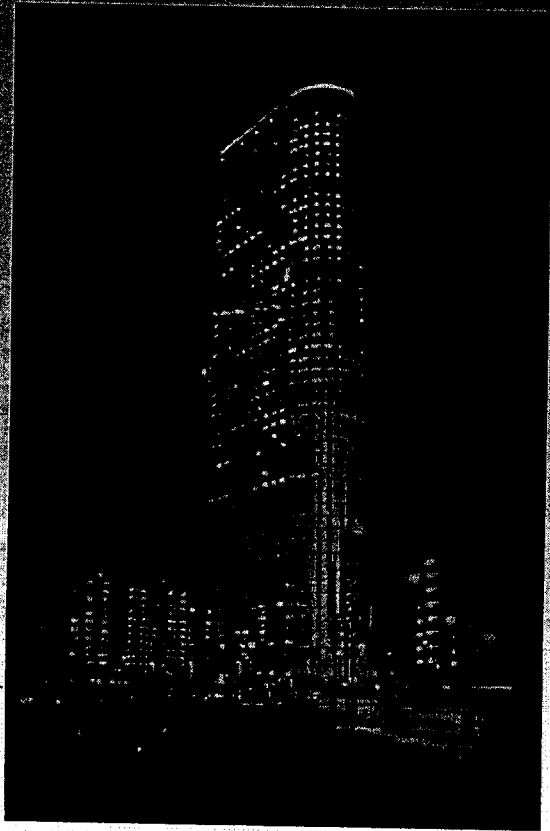
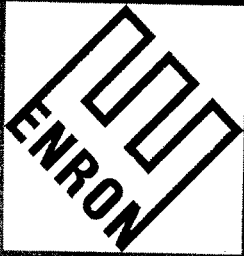




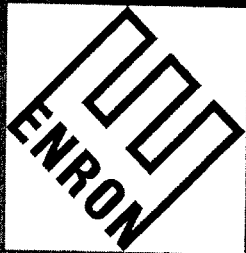
DPR Overview

**Presented by:
Mike Moscoso**

ECi000039108

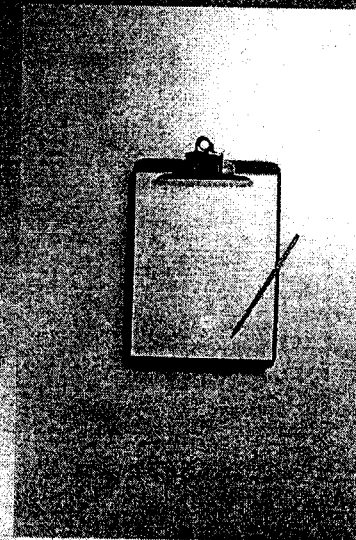
**GOVERNMENT
EXHIBIT
2613**

Crim. No. H-04-25 (S-2)



Agenda

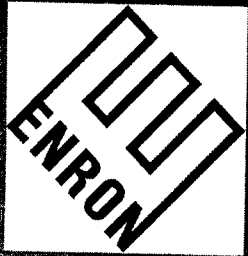
- ❖ Role of risk management
- ❖ Daily position report





What is a Risk Book?

- ❖ Portfolio of contract obligations
- ❖ A record of transactional risk components and relative deal details



How Do We Use A Risk Book?

❖ Value

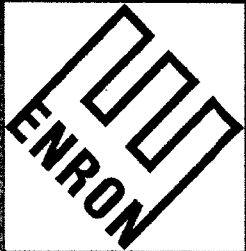
- ▼ Exposure is marked to market daily and net profit/loss is calculated

❖ Monitor/control

- ▼ Books accumulate all transactions
- ▼ Serves as the information source for the "Daily Position Report"

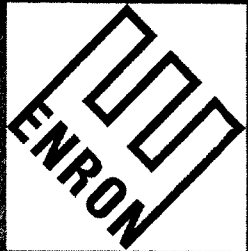
❖ Manage

- ▼ Exposure is broken down and managed at a book level
- ▼ Books may be aggregated at many levels



