

1 32-20001206-8521801-9090564 (16:47)

2 PAUL: This is Paul.

3 STEVE: Hey, Mr. Paul. What's goin' on?

4 PAUL: What's goin' on, man? How you doin'?

5 STEVE: I'm doin' good.

6 PAUL: The market's freaky.

7 STEVE: Yeah?

8 PAUL: Yeah, um, yeah, you saw all the press releases about California.

9 STEVE: Ah, wh – which ones we talkin'?

10 PAUL: Ah, just – just the fact that, ah, So Cal Edison has finally asked, ah, consumers to
11 start conserving.

12 STEVE: Oh, yeah, yeah, Christmas lights and all that. Yeah.

13 PAUL: Yeah, w – I can't believe the Christmas lights.

14 STEVE: [*inaudible*]

15 PAUL: I mean, one thousand – one thousand megawatts? That sounds unreal. Hold on for
16 one second, OK?

17 STEVE: OK.

18 =====

19 PAUL: Hey, what's up, Bill?

20 BILL: Hey, ah, you guys called, ah, looks like they want the 20. I just want to make to
21 certain that we're agreed upon ah, the price.

22 PAUL: Yeah.

23 BILL: OK, it's 250.

24 PAUL: Right.

25 BILL: Anything above 250, we split 50/50.

26 PAUL: Right.

27 BILL: Outstanding

28 PAUL: All right?

29 BILL: Very good

30 PAUL: All right. Thanks Bill.

31 BILL: Bye-Bye.

32 =====

33 PAUL: Hey.

34 STEVE: Yeah.

35 PAUL: So, anyways, yeah, whatever. Ah, same old story. I think the bottom line is you

36 know, gas is 40 bucks now.

37 STEVE: 40 dollars?

38 PAUL: What, ah -- ?

39 STEVE: So Cal?

40 PAUL: Ah, I know it in the I *[inaudible]*. *[break in recording]* *[inaudible]* later. What's goin' on

41 with you?

42 STEVE: Well --

43 PAUL: So Cal's 28 -- 30 bucks.

44 STEVE: 30 bucks, So Cal gas.

45 PAUL: Yeah, I think it was 40 Malin Citigate off -- peak at *[inaudible]*

46 STEVE: Where the hell's Malin at?

47 PAUL: So everyone's just holdin' back and doin' ah --

48 STEVE: Where's -- where exactly is Malin?

49 PAUL: It's ah -- it's at COB.

50 STEVE: OK. Ah, there it is.

51 PAUL: Do you see it?

52 STEVE: Yeah.

53 PAUL: Um, you know, the one thing we should be doing is not selling it at replacement

54 reserves, ah, because, ah, you can go *[inaudible]* we can hold *[inaudible]* and ISO can go out of

55 market and I mean, the net price to both of us, the total pot that we can get, is 350.

56 STEVE: For what? OK.

57 PAUL: Right? I think, ah, *[inaudible]* --

58 STEVE: Yeah.

59 PAUL: -- can get potentially more than that.

60 STEVE: Well, I heard that the ISO's goin' out of market for 400.

61 PAUL: Yeah, I'm sure they are. I mean, you know, the thing is, we don't -- we don't know
62 what, ah -- what prices people are paying, but that's -- 400 seems like the limit, or the -- the --
63 the floor, what they would pay, because I don't think people are ah, pay -- ah, selling for less
64 than, ah, 400, unless they -- I don't know. Unless the -- unless they're doin' a bad job ah,
65 doing the market --

66 STEVE: Yeah.

67 PAUL: -- w -- ah, you know, taking stock of the market, so, ah, right now things are pretty.
68 dire, so -- yeah, 400 sounds like -- four and five hundred type of thing, ah, depending on
69 where the point is. If it's South, power seems less, ah, you know, less valuable vs. if it's NP
70 15.

71 STEVE: Yeah, NP 15's rockin' and rollin', huh?

72 PAUL: Yeah. NP -- well, NP 15, the -- the air, the zone becomes -- the cash isn't, but
73 everything North around it is. It's just ah, screaming. What's goin' on with you guys? Did --
74 did you guys get SPS ah -- what's the latest on that?

