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Enron loses bid for SEC exemption

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Washington

WASHINGTON U.S. securities regulators have refused to exempt Enron's **Portland** General Electric subsidiary, Oregon's largest utility, from a Depression-era federal law governing interstate utilities.

The Securities and Exchange Commission ruled that Enron failed to show that **Portland** General carries on business substantially in a single state or that the costs of registration justified waiving the Public Utility Holding Company Act. The 1935 law restricts utility holding companies to operating in specific geographic regions and forbids them from using profits from regulated activities, such as power rates, to fund unregulated businesses.

"Granting Enron an exemption, even employing the most flexible approach, would risk robbing the statute of its meaning," the SEC said in its opinion released in Washington, D.C.

Selling **Portland** General is part of Enron's plan to shed assets after filing for bankruptcy in late 2001 because of bogus accounting and losses in telecommunication and water businesses. The defunct **energy** trader, which owes creditors more than \$67 billion, has argued that denying the exemption would make the utility harder to sell.

The requested exemption would have let **Portland** General power plants sell electricity at lower rates under long-term contracts, the SEC said.

In November, Houston-based Enron agreed to sell **Portland** General to a new company, Oregon Electric Utility Co., for \$1.25 billion, subject to bankruptcy-court approval. That agreement may face rival bids at an auction Feb. 2.

The \$1.25 billion bid was "not conditioned on an SEC waiver for Enron," said Owen Blicksilver, a spokesman for Texas Pacific Group, the buyout firm backing Oregon Electric.

Robert McCullough, a **Portland**-based **energy** consultant, called the SEC's opinion a "textbook" application of the law and the facts as they relate to **Portland** General Electric, known as PGE.

"For PGE to argue that it has a major trading operation and is primarily intrastate at the same time would certainly stretch the facts," McCullough said.

Enron spokesman Mark Palmer said yesterday he needed time to read the SEC's opinion before commenting on it.

Enron has failed twice to sell **Portland** General since buying the business in 1997.

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