

Sutton, Gary

From: Carleton, Norman
Sent: Friday, January 04, 2002 5:30 PM
To: Roseboro, Brian; Bair, Sheila; Gross, Jared; Wiedman, Mark; Bitsberger, Timothy; Smith, Amy
Cc: Schultheiss, Heidilynne; Nickoloff, Peter; Ellett, Martha; Gabilondo, Jose; Sutton, Gary
Subject: FW: Draft Memo on Enron/CFMA Articles

[(b)(5)]

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

From: Schultheiss, Heidilynne
Sent: Friday, January 04, 2002 5:10 PM
To: Carleton, Norman
Subject: Draft Memo on Enron/CFMA Articles

[(b)(5)]

The three news articles are downloaded as the latter pages.



enroncfma.doc

DRAFT

January 4, 2002

TO: Norman Carleton
Director
Office of Federal Finance Policy Analysis

FROM: Heidilynne Schultheiss
Financial Economist
Office of Federal Finance Policy Analysis

SUBJECT: Dow Jones Newswires and Washington Post Articles on Enron and the
Commodity Futures Modernization Act of 2000

BACKGROUND

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ISSUE AND DISCUSSION

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CONCLUSION

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Attachments

[(b)(5)]

Campaign Gifts, Lobbying Built Enron's Power In Washington

By Dan Morgan and Juliet Eilperin
Washington Post Staff Writers
Tuesday, December 25, 2001; Page A01

During the administration of the first President George Bush, a new party fundraiser named Kenneth L. Lay was invited to spend the night at the White House. The sleepover was an early coup for the chairman of Enron Corp. and a harbinger of things to come.

Over the following decade, Lay and Enron poured millions of dollars into U.S. politics, cultivating unequaled access and using the entree to lobby Congress, the White House and regulatory agencies for action that was critical to the energy company's spectacular growth. Now, with Enron's sudden bankruptcy, public attention has turned not only to the financial practices that brought the company down, but to what its far-flung political operations say about the country's campaign finance system.

Some Democrats in Congress are spoiling for an opportunity to use Lay and Enron to embarrass the Republican Party, which received most of the company's largess over the years. They want to look into such things as Enron's relationship with Phil Gramm (R-Tex.), ranking minority member on the Senate Banking Committee and chairman of the committee at a time when his wife, Wendy L. Gramm, was serving on Enron's board. Last year, Gramm's committee approved legislation that included a key provision exempting parts of Enron's massive energy trading operation from federal oversight.

"I think the Enron story is going to turn out to be an enormous political story," said Rep. Henry A. Waxman (D-Calif.), ranking minority member on the House Energy and Commerce Committee.

The ties of Lay to the White House and GOP leaders, he added, were so multilayered that Republicans are likely to be reluctant to pursue them. But he made clear that he intends to do so and expects the Democratic-controlled Senate to follow suit.

Enron also cultivated relationships with Democrats, however. Lay played golf in Vail, Colo., with President Bill Clinton, and Enron gave hundreds of thousands of dollars to Democratic campaign committees and Democrats in the House and Senate, including Sen. Charles E. Schumer (N.Y.) and Rep. Martin Frost (Tex.), the ranking minority member on the House Rules Committee.

A Routine Cost for Some

Advocates of campaign finance reform say the Enron case vividly illustrates the ties between politics and big money, though it's unclear that the company's political operations were radically different from others for whom political contributions have become a routine cost of doing business.

"There are aspects of [the Enron case] that remind us of the savings and loan scandal, in the sense that a powerful institution used big money to buy influence and protect itself while ordinary citizens ended up losing their life savings," said Fred Wertheimer, president of Democracy 21, a Washington interest group, referring to a banking controversy in the 1980s. Enron's ties to Republicans and the present Bush administration were especially close. Lay raised large sums for George W. Bush's campaign.

Enron, Lay and its employees have contributed \$572,350 to him over his career, far more than any other company, according to the Center for Public Integrity in Washington.

Several top administration officials have been Enron advisers or stockholders. Enron, Lay and other senior executives contributed \$1.7 million in soft-money donations to politicians in the 2000 election cycle, two-thirds of it to Republicans, according to the Center for Responsive Politics.

Republicans clearly are sensitive to the potential political dangers. The National Republican Senatorial Committee recently returned a \$100,000 check collected from Enron in November, after deciding that "it was appropriate to give it back," spokesman Dan Allen said. The Republican Governors Association last week returned an Enron donation of \$60,000. What was unique about Enron, competitors and allies agree, was a brash and sometimes counterproductive political style.

Stories of Enron's hardball style are legion. In October 1999, for example, Jeffrey K. Skilling, then Enron's president, expressed his displeasure at Rep. Joe Barton's position on a deregulation bill pending in the energy subcommittee Barton chairs.

The meeting grew "heated and awful," said one person who was present, until Barton (R-Tex.), a usually mild-mannered man who keeps a Bible on his desk, exploded. "Jeffrey Skilling, I may not have your millions of dollars, but I am not an idiot," one witness recalled Barton saying. The meeting ended without Enron getting the changes it wanted. "Skilling did not get Washington," the source added.

"In their lobbying, they acted like the 800-pound gorilla they were," said Christopher Horner, a Washington lawyer who briefly directed Enron's government relations in 1997. Lay and Skilling declined interview requests, but Enron officials say they have no regrets about their use of money. "It got us name recognition," company spokesman Mark Palmer said. "Given the aggregation of our foes, we had to make sure that people knew what our argument was."

Jump-Starting Deregulation

Almost from its start in 1985 as a gas pipeline company, Enron needed help in Washington, and it got it in a series of actions by Congress and the Federal Energy Regulatory Commission (FERC) that undermined the traditional monopoly of utility companies over power plants and transmission lines.

Enron lobbied for several of the initial actions that set the stage for the era of a deregulated wholesale electricity market.

It supported the 1992 Energy Policy Act, which opened the utility companies' wires to electricity merchants such as Enron. It also worked with the Commodity Futures Trading Commission -- then chaired by Wendy Gramm -- for a regulatory exemption for futures trading in energy derivatives, which later became Enron's most lucrative business. Soon after Gramm stepped down in 1993, she was appointed to Enron's board.

Independent sources knowledgeable about these dealings, however, said Enron was not the main interested party. They said the lead was taken by several major oil companies, including British Petroleum Co. and Phillips Petroleum Co., which were concerned about the effect of CFTC regulation on their offshore trading in crude oil contracts. Wendy Gramm, an apostle of free markets, needed little convincing, the sources said.

That same year, Lay served as chairman of the committee organizing the Republican National Convention in Houston. Hedging its bets, Enron made a major contribution to a "street fair" in honor of Sen. John Breaux (D-La.), a key energy policymaker, at the Democratic convention. Key orders by FERC in 1996 also supported Enron's transformation into a freewheeling trader of gas, electricity and more exotic products, such as telecommunications services and sulfur-dioxide emissions credits.

The new rules ensured that Enron and other merchant companies could buy electricity from independent power plants and sell it to distant customers, using transmission lines borrowed from utility companies.

Even Enron's harshest critics credit Lay with putting new issues -- such as electricity deregulation -- on the Washington agenda. Lay, a former Interior Department official with a PhD in economics, became "the ambassador" for deregulation, one former employee said.

Throughout the 1990s, Enron's agenda was opposed by coal-burning utilities, especially ones in the Southeast, which viewed the emerging wholesale electricity market as a threat to their turf. Many of these, such as Atlanta-based Southern Co., had impressive political funding and connections of their own.

But with the explosive growth of Enron and the GOP takeover of Congress in 1995, the company's soft-money donations -- unregulated and unlimited gifts to political parties and organizations -- jumped sharply. They went from about \$136,000 in the 1993-94 election cycle, to \$687,000 in 1996 and \$1.7 million in 2000, according to the Center for Responsive Politics.

Frustrated by Washington

For all its connections, sources say, Enron often found Washington frustratingly slow and unreliable.

The company placed a substantial bet on federal support for limits on the greenhouse gases causing global warming. Enron officials hoped to exploit a new market in industry for carbon-emissions credits, similar to the one that developed for sulphur credits after clean-air legislation was enacted in 1990.

Lay joined the Union of Concerned Scientists and environmental groups in calling for curbs on carbon in the atmosphere. The Clinton administration was supportive, but this year the Bush administration reneged on a campaign pledge to impose limits on greenhouse gas emissions from coal-burning power plants.

A multimillion-dollar lobbying campaign in Congress to secure legislation requiring states to institute retail electricity deregulation fared even worse.

Enron hired former New York representative Bill Paxon, a leading conservative, to run Americans for Affordable Electricity, which commissioned studies and recruited business support for deregulation. But the legislation never made it out of a congressional subcommittee. At the same time, Enron was growing restive over the slow pace of deregulation in the wholesale electricity market, the core of its business. Large parts of the country, especially the Southeast, were still monopolized by regulated utilities that limited the opportunity for trading gas, electricity and energy derivatives.

Political Pragmatism

Enron's political pragmatism was demonstrated in the 1998 New York Senate election, when it dropped its support of the Republican incumbent, Alfonse M. D'Amato, after Democrat Schumer endorsed Enron's goal of wholesale deregulation, sources said. Lay reciprocated by hosting several fundraisers for Schumer, and Enron's political action committee contributed \$7,500 to the Schumer campaign.

The company's lobbying team expanded along with its political spending. It outgrew the two-person operation that existed in 1989 and began to reflect Enron's interest in everything from pipeline safety and derivatives trading to Overseas Private Investment Corp. loan guarantees. By last year, its lobbying expenses exceeded \$2 million a year and covered a raft of big-name consultants, such as former Montana governor Marc F. Racicot, the new Republican National Committee chairman, and former top aides to House Majority Leader Richard K. Arney (R-Tex.) and House Majority Whip Tom DeLay (R-Tex.)

The hazards of Enron's efforts to connect with both parties were evident last year, when shortly before the November election, the company picked a Clinton administration Treasury official, Linda Robertson, to run its Washington office.

A perturbed DeLay, whose campaign and related funds had received more than \$100,000 from Enron and Lay, briefly "excommunicated" Enron, a House source said. Robertson was not invited to a series of meetings of electricity lobbyists held in DeLay's office last July, though an Enron official did finally attend the sessions.

Enron had more success when Congress overwhelmingly approved legislation last year containing a provision precluding the Commodity Futures Trading Commission (CFTC) from regulating Enron's trading in energy derivatives. These instruments are traded largely between electricity dealers and big wholesale consumers, which use them to hedge against price swings that could adversely affect their businesses.

The exemption, tucked into broader legislation that established the legality of unregulated derivatives trading by banks, was not supported by a Clinton administration working group, largely because of opposition from the CFTC. Since the departure of Wendy Gramm, some in the agency had lobbied for tighter control over the exploding energy derivatives market. The legislation passed through the Senate Banking Committee, then chaired by Phil Gramm, who has received \$97,350 from Enron employees and its political action committee since 1989. A Gramm spokesman said the senator does not recall talking to his wife, an Enron director, about the energy provision and played "no role" in negotiating it. Wendy Gramm did not return phone calls seeking comment.

Enron was a primary player, with Koch Industries Inc., a large, privately held oil and gas company based in Wichita, in pushing for the exemption, a source said. But the company's main effort was focused on the House Agriculture Committee, where the legislation originated. Its chairman and ranking Democrat, Texas Reps. Larry Combest (R) and Charles W. Stenholm (D), respectively, were among the top recipients of Enron campaign donations in the House since 1989.

The CFTC objected strenuously to the initial draft marked up by the committee, but the Texas congressmen helped work out a compromise between Enron and the agency. The compromise was then offered by Rep. Jerry Moran (R-Kan.), the home-state congressman of Koch Industries and a recipient of campaign donations from Enron and Koch in the last election cycle. Moran did not return a phone call seeking a comment.

Early this year, Lay seemed to be at the height of his political power, getting a private meeting with Vice President Cheney to discuss the administration's energy policy proposals and weighing in on key nominations to FERC.

Curtis Hebert Jr., FERC's chairman at the time, has reported that Lay called him and implied that Enron would urge the newly installed Bush administration to keep him in the job -- if he changed his views to support Enron's position for faster electricity deregulation. Lay contended that Hebert called him to ask for support.

Hebert was not reappointed. He was replaced by Texas lawyer Pat Wood III, a strong advocate of deregulation who had the backing of Lay and Enron.

Ironically, since Enron's fall, both FERC and Congress seem to be moving in the direction of the deregulated markets Lay and Enron lobbyists had pushed for.

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CORRECTION

Wednesday, December 26, 2001; Page A02

A Dec. 25 article incorrectly reported the action taken by the Senate Banking Committee, chaired by Phil Gramm (R-Tex.), on a bill that exempted much of Enron Corp.'s trading activities from federal regulation. The legislation was approved by the Senate Agriculture Committee.

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Enron Executives Face Subpoenas

Senate Panel Also Orders Testimony of Directors

By Peter Behr and Dan Morgan
Washington Post Staff Writers
Thursday, January 3, 2002; Page E01

A Senate committee announced yesterday that it is subpoenaing top executives and directors of the bankrupt Enron Corp. to determine their roles in the Houston company's epic collapse.

Three other congressional committees already are digging into the Enron failure, but the subpoenas announced yesterday are believed to be the first of the congressional probes. Among the likely recipients is Wendy Gramm, an Enron director who is the wife of Sen. Phil Gramm (R-Tex.).

Sen. Carl M. Levin (D-Mich.), chairman of the Governmental Affairs Committee's permanent subcommittee on investigations, said the panel also will subpoena financial and trading records from Enron and audit documents from its accountant, Arthur Andersen LLP.

Enron's attorney, Robert Bennett, called the subpoenas "totally unnecessary" and said "we are fully cooperating with Congress."

Although Enron Chairman Kenneth L. Lay did not show up for two earlier congressional hearings on Enron's bankruptcy, he has agreed to testify next month before the Senate Commerce Committee, Bennett said.

Enron has turned over nearly three dozen boxes of documents to the House Energy and Commerce Committee, Bennett said. "I don't question the legitimacy of an inquiry [into Enron's failure], but it's not a measured approach to have a half-dozen different committees doing this at the same time," he said. "It can lead to a circus atmosphere and a lot of wasted time and effort." The full Governmental Affairs Committee has scheduled a hearing for Jan. 24 on Enron's use of a large number of partnerships that kept billions of dollars of corporate debt off the company's books. The hearing will also examine whether federal regulators missed warning signs of the company's trouble.

Accounting errors involving the private partnerships caused Enron to overstate its earnings by half a billion dollars over the past four years. Enron's disclosure of the overstatement, in November, triggered a final plunge in the company's stock price and the company's bankruptcy filing Dec. 2.

Sen. Joseph I. Lieberman (D-Conn.), chairman of the full committee, said, "The focus is, how did this corporation collapse, and what can we do to make sure that something like this never happens again?"

Lieberman's committee joins an already crowded field of Enron inquiries. The House Energy and Commerce Committee has sent investigators to interview Enron officials in Houston.

Subcommittees of the House Financial Services Committee and the Senate Commerce Committee have already held hearings.

But Lieberman's panel is the top investigative committee of the Senate. Under Republican leadership during the Clinton administration, then-chairman Fred D. Thompson (R-Tenn.) headed an investigation of Bill Clinton's 1996 presidential campaign fundraising.

Levin and Lieberman said they intend to look into the close ties between Lay and President Bush, a connection that some Democratic Party officials say they hope to take advantage of in this year's congressional election campaigns.

Levin said he wants to know what advice Lay, who was a large contributor to the Bush campaign, gave to officials of the new administration as it formulated energy policy a year ago. Enron "also had close relationships with some Democrats, it's fair to say," Lieberman acknowledged. He said he expected the inquiry to be bipartisan and to have Thompson's support. "We are going to work together," Lieberman said.

Lieberman said the committee also wants to learn whether federal regulators have the authority to adequately oversee the complex commodity trading and financial transactions that were the foundation of Enron's rapid growth over the past three years.

Lieberman noted that much of Enron's trading in energy derivatives was exempt from regulation by the Commodity Futures Trading Commission, and he said a focus of the inquiry would be whether this allowed the company to hide some transactions.

Enron was an active player in lobbying for the exemption beginning in the early 1990s, according to sources. The exclusion was initially approved by the CFTC in 1992, and in 2000 Congress endorsed it as part of the Commodity Futures Modernization Act, despite concerns of some senior regulators.

At a joint hearing on the legislation by the Senate Banking and Agriculture committees in June 2000, then-CFTC chairman William J. Rainer spelled out his "reservations" about the exclusion and said that "the case for it has not been made" with regard to energy derivatives.

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December 18, 2001

Senator Eyes End To Enron-Type Special-Purpose Entities

Dow Jones Newswires

WASHINGTON -- U.S. Senate Commerce Committee Chairman Fritz Hollings, D-S.C., pledged Tuesday to introduce legislation to eliminate the sorts of financial accounting that led to the financial collapse of Enron Corp. (ENE).

At a committee hearing on the Enron debacle, Hollings called for legislation to eliminate the use of special-purpose entities, which are partnerships or trusts through which companies keep their debt off the books and, in Enron's case, overstate earnings.

Hollings said such off-the-balance-sheet transactions should end in order to protect investors. Hollings also was highly critical of the amount of insider stock selling by top Enron officials. He noted that Enron Chairman Kenneth Lay and former Chief Executive Jeffrey Skilling each sold shares in recent months for more than \$60 million, while members of Enron's board sold shares worth more than \$160 million.

"The selling of Enron was prolific," Hollings said, calling the insider selling "a screaming red flag."

If Enron officials felt the stock was undervalued, as they publicly attested, "why were they cashing in?" Hollings said.

Hollings also said there was plenty of blame for the "shenanigans" associated with Enron's collapse, which he likened to a "cancer." He cited Enron's role in persuading the Commodity Futures Trading Commission against the Clinton administration's call for regulation of energy derivatives, and subsequent congressional action to exempt from regulation the highly complex energy derivatives Enron's special-purpose entities engaged in.

"We are all guilty for letting it happen," Hollings said of Enron's collapse.

Sen. Byron Dorgan, D-N.D., chairman of the committee's consumer affairs panel, described Tuesday's hearings as the first of several that will delve into the roles in Enron's financial collapse played by: Enron officials; Arthur Andersen, Enron's outside auditor; Wall Street analysts, and regulators.

"This is about an energy company that morphed into a trading company involved in hedge funds and derivatives. It took on substantial risks, created secret off-the-books partnerships and, in effect, cooked the books under the nose of their accountants and investors," Dorgan said.

Dorgan noted that Lay, Enron's chairman and chief executive, has agreed to testify at a future hearing. Dorgan also said the committee will invite Skilling, Enron's former chief executive, and Andrew Fastow, Enron's former chief financial officer, to testify at the same hearing.

"Was this just bad luck, incompetence and greed, or were there some criminal or illegal actions, as has been suggested by the accounting firm that reviewed Enron's books?" Dorgan said.

Oral Conversation.

In early January 2001, I had an oral conversation with Linda Robertson, the former Assistant Secretary of the Treasury for Legislative Affairs who was at that time employed by Enron, while we were both standing in line at the CVS prescription pick-up line. The conversation was social small talk about the then newsworthy California energy crisis.

Peter Bieger

Independent Power Producer Disputes

Talking Points for Mark Jaskowiak to use with Charlie Flickner

[(b)(5)]

[(b)(5)]

Background:

[(b)(5)]

December 22, 1999
G:iti/indon/ipp1222

INFORMATION

MEMORANDUM FOR ASSISTANT SECRETARY GEITHNER

FROM: Meg Lundsager
Deputy Assistant Secretary for Trade and Investment Policy

SUBJECT: Update on Indonesia's Restructuring Plan of the Independent Power Producers

Status of Other U.S. IPPs In Indonesia

[(b)(5)]

[(b)(5)]

World Bank Conference

[(b)(5)]

cc: E Knight:
K. Lissakers
J. Piercy
S.Saeger/L.Redifer
D.Zelikow

CalEnergy Memo on Indonesia Investment Dispute

Drafted by:
GChristopoulos/ITI

Cleared by:
GHoar/ITI

D R A F T

Briefing

MEMORANDUM FOR ASSISTANT SECRETARY GEITHNER

FROM: Meg Lundsager
Deputy Assistant Secretary for Trade & Investment Policy

SUBJECT: Your Meeting With OPIC President Munoz on OPIC Programs for U.S. Bond Holders

INTRODUCTION

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SUGGESTED TALKING POINTS

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BACKGROUND

OPIC's Proposals

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[(b)(5)]

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[(b)(5)]

BRIEFING

MEMORANDUM FOR DEPUTY SECRETARY EIZENSTAT

FROM: Timothy F. Geithner
Under Secretary (International Affairs)

SUBJECT: Briefing for Your OPIC Board Meeting

DATE AND TIME: Tuesday, September 19, 2000
Board Luncheon 12:00-1:00 P.M.
Board Meeting 1:00-3:00 P.M.

LOCATION: Twelfth Floor
1100 New York Avenue

OVERVIEW:

[(b)(5)]

RECOMMENDATION:

[(b)(5)]

OTHER ISSUES:

[(b)(5)]

The OPIC-MidAmerican Claim

[(b)(5)]

[(b)(5)]

Suggested Talking Points

[(b)(5)]

The Gaza Power Project

[(b)(5)]

Suggested Talking Points

[(b)(5)]

ATTACHMENTS: Overview Letter from President Munoz

G/ITI/BD0919

Costa Rica -- Home Mortgages

Tab 6

Background: [OUTSIDE SCOPE , (b)(5)]

[OUTSIDE SCOPE , (b)(5)]

Trinidad and Tobago

Tab 7

Background:

[OUTSIDE SCOPE , (b)(5)]

Philippines -- Power Project
[OUTSIDE SCOPE , (b)(5)]

Tab 8

Colombia – Cellular Phone Project

Tab 9

[OUTSIDE SCOPE , (b)(5)]

ACTION

MEMORANDUM FOR DEPUTY SECRETARY EIZENSTAT

FROM: Timothy F. Geithner
Under Secretary (International Affairs)

SUBJECT: Closure Notational Vote for March 21, 2000, OPIC Board Meeting

ACTION FORCING EVENT:

[(b)(5)]

RECOMMENDATION:

[(b)(5)]

BACKGROUND:

[(b)(5)]

Attachment

g/ITI/OPIC/Board Closure 2

Bolivia-Brazil Gas Pipeline & ENVIRONMENT ISSUES

[(b)(5)]

[(b)(5)]

BRIEFING

MEMORANDUM FOR DEPUTY SECRETARY EIZENSTAT

FROM: Timothy F. Geithner
Under Secretary (International Affairs)

SUBJECT: Briefing for Your Meeting at the OPIC Board

DATE AND TIME: Tuesday, December 14, 1999
Board Luncheon 12:00- 1:00 P.M.
Board Meeting 1:00-3:00 P.M.