75 STEVE: Oh, man, we're still wrestling with them.

76 PAUL: Did they come back *[inaudible]*

77 STEVE: I -- I had it out with the guys yesterday, man.

78 PAUL: What happened?

79 STEVE: *[inaudible]* I said this is a bunch of chicken-shit, what you guys are doin'. So this is
80 ah, you know, a hundred million dollar deal and you're trying to nickel and dime me for
81 800,000 dollars.

82 PAUL: 800,000?

83 STEVE: for damn transmission -- I said, that is a bunch of horse shit.

84 PAUL: What's the 800,000?

85 STEVE: Ah, these dumb-asses that bought – their traders up at PS Co. when we bought
86 transmission through our system in the off-peak months?

87 PAUL: Right.

88 STEVE: And the guys in Amarillo kept tellin' 'em hold off, hold off, we're going to work
89 this deal here, don't buy the transmission. And so, anyways, they bought the transmission
90 and we got this deal done, and now they want to try to get out of the transmission, because
91 they're sellin' to us, so they don't need the transmission through our system. *[chuckles]*
92 *[inaudible]* he wants me to eat it and I – I said, you know, y – this is bullshit. You knew about
93 this before.

94 PAUL: Right.

95 STEVE: You know about – you knew about the gas before, you knew about, we went
96 through all the issues. I said, all this stuff was known. Um, and I'm still willing to work with
97 you despite all this shit, but, you know, don't ask me to give everything up. At least meet me
98 half way.

99 PAUL: What did they say?

100 STEVE: Yeah, he – oh, man, he says, well, I'm just a messenger and –

101 PAUL: Messenger! *[laughs]*

102 STEVE: I said, well, you take that back. I said, you know, that's your damn job, because I'm
103 tellin' you what's going to happen on this shit. This deal goes sour, we're going to take you –
104 we're going to file a complaint at FERC, we're going to sue you, and we're going to request
105 transmission through your system and we'll pay the up-rate and this thing is going to get
106 nasty and the only people are going to benefit are the lawyers. I said, if you want to take that
107 route, go ahead.

108 PAUL: You said that to him?

109 STEVE: Yeah. I said you keep –

110 PAUL: Oh geez.

111 STEVE: -- tryin' to – you keep tryin' to screw us it's going to get ugly, though.

112 PAUL: Geez. *[inaudible]*

113 STEVE: What are they gonna do, man?

114 PAUL: *[inaudible]*

115 STEVE: And they have all this value there and they got the potential to put 200 megawatts
116 at PV for 02 through 05. You know? I mean, if they're going to be that damn near-sighted --

117 PAUL: Did you -- when you brought off that point, what did they say?

118 STEVE: No, he says, why no, Steve, I know. I've been tellin' these people. I've been tellin'
119 these people. I said, well, you better do a better job of selling this internally.

120 PAUL: Right. Well, the deal's done. That's -- I mean, that -- that -- that should be without
121 *[inaudible]*

122 STEVE: Well, ah, the deal's done, but I don't want 'em to renege on it.

123 PAUL: Well, if they renege it's their -- ah, they're breaking the contract. They're breaking a
124 verbal contr -- which is legal and binding and WSPP and -- and all the *[inaudible]*.

125 STEVE: Oh, man.

126 PAUL: So just you know --

127 STEVE: You know, Paul, I mean, that's just -- it's the same thing. I just want to get this
128 damn thing done. And if it -- it -- if it's a million dollars --

129 PAUL: *[inaudible]*, you know what, that -- that's -- that's their tactic to chip away at you, you know
130 what I mean?

131 STEVE: Yeah.

132 PAUL: To try your patience, to throw up all these things, and eventually ma -- you know, wear you
133 down to the point where, ah, they can get as many *[inaudible]* concessions.

134 STEVE: Well see, here's -- here's the thing.

135 PAUL: What -- you know what, ah, the -- the bid at ah, Palo Verde 01 is probably about 200 now.

136 STEVE: Yeah.

137 PAUL: *[inaudible]*

138 STEVE: They -- um, you know, the thing is -- ah, he's even admitted, he goes, yeah, well -- well
139 when we got this deal good everybody inside, internally was happy and now they see the market they
140 don't -- you know?

