

EX. SNO - 450

1 32-20001212-8490751-9201120 (31:03)
2 PERSON 1: [inaudible] office
3 PAUL: This is Paul.
4 PHIL: Hey, Paul this is Phil.
5 PAUL: Hey, what's up?
6 PHIL: Hey, let me, ah, throw some scenarios past you here. Soft price cap.
7 PAUL: Yes.
8 PHIL: OK, Nevada – I don't know if you've been lookin' at the Ex-post, but Nevada's been
9 dumpin' in close to 60 megawatts per hour into the ISO.
10 PAUL: Yep.
11 PHIL: Ah, if they can justify anything above 250 dollars, in essence the ISO has to take it, correct?
12 PAUL: Ah, well, anything about 250, they have to justify through, ah – through the, ah, through
13 showin' that their costs are above 250.
14 PHIL: OK. Well, let's just say that they do that.
15 PAUL: OK.
16 PHIL: Because right now, what's gas goin' for?
17 PAUL: So Cal 25, 26 bucks.
18 PHIL: Ah, right now? 'Cause I know spot was goin' for like 50.
19 PAUL: For – last time I checked – let's see here. Last time – I think this was for the – ah,
20 tomorrow was 25 to 27. Yeah. [inaudible]
21 PHIL: OK, so it's come down dramatically?
22 PAUL: Yeah.
23 PHIL: I'd say that they –
24 PAUL: [inaudible] so come down too –
25 PHIL: They stopped, ah trading gas futures because it hit the limit.
26 PAUL: Gas is off.
27 PHIL: No, I'm saying that it w – it went down to its limit.
28 PAUL: Oh, OK.
29 PHIL: And stopped trading.

1 PAUL: Oh, yeah, yeah – yes.

2 PHIL: And then it dropped even more after that.

3 PAUL: You know, the base is so volatile because it's – it's so high up there, right?

4 PHIL: Mm hm.

5 PAUL: If – if – if any supply falls off, I don't know – for whatever reason generators or the
6 demand's not there. PG&E Citigate's 16 and 19. So anyways, yeah, it's off.

7 PHIL: OK, well let's say it's 20.

8 PAUL: Right.

9 PHIL: And let's just say that Nevada's incrementals are 10, 11, 12, whatever very low on M – let's
10 just say it's 300 bucks.

11 PAUL: Right.

12 PHIL: But if they justify that, that's 300 dollars then that the ISO theoretically would be paying.

13 PAUL: Right.

14 PHIL: OK, now Nevada comes in and says, well, guess what my incrementals are? They're 300
15 dollars a megawatt hour. So, I'm thinkin' OK, if Valley's short, I know BMI's short, and I'm just
16 thinkin' is this the game right now that Nevada Power Company's playing? Because they were
17 guaranteed that – they took this position, the ISO was gonna be short, you know, even if they had
18 to run, it was 350, 400 bucks, the ISO was gonna take it.

19 PAUL: Right. Ah, it ha – yeah, I mean, they can make an argument, right, that – I mean, they –
20 they – they were able to make that marg – argument before and the margin, if they were burning tw
21 – ah, you know, 40 dollar gas, that it's gonna cost them you know 40 times whatever their, ah, plan
22 on the margin is. So, to me it's not that much different. I mean, they can play games with that inc.
23 They can [*inaudible*]

