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 addition technical details. The principals will reconvene this weekend.
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
<table>
<thead>
<tr>
<th>Name</th>
<th>Fax Number</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rene</td>
<td>456-2878</td>
<td></td>
</tr>
<tr>
<td>Grimes</td>
<td>622-0265</td>
<td>x1703</td>
</tr>
<tr>
<td>de la</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smith</td>
<td>622-0208</td>
<td>482-9920</td>
</tr>
</tbody>
</table>

From:  

Remarks: **URGENT** For your review Reply ASAP Please comment

Latest Version
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
9. Terry Winter: ISO Director (916-351-2366)
10. John Bryson: Southern California Edison (626-302-2265)
13. Peter Cartwright: Calpine (408-995-5115)
15. Chuck Watson: Dynegy (713-507-6816) - x 280
   Steve Bergstrom, Pres.
17. Marc Fuller: Southern Energy (678-579-7647)
18. Jan Smutney-Jones: QF Representative (916-448-9499)
19. Alan Richardson: PacifiCorp (503-813-5279)
20. Enron -
21. Williams Co.
22. ? Sem Brulite
ENRON
Ken Leitch
Chairman
ENRON

We have 414 tickets from Duke

Get chairs into room

23 chairs @ $300
35 folding chairs
Get big chairs out
Use many RSVPs for 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
   President, Dynegy, Inc. (Chuck Watson not attending)

17). Joe Bob Perkins
   President and COO, Reliant Energy Wholesale Group

18). Marc Fuller
   President and CEO, Southern Energy, Inc.

19). Jan Smutny-Jones
   Executive Director, Independent Energy Producers Association

20). Alan Richardson
   CEO, Pacificorp

21.   ENRON

22.   Williams Company

23.   Senator Brulotte
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

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

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

James Brulte  
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
MEMORANDUM FOR THE SECRETARY

From: David Wilcox

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)]
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 arranging 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 explotter 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 74.50.
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 lurches 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, deregulate California’s electrical system."

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

You have been asked to schedule a call 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)]
we both understand that this is preliminary and we will add or subtract as the issues become clearer. as you will see, i included a sentence to this effect. if you prefer, strike there and include in cover.
F.Y.I.

-----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

F.Y.I. I like the outline. Thanks, Mark

-----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
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 >>
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)]
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)]
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

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)]
LA-Reagan

15th St.
300 Spring St.

RMK4@PGE.COM

RJP 2D PGE.COM

DDRG@PGE.COM

Add these three to the email list.

Please get a hard copy or email to Gayleen (sp?) in Lee's office, so that she can fax to the crew at PG&E.

Get hardcopies to know how many.
Put these on Big List

- Sonnet.Edmonds@SouthernEnergy.com
- rahayes@seiworlwide.com
- sicapoma@seiworlwide.com

(reharris@seiworlwide.com)

- smfiller@seiworlwide.com
- dmiller@seiworlwide.com
- jwholden@seiworlwide.com
- julie.greenisen@troutmansanders.com

-Server seems to be down

Rm 230
725 12th St
W tf hall

[Poissenberger]
207/208-0518

www.duke-energy.com
Duke
1800-543-3983

00300000000110
ENRON EMAIL
Add to TREAS EM list
Richard. Shapiro @enron.com

Robert. Badeer @enron.com
From: Soares, Chris
Sent: Friday, January 12, 2001 1:34 PM
To: 'Martha Altman'; alemel@calpine.com; jmjacias@calpine.com; jason_s._seltzman@cea.eop.gov; shg@cpcuc.ca.gov; Soares, Chris; Wilcox, David; Sachs, Lee; Greene, Michelle; Squiller, Ray; Stokes, Veronica; eisenstat@DSMO.com; sbvaneer@duke-energy.com; joel.newton@dynegy.com; lynn.lednickly@dynegy.com; smara@enron.com; Linda Lee; dan.poffenberger@ferc.gov.us.treas.gov; pmohter@hewm.com; richard.glick@hq.doe.gov; smutany@iepa.com; karen.tomcala@pge-corp.com; csg2@pge.com; DxlH4@pge.com; RMK4@pge.com; jebob.perkins@reliantenergy.com; marvin_k.ballard@reliantenergy.com; KMcCreas@sablaw.com; fielejr@sce.com; harold.ray@sce.com; dreed@sge.com; wsatkara@sge.com; rahayes@seiworldwide.com; sjcapoma@seiworldwide.com; mlmerney@sempra.com; sonnet.edmonds@southernenergy.com; cread@steptoe.com; lemoredand@swidlaw.com; julie.greenisen@troutmanandsanders.com; alex.goldberg@williams.com; [(b)/(6)]
Cc: Barbour, Gaylen; Curtis Wagner
Subject: RE: California Energy Group e-mail

