



Feinstein Calls on FERC to End
Enron's Abuse of California Ratepayers
June 18, 2004

Washington, DC – U.S. Senator Dianne Feinstein (D-Calif.) today called on the Federal Energy Regulatory Commission (FERC) to revoke Enron's ability to sell energy on the market as of January 1, 2000. This would, in effect, force Enron to give up \$1.8 billion in profits it has received since that time and also end Enron's lawsuit against Western utilities for money the company claims it is owed.

Following is the letter Senator Feinstein sent to FERC's Chairman, Pat Wood:

June 17, 2004

The Honorable Pat Wood
Chairman
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Dear Mr. Chairman:

I continue to be outraged by FERC's inaction to resolve the Western Energy Crisis, particularly as it relates to Enron. It is well past time for FERC to take strong action to prove to my constituents, and all who were affected by the Western Energy Crisis, that FERC will protect ratepayers, not the companies that intentionally caused the lights to go out in the West.

The head of Enron's Western trading desk, Timothy Belden, and Jeffrey Richter, head of Enron's Short-Term California energy trading desk, have pled guilty to federal charges related to market manipulation. John Forney, another Enron executive, has been charged with being the architect of several of the illegal trading strategies employed by Enron in order to manipulate California's energy markets. While Forney's case is scheduled to go to trial in October, Belden has admitted to helping devise schemes to manipulate the California wholesale-electricity market from when it was **first deregulated in 1998 until Enron's collapse in December 2001** to maximize Enron's profit. In doing so, he admitted to deliberately submitting false data to the California Independent System Operator and the Power Exchange. Richter also admitted guilt to participating in Enron's games that manipulated the California market.

Enron knew what it was doing—the manipulation of California's market was widespread, intentional, and well-planned. FERC can no longer ignore the evidence—it is time for FERC to revoke Enron's market-based rate authority as of January 1, 2000.

This should not be difficult for FERC to do—the Commission has already concluded that Enron violated both its market-based rate authority and the California Independent System Operator and Power Exchange tariffs, both of which are filed rates. In my view, FERC has the clear authority to order remedies dating back to the time Enron’s violations began, or at least as of January 1, 2000.

I understand that the Federal Power Act only allows the Commission to establish a refund effective date 60 days from the date the complaint is filed. **However, in this case, Section 206 does not apply because Enron defrauded the Commission in 2000 when applying for the market-based rate authority. The company did not report all of its affiliations with any entities that own generation or transmission facilities, contrary to the Commission’s own directives.** The evidence is overwhelming that Enron intentionally and strategically manipulated the Western Energy markets since 1998. They should not benefit while the ratepayers still suffer.

Mr. Chairman, you have a responsibility to the 35 million people of California to revoke Enron’s market-based rate authority as of January 1, 2000. This would disgorge all of Enron’s profits since that time, which amounts to approximately \$1.8 billion. It is time that the ratepayers of California and the West get that money back.

Thank you for your consideration and I look forward to your reply.

Sincerely,

Dianne Feinstein
United States Senator

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