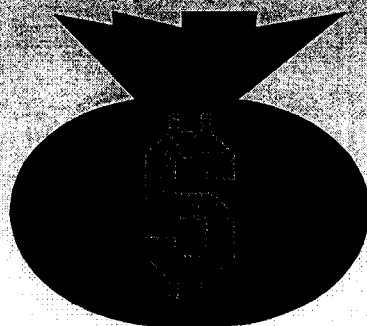
The Role of Risk Management

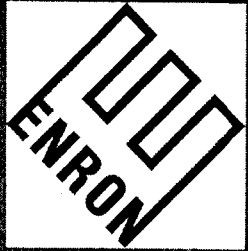
- ❖ Value
- ❖ Monitor/control
- ❖ Manage



Value

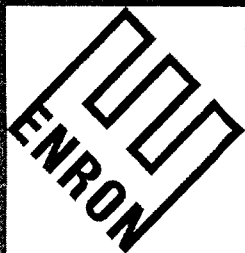
- ❖ Trade capture
- ❖ Mark to market
- ❖ Profit and loss (P&L)





Monitor/Control

- ❖ Position/P&L reporting
- ❖ Segregation of duties
- ❖ Limit notification
- ❖ Potential exposure
- ❖ Curve validation/reserve monitoring



Manage

❖ Dissection of risk

- ▼ Book
- ▼ Portfolio
- ▼ Company
- ▼ Corporate

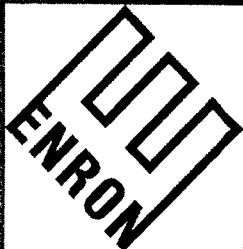
❖ Risk analytics

- ▼ Curve shift
- ▼ Volatility
- ▼ Greeks



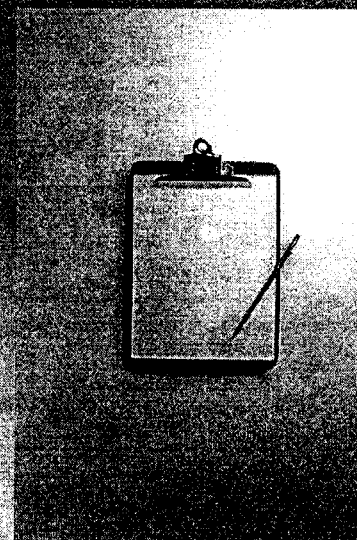
The Daily Position Report (DPR)

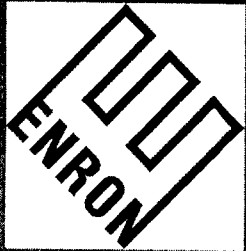
ECi000039116



Agenda

- ❖ Definition and purpose
- ❖ Distribution
- ❖ Components of the DPR
- ❖ DPR users & uses





What is the Daily Position Report?

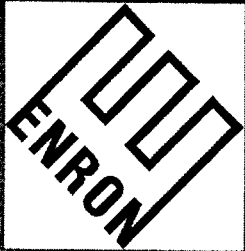
A report that summarizes:

- ▼ Net open positions
- ▼ P&L
- ▼ Risk Measurements



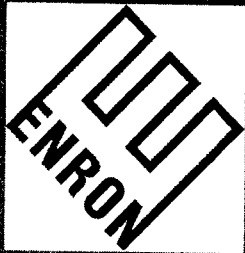
What Is the Purpose of the DPR?

- ❖ Value
- ❖ Monitor/control
- ❖ Manage



Which is the DPR?

- ❖ Natural Gas P&L?
- ❖ Daily Position Statement - Natural Gas?
- ❖ Risk Books P&L Rolls?
- ❖ Power P&L?
- ❖ Daily Position Statement - Power?
- ❖ Global Products P&L Report?
- ❖ London Summary?



Who Receives the Consolidated DPR?

Ken Lay	Chairman/Chief Executive Officer
Jeff Skilling	President/Chief Operating Officer
Ken Rice	Chairman/Chief Executive Officer (ECT)
Kevin Hannon	President/Chief Operating Officer (ECT)
Gene Humphrey	Vice Chairman
Rick Causey	Sr.VP/Chief Acctg & Info Officer
Ted Murphy	VP/Risk Control
Drew Lynch	VP/Controller
Mark Haedicke	Managing Director/Legal
Greg Whalley	Managing Director/Commodity Trading