24 PHIL: Well, I just want to make certain here that you're not short for Valley.

25 PAUL: Well, ah, we – November it's already over and we are short a little bit.

26 PHIL: OK, but December.

27 PAUL: December we're not gonna be short.

28 PHIL: OK.

29 PAUL: Yeah, you're – you're right, I think that that's – it's huge and you – you told me, didn't

1 you tell me that there are gas is floating?
2 PHIL: Ah, they had *[inaudible]* –
3 PAUL: At least – at least some of their gas is floating.
4 PHIL: They've got all their gas fired units running.
5 PAUL: And, ah, did they buy it fixed price gas or are they?
6 PHIL: I don't know. Everybody I've talked to says right now they have not sold any gas to
7 Nevada.
8 PAUL: They have not sold any gas to them?
9 PHIL: They did not sell any gas to Nevada.
10 PAUL: So the – the *[inaudible]* –
11 PHIL: So, it just leads me to believe they're buying at spot –
12 PAUL: Spot, yeah. Or they've locked out everything. Well, OK, I – I see what you're talking
13 about, that they haven't sold – yeah. Um, yeah, I think – I think it, ah, their December inc ed – incs
14 are gonna be ugly. You're right. And we – and I think it's – *[inaudible]* be sure.
15 PHIL: Well, that's why I wanted to call you and just let you know.
16 PAUL: Yeah, I appreciate that.
17 PHIL: I mean, you better – because I'm in the process right now that we're gonna push Nevada
18 hard. We want to know what they're projecting they're Decem – ah, December costs are gonna be.
19 If it looks like it's gonna be high, then we're gonna shut down Pioneer.
20 PAUL: Now, well, but, isn't most of your energy coming in from the market and the hydro?
21 PHIL: No, I'm still – shit, this month for Pioneer I'm bringin' in – god, what – 17,000 megawatts
22 hours? And they're still short about 5000.
23 PAUL: You're bringing in 17,000 and they're short about 5000?
24 PHIL: Yeah.
25 PAUL: And so you would sell that – that energy.
26 PHIL: Actually right now I'm showing Cal Border went for 55 bucks for yesterday.
27 PAUL: For yesterday, yeah. Yeah, I mean and that's – that's the type of volatility we're talkin'
28 about.
29 PHIL: OK.

1 PAUL: This is for tomorrow.

2 PHIL: Yeah, I see [inaudible] at 46, PGT went at 47 and [inaudible] went at 46.

3 PAUL: Yeah. It's off by, ah, sev – sixty, seventy percent.

4 PHIL: Good.

5 PAUL: For tomorrow, so –

6 PHIL: OK.

7 PAUL: Yeah, I mean, ah, I mean that – that's good that – well, so BMI, are you guys committed to

8 shut down that facility?

9 PHIL: Yep. Oh, they've already done it once. They already did it for November and –

10 PAUL: For how long?

11 PHIL: [inaudible] it will not give me – Oh, hell – I can – they can shut off for two weeks. And see

12 what I'm thinkin' about doin' is callin' Pioneer, shut the damn plant down, let's find an access on

13 Nevada, and oh, by the way, they now have to pay you what their decremental costs were.

14 PAUL: Better yet, why don't you just –

15 PHIL: [inaudible] decremental costs were like 250, 300 bucks, let's go ahead and let's do it.

16 PAUL: That energy, ah – is that energy light load, pretty much?

17 PHIL: Yeah, it's light load. It's all light load. See I'm bringing in 100 megawatts, ah, 6 hours a

18 day.

19 [break in tape]

20 PAUL: Yeah, but you're never gonna know what their incremental's gonna be, that's the thing.

21 PHIL: Well, [inaudible] –

22 PAUL: That's what makes your – i – if – when you – when you're at this point where you're

23 talkin' about the flexibility that you have in your production, that's what kills you, not knowing,

24 because you can't make a decision.

25 PHIL: No, you can't, but you know sometimes you just have to do, ah, what you think is best and

26 right now, I think that's the best thing really to do. Ah, another – you know, just think about that

27 and as soon as we hear from Nevada I'll pass this stuff along to you.

28 PAUL: Are you – a – are they gonna – you think they're gonna actually give you the – you –

29 PHIL: I [inaudible] I've got a customer here that, ah, needs to know – does he need to shut down?

1 Yes or no? If your incrementals are gonna be – and you just can't get any an answer that you don't
2 know, just gonna ballpark where you think it's gonna be.
3 PAUL: Right. Right.
4 PHIL: And they should already have their November numbers. I mean, shit, it's the 12th.
5 PAUL: Right.
6 PHIL: They should have the numbers for November on – already.
7 [break]
8 PAUL: Yeah, the – you know, you're right, it's – it's, ah, it's a big thing and we're – we're pretty
9 sure of November, so I'm kind of anxious to find out what November incrementals are. Should be
10 [inaudible] pretty soon.
11 PHIL: OK, well, I will pass it along too soon as I find out. Ah, the other thing: We sold you a
12 piece for tomorrow.
13 PAUL: Yeah, I saw that.
14 PHIL: Well –
15 PAUL: You're not selling Valley [chuckles]
16 PHIL: But I mean, is Valley being stuck with 500 dollars?
17 PAUL: No.
18 PHIL: OK.
19 PAUL: 31 bucks.
20 PHIL: All right.
21 PAUL: Was the 500 dollars what you got?
22 PHIL: Yeah.
23 PAUL: Nice.
24 PHIL: Well, we didn't realize you were on the other end. I thought it was LADWP.
25 PAUL: Why would LA be buying?
26 PHIL: Ah, I don't' know. They bought for the last two days, so –
27 PAUL: Oh, really?
28 PHIL: Man, it's like well shit if I can stick it to LA, then damn right I'll [inaudible].
29 PAUL: [inaudible] well, get the hi – he – I mean, we're gonna have to pay 500 from someone,

