

EX. SNO - 494

1 011211 101404 12-11-01 aud16 (27:08)
2 PAUL CHOI: This is Paul.
3 KEVIN REEVES: Hey, Paul it's Kevin Reeves.
4 PAUL CHOI: Kevin Reeves.
5 KEVIN REEVES: What's goin' on man?
6 PAUL CHOI: Not much. So, we've got a big portfolio of positions at, ah, Mead and Palo that we
7 want to show you.
8 KEVIN REEVES: I'd love to see it.
9 PAUL CHOI: It's under WSPP.
10 KEVIN REEVES: Mm hm
11 PAUL CHOI: And, ah, I feel like I can tell you the counterparty – I want to talk to my lawyer first
12 and see –
13 KEVIN REEVES: OK.
14 PAUL CHOI: – that I'm not steppin' on any bombs, but what we're doin' is we're generating – it's
15 a big portfolio, it's probably like twenty – I don't know – I'm saying north of 20 deals, ah, varying,
16 ah, terms [*inaudible*] nothing exceeding 3 or 4 years.
17 KEVIN REEVES: Mm hm.
18 PAUL CHOI: Ah, pretty high priced stuff. Ah, so it's – it's well in the money for us, but ah, yeah,
19 what I'll do is I'll forward that over to you and, ah, you can take a look. Now, let me ask you this.
20 Any update on Pinnacle Peak slash – you – you looked at the El Paso deal also?
21 KEVIN REEVES: Right. Um –
22 PAUL CHOI: And I – and I guess that's the other, ah, question. I've been working with Mackie
23 on some of these things.
24 KEVIN REEVES: Mm hm.
25 PAUL CHOI: I don't want to waste your time and I'm sure you don't want to waste my time if – if
26 you just don't want to do – look at these assignments. What I'm hearing from the bankruptcy court
27 is that it's gonna be, ah, they're gonna – we're gonna be given a lot of latitude to potentially
28 execute on these assignment deals, ah, the – the ones with consent on e – all parts.
29 KEVIN REEVES: Mm hm.

1 PAUL CHOI: Ah, or – or even – even without consent, there might we ways that, ah, we, ah, ah,
2 don't – the – the bankruptcy judge has unilateral ability to just assign the deals to someone who's
3 credit-worthy a – and all that stuff, so –

4 KEVIN REEVES: Gotcha.

5 PAUL CHOI: So, I guess, ah, you know, the question is, do y – are you guys interested and then
6 secondly is pricing gonna be somethin' that is r – ah, considered quote unquote 'reasonable,'
7 because, you know, we do not want to be on undue scrutiny if we do something where it's way off
8 market.

9 KEVIN REEVES: Right. Um, I would say, you know, and I – and I've said this before – yeah, I
10 would think we were interested, but you know, again, it's g – it – we – we may not be able to move
11 as quickly as – as we would like 'cause I think we're gonna have to take a look at kind of what the,
12 you know, what the effects – you know, what – basically what – what the bankruptcy allows us to
13 do.

14 PAUL CHOI: Right. And w – we can get you guys more comfortable with some of the – the
15 things, but fundamentally, ah, assuming you can get comfortable with the legal risk, which I think
16 in the next couple days we can get you something – probably in early next week we can get you
17 something, but, ah, here's the situation, have your lawyers take a look at it –

18 KEVIN REEVES: Right.

19 PAUL CHOI: Tell us if – if – if – if this is somethin' that is viable, and then, then we can start
20 talking about pricing and really all you're doin' is buying a book of business.

21 KEVIN REEVES: Exactly.

22 PAUL CHOI: So.

23 KEVIN REEVES: Which I would imagine, I mean, as part of your – part of the bankruptcy, y –
24 you're gonna have to sell that at some point anyway, aren't you?

25 PAUL CHOI: Right, right.

26 KEVIN REEVES: So, I – that's – I guess that's – that's the part that I, you know – and that's really
27 more a question for our folks internally than, you know, than – than you, but –

28 PAUL CHOI: Well, and I – and I guess, ah, you know, there are other – what we're hearing is –
29 I'm not saying – I mean, to me the cleanest is an assignment.

1 KEVIN REEVES: Mm hm.

2 PAUL CHOI: That you could have some money for –

3 KEVIN REEVES: Yeah.

4 PAUL CHOI: – a fair amount of money. You guys get a good deal, we get – the b – ah, the

5 creditors get a good deal and this book – this business, or this, ah, trade gets liquidated or

6 terminated –

7 KEVIN REEVES: Right.

8 PAUL CHOI: Or reassigned, whatever you're gonna take a look at.

9 KEVIN REEVES: Right.

10 PAUL CHOI: But the bankruptcy – you know, what we're finding out, the bank – in bankruptcy,

11 those guys have a lot of latitude to do a lot of things.

