

DALY-READING COMPREHENSION & ANALYSIS

"I think it will prove gratifying to the customers who are still paying dramatically higher bills as a result of all the monkey business that went on during that period," said Mike Florio, senior attorney for the Utility Reform Network, a San Francisco-based consumer group.

Three Enron Corp. traders have been charged with illegally manipulating electricity prices during the state's energy crisis. Two pleaded guilty and the third, John Forney, faces trial later this year. Federal prosecutors have been looking for energy lawbreakers for nearly two years, widening the probe beyond Enron to the dozens of other companies that generated or traded electricity in California. Patrick D. Robbins, chief of the securities fraud division in the U.S. attorney's office for the Northern District of California, declined to discuss the investigation involving Reliant. But the probe appears to be focusing on the actions of Reliant Energy Services traders, managers and plant operators in June 2000. On June 21 and 22, employees allegedly worked together to shut several of Reliant's California power plants to squeeze the supply of electricity and then profit from the resulting high prices for the remaining available energy, according to evidence released by FERC as part of its settlement with Reliant. At the time, Reliant operated five California power plants capable of generating 3,800 megawatts of electricity. FERC said Reliant held back about 1,000 megawatts from the market each day — enough to serve about 750,000 typical homes — to raise prices so that the company would lose less money on "existing forward positions."

Transcripts of telephone calls document Reliant traders and operators gloating in the wake of the mass shutdowns, with one saying: "We decided that the prices were too low on the daily market, so we shut down everything except Ormond." Later, another employee exclaimed, "That was fu-un!" Another said that when a manager discovered the move erased the company's earlier market losses, the manager called it "the coolest strategy ever."

Although at least 12 Reliant employees are quoted in the transcripts released by FERC, spokeswoman Hammond said, the U.S. attorney's office identified just four people as targets of possible criminal charges — two former employees of Reliant Energy Services and two others who are still employed by the company but were placed on administrative leave last year. She declined to identify the people involved. Hammond said the company believed that the actions under investigation by federal officials "were not in violation of laws, tariffs or regulations in effect at the time." Reliant's settlement with FERC has been challenged by California state agencies and utilities that had to pay artificially inflated energy prices on behalf of their power customers. In a February 2003 filing with federal regulators, Edison International's Southern California Edison Co. said the settlement with Reliant was too low and failed to cover the effects on future markets and other players.

"Edison was overcharged billions of dollars and driven to the brink of bankruptcy by the market games that Reliant thought were 'fu-un!'," the company said in the filing. The Rosemead-based utility estimated that it alone paid about \$20 million extra in long-term energy costs because of Reliant's actions. Edison declined to comment on the potential indictment. The company and others believe that Reliant reported phony plant outages during other periods of the energy crisis — not just the June instances cited by FERC. In evidence submitted to federal regulators to back up requests for \$8.9 billion in refunds for California consumers, the state said Reliant facilities accounted for seven of 14 questionable plant shutdowns in a 30-day period.

California Atty. Gen. Bill Lockyer has a civil antitrust lawsuit pending against the energy firm, spokesman Tom Dresslar said. Lockyer is seeking divestiture of some assets as well as monetary compensation, Dresslar said. Dresslar said Lockyer welcomed the planned indictments from the U.S. attorneys office. "Considering the magnitude of the misconduct and the price gouging, criminal charges aren't surprising," Dresslar said.

Reliant shares fell 15 cents to \$8.05 on the New York Stock Exchange. News of the possible indictment came after the market closed.