1 right? [*inaudible*]. So, um, I mean, the – what – what we do – it's – when we do a fixed price
2 contract –

3 PHIL: Mm hm.

4 PAUL: It's – it's always a fixed price – that, you know, we're not – Valley's [*inaudible*] –

5 PHIL: OK.

6 PAUL: – I mean they're lovin' it right? They get 31 dollar energy.

7 PHIL: Well, I just told my boss, just, you know, just in case somethin', whatever else and they give
8 you a bid 'cause I thought that's what the arrangements you had with Valley [*inaudible*] –

9 PAUL: Oh, yeah, it's completely a fixed price and, ah, you know, on these, like deals where we
10 might go short or we might go long, you know, we'll fill it in the cash. We – we probably have to
11 hedge against it. You don't talk about, we're –

12 PHIL: Mm hm.

13 PAUL: – we're long in some way at Palo or some other point to – to hedge us against that, ah, but
14 on a daily basis it's go up and – go out and buy, ah, Mead.

15 PHIL: Right.

16 PAUL: Ah, even if we're not, then you know, if we weren't sure, we're – we took a view and, ah,
17 it obviously hasn't worked out, ah, properly.

18 PHIL: Well, let me know. I mean, I'm not gonna –

19 PAUL: No, no, no. [*inaudible*].

20 PHIL: I'm not gonna be in a situation here of gouging you and whatever else.

21 PAUL: No, that's a [*inaudible*]. And this market, that's the market price.

22 PHIL: No, but, ah, you also have to understand that there are certain people I will gouge. You're
23 not one of the players, or you're not one of the companies out there that I'm gonna gouge.

24 PAUL: Yeah.

25 PHIL: So, I mean, have your people get a hold of me first thing in the morning, 'cause I don't
26 wanna – like I said, that if it was LA, and I thought it was LA on the other end, because I've done
27 this with them twice and –

28 PAUL: Right.

29 PHIL: – let's just say.

1 PAUL: No love lost [*inaudible*] huh?

2 PHIL: [*inaudible*] with what the hell. No, it's not.

3 PAUL: You know, I – I think you should, you should get the fair market price since these guys ah,
4 aren't gonna give you that. Um –

5 PHIL: No, I'm just tellin' you that I don't want this to be a long term relationship.

6 PAUL: Right.

7 PHIL: – and I – the markets – what the market – that's – that's fine, but that's not in my opinion
8 the way that we're going to, let's say, have these long term relationships and whatever else.

9 PAUL: Right.

10 PHIL: That there are gonna be some times that, look, you need some help, then fine, I'm willing to
11 help you out the best that I can.

12 PAUL: OK.

13 PHIL: And I'm not gonna charge you whatever the market's going for. I just – I mean, it's worked
14 out well between us and that's OK, 'cause I'll do the same thing with SRP.

15 PAUL: OK. Yeah, yeah. I – I – I'll offer that up to them.

16 PHIL: OK. [*inaudible*]

17 PAUL: Um – and if – if you need to sell something, just give Tom a call.

18 PHIL: OK, there's two people I will gouge. And one is LA and the other one's Nevada.

19 PAUL: LA and Nevada. Yeah.

20 PHIL: The rest [*inaudible*]

21 PAUL: Why – why – why LA? What – what's – what's happening with them? They're just –

22 PHIL: Uh, they s – s – well, I feel that they screwed me a couple times.

23 PAUL: Mm.

24 PHIL: That they treat end use customers differently than they treat utilities. And one instance
25 where we got caught short for an hour and I went to SRP, SRP said, no, we don't have anything,
26 but I just got off the phone with LA, and they're quoting me 150. So, it's like, OK, I'll call
27 LADWP as soon as I got off the phone with SRP and it's not 150, it's 225.

