
FEDERAL ENERGY REGULATORY COMMISSION



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NEWS RELEASE

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Docket Nos. EL02-113-000,
EL03-180-000, EL03-154-000,
and EL04-1-000

COMMISSION ORDERS FORFEITURE OF ENRON'S UNJUST PROFITS; ENRON-NEVADA CONTRACTS SET FOR HEARING

The Federal Energy Regulatory Commission today affirmed the findings of an administrative law judge and ordered Enron to forfeit \$32.5 million in unjust profits because it violated its market-based rate authority. The Commission's order opened the door to further disgorgement of profits, to be turned back to customers, pending an administrative proceeding.

Today's Commission action provides for a "comprehensive review of all evidence relevant to Enron conduct that violated or may have violated Commission tariffs or orders and the appropriate remedy for such violations."

The Commission further noted that, "Enron potentially could be required to disgorge profits for all of its wholesale power sales in the Western Interconnect for the period January 16, 1997 to June 25, 2003."

The Commission referred its findings to Judge Isaac Benkin, who is currently presiding over the Enron gaming case (Docket Nos. EL03-180 and EL03-154). The Commission directed Judge Benkin to compile a complete record that will allow the Commission to determine the total amount of additional unjust profits Enron should be required to forfeit.

After reviewing the extensive record in a prior FERC proceeding administered by Judge Carmen Cintron (Docket No. EL02-113), the Commission agreed that Enron violated its market-based rate authority by failing to notify the Commission of its control of El Paso Electric's assets. The Commission's order accepts the Judge's finding that Enron should forfeit \$32.5 million in unjustly earned profits.

Today's action is the result of the Commission's investigation and hearing into the business relationship between El Paso Electric Company and Enron. At certain times, Enron operated El Paso Electric's power marketing desk and had control over the quantity, availability and pricing of wholesale power sales by El Paso.

At the time of the El Paso transactions, the Commission's market-based rate determination for Enron was expressly premised on Enron's obligation to inform the Commission of any change in status affecting its market power. Enron failed to inform the Commission of its control of El Paso Electric's sales.

The Commission directed Enron to deposit the \$32.5 million in an already established dedicated Treasury fund for disbursement of refunds.

In a separate order, the Commission set for expedited hearing a complaint by Nevada Power Company and Sierra Pacific Company against Enron Power Marketing, Inc (Docket No. EL04-1-000). The complaint involves contracts entered into pursuant to the Western Systems Power Pool (WSPP) agreement in 2001 and terminated by Enron in May 2002. The Nevada companies state that Enron did not have the right to terminate the contracts and therefore is not entitled to termination payments of over \$300 million.