

**United States of America  
before the  
Federal Energy Regulatory Commission**

Avista Corporation )  
Avista Energy, Inc. )  
Enron Power Marketing, Inc. )  
Portland General Electric Company )

Docket No. EL02-115-000

**Affidavit of  
Patrick R. Crowley  
Regarding Amended Comments & Findings  
of FERC Trial Staff Investigative Report into  
Avista Utilities & Avista Energy, Inc.**

*Patrick R. Crowley, being duly sworn on oath, does depose and say:*

1           My name is Patrick R. Crowley. My business address is 888 First Street, N.E.,  
2 Washington, D.C., 20426. I am employed by the Federal Energy Regulatory Commission  
3 (FERC or Commission) as an Economist in the Office of Administrative Litigation. As  
4 the FERC Trial Staff technical team leader on the Avista Investigation, I sponsored  
5 Appendix A of the FERC Trial Staff Investigation Report. I also sponsored the earlier  
6 affidavits “In Support of FERC Trial Staff Investigative Report into Avista Utilities &  
7 Avista Energy, Inc.” and “Regarding Amended Comments & Findings of FERC Trial  
8 Staff Investigative Report into Avista Utilities & Avista Energy, Inc.”

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10 **Purpose of this Affidavit**

11           The purpose of this affidavit is to respond to the May 27, 2003 Comments of the  
12 People of the State of California (California AG), which asserts factual statements as to  
13 the nature and scope of the FERC Trial Staff analysis, as well as unsupported assertions  
14 regarding the purported impact of the Enron Ricochet energy trading strategy.

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1 **Ricochet & Megawatt Laundering**

2 The comments by the California AG assert that the FERC Trial Staff used a too-narrow  
3 definition of ricochets and therefore excluded imports into Cal ISO real-time market that were, in  
4 fact, Ricochet transactions.

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8 Definition

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11 Supplemental Markets

12 California AG states (page 5) that the Trial Staff's analysis of potential Ricochet  
13 transactions ignored imports in the Cal ISO real-time market.<sup>1</sup> This is not so. Exhibit Nos. S-9,  
14 S-10, and S-14 include Cal ISO imports from Avista Energy in the supplemental markets.  
15 Exhibit No. 9 and the larger data base from which it was drawn show every Cal ISO  
16 supplemental import bid by Avista Energy and supplemental energy dispatched by Avista  
17 Energy. The supplemental energy market was operated through the Cal ISO bidding software  
18 and capped at \$250/MW. All bids to supply energy to the Cal ISO through this market were  
19 subject to the market clearing prices, as determined by the stacking of bids against the projected  
20 load needs. As such, all accepted bids and dispatches were done under the tariff at legitimate  
21 competitive prices. Sales to the Cal ISO supplemental market at prices higher than the previous  
22 day's Cal PX day-ahead market reflect a simple risk taking arbitraging of potential pricing

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1 California AG references four different markets which need to be clearly defined. One is the day-ahead market, the second is hour-ahead market, third is the supplemental or real-time market, and the fourth is the out-of-market market. The day-ahead market schedules energy for the next day's markets, the hour-ahead schedules ancillary services, the supplemental schedules energy for load that the day-ahead markets did not cover, and the out-of-market schedules energy for load which the supplemental market did not cover. The day-ahead and supplemental markets are schedules through the Cal ISO system operations software with parties bidding in resources and loads electronically. The out-of-market transactions occur by phone.

1 differentials.

2           The California AG's comments suggest a predisposition to label any and all profits made  
3 by marketers on the sale of energy to California as ill-gotten gains. The fact that Avista Energy  
4 or any other party bidding into the Cal ISO supplemental market might have purchased those  
5 resources from the Cal PX at a lower price some time earlier is irrelevant – the Cal ISO  
6 supplemental market mechanism establishes a fair market price through competitive bidding.  
7 Although the Enron Memorandum specifically states that the real-time (supplemental) market is  
8 the intended market for the ricochet transactions, there is no tariff violation in selling to the Cal  
9 ISO at prices established by the Cal ISO's bidding mechanism.

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**AFFIDAVIT OF Patrick R. Crowley**

I, Patrick R. Crowley, do hereby declare that under penalty of perjury that I am the author of the foregoing affidavit, that the facts set forth herein are true and correct to the best of my knowledge.

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**2003**

**June 3,**