28 PAUL: Hm.

29 PHIL: So, they apparently have this nice little going thing that if you're a marketer or an end use

1 customer, doesn't matter what the hell you are, or where the hell you stand –

2 PAUL: Yeah.

3 PHIL: – it's 225.

4 PAUL: That real time guy –

5 PHIL: If you're a utility, we're gonna treat you differently.

6 PAUL: Who's that real time guy – that guy hates us.

7 PHIL: So, it's like, you know, that's all nice and fine.

8 PAUL: Who's that one real time – Dave something – hates us? He does the same thing. Yeah.

9 PHIL: So, it's like –

10 PAUL: Well, actually remember one time where we were able to get a better market from LA and

11 they were – the other thing is that they – they treated utilities different and then they're like the

12 bully on the block, right? They treat smaller customers. Like, ah, I remember I was talkin' with a

13 LA guy, and he goes, he started callin' – 'cause you got all those, ah, municipals SCAPA or

14 whatever?

15 PHIL: Mm hm.

16 PAUL: And he started callin' them puny munis and stuff, you know, you can tell its' just they're

17 attitude to – to take them hostage if they can. And you know if – i – if an opportunity presents itself

18 where they can, ah, ah, pretty much gouge, ah, one of those smaller customers – 'cause you – th –

19 they don't have any options or they're just not in the market place that much, so that they don't

20 know what the, ah, the market's at, they'll do it.

21 PHIL: Right.

22 PAUL: Yeah.

23 PHIL: And it's like OK, more power to you guys. [*inaudible*]

24 PAUL: Yeah. But that is – that is definitely – that is definitely their m.o.

25 PHIL: Yup and somewhere down the road, it's gonna come around and it's gonna bite you in the

26 ass and –

27 PAUL: Yeah.

28 PHIL: You know, that's fine.

29 PAUL: Right, right.

1 PHIL: And those times, you know, where I can turn around and bite you right back, you know
2 damn well that I'm gonna do it.

3 PAUL: Right. What do you, ah – what do you think – is this a buying opportunity for, ah, people in
4 general, or you think this is, ah –

5 PHIL: No, I think it's gonna go lower.

6 *[break]*

7 PHIL: I'm waiting right now.

8 PAUL: Yeah, I think it's, ah – yeah *[break]*

9 PHIL: I know Sierra's been out buying the 02.

10 PAUL: Have they?

11 PHIL: Yep.

12 PAUL: A 1 – *[inaudible]*

13 PHIL: Ah, what I'm hearing is, like, 25s, 50s –

14 PAUL: Yeah.

15 PHIL: Not really a whole helluva lot after that.

16 PAUL: I mean, it – are we – these guys are gonna get – their next quarters they're gonna get
17 crushed, aren't they, or are they?

18 PHIL: We don't know. That's what, ah – that's what we're just waiting on to see exactly what the
19 hell happens.

20 PAUL: Right.

21 PHIL: And I see that, ah –

22 PAUL: 'Cause they might be long, right? That's the one thing that scares you.

23 PHIL: Sierra. Nevada. Long.

24 PAUL: For this quarter.

25 PHIL: We don't think so.

26 PAUL: Mm.

27 PHIL: We really don't – that would just go totally opposite whatever they've done previously.

28 PAUL: Right. Right. That's a good pretty sh – big short position, so I need to –

29 PHIL: I know that they're short for the Q3, that they've bid up the Q3 Mead PD spread. Ah, they

1 were willing to pay at one time 35 bucks.

2 PAUL: Is that Perry bidding it up?

3 PHIL: It's like, god, what a dick-head, I sold it to you guys at 25.

4 PAUL: Did, um – do you deal with *[inaudible]* at all?

5 PHIL: No. I can't deal with Nevada.

6 PAUL: Why – because you don't have enabling agreement?

7 PHIL: I don't have an enabling agreement with them.

8 PAUL: It's amazing. That is amazing. Typical.

9 PHIL: Yeah, I'm in their control area and all this good fun stuff and let alone, I can't deal with

10 them. It's like I don't get it.

11 PAUL: You can't even net out stuff with them.

12 PHIL: I can't – just don't understand it at all.

13 PAUL: That's amazing.

14 PHIL: One of these days, I'll totally understand it. Actually, ah, our boss had a meeting with their

15 CEO.

16 PAUL: Oh, really?

17 PHIL: And I don't know what – you know, he explained to 'em that, you know, we can't deal with

18 you guys. We can't sell to you, and any time that we have surplus, we gotta go through somebody

19 else. And it ends up costing you guys more than if you could deal directly through us.

