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E-00000A-01-0630
E-01933A-02-0069
E-01933A-98-0471

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June 21, 2002

Arizona Corporation Commission
DOCKETED

JUN 21 2002

DOCKETED BY CAR

Chairman William Mundell, Commissioner
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007-2927

Re: Supplement to May 14, 2002 Information Request to Parties in Docket No. E-00000A-02-0051; Response to May 8, 2002 Data Request -- FERC Docket No. PA 02-2-000

Dear Chairman Mundell:

As a follow-up and supplement to our May 31, 2002 filing in the above captioned docket, the undersigned, on behalf of Harquahala Generating Company, LLC, herewith provides copies of all filings made by PG&E National Energy Group and Pacific Gas and Electric Company in the FERC Docket No. PA02-2-000 Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Pricing and the California Senate Select Committee to Investigate Price Manipulation of the Wholesale Energy Market.

As was stated in our previous submission, should additional documents be filed in either proceeding, we will supplement this submission accordingly.

Sincerely,

Roger Ferland

Roger K. Ferland

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NEWS

FOR IMMEDIATE RELEASE

May 22, 2002

CONTACT: PG&E Corporation

PG&E Corporation Units Did Not Engage In Enron Trading Strategies, FERC Told

(San Francisco, CA) – PG&E Corporation (NYSE: PCG) reported today that its business units, Pacific Gas and Electric Company and the PG&E National Energy Group (PG&E NEG), have informed the Federal Energy Regulatory Commission (FERC) that they did not engage in Enron trading strategies. The Commission has asked more than 150 companies to provide information on their power marketing and trading activities in the California energy market during 2000 and 2001.

We are pleased to cooperate with the FERC investigation and we hope that this will assist in restoring confidence in the energy markets as speculation is replaced by fact.

Copies of Pacific Gas and Electric Company's and the PG&E National Energy Group's responses to FERC are available for viewing at www.pgecorp.com. Copies of the press releases issued by Pacific Gas and Electric Company and the PG&E National Energy Group summarizing their respective response to FERC may also be viewed at www.pgecorp.com.

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Pacific Gas and Electric Company
WE DELIVER ENERGY.

News Department
77 Beale Street
San Francisco, CA 94105
415/973-5930

NEWS

FOR IMMEDIATE RELEASE

May 22, 2002

CONTACT: News Department (415) 973-5930

PACIFIC GAS AND ELECTRIC COMPANY CONFIRMS TO FERC: IT DID NOT ENGAGE IN ENRON-LIKE TRADING STRATEGIES

Utility Worked to Protect Customers From Market Abuses

SAN FRANCISCO – Pacific Gas and Electric Company today informed the Federal Energy Regulatory Commission (FERC) that it did not engage in Enron trading strategies now under investigation by the Commission as part of its fact finding review of the California energy market during 2000 and 2001.

FERC has requested information about trading activities from more than 150 companies who sold power in the California market in 2000 and 2001. FERC made its request due to revelations contained in internal Enron memos that described trading strategies used by the company during 2000 and 2001 in the California wholesale electricity markets.

In its response, Pacific Gas and Electric Company told FERC that as the largest buyer in the California market, its goal was to minimize costs in the California Power Exchange (PX) and California Independent System Operator (CAISO) markets. These costs would ultimately be passed on to California energy consumers. Pacific Gas and Electric Company has on numerous occasions disclosed and explained to the CAISO, the FERC, the California Public Utilities Commission, and other regulatory entities how it procured power to meet load in the California market.

-MORE-

The utility also noted that recently filed testimony with the CPUC demonstrates that Pacific Gas and Electric Company submitted bid curves to the PX designed to minimize the overall purchase costs in California's market and protect its customers and shareholders from volatile energy prices. In its response, the utility also indicated it had attempted to counteract market abuses in the dysfunctional market, particularly phantom congestion which had the effect of increasing prices.

Pacific Gas and Electric Company's response to FERC is available at www.pge.com.

-30-

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices

Docket No. PA02-2-000

PACIFIC GAS AND ELECTRIC COMPANY'S RESPONSE TO MAY 8, 2002 DATA REQUESTS

Pacific Gas and Electric Company (PG&E) respectfully submits this response to the data requests propounded by FERC on May 8, 2002 in the above-captioned proceeding. This response is based on a thorough investigation that was diligently conducted, as further described in the attached declaration of PG&E General Counsel Roger J. Peters.

This response is submitted on behalf of PG&E and its corporate parent PG&E Corporation, and its subsidiaries and affiliates. However, PG&E's affiliate, PG&E National Energy Group, is conducting its own investigation, and will submit its response separately.

As a preliminary matter, PG&E notes that it was a net buyer of energy on behalf of utility customers in the California ISO and PX markets throughout 2000 and in 2001, until the point in January 2001 when PG&E could no longer buy power and the State of California stepped in to buy power instead. As a net buyer, PG&E's goal in its procurement bidding practices was to minimize costs in the PX and ISO markets. In

providing these responses, PG&E does not intend to waive any applicable privilege. No privileged documents are being produced. Responsive documents that are privileged have been omitted from production, and are described in an attached privilege log. Some of the documents that are being produced bear a privilege designation. On review, PG&E has concluded that those documents, notwithstanding the designation, are not privileged.

PG&E reserves its right to supplement this response if further investigation makes such supplementation appropriate.

I. Responses to Requests for Admissions

REQUEST: A. 1. Admit or Deny: The company engaged in activity referred to in the Enron memoranda as "Export of California Power" during the period 2000-2001, in which the company buys energy at the Cal PX to export outside of California in order to take advantage of the price spread between California markets (which were capped) and uncapped markets outside California.

RESPONSE: DENY.

REQUEST: 2. If you so admit, provide complete details as to all transactions your company engaged in as part of this activity, including the dates of all purchases and sales of energy and/or ancillary services, counter-parties to the transactions, prices and volumes, delivery points, and corresponding Cal ISO schedules. Also, provide all documents that refer or relate to the activity described immediately above.

RESPONSE: NOT APPLICABLE.

REQUEST: B. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Non-Firm Export" during the period 2000-2001, in which the company gets a counterflow (scheduling energy in the opposite direction of a constraint) congestion payment from the Cal ISO by scheduling non-firm energy from a point in California to a control area outside of California, and cutting the non-firm energy after it receives such payment.

RESPONSE: DENY.

REQUEST: 2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, congestion payments received, corresponding Cal ISO schedules, counter parties, and delivery points. Also, provide all documents that refer or relate to the activity described immediately above.

RESPONSE: NOT APPLICABLE.

REQUEST: C. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Death Star" during the period 2000-2001, in which the company schedules energy in the opposite direction of congestion (counterflow), but no energy is actually put onto the grid or taken off of the grid. This allows the company to receive congestion payments from the Cal ISO.

RESPONSE: DENY.

REQUEST: 2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, all transmission and energy schedules, the counter parties, all congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

RESPONSE: NOT APPLICABLE.

REQUEST: D. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Load Shift" during the period 2000-2001. This variant of "relieving congestion" involves submitting artificial schedules in order to receive inter-zonal congestion payments . The appearance of congestion is created by deliberately over-scheduling load in one zone (*e.g.*, NP-15), and under-scheduling load in another, connecting zone (*e.g.*, SP-15); and shifting load from a congested zone to the less congested zone, thereby earning congestion payments for reducing congestion.

RESPONSE: DENY.

REQUEST: 2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, all schedules of load by zone, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

RESPONSE: NOT APPLICABLE.

REQUEST: E. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Get Shorty" during the period 2000-2001, also known as "paper trading" of ancillary services in which it: (i) sells ancillary services

in the Day-ahead market; and (ii) the next day, in the real-time market, the company "zeros out" the ancillary services by canceling the commitment to sell and buying ancillary services in the real-time market to cover its position. The phrase "paper trading" is used because the seller does not actually have the ancillary services to sell.

RESPONSE: DENY.

REQUEST: 2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this trading strategy, including the dates of all transactions; prices and volumes for sales of ancillary services in the Day-ahead market; the cancellation of such sales, prices and volumes for the purchase of ancillary services in the real-time market to cover the company's position; and corresponding schedules. Also, provide all documents that refer or relate to the activity described immediately above.

RESPONSE: NOT APPLICABLE.

