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Enron Transcripts

On May 17, 2004, Snohomish County PUD filed with federal regulators a series of telephone transcripts from Enron power traders in Portland, Oregon, that show extensive manipulation of West Coast energy markets in 2000-2001. The transcripts, filed in connection with legal proceedings at the Federal Energy Regulatory Commission (FERC), provide definitive evidence that Enron intentionally congested electricity transmission lines and used its influence to delay wholesale price caps – both in order to profit unjustly in the Western electricity market. Transcripts also provide evidence suggesting that Enron's top leadership, including Ken Lay and Jeff Skilling, were aware of such illegal gaming.

During one conversation, Enron traders gloat about how much money they took from "Grandma Millie" in California. Another transcript reveals Tim Belden, a top manager in the Portland office, stating the firm's trading practices "just [expletive deleted] California...to the tune of a million bucks or two a day."

In more than a dozen conversations, Enron traders discuss a relationship with El Paso Electric Company that allowed Enron to "manage" El Paso resources by shutting down electricity generating units during California power shortages, thereby driving the price of wholesale power up.

While the transcripts are damaging, traders also worked actively behind closed doors. Enron traders frequently moved conversations to unrecorded lines and cell phones and communicated through instant messaging and internet chat boards to discuss fraudulent energy deals.

"Federal regulators have largely turned their back on Northwest consumers, despite overwhelming evidence of market manipulation," said PUD Assistant General Counsel Eric Christensen. "This latest evidence provides the impetus for FERC to finally bring meaningful rate relief to the West Coast electric consumers who were the primary victims of Enron's fraudulent schemes."

The PUD had a contract with Enron in 2001 that was cancelled just prior to the company declaring bankruptcy in late 2001. However, the bankruptcy court overseeing Enron has filed a lawsuit seeking \$122 million in damages from the PUD related

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to the contract. The PUD holds that it doesn't owe Enron a dime under the cancelled energy contract. The Enron transcripts released this spring reveal the level of corruption that was inherent in Enron's business practices.

The PUD is working hard to get action from the Federal Energy Regulatory Commission (FERC), which is charged with protecting consumers and/or Congress. The utility has also received overwhelming support from the Congressional delegation, including continued work by Senator Maria Cantwell and Representatives Jay Inslee and Rick Larsen. The PUD is released the transcripts on behalf of its customers in Snohomish County and Camano Island. However, the information could help other Enron cases that impact consumers throughout the Western U.S.

PUD officials state FERC action on Enron is long overdue and that Enron should have been barred from energy markets when they began manipulating the markets. In a criminal guilty plea filed last year, Tim Belden, the manager of the Enron trading operation, admitted that Enron was engaged in fraud and illegal manipulation of markets as early as 1998.

Under federal law, FERC is the agency charged with regulating energy issues and protecting consumers. Inaction by the federal agency during the West Coast energy crisis cost consumers billions of dollars. Failure to act with regard to Enron market abuses could burden consumers for years to come.

Excerpts from the transcripts include the following:

About creating congestion on transmission lines:

"Do you know when you started over-scheduling and making buckets of money on that?"

About blocking price caps for wholesale power:

"I wanted to get some estimates from you on how much value we've brought (to Skilling and Lay)...for example, delaying going to the 250 price cap until August 1st."

About taking generating units offline to increase prices:

"There's not much, ah, demand for power at all and we're running kind of fat. If you took down the steamer, how long would it take to get it back up?" (Asking El Paso Electric Company)

About market manipulation in California:

Person 1: "...all the money you guys stole from those poor grandmothers of California?"

Person 2: "Yeah, Grandma Millie, man. But she's the one who couldn't figure out how to [expletive deleted] vote on the butterfly ballot."

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