuruan Power Project. Anthony Salim and Suharto's son Bambang Trihatmodjo are Enron's partners in the gas-fired plant located in East Java. Corbin believes that Enron has a strong case and interprets the presidential decision that postponed the Pasuruan Project as 100% political. Corbin said that Enron has put in far more equity than its claim and will claim the full amount from MIGA.

Corbin said that Enron and MIGA will meet tomorrow to talk about the process going forward. MIGA will then open discussions with the GOI. MIGA has a reinsurance agreement with the GOI and it will try to recover the \$15m from them. Corbin believed that MIGA will use the full six months allotted to investigate Enron's claim. Corbin also predicted that MIGA will unsuccessfully seek to reach a compromise. The only compromise acceptable to Enron is to reinstate the project, which is unacceptable to GOI.

>>> Jill Cetina 03/22/99 01:37pm >>>

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I don't have any further details on this project or the claim yet. [(b)(5)]

From: Jill Cetina
To: CHRISTOPULOS, CLAPPG, HOARG, SAEGERS, SEMANST, SEV...
Date: 3/22/99 1:37pm
Subject: Enron Indonesia IPP & MIGA

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0050000001035

From: Lyla Kuriyan
To: Dom13.DOPOB (CHRISTOPULOS, CLAPPG, HOARG, SEMANST, ...)
Date: 3/22/99 11:38am
Subject: Enron Indon IPP & MIGA -Reply -Reply

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0050000001037

From: Margaret Kuhlow
To: CLAPPG
Date: 9/25/98 2:11pm
Subject: IDB Loan to Gas Company in Argentina -Reply

[(b)(5)]

>>> Gene Clapp 09/25/98 01:32pm >>>

Sara asked me to give you a heads up on a loan that is coming up in the IDB Board next week.

It is a \$75m A loan/\$300m B loan for an Argentine gas transmission company (TGS). The company has half of the transmission facilities in the country as a result of the privatization of the SOE that formerly controlled the whole system. TGS is controlled by a partnership arrangement that is owned by Enron and the 3rd largest company in Argentina on a 50/50 basis. The loan is to help finance a portion of a \$1.4 bn investment program that will take place over 1998-2002.

The funds are not linked to any specific project, since the details of the investment program have not been worked out as yet. Rather, it is billed by the IDB as a "corporate finance transaction". The main objective is to lower the cost of funds to TGS. This will result from the bonds that are to be placed privately receiving a higher, investment-grade rating by virtue of the IDB's involvement.

[(b)(5)]

[(b)(5)]

, but will get back to

In the meantime, if you ave any views, please let us know.

CC: hurleyj, paulsons, semanst, stewartek, walshh

0050000001049

*Draft
EC*

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY SCHUERCH

FROM: Joseph B. Eichenberger
Director
Office of Multilateral Development Banks

SUBJECT: Argentina: IDB financing for Transportadora de Gas del Sur S.A.

[(b)(5)]

[(b)(5)]

0050000001051

[(b)(5)]

0050000001052

Stewart, Elizabeth K.

DR
Bus attached

From: Paulson, Sara
Sent: Tuesday, September 25, 2001 12:24 PM
To: Conley, Robert; Stewart, Elizabeth K.
Subject: FW: Enron mtg today at 1:30 pm
Importance: High

Just found this.

-----Original Message-----

From: Kosmidis, Ivy
Sent: Tuesday, September 25, 2001 12:08 PM
To: Schuerch, William; Paulson, Sara; Demopoulos, Abigail
Cc: Backes, Steven
Subject: Enron mtg today at 1:30 pm
Importance: High

I just spoke to Mr. Hardy of ENRON regarding the meeting agenda for today.

Issue

Hardy would like Treasury assistance to urge IFC to defend project in the DR

- Corporacion Dominicana Electricidad (100% SOE) CDE is running arrears to IPPs including ENRON (total DR arrears close to \$140 mn)
- Bond issue backed by USG guarantee will be called in December if action not taken

Background

[(b)(5)]

From: Meg Donovan
To: StewartEK
Date: 4/27/00 6:09pm
Subject: DR Power Sector -- barge

Elizabeth: I remember you asked me to keep you posted on the barge in the DR!