REQUEST: F. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Wheel Out" during the period 2000-2001. Knowing that an intertie is completely constrained (*i.e.*, its capacity is set at zero), or that a line is out of service, the company schedules a transmission flow over the facility. The company also knows that the schedule will be cut and it will receive a congestion payment without actually having to send energy over the facility.

RESPONSE: DENY.

REQUEST: 2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, corresponding schedules, counter parties, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

RESPONSE: NOT APPLICABLE.

REQUEST: G. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Fat Boy" during the period 2000-2001 in which the company artificially increases load on the schedule it submits to the Cal ISO with a corresponding amount of generation. The company then dispatches the generation its schedules, which is in excess of its actual load. This results in the Cal ISO paying the company for the excess generation. Scheduling coordinators that serve load in California may be able to use this activity to includes the generation of other sellers.

RESPONSE: DENY.

2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates of all transactions, corresponding schedules, and payments from the Cal ISO for excess generation (including both price and volumes). Also, provide all documents that refer or relate to the activity described immediately above.

RESPONSE: NOT APPLICABLE.

REQUEST: H. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Ricochet," also known as "megawatt laundering," during the period 2000-2001, in which the company: (i) buys energy from the Cal PX and exports to another entity, which charges a small fee; and (ii) the first company resells the energy back to the Cal ISO in the real-time market.

RESPONSE: DENY.

REQUEST: 2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, names of counter parties and whether they were affiliates, the fees charged, prices and volumes for energy that was bought and then re-sold. Also, provide all documents that refer or relate to the activity described immediately above.

RESPONSE: NOT APPLICABLE.

REQUEST: I. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Selling Non-firm Energy as Firm Energy" during the period 2000-2001, in which the company sells or resells what is actually non-firm energy to the Cal PX, but claims that it is "firm" energy. This allows the company to receive payment from the Cal ISO for ancillary services that it claims to be providing, but does not in fact provide.

RESPONSE: DENY.

REQUEST: 2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, prices and volumes, and corresponding schedules. Also, provide all documents that refer or relate to the activity described immediately above.

RESPONSE: NOT APPLICABLE.

REQUEST: J. 1. Admit or Deny: The company engaged in activity described in the Enron memoranda as "Scheduling Energy to Collect Congestion Charge II" during the period 2000-2001, in which the company: (i) schedules a counterflow even though it does not have any available generation; (ii) in real time, the Cal ISO charges the company for each MW that it was short; and (iii) the company

collects a congestion payment associated with the counterflow scheduled. This activity is profitable whenever the congestion payment is greater than the charge associated with the energy that was not delivered.

RESPONSE: DENY.

REQUEST: 2. If you so admit, provide complete details as to all transactions that your company engaged in as part of this activity, including the dates for all transactions, corresponding schedules, prices and volumes, and congestion payments received. Also, provide all documents that refer or relate to the activity described immediately above.

RESPONSE: NOT APPLICABLE.

K. 1. Admit or Deny: The company engaged in any activity during the period 2000-2001 that is a variant of any of the above-described activities or that is a variant of, or uses the activities known as, "inc-ing load" or "relieving congestion," as described above.

RESPONSE: DENY.

PG&E's bidding behavior in response to California market dysfunctions is discussed below in the response to Part III(A) of the data request.

REQUEST: 2. If you so admit, provide a narrative description of each specific time in which the company engaged in such activity and provide complete details of those transactions, including the dates of the transactions, counter parties, prices and volumes bought or sold, corresponding schedules, and any congestion payments received. Also, provide all documents that refer to or relate to such activities.

RESPONSE: NOT APPLICABLE.

II. Response to Requests for Production of Documents

REQUEST: A. Provide copies of all communications or correspondence, including e-mail messages, instant messages, or telephone logs, between your company and any other company (including your affiliates or subsidiaries) with respect to all of the trading strategies discussed in the Enron memoranda (both the ten "representative trading strategies" as well as "inc-ing load" and "relieving congestion"). This request encompasses all transactions conducted as part of such trading strategies

engaged in by your company and the other company in the U.S. portion of the WSCC during the period 2000-2001.

RESPONSE: In response to Request for Production II(A), PG&E has not found any communications or correspondence between PG&E and any other company (including affiliates or subsidiaries) with respect to any of the trading strategies discussed in the Enron memoranda or similar strategies.

REQUEST: B. Provide copies of all material, including, but not limited to, opinion letters, memoranda, communications (including e-mails and telephone logs), or reports, that address or discuss your company's knowledge of, awareness of, understanding of, or employment or use of any of the trading strategies discussed in the Enron memoranda, or similar trading strategies, in the U.S. portion of the WSCC during the period 2000-2001. The scope of this request encompasses all material that address or discuss your company's knowledge or awareness of *other* companies' use of the trading strategies discussed in the Enron memoranda, or similar trading strategies, including, but not limited to: (i) offers by such other companies to join in transactions related to such trading strategies, regardless of whether such offers were declined or accepted; and (ii) possible responses by your companies to other companies' use of such trading strategies. To the extent that you wish to make a claim of privilege with respect to any responsive material, please provide an index of each of those materials, which includes the date of the each individual document, its title, its recipient(s) and its sender(s), a summary of the contents of the document, and the basis of the claim of privilege.

RESPONSE: In response to Request for Production II(B)(i), PG&E has found no documents with respect to offers by other companies to join in transactions related to such trading strategies, regardless of whether such offers were declined or accepted. With respect to the general question of materials relating to the company's "knowledge of, awareness of, understanding of, or employment or use of" such strategies, and (ii) possible responses by PG&E to other companies' use of such trading strategies, PG&E submits copies of all known non-privileged materials under Attachment A that address or discuss PG&E's awareness of the use of such strategies by other companies

(including affiliates and subsidiaries) and possible responses by PG&E to other companies' use of such trading strategies during the period 2000-2001. PG&E is also submitting a log which details the documents or communications for which PG&E is making a claim of privilege, appended hereto as Attachment B.

III. Response to Requests for Other Information

REQUEST: A. On page 2 of the December 8, 2000, Enron memorandum, the authors allege that traders have learned to build in under-scheduling of energy into their models and forecasts. State whether your company built under-scheduling into any of its models or forecasts during the period 2000-2001, and provide a narrative description of such activity. Provide copies of all such models or forecasts prepared by or relied on by your company during the period 2000-2001 that had under-scheduling built into them.

RESPONSE: This request appears to be addressed to "traders" that reacted to bidding behavior of the IOUs. It is therefore inapplicable to PG&E. In the event that the Commission is seeking information from PG&E concerning "under-scheduling", however, PG&E submits this response describing its bidding practices, and how they relate to the concept of "under-scheduling".

PG&E has on numerous occasions disclosed and explained its demand bidding practices to the ISO, FERC, the ISO's market monitoring unit and other regulatory entities. Most recently, PG&E filed testimony in an ongoing investigation at the California Public Utilities Commission. *Application of Pacific Gas & Electric Company in the 2001 Annual Transition Cost Proceeding for the Record Period July 1, 2000, through June 30, 2001,* Application 01-09-003. The relevant portions of the CPUC testimony are appended hereto as Attachment C. The testimony demonstrates that PG&E

submitted bid curves to the PX for its aggregate load that were designed to minimize overall purchase costs in the ISO and PX markets. This practice, when coupled with the bidding behavior of other market participants, who often submitted steeply sloping supply curves, resulted in the majority of the PG&E load being served in the PX market, while the remainder was served in the ISO real time market. While the price for additional power in the ISO real time market was often higher on a per unit basis than in the PX market, paying a higher price in the ISO market for the incremental portion of total load was more economical than bidding higher prices into the PX market and paying a much higher price in the PX for every megawatt purchased in the PX single clearing price auction. PG&E's bidding strategy was consistent with PG&E's efforts to obtain the aggregate needed supply at least cost.

As has been documented by the ISO Market Surveillance Committee, the ISO Department of Market Analysis, and in filings by various IOUs including PG&E at the FERC and CPUC, it was indeed a predictable reality that insufficient demand cleared in the Day Ahead markets, so that the demand had to be served through real time purchases. The cause of that insufficiency, however, is a result of a number of factors, as documented in the various market monitoring reports, in particular, the Market Surveillance Committee of the ISO's Report on Redesign of Markets for Ancillary Services and Real-Time Energy (March 25, 1999), An Analysis of the June 2000 Price Spikes in the California ISO's Energy and Ancillary Services Markets (September 6, 2000), and the Department of Market Analysis' Report on California Energy Market Issues and Performance: May-June 2000 (August 10, 2000).