12 KEVIN REEVES: Right.

13 PAUL CHOI: And if we can't get the – if people aren't looking to buy our contracts or assign,

14 there's gonna be other ways to extract value from those contracts. Let's just say that.

15 KEVIN REEVES: OK.

16 PAUL CHOI: Ones that probably are not pleasant for – [*laughing*] our counterparties, but –

17 KEVIN REEVES: Right.

18 PAUL CHOI: Nonetheless, ah, somethin' that is, ah, legal and has been done – has precedence.

19 KEVIN REEVES: Right, well, we – we've actually – we're – we're takin' a look at that, and it – it

20 appears that basically you all, you know – if you – if your counterparty terminates the contract for

21 you all not performing, they still owe you the mark to market –

22 PAUL CHOI: Yeah, it's just – it's two-way. Yeah.

23 KEVIN REEVES: Right.

24 PAUL CHOI: And anyone who – you know, the best is when we had people say, We're

25 terminating, we're out.

26 KEVIN REEVES: Mm hm. Cool!

27 [*they laugh*]

28 PAUL CHOI: You know what? And – and you know, I go, did you send that letter [*laughs*]

29 KEVIN REEVES: Right.

1 PAUL CHOI: And they'll go, Yeah. So, eeew. And you know what? You're gonna have to owe
2 us 50 million dollars in about five days.

3 KEVIN REEVES: Right. Upon further review.

4 PAUL CHOI: Or have some type of stake, 'cause your lawyer sucks. *[laughs]*

5 KEVIN REEVES: Right.

6 PAUL CHOI: Or if they didn't consult a lawyer, that's even worse, right? Ah, they can't even
7 blame it on anyone.

8 KEVIN REEVES: *[laughs]*

9 PAUL CHOI: Um, but yeah, you're right, I mean, all these contracts have two-way terminations.

10 KEVIN REEVES: Right.

11 PAUL CHOI: That -- that's the way it's supposed to be --

12 KEVIN REEVES: Right.

13 PAUL CHOI: 'cause that's --

14 KEVIN REEVES: It's just -- it -- it's funny, I'm sure when people are thinkin' about the way -- you
15 know the termination might work that this is probably a scenario that they never quite *[gamed out?]*
16 in their minds --

17 PAUL CHOI: Right, right. And we never -- we never *[inaudible]*

18 KEVIN REEVES: *[inaudible]* who -- who did, but ah --

19 PAUL CHOI: But, you know, a lot of people are saying, well, we just won't terminate. Well --

20 KEVIN REEVES: Well -- well, fine.

21 PAUL CHOI: Well, I said, yeah, you -- you know, you're gonna -- ah, that the bankruptcy judge is
22 -- is gonna try to do what's best for the creditors.

23 KEVIN REEVES: Right.

24 PAUL CHOI: And if that means forcing termination one -- l -- you know unilaterally -- we don't
25 know if that's -- if that -- if -- if that is gonna happen, or if that can happen, or -- or what -- what the
26 rules are. We're still *[inaudible]* 'em, but a lot of people are saying, it's done -- been done before.

27 KEVIN REEVES: Right.

28 PAUL CHOI: Why wouldn't it be --

29 KEVIN REEVES: Would -- why wouldn't it be done this time?

1 PAUL CHOI: So, I think, you know, I – I think the cleanest and something for the customers, so
2 that, you know, they don't have this financial bullet, ah, tomorrow, ah, is to do some type of
3 assignment, ah, with, ah, credit – with a counterparty like Reliant.

4 KEVIN REEVES: Right.

5 PAUL CHOI: Ah, and then you guys get a potentially good deal based on what your, ah, cost of
6 capital is. Ah, assuming you're comfortable with the contract and – and the counterparty. Ah, and
7 – and that's – to me, that is the win/win that we're kinda shootin' for, and ah, ah, as the first step.
8 Now, if that doesn't work out, I think, I'm – I'm pretty much – I – I ex – extract myself from that
9 position –

10 KEVIN REEVES: Mm hm.

11 PAUL CHOI: And I get out, because it's gonna be – you know, I – I – I'll – I – I – I feel like I
12 provide very little value now, I will provide zero value in about 3 weeks. Right?
13 *[they laugh]*

14 PAUL CHOI: I mean you probably need a law degree in – in, ah, specialized law degree in that to
15 –

16 KEVIN REEVES: Right.

17 PAUL CHOI: – provide value, so –

18 KEVIN REEVES: Well, you know, you maybe can go to law school at night or somethin' in
19 communica –

20 PAUL CHOI: Yeah, well, you know, I need some advanced degrees. *[laughs]* But, ah –

21 KEVIN REEVES: Great show.

22 PAUL CHOI: How – how are things goin' with you?

23 KEVIN REEVES: Yeah, they're – they're goin'. It's – it's um, you know, we're kinda get –
24 gettin' caught up in the – in the sector downgrade that, ah, you know, that Morgan Stanley –