Components of the DPR

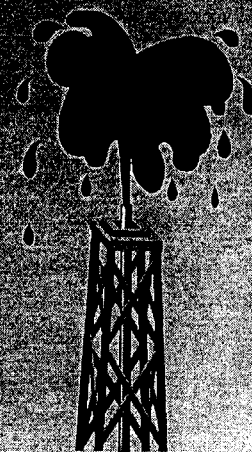
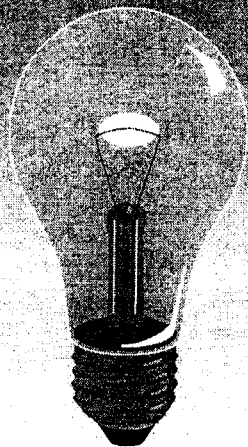
❖ Portfolios

❖ Risk Measurements

❖ P&L



Portfolios





Portfolios

❖ Gas Trading

- ▼ Heating Heats: Heat contracts, Regional Price Basis, Index, NYMEX, Gas Daily, Pipe Options, Storage
- ▼ Short Hedges: Heat contracts, Heat contracts (Regional), Transport
- ▼ Contracts: Heat contracts, Heat contracts

❖ Power Trading

- ▼ West Power
- ▼ East Power

❖ Emerging Business

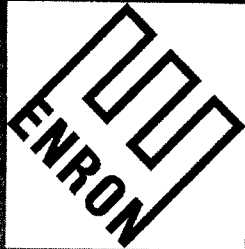
- ▼ Emission Credits
- ▼ Coal Trading
- ▼ Paper
- ▼ Weather

❖ Global Liquids

- ▼ Crude, NGLs, Crude Products, Petrochemicals, Jet Fuel, Kerosene

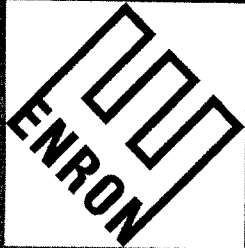
❖ European Trading

- ▼ U.K. Gas
- ▼ J Block
- ▼ Spread Option
- ▼ European Power
- ▼ Norwegian Power



Portfolios *continued*

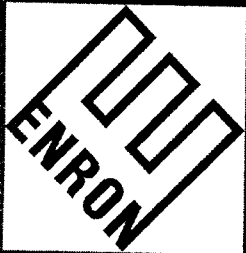
- ❖ Plastics
- ❖ Originations
- ❖ Treasury
- ❖ Financial Instruments
 - ▼ U.S. interest rates
 - ▼ Foreign currency
 - ▼ U.K. interest rates
- ❖ Securities Trading
- ❖ Enron International
 - ▼ Argentina
 - ▼ Australia
- ❖ EES
- ❖ HPL
- ❖ Group
- ❖ Other



Components of the DPR

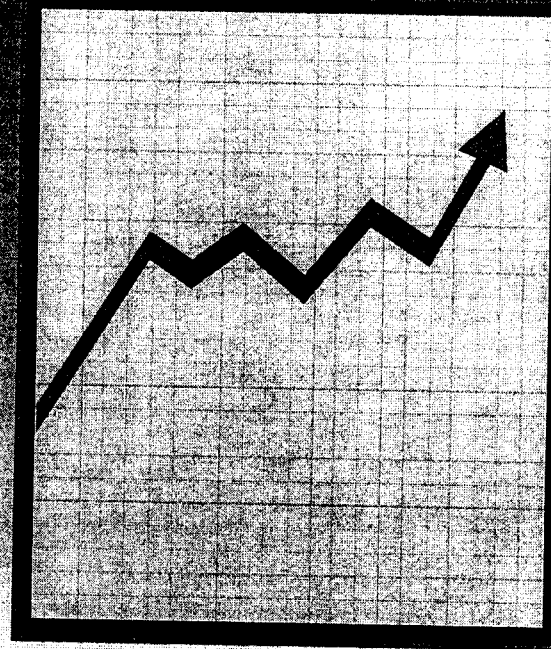
- ❖ Risk Measurements

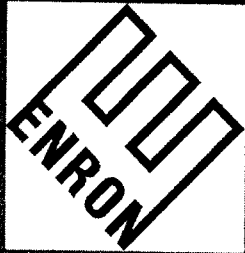
- ❖ P&L



Risk Measurements

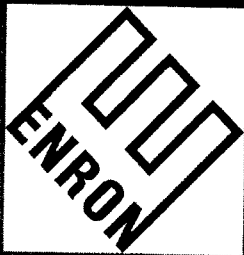
- ❖ Net NPV open position
- ❖ Maturity/gap risk
- ❖ Value-at-risk