LOCATION: Twelfth Floor
1100 New York Avenue

[(b)(5)]

RECOMMENDATION:

[(b)(5)]

ATTACHMENT: Tab A: Overview Letter from President Munoz

DISCUSSION:
[(b)(5)]

Suggested Talking Points on IPPs
[(b)(5)]

G:ITI/OPIC/Bd 1219

Brazil -- Construction of a full service business hotel

Tab 3

Background

[OUTSIDE SCOPE]

Talking Points

[OUTSIDE SCOPE]

Background

[OUTSIDE SCOPE]

Talking Points

[OUTSIDE SCOPE]

Brazil – Cellular Phone Service

Tab 5

Background

[OUTSIDE SCOPE , (b)(5)]

Talking Points

[OUTSIDE SCOPE , (b)(5)]

Argentina -- Electricity Distribution

Tab 6

Background

[OUTSIDE SCOPE , (b)(5)]

Talking Points

[OUTSIDE SCOPE , (b)(5)]

Background

[OUTSIDE SCOPE , (b)(5)]

Talking Points

[OUTSIDE SCOPE , (b)(5)]

Gaza – Power Project

Upcoming Project

Tab 11

Background

[(b)(5)]

Talking Points

[(b)(5)]

Christopoulos, Greg

From: Christopoulos, Greg
Sent: Friday, November 30, 2001 12:23 PM
To: Resnick, Bonnie; Epstein, Natan; Sampliner, Gary; Sills, Gay; Wallace, James
Subject: FW: Request for Meeting re. Azurix Corp Dispute with the Province of BA in Argentina



AzurixBriefingPaperRevisedNov19.doc

Bonnie -- As they say in NY: da ball z in ur court.

Tanks.

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

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

November 30, 2001

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

Dear Greg:

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

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

Sincerely,

Keith L. Miceli
Senior Director
International Public Relations

<<AzurixBriefingPaperRevisedNov19.doc>>

.....
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.....

Christopulos, Greg

From: Christopulos, Greg
Sent: Wednesday, November 28, 2001 9:52 AM
To: Demopulos, Abigail
Subject: FW: MIGA #63 Dominican Republic- Banco Santander

[(b)(5)]

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

From: Sampliner, Gary
Sent: Wednesday, November 28, 2001 9:15 AM
To: Christopulos, Greg; Demopulos, Abigail; Kosmides, Ivy; Crawford, Todd
Cc: Holloway, Barbara; Jarpe, Rachel; 'StrubleJW@state.gov'
Subject: RE: MIGA #63 Dominican Republic- Banco Santander

[(b)(5)]

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

From: Christopulos, Greg
Sent: Tuesday, November 27, 2001 11:11 AM
To: Demopulos, Abigail; Kosmides, Ivy; Crawford, Todd; Sampliner, Gary
Cc: Holloway, Barbara; Jarpe, Rachel; 'StrubleJW@state.gov'
Subject: RE: MIGA #63 Dominican Republic- Banco Santander

[(b)(5)]

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

From: Demopulos, Abigail
Sent: Tuesday, November 27, 2001 10:17 AM
To: Kosmides, Ivy; Crawford, Todd
Cc: Holloway, Barbara; Christopulos, Greg; Jarpe, Rachel; 'StrubleJW@state.gov'
Subject: RE: MIGA #63 Dominican Republic- Banco Santander

[(b)(5)]

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

From: Kosmides, Ivy
Sent: Tuesday, November 27, 2001 10:13 AM
To: Crawford, Todd
Cc: Demopulos, Abigail; Holloway, Barbara; Christopulos, Greg; Jarpe, Rachel; StrubleJW@state.gov
Subject: RE: MIGA #63 Dominican Republic- Banco Santander

[(b)(5)]

[(b)(5)]

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

From: tcrawford@worldbank.org [mailto:tcrawford@worldbank.org]
Sent: Tuesday, November 27, 2001 9:48 AM
To: Ivy.Kosmides@do.treas.gov
Cc: Abigail.Demopulos@do.treas.gov; Barbara.Holloway@do.treas.gov;
Greg.Christopulos@do.treas.gov; Rachel.Jarpe@do.treas.gov;
StrubleJW@state.gov
Subject: RE: MIGA #63 Dominican Republic- Banco Santander

[(b)(5)]

Ivy.Kosmides@do
.treas.gov
StrubleJW@State.Gov,
Greg.Christopulos@Do.Treas.Gov,
11/27/2001
09:36 AM
Banco Santander

To: Abigail.Demopulos@Do.Treas.Gov,
Tcrawford@Worldbank.Org,
Rachel.Jarpe@Do.Treas.Gov
cc: Barbara.Holloway@Do.Treas.Gov
Subject: RE: MIGA #63 Dominican Republic-

I'm including Rachel Jarpe, our Research Assistant, on this chain as she will be working on the Caribbean with me.
Thanks.

> -----Original Message-----

> From: Demopulos, Abigail
> Sent: Tuesday, November 27, 2001 9:35 AM
> To: Kosmides, Ivy; 'John W Struble (E-mail)' (E-mail); Crawford, Todd;
> Christopulos, Greg
> Cc: Holloway, Barbara
> Subject: MIGA #63 Dominican Republic- Banco Santander
>
> Recommendation: Support Deadline: Thurs. 11/29
>

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[(b)(5)]

> Please let me know if you have any comments.

>

> Thank you,

>

> Abby Demopoulos

> 622-8811

Christopoulos, Greg

From: Christopoulos, Greg
Sent: Tuesday, November 27, 2001 11:11 AM
To: Demopoulos, Abigail; Kosmides, Ivy; Crawford, Todd; Sampliner, Gary
Cc: Holloway, Barbara; Jarpe, Rachel; 'StrubleJW@state.gov'
Subject: RE: MIGA #63 Dominican Republic- Banco Santander

[(b)(5)]

Gary -- you're the Treasury MIGA and expro lawyer who keeps us out of trouble, what do you think?

-----Original Message-----
From: Demopoulos, Abigail
Sent: Tuesday, November 27, 2001 10:17 AM
To: Kosmides, Ivy; Crawford, Todd
Cc: Holloway, Barbara; Christopoulos, Greg; Jarpe, Rachel;
'StrubleJW@state.gov'
Subject: RE: MIGA #63 Dominican Republic- Banco Santander

[(b)(5)]

-----Original Message-----
From: Kosmides, Ivy
Sent: Tuesday, November 27, 2001 10:13 AM
To: Crawford, Todd
Cc: Demopoulos, Abigail; Holloway, Barbara; Christopoulos, Greg; Jarpe,
Rachel; StrubleJW@state.gov
Subject: RE: MIGA #63 Dominican Republic- Banco Santander

[(b)(5)]

-----Original Message-----
From: tcrawford@worldbank.org [mailto:tcrawford@worldbank.org]
Sent: Tuesday, November 27, 2001 9:48 AM
To: Ivy.Kosmides@do.treas.gov
Cc: Abigail.Demopoulos@do.treas.gov; Barbara.Holloway@do.treas.gov;
Greg.Christopoulos@do.treas.gov; Rachel.Jarpe@do.treas.gov;
StrubleJW@state.gov
Subject: RE: MIGA #63 Dominican Republic- Banco Santander

[(b)(5)]

Ivy.Kosmides@do
.treas.gov
Strublejw@State.Gov,

Greg.Christopoulos@Do.Treas.Gov,
11/27/2001
09:36 AM

Banco Santander

To: Abigail.Demopoulos@Do.Treas.Gov,
Tcrawford@Worldbank.Org,
Rachel.Jarpe@Do.Treas.Gov
cc: Barbara.Holloway@Do.Treas.Gov
Subject: RE: MIGA #63 Dominican Republic-

I'm including Rachel Jarpe, our Research Assistant, on this chain as she will be working on the Caribbean with me.
Thanks.

> -----Original Message-----
> From: Demopoulos, Abigail
> Sent: Tuesday, November 27, 2001 9:35 AM
> To: Kosmides, Ivy; 'John W Struble (E-mail) ' (E-mail); Crawford, Todd;
> Christopoulos, Greg
> Cc: Holloway, Barbara
> Subject: MIGA #63 Dominican Republic- Banco Santander
>

[(b)(5)]

> Please let me know if you have any comments.
>
> Thank you,
>
> Abby Demopoulos
> 622-8811

Christopulos, Greg

From: Sills, Gay
Sent: Saturday, August 25, 2001 9:44 AM
To: Christopulos, Greg
Subject: FW: International Affairs Weekly Report

see india enron statement at end of weekly

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

From: Martin, Willia
Sent: Friday August 24, 2001 5:52 PM
To: _DL_International Affairs
Subject: International Affairs Weekly Report



weekly id 8-24-01 .doc

Christopoulos, Greg

From: Sills, Gay
Sent: Tuesday, December 04, 2001 7:07 AM
To: Christopoulos, Greg; McDonald, Larry; Rao, Geetha; Resnick, Bonnie
Subject: RE: Dam trip to India. Geetha: do you have anything in the briefing about enron's problems with India?

joe engelhard made it sound yesterday like dam was leaving for india tomorrow. just let us know when the trip is and greg will do a paper. as greg says [(b)(5)] . thanks

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

From: Christopoulos, Greg
Sent: Tuesday, December 04, 2001 12:07 AM
To: McDonald, Larry; Rao, Geetha; Sills, Gay; Resnick, Bonnie
Subject: RE: Dam trip to India. Geetha: do you have anything in the briefing about enron's problems with India?

[(b)(5)]

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

From: McDonald, Larry
Sent: Monday December 03, 2001 8:41 PM
To: Rao, Geetha; Sills, Gay; Resnick, Bonnie
Cc: Christopoulos, Greg
Subject: RE: Dam trip to India. Geetha: do you have anything in the briefing about enron's problems with India?

[(b)(5)]

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

From: Rao, Geetha
Sent: Monday, December 03, 2001 3:22 PM
To: Sills, Gay; Resnick, Bonnie
Cc: McDonald, Larry; Christopoulos, Greg
Subject: RE: Dam trip to India. Geetha: do you have anything in the briefing about enron's problems with India?

We are confirming the timing of the trip and will let you know asap.

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

From: Sills, Gay
Sent: Monday, December 03, 2001 3:12 PM
To: Rao, Geetha; Resnick, Bonnie
Cc: McDonald, Larry; Sills, Gay; Christopoulos, Greg
Subject: RE: Dam trip to India. Geetha: do you have anything in the briefing about enron's problems with India?

When is the trip and when are the briefing papers due.

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

From: Rao, Geetha
Sent: Monday, December 03, 2001 3:07 PM
To: Sills, Gay; Resnick, Bonnie
Cc: McDonald, Larry
Subject: RE: Dam trip to India. Geetha: do you have anything in the briefing about enron's problems with India?

Gay - Is Dam looking for an informational memo on Enron and India or is he requesting an Enron specific paper for his Jan trip? On the first question, we put something together over the summer that details OPIC's interests in the project.

Much has happened since then, which can be pull together in an updated memo.
<< File: (07-12-01) Enron-OPIC info memo - final.doc >>

On the second question, we received the first paper from your office and the second paper from OPIC. I've been following these Enron-India developments and have additional information if needed.

<< File: (07-12-01) Enron-OPIC info memo - final.doc >> << File: IndiaInvClimate2 gc.doc >>

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

From: Silis, Gay
Sent: Monday, December 03, 2001 2:56 PM
To: Resnick, Bonnie; Rao, Geetha
Subject: Dam trip to India. Geetha: do you have anything in the briefing about enron's problems with India?

Dam told Joe Engelhard he wanted something in. please let us see what you have in, if anything. Otherwise bonnie who is filling in for greg will have to do something. thanks << File: Briefing on OPIC-Dabhol - Investment section.doc >>

Oxford Analytica East Europe Daily Brief

UZBEKISTAN: Credibility Gap – 8 August 2001

EVENT: The World Bank on August 6 said it will postpone until March 2002 a board presentation of its new loan programme, to assess progress on reforms recently announced by Tashkent.

SIGNIFICANCE: The government last month loosened foreign exchange (forex) surrender requirements for small and medium-sized enterprises and broadened the forex conversion and repatriation rights of foreign companies operating in Uzbekistan. A restrictive forex regime has hitherto prevented realisation of the country's economic potential.

ANALYSIS: On July 1, the government loosened foreign exchange surrender requirements for small and medium-sized enterprises (SMEs) and broadened the foreign exchange (forex) conversion and repatriation rights of foreign companies operating in Uzbekistan. This decree represented the latest in a series of measures aimed at partial liberalisation of Uzbekistan's forex regime. In May 2000, Tashkent unified the commercial and official exchange rates of the som currency by devaluing the former by 55%. In July of that year, it introduced a new commercial rate, pegged at a level approaching the kerb rate and applicable to local holders of forex licences – a key step towards terminating use of the exchange rate as an enterprise-subsidy mechanism. In an effort to legalise the burgeoning forex black market, the government also authorised a select number of banks and exchange booths to sell hard currency to the population at the new commercial rate. Taken together, these measures were widely viewed as indications that President Islam Karimov had finally become serious about forex liberalisation.

However, the hopes engendered by these measures were quickly dashed. Last autumn, Tashkent introduced a differentiated import profit tax and stripped 47 Uzbek companies of their forex licences for failing to comply with central directives on consumer imports – demonstrating the Karimov regime's continued policy of discrimination and interference in enterprise decision-making. The government's promise to legalise forex transactions by the population also proved a chimera, as dollar sales were limited to 500 dollars for individuals possessing visas and international travel tickets. These restrictions forced Uzbek households to return to the black market, pushing up the kerb rate and defeating the government's attempt at exchange rate unification. By early 2001, the black market rate stood at 150% of the commercial rate and over three times the official rate, signalling the revival of the three-tiered exchange rate system and illustrating the population's lack of confidence in the

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national currency. The de facto neutralisation of the summer 2000 reforms underscores:

- the inherent dangers of partial forex reforms, which loosen restrictions while leaving substantial unfulfilled local demand for hard currency -- a state of affairs that spawns renewed black market activity and thereby heightens pressure on the government to reimpose controls; and
- the singular forex credibility problem of the Karimov regime, whose temporising and broken promises have undercut foreign and domestic confidence in its commitment to liberalisation.

The only avenue out of such a credibility crisis is a bold, decisive break with previous policy via radical forex liberalisation. Karimov's government is politically and ideologically ill-disposed to such a strategy.

July decree. Against this backdrop, the latest foreign exchange measures warrant considerable scepticism:

1. The most noteworthy aspect of the July decree is the provision related to foreign companies, which are no longer obliged to convert their som-denominated earnings at the artificially overvalued commercial rate. In theory, this measure will most directly benefit the Uzbek subsidiaries of multinationals tooled for sales to the local market (eg, Case Holland, Coca Cola or Daewoo). However, the decree is silent on the obligations of export-oriented multinationals, which are still subject to a 50% surrender requirement for their forex earnings and face high administrative costs (including a 5% conversion tax) when exercising their option to repurchase hard currency. Owing to these continuing restrictions, Uzbekistan still has a considerable distance to go towards full compliance with the IMF's Article VIII requirements for current account convertibility, which most western multinationals regard as the minimal condition for entry into a host country.

2. The elimination of forex surrender requirements on SMEs is a welcome development insofar as the SME sector represents one of Uzbekistan's most promising arenas for economic growth and job creation. However, in practical terms, the SME-related component of the July decree is of little consequence. While SMEs constitute a significant source of foreign exchange in some transitional economies (particularly in Central and Eastern Europe and the Baltic states), their contribution to Uzbek foreign exchange is negligible.

Of far greater value to Uzbek SMEs would be financial sector reforms aimed at expanding the local intermediary role of commercial banks, whose portfolios are currently burdened by politically directed loans to large state enterprises.

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However, the Karimov regime continues to balk at financial reforms, despite the existence of a World Bank programme dedicated to precisely that end.

Moreover, the July decree leaves untouched forex restrictions on large enterprises, which generate the overwhelming bulk of Uzbekistan's hard currency revenues. The Uzbek cotton industry, which alone accounts for over 50% of the country's exports, still labours under a confiscatory state procurement system that undercuts productivity, encourages rent-seeking and cross-border arbitrage, and bolsters the power of Uzbekistan's notorious agro-industrial oligarchs.

3. The practical implications of the remaining components of the July decree are at best uncertain. The decree calls for expanded cooperation between the international financial institutions (IFIs) and the Ministry of Macroeconomics and Statistics, whose leadership is dominated by political appointees and whose professional staff still lack the capability to generate reliable analyses of the Uzbek economy. Increased contact with the IFIs (whose estimates of GDP growth and inflation diverge widely from Uzbek official reports) is an important step towards upgrading that agency's technical capacity. However, whether the ministry becomes an authoritative source of statistical information hinges on two factors: broader reforms of the Uzbek state administration, whose line and branch ministries would be threatened by a politically independent statistical office; and erosion of the political influence of the inner circle of advisers within the president's office, who are tied to the Uzbek oligarchies and who have filtered out unwelcome economic reports (including analyses by the IMF's now defunct Tashkent mission) prepared for Karimov's personal review.

Piecemeal policies. Equally significant is what the July decree excludes. Foreign exchange liberalisation must be coupled with a range of corollary measures (especially import liberalisation and financial sector deepening) to elicit the desired responses from local enterprises and households. It also demands parallel reforms of the social welfare system, to soften the impact of devaluation on vulnerable groups, along with institutional capacity-building to strengthen the ability of fiscal/monetary authorities to contain the inflationary consequences of exchange rate adjustments. By contrast, the ad hoc, piecemeal character of the latest forex measures underscores Tashkent's rejection of a policy-bundling strategy that fully acknowledges the links between foreign exchange policy and broader economic reform, and its adherence to a partial reform strategy whose liabilities have been repeatedly demonstrated over the past five years.

IFI responses. International responses to the July decree have been mixed. The chief of the World Bank's Tashkent mission, who has consistently taken a more forgiving stance on Uzbek economic affairs than other IFI officials in

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the region, offered cautious praise of the decree and optimism that the Karimov government would proceed along a liberalising path. However, the scaling-back of the World Bank's mission in Uzbekistan (highlighted by the postponement of the financial reform programme mentioned above) calls into question that agency's influence over Karimov's policies.

In April, the IMF, even less impressed with Karimov's policies, followed through on its threat (issued in December 2000) to shut down its Tashkent mission. While Fund officials left open the possibility of a reconvening of negotiations with the Uzbek government, the regime's continued resistance to Article VIII-type convertibility -- the key condition for a resumption of the standby programme suspended in 1996 -- does not suggest an early rapprochement between the Fund and Tashkent. Karimov may have gained domestic political capital from resisting the IMF, but the Fund's withdrawal is an unfortunate development for the economy. While Uzbekistan does not face an imminent crisis of the proportions faced by Russia in 1998 or Bulgaria in 1996, its recent macroeconomic performance shows disturbing trends. The country's GDP growth, at 2-3%, is one of the lowest in the CIS, while its consumer price inflation (55-60%) is one of the highest. Current indices on the balance of payments, foreign reserves and debt service are also alarming. Economic stabilisation would require support from the international financial community, notably a stabilisation fund to cushion the country's eventual transition to currency convertibility -- in the assembling of which the IMF would play an indispensable part.

Investor responses. Responses by western multinationals vary by sector:

- Resource-seeking FDI. Resource-seeking foreign direct investment (FDI) displays signs of a recovery, following the withdrawal of Enron and Unocal in the late 1990s. Following the July 1 decree, Trinity Energy (United Kingdom) announced its receipt of two licences to develop oil and gas deposits in Uzbekistan. Meanwhile, the Oxus Group, another UK-based multinational with substantial assets in Central Asia, expanded its operations at the lucrative Amantaytau gold mine in north central Uzbekistan.
- Manufacturing and services. Foreign investment in Uzbek manufacturing and services -- whose contribution to the country's long-term economic development is far more important than resource-related FDI -- continues to flag. While foreign companies such as Coca Cola, which are pursuing local market strategies, can take heart in the government's actions on conversions of som-denominated earnings, multinationals looking at regional market access (which represents the most

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promising venue for development-enhancing FDI) are still deterred by continued uncertainties over Uzbek forex policy and restraints on intra-regional trade.

CONCLUSION: Recent initiatives still fall far short of comprehensive forex liberalisation. They appear unlikely to alleviate the domestic credibility problem that has defeated earlier attempts at partial liberalisation, or to halt the erosion of international investor confidence that has precipitated the departure of key multinational companies in recent years.

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Conley, Robert

From: Kosmides, Ivy
Sent: Tuesday, October 02, 2001 5:20 PM
To: 'Peacock, Charles E'; Kosmides, Ivy
Cc: Conley, Robert
Subject: RE: Appointment

Importance: High

Do you have email for him?
Thanks.

-----Original Message-----
From: Peacock, Charles E [mailto:PeacockCE@state.gov]
Sent: Wednesday, September 26, 2001 8:33 AM
To: 'Ivy.Kosmides@do.treas.gov'
Cc: 'Robert.Conley@do.treas.gov'
Subject: RE: Appointment

[(b)(5)]

You should contact Richard Steelman at USAID if you need details. His number is 712-0518. Charlie

-----Original Message-----
From: Ivy.Kosmides@do.treas.gov [mailto:Ivy.Kosmides@do.treas.gov]
Sent: Tuesday, September 25, 2001 6:23 PM
To: PeacockCE@state.gov
Cc: Robert.Conley@do.treas.gov
Subject: RE: Appointment

[(b)(5)]

Thanks,
Ivy

-----Original Message-----
From: Peacock, Charles E [mailto:PeacockCE@state.gov]
Sent: Tuesday, September 25, 2001 9:29 AM
To: 'Ivy.Kosmides@do.treas.gov'
Subject: RE: Appointment

Ivy,
John Hardy, VP for Global Finance, can be reached at 202-331-4717. He's the guy who is coming here today. Are you still attending that meeting?
Charlie

-----Original Message-----
From: Ivy.Kosmides@do.treas.gov [mailto:Ivy.Kosmides@do.treas.gov]
Sent: Monday, September 24, 2001 5:32 PM
To: PeacockCE@state.gov
Subject: RE: Appointment

Charlie,
Do you have contact information for the Enron group? They have also scheduled a meeting here with DAS Schuerch and his office needs it.
Thanks,
Ivy

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

From: Peacock, Charles E [mailto:PeacockCE@state.gov]
Sent: Thursday, September 20, 2001 12:54 PM
To: 'Ivy.Kosmides@do.treas.gov'
Subject: RE: Appointment

That's great Ivy. Just plan to arrive a bit before 3:30 at the C St. lobby. You might be able to get in with your ID. If not, give me a call on 647-4728 and I'll come down to get you. Charlie

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

From: Ivy.Kosmides@do.treas.gov [mailto:Ivy.Kosmides@do.treas.gov]
Sent: Thursday, September 20, 2001 12:53 PM
To: PeacockCE@state.gov
Subject: RE: Appointment

Charlie,
Thanks, I would like to attend. If Kris's schedule accomodates, then meeting after the ENRON meeting works for me. Let's do it that way. For building clearance, [(b)(6)]
Ivy

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

From: Peacock, Charles E [mailto:PeacockCE@state.gov]
Sent: Thursday, September 20, 2001 11:52 AM
To: 'Ivy.Kosmides@do.treas.gov'
Subject: RE: Appointment

He says ENRON's creditors are due \$31 million in December and unless the GODR pays up, it will be in default. The company is considering taking the GODR to international arbitration as per the contract. [(b)(5)]

If
you want to attend the meeting and then stay on to talk to Kris, that's fine. Just let me know so I can arrange something else for him at 10:00.
Charlie

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

From: Ivy.Kosmides@do.treas.gov [mailto:Ivy.Kosmides@do.treas.gov]
Sent: Thursday, September 20, 2001 9:57 AM
To: PeacockCE@state.gov
Subject: RE: Appointment

Thanks. Did the VP have an agenda? Why don't I attend that meeting, and then we can stay a little later to discuss anything else on the DR instead of meeting at 10?

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

From: Peacock, Charles E [mailto:PeacockCE@state.gov]
Sent: Thursday, September 20, 2001 8:31 AM
To: 'Ivy.Kosmides@do.treas.gov'
Subject: RE: Appointment

Ivy,
John Hardy, the VP at ENRON for governmental affairs, called me yesterday. He wants to meet with me next week. Since Kris will be in town, I arranged to do it here on Tuesday at 3:30. You're welcome to attend if you want.
Charlie

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

From: Ivy.Kosmides@do.treas.gov [mailto:Ivy.Kosmides@do.treas.gov]
Sent: Wednesday, September 19, 2001 6:05 PM

To: PeacockCE@state.gov
Subject: RE: Appointment

Thanks, Charlie.