25 PAUL CHOI: Now, where you guys at? What's your, ah, ticker tape?

26 KEVIN REEVES: RRI.

27 PAUL CHOI: Oh, we're bringin' you – you guys down with us, man.

28 KEVIN REEVES: Oh, yeah. It's actually – actually we can blame this on the Cal Pine I think.
29 Cal Pine got, ah –

1 PAUL CHOI: Geez!

2 KEVIN REEVES: – got downgraded.

3 PAUL CHOI: Did you guys buy?

4 KEVIN REEVES: Oh, god. Who the hell knows?

5 PAUL CHOI: Yeah *[laughs]*

6 KEVIN REEVES: I bought you guys at four eighty and thought it was genius. You know?

7 PAUL CHOI: Well, you know, people – everyone was saying that Dyne – you should blame

8 Dynegy, ‘cause they were – Dynegy was acting like that deal was gonna go through.

9 KEVIN REEVES: God!

10 PAUL CHOI: *[laughs]* So –

11 KEVIN REEVES: Mm mm mm.

12 PAUL CHOI: Well, I – what do you – what do you want to – are you interested in the – I mean,

13 you – you know, just tell me.

14 KEVIN REEVES: Yeah, I think w – I think we are.

15 PAUL CHOI: OK.

16 KEVIN REEVES: You know, let m – you know, I would say go ahead and – and send it over to

17 me, and um, you know, if – if there’s some – if it turns out for some reason that we – we can’t do it,

18 or you know, we think we’re not gonna be very responsive, you know, I’ll – I’ll just let you know.

19 PAUL CHOI: All right. All right. And – and – and I think if you guys get comfortable with the

20 legal thing and the pricing – everyone comes in with reasonable assumptions – and I – I want to see

21 it get done. I just need to watch my back that I don’t get subpoenaed.

22 KEVIN REEVES: Right.

23 PAUL CHOI: You know, and said, Hey, you know, I’m not – I’m not saying – I mean, I’m being

24 kind of – I’m jokin’ around to a certain extent - not subpoena so much, but I don’t want, you know,

25 I – I’m lookin’ out for – there’s no real benefit for me to cut this sweetheart deal and then later on

26 just get smacked for it, ah, because of that.

27 KEVIN REEVES: No, I hear you.

28 PAUL CHOI: Ah, I – I want to see the deal get done but at the same time, you know, we need to

29 say, it’s – it’s a reasonable deal. And the first one’s gonna be – once you get the first one with any

1 counterparty, let – let's say it's Reliant –
2 KEVIN REEVES: Oh, yeah, then –
3 PAUL CHOI: – ah, then – then it's just a matter of Hey, here's all these deals, take a look at 'em –
4 KEVIN REEVES: Yeah, take – take the rest of them.
5 PAUL CHOI: – what positions do you want?
6 KEVIN REEVES: No, we would –
7 PAUL CHOI: Right, because it – it – legally, it's all the same thing.
8 KEVIN REEVES: Right.
9 PAUL CHOI: Contractually, WSPP – if you're comfortable with both WSPP and EEI, it's the
10 same thing, unless there's a one-off contract, and ah, and then pricing-wise should be fairly similar
11 too.
12 KEVIN REEVES: Right. Now wh – which – which ones are – I mean, are they – which ones are
13 done under EEI and which ones are WSPP? Or is there – it's kinda like – like, you know, kind of
14 on a percentage basis, which ones are –
15 PAUL CHOI: Um, it's probably, you know, 50/50 I would say.
16 KEVIN REEVES: Mm hm.
17 PAUL CHOI: Maybe – maybe more EEI. Ah, I don't know of volume wise – counterparty wise
18 it's probably more EEI 'cause there's been a real push.
19 KEVIN REEVES: Right.
20 PAUL CHOI: Is your preference EEI or – ?
21 KEVIN REEVES: Yeah d – our preference is definitely EEI.
22 PAUL CHOI: Right, so there's probably – I mean, the contract I'm gonna show you at Palo and
23 Mead is WSPP.
24 KEVIN REEVES: Mm hm.
25 PAUL CHOI: So, that – that may, you know – that may jade you guys to either, ah, not be as
26 interested or – or provide a lower price and you just tell us if that's the case.
27 KEVIN REEVES: right.
28 PAUL CHOI: Ah, th – ah, the – ah, the El Paso contract, EEI, the Mesa contract EEI.
29 KEVIN REEVES: Mm hm. OK.