141 PAUL: Well, that's tough. That's -- that --

142 STEVE: That's not problem. I said, it's not my problem. That's your problem. *[inaudible]* you're --
143 you're the fall-guy.

144 PAUL: And they got the deal done, right? You see there you go? -- it's the key word. You're do --
145 you --

146 STEVE: Yes. Yeah.

147 PAUL: -- the deal is done, OK. There's no --

148 STEVE: Well, well, here's the -- here's the fall-back position for us, actually. You know, with this
149 whole shit, with the Rio G -- with, um, Las Cruces, they sued us and they say at El Paso you have to
150 provide us backup service and we said OK, it's going to cost us service and because of Palo Verde
151 and all that, we came out like 22 bucks of KW a months and you know, energy at whatever. And we
152 could do the same thing to them. Go file a complaint at FERC and saying you know, you agreed to
153 sell to us, we need you to sell to us, we need it for the reserves, you know you -- we know you have
154 it, and we -- you're going to -- we're going to require you, or we're going to file a, I guess, what is it --
155 205, 206 complaint? For you to sell to us at cost of service.

156 PAUL: *[inaudible]*

157 STEVE: Cost of service -- well, that -- I mean, I -- I think there would be a case there. I mean, it's
158 exactly what they did to us in Las Cruces. They said, we're servin' Las Cruces over this one line; El
159 Paso, you need to provide us backup service.

160 PAUL: So, ah --

161 STEVE: So, yeah, you know, things could get ugly real quickly.

162 PAUL: Right, I -- I think ah, you know, the point that you should be making *[pause]* um, the points
163 of -- that you're making is what you've been saying all along, that hey, you gotta look at the longer
164 term. The -- first of all, this deal is done. OK? When you guys say some -- ask something different,
165 that is just -- that's goin' back on the deal and that is for us to unilaterally look at and decide if we
166 want to do it. That's stance number one and that you said that. Number two, you know, you guys
167 muckin' around like this is not helping our long-term relationship and number three, if you guys do
168 this I'm going to sue you guys and just like, like you said, it's going to go drag out in the court. And
169 let me -- let me tell you this. During that time, you're not getting access to WSPP markets.

170 STEVE: Yeah.

171 PAUL: So get -- be happy with what you're getting at Entergy or whatever market you're getting,

172 'cause you're not getting access to those markets. I think, though, the way you said it, that's – that's
173 – and the message should be loud and clear that, hey, be big boys about this, or at least stop crying
174 about it and put it behind you and look forward to, ah, trying to monetize the 02 to 05.

175 STEVE: Yup.

176 PAUL: So, no, you're – you're right. Let's see what's – I can't believe you said that. That's great.
177 [inaudible].

178 STEVE: Well, what are they going to do, I mean, it's – you know, you guys just – I don't know. It's
179 frustrating man. You – you deal with it, though and –

180 PAUL: Yeah. Yeah, and meanwhile -- I – what's – what's other people doing intern – are you the
181 main guy that's negotiating this?

182 STEVE: I'm the only guy.

183 PAUL: So, all you guys –

184 STEVE: These guys – these guys just are like, I mean, they're at a [inaudible]

185 PAUL: [inaudible], Pete, Toni -- well, Toni and Roger are workin' on the, um, like, whatever – doin'
186 day to day stuff, but ah, Pete and Fet whoever, Eddie Rodriguez – all these guys should be just
187 lockin' in on this problem, right?

188 STEVE: Well, for whatever reason, they're not.

189 PAUL: Hm. Do they know about the situation?

190 STEVE: Oh, yeah. Oh, yeah, they know about it. They definitely know about it.

191 PAUL: Hm. Interesting.

192 STEVE: It's just one of those things, Paul, you know, you – you look at how much money we
193 spend and – and all this stuff with you, and it's – goes back to we've got probably one – about one
194 percent of the total company resources, at best.

195 PAUL: This is like, point zero one percent, focusing on probably the most important issue right
196 now.

197 STEVE: Yeah. That's says so, I mean, does it make sense, you know, on the – [inaudible] – that's
198 what – you're going to devote one percent of your resources on which possibly 60 percent, 50
199 percent of the company?