You might ask him to come with information on reserves, and arrears to Independent power producers if possible. I imagine he will have more up to date info than I do.

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

From: Peacock, Charles E [mailto:PeacockCE@state.gov]
Sent: Wednesday, September 19, 2001 5:18 PM
To: 'ivy.kosmides@do.treas.gov'
Subject: Appointment

Ivy,

This is to confirm the meeting with Kris Urs from the embassy in Santo Domingo for next Tuesday, the 25th at 10:00. Kris' [(b)(6)] and his

[(b)(6)] I might come with him so my details are: [(b)(6)]

[(b)(6)] Thanks. Charlie

Conley, Robert

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[(b)(6)]

Thanks. Charlie

Conley, Robert

From: Altheim, Stephen
Sent: Tuesday, September 25, 2001 5:36 PM
To: Conley, Robert
Cc: Paulson, Sara
Subject: FW: Enron IFC energy project in Dominican Rep

[(b)(5)]

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

From: Hurley, John C. [mailto:JOHNHU@iadb.org]
Sent: Tuesday, September 25, 2001 5:32 PM
To: 'Stephen.Altheim@do.treas.gov'
Cc: Bloomgarden, David Richard; Harrington, Lawrence; Juba, Bruce
Subject: RE: Enron IFC energy project in Dominican Rep

[(b)(5)]

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

From: Juba, Bruce
Sent: Tuesday, September 25, 2001 5:28 PM
To: 'Stephen.Altheim@do.treas.gov'; Hurley, John C.
Cc: Bloomgarden, David Richard; Harrington, Lawrence
Subject: RE: Enron IFC energy project in Dominican Rep

[(b)(5)]

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

From: Stephen.Altheim@do.treas.gov [mailto:Stephen.Altheim@do.treas.gov]
Sent: Tuesday, September 25, 2001 3:18 PM
To: brucej@iadb.org; johnhu@iadb.org
Cc: davidbl@iadb.org; larryh@iadb.org
Subject: FW: Enron IFC energy project in Dominican Rep

Bruce,

[(b)(5)]

Thanks.

> -----Original Message-----

> From: Conley, Robert
> Sent: Tuesday, September 25, 2001 3:13 PM
> To: Tran, Luyen; Altheim, Stephen; Demopoulos, Abigail
> Cc: Crawford, Todd; Budington, Michele; Paulson, Sara;
> 'cbrookins@worldbank.org'
> Subject: Enron IFC energy project in Dominican Rep

>
> Two senior reps of Enron met with Bill today on a project funded by IFC
> that involves a power purchase agreement that the G of DR is not honoring.
> The project may default to lenders by 12/15 if agreement is not reached
> with the Gov't. The Enron reps plan to meet with State and Carole Brookins
> on the project.

>
> Bill asked to get information on the pipeline at the MDBs for the DR (WB,
> IFC, IDB, IIC). In particular, Bill wants to know what (if any) projects
> are disbursing. Thanks.

Donovan, Meg

From: Toloui, Ramin
Sent: Thursday, June 07, 2001 9:07 AM
To: Rao, Geetha
Cc: Donovan, Meg; Grewe, Maureen; Mills, Marshall
Subject: FW: Enron Call to O'Neill

Geetha -- Should have an answer later today. Please remind me if you haven't heard from me. Thanks, Ramin

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

From: Adams, Tim
Sent: Thursday, June 07, 2001 7:02 AM
To: Toloui, Ramin
Subject: RE: Enron Call to O'Neill

I'll follow up -- stop by later.

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

From: Toloui, Ramin
Sent: Wednesday, June 06, 2001 9:08 PM
To: Adams, Tim
Cc: Donovan, Meg
Subject: FW: Enron Call to O'Neill

Tim -- Do you know anything about this call that I could pass along to our India desk officer? Please let me know if I should follow up with someone else. Thanks, Ramin

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

From: Rao, Geetha
Sent: Wednesday, June 06, 2001 6:25 PM
To: Toloui, Ramin; Donovan, Meg
Cc: Grewe, Maureen; Mills, Marshall
Subject: Enron Call to O'Neill

Meg/Ramin:

[(b)(5)]

I am approaching you both as my first point of contact. Any information you can obtain and/or advise on how to proceed would be superb.

Thanks in advance.

Geetha

Oral Communications - Mark Jaskowiak

- (1) January, 2001 (while in Office of Legislative Affairs) - received telephone inquiry concerning energy project in India; referred caller to India desk at Treasury .
- (2) August/Sept, 2001 (approx .) - received telephone call regarding interest of visiting Japanese Enron official to meet with appropriate Treasury officials to discuss Japanese economy/energy sector; conveyed request to Treasury Japan desk (no meeting held - scheduling unavailability).



DEPARTMENT OF THE TREASURY
WASHINGTON

Facsimile Transmittal
From

Office of Multilateral Development Banks (OASIA/IDB)
1500 Pennsylvania Avenue, N.W.
Room 3501 NY
Washington, D.C. 20220
(Fax # 202-622-1228)

Date: 3-1-00

Page 1 of 1 Page(s)

To: R Monk / M Hoyle

Tel. # _____
FAX # _____

From: E Stewart

Comments: Nigeria - Enron Fuji



DEPARTMENT OF THE TREASURY
WASHINGTON

Facsimile Transmittal
From

Office of Multilateral Development Banks (OASIA/IDB)
1500 Pennsylvania Avenue, N.W.
Room 3501 NY
Washington, D.C. 20220
(Fax # 202-622-1228)

Date: 2-30-2000 Page 1 of 5 Page(s)

To: Bill Schweich

Tel. # _____
FAX # _____

From: Elybeth Stewart

Comments:
FYI: Nigeria - World Bank & Enron News clips
1) FIT of 2/11/2000
2) World Bank daily news clips of Feb 8-11th.

cc Russ Monk/M Hagler.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 26, 1999

MEMORANDUM FOR DEPUTY ASSISTANT SECRETARY SCHUERCH

FROM: Joseph B. Eichenberger, Director/IDB *JBE*
SUBJECT: Briefing for Your Meeting with Enron on Bangladesh Power

Date and Time: Tuesday, June 27, 1999, at 10:00am

PARTICIPANTS:

Treasury: DAS Schuerch
Elizabeth Stewart, IDB
Judy Laufmann, ICM

USED/IBRD: Janice Mazur, Commerce Liaison

Enron International: David Howe, VP, Project Development - Bangladesh
Scott Reblitz, General Manager, Project Finance
John Hardy, VP, Project Finance

BRIEFING: Background
Talking Points
Attachments

BACKGROUND: [(b)(5)]

[(b)(5)]

TALKING POINTS:

[(b)(5)]

Attachments:

- 1) Enron incoming of June 21, 1999 (Scott D. Reblitz to DAS Schuerch).
- 2) Joint World Bank - Asian Development Bank letter of May 19, 1999 to GOB Minister of State/Ministry of Energy & Mineral Resources (Temple/Suphaphiphat to Hon. Prof Ragiqui Islam).

TREASURY CLEARANCE SHEET No. _____

Date June 26, 1999

DAS Schuerch

MEMORANDUM FOR:
EXECUTIVE SECRETARY

SECRETARY

DEPUTY SECRETARY

ACTION

BRIEFING

INFORMATION LEGISLATION

PRESS RELEASE

PUBLICATION REGULATION

SPEECH

TESTIMONY

OTHER _____

FROM: Joseph B. Eichenberger, OD/IDB

THROUGH: _____

SUBJECT: Briefing for Meeting with Enron on Bangladesh Power

REVIEW OFFICES (Check when office clears)

Under Secretary for Finance

Domestic Finance

Economic Policy

Fiscal

FMS

Public Debt

Under Secretary for International Affairs

International Affairs

Enforcement

ATF

Customs

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General Counsel

Inspector General

IRS

Legislative Affairs

Management

OCC

Policy Management

Scheduling

Public Affairs/Liaison

Tax Policy

Treasurer

E & P

Mint

Savings Bonds

Other _____

NAME (Please Type)	INITIAL	DATE	OFFICE	TEL. NO.
INITIATOR(S) EStewart	<i>ES</i>	6/26/99	IDB	622-1267
REVIEWERS				
J. Laufmann	<i>SL</i>	6/28/99		
J. Meyer (EK8fw)	<i>JM</i>	6/26/99	USED/IBRD (Annette Lester)	458-0118

TREASURY CLEARANCE SHEET No. _____

Date June 26, 1999

DAS Schuerch

- MEMORANDUM FOR: SECRETARY DEPUTY SECRETARY
- EXECUTIVE SECRETARY ACTION BRIEFING INFORMATION LEGISLATION
- PRESS RELEASE PUBLICATION REGULATION

SPEECH

- TESTIMONY OTHER _____

FROM: Joseph B. Eichenberger, OD/IDB

THROUGH: _____

SUBJECT: Briefing for Meeting with Enron on Bangladesh Power

REVIEW OFFICES (Check when office clears)

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| | <input type="checkbox"/> OCC | |

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EStewart	<i>ES</i>	6/26/99	IDB	622-1267
REVIEWERS				
J. Laufmann	<i>SL</i>	6/28/99		
J. Myer (EKSF)	<i>JM</i>	6/26/99	USED/IBRD (Commercial Liaison)	458-0118

to: _____

Department
of the Treasury

room: _____ date: _____

Office of the
Assistant Secretary for
International Affairs

Office of Multilateral
Development Banks

[(b)(5)]

room
phone



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 26, 1999

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BRIEFING: Background
Talking Points
Attachments

Start w/ Background on this page

0050000000966

Meeting with Enron on Power Proposal in Bangladesh (June 27, 1999).

[(b)(5)]

TALKING POINTS:

[(b)(5)]

Attachments:

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- 2) Joint World Bank - Asian Development Bank letter of May 19, 1999 to GOB Minister of State/Ministry of Energy & Mineral Resources (Temple/Suphaphiphat to Hon. Prof Ragiqul Islam).

May 30, 1999

The Honorable Professor Rafiqul Islam
Minister of State
Ministry of Energy & Mineral Resources
Government of The People's Republic of Bangladesh
Bangladesh Secretariat
Dhaka, Bangladesh

Re: "Crash Programme for the Power Sector"

Dear Mr. Minister:

It is our understanding that the World Bank and Asian Development Bank ("Banks") have expressed certain concerns regarding the private power projects being considered as part of the Government's "Crash Programme for the Power Sector." We write to you today to address the Banks' views with additional information regarding the Crash Power Projects, and to reemphasize the need to add more power immediately.

The Banks' chief position appears to be that Bangladesh can do without additional power plants for at least the next two (2) summers (2000 and 2001). The Banks advocate this position even though Bangladesh continues to loadshed more than 500 MW during peak summer demand periods. The Banks' main solution to this serious problem appears to be the AES-sponsored 360 MW Haripur power project, which the Banks contend will come online in the middle of 2001; shortly afterward, the Banks continue, a second 450 MW plant at Meghnaghat will then be commissioned. Implicit in this position, then, is that even under the best of circumstances, *the Banks contend that Bangladesh should wait at least two summers before adding new capacity!* Export-oriented businesses yielding much-needed foreign exchange will continue to suffer badly from the lack of sufficient electricity. As recent events have shown, the public need and demand for power is very real. With all due respect, we believe the Banks' proposed "wait, see, and pray" approach constitutes a very risky gamble on Bangladesh's future. We believe that action on the part of the Government is required to ensure Bangladesh's economic, social, and political stability.

In their recent communications, the Banks raise six (6) specific "Reservations" to the Crash Power Projects, which we will address one-by-one:

1. "High Cost." The Banks assert that the Crash Power Projects will deliver expensive power. Specifically, they claim that the power prices (without fuel) are in the 5 to 6 cent range. Actually, the tariffs will probably be between 3.0 and 4.5 cents per kWhr.

depending upon the size of plant selected (120 MW to 200 MW) and term of PPA contract.

The Banks also postulate a larger range to the cost of the fuel portion of these tariffs than is necessary, observing that the fuel price ranges between 1 and 2 cents per kWhr. A more likely range is on the lower end, between 1.0 and 1.5 cents per kWhr.

The Banks also assert that purchasing 300 MW of power from the Crash Power Projects will cost the Government approximately US \$100 Million of foreign exchange each year. This too is probably on the high of the possible spectrum. By contrast, purchasing 300 MW under the Crash Programme could result in total costs as low as US \$80 Million (again depending upon the size of plant selected and term of the PPA agreement).

But perhaps most importantly, the Banks' analysis fails to make any comment whatsoever about the effect of the term of Power Purchase Agreement ("PPA") on the resulting power tariff. The Banks make mention of the lower tariffs being offered by the project company for the Haripur and Meghnaghat power plants, but fail to explain that these plants have been offered twenty-two (22) year PPA agreements, rather than the five (5) year ones envisioned for the Crash Power Projects. It is worth noting that if the Crash Power Projects were given a fifteen (15) year PPA (as was done for all of the barge-mounted power projects), the power tariffs for the Crash Power Projects would be similar to those of the barge-mounted power plants. Similarly, the Banks fail to explain that *p+5Xfor the Haripur and Meghnaghat power plants, the financial obligations of the Government must continue for a full twenty-two (22) year period, rather than for the much, much briefer period of five (5) years for the Crash Power Projects.

- 2. "Cost Recovery and Tariffs." The Banks hypothesize that purchasing 300 MW of power from the Crash Power Projects will have the onerous effect of forcing a substantial increase in the retail power tariffs charged by Power Development Board ("PDB") to its customers. This simply is not borne out by the facts. According to the Banks' own analysis, the PDB presently generates approximately 2,200 MW for sale. A 300 MW increase in this amount via the Crash Power Projects would thus represent merely a twelve percent (12%) increase in overall generation capacity. Even if one were to presume that the power from the Crash Power Projects would cost between 4.0 and 5.5 cents (all-in), and that existing power costs 3.0 cents (all-in), the net increase on overall PDB generation costs would only be roughly between five percent (5%) and ten percent (10%). The actual increase would be from 3.00 cents to between 3.12 and 3.30 cents per kWhr. That simply does not translate to a significant required increase in PDB's consumer tariffs.

The Banks also assert that the Crash Power Projects' proposed fuel cost of approximately \$1.117 per MMBtu will result in substantial losses to the Government under the Production Sharing Contracts ("PSCs"). This also appears to be an exaggeration. The actual cost of natural gas to the Government during the initial "cost recovery" phase, taking into account the Government's in-kind (i.e. free) share of the "profit gas," is approximately \$1.190 cents per MMBtu (using the current US \$89 price for 1 metric ton of HSFO, 180 CST, FOB Singapore). Moreover, after the initial "cost recovery" phase, this cost drops to fewer than 60 cents per MMBtu. Accordingly, the Government suffers minimal foreign exchange losses by selling PSC natural gas to the Crash Power Projects at a price of \$1.117 per MMBtu.

These alleged losses of foreign exchange become even less significant when one considers that Bangladesh continues to produce approximately seven hundred million cubic feet per day (700 mmcf/day) of gas from its own gas wells. This amount constitutes seventy-five percent (75%) of Bangladesh's daily gas requirements, for which little foreign exchange expenditures are made. Accordingly, to say that Bangladesh will suffer substantial foreign exchange losses by selling gas to the Crash Power Projects at the contracted price of \$1.117 per MMBtu is simply inaccurate.

- 3. "Time Duration of Contracts." The Banks correctly note that the intended time period for the Crash Power Projects consists of a five year PPA. However, they contend that the arrival of the Haripur and Meghnaghat power projects by as early as the second quarter of 2001 largely eliminates the need for these plants. Frankly, the assumption that the Haripur and Meghnaghat plants will be operating as early as the middle of 2001 is optimistic under the very best of circumstances. Both the Haripur and Meghnaghat plants constitute extremely complicated third-party financial transactions, especially for countries like Bangladesh that have had limited experience thus far in closing similar private sector financings. By necessity, the delivery dates for these plants are directly affected by any delays associated with the financings. *In sharp contrast, the delivery date for the private sector Crash Power Projects does not depend upon any financial closing.* Assuming a developer such as Enron were to proceed with one of the Crash Power Projects, the developer would have to guarantee its performance by a date certain—six months after the signing of the project agreements. This is a significant difference between the Crash Power Projects and the AES-sponsored Haripur and Meghnaghat projects.

In addition to these delays related to the financial closure date, the contracts for the Meghnaghat power have yet even to be signed by either party. In short, it simply is not a realistic assumption that both the Haripur and Meghnaghat power plants will be financed, built, and operating by the middle of 2001.

Moreover, even if one of these plants arrives within the best case time period (the Haripur 360 MW plant in mid-2001), the annual increase in power demand of ten percent (10%) (220 MW per year) means that a shortfall will *still* exist in the Dhaka area. This is because by the middle of 2001, the requirement for additional power in Bangladesh will likely increase by more than 440 MW of additional daily demand!

So, if the Banks' optimism for the quick commissioning of both plants turns out to be unjustified, and one or both of these projects are delayed until mid-2003 or even later, then Bangladesh will not receive sufficient, if any, additional power in the Dhaka region until then. The only other potential project near Dhaka at this time is the NEPC Haripur Barge-Mounted Power Project, given that the Smith Cogeneration Project has been canceled and is now heading to arbitration. This situation would mean at least four, and perhaps more, hot summers without adding additional generating capacity—a very risky gamble on the country's future political, social, and economic stability.

Nonetheless, if the Banks' optimism is correct, and both of these plants arrive by the middle of 2001 (obviously a "best case scenario"), this means that the country would still have to endure two additional hot summers without more capacity. The Banks' favored "alternative" (stop-gap) solutions of Power Plant Rehabilitation, Transmission Systems Rehabilitation, and Demand Management (discussed later in more detail) will not sufficiently ease the shortfall. The private sector Crash Power Projects are the only viable near-term solution to the power crisis, and the Government should implement them without delay.

- 4. "Environmental Impact." The Banks imply that the six month construction schedule for the Crash Power Projects cannot be met because the environmental impact assessment itself will take six months to complete. First, the Banks provide no support for their assertion as to this length of time. Second, the Banks fail to recognize that other works may proceed in tandem during the completion of the assessment. Third, the Banks apparently do not take into account the fact that at the Haripur site, it appears that at least two (and possibly more) environmental impact assessments have previously been performed. Four, the clean-burning, natural gas fired turbines proposed by developers such as Enron have a minimal impact on the surrounding environment. It is thus reasonable to conclude that conducting another assessment at this site would proceed in an expedited fashion.
- 5. "Negotiations." The Banks assert that the negotiation of the "security package" for the Crash Power Projects will take some time, because no detailed "RFP" has been prepared. We do not understand this concern at all. A form Implementation Agreement ("IA") and Government Guarantee ("Guarantee") have been developed during the negotiations for

other plants. With minimal revisions, these agreements will be suitable for the Crash Power Projects.

- 6. "Land Acquisition." The Banks argue that land acquisition may take at least six months' time. Again, we do not understand the Banks' concern. If the Government truly wishes to implement the Crash Power Projects, it can make government land available for its chosen project developers provided some exists in viable locations. We believe this to be the case. Based on our engineering team's analysis of prospective power plant locations near Dhaka, Enron proposes to use land owned by the Bangladesh Inland Water Transport Corporation ("BIWTC") directly in front of the existing Haripur Power Station. Obviously this is government-owned land and can be made available quickly to the Crash Power Projects.

The Banks also raise three (3) "Alternatives" to the Crash Power Projects for the Government to consider in lieu of those projects. As with the "Reservations," we now address these one-by-one:

- 1. "Power Plants Rehabilitation." The Banks contend that the present operating capacity of 2,200 MW can be restored to produce somewhere closer to the original installed capacity of 3,400 MW. (Later in their analysis, the Banks postulate that 170 MW can be restored at Khulna, 70 at Mymensingh, and, 150 at Ashuganj—for a grand total of 390 MW.) This may in fact be true, and the Banks say that sufficient donor funds are available.

However, we caution that these donor funds have not yet been allocated to the Government for immediate action. Also, the plants to be refurbished, in some cases, are more than twenty (20) years old, and as a result these hoped-for improvements in generating capacity may simply not be possible. Even if the refurbishments are successful, other old plants may derate or become inoperable in the meantime.

In this regard, PDB's own recent analysis concluded that even if the power plant refurbishments were implemented, and the future power plant projects (Haripur, Meghnaghat, Bagha Bari, and the two remaining barge projects) were built on time, there would *still* be a 200 MW gap between electricity supply and demand. Accordingly, it is by no means any certainty that capacity increases sufficient enough to eliminate the shortfall can be realized without adding new generation capacity.

But even assuming that this rehabilitation programme were possible from a technical standpoint, we are confident that much more time than six (6) months (the time period for constructing the Crash Power Projects) will be required to select contractors, obtain new equipment and spare parts, and complete the work. The result is that the benefits from this effort will not be obtained before the onset of the next peak demand summer months.

The Honorable Professor Rafiqul Islam
May 30, 1999
Page 6

2. "Transmission Systems Rehabilitation." The Banks' analysis is correct that there are severe transmission system bottlenecks, particularly in the Dhaka area. However, this is a separate problem from the lack of sufficient generation capacity. The addition of new transmission lines simply does not create additional electrical power for the citizens of Dhaka. We are mystified as to why the Banks believe this is an "Alternative" to adding new generation capacity.
3. "Demand Management." The Banks describe several means to restrict the usage of power in general, and to curb its usage at peak demand times. While these efforts are well-intentioned and could have some beneficial effects, they simply cannot alleviate the power crisis all by themselves. At the present time, the shortfall in peak power demand exceeds 500 MW. The demand increases at a rate of at least ten percent (10%) per year. No workable power usage conservation plan, in our opinion, can possibly result in a full restructuring of the usage of what is approximately twenty-five percent (25%) of Bangladesh's generation capacity. New power generation is required to operate businesses, especially for those required to create export-oriented jobs that earn foreign exchange.

Thank you for your consideration of these thoughts on the World Bank's and Asian Development Bank's concerns about the Crash Programme private sector power plants. We believe that many of the positions taken in the Banks' analysis are inaccurate, and in need of this response to correct the record. We strongly suggest that the Ministry move forward quickly with the Crash Programme private sector power plants.

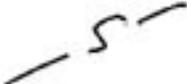
While the usual approach to such a plan would be to conduct a full-fledged international tender, we counsel that a different approach be used in this case. The solicitation of bids, even under the best of circumstances, could take at least one month. The reviewing of those bids could take up to another two months. The negotiation and execution of appropriate contract documentation could take additional time. Assuming a quick start to all of these events in early June, the earliest, most optimistic construction start date would be October 1—at the height of the monsoon floodwaters. Accordingly, the quickest commercial operations date would be April 1, 2000. This means that if a tender process is pursued, power will not be available to the Government when it is most needed at the beginning of the summer months. Accordingly, we suggest that the Ministry follow and complete the same competitive process that the Ministry and the Joint Committee have already been pursuing with companies such as ours. This approach is the quickest, and a fair, method of selecting a suitable developer for these extremely important power projects.

Thank you for your consideration of these matters. We look forward to a quick decision from your Ministry to proceed with these power projects so that the process of adding much-

7
The Honorable Professor Rafiqul Islam
May 30, 1999
Page 7

needed power to the Bangladesh electrical grid can proceed. We are available to respond to your questions and can meet with you at any time.