1 PAUL CHOI: So, it's gonna, ah, you know, it's gonna depend on counterparty – you guys know
2 the drill man *[laughs]* you deal with the same counterparties, you know their – ah, you're gonna be
3 like, oh yeah, those guys –

4 KEVIN REEVES: Oh, yeah we remember that –

5 PAUL CHOI: We – you never get an EEI done with them.

6 *[they laugh]*

7 PAUL CHOI: You show them a EEI and they start throwin' up on it for whatever reason, so–

8 KEVIN REEVES: No, I hear you. We know the deal.

9 PAUL CHOI: OK, so I'll - I'll e-mail that to you. I think – I really think the quicker you get back
10 to us, the mo – the less time I waste with you.

11 KEVIN REEVES: OK.

12 PAUL CHOI: Just tell us – and I think more information – you know, I – it is hard for you guys to
13 make a decision in the past couple of weeks and hard for us maybe just in the past couple weeks
14 because everything that was happening.

15 KEVIN REEVES: Right.

16 PAUL CHOI: I think by early next week can get you a thing, but you should have a discussion
17 going forward saying, ah, assuming that the legal part is com – everyone gets comfortable with–

18 KEVIN REEVES: Mm hm.

19 PAUL CHOI: Ah, when – th – all that information comes out early next week, Are we good with
20 doing all these other things? And realizing that, y - you know, you should get a good deal out of it,
21 but it is not gonna be somethin' like – like if you – if someone's sittin' there thinkin' I want to
22 discount it at some huge rate because, ah, you have, ah, you have Enron as a tr – ah, estate at – at a
23 disadvantage, well – you know, then, you know what's gonna happen is, we got a – they feel like
24 they've got other revenues and, ah, they rather go through an auction process or go through some
25 type of other revenue where they, ah, one way terminate it.

26 KEVIN REEVES: Right.

27 PAUL CHOI: Or unilaterally terminate the contracts. So –

28 KEVIN REEVES: No. I hear you.

29 PAUL CHOI: So I don't think it's worth pursuing that route. At least with me.

1 KEVIN REEVES: *[laughs]*
2 PAUL CHOI: I mean, with other people I don't know. You know, it was like, ah, the best was – I
3 don't know if you've ever had this, but a counterparty calls you up and asks you for a price and you
4 give 'em your offer, um, and it's like, you know, of course the people who do that, they're lookin'
5 for, like, balance – balance of the week, right?
6 KEVIN REEVES: Right.
7 PAUL CHOI: Or balance of the month and then they – and they don't like the price, so they – they
8 talk to everyone on the floor and it's like, this guy – do you realize we're all sittin' next to each
9 other? *[laughs]*
10 KEVIN REEVES: Yeah.
11 PAUL CHOI: All right, man. I gotta get going, um –
12 KEVIN REEVES: Think Stuart's gonna give you a better price than I'm goin' to?
13 PAUL CHOI: Yeah, if he does, then he should communicate with me, otherwise I look like an
14 asshole, so –
15 KEVIN REEVES: *[laughs]*
16 PAUL CHOI: All right, man.
17 KEVIN REEVES: All right, we'll see you. Bye.
18 PAUL CHOI: Bye.
19

20 PAUL CHOI: Hey, Cliff.
21 CLIFF: Hey, Paul.
22 PAUL CHOI: What's up?
23 CLIFF: Not much. Did you get hold of your attorney?
24 PAUL CHOI: Oh, no. I – I – you know, I'll just – I can talk to you guys as much as I can about it
25 and if there's any further issues that need elaboration or clarification, I can get Steve to jump on
26 later on.
27 CLIFF: All right, so you want to explain again what you're – what you're proposing to go to the
28 bankruptcy court with so that Karen can understand.
29 KAREN: Hi, Paul, It's Karen Nally (sp?)

1 PAUL CHOI: Hi Karen. Um, and this is – this is just – just stuff that has recently, ah, come up and
2 that people are looking to, ah, use as a process for dealing with assignments and buy-outs.

3 KAREN: OK.

4 PAUL CHOI: Um, what's gonna happen is Friday we have a hearing with the judge and it – and
5 our lawyers are going to propose, um, giving the estate people – which is us, ah, the new estate,
6 whatever you're gonna call it that was formerly known as Enron – ah, the latitude to sign off on
7 these assignments and buy-outs, ah, assuming that they are reasonable. Ah, and that – you know,
8 there's some judgment involved in it, ah, but I think with you guys, ah, I think just assigning the
9 deal without any cash trading – cash trading hands would probably be – would be reasonable. Um,
10 so I think you guys are not – not at risk for that reasonable test, as long as we can do that.