Tracking: 

Recipient	Read
'Martha Altman'
alemel@calpine.com

jmjacias@calpine.com

jason_s._seltzman@cea.eop.gov

shg@cpcuc.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

Squiller, Ray	Read: 01/22/2001 10:43 AM

Stokes, Veronica	Read: 01/12/2001 1:48 PM

eisenstat@DSMO.com

sbvaneer@duke-energy.com

joel.newton@dynegy.com

lynn.lednickly@dynegy.com

smara@enron.com

Linda Lee

dan.poffenberger@ferc.gov.us.treas.gov

pmohter@hewm.com

richard.glick@hq.doe.gov

smutany@iepa.com

karen.tomcala@pge-corp.com

csg2@pge.com

DxlH4@pge.com

RMK4@pge.com

jebob.perkins@reliantenergy.com

marvin_k.ballard@reliantenergy.com

KMcCreas@sablaw.com

fielejr@sce.com

harold.ray@sce.com

dreed@sge.com

wsatkara@sge.com

rahayes@seiworldwide.com

sjcapoma@seiworldwide.com

mlmerney@sempra.com

sonnet.edmonds@southernenergy.com

cread@steptoe.com

lemoredand@swidlaw.com

julie.greenisen@troutmanandsanders.com

alex.goldberg@williams.com

01/15/2002
Latest version of Long-Term Contracts Group report.
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 reform at the Indian federal level that
will be necessary to deliver power to customers other than MSEP.

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)]
Enron in India

Generation gaps

Enron's Maharashtra power project continues to spark controversy

Enron's investment in India was supposed to flavour both. India liberalised its economy in 1991 and Enron looked brave for pioneering foreign investment in the country's power sector. But the Dalhous 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 Dalhous would charge. Yet in 1996 the government approved a new, massively anti-Dalhous government approved a 2600-megawatt plant costing $1.5 billion that went into operation in May 1997 ("Phase One"), and a second 1440-megawatt plant costing $1 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 as far. As India industrialised, its need for energy rose. Nashik, which unreasonably doubled in price after the agreement was negotiated, driving up the variable cost of an all-natural gas-fired power plant to $5 per unit of electricity, is more expensive than that from other sources available to power, mostly coal-fired and hydroelectric plants. The state's electricity regulator has ordered $300 million to favour cheaper sources of supply while the role that is still not fully developed as the state government has set up a committee to review the project.

Weas' financial plight is not entirely Nashik's fault. As in other states, Maharashtra's politicians obligate the electricity board to supply power at below cost to farmers and other favoured consumers. Moreover, more...
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 reform 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 >>
Christopulos, Greg

From: Rao, Geetha
Sent: Tuesday, January 23, 2001 9:37 AM
To: Grewe, Maureen; Mills, Marshall; Sampliner, Gary; Christopulos, 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; Christopulos, 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

1
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."

Copyright (c) 2001 Dow Jones and Company, Inc.
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 a 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 reform 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 >>
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.christopulos@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

***************************************************************************
This e-mail is the property of Enron Corp. and/or its relevant affiliate and may contain confidential and privileged material for the sole use of the intended recipient(s). Any review, use, distribution or disclosure by others is strictly prohibited. If you are not the intended recipient (or authorized to receive for the recipient), please contact the sender or reply to Enron Corp. at enron.messaging.administration@enron.com and delete all copies of the message. This e-mail (and any attachments hereto) are not intended to be an offer (or an acceptance) and do not create or evidence a binding and enforceable contract between Enron Corp. (or any of its affiliates) and the intended recipient or any other party, and may not be relied on by anyone as the basis of a contract by estoppel or otherwise. Thank you.
***************************************************************************
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.christopolus@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>>
This e-mail is the property of Enron Corp. and/or its relevant affiliate and may contain confidential and privileged material for the sole use of the intended recipient(s). Any review, use, distribution or disclosure by others is strictly prohibited. If you are not the intended recipient (or authorized to receive for the recipient), please contact the sender or reply to Enron Corp. at enron.messagingadministration@enron.com and delete all copies of the message. This e-mail (and any attachments hereto) are not intended to be an offer (or an acceptance) and do not create or evidence a binding and enforceable contract between Enron Corp. (or any of its affiliates) and the intended recipient or any other party, and may not be relied on by anyone as the basis of a contract by estoppel or otherwise. Thank you.
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,