Sincerely yours,



David B. Howe
Vice President

cc: The Honorable S.A.M.S. Kibria, Minister for Finance, Government of Bangladesh
Dr. Mashur Rahman, Secretary, External Relations Division
Dr. M.A. Malik, Political Advisor to the Prime Minister
Dr. Toufiq e-Elahi Chowdhury, Secretary, Ministry of Energy & Mineral Resources
Mr. G.M. Mandal, Secretary (Power Division), Ministry of Energy & Mineral Resources
Mr. Quamrul Islam Siddiqui, Chairman, Bangladesh Power Development Board

Philip F. Patman, Jr. (Enron)



June 21, 1999

Deputy Assistant Secretary William Schuerch (c/o Phyllis)
U.S. Department of Treasury
Washington, D.C.

*Next Tuesday
check w/ Helen
10:00 AM
June 29*

Scott D. Reblitz
General Manager
Project Finance

Enron International
1775 Eye Street, N.W., Suite 800
Washington, DC 20006
(202) 466-9152
Fax (202) 331-4717
sreblit@ei.enron.com

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other
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USED off.*

Via Facsimile: (202) 622-2536

Subject: Enron project efforts in Bangladesh and discussions with World Bank

Dear Deputy Assistant Secretary Schuerch:

Following John Hardy's call to your office today, we are looking forward to meeting you this Wednesday afternoon (time to be determined). In advance of that meeting, please find a brief summary of Enron's current efforts regarding a power project in Bangladesh and concerns related to recent discussions with the World Bank.

Enron is proposing a short-term power project (150 megawatts, natural gas for fuel, 5-year duration) to alleviate the critical power shortages Bangladesh faces over the next 3-5 years. Our efforts, going back some 12-18 months, advanced to the point of contract discussions with the Bangladesh Power Development Board—discussions which were halted when, in May, the World Bank issued a letter, urging the Bangladeshi's to reject short-term, emergency power projects such as Enron's. At its core, the World Bank argument against such projects is based on two premises: 1) the Bangladeshi's cannot afford the power being offered under short term contracts; and 2) efforts aimed at curing the short-term power supply problems distract the Bangladeshi's from implementing the longer-term sectoral reforms which the World Bank advocates.

While Enron is actually a strong supporter of the reforms the Bank is seeking, we do not look at those reforms as being mutually exclusive with our proposal. To date, our efforts to engage the Bank on potential solutions have achieved little—a status which is of growing concern as we see real economic and development impacts associated with our project. Furthermore, we see the power supply/demand imbalance continuing, even if events of the next 3-5 years aimed at increasing power capacity unfold precisely as planned.

Following recent meetings with personnel in the U.S. Executive Director's Office at the World Bank, we are now seeking to elevate the discussion and to voice our concerns in the hopes of moving the issue closer to a mutually agreeable solution. Again, we look forward to visiting with you Wednesday. Should you have any questions or need additional information in advance, feel free to contact me.

Sincerely,
Scott D. Reblitz
Scott D. Reblitz

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Natural gas. Electricity. Endless possibilities.™

TOTAL P.01

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 26, 1999

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June 21, 1999

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U.S. Department of Treasury
Washington, D.C.

Subject: Enron project efforts in Bangladesh and discussions with World Bank

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Scott D. Reblitz

Natural gas. Electricity. Endless possibilities.™

TOTAL P.01

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*Next Tuesday?
ck w/ Helen
10:00 PM
June 29*

Scott D. Reblitz
General Manager
Project Finance

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1775 Eye Street, N.W., Suite 800
Washington, DC 20006
(202) 466-9152
Fax (202) 331-4717
sreblit@enr.enron.com

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no
other.*

Via Facsimile: (202)622-2536

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Frederick T. Temple
World Bank Country Director
Bangladesh

Phiphit Suphaphiphat
Resident Representative
Asian Development Bank, BRO

May 19, 1999

Hon. Prof. Rafiqul Islam
Minister of State
Ministry of Energy & Mineral Resources
Government of Bangladesh
Bhaban 6, Room 123
Bangladesh Secretariat
Dhaka

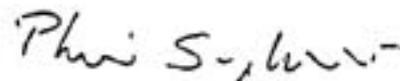
Dear Minister,

Thank you very much for arranging the brainstorming session on the power sector on May 16, 1999 afternoon. We were both sorry that we could not stay until the end of the session because of personal commitments.

One of the issues we wanted to raise during the session was the 'Crash Program for Power Sector' which the Government is planning to undertake in the near future. Mr. Mandal had briefed our joint mission about the program. Unfortunately, we could not discuss this due to time constraints. However, we are enclosing some thoughts on the subject which ADB and World Bank have jointly prepared, for your consideration.

Since the 'Crash Program' has implications for the issues discussed in the letter dated April 21, 1999 from the Finance Minister to the World Bank's Regional Vice President for South Asia concerning the Haripur Project, we are copying this letter and the enclosure to the ministries.

Sincerely,



Copy to:

The Hon'ble S.A. M.S. Kibria, Minister for Finance, Government of Bangladesh
Dr. Masihur Rahman, Secretary, ERD
Dr. Tawfiq-e-Elahi Chowdhury, Secretary, MEMR
Mr. G.M. Mandal, Secretary, Power Division, MEMR

Note on Crash Program for Power Sector

Background

1. The Ministry of Energy has invited private developers to submit proposals to install in excess of 300 MW of generation capacity, on an emergency basis, within a period of 6 months from signature of the contracts. Such power plants are expected to be in the form of barges or skid-mounted units.

Reservations

2. The program raises the following concerns:

- High cost: these plants will deliver particularly costly power. The fixed costs are expected to be of the order of US\$5-6/kWh to which the fuel cost has to be added, i.e. US\$1-2/kWh depending on efficiency (at a cost of gas of US\$1.05/MCF). The annual cost of 300 MW of these plants will be close to US\$100 million (US\$65 million fixed cost, US\$35 million variable cost). Moreover, the invitation is understood to involve base load plants, although additional peaking capacity is what is required in the coming years. In this context, it should be noted that Haripur and Meghnaghat will produce power at an inclusive levelized price below US\$3/kWh;
- Cost recovery and tariffs: the financial projections prepared for the power sector incorporate the input cost of power based on the least-cost expansion program. If these high cost plants are added, retail tariffs have to be substantially increased, in addition to the tariff increase for March 1999 already pending with the Government.

It may also be noted that the "Crash Program" envisages provision of gas to the power contractors at \$ 1.05/MCF which is lower than the purchase price of gas from the production sharing contractors. This is going to increase the financial burden on the gas sector, jeopardizing its development also.

- Time duration of contracts: it is understood that these plants will be for a duration of 5 years, which would be extendable. On the other hand, Haripur and Meghnaghat will be in operation in 2001-3, largely eliminating the need for the expensive plants;
- Environmental Impact: The environmental assessment of these plants has not been initiated - they will require at least 6 months prior to the start of construction.
- Negotiations: Experience from previous IPPs indicate that the security package, which is yet to be prepared for these projects will require some time, particularly given that no detail RFP has been prepared. Worse, like the earlier round of negotiations in barge mounted plants, this program will divert attention from the reform work needed in the sector for sustained recovery.
- Land acquisition: This will take considerable time, from experience it indicates that it might take more than 6 months to acquire a plot of land for a power plant.

To summarize, the Crash Program will be costly and is not a component of Bangladesh's least cost generation expansion program. Ultimately, BPDB will have to bear the additional cost of US\$100 million per annum, a 20% increase in its present level of revenues. Given the financial condition of BPDB, the Board will be unable to pay for this power, so that it will have to be supported by the State Budget. The gas sector will be affected due to the low price of gas under the program. The timing is uncertain. The attention of the sector will be diverted from doing long term work which will prevent sector recovery

Alternatives

3. There are a number of options to be studied as cheaper, technically and economically superior alternatives to the proposed plan, particularly those involving improving the use of existing facilities:

- Power plants rehabilitation: out of an installed capacity of approximately 3,400 MW, only about 2,200 MW is in operating condition. Hence, by rehabilitating some existing plants, additional capacity could be made available at a cost much lower than the annual cost of the temporary plants under consideration. Furthermore significant resources from KfW and OECF are already available towards the rehabilitation of Ashuganj and Fenchuganj power stations respectively. Lastly, the rehabilitation would in all probability require less time than engaging new IPPs, taking into account the time required for negotiating contracts etc.;
- Transmission systems rehabilitation: there are severe transmission bottlenecks particularly in the surroundings of Dhaka, which could be overcome, for the most part, at a relatively low cost. Some funding for such rehabilitation could be made available under outstanding loans (such as ADB's Power IX);
- Demand Management: Noting that the shortage of electricity will occur only for 4 hours a day during 7-10 PM, and that too mainly during dry season of next year, several measures could be envisaged including:
 - Enforcement of two-part tariffs. While a peak-off peak pricing policy is in place, it is not enforced, so that many industrial consumers, while equipped with special meters, are only billed at the off-peak tariff. By charging for electricity in accordance with the two-part tariff, or by otherwise encouraging consumers to disconnect during peak hours, considerable savings could be made.
 - Usage of electricity could be discouraged at peak hours including lighting displays, irrigation pumping etc.
 - Consideration should also be given to replacing incandescent lights with fluorescent lamps, on an accelerated basis.
 - Closing markets early during peak demand months.
 - Disconnection of non-paying customers.

In general terms, a better management of the rationing program could ease tensions.

4. The following capacity could be available in the coming years if the above steps are implemented (and as the Mymensing and the barge based power plants come on stream)

Plant	Capacity(MW)
Khulna (Rehabilitation)	170
Mymensing	70
Ashuganj	150*
Contracted barges	200
Short term DSM	100
Total	690

* The entire 450 MW will be operated with increased reliability.

5. In all, particularly given that the shortfalls in electricity should be short-term and that considerable additional capacity will come on line in the next 12 months, the power shortage could be eased at a cost to the economy considerably lower than that envisaged under the crash program without putting additional pressure on BPDB's already weak finances and increasing Bangladesh's exposure to foreign exchange obligations.

TREASURY CLEARANCE SHEET No. _____

Date June 26, 1999

DAS Schuerch

MEMORANDUM FOR:
EXECUTIVE SECRETARY

SECRETARY

DEPUTY SECRETARY

ACTION

BRIEFING

INFORMATION LEGISLATION

PRESS RELEASE

PUBLICATION REGULATION

SPEECH

TESTIMONY

OTHER _____

FROM: Joseph B. Eichenberger, OD/IDB

THROUGH: _____

SUBJECT: Briefing for Meeting with Enron on Bangladesh Power

REVIEW OFFICES (Check when office clears)

Under Secretary for Finance

Domestic Finance

Economic Policy

Fiscal

FMS

Public Debt

Under Secretary for International Affairs

International Affairs

Enforcement

ATF

Customs

FLETC

Secret Service

General Counsel

Inspector General

IRS

Legislative Affairs

Management

OCC

Policy Management

Scheduling

Public Affairs/Liaison

Tax Policy

Treasurer

E & P

Mint

Savings Bonds

Other _____

NAME (Please Type)	INITIAL	DATE	OFFICE	TEL. NO.
INITIATOR(S) EStewart	<u>ES</u>	6/26/99	IDB	622-1267
REVIEWERS J. Laufmann	<u>SL</u>	6/28/99		
J. Mayer (EIS/fe)	<u>JM</u>	6/26/99	USED/IBRD (American Liaison).	458-0118

Smith, Amy

From: Smith, Amy
Sent: Wednesday, December 12, 2001 4:48 PM
To: 'English, Danielle'
Subject: RE: Insurance letter

Thanks.

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

From: English, Danielle [mailto:danielle.english@mail.house.gov]
Sent: Wednesday, December 12, 2001 4:48 PM
To: Amy.Smith@do.treas.gov
Subject: RE: Insurance letter

Sorry I haven't had a chance to get back to you... Enron hearing... I'm faxing it over right now. Thanks!

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

From: Amy.Smith@do.treas.gov [mailto:Amy.Smith@do.treas.gov]
Sent: Wednesday, December 12, 2001 1:38 PM
To: English, Danielle
Subject: Insurance letter

Danielle--

Can you fax over another copy of your insurance letter? Thanks, Amy

Amy D. Smith
Deputy Assistant Secretary
(Banking and Finance)
The Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220
(202) 622-1900
(202) 622-0534 (fax)

Davis, Michele

From: Viqueira, Michael (NBC) [Michael.Viqueira@nbc.com]
Sent: Friday, January 18, 2002 10:57 AM
To: 'Michele.Davis@do.treas.gov'
Subject: Hi Michelle



I'm sure that you will be delighted to hear that Lisa
thousands are leading NBC coverage of the Enron collap

I have a serious question: I know that often when a c
travels abroad on official business he/she will take a
of American industry as part of the delegation. My que
Enron officials been along on any such trips with the

I'd appreciate any info that you can provide.

Cheers, Mike V.

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

From: Michele.Davis@do.treas.gov [mailto:Michele.Davis@do.treas.gov]
Sent: Friday, January 11, 2002 1:02 PM
To: Michael.Viqueira@nbc.com
Subject: RE: hi there

I just got off the phone with David. But definitely let me know if there's
any additional questions. Thanks for thinking of me!
The volume of calls are pretty high, but this is an easy one -- much easier
than answering Newt ethics questions, or all those other things!

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

From: Viqueira, Michael (NBC) [mailto:Michael.Viqueira@nbc.com]
Sent: Friday, January 11, 2002 12:43 PM
To: 'michele.davis@do.treas.gov'
Subject: hi there

You must be having a wonderful day.

I don't know if Campbell or David are in touch with you, but if they aren't
please keep me in mind when you have stuff that you need out there.

Cheers, Mikey V.

Because e-mail can be altered electronically,
the integrity of this communication cannot be guaranteed.

Because e-mail can be altered electronically,
the integrity of this communication cannot be guaranteed.

Davis, Michele

From: Smith, Chris
Sent: Thursday, January 03, 2002 9:30 AM
To: Adams, Tim; Davis, Michele; Aufhauser, David
Subject: Enron
Sensitivity: Confidential

FYI, see today's WSJ page A10 re: Enron.

THE TAX COUNCIL

1301 K Street, NW - Suite 800 West - Washington, DC 20005 - (202) 822-8062

PURPOSE

The Tax Council was organized in 1966 to promote sound tax and fiscal policies in order to increase the real productivity of the nation. The Council believes that the federal budget and tax laws should be based on policies that encourage both capital formation and capital preservation in order to enlarge productive investment and generate economic growth.

The Tax Council provides an ongoing forum to clearly focus on federal tax and budget issues through policy review programs, communications to the Executive Branch, testimony before Congressional committees, informational publications and tax conferences. The Council questions concepts and tax measures which will be harmful to the economy and supports those that will result in a stronger, more productive economic base.

ORGANIZATION AND MANAGEMENT

The Tax Council was incorporated in the District of Columbia on August 4, 1966 and is exempt from federal income tax under Section 501(c)(6). A nonprofit, business-supported organization, the Tax Council is governed by a Board of Directors drawn from its membership. Mr. Alan J. Lipner, Senior Vice President for Corporate Tax of the American Express Company, is the current Chairman of the Board. Mr. Roger J. LeMaster, a Washington tax attorney, is the Executive Director. The Tax Council is supported in its efforts by the Tax Council Policy Institute (TCPI) which is a Section 501(c)(3) nonprofit research and educational organization. The TCPI recently sponsored a successful Federal Tax Policy Symposium on "INDOPCO: Past, Present, & Future."

Membership in the Tax Council is limited to 120 major corporations, associations and businesses. They represent a wide cross section of the business community including manufacturing, energy, telecommunications, electronics, transportation, utilities, retailing, law, accounting, banking and financial services. Participating individuals typically are senior level tax executives, government relations officers and financial executives.

PROGRAMS

Tax Legislative Conferences. A Spring Legislative Conference is held in Florida early in the year to review and discuss the tax legislative agenda for the year. A Fall Conference coincides with the Annual Meeting in the Washington area. The Spring Conference in 2000 was held at the Breakers in Palm Beach, Florida. In 2001, it will be held at the Ocean Reef Club, Key Largo, Florida. Speakers include U.S. Senators, Representatives and high level Congressional and Administration tax staff.

(over)

Tax Dinners, Luncheons and Breakfasts To improve communications between the business community and those who make federal tax policy, a number of dinner, luncheon and breakfast meetings are held each year. Guest speakers are usually members of the Congressional tax writing committees, key professionals from Capitol Hill, or spokespersons from the Executive Branch. These are informal sessions with all participants having the opportunity to engage in the dialogue with the speaker. Speakers have included Senators Hatch (R-UT), Nickles (R-OK), Baucus (D-MT), Breaux (D-LA), and Congressmen Clay Shaw (R-FL), Phil English (R-PA), Ben Cardin (D-MD) and Charlie Rangel (D-NY), as well as Lindy Paul, Chief of Staff of the Joint Committee on Taxation, Treasury Secretary Lawrence Summers and Mr. Steve Forbes.

Tax Seminars are held when warranted in conjunction with dinners and luncheons to appraise developments in particular subject areas such as the so-called "corporate tax shelter" debate, fundamental tax reform and other important tax issues.

TAX POLICY OPERATIONS

Tax Policy Committee The Tax Council develops its policy positions through its Tax Policy Committee on which all members serve. The committee operates by consensus and functions as a forum for debate, exposing issues to analysis beyond the concerns of a particular industry. The Policy Committee schedules at least two meetings during the year which usually coincide with the Annual Meeting in the Fall and the three-day Spring Conference in March. Other meetings are held as warranted.

Testimony before and statements to Congressional committees are essential for helping shape tax policy and members present testimony on behalf of The Tax Council on major tax issues. For example, testimony has been submitted to the Ways & Means and Finance Committees in regard to the revenue provisions in the Administration's budget proposals over the last several years.

Working Papers are designed to provide in-depth analysis of various tax policy issues of interest to the membership and others.

The Tax Council
Roger J. LeMaster, Executive Director
1301 K Street, NW, Suite 800 W
Washington, DC. 20005
(202) 822-8062 Fax (202) 414-1301

THE TAX COUNCIL

ALCOA INC. Ronald D. Dickel, Vice President-Tax; AMERICA ONLINE, Michael Liddick, Director of Taxes; AMERICAN BANKERS ASSOCIATION Donna J. Fisher, Director, Tax & Accounting; AMERICAN CHEMISTRY COUNCIL, Stephan Elkins, Tax Team Leader; AMERICAN COUNCIL OF LIFE INSURANCE, Douglas Bates, Director, Federal Relations; AMERICAN ELECTRIC POWER SERVICE CORPORATION, William L. Scott, Vice President of Taxes; AMERICAN EXPRESS COMPANY, Alan J. Lipner, Senior Vice President-Corporate Tax; AMERICAN INSTITUTE OF CPAS, Gerald P. Padwa, Vice President-Taxation; AMERICAN INTERNATIONAL GROUP, INC., Richard P. Merski, Vice President, Government Affairs; AMERICAN PETROLEUM INSTITUTE, Andrew C. Yood, Director of Taxation; THE ANSCHUTZ COMPANY, Wiley N. Jones, Vice President & Washington Counsel; ARCH CHEMICALS, Phyllis K. Hartford, Sr. Tax Counsel; ARCHER DANIELS MIDLAND COMPANY, George W. 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**Meeting With Brajesh Mishra, Indian National Security Advisor
and Principal Secretary to the Prime Minister**

OVERVIEW

[(b)(5)]

INDIA: MACROECONOMIC OVERVIEW
June 2001

[(b)(5)]

National Security Council Guidance on the Enron Issue

[(b)(5)]

[(b)(5)]

0100000000985

Dabhol Power Company

Presentation

July 17²³, 2001

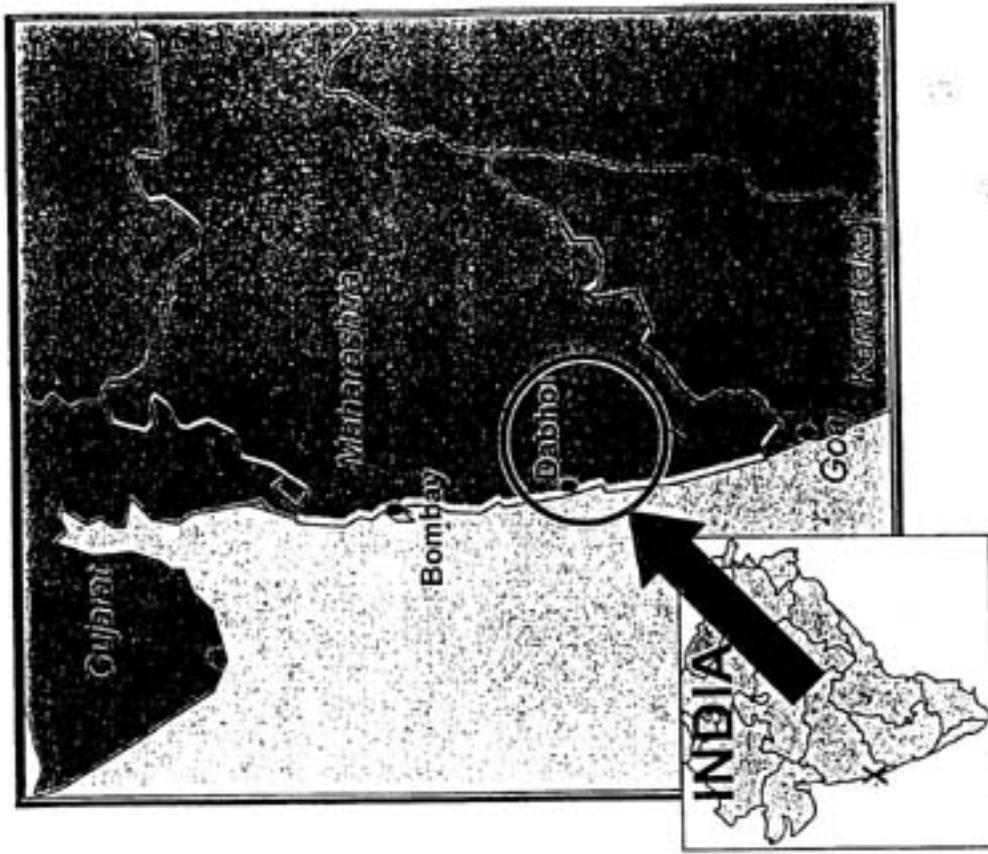
DABHOLPOWER
Power to the people

Presentation Agenda

- ◆ **Status of the Project - Phase I Operations**
- ◆ **Status of the Project – Phase II Construction**

DPC Project Profile

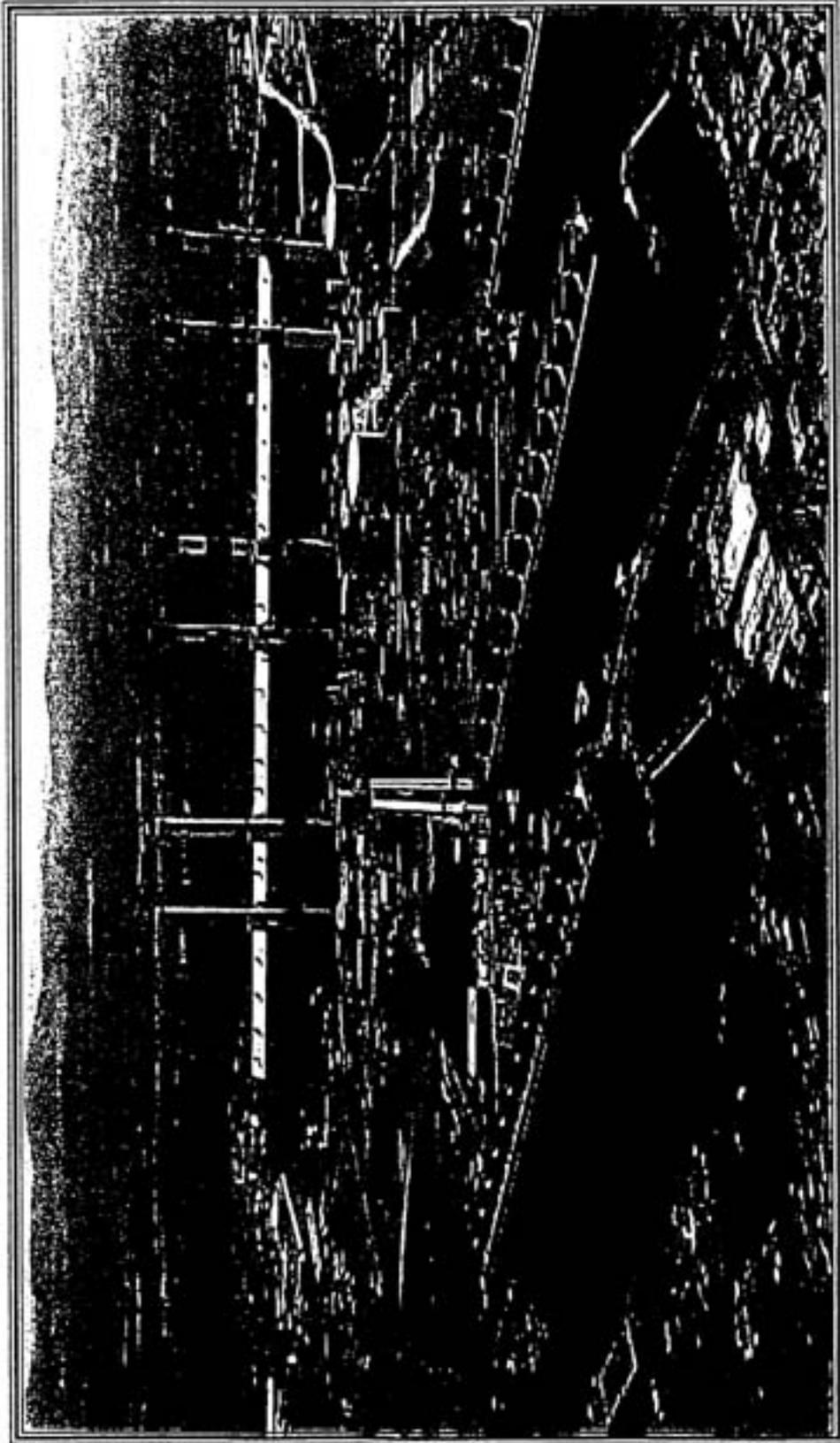
- **Location** Maharashtra, India
- **Power Station Capacity** 2,184 MW
- **Regasification Facility** 3 LNG tanks, Vaporizers, Dredging, 2.3 km Breakwater, 1.7 km Fuel Jetty
- **Primary Fuel** Natural Gas (from LNG)
- **Back-up Fuel** Naphtha or Distillate
- **Power Purchaser** Maharashtra State Electricity Board
- **Shareholders** Enron Corp., MSEB, General Electric Capital Corporation and Bechtel Enterprises Holdings Inc.
- **Fuel Suppliers**
 - Phase I Glencore (International Tender)
 - Phase II Oman LNG and Abu Dhabi Gas Liquefaction Company
- **Shipper** Greenfield Shipping Co. Ltd.