11 CLIFF: Now you – now, understand with this assignment at a reasonable basis, that means that
12 City of Mesa has to go out for an RFP. And I can have that RFP ready for Monday, that's not
13 gonna be a problem, but it's not somethin' that we can assign willy nilly without it bein' dollar for
14 dollar, because of the, ah, the procurement procedures in – in place with the State of Arizona.

15 PAUL CHOI: What is – OK, could you explain that, Cliff?

16 KAREN: Well, let me – I – I'm holding asking questions, um, talkin' about where, um, Enron
17 would be able to go out and find basically on behalf of the bankruptcy court, um, if something – if
18 an assignment is reasonable. Um, and you're just talking plain assignments; are you talking about
19 also accepting and rejecting the contracts? Or just assignments?

20 PAUL CHOI: Ah, just assignment.

21 KAREN: Just assignment. OK, and you – when you're talking assignments, you're just talking
22 the contract as-is, right?

23 PAUL CHOI: Right.

24 KAREN: OK.

25 CLIFF: You know, how – what – what would mean – what would you mean by reasonable
26 [inaudible] are you talk – is somebody gonna step in and take it dollar for dollar?

27 PAUL CHOI: When you say, like, this contract is now in the money to Mesa by X dollars,
28 someone needs, ah, the State has to pay Mesa X dollars?

29 CLIFF: No, if the contract is for 38 37, um, on an average cost, then that's what we would be

1 looking to receive of, ah – a price from AEP for lack of a better person.
2 PAUL CHOI: Right.
3 CLIFF: Um, a price 38 37 average instead of 39 39.
4 PAUL CHOI: Right. It would exactly, ah, the contract that you have with us. Now, if you choose
5 to – to get consent someone else and I wouldn't – I mean, I'm not recommending you do this, but
6 to, ah, instead of buying someone else to take this contract out, you want to raise your price, that is
7 up to you. And –
8 KAREN: Well, OK. The process that your – your lawyers are gonna be asking for is the ability to
9 go ahead and, um, do the assignments subject to a reasonable-ness test in the sense that if someone
10 comes in within a certain period of time and objects, then it would go to some – it would go back to
11 the bankruptcy court.
12 PAUL CHOI: No, what I meant for, yeah, I – I – I guess –
13 KAREN: There has to be some process for – because if the judge is gonna say, OK, yeah, Enron
14 and – a – you – you can go ahead and do the assignments, you know, make the decision, then there
15 has to be some way that someone could come in and some point and say – and – and – and I'm
16 talkin' a reasonable point, like, you know, 10 days or something.
17 PAUL CHOI: Right.
18 KAREN: A creditor could come in and object and –
19 PAUL CHOI: Right.
20 KAREN: – is that kind of what you're lookin' at?
21 PAUL CHOI: Well, and I – and I – and I – and I don't know exactly what the timelines and if
22 they're gonna, ah, come in, but that's probably, ah, somethin' that may come out of it, I'm not sure.
23 KAREN: OK.
24 PAUL CHOI: Ah, when I was talkin' about reasonable, I meant a lot of the contracts that we're
25 looking at, ah, have value for the estate.
26 KAREN: Right.
27 CLIFF: Right.
28 PAUL CHOI: Ah, and so – and these are forward contracts, so –
29 KAREN: Right.

1 PAUL CHOI: -- what would need to happen is you would have to bring those dollars back to
2 today's, ah, numbers.

3 KAREN: OK.

4 PAUL CHOI: And so, just a discount rate -- the reasonable disc -- 'cause counterparties have come
5 up to us and said, well, we're using a 50% discount rate --

6 CLIFF: Right.

7 PAUL CHOI: -- and we think that's reasonable, and I said, you know, guys, ah, I don't think it's
8 reasonable, and, ah, it's just, you know, it's out of my hands. Ah, I -- I can -- I can tell you that the
9 estate's not gonna think it's reasonable. They have other ways of, ah, extracting value from this so
10 that the creditors get the biggest, ah -- biggest check from each deal. So that -- that's what I meant.

11 KAREN: OK.

12 CLIFF: so then, what I -- what I think I hear you sayin' is come next Friday, or come Friday, which
13 is the day after --

14 KAREN: Right, and -- and probably, ah, all the details come out Monday --

15 CLIFF: Right.

16 PAUL CHOI: -- on this.

17 CLIFF: Then you will have -- you're hopin' to have the ability from the courts to say, OK, AEP,
18 PNM -- whoever EnWest, City of Mesa's contract is out, it's sitting here, if you want it, this is what
19 you're gonna have to do.

20 PAUL CHOI: Right.

21 KAREN: OK, and so you would determine the reasonableness of whatever might the value of the
22 -- to the estate would be?