20 PAUL: That's what he told them?

21 PHIL: Yeah.

22 PAUL: And what did he say?

23 PHIL: He said, well, I'll look into that.

24 PAUL: *[laughs]* typical response.

25 PHIL: *[inaudible]* see how far that's goin'.

26 PAUL: Is that Higgins?

27 PHIL: Yeah.

28 PAUL: Those guys – man, is that PGE thing gonna – I guess it's gonna close – it's supposed –

29 everyone's got their approvals, they just need to –

1 PHIL: Guys gonna get approved and they've already had to start re-bidding on their jobs.
2 PAUL: Really?
3 PHIL: Yup.
4 PAUL: They're doing that whole – start re-bidding again?
5 PHIL: Doin' the whole thing all over again.
6 PAUL: Oh, my gosh. Didn't they – didn't they des – destroy morale last time?
7 PHIL: Oh, they did, but what the hell difference does it make? I'm safe. It looks like it's a good
8 idea, so let's go through it again, because I'm safe. I have absolutely no problem.
9 PAUL: So does that mean PGE people have to re-bid on their jobs?
10 PHIL: Everybody's gotta re-bid. And I think everybody's also waiting on the announcement as to
11 who the new Se – Senior VPs are gonna be. And whatever else, so – I fully expect the female from
12 PGE's gonna get a nice cushy high position.
13 PAUL: Yeah. *[inaudible]*
14 PHIL: Except I understand thought that she deserves it.
15 PAUL: You know, um, I have no idea – I haven't heard anything bad or good that I really–
16 PHIL: Oh, the only thing that we – I've not heard anything bad about her. The fact is I've heard
17 nothing but good things about her.
18 PAUL: They hedge forward. *[laughs]*
19 PHIL: Ah, did they? Because we understood that they were short.
20 PAUL: Well, they might be short a little bit, like on the March but i – in general, they've like
21 locked out –
22 PHIL: Have they?
23 PAUL: 01, 02 and stuff.
24 PHIL: Well, good for them.
25 PAUL: Near term. I mean, it would – gets really cold, right, bid in – I don't think they, ah, bought
26 for the ultimate contingencies of, you know, 25 degree, ah, non-typical weather here, so they'll
27 have to go buy you know, whatever volumes they need to – to cover their, ah, peak loads.
28 PHIL: OK. Good.
29 PAUL: *[inaudible]* hedged out.

1 PHIL: Ah, what you guys' expectation here for gas? You guys, ah, bearish on it?
2 PAUL: Ah –
3 PHIL: Since it's already collapsed?
4 PAUL: Yeah, I think we're – we're gettin' a little bearish, but it – it's just – it just – can turn it's
5 amazing just.
6 PHIL: I love where the PX cleared out – 1400 bucks. [laughs]
7 PAUL: It was – did you see yesterday, the prices?
8 PHIL: Oh, yes, and we do want to thank you for, ah, putting that stuff into us for the day of.
9 PAUL: What was the day of part?
10 PHIL: Oh, god, ah, it cleared a lot better than the other – so we were thankful that, ah, you guys
11 stuck that back in the day of.
12 PAUL: Well, what – what did it clear at, like over 250?
13 PHIL: Oh, there were hours it was like 7, 8.
14 PAUL: Good.
15 PHIL: No, it worked out well for us.
16 PAUL: Good. So you guys are doin' well. You guys are just – 'cause you hedge forward and
17 you're kicking some ass.
18 PHIL: We've already had, ah, it's the 10th, we've already hit negative numbers.
19 PAUL: Really?
20 PHIL: Our total cost for [inaudible]
21 PAUL: And you guys are fine for 01?
22 PHIL: Yep.
23 PAUL: [inaudible] SNW's [inaudible] – then – well 02 has come off, so this might be a time to –
24 PHIL: Yeah, it's come off to – it's come off to 92 bucks! [laughs]
25 PAUL: Come off, well, you thought at Mead.
26 PHIL: OK, OK, come on, everything's relative, yeah.
27 PAUL: You're talkin' Mead, right?
28 PHIL: [inaudible] come off from 111 down now to, ah, [inaudible]
29 PAUL: That 92 was damn [inaudible] was damn good about a week ago.

1 PHIL: What's that?

2 PAUL: That 92 looks da – looked damn good a week ago.

3 PHIL: Oh, it did.

4 PAUL: *[laughs]*

5 PHIL: Now, it looks, ah, ugly.

6 PAUL: Yeah, now it's like – it is – it's so funny – no, we were talkin' about, ah, certain people

7 were like talkin' to, ah, this one customer that needs to hedge forward is buyin' dailies. He's

8 getting' slaughtered, but about a month and a half ago I was talkin' to him and like well, why don't

9 you go – you guys go hedge out at least some if not all. Oh, we think the price is gonna go down,

10 right?