DABHOLPOWER
Power to the people

Aerial Views of Dabhol

Phase II Power Project - November 00

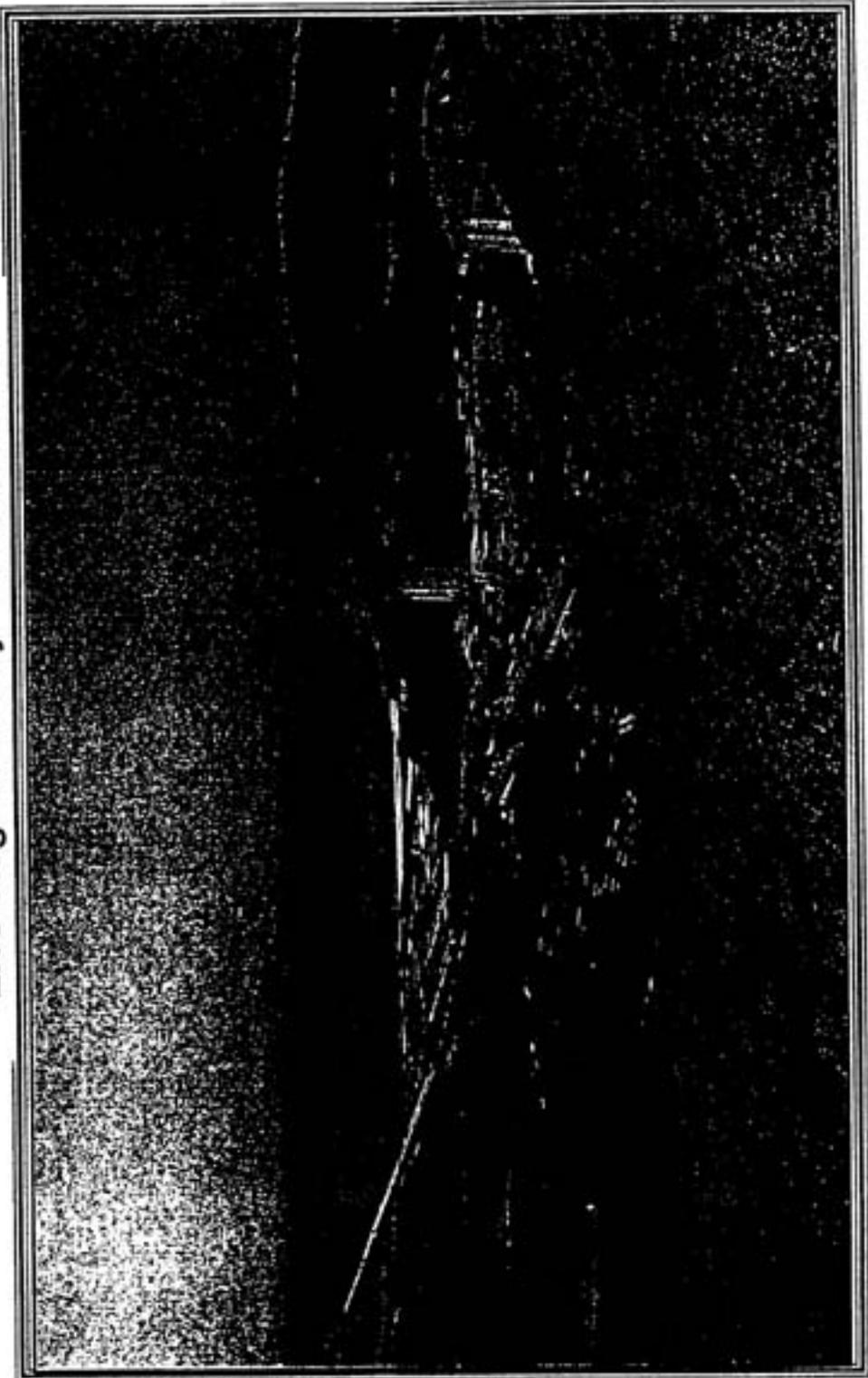


DABHOLPOWER
Power to the people

0100000000991

Aerial Views of Dabhol

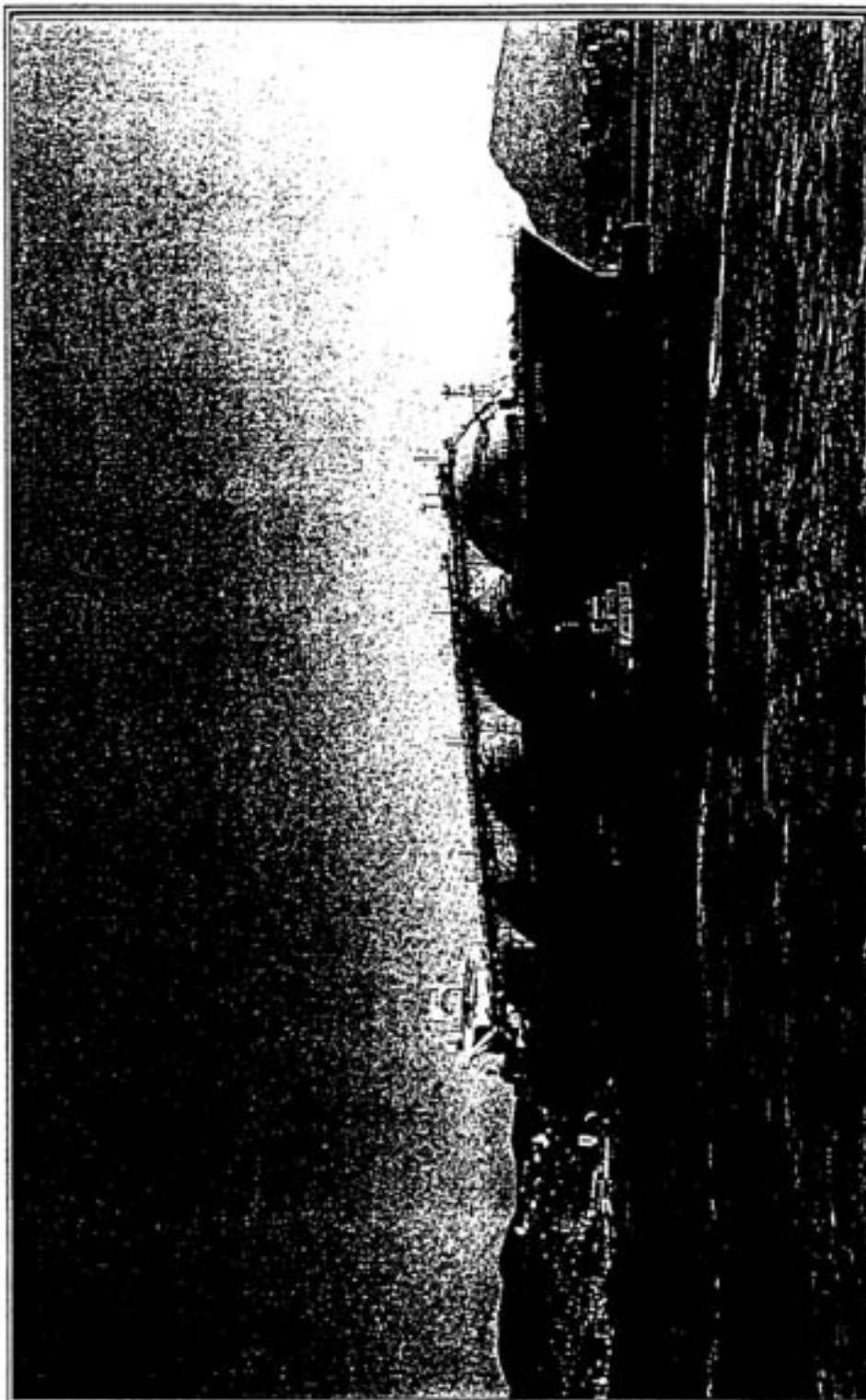
LNG Regas Facility - November 00



DABHOLPOWER
Power to the people

DPC's LNG Tanker

Launch of DPC's LNG Tanker "Lakshmi" - December 00



DABHOLPOWER
Power to the people

Presentation Agenda

Status of the Project

Phase I Operations

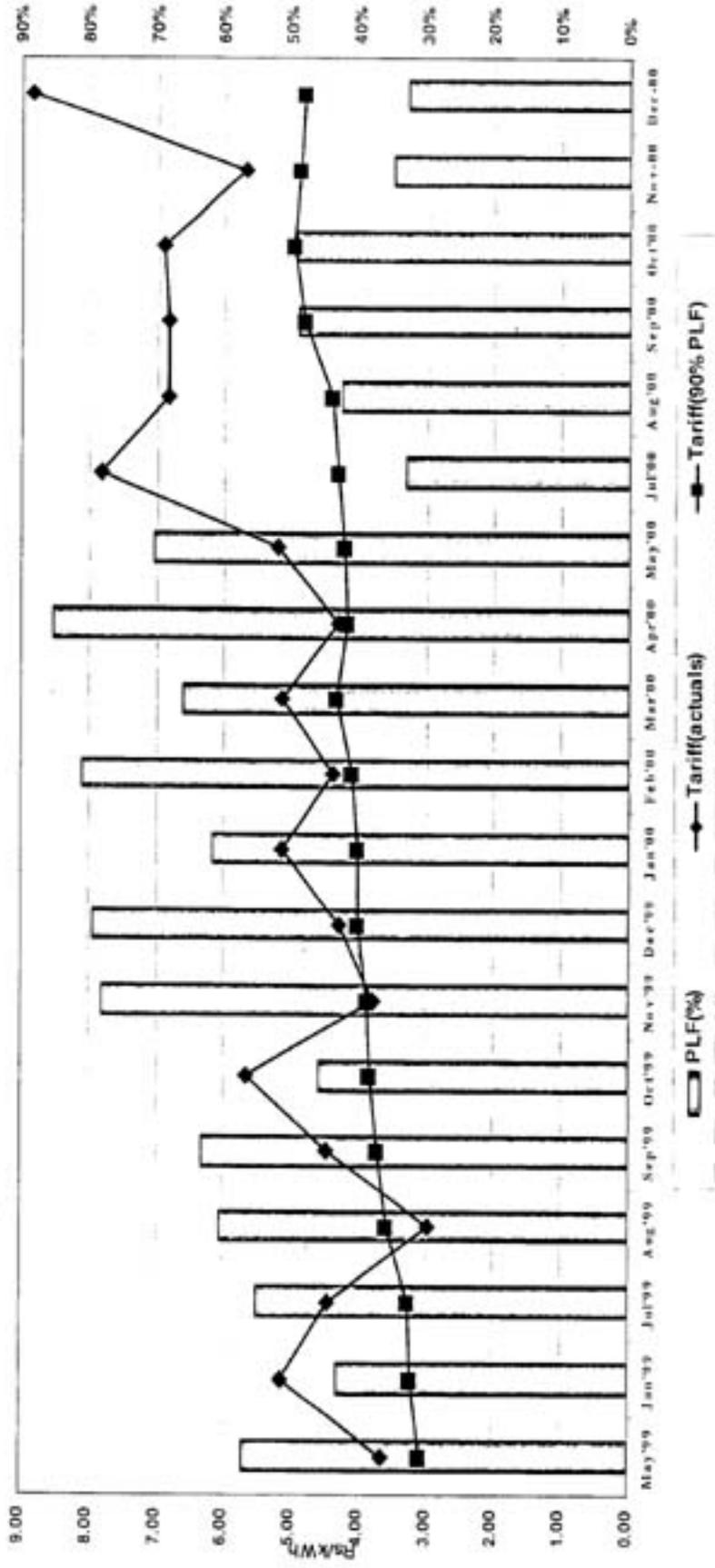
Phase I: Operations Update

Operational Performance

- ◆ ECS achieved on May 13, 1999
- ◆ Average Availability*: 85%
- ◆ Average Baseload PLF*: 57%

* For the period from May'99 to Dec'00

DPC Monthly Tariff & MSEB Dispatch

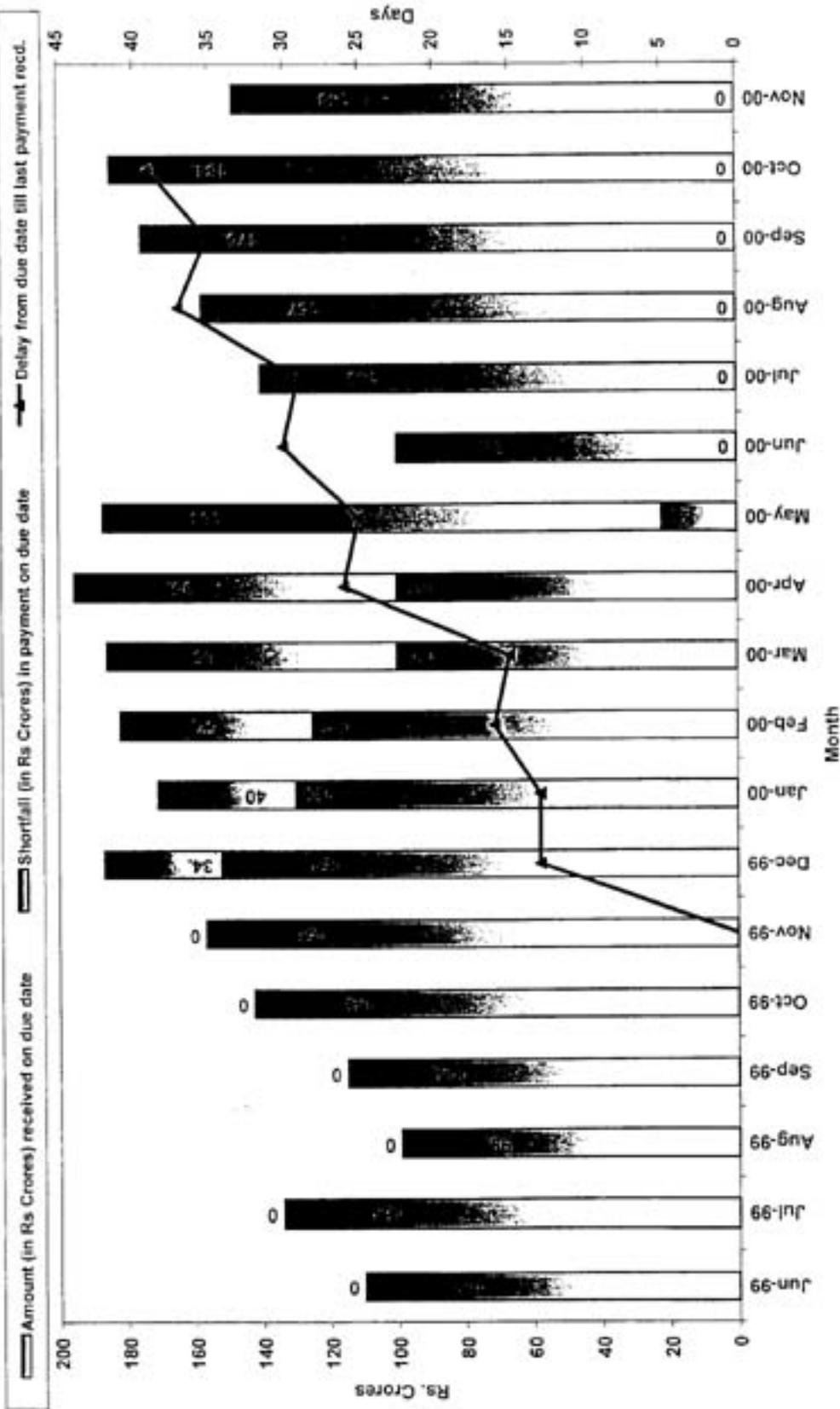


DPC Average Tariff for Period May'99 to Dec'00
 Actual Dispatch @ Rs: 5.08/kWh

June '00 not considered as plant was down due to scheduled & other maintenance

MSEB Payment Details

Monthly Payment Details



Current Situation – Phase I

- ◆ December, January bill not paid; April, May bill not paid
- ◆ MSEB alleges misdeclaration [(b)(5)]
- ◆ GOM, GOI fail to honor guarantees on basis of misdeclaration ^{Phase I}
- ◆ DPC issues Notice of Default to GOM and GOI; initiates arbitration [(b)(5)]
- ◆ DPC declares Political Force Majeure; issues PTN
- ◆ MSEB rescinds PPA; stops purchase of DPC power (May)

Presentation Agenda

Status of the Project

Phase II Construction

01000000000999

Phase II Construction: Key Milestones

Activity	Start Date	End Date	Responsible Party	Notes
Site Preparation	01/15/2024	02/28/2024	Construction Team	Clearing and grading of site.
Foundation Work	03/01/2024	04/15/2024	Foundation Contractors	Excavation and pouring of concrete foundation.
Structural Framework	04/16/2024	06/30/2024	Structural Steel Erection	Installation of steel beams and columns.
Roofing and Siding	07/01/2024	08/31/2024	Roofing and Siding Contractors	Installation of roof panels and exterior siding.
Interior Finishes	09/01/2024	11/30/2024	Interior Contractors	Installation of drywall, insulation, and interior finishes.
Mechanical and Electrical	12/01/2024	01/31/2025	Mechanical and Electrical Contractors	Installation of HVAC, plumbing, and electrical systems.
Final Inspection and Handover	02/01/2025	02/28/2025	Project Manager	Final inspection and handover to the client.

Current Situation – Phase II

- ◆ Construction terminated in June; project 97% complete
- ◆ \$ lenders opposed to putting in more money; Indian lenders want to complete [(b)(5)]
- ◆ Phase II being mothballed [(b)(5)]
- ◆ Oman LNG/Abu Dhabi gas contracts at risk
 - Representations made to GOI

[(b)(5)]

Status of Discussions

- ◆ Godbole Committee discussions
 - State-Local discussions narrow focus – reduce the tariff [(b)(5)]
 - State lacks ability to move Phase II power to other states

- ◆ General discussions with GOI
 - GOI adamant:
 - » DPC-State must sort out problems
 - » Centre will not purchase Phase II power; Centre will not provide credit support to other states

- ◆ Enron position
 - Without strong participation of Centre, no re-negotiation is possible
 - Only alternative is for Enron to leave:
 - » Termination
 - » Buy-Out [(b)(5)]

Government

- ◆ Centre needs to get engaged; if they can't, then buy out Enron.
- ◆ India argues DPC is one-off. But defaulting on Guarantee and moving towards what lenders view as an expropriation has international implications. [(b)(5)]
- ◆ Indian Government needs to understand implications for FDI if Court case goes against DPC.
 - Maharashtra regulatory authority claims jurisdiction to void PPA arbitration clause
 - Threatens existing as well as prospective foreign investment

June 8, 2001

WEEKLY ISSUES (ITI)

Dabhol Power Dispute in India

[(b)(5)]

The dispute has already hurt the Indian economy. An international credit rating agency has downgraded India from "stable" to "negative" because of this dispute.