23 PAUL CHOI: Right. Right. We -- they would task us with figuring out what the reasonableness
24 is.

25 CLIFF: Do we have the ability to accept or reject the assignment?

26 PAUL CHOI: Yes.

27 KAREN: Oh.

28 PAUL CHOI: You got -- ah, these are for all assignments that are under consent by the party and
29 which is obviously Mesa.

1 CLIFF: OK.
2 PAUL CHOI: So you guys –
3 CLIFF: What do we need to do to get on the table?
4 PAUL CHOI: What do you guys need to do?
5 CLIFF: Right.
6 PAUL CHOI: Find, ah, someone to assign it with.
7 KAREN: OK.
8 CLIFF: OK, what happens –
9 KAREN: What's our time frame, I mean –
10 CLIFF: Right.
11 PAUL CHOI: Well, I – I think the –
12 KAREN: Well, I guess – I guess, um, if the court's gonna give you that authority –
13 PAUL CHOI: Right.
14 KAREN: – then we're not gonna have to go back in front of the bankruptcy court unless someone
15 objects.
16 PAUL CHOI: Right.
17 KAREN: And that's the way everyone –
18 PAUL CHOI: Right, and – and that's why – w – we need to have – we have so many contracts–
19 KAREN: Right.
20 PAUL CHOI: – to have everyone – every contract go in front of the judge, it's just not
21 expeditious.
22 KAREN: Oh, right. It's not feasible.
23 PAUL CHOI: Yeah, it's just ridiculous, so, ah – so that's why –
24 KAREN: OK.
25 PAUL CHOI: – w – we think that there's a l – good likelihood i – if the judge is – it seems like this
26 judge is no nonsense and someone who wants to be friendly to the creditors, and we have assets
27 that could potentially decline these contracts. And so, um, ah, I – we think he's gonna be
28 motivated to give us the latitude to look at doin' reasonable deals, and with your contract, ah, let's
29 say there's two counterparties that are interested. Whoever's willing to provide the most value for

1 the estate is gonna get that contract.

2 KAREN: OK. And –

3 PAUL CHOI: Assuming you guys sign off on it. If you guys are indifferent to it. So, we need

4 your consent, obviously.

5 KAREN: Right.

6 PAUL CHOI: And we're not – you're not gonna assign something unilaterally.

7 KAREN: Right, you can't – that's right. Um, but when you say, value for the estate, um, are you

8 lookin' like a payoff from –

9 PAUL CHOI: Well – well, I guess, what we're looking at is, if – if there's two counterparties that

10 are interested –

11 KAREN: Right.

12 PAUL CHOI: – we're gonna take whoever gives us the most value for the estate. The – the – I c –

13 w – ah, the fiduciary responsibility to the estate, we have to do that.

14 KAREN: Right.

15 PAUL CHOI: Now, if someone says, I'm willing to do it flat, and someone else is – says, Well,

16 you have to pay me money, obviously we go with the flat number.

17 KAREN: Right.

18 PAUL CHOI: So.

19 CLIFF: OK, so what happens, you just, you bring – you – you open the door there that –

20 PAUL CHOI: *[laughs]*

21 CLIFF: – what happens if I can't get anybody's gonna take the contract for the dollar –

22 PAUL CHOI: Right.

23 CLIFF: – because it's, um, below market and they can't – or above market – let's see – what – it

24 would have to be below market right?

25 PAUL CHOI: Right, right. Then –

26 CLIFF: It's below market and they're gonna lose money by takin' it over.

27 PAUL CHOI: Right.

28 CLIFF: So what happens in that scenario?

29 PAUL CHOI: Ah, then I think we're at a standstill unless you guys are willing to sweeten the – the

1 deal for someone else, or some other person comes in that says, Hey, willi – willing to pay X
2 dollars, otherwise you become – yeah, that's it.

3 CLIFF: OK. Enron would not be willing to entertain a thought process of – of backing out of the
4 contract?

5 PAUL CHOI: Ah, oh, you mean just, ah, terminating – you guys just terminate the contract?

6 KAREN: Right, reject it.

7 CLIFF: Um, you would have to terminate it. We can't terminate it.

8 KAREN: Yeah, like if you – you know [inaudible] –

9 PAUL CHOI: You guys can – you guys can –

10 KAREN: Go ahead.

11 PAUL CHOI: You g – ah, I think you guys can terminate it, right?

12 KAREN: No, not –

13 PAUL CHOI: Because we're in default.

14 KAREN: Our bankruptcy counsel is advising us that at this point, no, we have to wait for you to
15 either accept, reject, or if we can come up with an assignment.