[Signature]

cc: [Signature]

Natural gas. Electricity. Endless possibilities.
Sao Paolo, May 26, 2000

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

Mr. José Luis Lupó 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 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 thermolectric 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
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 Memorandun 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 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 condicionado 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 estipulada 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 Río 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 brasileña (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 temporalmente 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.
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 considerarle contraria al interés público. En este contexto, PETROBRAS ha optado por involucrar al Gobierno Brasiler 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 intrusión 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 respeta 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, el 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.
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, contraviendría 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 realizará 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
VIA FAX
202-622-6417 (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 the 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 participation 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 TransBrasil 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 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 speak 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,

Natural gas. Electricity. Endless possibilities.
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
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 Memorándum 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 Memorándum").

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 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 condicionado 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 dedicada 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 Río 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 brasileña (v.gr. el tiempo de construcción del ducto) ni poder competir económicamente, salvo que eludan 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 temporalmente 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.
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 intrusión 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 respeta 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.
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 a 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 PETROBAS 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 realicen 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
For Chris Lundberg -
Do you know anything about this? What about the regional bureau?

VIA FAX
202-622-8304 (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 stranglehold on market access. The principals had agreed in the Summit of the Americas agreement and subsequent agreements to the principle of market access.

Sincerely,

[Signature]

CC: [signature]

Natural gas. Electricity. Endless possibilities.
ENRON, WASHINGTON  
1775 EYE STREET, NW  
Suite 800  
Washington, DC 20006  
202-468-9145  
202-828-3372 (fax)  

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)  

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: [signature]
DEPARTMENT OF THE TREASURY
OFFICE OF AFRICAN NATIONS
FAX: (202) 622-1432

DATE: ____________________

PAGES INCLUDING COVER SHEET ______

TO: ___________________________

FAX NO. ___________________________

OFFICE/PHONE: ___________________________

FROM: _______________________________________

EDWIN L. BARBER III, SENIOR ADVISOR

BONNIE M. BARNES, SECRETARY

MICHÉLE 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
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 our serious concerns about a Memorandum of Understanding (MOU), which was signed this week by the Governments of Bolivia and Brazil for the benefit of Petroleo Brasileiro S.A. (Petrobras), the state-owned Brazilian energy company. Earlier today, President Clinton sent a letter to Brazil's President Luiz Inacio Lula da Silva expressing the Administration's strong support for the MOU.

As described in the letter, the terms of the MOU are contrary 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 Summit of the Americas, and the Santiago Summit of the Americas. This matter deserves prompt attention and action by the U.S. Government. We must ensure that the highest levels of the Governments of Bolivia and Brazil are aware of the discussions leading to the MOU and that the discussions leading to the MOU are known and understood. You would expect that the discussions leading to the MOU involved high-level participation of Petrobras with the Governments of Bolivia and Brazil, neither Transcences nor other private investors of 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 Mercosur energy sector. This is critical. The Mercosur summit will be held between Bolivia and Brazil in Buenos Aires this week to work out the details of the MOU. We must make sure that the MOU is consistent with the principles of the Miami and Santa Cruz Summits of the Americas and with the energy integration agreements.

It would be helpful if you could send a letter 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 Mercosur 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.