For example, PG&E found in some periods that sellers were outbidding PG&E for PG&E's own generation, so that PG&E was left after the Day Ahead market with less power than it went in with. As described in the Emergency Motion that PG&E submitted in December 12, 2000, during that time period less than 50 percent and as little as 10 percent of PG&E's own generation and contracts met PG&E customer demand. Although PG&E bid its load into the PX Day Ahead markets, PG&E was unable to clear more than 20 percent of its load through the PX. PG&E noted that the balance of PG&E generation and contracts were purchased by third parties, and that it appeared that the same parties were selling the generation back to California at prices of $1000/MWh or more.

One of the factors preventing PG&E from serving more of its load in the Day Ahead market was phantom congestion. During the year 2000, it became increasingly difficult for reasonable demand bids to clear in the Day Ahead markets. In part, PG&E demand bids would not clear with all load served because of "phantom" congestion in the Day Ahead markets. This congestion is called phantom congestion because it appeared in Day Ahead markets, and was often relieved only once PG&E or some other entity agreed to reduce its load. But the same load as originally bid would be served in real time, with no real time congestion. PG&E, through its bidding, defended against and counteracted this phantom result to better match the physical realities of the system.

The problem of phantom congestion was identified well before 2000, and was addressed in Commission orders dating back to 1998 and 1999. This problem has been attributed to the impact of old pre-restructuring contracts between PG&E and its

customers (the "ETC" contracts). However, the causes of phantom congestion extended beyond the ETC contracts, as reflected in the Enron memoranda, and continued during the period 2000 and 2001. As the largest net buyer of energy in Northern California, PG&E procurement costs were adversely impacted when phantom congestion artificially raised prices in Northern California. PG&E found that it could moderate the detrimental impact of this dysfunction somewhat when submitting demand bids into the Day Ahead market. By adjusting its bid curve slightly downward for its northern demand (north of Path 15), and adjusting its bid curve comparably upward for its southern demand (south of Path 15), the impact of this phantom congestion could be neutralized. This adjustment to the bid curves in north and south reflected the physical reality that southern resources could serve northern loads in these periods of phantom congestion, and only "appeared" unable to serve the loads because of the phantom congestion. Phantom congestion could be unpredictable and quite volatile, sometimes switching direction or increasing from day to day or hour to hour, so the impact of such adjustments could vary, but over the long run such adjustments in PG&E's bid curves had the net impact of yielding total procurement costs closer to what they would have been if there had been no phantom congestion.

Thus, with phantom congestion, as with other dysfunctions that prevented PG&E from serving all of its load in the PX markets, PG&E's objective was to minimize procurement costs.

REQUEST: B. Refer to the discussion of the trading strategy described as "Ricochet" in the Enron memoranda. State whether your company purchased energy from, or sold energy to, any Enron company, including Portland General Electric

Company, as part of a "Ricochet" (or megawatt laundering) transaction during the period 2000-2001. Provide complete details as to such transactions, including the dates of the transactions; the names, titles, and telephone numbers of the traders at your company who engaged in such transactions; the prices at which your company bought and sold such energy (on a per transaction basis); the volumes bought and sold (on a per transaction basis); delivery points; and all corresponding schedules.

RESPONSE: PG&E did not purchase energy from, or sell energy to, any Enron company, including Portland General Electric Company, as part of a "Ricochet" transaction or as part of any related strategy during the period 2000-2001.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices	)))	Docket No. PA02-2-000

RESPONSE OF PG&E NATIONAL ENERGY GROUP, INC.
TO COMMISSION'S MAY 8, 2002 DATA REQUEST

PG&E National Energy Group, Inc. ("NEG") on behalf of its subsidiary, PG&E Energy Trading – Power, L.P. ("PGET"), its former subsidiary, PG&E Energy Services Corporation ("Energy Services"), prior to the sale of Energy Services in June of 2000, and its current subsidiary, PG&E Energy Services Ventures, Inc. (which assumed the few remaining contracts that were not conveyed with the sale of Energy Services), respectfully submits its response to the Commission's data request Order issued May 8, 2002 to Sellers of Wholesale Electricity and/or Ancillary Services to the California Independent System Operator ("ISO") and/or the California Power Exchange ("PX") during the years 2000-2001 ("May 8 Order").

PGET and Energy Services are the only subsidiaries of NEG that sold electricity to the ISO or the PX during 2000-2001. NEG is a subsidiary of PG&E Corporation, which also owns Pacific Gas and Electric Company. NEG and its subsidiaries operate separately from Pacific Gas and Electric Company, which will submit a separate response to the May 8 Order. NEG has no knowledge of the trading activities of affiliates of PG&E Corporation that are not subsidiaries of NEG.

As requested, NEG diligently conducted a thorough investigation into the trading activities of its subsidiaries in the U.S. portion of the Western Systems Coordinating Council

("WSCC") during the years 2000 and 2001. NEG began its investigation immediately following the issuance of the May 8 Order. NEG issued a request to all personnel that may have knowledge of NEG's trading operations within the WSCC during the years 2000-2001 to provide all documents that may be responsive to the May 8 Order. NEG then conducted its own search of documents, including trading records, invoices, and computer files that may be responsive to the May 8 Order. NEG interviewed individuals that may have knowledge of electricity trading within the WSCC during calendar years 2000-2001. NEG questioned each of these individuals on the issues set forth in the May 8 Order, and required each of these individuals to search for and provide all documents that may be responsive to the May 8 Order. NEG retained the law firm of Latham & Watkins to assist with the investigation. The response below is the result of this investigation.

I. RESPONSES TO REQUESTS FOR ADMISSIONS

A. In Response to Request for Admission A, NEG denies the following statement:

> The company engaged in activity referred to in the Enron memoranda as **"Export of California Power"** during the period 2000-2001, in which the company buys energy at the Cal PX to export outside of California in order to take advantage of the price spread between California markets (which were capped) and uncapped markets outside California.

B. In Response to Request for Admission B, NEG denies the following statement:

> The company engaged in activity described in the Enron memoranda as **"Non-Firm Export"** during the period 2000-2001, in which the company gets a counterflow (scheduling energy in the opposite direction of a constraint) congestion payment from the Cal ISO by scheduling non-firm energy from a point in California to a control area outside of California, and cutting the non-firm energy after it receives such payment.

C. In Response to Request for Admission C, NEG denies the following statement:

The company engaged in activity described in the Enron memoranda as "**Death Star**" during the period 2000-2001, in which the company schedules energy in the opposite direction of congestion (counterflow), but no energy is actually put onto the grid or taken off of the grid. This allows the company to receive congestion payments from the Cal ISO.

D. In Response to Request for Admission D, NEG denies the following statement:

The company engaged in activity described in the Enron memoranda as "**Load Shift**" during the period 2000-2001. This variant of "relieving congestion" involves submitting artificial schedules in order to receive inter-zonal congestion payments . The appearance of congestion is created by deliberately over-scheduling load in one zone (*e.g.*, NP-15), and under-scheduling load in another, connecting zone (*e.g.*, SP-15); and shifting load from a congested zone to the less congested zone, thereby earning congestion payments for reducing congestion.

E. In Response to Request for Admission E, NEG denies the following statement:

The company engaged in activity described in the Enron memoranda as "**Get Shorty**" during the period 2000-2001, also known as "paper trading" of ancillary services in which it: (i) sells ancillary services in the Day-ahead market; and (ii) the next day, in the real-time market, the company "zeros out" the ancillary services by cancelling the commitment to sell and buying ancillary services in the real-time market to cover its position. The phrase "paper trading" is used because the seller does not actually have the ancillary services to sell.

F. In Response to Request for Admission F, NEG denies the following statement:

The company engaged in activity described in the Enron memoranda as "**Wheel Out**" during the period 2000-2001. Knowing that an intertie is completely constrained (*i.e.*, its capacity is set at zero), or that a line is out of service, the company schedules a transmission flow over the facility. The company also knows that the schedule will be cut and it will receive a congestion payment without actually having to send energy over the facility.