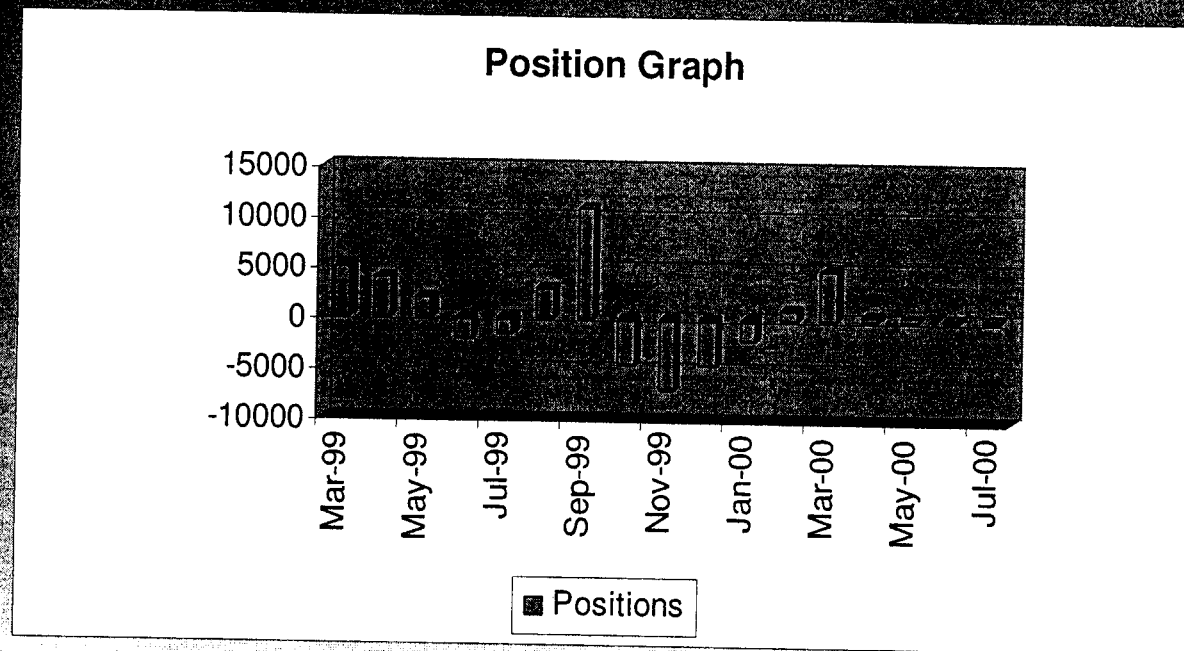


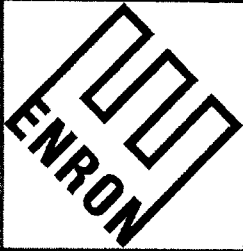
Net NPV Open Position

- ❖ Net of gross purchases and gross sales position on a discounted basis
 - ▼ Long Position (Positive): Net purchase volumes
 - ▼ Short Position (Negative): Net sales volumes
- ❖ Positions are compared to limits per risk management policy