16 PAUL CHOI: Right. Ah, you know, to be – I think, Cliff and – and Karen –

17 KAREN: Yes.

18 PAUL CHOI: If you guys were to say, We can't find anyone that's acceptable, and I'll – you know,
19 I – ah, this is off the record – off the call –

20 KAREN: OK. Sure.

21 PAUL CHOI: – no lawyers have heard me s – ah, have I kind of talked to a lawyer about this. If
22 you guys were to say, let's just terminate this deal, um, the – we need some certainty with our
23 supplier and we kind find anyone to do it and you want to open it up to an RFP process –

24 KAREN: Right.

25 CLIFF: So some –

26 PAUL: AH, then – then, I think – I think we would accept that.

27 CLIFF: OK, so come Friday, you're gonna go forward with asking for us to be included in the, um,
28 reasonableness clause –

29 PAUL CHOI: Right.

1 KAREN: Well, is it – are you just doin' a blanket?
2 PAUL CHOI: It's a blanket, yeah, it's not – it's not specific to Mesa; it's a blanket.
3 KAREN: It's a blanket one.
4 PAUL CHOI: Right.
5 KAREN: OK. So, if we could somehow find somebody, um, then we – we would go to you. If
6 you've got – been granted the authority, then, um, we would work with you or whatever group
7 would be practicing these things.
8 PAUL CHOI: Right.
9 KAREN: And um, give all the information – OK.
10 PAUL CHOI: Right.
11 CLIFF: And then if we can't find that person – and I'm gonna be frank with you –
12 KAREN: We're havin' a hard time here.
13 CLIFF: Um, I'm down to AEP. That's my last fish in the bowl.
14 PAUL CHOI: OK.
15 CLIFF: Everybody else has – has indicated that, ah, there's no way they can even touch the price.
16 They said the price is so far above or so far below the market price–
17 PAUL CHOI: Well, you guys did a great job negotiating the price. Cliff, you did too good of a
18 job. *[laughs]*
19 CLIFF: That's what I told them I said –
20 KAREN: That's why you're in bankruptcy.
21 PAUL CHOI: That's why we're in bankruptcy. You guys are a party – you guys are responsible
22 for us, now – it's – it's obviously not the reason – we got –
23 CLIFF: Yeah. I'm sure we are.
24 PAUL CHOI: – a bunch of crooks at top.
25 CLIFF: Um –
26 PAUL CHOI: And I'll say that, even if I'm on a recorded line.
27 *[laughter]*
28 PAUL CHOI: I don't care. It's true.
29 CLIFF: So what I'm saying then after – after next Monday, when you come back and say, Cliff,

1 guess what? We've got approval to assign, do you have anybody to assign and we go to AEP and
2 say, OK, it's time to put up or shut up and they say, I'm sorry we can't assign, or we can't take
3 assignment –
4 PAUL CHOI: Right.
5 CLIFF: – because it's too far out of the money, then you would be willing to do the rejection
6 clause?
7 KAREN: Hopefully?
8 PAUL CHOI: And what's the rejection clause?
9 KAREN: Well that's the –
10 CLIFF: It's reject the contract.
11 KAREN: –under three sixty –
12 PAUL CHOI: Then just abrogating the contract.
13 CLIFF: Yes, negating the contract.
14 KAREN: Yeah, it would be under the bankruptcy code under 365-
15 PAUL CHOI: Yeah.
16 KAREN: 'Enron has 60 days to accept or reject contracts.'
17 PAUL CHOI: Yeah, ah –
18 KAREN: But –
19 PAUL CHOI: You know, my – my –
20 KAREN: [inaudible] that because otherwise at this point we're stuck.
21 PAUL CHOI: Yeah, my – my feeling is that the estate's gonna say, Hey, this – this deal's under
22 water for us.
23 KAREN: Yeah, well that's what we're hoping it would say.
24 PAUL CHOI: Yeah.
25 KAREN: OK.
26 PAUL CHOI: And I guess, um – yeah.
27 KAREN: OK.
28 PAUL CHOI: So, I, ah –
29 CLIFF: [inaudible]