G. In Request for Admission G, the Commission asks whether NEG admits or denies the following statement:

> The company engaged in activity described in the Enron memoranda as "**Fat Boy**" during the period 2000-2001 in which the company artificially increases load on the schedule it submits to the Cal ISO with a corresponding amount of generation. The company then dispatches the generation it schedules, which is in excess of its actual load. This results in the Cal ISO paying the company for the excess generation. Scheduling coordinators that serve load in California may be able to use this activity to include the generation of other sellers.

The definition FERC provides for the above strategy appears identical to the definition FERC provides for "inc-ing load" in Admission K below. See NEG's Response to Request for Admission K below.

H. In Response to Request for Admission H, NEG denies the following statement:

> The company engaged in activity described in the Enron memoranda as "**Ricochet**," also known as "megawatt laundering," during the period 2000-2001, in which the company: (i) buys energy from the Cal PX and exports to another entity, which charges a small fee; and (ii) the first company resells the energy back to the Cal ISO in the real-time market.

I. In Response to Request for Admission I, NEG denies the following statement:

> The company engaged in activity described in the Enron memoranda as "**Selling Non-firm Energy as Firm Energy**" during the period 2000-2001, in which the company sells or resells what is actually non-firm energy to the Cal PX, but claims that it is "firm" energy. This allows the company to receive payment from the Cal ISO for ancillary services that it claims to be providing, but does not in fact provide.

J. In Response to Request for Admission J, NEG denies the following statement:

> The company engaged in activity described in the Enron memoranda as "**Scheduling Energy to Collect Congestion Charge II**" during the period 2000-2001, in which the company: (i) schedules a counterflow even though it does not have any

> available generation; (ii) in real time, the Cal ISO charges the company for each MW that it was short; and (iii) the company collects a congestion payment associated with the counterflow scheduled. This activity is profitable whenever the congestion payment is greater than the charge associated with the energy that was not delivered.

K. In Request for Admission K, the Commission asks whether NEG admits or denies the following statement:

> The company engaged in any activity during the period 2000-2001 that is a variant of any of the above-described activities or that is a variant of, or uses the activities known as, "**inc-ing load**" or "**relieving congestion**," as described above.

In response to Request for Admission K, with respect to "relieving congestion" and variants of that activity as described above and as referenced in the Enron memoranda, NEG denies the above statement. With respect to "inc-ing load" as described above and as referenced in the Enron memoranda, NEG denies the above statement. With respect to variants of "inc-ing load," NEG states below how PGET offered energy into the ISO's real-time market. Other than as stated below, NEG denies the above statement.

1. As previously discussed with the ISO in early 2000, PGET offered energy into the ISO's real-time market during the period 2000 and 2001. In order to participate in the real-time market, the ISO Tariff required the submission of a schedule showing supply equal to load. At that time, PGET did not serve load. During a meeting with ISO and PGET personnel, ISO's representative explained to PGET that other market participants that did not serve load (like PGET) were able to offer energy directly into the real-time market by submitting a balanced schedule showing: (i) the amount of energy such participant had available for the real-time market; and (ii) an equal amount of load. Forty-five days after the end of each month,

such participants would submit data showing actual load (which would be zero), and the ISO would settle with such participants based on the "decremental" clearing price for the energy.

2. The ISO representatives then explained that, to participate, PGET would need to execute the ISO Meter Services Agreement, to be downloaded from the ISO website. This agreement established the terms and conditions upon which PGET would provide certain settlement data, including its actual load. Since PGET had no actual load when it signed this agreement, the sections in the agreement requiring specific information to identify meters and describe load profiles were completed with "N/A." PGET and the ISO executed the Agreement on April 26, 2000. The ISO filed the Agreement with the FERC on May 8, 2000, and obtained FERC acceptance of that Agreement on June 22, 2000, with an effective date of April 26, 2000. Following the effective date of this agreement, and as previously discussed with the ISO, PGET complied with ISO requirements to submit a balanced schedule. Thereafter, PGET submitted meter data reflecting a zero load until August 2001. At that time, PGET began to serve small loads (between 3 and 26 MW) and these loads were reported in the meter data that was submitted.

3. Following the issuance of the FERC order of December 15, 2000, *San Diego Gas & Electric Company,* 93 FERC ¶ 61,294 (2000), ISO representatives confirmed with PGET that there were "no penalties" for overscheduling load to deliver energy in the real-time market.

4. For PGET, these practices were the method, based on advice from the ISO, by which PGET could offer energy directly into the ISO's real-time market.

II. REQUESTS FOR PRODUCTION OF DOCUMENTS

In response to Request for Production of Documents A and B, NEG is providing all documents, except for any document protected by privilege from disclosure.

III. REQUESTS FOR OTHER INFORMATION

A. In response to Request for Other Information A, NEG states that some NEG employees assumed (based upon public information in the trade press and issued by the ISO) that utilities have been under-scheduling load. However, NEG did not build this under-scheduling into any models or forecasts.

B. In response to Request for Other Information B, as discussed in response to Request for Admission H, NEG did not engage in the trading strategy described as "Ricochet" or megawatt laundering in the Enron memoranda.

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FOR IMMEDIATE RELEASE June 14, 2002

Contact: News Department (415) 973-5930

PG&E's Response to California Senate

EDITORS: *Please do not use "Pacific Gas and Electric" or "PG&E" when referring to PG&E Corporation or its National Energy Group. The PG&E National Energy Group is not the same company as Pacific Gas and Electric Company, the utility, and is not regulated by the California Public Utilities Commission. Customers of Pacific Gas and Electric Company do not have to buy products or services from the National Energy Group in order to continue to receive quality regulated services from Pacific Gas and Electric Company.*

PACIFIC GAS AND ELECTRIC COMPANY RESPONDS TO STATE SENATE COMMITTEE; IT DID NOT ENGAGE IN ENRON-LIKE TRADING ACTIVITIES

Filing Also Tells Committee the Utility Properly Bid Its Resources Into the Market

SAN FRANCISCO - Pacific Gas and Electric Company today informed the California Senate Select Committee to Investigate Price Manipulation of the Wholesale Energy Market that it did not engage in Enron-style trading activities.

In the same filing, the utility described its load forecasting and submission process and told the Committee that it accurately provided its generation and demand data to the California Independent System Operator (CAISO) and California Energy Resources Scheduling (CERS) officials to determine the utility's "net open" position for which CERS buys power.

As part of this process, PG&E works with CERS to implement procedures where the utility supplies CERS and the CAISO rolling seven-day forecasts, at least twice per business day. Additional updates are made if there are significant changes in the forecast conditions.

The Committee asked California's investor-owned electric utilities and other energy providers to submit information on their power marketing and trading activities in the California energy market. Several of the Committee's questions were similar to ones raised by the Federal Energy Regulatory Commission (FERC). In its response to FERC, which was also provided to the Committee, the utility stated that it did not engage in Enron-like trading practices.

Copies of PG&E's responses to the Committee and FERC are available on the utility's website at www.pge.com.

News Release

FOR IMMEDIATE RELEASE June 14, 2002
CONTACT: News Department (415) 973-5930

Pacific Gas and Electric Comp
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BEFORE THE CALIFORNIA STATE SENATE
THE SELECT COMMITTEE TO
INVESTIGATE PRICE MANIPULATION OF
THE WHOLESALE ENERGY MARKET

PACIFIC GAS AND ELECTRIC COMPANY'S RESPONSE TO MAY 30, 2002 QUESTIONS

I. Introduction

Pacific Gas and Electric Company (PG&E) respectfully submits to the California State Senate this response to the questions propounded by the Select Committee to Investigate Price Manipulation of the Wholesale Energy Market (the "Committee") on May 30, 2002.

This response is submitted on behalf of PG&E and its corporate parent PG&E Corporation, and its subsidiaries and affiliates, with the sole exception of PG&E's affiliate, PG&E National Energy Group. PG&E's National Energy Group is preparing its own response, and will submit its response to the California State Senate separately.

The Committee has asked for PG&E's responses to the recent data requests served by the Federal Energy Regulatory Commission (FERC) in FERC's *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000. Provided with this response are PG&E's responses (including all attachments) to the data requests served by FERC on May 8, 21, and 22, 2002. These responses are numbered SEN1 to SEN327. Other than the documents provided along

with those responses to FERC, and SEN328 to SEN331 (in response to Question 12), there are no additional documents responsive to the Committee's requests for documents.