Position Graph





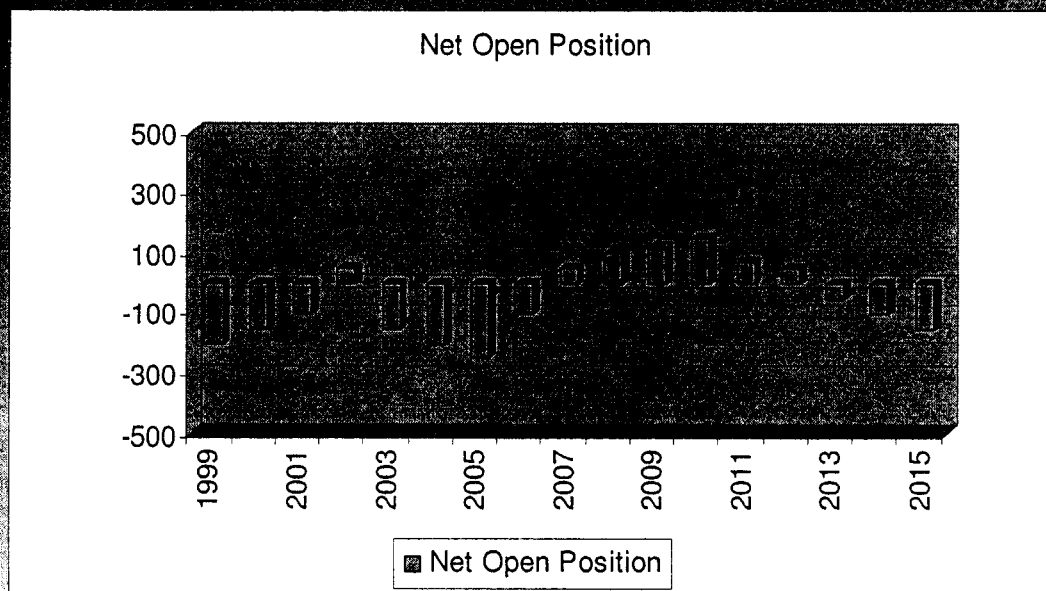
Maturity/Gap Risk

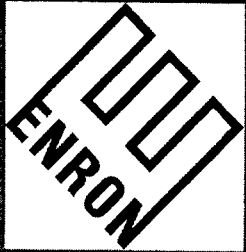
- ❖ Largest net open position for any future 12-month period
- ❖ Calculation covers all open positions
- ❖ Maturity/gap risk amounts are compared to limits per risk management policy



Maturity/Gap Risk

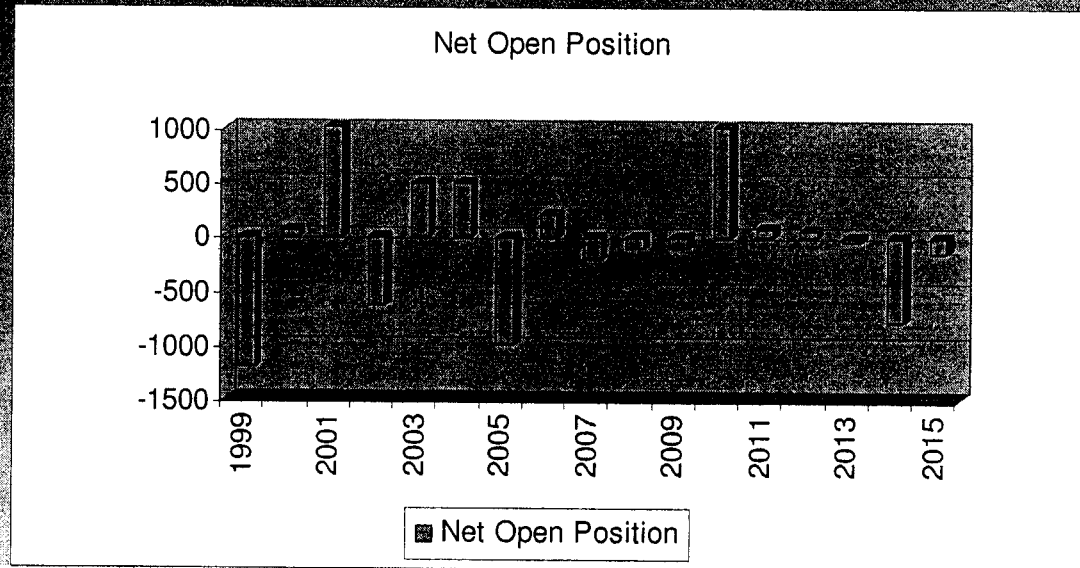
1999	(100)
2000	(150)
2001	(100)
2002	50
2003	(150)
2004	(200)
2005	(250)
2006	(100)
2007	50
2008	100
2009	120
2010	150
2011	75
2012	50
2013	(50)
2014	(100)
2015	(150)
Total	(855)

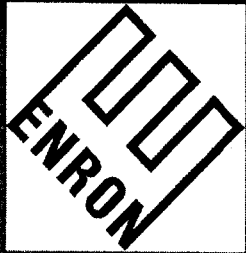




Maturity/Gap Risk

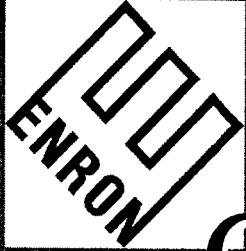
1999	(1,200)
2000	50
2001	1,000
2002	(650)
2003	500
2004	500
2005	(1,000)
2006	200
2007	(200)
2008	(100)
2009	(100)
2010	1,000
2011	75
2012	50
2013	(50)
2014	(780)
2015	(150)
Total	(855)