Cheers,
Meg

105 power generator installed in Boca Chica
The government received yesterday the 105 megawatt power barge that will be provisionally installed in Andrés, Boca Chica. Radhamés Segura said that the plant will soon be connected to the system and will provide relief from power outages. An extraordinarily increase in power demand, due to the booming economy, and the aging of power plants have resulted in power deficits which translate into blackouts nationwide.

[(b)(5)]

From: Meg Donovan
To: StewartEK
Date: 3/15/00 1:04pm
Subject: Barge

Elizabeth:

re: the barge, evidently it is supposed to arrive by April (see text which follows) and be operational "shortly thereafter." If I see anything else I'll make sure I forward it.

Best,
Meg

DR1

A 105 megawatt generator barge will dock in the port of Boca Chica in the beginning of April. The plant is expected to go on line shortly after, contributing to reduce blackouts in the DR. The announcement was made in Singapore by Temostocles Montís, Technical Secretary of the Presidency, who is accompanying President Leonel Fernández on his Asian tour. He explained that the barge, property of Western Energy, has a cost of US\$60 million. Its installation will not cost the Dominican state, as it will derive its profits from sale of energy to whoever will purchase this. The owner of Western Energy, Mr. Dato Joseph Chong, a Malaysian businessman, had visited President Fernández in Santo Domingo. Montís announced in Singapore, that the barge is one of two that will come. Another is expected to arrive in July.

From: Meg Donovan
To: Ex.Mail("TCrawford@WorldBank.org"), CHRISTOPULOS
Date: 3/13/00 5:31pm
Subject: DR privaization prower project. -Reply -Reply -Reply

Just to close the loop, I thought I'd update everyone on Todd's conversation with Orsalia's staff (WB)--

[(b)(5)]

>>> Greg Christopoulos 03/13/00 05:22pm >>>
Todd- We have no issue with the GON, but these are the points we want to raise with the DR.

[(b)(5)]

CC: DOM13.DOPO8(CLAPPG, StewartEK), DOM3.DOPO6(SAMPLIN...

0050000001171

From: Meg Donovan
To: DRPower, DONOVANM
Date: 3/10/00 3:43pm
Subject: DR Electricity

DR

DR1 report...

Elizabeth -- I actually had Bstewart on there instead of you (must have been surprised to learn so much about the DR!)

Energy from Garbage

Lurgi Lejes Bischoff of Germany and Acres International and Interteck Consulting, of Canada, will work together to install a generator that uses garbage as fuel, as reported in El Caribe newspaper. During a press conference in Santo Domingo, engineer Pedro Robiou, serving as spokesman for the companies and Roberto Castillo Ti., technical secretary of the Municipality of Santo Domingo, announced that US\$200 million will be invested in the 102-megawatt power plant. The plant will be fed garbage selected from the Duquesa landfill, where most of the garbage generated by Santo Domingo residents is dumped. The plant should be ready for operation in two months.

From: Meg Donovan
To: DRPower
Date: 3/3/00 2:00pm
Subject: Sector Update

More bad news for Enron?

DR1

Union Fenosa announces 190 megawatts ready for May

Union Fenosa, the Spanish mother company of Edenorte and Edesur, two power distributors, announced that its Palamara and La Vega diesel-powered thermal central units would enter into operation in May. The company said that it has invested US\$120 million in the construction of the power generators and that its entire production will be sold to its affiliates. The Palamara unit is located in the South and will have capacity to produce 102.5 megawatts, serving an estimated 242,000 clients. The La Vega central will have capacity for 87.5 megawatts, and will supply power to 296,000 clients.