These responses represent PG&E's best efforts based on its understanding of the information requested by the Committee. In providing these responses, PG&E does not waive or intend to waive any applicable privilege. Nor does PG&E waive or intend to waive any applicable defenses concerning the jurisdiction of the Committee. PG&E reserves its right to supplement this response if the discovery of additional responsive information makes such supplementation appropriate or the Committee's interpretation of the information requested differs from PG&E's interpretation.

II. Responses to Questions

QUESTION: 1. a. Did PG&E engage in the conduct, acts and strategies set forth in A. The Big Picture, 1. "Inc-ing" Load Into The Real Time market, pages 1-3 of the Memorandum? If PG&E's answer this question is yes, identify all Documents relating to such conduct, acts and strategies.

RESPONSE: No.

QUESTION: b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in A. The Big Picture, 1. "Inc-ing" Load Into The Real Time market, pages 1-3 of the Memorandum? If so, identify the Market Participants(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in A. The Big Picture, 1. "Inc-ing" Load Into The Real Time Market, pages 1-3 of the Memorandum.

RESPONSE: No. PG&E understands the term "Memorandum" to refer to the Memorandum attached to the Committee Request, a Memorandum from Richard Sanders to Christian Yoder and Stephen Hall, titled "Trader's Strategies in the California Wholesale Power Markets/ISO Sanctions", dated December 6, 2000 ("Enron

Memorandum"). Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section A of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

QUESTION: 2. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 1.a. and b. Export of California Power, page 3 of the Memorandum? If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

RESPONSE: No.

QUESTION: b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 1.a. and b. Export of California Power, page 3 of the Memorandum? If so, identify the Market Participant(s). IF PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct acts and strategies set forth in B Representative Trading Strategies. 1.a. and b. Export of California Power, page 3 of the Memorandum.

RESPONSE: No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests,

Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices, Docket No. PA02-2-000, a copy of which is provided with this response.

QUESTION: 3. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.a., b., c. and d., "Non-firm Export," pages 3 and 4 of the Memorandum? IF PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

RESPONSE: No.

QUESTION: b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.a., b., c. and d., "Non-firm Export," pages 3 and 4 of the Memorandum? If so, identify the Market Participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.a., b., c. and d., "Non-firm Export," pages 3 and 4 of the Memorandum.

RESPONSE: No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

QUESTION: 4. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.[sic] a., b., c., d. and e., "Death Star," pages 4 and 5 of the Memorandum? If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies. If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

RESPONSE: No.

QUESTION: b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.[sic] a., b., c., d. and e., "Death Star," pages 4 and 5 of the Memorandum? If so, identify the Market Participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in B, Representative Trading Strategies, 2.[sic] a., b., c., d. and e., "Death Star," pages 4 and 5 of the Memorandum.

RESPONSE: No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

QUESTION: 5. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 3. a., b., c., d. e. and f., "Load Shift," page 5 of the Memorandum? If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

RESPONSE: No.

QUESTION: b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 3. a., b., c., d., e. and f., "Load Shift," page 5 of the Memorandum? If so, identify the Market Participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in B. Representative Trading Strategies, 3. a., b., c., d., e. and f., "Load Shift," page 5 of the Memorandum.

RESPONSE: No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

QUESTION: 6. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 4. a., b., c., d. e. and f., "Get Shorty," pages 5 and 6 of the Memorandum? If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

RESPONSE: No.

QUESTION: b. Is PG&E aware of any other Market Participant who engaged in the conduct acts and strategies set forth in B. Representative Trading Strategies, 4. a., b., c., d., e. and f., "Get Shorty," pages 5 and 6 of the Memorandum? If so, identify the Market participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in B. Representative Trading Strategies, 4. a., b., c, d., e. and f., "Get Shorty," pages 5 and 6 of the Memorandum.

RESPONSE: No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests,

Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices, Docket No. PA02-2-000, a copy of which is provided with this response.

QUESTION: 7. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 5. a., b. and c., "Wheel Out," page 6 of the Memorandum? If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

RESPONSE: No.

QUESTION: b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 5. a., b. and c., "Wheel Out," page 6 of the Memorandum? If so, identify the Market Participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in B. Representative Trading Strategies, 5. a., b. and c., "Wheel Out," page 6 of the Memorandum.

RESPONSE: No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

QUESTION: 8. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 7. A. and b., "Ricochet," pages 6 and 7 of the Memorandum? If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

RESPONSE: No.

QUESTION: b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 7. a. and b., "Ricochet," pages 6 and 7 of the Memorandum? If so, identify the Market Participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in B. Representative Trading Strategies, 7. a. and b., "Ricochet," pages 6 and 7 of the Memorandum.

RESPONSE: No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

QUESTION: 9. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 8. a., b. and c., Selling Non-firm Energy as Firm Energy, page 7 of the Memorandum? If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

RESPONSE: No.

QUESTION: b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 8. a., b. and c., Selling Non-firm Energy as Firm Energy, page 7 of the Memorandum? If so, identify the Market Participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in B. Representative Trading Strategies, 8. a., b. and c., Selling Non-firm Energy as Firm Energy, page 7 of the Memorandum.

RESPONSE: No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the

conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests, *Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices*, Docket No. PA02-2-000, a copy of which is provided with this response.

QUESTION: 10. a. Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 9. a. and b, Scheduling Energy To Collect the Congestion Charge II, page 7 of the Memorandum? If PG&E's answer to this question is yes, identify all Documents relating to such conduct, acts and strategies.

RESPONSE: No.

QUESTION: b. Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 9. a. and b., Scheduling Energy To Collect the Congestion Charge II, page 7 of the Memorandum? If so, identify the Market Participant(s). If PG&E's answer to this question is yes, identify all Documents relating to such other market participants' conduct, acts and strategies set forth in B. Representative Trading Strategies, 9. a. and b., Scheduling Energy To Collect the Congestion Charge II, page 7 of the Memorandum.

RESPONSE: No. Prior to reviewing the Enron Memorandum, PG&E had no knowledge of behavior by specific Market Participants that reflected the conduct, acts or strategies described in Section B of the Enron Memorandum. PG&E has found documents indicating a general awareness of certain practices described in the Enron Memorandum and other memoranda related to Enron. These documents were appended to Pacific Gas & Electric Company's Response to May 8, 2002 Data Requests,

Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices, Docket No. PA02-2-000, a copy of which is provided with this response.

QUESTION: The Select Committee made public on Tuesday, May 21, 2002, a telephone call between the California Independent System Operator ("CAISO") and the California Energy Resources Scheduling ("CERS"). I have attached an unofficial transcript of the telephone conversation in which CAISO officials ask CERS officials to submit "fictitious load." On page five of the transcript, a CAISO representative asserts that CERS often schedules more generation than load. Subsequent conversations with CERS officials have left this question unresolved, though CERS has asserted that PG&E submits different load schedules to CERS than it submits to CAISO.

Last Friday, May 21, 2002, market participants submitted responses to requests for admission by the Federal Energy Regulatory Commission ("FERC"). Some market participants acknowledged that CAISO had requested similar actions of them, including requests that a market participant scheduled load and a corresponding amount of generation even though CAISO knew the actual load would be zero.

11. Has CAISO, CERS or any entity ever requested from PG&E the submission of "fictitious load"? If the answer to this question is yes, has PG&E ever complied with such a request? Is PG&E aware of any other market participant who has engaged in the scheduling of resources against a fictitious load? Does PG&E know of any instance in which a similar request has been made of another market participant? If so, identify the market participant(s). If the answer to any of these questions is yes, please identify all documents relating to this request. Please explain the process by which PG&E submits its load schedule to both CAISO and to CERS.

RESPONSE: No. Neither CAISO, CERS, nor any other entity, has ever requested from PG&E the submission of "fictitious load." Nor does PG&E know of any instance in which such a request has been made of a market participant.

In examining utility scheduling and bidding practices, it is first necessary to understand that PG&E's role in providing for its customers' load demand changed dramatically in January 2001 as a result of PG&E's loss of creditworthiness status under the CAISO Tariff and changes to the California markets required by FERC. Until

January 17, 2001, PG&E purchased energy to serve its customers' load, by submitting bids to the California Power Exchange (PX). The PX acted as PG&E's Scheduling Coordinator with the CAISO, and thus submitted schedules to the CAISO on behalf of PG&E based on the results of the PX auction markets. The PX also procured energy from the CAISO in real-time to the extent needed to meet PG&E's unmet load. In its response to the May 8, 2002 Data Requests, PG&E described its load scheduling and bidding practices in response to Request III(A) and provided a copy of testimony that PG&E has submitted to the Public Utilities Commission of the State of California (CPUC) on the subject of PG&E's load scheduling and bidding. That response, provided herewith, contains an accurate description of PG&E's load bidding prior to the time that PG&E ceased to be creditworthy under the CAISO Tariff.