200 PAUL: Right.

201 STEVE: It's what they do though.

202 PAUL: Right.

203 STEVE: And it wasn't always that way. I mean, it was a lot more stable before and I guess you can
204 justify, we could get away with it, but things have changed.

205 PAUL: Yeah, when was – when did ah – when did you guys really focus on ah, the supply and the
206 marketing of stuff. Was this prior to the bankruptcy?

207 STEVE: We never really did. I mean, we've never –

208 PAUL: Huh.

209 STEVE: I mean, to this day, we look – we look at the – well, what do we got? We got – so let's say
210 we've 13 people in our department. At any given time, there's probably three people. At best,
211 probably two people that are working to maximize the company's resources.

212 PAUL: Right.

213 STEVE: So, you've got two people out of a thousand here working to maximize all the wholesale
214 sales.

215 PAUL: *[inaudible]*

216 STEVE: It just doesn't make sense. But, you know, that's life, man.

217 PAUL: Right.

218 STEVE: Just deal with it.

219 PAUL: Ah, couple other things I wanted to talk to you about. Um, you know that thing you're
220 doing with our cash desk, Tom Alonzo?

221 STEVE: Mm hm?

222 PAUL: Um, you know, you guys should lean on him in – in terms of – 'cause I see on your e-mail
223 that you're still sending stuff in.

224 STEVE: Yeah.

225 PAUL: into your PX, right? And ah, it should be one of those, like binomial decision trees, where
226 you ask him, hey Tom, what do you think about, ah, the bilateral markets vs. the PX? And if he says,
227 ah, the bilaterals are going to be stronger. Ah, and he told me that he's willing to ah – I think I talked
228 to you about this – structure something up where he will provide you the floor of the PX price –

229 STEVE: Mm hm

230 PAUL: You know what I mean, just –

231 STEVE: OK.

232 PAUL: the PX minus losses at those, ah – like you say you do a hundred megawatts, ah, light load.

233 You – you take that, ah, ah, the next day congest price, give you a floor of that – you know, you

234 don't know that till the end of the day, but we can ah, work that out for you today. And then share
235 in the upside.

236 STEVE: OK.

237 PAUL: Above that. So, you know, you – you've been using the PX ah, in the past, and now let's get
238 your access and sometimes, you know, I'm sure, in your mind – or you can just go, I mean there –
239 there's several options you could do. This – this option provides you, ah, like, if anyone says, hey,
240 how come you didn't do the PX? It came out stronger, right? You – you don't want to be Monday
241 morning quarterbacked by someone who says, you know, they'll sit there, pick the one day out of 29
242 days and say, you could have sold at the PX price.

243 STEVE: Yeah.

244 PAUL: Then you sold at the bilateral price those ten dollars below, ah, what's your problem –
245 whatever? Wh – who made this decision? Here's one way to get rid of that, that we, ah, if – if Tom
246 says, yeah, w – I think the PX price – or another PX – the PX price is going to be lower and the
247 bilateral price can be higher, we can, ah, give you this product. So that's one thing, right?

248 STEVE: Yeah.

249 PAUL: Or, the other thing is, obviously you – Tom says, no, take it in to the PX. We'll obviously
250 schedule that for him. The third thing is to just get a fixed price from him. If you, ah, if you're, like –
251 if you have a competing view, he says, I'll buy it for y – ah, I don't know – 200 dollars, ah, next day
252 at Palo Verde or Four Corners, and you think oh, PX definitely not going to get there and ah, ah, I
253 don't think the bilateral market makes just sell it to him, if you have a conflicting view with him. –

254 STEVE: Yeah.

255 PAUL: So those are the three things. I mean, I – I think that PX floor and sharing the upside thing
256 is – is a pretty good product, ah, especially if you – you want to say, you know what? I don't want to
257 take a risk on ah, not – not getting less than the PX that's everything – if you're – if you're kind of
258 ah, looking at that as the benchmark.

259 STEVE: OK.

260 PAUL: So, yeah, I mean, I – I would say that, to you, it's almost seems like all or nothing. You
261 should do an all or nothing decision. Does that make sense?