From: Meg Donovan
To: CLAPPG, CHRISTOPULOS, StewartEK, DOM3.DOPO6.SAMPLI...
Date: 2/18/00 4:36pm
Subject: DR Power Sector

FYI:

Enron said this morning that the only thing that got the government's attention was the ability to shut down production. **[(b)(5)]**

Local Media

A 105 megawatt generator barge will dock in the port of Boca Chica in the beginning of April. The plant is expected to go on line shortly after, contributing to reduce blackouts in the DR. The announcement was made in Singapore by Temostocles Monts, Technical Secretary of the Presidency, who is accompanying President Leonel Fernandez on his Asian tour. He explained that the barge, property of Western Energy, has a cost of US\$60 million. Its installation will not cost the Dominican state, as it will derive its profits from sale of energy to whoever will purchase this. The owner of Western Energy, Mr. Dato Joseph Chong, a Malaysian businessman, had visited President Fernandez in Santo Domingo. Monts announced in Singapore, that the barge is one of two that will come. Another is expected to arrive in July.

From: Meg Donovan
To: ex.mail.*clementsga2@state.gov*, ex.mail.*windsorr...
Date: 2/18/00 12:25pm
Subject: Read out from Enron Meeting (2/18)

A preliminary read-out from this morning's meeting with David Shields of Enron (IPP Disputes in the DR) is attached. Please note, this has not cleared internally yet – Treasury recipients please revise/correct as necessary – but it should give you a bit of context for this afternoon's State meeting with Enron.

We'd appreciate any clarification you might be able to provide us, or your thoughts as to the Enron case.

Thanks,
Meg

CC: CHRISTOPULOS, DOM3.DOPO6.SAMPLINERG, CLAPPG, Stewa...

From: Greg Christopoulos
To: BLOOMGARDEND, CLAPPG, DONOVANM, LUNDSAGERM, Schuer...
Date: 11/23/99 10:51am
Subject: RE: DR Power Project -Reply -Reply

[(b)(5)]

>>> ex.mail."BRUCEJ@iadb.org" 11/23/99 09:43am >>>

[(b)(5)]

-----Original Message-----

From: David.Bloomgarden@do.treas.gov
[mailto:David.Bloomgarden@do.treas.gov]
Sent: Monday, November 22, 1999 5:54 PM
To: Greg.Christopoulos@do.treas.gov; William.Schuerch@do.treas.gov;
BRUCEJ@iadb.org; WB-tcrawfor@iadb.org
Cc: david.bloomgarden@do.treas.gov; elizabeth.k.stewart@do.treas.gov;
gay.sillis@do.treas.gov; greg.christopoulos@do.treas.gov; LARRYH@iadb.org;
margaret.kuhlowlow@do.treas.gov; meg.donovan@do.treas.gov;
meg.lundsager@do.treas.gov; WB-EWeaver@iadb.org; WB-JmazurJ@iadb.org;
william.schuerch@do.treas.gov
Subject: Re: DR Power Project -Reply

Date: 11/22/1999 05:48 pm (Monday)

00500000001189

From: David Bloomgarden
To: Dom13.DOPO8(CHRISTOPULOS, SchuerchW),
ex.mail("WB-rcrawfor@iadb.org", "BRUCEJ@iadb.org")
CC: ex.mail("david.bloomgarden", "elizabeth.k.stewart", "gay.sills",
"greg.christopulos", "LARRYH@iadb.org", "margaret.kuhlow",
"meg.donovan", "meg.lundsager", "WB-EWeaver@iadb.org",
"WB-JmazurJ@iadb.org", "william.schuerch"),
Subject: Re: DR Power Project -Reply

[(b)(5)]

>>> ex.mail,"WB-rcrawfor@iadb.org" 11/19/99 10:51am >>>
Kristin Madison, Senate Foreign Relations Committee staff,
called me
a few days back to ask why the World Bank was opposing the
Cogentrix project
(sort of, "where does the World Bank get off telling the IDB what
to do").
I've explained to her that the World Bank believes that the project
is
inconsistent with needed reforms in the power sector and that it

00500000001190

[(b)(5)]

00500000001191

[(b)(5)]

[(b)(5)]

Hope this helps. I understand that Freeman will be meeting Treasury folks at 2 pm on Monday. I think I've been invited, but am not sure I can attend as I have an Audit Committee meeting here on the Bank's internal controls at the same time.