Effective January 17, 2001, CERS became responsible for serving load that could no longer be served by PG&E through procurement as a result of PG&E's inability to meet the creditworthiness requirements of the CAISO Tariff. Under the FERC authorized CAISO Tariff, and as determined by FERC, PG&E presently acts as the Scheduling Coordinator with the CAISO for PG&E loads that PG&E can serve with its owned or contractually committed generation resources ("PG&E resources"). CERS acts as the supplier for loads that PG&E is unable to serve from PG&E resources and for which CERS must acquire as a result of the fact that PG&E does not meet the creditworthiness requirements of the CAISO Tariff. The loads that PG&E is unable to serve from those PG&E resources, and that are instead served by CERS, are often referred to as the "net open". Once PG&E ceased to be creditworthy, it could no longer

buy power through the PX -- so the old mechanisms through which PG&E submitted bids to the PX to procure load, and through which the PX scheduled power for PG&E, were terminated, and replaced with alternative arrangements in which PG&E self-scheduled load with the CAISO.

Today, in order to ensure continued reliable electric service to customers, PG&E is in regular communication with both CAISO and CERS, providing forecasts of both PG&E's loads, and PG&E resources, and thus forecasts of the size of the net open which must be supplied by CERS. Each business day, PG&E develops a 7-day forward forecast of hourly loads, by zone, and also develops schedules of planned or estimated generation from the PG&E resources. These estimated load and generation quantities, and the "net open position" for each hour obtained after subtracting supplies from load, are detailed in a spread sheet that is sent to both CERS and CAISO. That is, PG&E provides CERS and CAISO with the same forecast information at the same time.

The current forecasting approach was cooperatively developed with CERS after PG&E ceased to be creditworthy under the CAISO Tariff. The forecasts were initially made once per day on weekday afternoons, so that the information would be available to CERS day-ahead traders and schedulers very early the next morning. Initially, there was no process in place for PG&E to compile and share with CERS and CAISO subsequently updated information, including re-forecasts of load and anticipated PG&E supplies. Later in 2001 PG&E, working with CERS, implemented processes and procedures to prepare forecasts and share them with CERS and CAISO more often. Since late September, 2001, PG&E provides a rolling 7-day forecast at least two times per business

day, and often three or more times if significant changes in forecast conditions occur. The first forecast submitted to CERS and the CAISO is sent at 6:15 am two days before the operating day to provide the most-current guidance to day-ahead procurement efforts at CERS, with updates as necessary. PG&E also now provides CERS and CAISO with "current day" forecasts reflecting scheduled CERS supplies in addition to updated PG&E generation schedules and load forecasts, by zone, to facilitate CERS purchase and sale efforts in hour-ahead markets. In addition, PG&E and CERS staff discuss conditions at conference calls at a set time each weekday afternoon, to address changes that might affect operations.

Pursuant to the FERC-authorized CAISO tariffs and as determined by FERC, it is the responsibility of CERS to procure resources to serve the net open load and then to schedule both the net open load and the resources that will be used to serve that load with the CAISO. Though formal scheduling for the net open is the responsibility of CERS, this has been implemented through CERS submitting its schedule of net open load and associated generation resources to PG&E. PG&E submits these schedules of CERS supplies to CAISO as received from CERS. The CERS schedule reflects CERS efforts to meet the net open load. Together with the CERS supplies, PG&E submits schedules of the PG&E resources to CAISO consistent with current generation plans and conditions. In each case CERS/PG&E supply schedules are balanced against an equal amount of load. The CERS resource/load amounts do not necessarily match the net open forecasts provided by PG&E to CERS and the CAISO because of changes in load or resource

availability since those forecasts were made or CERS decisions to procure different amounts in the day ahead or hour ahead markets.

After the schedules are submitted, the CAISO performs its congestion calculations, and determines if modifications to the schedules are necessary in order to clear congestion. The congestion calculations often show phantom congestion that is not reflective of actual operating conditions. This was less of a problem after the elimination of the PX, but continues to occur. In order to clear congestion if it arises, Scheduling Coordinators submit "adjustment bids" to the CAISO with their initial schedules. If congestion arises, the CAISO uses those adjustment bids to develop a "final schedule" in which congestion is eliminated. Thus, with its combined CERS/PG&E schedules that are submitted to the CAISO, PG&E submits adjustment bids in which PG&E agrees to adjust its loads upward in one zone and downward by an identical amount in another zone in order to clear the congestion. To the extent that the CAISO has insufficient adjustment bids to resolve congestion, it would invoke its administrative congestion management process. Under this process the CAISO adjusts day ahead schedules, including PG&E's load schedules, as needed to resolve congestion at default usage charges. PG&E adjustment bids provide the CAISO with adjustment bid sufficiency needed to facilitate the resolving of day ahead congestion, without the need to invoke the CAISO administrative congestion management process. PG&E submits zero priced adjustment bids for its load, to ensure that its adjustment bids are taken without artificially inflating costs on the system where phantom congestion is present.

The "final" day ahead schedule, which reflects adjustment bids, may have more load in one zone and less load in another zone than PG&E actually forecast. As noted above, PG&E provides CERS and the CAISO with its best forecasts, by zone, so both CERS and the CAISO are aware of the actual expected PG&E loads and net open by zone, even if such loads and net open differ from those in the post-adjustment bid schedule.

QUESTION: 12. Has PG&E ever received a request from CAISO, the California Power Exchange ("CalPX"), or a market participant:

a. To raise or lower the price of a bid that PG&E had already submitted?

RESPONSE: No.

QUESTION: b. To place a bid in a specified market, at specified time, or at a specified price?

RESPONSE: Yes. On occasion PG&E was requested by the CAISO, for urgent reasons tied to grid reliability, to submit bids into the ancillary services market for certain hydroelectric resources and to manage energy schedules and water flows for these resources accordingly. Provided with this response are emails describing these requests; SEN328-SEN331. PG&E complied with those reliability related requests to the extent possible and prudent, bidding into the ancillary services markets with those resources. The CAISO did not suggest or specify a price for the bid -- PG&E determined its own bid price, and was awarded the market clearing price

established in accordance with normal CAISO Tariff mechanisms. PG&E's compliance with these CAISO requests was based on PG&E's continuing efforts to provide and maintain reliable electric service to its customers. Other than those reliability related requests described in this response, PG&E has not received a request from CAISO or the CalPX, or a market participant, to place a bid in a specified market, at specified time, or at a specified price.

Additionally, as noted in response to question 11, to mitigate the potential for artificial price increases, PG&E always attempts to have adjustment bids in place to modify its loads in response to phantom congestion.

QUESTION: 13. Is PG&E aware of any market participant who has received a request from CAISO, CalPX or a market participant:

a. To raise or lower the price of a bid that has already been submitted?

RESPONSE: No.

QUESTION: b. To place a bid in a specified market, at specified time, or at a specified price?

RESPONSE: No.

QUESTION: 14. Has PG&E ever intentionally provided CAISO with inaccurate information regarding its energy resources and loads? Is PG&E aware of any other Market Participant who has intentionally provided CAISO with inaccurate information regarding its energy resources and loads? If so, identify the market participant(s). If PG&E's answer to any of these questions is yes, identify all documents relating to such inaccurate reporting.

RESPONSE: No. PG&E's load bidding and scheduling practices are described in response to Question 11 above. PG&E has submitted load and resource

forecasts and other data to the CAISO that it believed to be reasonable and accurate at the time such forecasts were submitted. As explained in response to Question 11, PG&E submits adjustment bids in which PG&E agreed to decrease or increase loads in the various CAISO zones in order to allow CAISO to address phantom congestion in the day ahead markets. In real time, the load would be served as originally scheduled , because the phantom congestion was not reflective of actual operating conditions.

Aside from information contained in the Enron Memorandum and in the published responses to the May 8, 2002 FERC Data Requests, PG&E is not aware of any specific market participants who provided intentionally inaccurate load or resource information to the CAISO.