11 PHIL: Mm hm.

12 PAUL: And then, just – but it doesn't go down. Finally cry uncle, we have a call with them, ah,

13 the other day, and we're like, OK, here's the price and they're just shocked, right? And they're

14 like oh, my gosh, we're gonna be bankrupt. And yada – yada. And, ah, y – they're like OK, ah, we

15 need to evaluate this and – and give us some prices, give us some structures – all this stuff, so we –

16 we gave 'em all these prices and then the prices start coming off, right?

17 PHIL: Mm hm.

18 PAUL: And they go, oh, we think it's gonna go down further, I'm like, all right. And it – it might.

19 I – I'm just saying, it's just –

20 PHIL: No, I think, ah –

21 PAUL: You know, there's people who just don't take care of business – that's a big problem. So

22 –

23 PHIL: Right now I think prices are gonna come off. I mean they can't –

24 PAUL: Yeah *[inaudible]*

25 PHIL: No one can sustain these prices. They can't. You're gonna drive – or somebody's gonna

26 drive the country into a recession. You're gonna have too many bankruptcies.

27 PAUL: Yeah. No, you're right.

28 PHIL: It's me – it's just, it's not gonna happen. I just don't see how it's gonna survive or how it's

29 gonna do anything else. But anyway, ah, how are you guys lookin' 02. Ah, we need to do

1 something jointly here between the two of us, or – ?

2 PAUL: In what sense?

3 PHIL: Ah, the fact that, ah, if you wanna buy something 02, I'll take the off peak, you want the on

4 peak?

5 PAUL: Oh, yeah, we're – we're game for that.

6 PHIL: Well, let's talk. Ah, more than [inaudible] –

7 PAUL: This time the – the –

8 PHIL: – because I get approval at 10 o'clock today to go buy 02, 03, for SNWA.

9 PAUL: So what's the structure that you're wanting to look at?

10 PHIL: Ah, I'll take the st – I'll take the hours you don't want.

11 PAUL: The same – like six hours – the same structure we did in 01?

12 PHIL: Ah, yes.

13 PAUL: OK. How many megawatts?

14 PHIL: Ah, I could quite possibly look into buy, like 150, 200 megawatts. I mean, obviously I

15 don't want to do it all in one fell swoop, because it's just gonna screw up everything, so I'll just –

16 let's talk about doing it very, very secretly.

17 PAUL: OK. 02 and 03?

18 PHIL: Yes.

19 PAUL: All right. At Meade or PV?

20 PHIL: Mead.

21 PAUL: OK.

22 PHIL: Ah, like I said, I get approval in 2 hours.

23 PAUL: Sounds good, so, ah –

24 PHIL: Now I gotta go before my board in order to do this.

25 PAUL: OK.

26 PHIL: So, I will –

27 PAUL: So, do you want us to buy the, ah volume [inaudible]

28 PHIL: Well, we need to talk – we need to talk a little bit further, but I'm just saying that – keep that

29 in the back of your mind. I'll get back to you at about 11 o'clock [inaudible].

1 PAUL: All right – we don't – we don't want to fight Sierra Pacific so we need to time this
2 carefully.

3 PHIL: No. No, no.

4 PAUL: OK.

5 PHIL: Not at all.

6 PAUL: All right.

7 PHIL: All righty?

8 PAUL: *[inaudible]*

9 PHIL: I'll talk to you in a couple hours.

10 PAUL: Sounds good.

11 PHIL: Thanks. Bye- bye.

12 PAUL: Bye Phil.

13 =====

14 PAUL: Steve?

15 STEVE: Hey, Paul.

16 PAUL: Hey, man. Sorry about that.

17 STEVE: That's all right, man, what's goin' on guy?

18 PAUL: Market's off. Gas is down, um, you guys ran us over for that Q1.

19 STEVE: All right!

20 PAUL: Yeah!

21 STEVE: *[laughs]*

22 PAUL: You see, it's just – you didn't kick – you didn't pick the top. But you know, you can't be
23 greedy.

24 STEVE: Yesterday –

25 PAUL: If they went out, ah, the Januaries were like, ah, bid at 190s – I think it's probably lower
26 now. *[inaudible]* bid *[break]* Hold on a sec.