[OUTSIDE SCOPE . (b)(5)]

0100000001006

[OUTSIDE SCOPE , (b)(5)]

01000000001007

Dabhol Power Company
January 10, 2001

[(b)(5)]

[(b)(5)]

Financing

[(b)(5)]

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

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

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

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

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

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

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

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

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

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

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

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

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Dabhol Power Company

Presentation

DABHOLPOWER

Power to the people

January 9, 2001

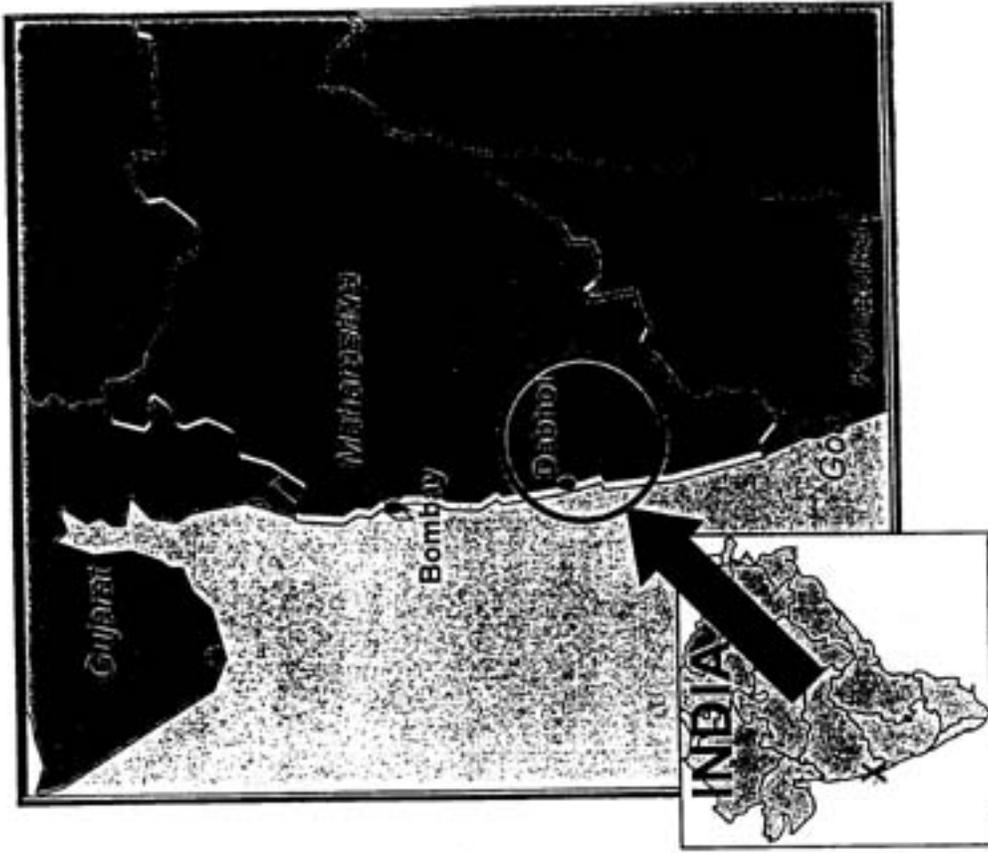
24

Presentation Agenda

- ◆ Status of the Project - Phase I Operations
[(b)(5)]
- ◆ Status of the Project - Phase II Construction
[(b)(5)]

DPC Project Profile

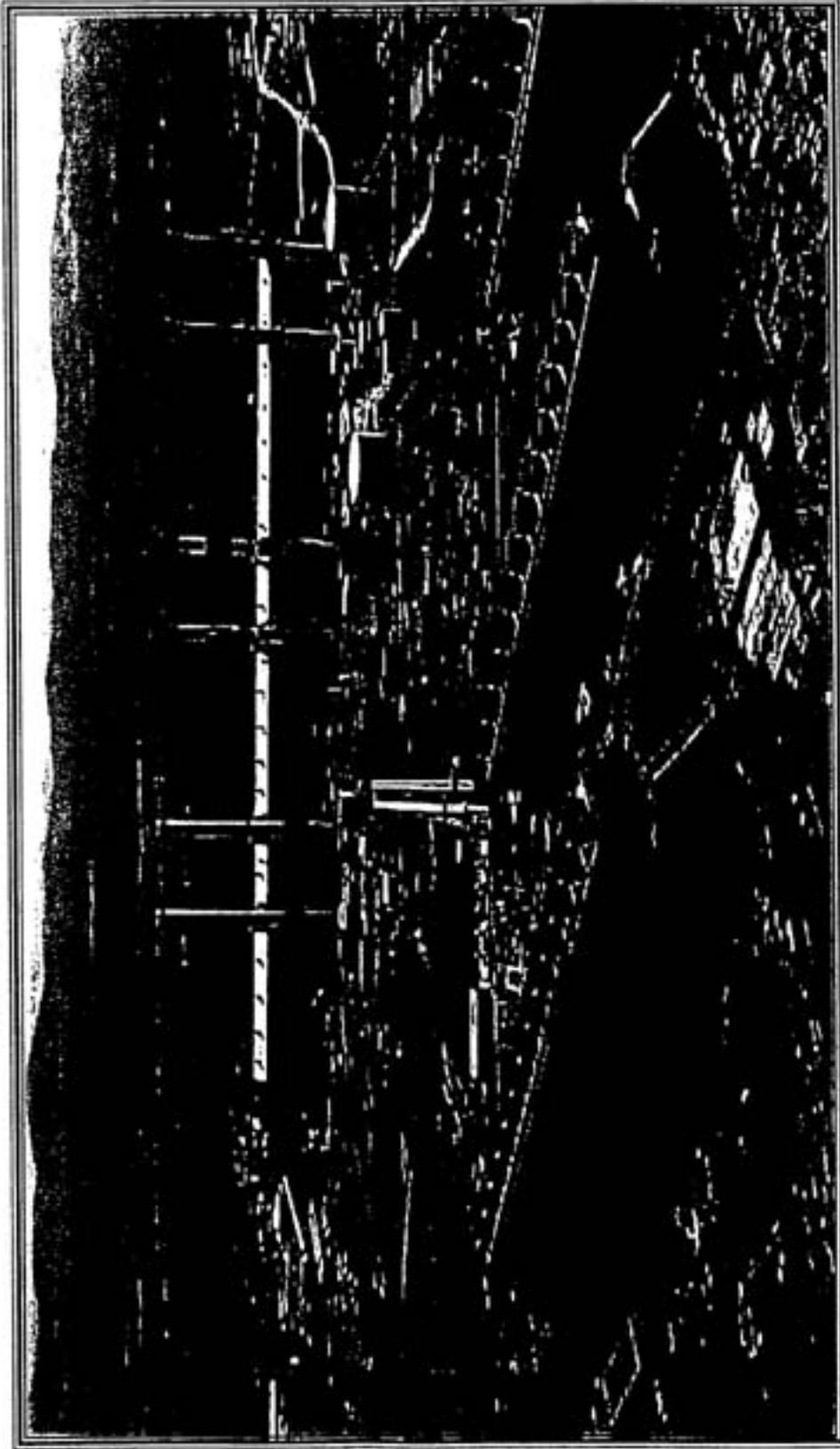
- **Location** Maharashtra, India
- **Power Station Capacity** 2,184 MW
- **Regasification Facility** 3 LNG tanks, Vaporizers, Dredging, 2.3 km Breakwater, 1.7 km Fuel Jetty
- **Primary Fuel** Natural Gas (from LNG)
- **Back-up Fuel** Naphtha or Distillate
- **Power Purchaser** Maharashtra State Electricity Board
- **Shareholders** Enron Corp., MSEB, General Electric Capital Corporation and Bechtel Enterprises Holdings Inc.
- **Fuel Suppliers** Glencore (International Tender)
- **Phase I** Oman LNG and Abu Dhabi Gas Liquefaction Company
- **Phase II** Greenfield Shipping Co. Ltd.
- **Shipper**



DABHOLPOWER
Power to the people

Aerial Views of Dabhol

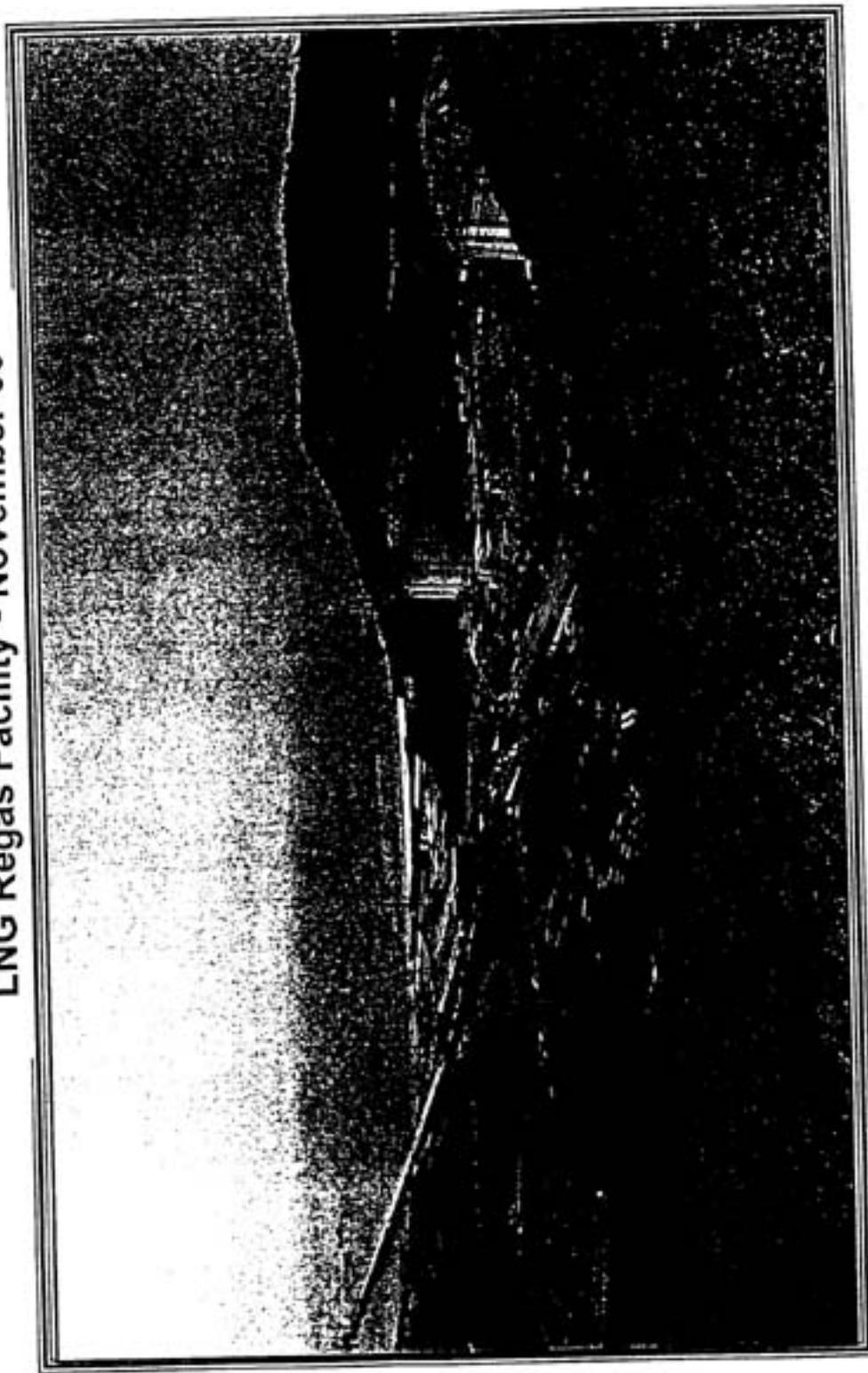
Phase II Power Project - November 00



DABHOLPOWER
Power to the people

Aerial Views of Dabhol

LNG Regas Facility - November 00



DABHOLPOWER
Power to the people

0100000001021

DPC's LNG Tanker

Launch of DPC's LNG Tanker "Lakshmi" - December 00



DABHOLPOWER
Power to the people

0100000001022

Status of the Project

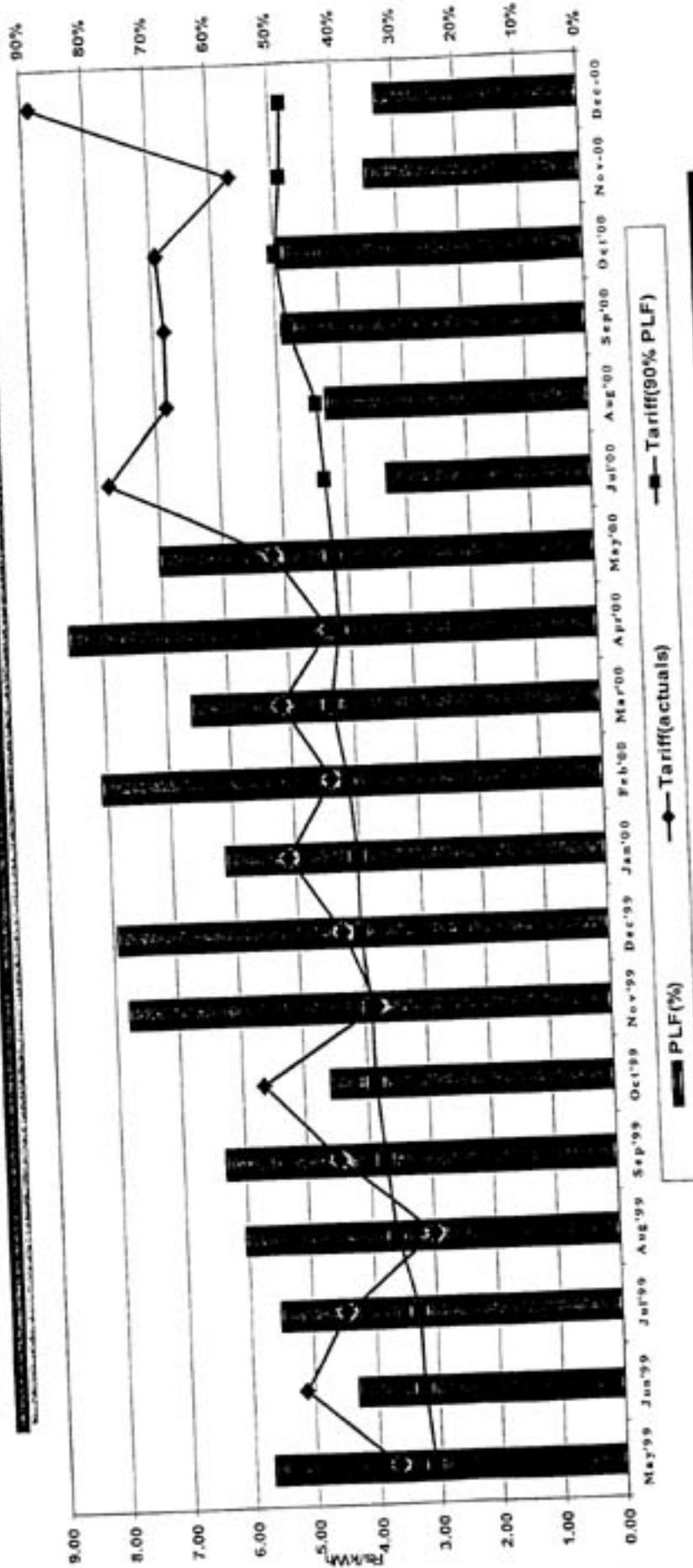
Phase I Operations

Operational Performance

- ◆ ECS achieved on May 13, 1999
- ◆ Average Availability*: 85%
- ◆ Average Baseload PLF*: 57%

**For the period from May'99 to Dec'00*

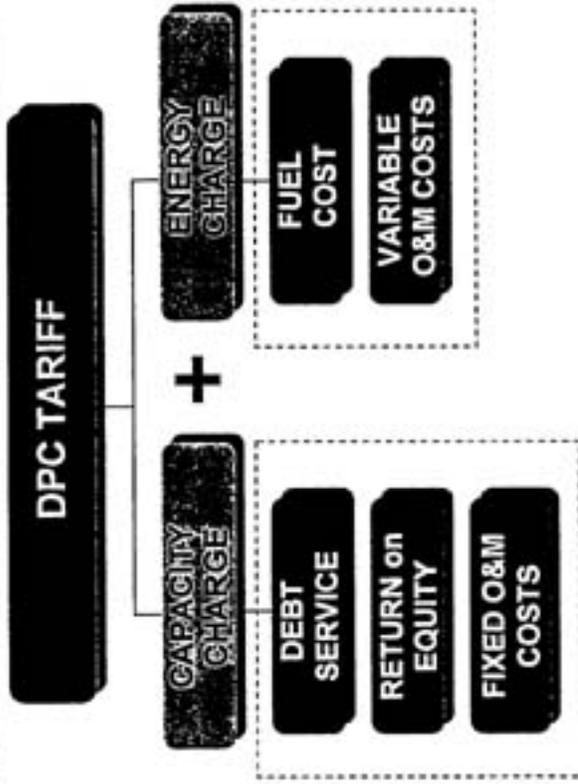
DPC Monthly Tariff & MSEB Dispatch



DPC Average Tariff for Period May'99 to Dec'00
@ 90% Dispatch = Rs.4.08/kWh
@ Actual Dispatch = Rs. 5.08/kWh

June'00 not considered as plant was down due to scheduled & other maintenance

DPC Tariff



Capacity Charge

DPC guarantees a 90% Target Availability
Penalty for shortfall in Target Availability
Charges Influenced by Rupee Dollar Rate
/ Inflation

Energy Charge

Paid on the basis of "Dispatch" from MSEB
Influenced by Fuel Prices / Import Duty on Fuel

The Tariff responds to changes in Macro-economic factors & MSEB Dispatch

DPC- Phase I Macro-economic Parameters

Over the period May 1999 to Dec 2000 some macro-economic parameters affecting the tariff are stated below:

	<u>May-99</u>	<u>Dec-00</u>	<u>Avg.</u>
Rs.-\$ Exchange Rate (Rs./\$)	43.02	46.70	44.45
Landed Naphtha Price (\$/MT) ~	182	356	291
Import Duties (\$/MT) ~	32	63	52
(incl. in Naphtha Price)			

There has been an increase from May-99 to Dec-00 of :

- ~ 9% in the Rupee Dollar Rate
- ~ 95% in the Naphtha Prices

DPC- Conclusions on Tariff

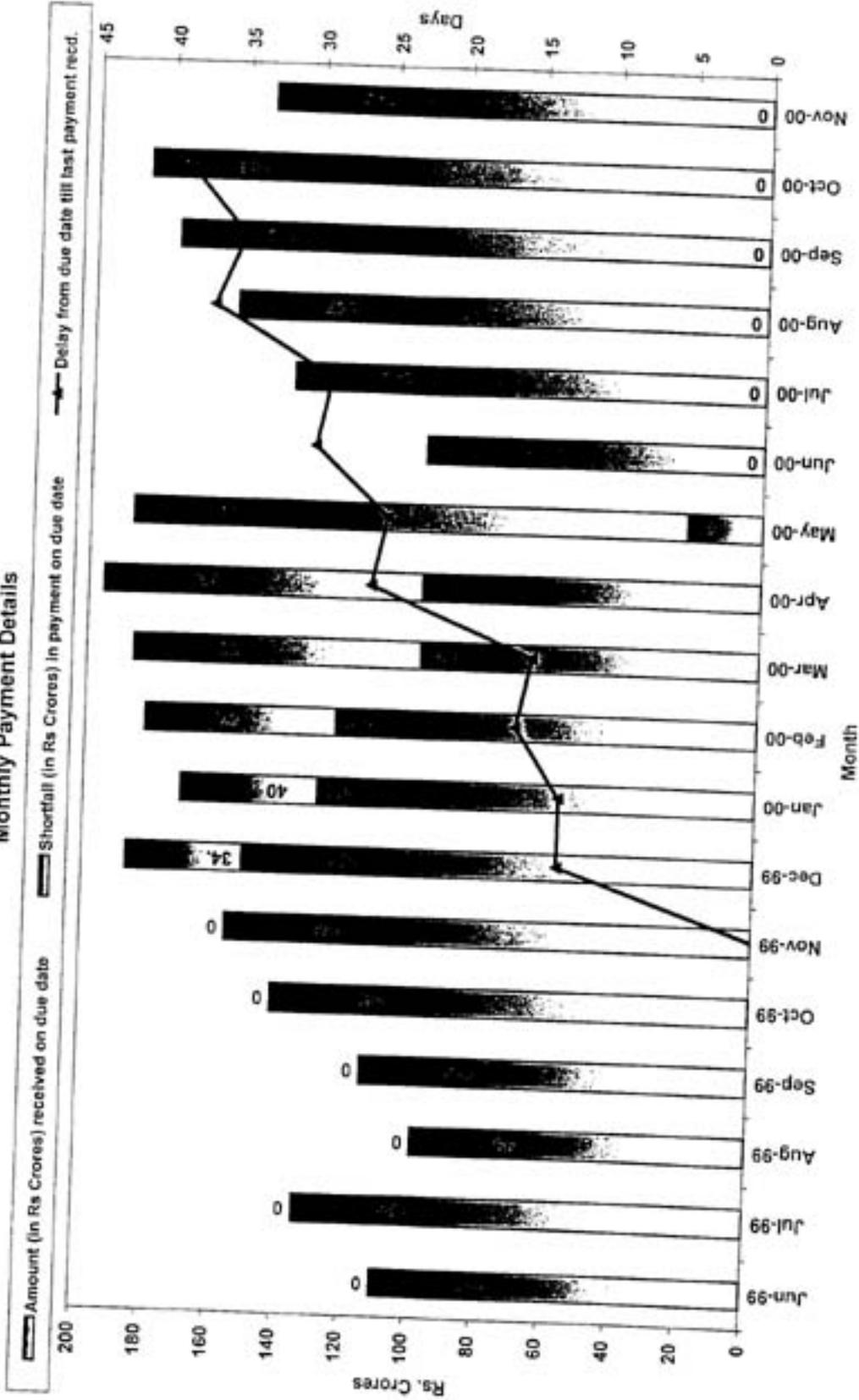
- Dec-00 Tariff (corrected to 90% dispatch) 4.83 Rs./kWh
- May-99 Tariff (corrected to 90% dispatch) 3.09 Rs./kWh
- There is a difference of 1.74 Rs./kWh
 - » 0.34 Rs./kWh (~ 19 %) increase as a result of Rupee Dollar Rate
 - » 1.40 Rs./kWh (~ 81 %) increase as a result of Naphtha prices

Tariff after Phase II completion (in 2002 at current Rupee Dollar Rates with LNG as fuel) ranges from ~ 3.34 to 3.67 Rs/kWh*

** Depending on the Crude Oil Prices (\$22-28/Bbl)*

MSEB Payment Details

Monthly Payment Details



DABHOLPOWER
Power to the people

Presentation Agenda

Status of the Project

Phase II Construction

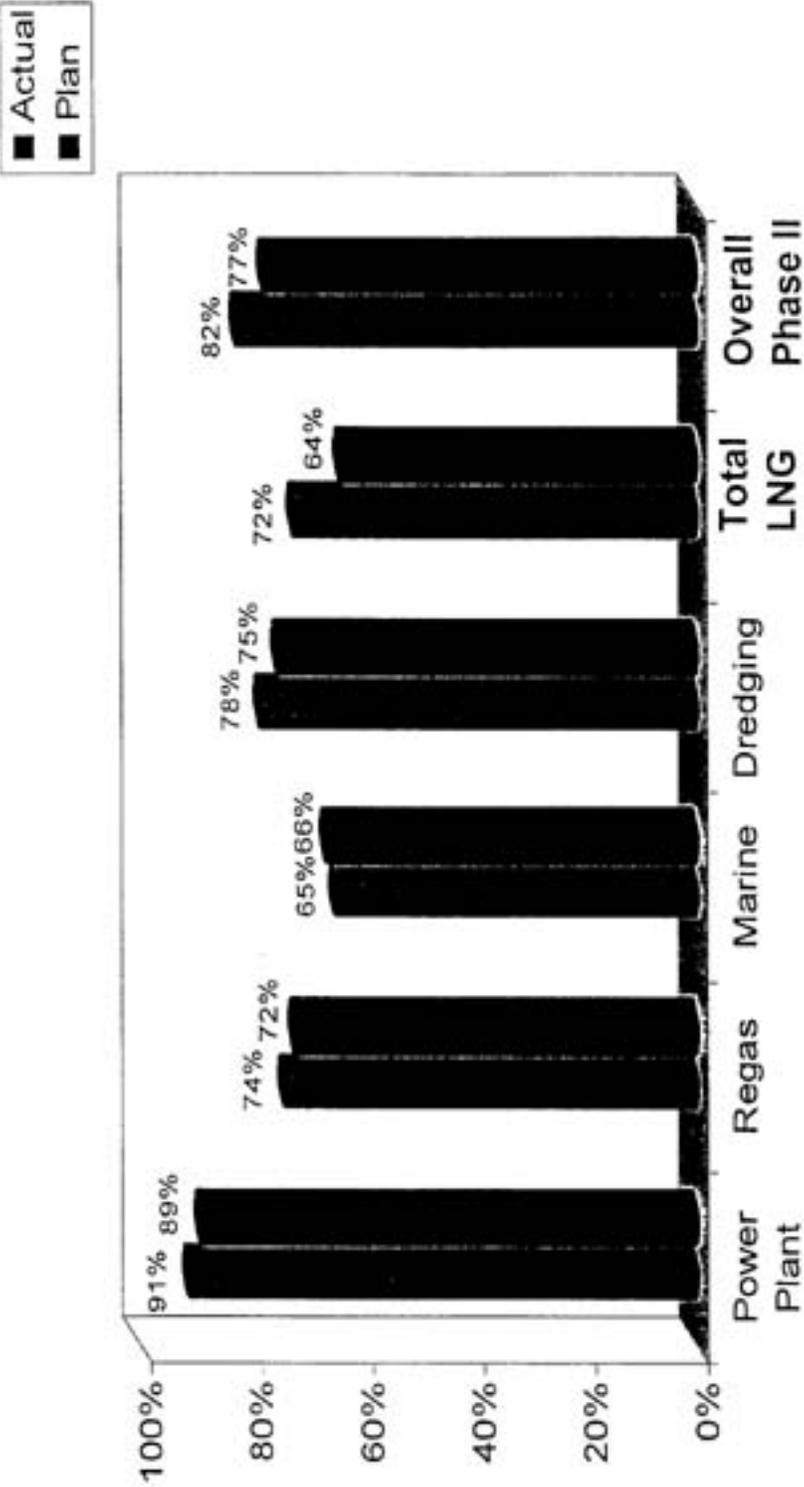
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Phase II Construction - Key Milestones

		Guaranteed Completion Date (per EPC)	Anticipated Completion Date (per DPC PDO's estimate)
Power Plant	Block B	7-Jun-01	Jun-01
	Block C	1-Oct-01	Aug-01
LNG Facility	Phase A	15-Dec-01	15-Dec-01
	Phase B	30-Jan-02	30-Jan-02
	Phase C	15-Mar-02	15-Mar-02
	Phase D	1-Jun-02	1-Jun-02

Phase II Construction - Progress Update

Construction Progress (as of Dec. 2000)



Power Plant: 91% complete
LNG Facility: 72% complete

LNG Vessel - Construction Update

- ◆ Ship construction on Schedule
- ◆ Ship launched on Dec 28, 2000
- ◆ Sea Trials scheduled in September 2001
- ◆ Start Date Window - October 15, 2001 to November 15, 2001



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and Special Assets*

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Fax: (202) 408-5142

Wiedman, Mark

From: Carleton, Norman
Sent: Friday, January 11, 2002 10:37 AM
To: Wiedman, Mark
Cc: Schultheiss, Heidilynne
Subject: RE: enron meeting -- 12:00?