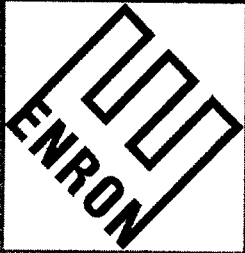
Value-at-Risk

- ❖ Statistical representation of the maximum expected one-day loss within a 95% confidence level
- ❖ Value-at-risk amounts are compared to limits per risk management policy



Components of the DPR

❖ P&L

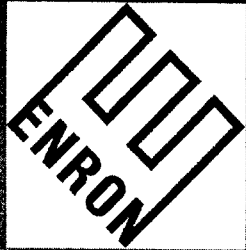


P&L

- ❖ Daily
- ❖ 5-Day Rolling
- ❖ Month-to-Date
- ❖ Quarter-to-Date
- ❖ Year-to-Date



Daily losses, aggregate daily losses, 5-day rolling losses and aggregate 5-day rolling losses are compared to limits per risk management policy



Limit Violations

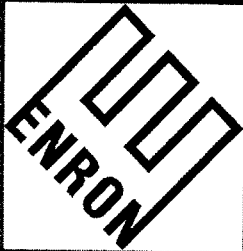
❖ Severity of violation determines tiered distribution

▼ Office of Chairman - FCT

▼ Office of Chairman - Enron

▼ Board of Directors - Enron

❖ Explanations



Header information
Milestone information

Document title
Document number
Document version
Document date

Document owner

Document approval status

Document approval status

Document approval status

The purpose of this document is to provide a clear and concise summary of the current status of the project, including the progress made to date, the risks identified, and the actions required to complete the project successfully.

Occurrences

Commodity ABC
The daily loss of (XXX,XXX) occurred primarily as a result of the following significant items:

Details of Occurrence

- Commodity ABC**
The daily loss of (XXX,XXX) occurred primarily as a result of the following significant items:
- Explanation A
 - Explanation B

Approvals:

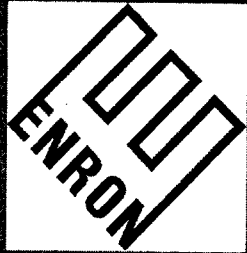
Trader _____

Risk Assessment and Controls _____



Who Uses the DPR?

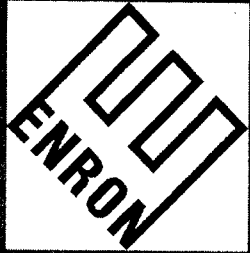
- ❖ Senior Corporate Management
- ❖ Commercial Management/Traders
- ❖ Risk Assessment & Controls Group
- ❖ **Business Analysis & Reporting Group
(Financial Operations)**



Senior Corporate Management

- ❖ Monitors corporate performance
- ❖ Manages corporate risk profile
- ❖ Monitors compliance with corporate risk policy

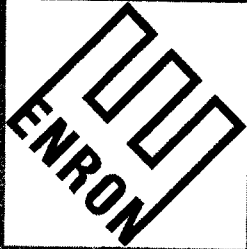




Commercial Management/Traders

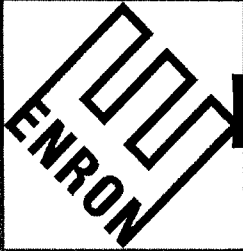
- ❖ Monitor specific portfolio/region performance
- ❖ Determine trading strategy
- ❖ Manage overall trading risk
- ❖ Monitor compliance with risk policy





Risk Assessment & Controls Group

- ❖ Establishes corporate risk policy
- ❖ Ensures compliance with risk policy
- ❖ Notifies senior commercial management of risk policy violations
- ❖ Risk analytics
 - ▼ Stress testing
 - ▼ Back testing
 - ▼ Performance analysis



Business Analysis & Reporting Group (Financial Operations)

- ❖ Reports internal/external financial results and forecasts
- ❖ Ensures proper accounting and valuation
- ❖ Reconciles DPR to accounting records