27 STEVE: OK.

28 *[break in tape]*

29 PAUL: 180.

1 STEVE: Cool. What's ah, February/March at?

2 PAUL: Oh, I think it's gotta be like low hundreds or 10 or 20, right?

3 STEVE: God, man.

4 PAUL: January's 180. and I – I – I need to look at that but the spread between January and, ah,

5 Feb was a hundred bucks, right? It's probably not a hundred, but it's at least 50. So, yeah. You

6 ran us over. That's cool. *[laughs]* No, that's good – good deal, I mean, you know, that's – that's

7 the thing, you know, we – we weren't right in terms of if you did it –

8 STEVE: Well, you –

9 PAUL: – a – a day or two later, you would have had more value, but, if you *[inaudible]* –

10 STEVE: Actually, the Q1, how much more did it go up – another, what – 25 bucks?

11 PAUL: What – what Q1?

12 STEVE: When we sold – we sold, um, Q1.

13 PAUL: Did it go up another twenty – it went up probably –

14 STEVE: Thought it went to like 300 for January or 325, didn't it?

15 PAUL: Yeah, it went up to over 300, but the Febs and March didn't go up as high. I would say

16 you probably missed out – you – you bought it – you sold at 195s right?

17 STEVE: Yeah.

18 PAUL: You probably missed out on 25, 30, maybe 40 doll – I mean, it – it's such a thin market,

19 right, on the bid side.

20 STEVE: Yeah.

21 PAUL: Even though the offer – like, a lot of people say, Oh, you know it's offered at a thousand

22 dollars like is anyone lifting that? No! *[laughs]*

23 STEVE: Yeah that shit.

24 PAUL: Yeah, so, ah, you probably missed out on like 30 dollars of value which is nothin' to

25 sneeze at.

26 STEVE: What's um off peak goin' for – for balance of the month?

27 PAUL: I don't know. It's probably –

28 STEVE: It's off quite a bit.

29 PAUL: Quite off, yeah.

1 STEVE: Damn!

2 PAUL: Like one – one – low hundreds.

3 STEVE: Yeah, low hundreds for off-peak and I'm complainin', huh?

4 PAUL: Well, I mean –

5 STEVE: Greedy – greedy [*inaudible*].

6 PAUL: Ah, well, it's just – that's your word, you know, you [*laughing*] it's 180, 190.

7 STEVE: Yeah.

8 PAUL: Why not? I mean right now, I would say, if it's 1 – if it's bid lower, right – I m – [*inaudible*]

9 crap out later on in the month – that's what people are expecting.

10 STEVE: Yeah.

11 PAUL: OK, wait to sell it into the PX, right? You're getting some good prices in the PX. So – or

12 I talked to Tom about selling at Baileys?.

13 STEVE: Yeah.

14 PAUL: Yeah, I talked to him [*inaudible*] – .

15 STEVE: I just – yeah, the last couple weeks it's gonna – or last week, uh, I still think it's gonna

16 crap out, but –

17 PAUL: Yeah, well maybe you should sell a portion of the term. [*inaudible*]

18 STEVE: [*inaudible*] I was actually – I was watching on C-SPAN this morning. They were talkin'

19 about gas – gas hearings.

20 PAUL: Yeah, what the fuck [*inaudible*] yeah. Yeah, I heard, ah, Ken Lay, man. Ken Lay –

21 potential treasury secre – secretary.

22 STEVE: Jeez!

23 PAUL: I know.

24 STEVE: Man, so we see his signature on the dollar bills, huh?

25 PAUL: That would be pretty impressive, huh?

26 STEVE: That's right.

27 PAUL: That would be pretty impressive. If he – if he could com – but I – I – I'd rather have him be

28 the FERC chairman. He would help us much more.

