



Enron North America Corp.

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July 11, 2000

Mr. Eduardo Rodriguez
Mr. John Horne
Mr. Gary Hedrick
El Paso Electric
PO Box 982
El Paso, Texas 79960

Dear Eddie, John, and Gary,

As you are aware the WSCC saw unseasonable weather during the latter half of June. Heat in the Northwest and California, combined with unit outages, led to unprecedented high prices throughout the West. These prices provided extraordinary opportunities on a day ahead PX and real time ISO basis. The El Paso trading group under Pete Serrano (specifically Steve, Tony, Roger, and Kathy) went above the call of duty to optimize El Paso's system and take full advantage of the market. Of the many service relationships Enron has, El Paso was one of the strongest performers during this heat wave, which is a testament to the entrepreneurial culture and the strong initiative shown by your traders. Some of the highlights during the month of June include the following.

- El Paso received \$1.2 million from the Ancillary Service market. This revenue stream was comprised of both day ahead and hour ahead capacity payments and hour ahead energy payments. El Paso was exercised for 527 MWhrs at a price of \$750 when its average variable cost was approximately \$52.50. In addition El Paso sold over 3.3 gigawatts of capacity over 14 days (85% was sold day ahead).
- El Paso is very active in the day ahead markets both in the California PX and the Southwest Bilateral Markets. In June El Paso sold approximately 30.5 gigawatts into the California PX for a total revenue of \$1.8 million. This represents an average price of \$59. El Paso also bought 300 MWhrs at an average price of \$40.50. El Paso sold 16.2 gigawatts at Palo Verde for \$1.9 million revenue. This represents an average price of \$116.50. Total purchases equaled 7.2 gigawatts for \$550,000 (\$76.80 average price). El Paso realized net revenue of \$3.14 million from day ahead activity.
- El Paso was also active selling and buying energy from the California imbalance (real time) market. Total sales were 39.9 gigawatts of energy which represented \$3.25 million of revenue. The average sale price was \$81.45. El Paso also purchased 2.75 gigawatts for \$295,000 or an average price of \$107. The net revenue realized from real time activity is \$3.35 million.


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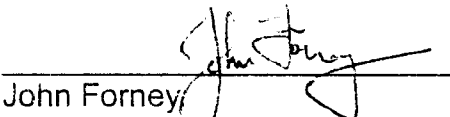
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In summary El Paso generated \$7.3 million of revenue during the month of June. This activity would not have been possible without the dedication and hard work of your staff and the cooperation of the reliability group under Bill Massie. This is a great example of overall team effort within El Paso, and we commend both groups for these efforts. All of these efforts occurred secondary to maintaining the reliability of the El Paso system. While other utilities may be indifferent to such opportunities, lacking incentive and personnel desire, this is clearly not the case with El Paso.

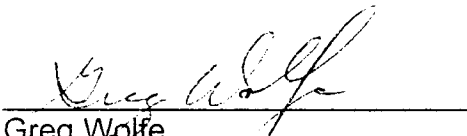
We continue to look forward to this level of execution, which has been refined over the years, as the El Paso-Enron relationship continues to grow.

Sincerely,


Paul Choi


John Forney


Stewart Rosman


Greg Wolfe

dd/

cc: Steve Buraczyk
Roger Hawkins
Fred Hill
Bill Massie
Kathy Peterson
Pete Serrano
Tony Soto