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

Sincerely,

[Signature]

Natural gas. Electricity. Endless possibilities.™
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 includes the obligation to pay the deferred account. Within this perspective, the increased service costs resulting from the bypass shall result in 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 SIRSE 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
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
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 veintiochés 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 Trantasdes 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 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 Río 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 brasileña (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 temporalmente 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.
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 intrusión de los Gobiernos de Bolivia y Brasil en el mercado y la libre competencia. El texto del segundo punto del Memorándum 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 arroja 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 Memorándum, 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, el 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 el 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 de Minas y Energía de Brasil están tratando de establecer que el único camino para entrar en el mercado energético brasileño es a través de acuerdos entre Gobiernos y utilizando a PETROBRAS como vehículo. Si esto fuera realidad, contraveniría 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 obstrucción para el desarrollo del sector privado en Bolivia. ENRON ratifica su voluntad de apoyar al Gobierno de Bolivia en los esfuerzos que realiza 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 la 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
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."Sdriano@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

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)]
I just heard from the State Indon desk (Virginia Murray) that Enron is filing a claim with MIGA to get compensation for an IPP project which the GOI canceled last year.

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.DP08(CHRISTOPULOS, CLAPP, HOARG, SAEVERS, ...)
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 believes 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.

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

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.
Haven't heard anything about Enron filing a claim with MIGA -- would be a very big deal -- first call on a MIGA guarantee. Let me discuss with OUSED [(b)(5)]

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

I just heard from the State Indon desk (Virginia Murray) that Enron is filing a claim with MIGA to get compensation for an IPP project which the GOI canceled last year.

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)]
From: Jill Cetina
To: CHRISTOPULOS, CLAPPG, HOARG, SABERS, SEMANST, SEV...
Date: 3/22/99 1:37pm
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)]

>>> Greg Christopulos 03/19/99 05:05pm >>>
I just heard from the State Indon desk (Virginia Murray) that Enron is filing a claim with MIGA to get compensation for an IPP project which the GOI canceled last year.

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)]
From: Lyla Kuriyan
To: Dom13.DOPO8(CHRISTOPULOS, CLAPPG, HOARG, SEMANST, ...
Date: 3/22/99 11:38am
Subject: Enron Indon IPP & MIGA -Reply -Reply

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)]

>>> Greg Christopulos 03/19/99 05:05pm >>>
I just heard from the State Indon desk (Virginia Murray) that Enron is filing a claim with MIGA to get compensation for an IPP project which the GOI canceled last year.

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)]
From: Jill Cetina
To: CHRISTOPULOS, CLAPPG, HOARG, SABGERS, SEMANST, SEV...
Date: 3/22/99 1:37pm
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 (39?) 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)]

>>> Greg Christopulos 03/19/99 05:05pm >>>
I just heard from the State Indon desk (Virginia Murray) that Enron is filing a claim with MIGA to get compensation for an IPP project which the GOI canceled last year.

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)]
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)]

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

CC: hurleyj, paulsons, semenst, stewartek, walshh
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)]
Just found this.

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

From: Kosmides, 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)]
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 Montés, 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. Montés announced in Singapore, that the barge is one of two that will come. Another is expected to arrive in July.
Just to close the loop, I thought I'd update everyone on Todd's conversation with Orsalia's staff (WB)--

[(b)(5)]

>>> Greg Christopulos 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.DOPO6(CLAPPG, StewartEK), DOM3.DOPO6(SAMPLIN...
From: Meg Donovan
To: DRPower, DONOVANM
Date: 3/10/00 3:43pm
Subject: DR Electricity

DR1 report...
Elizabeth -- I actually had Bstewart on there instead of you (must have been surprised to learn so much about the DRI)

Energy from Garbage
Lurgi Lejies 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.
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.
Enron said this morning that the only thing that got the government's attention was the ability to shut down production.

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 Montısı, 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. Montısı 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."windsor..."
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.DOP06.SAMPLINERG, CLAPPG, Stewa...
From: Greg Christopulos
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)]
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
[(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@Smtp@Iadb, David Bloomgarden@David.Bloomgarden@Do.Treas.Gov@Smtp@Iadb, Greg Christopoulos@Greg.Christopoulos@Do.Treas.Gov@Smtp@Iadb
cc: Lawrence Harrington/idb-Hq/idb@Iadb, Todd W. Crawford Eds

Subject: DR Power Project

[b][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"...
Enron DC reports that the $130m in arrears has arisen because in June, as part of the privatization process, the Government stopped it's 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 >>>
FYI: Briefing memo attached
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 Christopulos, 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)]
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 Christopulos 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 >>>
FYI: Briefing memo attached
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 Christopulos 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)]
CC:  Dom13.DOPO8(DONOVAAM, SILLSG), DOM3.DOPO6(SAMPLINE...)