[(b)(5)]

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

From: Wiedman, Mark
Sent: Friday, January 11, 2002 10:30 AM
To: Carleton, Norman; Bitsberger, Timothy; Schultheiss, Heidilynne; Nickoloff, Peter
Subject: RE: enron meeting -- 12:00?

[(b)(5)]

Thanks.

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

From: Carleton, Norman <Norman.Carleton@do.treas.gov>
To: Wiedman, Mark <Mark.Wiedman@do.treas.gov>
CC: Schultheiss, Heidilynne <Heidilynne.Schultheiss@do.treas.gov>
Sent: Fri Jan 11 09:52:30 2002
Subject: RE: enron meeting -- 12:00?

[(b)(5)]

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

From: Wiedman, Mark
Sent: Friday, January 11, 2002 9:10 AM
To: Carleton, Norman; Schultheiss, Heidilynne
Cc: Nickoloff, Peter; Bitsberger, Timothy; Stokes, Veronica
Subject: enron meeting -- 12:00?

Tim would like to go over the Enron paper you folks put together at 12. Can you make that?

Wiedman, Mark

From: Wiedman, Mark
Sent: Friday, January 11, 2002 10:30 AM
To: Carleton, Norman; Bitsberger, Timothy; Schultheiss, Heidilynne; Nickoloff, Peter
Subject: RE: enron meeting -- 12:00?

[(b)(5)]

Thanks.

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

From: Carleton, Norman <Norman.Carleton@do.treas.gov>
To: Wiedman, Mark <Mark.Wiedman@do.treas.gov>
CC: Schultheiss, Heidilynne <Heidilynne.Schultheiss@do.treas.gov>
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Wiedman, Mark

From: Wiedman, Mark
Sent: Thursday, January 10, 2002 8:38 PM
To: Carleton, Norman
Subject: RE: foia

[OUTSIDE SCOPE , (b)(2)]

[OUTSIDE SCOPE]

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

From: Wiedman, Mark
Sent: Thursday, January 10, 2002 6:54 PM
To: Carleton, Norman
Subject: RE: foia

[OUTSIDE SCOPE]

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

From: Carleton, Norman
Sent: Thursday, January 10, 2002 6:52 PM
To: Wiedman, Mark
Subject: RE: foia

[OUTSIDE SCOPE]

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

From: Wiedman, Mark
Sent: Thursday, January 10, 2002 6:01 PM
To: Carleton, Norman
Subject: foia

[OUTSIDE SCOPE]

Wiedman, Mark

From: Wiedman, Mark
Sent: Thursday, January 10, 2002 6:54 PM
To: Carleton, Norman
Subject: RE: foia

[OUTSIDE SCOPE]

Subject: foia

[OUTSIDE SCOPE]

Wiedman, Mark

From: Wiedman, Mark
Sent: Thursday, January 10, 2002 6:01 PM
To: Carleton, Norman
Subject: foia

[OUTSIDE SCOPE]

Wiedman, Mark

From: Wiedman, Mark
Sent: Monday, January 07, 2002 10:27 AM
To: Bitsberger, Timothy; Carleton, Norman; Schultheiss, Heidilynne; Nickoloff, Peter
Subject: FW: SECRETARY ON ENRON

From meet the press.

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

From: Wiedman, Mark
Sent: Monday, January 07, 2002 10:21 AM
To: Wiedman, Mark
Subject: SECRETARY ON ENRON

MR. RUSSERT: Enron, the biggest bankruptcy in our nation's history-people at the top were able to trade out their stock and bring home some money. People at the bottom were not able to do that because of some of the regulations imposed upon them. As secretary of Treasury, will you investigate Enron?

SEC'Y O'NEILL: You know, I think what we've been doing and what we'll do going forward is look and see if there are regulatory actions or rules that could be put in place that would avoid this kind of situation. I think the dust hasn't cleared yet on this case and it's not clear whether the company fulfilled all of its obligations under the existing rules. If they did, it suggests that we need rule change. If, on the contrary, it turns out that they didn't fully comply with all the rules, we have a different issue on our hands.

MR. RUSSERT: That's criminal behavior.

SEC'Y O'NEILL: Well, I don't know. You're jumping to a conclusion. I wouldn't do that.

MR. RUSSERT: If they don't comply with the rules.

SEC'Y O'NEILL: I would tell you from my own experience, again, having run a Fortune 50 corporation, that I thought the rules were very clear on what's required for reporting. And I think we'll see fairly soon from the work that's being done by the SEC and others whether or not the corporation fully complied with its reporting responsibilities.

MR. RUSSERT: Are you going to look into some of the offshore investments?

SEC'Y O'NEILL: Well, I think we need to look at their compliance with rules, and to the extent that takes us to that issue, yes.

MR. RUSSERT: Do you believe the Treasury Department should look at this aggressively because of the political considerations that some are suggesting?

SEC'Y O'NEILL: I think we need to be constantly looking at the rules and the schemes that exist for the way private enterprise operates. With this in mind, investors and the general public need to be able to rely on the

truthfulness and completeness of what enterprises report. It's a critical aspect of why our economy has done so much better than the rest of the world. It's because capital believes, people who invest believe, that they can rely on information that's provided to them and the U.S. economy. It's a principle we need to protect and cherish and extend because it is so important to the fundamental operation of our kind of economy.

MR. RUSSERT: Do you think that Enron is a big story, a serious story?

SEC'Y O'NEILL: Well, it's obviously a big and serious story when millions of people are economically impacted by the meltdown of a major corporation. Of course, it's a very important story and it's something that we need to pay attention to. But we need to pay attention to, again, whether or not all the facts have been dutifully reported and people were given the information required under law to make intelligent decisions.

Wiedman, Mark

From: Wiedman, Mark
Sent: Monday, January 07, 2002 10:26 AM
To: Bitsberger, Timothy
Subject: RE: Draft Memo on Enron/CFMA Articles

[(b)(5)]

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

From: Bitsberger, Timothy
Sent: Monday, January 07, 2002 10:25 AM
To: Wiedman, Mark
Subject: RE: Draft Memo on Enron/CFMA Articles

[(b)(5)]

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

From: Wiedman, Mark
Sent: Monday, January 07, 2002 10:23 AM
To: Bitsberger, Timothy
Subject: RE: Draft Memo on Enron/CFMA Articles

[(b)(5)]

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

From: Bitsberger, Timothy
Sent: Monday, January 07, 2002 10:10 AM
To: Wiedman, Mark
Subject: RE: Draft Memo on Enron/CFMA Articles

[(b)(5)]

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

From: Wiedman, Mark
Sent: Monday, January 07, 2002 10:08 AM
To: Bitsberger, Timothy; Roseboro, Brian
Subject: RE: Draft Memo on Enron/CFMA Articles

[(b)(5)]

Mark

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

From: Bitsberger, Timothy
Sent: Monday, January 07, 2002 10:07 AM
To: Wiedman, Mark; Roseboro, Brian
Subject: RE: Draft Memo on Enron/CFMA Articles

is this for the speech or other stuff?

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

From: Wiedman, Mark
Sent: Friday, January 04, 2002 5:47 PM
To: Roseboro, Brian; Bitsberger, Timothy
Subject: FW: Draft Memo on Enron/CFMA Articles

This is something to keep close tabs on -- would it make sense to meet with Heidi and Norman on this?

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

From: Carleton, Norman <Norman.Carleton@do.treas.gov>
To: Roseboro, Brian <Brian.Roseboro@do.treas.gov>; Bair, Sheila <Sheila.Bair@do.treas.gov>; Gross, Jared <Jared.Gross@do.treas.gov>; Wiedman, Mark <Mark.Wiedman@do.treas.gov>; Bitsberger, Timothy <Timothy.Bitsberger@do.treas.gov>; Smith, Amy <Amy.Smith@do.treas.gov>
CC: Schultheiss, Heidilynne <Heidilynne.Schultheiss@do.treas.gov>; Nickoloff, Peter <Peter.Nickoloff@do.treas.gov>; Ellett, Martha <Martha.Ellett@do.treas.gov>; Gabilondo, Jose <Jose.Gabilondo@do.treas.gov>; Sutton, Gary <Gary.Sutton@do.treas.gov>
Sent: Fri Jan 04 17:29:36 2002
Subject: FW: Draft Memo on Enron/CFMA Articles

[(b)(5)]

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

From: Schultheiss, Heidilynne
Sent: Friday, January 04, 2002 5:10 PM
To: Carleton, Norman
Subject: Draft Memo on Enron/CFMA Articles

[(b)(5)]

downloaded as the latter pages.

The three news articles are

Nickoloff, Peter

From: McGivern, Tom
Sent: Wednesday, October 31, 2001 9:20 AM
To: Ellis, Dina; Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian; Duncan, John; Sanders, Traci; Dorsey, Karen
Subject: RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

[(b)(5)]

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

From: Ellis, Dina
Sent: Tuesday, October 30, 2001 3:02 PM
To: Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian
Subject: RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

I have spoken to a variety of people on possible movement of the bankruptcy bill. There is a slight chance that there will be a conference meeting next week but I don't see fasat movement on the bill.

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

From: Carleton, Norman
Sent: Tuesday, October 30, 2001 2:46 PM
To: Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Ellis, Dina; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian
Subject: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

<< File: Netting letter.doc >>

Attached is the proposed netting letter from the Federal Reserve. (It has merge mail features that you will have to delete in order to read it. Alternatively, you can use the quick view program to access the document.) It is awaiting approval from SEC Chairman Pitt. Below is an article I sent around earlier today indicating that some are trying to revive the Bankruptcy bill.

Sheila -- [(b)(5)]

Norman Carleton

Bankruptcy Conference May Resume As Netting Bill Considered

The House Judiciary Committee will be turning its attention to other matters in the weeks remaining before adjournment - possibly including a conference on bankruptcy, *CongressDaily* reported. Further work on the legislation had been postponed after the Sept. 11 attacks occurred. The House and Senate conferees had been poised to meet Sept. 12. A spokesman for the committee yesterday said that no new conference date has been set, but staff members in recent weeks have continued to work on technical aspects of the bankruptcy measure. Judiciary Committee Chairman James Sensenbrenner (R-Wis.), who is chairing the conference committee, is determined to make a go of it before members leave town for the year, according to sources. While noting that the committee's agenda had not yet been

formulated, his spokesman did not rule out the prospect. "It's definitely a possibility," he said.

Moreover, members of the House Financial Services Committee are trying to move a provision of the bankruptcy legislation pertaining to financial netting-perhaps as part of the economic stimulus package-in the event the underlying bill remains stalled.

That provision is designed to strengthen and update current statutory protections for netting financial market contracts if a party defaults. The netting language of the bill was one of the few consensus items included in the bankruptcy legislation. The economic downturn and the widening number of commercial bankruptcies could help create even stronger impetus for the provision to move separately, sources said.

House Financial Services Committee ranking member John LaFalce (D-N.Y.) urged shortly after the Sept. 11 terrorist attacks that the netting language be moved "expeditiously." In response, Treasury Secretary Paul O'Neill and Federal Reserve Chairman Alan Greenspan agreed "whether as part of comprehensive bankruptcy reform legislation or as a stand-alone bill, Congress should not fail to enact netting legislation this year." The Financial Services Committee had considered placing netting legislation on the schedule for markup this Wednesday, when it takes up a host of other bills. Committee leaders decided against such action, however. A spokeswoman for House Financial Services Committee Chairman Michael Oxley (R-Ohio) said he remained hopeful that the underlying bankruptcy bill could move intact.

Nickoloff, Peter

From: Ellis, Dina
Sent: Wednesday, October 31, 2001 9:42 AM
To: McGivern, Tom; Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian; Duncan, John; Sanders, Traci; Dorsey, Karen
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House Financial Services Committee ranking member John LaFalce (D-N.Y.) urged shortly after the Sept. 11 terrorist attacks that the netting language be moved "expeditiously." In response, Treasury Secretary Paul O'Neill and Federal Reserve Chairman Alan Greenspan agreed "whether as part of comprehensive bankruptcy reform legislation or as a stand-alone bill, Congress should not fail to enact netting legislation this year." The Financial Services Committee had considered placing netting legislation on the schedule for markup this Wednesday, when it takes up a host of other bills. Committee leaders decided against such action, however. A spokeswoman for House Financial Services Committee Chairman Michael Oxley (R-Ohio) said he remained hopeful that the underlying bankruptcy bill could move intact.

Nickoloff, Peter

From: Carleton, Norman
Sent: Tuesday, January 08, 2002 5:14 PM
To: Bair, Sheila
Cc: Smith, Amy; Bair, Sheila; Berardi, Steve; Bitsberger, Timothy; Eichner, Matthew; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Lori Sanatamarena (E-mail); Nickoloff, Peter; Novey, Michael; Pietrangeli, Fred; Roseboro, Brian; Schultheiss, Heidilynne; Whaley, Jean; Wiedman, Mark
Subject: CFTC's Exemption for Certain Contracts Involving Energy Products (April 20, 1993)

Sheila,

[(b)(5)]

Norman

Nickoloff, Peter

From: Carleton, Norman
Sent: Tuesday, January 08, 2002 5:45 PM
To: Schultheiss, Heidilynne; Nickoloff, Peter
Subject: FW: CFTC's Exemption for Certain Contracts Involving Energy Products (April 20, 1993)

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

From: Carleton, Norman
Sent: Tuesday, January 08, 2002 5:44 PM
To: Bair, Sheila
Subject: RE: CFTC's Exemption for Certain Contracts Involving Energy Products (April 20, 1993)

[(b)(5) , (b)(6)]

Norman

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

From: Bair, Sheila
Sent: Tuesday, January 08, 2002 5:24 PM
To: Carleton, Norman
Subject: RE: CFTC's Exemption for Certain Contracts Involving Energy Products (April 20, 1993)

Norm -- [(b)(5)]

I would suggest Andrea. Deanna

Dow I believe was also there at the time, and now works for Jim, I believe.

Sheila

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

From: Carleton, Norman
Sent: Tuesday, January 08, 2002 5:14 PM
To: Bair, Sheila
Cc: Smith, Amy; Bair, Sheila; Berardi, Steve; Bitsberger, Timothy; Eichner, Matthew; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Lori Sanatamorena (E-mail); Nickoloff, Peter; Novey, Michael; Pietrangeli, Fred; Roseboro, Brian; Schultheiss, Heidilynne; Whaley, Jean; Wiedman, Mark
Subject: CFTC's Exemption for Certain Contracts Involving Energy Products (April 20, 1993)

Sheila,

[(b)(5)]

[(b)(5)]

Norman

Nickoloff, Peter

From: Carleton, Norman
Sent: Tuesday, January 08, 2002 6:21 PM
To: Schultheiss, Heidilynne; Nickoloff, Peter
Subject: FW: CFTC's Exemption for Certain Contracts Involving Energy Products (April 20, 1993)

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

From: Bair, Sheila
Sent: Tuesday, January 08, 2002 5:56 PM
To: Carleton, Norman
Subject: RE: CFTC's Exemption for Certain Contracts Involving Energy Products (April 20, 1993)

leave it alone.

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

From: Carleton, Norman
Sent: Tuesday, January 08, 2002 5:44 PM
To: Bair, Sheila
Subject: RE: CFTC's Exemption for Certain Contracts Involving Energy Products (April 20, 1993)

[(b)(5) , (b)(6)]

Norman

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

From: Bair, Sheila
Sent: Tuesday, January 08, 2002 5:24 PM
To: Carleton, Norman
Subject: RE: CFTC's Exemption for Certain Contracts Involving Energy Products (April 20, 1993)

Norm --[(b)(5)]

Please contact CFTC staff who worked on this exemptive order. I would suggest Andrea Deanna Dow I believe was also there at the time, and now works for Jim, I believe.

Sheila

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

From: Carleton, Norman
Sent: Tuesday, January 08, 2002 5:14 PM
To: Bair, Sheila
Cc: Smith, Amy; Bair, Sheila; Berardi, Steve; Bitsberger, Timothy; Eichner, Matthew; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Lori Sanatamorenna (E-mail); Nickoloff, Peter; Novey, Michael; Pietrangeli, Fred; Roseboro, Brian; Schultheiss, Heidilynne; Whaley, Jean; Wiedman, Mark
Subject: CFTC's Exemption for Certain Contracts Involving Energy Products (April 20, 1993)

Sheila,

[(b)(5)]

[(b)(5)]

Norman

Nickoloff, Peter

From: Carleton, Norman
Sent: Wednesday, August 29, 2001 12:00 PM
To: Schultheiss, Heidilynne; Nickoloff, Peter
Subject: FW: Status of Retail Swap Study and the Enron Issue

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

From: Ellett, Martha
Sent: Wednesday, August 29, 2001 11:59 AM
To: Carleton, Norman
Cc: Gabilondo, Jose; Sutton, Gary
Subject: RE: Status of Retail Swap Study and the Enron Issue

[(b)(5)]

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

From: Carleton, Norman
Sent: Wednesday, August 29, 2001 11:15 AM
To: Fisher, Peter; Roseboro, Brian; Bair, Sheila; Nickoloff, Peter; Schultheiss, Heidilynne; DeMarco, Edward; Hughes, Gerry; Gross, Jared; Smith, Amy; Sutton, Gary; Ellett, Martha; Gabilondo, Jose; McInerney, Roberta; Lori Sanatamorenna (E-mail)
Subject: Status of Retail Swap Study and the Enron Issue

[(b)(5)]

[(b)(5)]

Any thoughts or recommendations? I will send around a separate note discussing the Enron issue in more detail.

Nickoloff, Peter

From: Carleton, Norman
Sent: Wednesday, August 29, 2001 2:41 PM
To: Fisher, Peter; Roseboro, Brian; Bair, Sheila; Nickoloff, Peter; Schultheiss, Heidi Lynne; DeMarco, Edward; Hughes, Gerry; Gross, Jared; Smith, Amy; Sutton, Gary; Ellett, Martha; Gabilondo, Jose; McInerney, Roberta; Lori Sanatamarena (E-mail); Novey, Michael; Eichner, Matthew; Hammer, Viva
Subject: More on the Enron Issue

[(b)(4) , (b)(5)]

Thoughts?

Nickoloff, Peter

From: Carleton, Norman
Sent: Thursday, August 30, 2001 9:33 AM
To: Bair, Sheila
Subject: RE: More on the Enron Issue

[(b)(5)]

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

From: Bair, Sheila
Sent: Thursday, August 30, 2001 9:26 AM
To: Carleton, Norman
Subject: RE: More on the Enron Issue

[(b)(5)]

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

From: Carleton, Norman
Sent: Wednesday, August 29, 2001 2:41 PM
To: Fisher, Peter; Roseboro, Brian; Bair, Sheila; Nickoloff, Peter; Schultheiss, Heidylyne; DeMarco, Edward; Hughes, Gerry; Gross, Jared; Smith, Amy; Sutton, Gary; Ellett, Martha; Gabilondo, Jose; McInemey, Roberta; Lori Sanatamarena (E-mail); Novey, Michael; Eichner, Matthew; Hammer, Viva
Subject: More on the Enron Issue

[(b)(4) , (b)(5)]

[(b)(4) , (b)(5)]

Thoughts?

Nickoloff, Peter

From: Carleton, Norman
Sent: Saturday, September 08, 2001 1:07 PM
To: Bair, Sheila; DeMarco, Edward; Eichner, Matthew; Ellett, Martha; Fisher, Peter; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Hughes, Gerry; Nickoloff, Peter; Novey, Michael; Roseboro, Brian; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary
Subject: Retail Swaps Study Group Meeting -- September 6

[(b)(5)]

[(b)(5)]

On Friday, I discussed the Enron issue with Ken Raisler, their outside counsel. There may be a way through this issue. This will be discussed in a forthcoming note.

Nickoloff, Peter

From: Carleton, Norman
Sent: Saturday, September 08, 2001 1:10 PM
To: Bair, Sheila; DeMarco, Edward; Eichner, Matthew; Ellett, Martha; Fisher, Peter; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Hughes, Gerry; Nickoloff, Peter; Novey, Michael; Roseboro, Brian; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary
Subject: Discussion with Ken Raisler about Enron Product

[(b)(5)]

Nickoloff, Peter

From: Carleton, Norman
Sent: Monday, September 10, 2001 11:34 AM
To: Bair, Sheila; DeMarco, Edward; Eichner, Matthew; Ellett, Martha; Fisher, Peter; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Hughes, Gerry; Nickoloff, Peter; Novey, Michael; Roseboro, Brian; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary
Subject: Retail Swaps - Telephone Call from Elizabeth Fox

[(b)(5)]

Nickoloff, Peter

From: Carleton, Norman
Sent: Tuesday, October 02, 2001 1:52 PM
To: Nickoloff, Peter; Schultheiss, Heidilynne
Subject: FW: Discussion with Ken Raisler about Enron Product

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

From: Hammer, Viva
Sent: Monday, October 01, 2001 3:09 PM
To: Carleton, Norman
Subject: RE: Discussion with Ken Raisler about Enron Product



Retail Swaps.doc

one versin of retail swaps

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

From: Carleton, Norman
Sent: Saturday, September 08, 2001 1:10 PM
To: Bair, Sheila; DeMarco, Edward; Eichner, Matthew; Elliott, Martha; Fisher, Peter; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Hughes, Gerry; Nickoloff, Peter; Novrey, Michael; Roseboro, Brian; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary
Subject: Discussion with Ken Raisler about Enron Product

[(b)(5)]

this.