Todd

From: Bruce Juba/IDB-HQ/IDB@IADB on 11/17/99 01:29 PM

To: William Schuerch@William.Schuerch@Do.Treas.Gov@Smt@IADB, David Bloomgarden@David.Bloomgarden@Do.Treas.Gov@Smt@IADB, Greg Christopoulos@Greg.Christopoulos@Do.Treas.Gov@Smt@IADB
cc: Lawrence Harrington/Idb-Hq/Idb@IADB, Todd W. Crawford Eds

Subject: DR Power Project

[(b)(5)]

0050000001193

[(b)(5)]

Mr. Toyoda now advises me that the Board date has slipped to December 13. This office has had no role in the slippage.

CC: ex.mail."elizabeth.k.stewart", ex.mail."gay.sills"...

0050000001194

From: Elizabeth K. Stewart
To: Dom13.DOPOS(BLOOMGARDEND, CHRISTOPULOS, CLAPP, MC...
Date: 11/22/99 12:44pm
Subject: DR Meeting -Reply -Reply

Enron DC reports that the \$130m in arrears has arisen because in June, as part of the privatization process, the Government stopped its long-standing subsidy to CDE - which amounted to about \$5m a week. CDE thus had no money to pay the IPPs. Enron reports that all IPPs were treated the same and views the issue as one of "transitional privatization". Enron comments that going forward, budget allocation needs to be made to pay privatized distribution companies for GoDR power consumption (Enron estimates to be about 25 percent, for which reportedly GoDR did not pay in the past).

[(b)(5)]

>>> Meg Donovan 11/22/99 11:38am >>>

Greg Christopoulos asked me to phone the Embassy for a read out on Friday's meeting with the IPPs at the Presidential Palace.

[(b)(5)]

>>> Gene Clapp 11/19/99 05:59pm >>>

FVI: Briefing memo attached

November 19, 1999

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY SCHUERCH

FROM: Sara Paulson
Acting Director
Office of Multilateral Development Banks

SUBJECT: Briefing for Your Meeting with Cogentrix

Date and Time: Monday, November 22, 1999, at 2:00 pm

PARTICIPANTS:

Treasury: DAS Schuerch
Gene Clapp, IDB
Elizabeth Stewart, IDB
Greg Christopoulos, ITI
Meg Donovan, INL
Wes McGrew, INL
Gary Sampliner, GC

Cogentrix: Mark Miller, President & COO
Yamin Afshar
Bill Boardman, Sen. Advisor to CEO
Steven Doyon, VP for Business Dev.
Jef Freeman, VP for Corp Communications

BACKGROUND:

[(b)(5)]

0050000001203

[(b)(5)]

00500000001204

[(b)(5)]

00500000001205

From: Elizabeth K. Stewart
To: Dom13.DOPO8(BLOOMGARDEND, CHRISTOPULOS, CLAPPG, MC...
Subject: DR Meeting -Reply -Reply

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[(b)(5)]

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[(b)(5)]

>>> Gene Clapp 11/19/99 05:59pm >>>

FYI: Briefing memo attached

0050000001206

From: Greg Christopoulos
To: Dom13.DOP08(CLAPPG), MCGREWW
Date: 11/19/99 11:33am
Subject: Update on IPP disputes in the DR -Reply -Reply -Reply -Reply

Meg sent the post a copy of our e-mails and I sent State a copy of the letter. They are following up.

>>> Wes McGrew 11/19/99 11:30am >>>

[(b)(5)]

should greg or meg check with state on what the GODR's position is?

>>> Greg Christopoulos 11/19/99 10:04am >>>

The projected IADB Board date is Dec 5.

[(b)(5)]

>>> Wes McGrew 11/18/99 06:31pm >>>

thanks, greg. a few questions

[(b)(5)]

[(b)(5)]

CC: Dom13.DOPO8(DONOVANM, SILLSG), DOM3.DOPO8(SAMPLINE...

00500000001208