QUESTION: 15. Has PG&E ever intentionally reported an inaccurate "net short" position to the CERS? Is PG&E aware of any other Market Participant who has intentionally reported an inaccurate "net short" position to the CERS? If so, identify the Market Participant(s). If PG&E's answer to any of these questions is yes, identify all documents relating to such inaccurate reporting.

RESPONSE: No. PG&E's process of submitting load information to CERS, as refined over time, is described in PG&E's response to Question 11 above. PG&E has never intentionally reported an inaccurate "net short" position to the CERS. Nor is PG&E aware of any Market Participant who has intentionally reported an inaccurate "net short" position to the CERS. There are, however, a number of reasons why observed load and net short could differ from forecasts, including direct access load (which is subject to change over time, particularly during 2001), weather, temperature, localized business activity, and changes in resource availability. These differences will

not become apparent for some time because of the lag between forecasting in advance and metered data which only becomes available after the operating day. As discussed in the response to Question 11, there have been a number of refinements in the process of submission of the "net short" to CERS since the initiation of procurement by CERS. Additionally, as explained in response to Question 11, the adjustment bids that are accepted to clear phantom congestion may lead to "final schedules" that are different from PG&E's actual forecasts.

QUESTION: 16. Has PG&E ever engaged in an alliance, partnership, or profit sharing arrangement with any other market participant? If so, identify the market participant(s). If PG&E's answer to this question is yes, identify all documents relating to such alliances, partnerships, or profit sharing arrangements.

RESPONSE: No.

Declaration of Roy M. Kuga

1. My name is Roy M. Kuga. I am Director, Gas and Electric Supply, for Pacific Gas and Electric Company (PG&E). I am responsible for electric supply and demand scheduling, short-term and long-term forecasting of the net open position, power contract settlements, wholesale and QF contract administration, and gas procurement for core retail customers. My address is 77 Beale Street, San Francisco, California, 94105.

2. I have reviewed the attached Response of PG&E to the May 30 Requests of the California State Senate Select Committee. I certify that the information and documents provided constitute a response that is true and accurate, based on a diligent search for information responsive to the Committee's requests, as attested below.

3. To the best of my knowledge, information, and belief, on behalf of PG&E, I declare under penalty of perjury that the foregoing is true and accurate.

Executed on June 13, 2002, in San Francisco, California.

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Roy M. Kuga

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FOR IMMEDIATE RELEASE June 14, 2002

Contact: David Mould 301-280-6804

PG&E NEG's Response to California Senate

EDITORS: *Please do not use "Pacific Gas and Electric" or "PG&E" when referring to PG&E Corporation or its National Energy Group. The PG&E National Energy Group is not the same company as Pacific Gas and Electric Company, the utility, and is not regulated by the California Public Utilities Commission. Customers of Pacific Gas and Electric Company do not have to buy products or services from the National Energy Group in order to continue to receive quality regulated services from Pacific Gas and Electric Company.*

PG&E NATIONAL ENERGY GROUP TELLS CALIFORNIA STATE SENATE COMMITTEE NO ENRON TRADING STRATEGIES FOUND

BETHESDA, Md. - PG&E National Energy Group, a unit of PG&E Corporation (NYSE: PCG), today reported to the California State Senate's Select Committee to Investigate Price Manipulation of the Wholesale Energy Market that it did not engage in energy trading strategies described in Enron Corp. memos made public last month.

In May, PG&E National Energy Group responded to a similar request by the Federal Energy Regulatory Commission (FERC). The company's response to FERC, as well as today's response to the California legislature, specifically denied engaging in the Enron strategies, providing details of the procedure it used, with the knowledge and advice of the California Independent System Operator, to sell electricity into the state's real-time energy market.

PG&E National Energy Group, based in Bethesda, Md., develops, builds, owns and operates power production and natural gas transmission facilities and provides energy trading, marketing and risk management services in North America.

CALIFORNIA STATE SENATE
BEFORE THE
SELECT COMMITTEE TO INVESTIGATE PRICE MANIPULATION OF THE WHOLESALE ENERGY MARKET

RESPONSE OF PG&E NATIONAL ENERGY GROUP, INC. TO THE COMMITTEE'S MAY 30, 2002 DATA REQUEST LETTER TO PACIFIC GAS AND ELECTRIC COMPANY

PG&E National Energy Group, Inc. ("NEG") on behalf of its subsidiary, PG&E Energy Trading – Power, L.P. ("ET"), its former subsidiary, PG&E Energy Services Corporation ("Energy Services"), prior to the sale of Energy Services in June of 2000, and its current subsidiary, PG&E Energy Services Ventures, Inc. (which assumed the few remaining contracts that were not conveyed with the sale of Energy Services), respectfully submits its response to the Select Committee to Investigate Price Manipulation of the Wholesale Energy Market ("Committee") data request letter issued May 30, 2002 to Pacific Gas and Electric Company ("May 30 Letter").

ET and Energy Services are the only subsidiaries of NEG that offered electricity to the California Independent System Operator ("CAISO") or the California Power Exchange during 2000-2001. NEG is a subsidiary of PG&E Corporation, which also owns Pacific Gas and Electric Company. NEG and its subsidiaries operate separately from Pacific Gas and Electric Company, which will submit a separate response to the May 30 Letter. NEG has no knowledge of the trading activities of affiliates of PG&E Corporation that are not subsidiaries of NEG.

Understanding that all page and paragraph references are to the December 6, 2000 memorandum from Christian Yoder and Stephen Hall of Stoel Rives to Richard Sanders of Enron, entitled Trader's Strategies in the California Wholesale Power Markets/CAISO Sanctions ("Memorandum"), NEG provides its response below regarding the trading activities of its

subsidiaries in the wholesale power market of the U.S. portion of the Western Systems Coordinating Council ("WSCC") during the years 2000 and 2001. Although the questions are directed to PG&E, NEG's response reflects only the actions and knowledge of NEG and its subsidiaries. NEG and its subsidiaries became aware of other Market Participants' actions through publicly available materials in the media, through the pending Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices proceeding at the Federal Energy Regulatory Commission ("FERC") in Docket Number PA02-2-000, from this Committee, from Congressional inquiries and from public statements issued by other entities including the CAISO. NEG interprets this Committee's request for information about NEG's knowledge of other Market Participants' actions to exclude information NEG and its subsidiaries obtained through the above-mentioned public sources.

I. RESPONSES TO QUESTIONS

1(a). NEG responds "No" to the following question:

> Did PG&E engage in the conduct, acts and strategies set forth in A. The Big Picture, 1. "Inc-ing" Load into The Real Time Market, Pages 1-3 of the Memorandum?

Although not specifically requested, NEG states that ET engaged in a variant of "inc-ing load" following ET's consultation with CAISO representatives and with the full knowledge of the CAISO, in order for ET to offer energy into the CAISO's Real-Time market.

As previously discussed with the CAISO in early 2000, ET offered energy into the CAISO's Real-Time market during the period 2000 and 2001. In order to participate in the Real-Time market, the CAISO Tariff required the submission of a schedule showing supply equal to load. At that time, ET did not serve load. During a meeting with CAISO and ET personnel, CAISO's representative explained to ET that other Market Participants that did not serve load (like ET) were able to offer energy directly into the CAISO's Real-Time market by

submitting a balanced schedule showing: (i) the amount of energy such participant had available for the Real-Time market; and (ii) an equal amount of load. Forty-five days after the end of each month, such participants would submit data showing actual load (which would be zero), and the CAISO would settle with such participants based on the "decremental" clearing price for the energy.

The CAISO representatives then explained that, to participate, ET would need to execute the CAISO Meter Services Agreement, to be downloaded from the CAISO website. This Agreement established the terms and conditions upon which ET would provide certain settlement data, including its actual load. Since ET had no actual load when it signed this Agreement, the sections in the Agreement requiring specific information to identify meters and describe load profiles were completed with "N/A." ET and the CAISO executed the Agreement on April 26, 2000. The CAISO filed the Agreement with the FERC on May 8, 2000, and obtained FERC acceptance of that Agreement on June 22, 2000, with an effective date of April 26, 2000. Following the effective date of this Agreement, and as previously discussed with the CAISO, ET complied with CAISO requirements to submit a balanced schedule. Thereafter, ET submitted meter data reflecting a zero load until August 2001. At that time, ET began to serve small loads (between 3 and 26 MW), and these loads were reported in the meter data that was submitted.