Retail Swaps

[(b)(5)]

01633

01200000000289

[(b)(5)]

01634

01200000000290

Nickoloff, Peter

From: Carleton, Norman
Sent: Thursday, February 15, 2001 10:07 AM
To: Hammond, Donald; DeMarco, Edward; Ellis, Dina; Huffman, Lucy; McInerney, Roberta; Constantine, Eleni; Hughes, Gerry; Stewart, Lawranne
Cc: Tishuk, Brian; Robbins, Eric; Paulus, Michael; Sutton, Gary; Huffman, Lucy; McGivern, Tom; Nickoloff, Peter; Schultheiss, Heidilynne; Gross, Jared
Subject: RE: Bankruptcy Reform Mark-up Hearing

Don,

[(b)(5)]

Norman

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

From: Hammond, Donald
Sent: Thursday, February 15, 2001 8:26 AM
To: DeMarco, Edward; Ellis, Dina; Huffman, Lucy; Carleton, Norman; McInerney, Roberta; Constantine, Eleni; Hughes, Gerry; Stewart, Lawranne
Cc: Tishuk, Brian; Robbins, Eric
Subject: RE: Bankruptcy Reform Mark-up Hearing

Ed,

[(b)(5)]

Norman,

[(b)(5)]

Don

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

From: DeMarco, Edward
Sent: Thursday, February 15, 2001 8:22 AM
To: Hammond, Donald; Ellis, Dina; Huffman, Lucy; Carleton, Norman; McInerney, Roberta; Constantine, Eleri; Hughes, Gerry; Stewart, Lawranne
Cc: Tishuk, Brian; Robbins, Eric
Subject: FW: Bankruptcy Reform Mark-up Hearing

FYI

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

From: Robbins, Eric
Sent: Wednesday, February 14, 2001 5:45 PM
To: DeMarco, Edward
Cc: Tishuk, Brian
Subject: Bankruptcy Reform Mark-up Hearing

H.R. 333, the "Bankruptcy Abuse Prevention and Consumer Protection Act 2001" was reported out of the House Judiciary Committee on Wednesday, February 14, 2001. During the mark-up hearing, eighteen amendments were offered with all but one amendment failing to pass. Voting occurred largely along party lines. The only amendment that passed was a technical amendment offered by Chairman Sensenbrenner. Only one Republican crossed party lines to vote for one of the seventeen other amendments that failed.

Representative Bachus (R-AL) assured the committee that he was committed to working with Representative Oxley from the Financial Services Committee on commercial bankruptcy provisions and netting requirements.

Nickoloff, Peter

From: Hammond, Donald
Sent: Thursday, February 15, 2001 10:25 AM
To: Carleton, Norman; DeMarco, Edward; Ellis, Dina; Huffman, Lucy; McInerney, Roberta; Constantine, Eleni; Hughes, Gerry; Stewart, Lawranne
Cc: Tishuk, Brian; Robbins, Eric; Paulus, Michael; Sutton, Gary; Huffman, Lucy; McGivern, Tom; Nickoloff, Peter; Schultheiss, Heidilynne; Gross, Jared
Subject: RE: Bankruptcy Reform Mark-up Hearing

Norman,

[(b)(5)]

Don

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

From: Carleton, Norman
Sent: Thursday, February 15, 2001 10:07 AM
To: Hammond, Donald; DeMarco, Edward; Ellis, Dina; Huffman, Lucy; McInerney, Roberta; Constantine, Eleni; Hughes, Gerry; Stewart, Lawranne
Cc: Tishuk, Brian; Robbins, Eric; Paulus, Michael; Sutton, Gary; Huffman, Lucy; McGivern, Tom; Nickoloff, Peter; Schultheiss, Heidilynne; Gross, Jared
Subject: RE: Bankruptcy Reform Mark-up Hearing

Don,

[(b)(5)]

[(b)(5)]

Norman

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

From: Hammond, Donald
Sent: Thursday, February 15, 2001 8:26 AM
To: DeMarco, Edward; Ellis, Dina; Huffman, Lucy; Carleton, Norman; McInerney, Roberta; Constantine, Eleni; Hughes, Gerry; Stewart, Lawranne
Cc: Tishuk, Brian; Robbins, Eric
Subject: RE: Bankruptcy Reform Mark-up Hearing

Ed,

[(b)(5)]

Norman,

[(b)(5)]

Don

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

From: DeMarco, Edward
Sent: Thursday, February 15, 2001 8:22 AM
To: Hammond, Donald; Ellis, Dina; Huffman, Lucy; Carleton, Norman; McInerney, Roberta; Constantine, Eleni; Hughes, Gerry; Stewart, Lawranne
Cc: Tishuk, Brian; Robbins, Eric
Subject: FW: Bankruptcy Reform Mark-up Hearing

FYI

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

From: Robbins, Eric
Sent: Wednesday, February 14, 2001 5:45 PM
To: DeMarco, Edward
Cc: Tishuk, Brian
Subject: Bankruptcy Reform Mark-up Hearing

H.R. 333, the "Bankruptcy Abuse Prevention and Consumer Protection Act 2001" was reported out of the House Judiciary Committee on Wednesday, February 14, 2001. During the mark-up hearing, eighteen amendments were offered with all but one amendment failing to pass. Voting occurred largely along party lines. The only amendment that passed was a technical amendment offered by Chairman Sensenbrenner. Only one Republican crossed party lines to vote for one of the seventeen other amendments that failed.

Representative Bachus (R-AL) assured the committee that he was committed to working with Representative Oxley from the Financial Services Committee on commercial bankruptcy provisions and netting requirements.

From: Norman Carleton
To: SachsL, PaulusM, DOPO5.LEVINEM, DOPO5.ToohyF, MCG...
Date: 7/24/00 10:40am
Subject: Financial Contract Netting and the CEA

[(b)(5)]

CC: GREENEMI, GrossJa, YETTERJ, SchultheissH, NICKOLOF...

01772

01200000000428

From: Marne Levine
To: DOM3.DOPO5(TooheyF), DOM3.DOPO6(CARLETONN, MCGIVER...
Date: 7/24/00 11:15am
Subject: Financial Contract Netting and the CEA -Reply

[(b)(5)]

>>> Norman Carleton 07/24/00 10:40am >>>

[(b)(5)]

CC: DOM3.DOPO6(GREENEMI, GrossJa, NICKOLOFFP, Schulthe...

01773

01200000000429

Schultheiss, Heidilynne

From: Carleton, Norman
Sent: Saturday, September 08, 2001 1:10 PM
To: Bair, Sheila; DeMarco, Edward; Eichner, Matthew; Ellett, Martha; Fisher, Peter; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Hughes, Gerry; Nickoloff, Peter; Novey, Michael; Roseboro, Brian; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary
Subject: Discussion with Ken Raisler about Enron Product

[(b)(5)]

Schultheiss, Heidilynne

From: Carleton, Norman
Sent: Saturday, September 08, 2001 1:07 PM
To: Bair, Sheila; DeMarco, Edward; Eichner, Matthew; Ellett, Martha; Fisher, Peter; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Hughes, Gerry; Nickoloff, Peter; Novey, Michael; Roseboro, Brian; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary
Subject: Retail Swaps Study Group Meeting -- September 6

[(b)(5)]

On Friday, I discussed the Enron issue with Ken Raisler, their outside counsel. There may be a way

01256

0120000000612

through this issue. This will be discussed in a forthcoming note.

Schultheiss, Heidilynne

From: Carleton, Norman
Sent: Monday, September 10, 2001 11:34 AM
To: Bair, Sheila; DeMarco, Edward; Eichner, Matthew; Ellett, Martha; Fisher, Peter; Gabilondo, Jose; Gross, Jared; Hammer, Viva; Hughes, Gerry; Nickoloff, Peter; Novey, Michael; Roseboro, Brian; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary
Subject: Retail Swaps - Telephone Call from Elizabeth Fox

[(b)(5)]

From: Norman Carleton
To: SachsL, PaulusM, DOPO5.LEVINEM, DOPO5.ToohyF, MCG...
Date: 7/24/00 10:40am
Subject: Financial Contract Netting and the CEA

[(b)(5)]

CC: GREENEMI, GrossJa, YETTERJ, SchultheissH, NICKOLOF...

01456

01200000000812

Nickoloff, Peter

From: Carleton, Norman
Sent: Wednesday, January 09, 2002 3:51 PM
To: Wiedman, Mark
Cc: Schultheiss, Heidilynne; Nickoloff, Peter
Subject: Policy Briefing Topics

Here are the topics for Heidilynne and Peter.

Heidilynne Schultheiss -- [OUTSIDE SCOPE , (b)(5)]
Enron and CEA Issues

Peter Nickoloff -- [OUTSIDE SCOPE , (b)(5)]

Nickoloff, Peter

From: Carleton, Norman
Sent: Tuesday, January 08, 2002 2:51 PM
To: Bair, Sheila
Cc: Roseboro, Brian; Bitsberger, Timothy; Wiedman, Mark; Gross, Jared; Schultheiss, Heidilynne; Nickoloff, Peter
Subject: PWG's Report on OTC Derivatives and the CEA

Sheila,

[(b)(5)]

Nickoloff, Peter

From: Carleton, Norman
Sent: Tuesday, December 18, 2001 10:46 AM
To: Wiedman, Mark; Bair, Sheila; Bieger, Peter; Bitsberger, Timothy; DeMarco, Edward; Dorsey, Karen; Ellett, Martha; Ellis, Dina; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidi Lynne; Smith, Amy; Suttton, Gary; Tishuk, Brian
Subject: ABI Website (12/17): Sensenbrenner Still Wants Netting Language to Be Part of Bankruptcy Bill

Sensenbrenner Still Wants Netting Language to Be Part of Bankruptcy Bill

House Judiciary Chairman James Sensenbrenner (R-Wis.) is standing firm in his desire to move so-called netting language as part of a comprehensive bankruptcy reform bill, a spokesman said, CongressDaily reported. On Thursday, Sensenbrenner met with House Financial Services Chairman Michael Oxley (R-Ohio) and Federal Reserve Chairman Alan Greenspan to discuss the possibility of passing netting legislation this year separate from the beleaguered bankruptcy bill. Federal financial regulators and Financial Services Committee lawmakers have renewed their calls for that action, in light of the recent collapse of Enron. The netting provisions are designed to enable quick resolution to complex financial contracts in the event a party in the deal went bankrupt. However, the netting provisions are one of the few consensus areas in the underlying bankruptcy bill, which is currently in conference, and proponents are not apt to separate them out. "There was agreement between everyone that the netting provisions [are] very important," a Sensenbrenner aide said. "He's trying to get the bankruptcy bill moving, and that's where we are right now."

Nickoloff, Peter

From: Carleton, Norman
Sent: Wednesday, December 19, 2001 11:33 AM
To: Schultheiss, Heidilynne; Nickoloff, Peter
Subject: FW: enron

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

From: Wiedman, Mark
Sent: Wednesday, December 19, 2001 11:21 AM
To: Bitsberger, Timothy; Carleton, Norman
Subject: RE: enron

[(b)(5)]

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

From: Bitsberger, Timothy
Sent: Wednesday, December 19, 2001 11:18 AM
To: Carleton, Norman; Wiedman, Mark
Subject: enron

we need something by the time people leave on friday. organize it how you want. but i do want a couple of things.
1. the message
2. facts/examples showing these things happen

[(b)(5)]

[OUTSIDE SCOPE]

00252

United
States
Government
APPOINTMENT
BOOK

1999

NSN 7530-01-337-4700

For 2000 order 7530-01-450-5437

00253

Printed by UNXCOR, Federal Prison Industries, Petersburg, Va.



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4 Week Beginning October

September 1999							October 1999							November 1999																																										
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S																																				
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5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

MONDAY, OCTOBER 4	277	TUESDAY, OCTOBER 5	278	WEDNESDAY, OCTOBER 6	279
7		7		7	
7:15		7:15		7:15	
7:30		7:30		7:30	
7:45		7:45	[OUTSIDE SCOPE]	7:45	
8		8		8	
8:15		8:15		8:15	
8:30		8:30		8:30	ENRON - Allium 466791
8:45		8:45		8:45	
9		9		[OUTSIDE SCOPE]	
9:15		9:15			
9:30		9:30			
9:45		9:45	[OUTSIDE SCOPE]		
10		10			
10:15		10:15			
10:30		10:30			
10:45		10:45			
[OUTSIDE SCOPE]		11			
		11:15			
		11:30	DERIVATIVES		
		11:45	CAPITOL HILL - House		
		12	12:01 - 12:05		
		12:15	DERIVATIVES SLOV		
		12:30	House App. Comm. (D+R)		
		12:45			
		1			
		1:15			
		1:30			
		1:45			
		2	STATISTICAL DEMONSTRATION		
2:15		2:15	STATISTICAL DEMONSTRATION		
2:30		2:30	NO. NY. MC		
2:45		2:45	(91-3757)		
3		3	STATISTICAL DEMONSTRATION		
3:15		3:15	91-3757 (OP)		
3:30		3:30	STATISTICAL DEMONSTRATION		
3:45		3:45	STATISTICAL DEMONSTRATION	3:45	
4		4	STATISTICAL DEMONSTRATION	[OUTSIDE SCOPE]	
4:15		4:15	STATISTICAL DEMONSTRATION		
4:30		4:30			
4:45		4:45			
5		5			
5:15		5:15			
5:30		5:30			
5:45		5:45			
6		6			
6:15		6:15		6:15	
6:30		6:30		6:30	
6:45		6:45		6:45	
7		7		7	
7:15		7:15		7:15	
7:30		7:30		7:30	
7:45		7:45		7:45	

00254

Bair, Sheila

From: McGivern, Tom
Sent: Wednesday, October 31, 2001 9:20 AM
To: Ellis, Dina; Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McInemey, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian; Duncan, John; Sanders, Traci; Dorsey, Karen
Subject: RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

[(b)(5)]

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

From: Ellis, Dina
Sent: Tuesday, October 30, 2001 3:02 PM
To: Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInemey, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian
Subject: RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

I have spoken to a variety of people on possible movement of the bankruptcy bill. There is a slight chance that there will be a conference meeting next week but I don't see fasat movement on the bill.

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

From: Carleton, Norman
Sent: Tuesday, October 30, 2001 2:46 PM
To: Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Ellis, Dina; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInemey, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian
Subject: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

<< File: Netting letter.doc >>

Attached is the proposed netting letter from the Federal Reserve. (It has merge mail features that you will have to delete in order to read it. Alternatively, you can use the quick view program to access the document.) It is awaiting approval from SEC Chairman Pitt. Below is an article I sent around earlier today indicating that some are trying to revive the Bankruptcy bill.

Sheila -- [(b)(5)]

Norman Carleton

Bankruptcy Conference May Resume As Netting Bill Considered

The House Judiciary Committee will be turning its attention to other matters in the weeks remaining before adjournment - possibly including a conference on bankruptcy, *CongressDaily* reported. Further work on the legislation had been postponed after the Sept. 11 attacks occurred. The House and Senate conferees had been poised to meet Sept. 12. A spokesman for the committee yesterday said that no new conference date has been set, but staff members in recent weeks have continued to work on technical aspects of the bankruptcy measure. Judiciary Committee Chairman James Sensenbrenner (R-Wis.), who is chairing the conference committee, is determined to make a go of it before members leave town for the year, according to sources. While noting that the committee's agenda had not yet been

formulated, his spokesman did not rule out the prospect. "It's definitely a possibility," he said.

Moreover, members of the House Financial Services Committee are trying to move a provision of the bankruptcy legislation pertaining to financial netting-perhaps as part of the economic stimulus package-in the event the underlying bill remains stalled.

That provision is designed to strengthen and update current statutory protections for netting financial market contracts if a party defaults. The netting language of the bill was one of the few consensus items included in the bankruptcy legislation. The economic downturn and the widening number of commercial bankruptcies could help create even stronger impetus for the provision to move separately, sources said.

House Financial Services Committee ranking member John LaFalce (D-N.Y.) urged shortly after the Sept. 11 terrorist attacks that the netting language be moved "expeditiously." In response, Treasury Secretary Paul O'Neill and Federal Reserve Chairman Alan Greenspan agreed "whether as part of comprehensive bankruptcy reform legislation or as a stand-alone bill, Congress should not fail to enact netting legislation this year." The Financial Services Committee had considered placing netting legislation on the schedule for markup this Wednesday, when it takes up a host of other bills. Committee leaders decided against such action, however. A spokeswoman for House Financial Services Committee Chairman Michael Oxley (R-Ohio) said he remained hopeful that the underlying bankruptcy bill could move intact.

Bair, Sheila

From: Ellis, Dina
Sent: Wednesday, October 31, 2001 9:42 AM
To: McGivern, Tom; Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian; Duncan, John; Sanders, Traci; Dorsey, Karen
Subject: RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

[(b)(5)]

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

From: McGivern, Tom
Sent: Wednesday, October 31, 2001 9:20 AM
To: Ellis, Dina; Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian; Duncan, John; Sanders, Traci; Dorsey, Karen
Subject: RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

[(b)(5)]

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

From: Ellis, Dina
Sent: Tuesday, October 30, 2001 3:02 PM
To: Carleton, Norman; Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian
Subject: RE: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

I have spoken to a variety of people on possible movement of the bankruptcy bill. There is a slight chance that there will be a conference meeting next week but I don't see fasat movement on the bill.

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

From: Carleton, Norman
Sent: Tuesday, October 30, 2001 2:46 PM
To: Bitsberger, Timothy; Bair, Sheila; Constantine, Eleni; DeMarco, Edward; Ellett, Martha; Ellis, Dina; Gabilondo, Jose; Gross, Jared; Huffman, Lucy; Hughes, Gerry; McGivern, Tom; McInerney, Roberta; Nickoloff, Peter; Roseboro, Brian; Salladin, Anne; Schultheiss, Heidilynne; Smith, Amy; Sutton, Gary; Tishuk, Brian
Subject: Netting Letter to be Signed by PWG and FDIC, OCC, and OTS

<< File: Netting letter.doc >>

Attached is the proposed netting letter from the Federal Reserve. (It has merge mail features that you will have to delete in order to read it. Alternatively, you can use the quick view program to access the document.) It is awaiting approval from SEC Chairman Pitt. Below is an article I sent around earlier today indicating that some are trying to revive the Bankruptcy bill.

Sheila -- [(b)(5)]

Norman Carleton

Bankruptcy Conference May Resume As Netting Bill Considered

The House Judiciary Committee will be turning its attention to other matters in the weeks remaining before adjournment - possibly including a conference on bankruptcy, *CongressDaily* reported. Further work on the legislation had been postponed after the Sept. 11 attacks occurred. The House and Senate conferees had been poised to meet Sept. 12. A spokesman for the committee yesterday said that no new conference date has been set, but staff members in recent weeks have continued to work on technical aspects of the bankruptcy measure. Judiciary Committee Chairman James Sensenbrenner (R-Wis.), who is chairing the conference committee, is determined to make a go of it before members leave town for the year, according to sources. While noting that the committee's agenda had not yet been formulated, his spokesman did not rule out the prospect. "It's definitely a possibility," he said.

Moreover, members of the House Financial Services Committee are trying to move a provision of the bankruptcy legislation pertaining to financial netting-perhaps as part of the economic stimulus package-in the event the underlying bill remains stalled.

That provision is designed to strengthen and update current statutory protections for netting financial market contracts if a party defaults. The netting language of the bill was one of the few consensus items included in the bankruptcy legislation. The economic downturn and the widening number of commercial bankruptcies could help create even stronger impetus for the provision to move separately, sources said.

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Bair, Sheila

From: Fisher, Peter
Sent: Wednesday, November 28, 2001 6:05 PM
To: Bair, Sheila
Subject: RE: Enron

thanks.
please copy jared when you send other stuff along.

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

From: Bair, Sheila
Sent: Wednesday, November 28, 2001 5:49 PM
To: Fisher, Peter; Adams, Tim
Subject: Enron
Importance: High

[(b)(5)]

Bair, Sheila

From: Adams, Tim
Sent: Friday, November 30, 2001 9:11 AM
To: Fisher, Peter
Cc: Bair, Sheila
Subject: FW: Enron

see below -- interesting points

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

From: Nancy Roman [mailto:roman@g7group.com]
Sent: Friday, November 30, 2001 8:21 AM
To: Tim Adams
Subject: thanks

I want to send you this bit of client insight on Enron, just as an FYI.

Nancy

why enron is a greater systemic risk than markets, regulators, corporations appreciate

1) Derivatives they entered into are unique...corporations that relied on enron's performance to budget revenue or cost streams have suddenly been thrust to the vagaries of the current market...for example if last year companies locked in forward sales of gas @ 4.50 to enron the company must now rebudget for 2.75 assuming enron can no longer perform on its obligation

2) derivatives markets have never been tested as to weather counterparty collateral is properly perfected and outside the purview of general creditors...with over 24 billion in debtholders i assume this issue will be tested in the courts

3) insurance analysts have identified to risks to the property & casualty sector: a) it is understood that to enhance enron's credit they have approximately 2.5 billion of surety insurance...clearly the directors & officers all have substantial liability policies...the unfortunate concern is that these hits come on top of 9/11

4) virtually every global bank has participated in a enron credit facility & has used enron as a derivative counterparty...conservative lenders have limited their exposure to one percent of capital but this figure does not include their partnership investments, derivative exposure, nor the collateral problems caused to other corporate clients...this is a global problem with smaller banks disproportionately exposed...eg credit lyonais has equity capital of 7.5 billion & 250 million of exposure...anz has 4 billion in capital & 350 million in exposure...closer to home northern trust has equity capital of 2.4 billion & 80 million of exposure...note while no single exposure is life threatening it comes at a time that companies are in need of rebuilding reserves not adding ...of equal importance the exposures we know of are likely just the tip of the iceberg

5) d.c. will likely begin a witch hunt...the side benefit is it will likely have a profound impact on cleaning up corporate reporting...hopefully auditors will no longer blindly sign off on financial statements

6) enron is a politically charged corporation...i believe it is the widest held stock in the bush administration

in sum, i don't want to sound like an alarmist but i strongly believe the

situation has long term implications & resulting trade opportunities...comments welcome

Bair, Sheila

From: Holahan, Betsy
Sent: Thursday, December 06, 2001 6:07 PM
To: Bair, Sheila
Subject: FW: Dow Jones request

Sheila,

What are your thoughts on this request?

Betsy

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

From: Davis, Michele
Sent: Thursday, December 06, 2001 6:00 PM
To: Holahan, Betsy
Subject: RE: Dow Jones request

does Sheila want to do this? It doesn't sound like a problem to me, but we shouldn't push this on her -- she can take it or leave it

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

From: Holahan, Betsy
Sent: Thursday, December 06, 2001 5:13 PM
To: Davis, Michele
Subject: Dow Jones request

Rebecca Christie wants to talk to Sheila (she'll take deep background) about a decision made by the CFTC Board in 1993 when Sheila was a member. The decision was on swaps regulation and it exempted energy products from regulation. Sheila was the only one opposed to the exemption and in light of recent problems w/ Enron, Rebecca wants to learn more about Sheila's thoughts at the time. Any thoughts?