262 STEVE: Um, well, except for the fact we got a load shape still.

263 PAUL: Oh, yeah, those – the load shape I understand, up to –

264 STEVE: Yeah.

265 PAUL: -- like, ah, the megawatts that you need. But I -- I was looking at the e-mail. You had more
266 than -- you were selling, you know, 50, 60 megawatts into the PX.
267 STEVE: Yeah.
268 PAUL: Yeah. *[inaudible]*
269 STEVE: You're saying on the minimum hour ahead. About 50 *[inaudible]* --
270 PAUL: Yeah, well, no -- yeah, I was like, let me look at this. Anyways, oh, here it is. So it says
271 Thursday... oh, maybe Thursday you did it. Oh, there you go, yeah, you got --
272 STEVE: I got -- you know *[inaudible]*
273 PAUL: Oh, you got 10, OK. So I'm wrong on that. *[inaudible]*
274 STEVE: Well, if I've got different price levels, so --
275 PAUL: Oh, is that right?
276 STEVE: OK, let me see what I got here. Oh, actually I got off p -- off peak I got quite a bit.
277 PAUL: Oh yeah. You see? The other thing we should, ah, think about and you know that's -- it's up
278 to you -- your -- if you're selling some into the bilat and some into the -- the PX, you're still going to
279 blend the price.
280 STEVE: Yeah.
281 PAUL: These are more options for you to think about. Um, when you talk to Tom, and I think --
282 I'm sure he forward that to you, but ah, you know, the more stuff that we give you, the harder your
283 job is, but potentially more *[laughs]*
284 STEVE: More *[inaudible]* for the little things again, Paul. You know, I've got, like 5 or 6 different
285 things I'm workin' on and it's like, OK, you know 3:30 --
286 PAUL: Yeah, work on a 90 million dollar SPS *[inaudible]* or should I work on the 5 thousand dollar,
287 ah, day-ahead PX *[inaudible]*
288 STEVE: Actually what it is, it's 3:30, I've gotta get the pre-schedules done and I gotta finish all this
289 other stuff and I -- I still want to get out of here at 5, you know? So --
290 PAUL: Right.
291 STEVE: Unfortunately.
292 PAUL: No, no, I hear *[inaudible]*
293 STEVE: It's one -- it's one of the things of, um, y -- whether I get an average price of 290 dollars or
294 an average price of 270 dollars.
295 PAUL: Right.

296 STEVE: You know, what's – what – what is the difference, I guess –
297 PAUL: The difference would be made up in like three or four people's salary –
298 STEVE: Well –
299 PAUL: five – they would hire some people to help you out.
300 STEVE: Exactly. But, unfortunately that's not the way they look at things around here.
301 PAUL: No. You're right. I – I – I know, ah – I hear you, ah – your plight.
302 STEVE: They – wh – what – what they look at is that they can get rid of one worker –
303 [REDACTED] They don't look at, maybe that one worker has contributed 75 to 100 thousand
304 dollars of value.
305 PAUL: Right.
306 STEVE: So. But anyways, that's a different story. Let me go, Paul, I gotta meet with somebody
307 right now.
308 PAUL: OK. Wa – one last thing – ancillary services – ah, shall we pull those and try to find the
309 better market for you?
310 STEVE: Go – go ahead.
311 PAUL: In the ah, ah, what do you call it – the out of market market – whatever you call it?
312 STEVE: Yeah. No, go ahead.
313 PAUL: Ah, the black market.
314 STEVE: *[laughs]*
315 PAUL: Ah, what about – shall I coordinate that with Toni, because I know yesterday Toni pulled
316 those ancillary services. I think he – he was able to find a market for 400.
317 STEVE: OK.
318 PAUL: Should I coordinate that with them, or should I just do it –
319 STEVE: Um, just go ahead and take care of it and if you've – you want to talk to Toni that's fine.
320 We just ah, needed to find a better market for *[inaudible]* got my blessings.
321 PAUL: And I – I – I was thinking anything above 250 we should share. You know how we have a
322 25/75 sharing mechanism.
323 STEVE: Yeah. OK.
324 PAUL: Anything above 250, the cap, we do 75 you guys, 25 us.
325 STEVE: OK.
326 PAUL: OK.

327 STEVE: Works for me.
328 PAUL: All right bye. Give me a call later.
329 STEVE: Bye Paul.
330 PAUL: All right. Bye.
331 STEVE: Bye.