29 STEVE: Oh, I'm sure.

1 PAUL: You know what I'm talking about.
2 STEVE: Be a conflict of interest there.
3 PAUL: What? There's no conflict. He believes in free markets. He's gotta just open up
4 everything, man. He's gonna sit there and have your gas and power floating with the market. He's
5 gonna mandate it. *[laughs]*
6 STEVE: Yeah. Kick his ass.
7 PAUL: Steve, you're gonna have to sit there and say, oh, I was 5 through 8, we're not – we're out!
8 We went to the mall! *[laughs]*
9 STEVE: So what's next year trading at? Did they come off quite a bit, too, or - ?
10 PAUL: Oh, yeah. You know, I'm gonna let that down. I think it's, ah, last time I checked 01 was
11 probably trading in the range of, ah –
12 STEVE: 60 bucks *[laughs]*
13 PAUL: One – no, like one – 160 – it's gotta be.
14 STEVE: God, what a – what move, huh?
15 PAUL: *[inaudible]* well, you know, I mean, it goes up that h – quickly. Gas went off – yesterday
16 gas – today was trading in the 50 dollar range for So Cal.
17 STEVE: Mm hm.
18 PAUL: 25 now. You know, it's just – it's just one of those things you'll see – on the margin when
19 people really bid it up it – it's obviously very expensive, but it only takes a couple of, ah,
20 temperatures not showing up as expected and you know, people –
21 STEVE: Yeah.
22 PAUL: – more supply comin' – whatever – all these factors are coming in and it's gonna get
23 crushed – *[inaudible]* and when I say crushed, 25 dollars is nothin' to sneeze at, but I mean relative
24 to *[inaudible]*–
25 STEVE: Yeah, from where it was *[inaudible]*.
26 PAUL: So –
27 STEVE: Shit, I was lookin' at the deal with SPS now instead of bein' 70 million, it's probably,
28 you know, only 30 or 40 million.
29 PAUL: Well, you know what you do? You – you post – post date your, ah, e-mail response of last

1 week.

2 STEVE: Yeah. Hey, that's what it was last week!

3 PAUL: *[laughs]* Still, not – 50 million is nothing to sneeze at.

4 STEVE: Well, I guess we won't make our hundred million next year then, damn!

5 PAUL: Well?

6 STEVE: Well. *[inaudible]*

7 PAUL: You – you already locked in Q1, right? *[inaudible]* you're pretty *[inaudible]* –

8 STEVE: Yeah, no, we – yeah, we did that. Let's see that was – we said was 195 average minus

9 probably about a 60 cost –

10 PAUL: Yeah.

11 STEVE: – times, ah, 60 thousand megawatts.

12 PAUL: Yup.

13 STEVE: Is that right? 3.5 million right there.

14 PAUL: There you go. That's nice. Hey, you – did you go to Dallas yesterday?

15 STEVE: Oh, 8 – 8.1 million man.

16 PAUL: What?

17 STEVE: 8.1 million. I was off.

18 PAUL: 8.1 m – is the profit?

19 STEVE: Yeah.

20 PAUL: 8 million dollars, man.

21 *[REDACTED]*

22 *[REDACTED]*

23 PAUL: Yup. Exactly. So the price cap's back up to about 250 man. I can put in, ah – they – they

24 don't expect you to audit – get audited, ah, unless you put a bid in above 250.

25 STEVE: OK.

26 PAUL: So we can do ancillary services if you want energy, if you want to do the capacity at 100

27 and energy at 250.

28 STEVE: So yes, the bilat market's come off quite enough that it's probably just better to –

29 PAUL: Mm, well, the dailies are pretty strong on peak, but you know, the thing is that helps you

1 with the capacity thing –
2 STEVE: Yeah.
3 PAUL: – is, ah, that they’ll – you’ll get paid that 100 dollar capacity like hours 5 through 22, right,
4 and they’ll exercise you for like 5 hours. So, your average cost is pretty high even though your
5 bilateral – might be, ah, more expensive. And sometimes some people just don’t have the energy to
6 spare for all the while on peak period. You know what I’m talking about, 25 megawatts, so – yeah,
7 yeah, I –
8 STEVE: Yeah, I need to check, we got – you know, with Rio Grande eight off and –
9 PAUL: Yeah.
10 STEVE: I – I need to see what the status is by Thursday. Hopefully it’ll be back.
11 PAUL: OK. Well, d – you know, it’s out there. I’m – I’m – I’m bidding in – for our other
12 customers I’m bidding in ancillary services, because we’re not getting out of market and the bilateral
13 are not as – as high it was before.
14 STEVE: Yeah.
15 PAUL: It’s still trading like four – dailies, ‘cause, ah, well, Wednesday’s supposed to be one of the
16 coldest, right? So, it’s trading like 4 or five hundred bucks for the dailies.
17 STEVE: Yeah. So, ah – I guess I probably need to talk to Tom if I want to do some balance of the
18 month for light load.
19 PAUL: Ah – yeah, or – or yeah, call me or call Tom.
20 STEVE: OK. Give me a – g – give me a quote –
21 PAUL: All right. Hold on.
22 STEVE: – a bid on that, so –
23 PAUL: Ah, they got – can I call you back?
24 STEVE: Yeah, not a problem, Paul.
25 PAUL: Yeah, I’m gonna call you back with that bid.
26 STEVE: OK.
27 PAUL: All right, bye.