Following the issuance of the FERC order of December 15, 2000, *San Diego Gas & Electric Company,* 93 FERC ¶ 61,294 (2000), CAISO representatives confirmed with ET that there were "no penalties" for overscheduling load to offer energy directly into the Real-Time market.

For ET, these practices were the method, based on advice from the CAISO, by which ET could offer energy directly into the CAISO's Real-Time market.

1(b). NEG responds "No" to the following question:

> Is PG&E, aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in A. The Big Picture, 1. "Inc-ing" Load Into The Real Time Market, Pages 1-3 of the Memorandum?

As discussed above in response to Question 1(a), CAISO's representative explained to ET that other Market Participants that did not serve load (like ET) were able to offer energy directly into the CAISO's Real-Time market by submitting a balanced schedule. Accordingly, NEG was generally aware that other Market Participants may have engaged in variants of "inc-ing" by offering energy directly into the CAISO's Real-Time market by submitting balanced schedules. In addition, NEG understood that the Automated Power Exchange ("APX") offered a service to customers to allow them to participate in the CAISO's Real-Time market. However, NEG did not have knowledge of any specific instances in which Market Participants engaged in this conduct.

2(a). NEG responds "No" to the following question:

> Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 1. a. and b. Export of California Power, page 3 of the Memorandum?

2(b). NEG responds "No" to the following question:

> Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 1. a. and b. Export of California Power, page 3 of the Memorandum?

NEG was generally aware that other Market Participants may have engaged the above-referenced conduct. However, NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

3(a). NEG responds "No" to the following question:

> Did PG&E engage in the conduct, acts and strategies set forth in B.

Representative Trading Strategies, 2. a., b., c. and d., "Non-firm Export," pages 3 and 4 of the Memorandum?

3(b). NEG responds "No" to the following question:

Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 2. a., b., c. and d., "Non-firm Export," pages 3 and 4 of the Memorandum?

NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

4(a). NEG responds "No" to the following question:

Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 2.[sic] a., b., c., d. and e., "Death Star," pages 4 and 5 of the Memorandum?

4(b). NEG responds "No" to the following question:

Is PG&E aware of any Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies. 2.[sic] a., b., c., d. and e., "Death Star," pages 4 and 5 of the Memorandum?

NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

5(a). NEG responds "No" to the following question:

Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, B. a., b., c., d., e. and f. "Load Shift" page 5 of the Memorandum?

5(b). NEG responds "No" to the following question:

Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 3. a., b., c., d., e. and f., "Load Shift" page 5 of the Memorandum?

NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

6(a). NEG responds "No" to the following question:

Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies 4, a., b., c., d., e, and f., "Get Shorty," pages 5 and 6 of the Memorandum?

6(b). NEG responds "No" to the following question:

Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 4. a., b., c., d., e. and f., "Get Shorty," pages 5 and 6 of the Memorandum?

NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

7(a). NEG responds "No" to the following question:

Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 5. a., b. and c., "Wheel Out," page 6 of the Memorandum?

7(b). NEG responds "No" to the following question:

Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 5. a., b. and c, "Wheel Out," page 6 of the Memorandum?

NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

8(a). NEG responds "No" to the following question:

Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 7. a. and b., "Ricochet" pages 6 and 7 of the Memorandum?

8(b). NEG responds "No" to the following question:

Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 7. a. and b., "Ricochet," pages 6 and 7 of the Memorandum?

NEG was generally aware that other Market Participants may have engaged in the referenced conduct. NEG learned from the CAISO in late 2000 that the Los Angeles Department of Water Power ("LADWP") may have engaged in this conduct, but NEG does not have specific knowledge about this. NEG is providing an internal e-mail discussing the extent of NEG's knowledge about the LADWP matter. However, NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

9(a). NEG responds "No" to the following question:

> Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 8. a., b. and c., selling Non-firm Energy as Firm Energy, page 7 of the Memorandum?

9(b). NEG responds "No" to the following question:

> Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies 9. a., b. and c., Selling Non-firm Energy as Firm Energy, page 7 of the Memorandum?

NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

10(a). NEG responds "No" to the following question:

> Did PG&E engage in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 9. a. and b., Scheduling Energy To Collect the Congestion Charge II, page 7 of the Memorandum?

10(b). NEG responds "No" to the following question:

> Is PG&E aware of any other Market Participant who engaged in the conduct, acts and strategies set forth in B. Representative Trading Strategies, 9. a. and b., Scheduling Energy To Collect the Congestion Charge II, page 7 of the Memorandum?

NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

11(a). NEG responds "No" to the following question:

> Has CAISO, CERS or any entity ever requested from PG&E the submission of "fictitious load"?

11(b). NEG responds "No" to the following question:

> Is PG&E aware of any other market participant who has engaged in the scheduling of resources against a fictitious load?

As discussed above in response to Question 1(a), CAISO's representative explained to ET that other Market Participants that did not serve load (like ET) were able to offer energy directly into the CAISO's Real-Time market by submitting a balanced schedule. In addition, although not specifically requested, NEG is attaching materials that it received from APX offering to assist sellers in submitting balanced schedules to sell into the CAISO's Real-Time market. However, NEG did not have knowledge of any specific instances in which particular Market Participants engaged in the above-referenced conduct.

11(c). NEG responds "No" to the following question:

> Does PG&E know of any instance in which a similar request has been made of another market participant?

NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

11(d). NEG explains below the process by which NEG and its subsidiaries submitted load schedules to CAISO. NEG did not submit a load schedule to CERS.

On a daily basis, ET's traders informed ET's scheduling coordinator how power for the CAISO should be allocated. Using this information, the scheduling coordinator electronically submitted a schedule showing balanced load and generation to the CAISO, by 1:00 p.m. eastern time, through a secure We-Net platform. Pursuant to the CAISO Meter Services Agreement, the scheduling coordinator electronically transmitted meter data to the CAISO forty-

five days later, in a format compatible with CAISO's MDAS software. The transmitted meter data reflected the actual load served. See the above response to Question 1(a) for an additional description of how ET offered energy directly into the Real-Time market.

12. NEG responds "No" to the following questions:

> Has PG&E ever received a request from CAISO, the California Power Exchange ("CalPX"), or a market participant:
> a. To raise or lower the price of a bid that PG&E had already submitted?
> b. To place a bid in a specified market, at specified time, or at a specified price?

13. NEG responds "No" to the following questions:

> Is PG&E aware of any market participant who has received a request from, CAISO, CalPX or a market participant:
> a. To raise or lower the price of a bid that has already been submitted?
> b. To place a bid in a specified market, at specified time, or at a specified price?

14(a). NEG responds "No" to the following question:

> Has PG&E ever intentionally provided CAISO with inaccurate information regarding its energy resources and loads?

NEG never intentionally provided CAISO with inaccurate information. See the response to Question 1(a), describing how ET offered energy directly into the Real Time market.

14(b). NEG responds "No" to the following question:

> Is PG&E aware of any other Market Participant who has intentionally provided CAISO with inaccurate information regarding its energy resources and loads?

NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct. See NEG's responses to Questions 1(b) and 11(b) above.

15(a). NEG responds "No" to the following question:

Has PG&E ever intentionally reported an inaccurate "net short" position to the CERS?

15(b). NEG responds "No" to the following question:

Is PG&E aware of any other Market Participant who has intentionally reported an inaccurate "net short" position to the CERS?

NEG did not have knowledge of any specific instances in which particular Market Participants engaged in this conduct.

16. NEG responds "No" to the following question:

Has PG&E ever engaged in an alliance, partnership, or profit sharing arrangement with any other market participant?

NEG further states that in 2001, NEG agreed to purchase Ramco, a company with which NEG had jointly developed two peaking sites in California. Although NEG does not believe the arrangement with Ramco falls within a narrow definition of an alliance, partnership or profit-sharing arrangement, NEG is providing copies of its FERC section 203 filing regarding this matter.

II. REQUESTS FOR COPIES OF RESPONSES TO FERC'S MAY 21, 2002 AND MAY 22, 2002 DATA REQUESTS

NEG is providing a hard copy of its submission to the FERC in response to the data requests issued May 21, 2002 and May 22, 2002. All supporting documents contain proprietary information or are otherwise protected from disclosure, and are so marked. NEG requests that the Committee keep these documents private and confidential as provided in the Confidentiality Agreement executed on January 2, 2002 by Greg Schmidt, Executive Officer of the Committee on Rules.