1 PAUL CHOI: And again, this is a non-qualified, you know, Paul Choi with –
2 CLIFF: Right.
3 PAUL CHOI: – nothing more than undergraduate degrees saying that.
4 KAREN: Yeah, oh, no, we understand that.
5 CLIFF: We understand that. We're not gonna hold it to you as – as
6 PAUL CHOI: OK
7 CLIFF: – follow through with what we're talking about–
8 PAUL CHOI: But, ah – but, I mean, it just makes –
9 CLIFF: – because –
10 PAUL CHOI: It – it just makes practical sense.
11 KAREN: Yeah.
12 CLIFF: Right, well, I – that – this – just this helps me understand. I need to get an RFP on the
13 street tomorrow or Friday, so that, um, we can address the issue before prices start swingin' all
14 over the place.
15 PAUL CHOI: Right.
16 KAREN: OK, well, that makes sense, so – um, OK, so you're doing it Friday the 14th? Is when
17 you're going into court for this – this request?
18 PAUL CHOI: That is the plan.
19 KAREN: OK.
20 PAUL CHOI: And – ah, that is – yeah, that is the plan.
21 KAREN: That's the plan. OK.
22 CLIFF: So Monday you'll be able to let me know.
23 PAUL CHOI: I'm hopin' this Friday I can give you a call, Cliff, with good news.
24 CLIFF: all right, well, you have my cell phone number.
25 PAUL CHOI: Yes, I do.
26 CLIFF: That's gonna be the best bet Friday.
27 KAREN: We just really appreciate, um, Paul – we know you have so much other stuff to do, but
28 you've been really responsive and we–
29 PAUL CHOI: No, you know, I unders – ah, you guys, I – I feel bad about the whole situation and

1 it's somethin' that, you know, you can sit there and wash your hands and say, I wasn't party to this
2 mess, but at the same time, you guys – and I was looking forward to this long term relationship
3 with Mesa – and we've already had a long term relationship with the gas side –

4 KAREN: Right.

5 PAUL CHOI: And then, you know, something like this happens where you completely feel
6 helpless and you feel bad for everyone involved and it's just – it's a bad situation–

7 KAREN: Well, we appreciate that, because you didn't have to –

8 PAUL CHOI: Right.

9 KAREN: – do that. It – and in fact, it's funny – I was talking to our bankruptcy lawyer last week
10 and I said, well, we have a contact at Enron – he said, well, you're probably not gonna hear from
11 anyone and you called so – on Cliff's cell phone – right that second.

12 CLIFF: Right while you were talking –

13 KAREN: Right when I was talkin' to him, telling him and he's tellin' me, you're not gonna hear
14 from anyone – I'm like, well, let me tell you we – you know, we – we're really impressed.

15 PAUL CHOI: I – I – you know, and I – I – I just think, yeah, I f – I feel good that you guys are
16 saying that, but I just think this is – it's a – that's – that's professionalism. That's the normal
17 course of business and –

18 KAREN: It is, but –

19 PAUL CHOI: People don't practice that, I think. You don't – you don't want to bring the standard
20 down to that level.

21 KAREN: Well that's really – we appreciate it, though. We just wanted to let you know that 'cause
22 you've really been workin' with us and been r – very, very responsive, and – and helpful.

23 PAUL CHOI: Thanks.

24 KAREN: We do appreciate that.

25 PAUL CHOI: And – and I – and I think one, you know, one thing is, ah, ah, I – I think what we
26 should try to sell AEP on, and I know the guys over at AEP – they're good guys – is, Hey, ah, I
27 know the contract, ah, may be under the wire – under the – you know, our – our current
28 methodology of pricing deals is taking, ah, the next one year strip of, ah, prices and then adding, ah,
29 the CPI on it.

1 CLIFF: Right.

2 KAREN: Right.

3 PAUL CHOI: Which, to me, sometimes is a little ridiculous, ah, but you know, there is some
4 strategic element to, ah, ah, partying up with you guys. And that's one of the reasons why we did
5 a deal that I thought was, ah, you know, right at, ah, our Mids are right at what, ah, you know, the
6 market, I mean, I – I thought a pretty good price, so –

7 CLIFF: Right.

8 PAUL CHOI: – hopefully, you know, we can convince 'em on that and we can have a – a clean
9 transfer to AEP, 'cause those AEP guys – they – a lot of them are former Enron guys – they're
10 good guys.

11 KAREN: Oh, OK.

12 CLIFF: So, I may, ah – I may, ah, call you up and say, Hey, you want to get on the phone with me
13 with Josie and see if we couldn't [inaudible] –

14 PAUL CHOI: Yeah. Yeah. Jo – I – I know Josie. I – I sp – I – I know Josie's boss, Greg, who I
15 used to work with and good – just tremendous guy.

16 CLIFF: All right. Well, she's got a call in to me right now, but I wanted to talk to you first, so I'd
17 have an understanding before I talked to her, because, ah, we talked earlier today, and – and she
18 was gonna check some things out and then get back with me.

19 PAUL CHOI: OK.

20 [REDACTED]PAUL CHOI: I appreciate that, Cliff.

21 CLIFF: Not a problem.

22 KAREN: Thanks – thanks, Paul.

23 PAUL CHOI: Thanks.

24 CLIFF: Thanks for all your help.

25 PAUL CHOI: Take care.

26 KAREN: Bye.

27 CLIFF: Bye.

28 PAUL CHOI: Bye.

29