



Dow Jones &amp; Reuters

**Snohomish County, Wash., Utility Contends Enron Tapes Back Case for Refunds**

By Christopher Schwarzen, The Seattle Times

Knight Ridder/Tribune Business News

1,245 words

3 June 2004

The Seattle Times (KRTBN)

English

Copyright (C) 2004 KRTBN Knight Ridder Tribune Business News

Jun. 3--West Coast utilities say newly released tapes showing Enron day traders callously bantering about ripping off customers and discussing how to exploit the West Coast **energy** crisis prove the company manipulated electricity prices to the tune of millions of dollars a day.

Transcripts of the tapes were obtained from the government and transcribed by the Snohomish County Public Utility District, which wants Enron to forfeit millions of dollars earned during the 2000-01 **energy** crisis.

Investigators said the transcripts paint a sordid picture of the way Enron allegedly rigged the market at a time of widespread blackouts and soaring electricity rates in California. The transcripts also shed light on discussions central to the Justice Department's investigation of Enron's trading practices.

The PUD publicly released audio versions yesterday, almost two weeks after filing written transcripts of the same recordings with the Federal **Energy** Regulatory Commission (FERC). FERC is responsible for overseeing the nation's wholesale **energy** market and regulating interstate trade in electrical **energy**.

The PUD, one of several West Coast utilities that paid high prices to Enron and other companies for electricity during 2000 and 2001, is seeking part of a \$3 billion refund settlement that FERC plans to disburse. The PUD also is using the tapes to counter a lawsuit filed against it by Enron.

Enron says the PUD owes it \$120 million for illegally ending its 2001 electricity contract. The PUD stopped paying its Enron bills when it was determined that Enron had manipulated the **energy** market.

On the tapes, **energy** traders can be heard making references to withholding **energy** from the market to drive up prices during the West Coast **energy** crisis. Traders also are heard discussing how to buy **energy** from a company, reroute it and sell it back to the same company at a higher price.

**Energy** merchants regularly tape trader conversations to keep a record of transactions.

In one exchange, a trader, referring to escalating market prices as a wildfire consumes transmission lines, causing a power outage, tells another: "The magical word of the day is 'Burn Baby Burn.'" "

In another instance, a trader says, "He steals money from California to the tune of about a million," before rephrasing the statement at the request of another trader to "OK, he um, he arbitrages the California market to the tune of a million bucks or two a day."

John Forney, a former top trader in Enron's defunct Western trading operation based in **Portland**, is scheduled to stand trial in October on charges of wire fraud and conspiracy. Two other former **Portland** traders, Timothy Belden and Jeffrey Richter, have pleaded guilty to one count of wire fraud and are helping prosecutors.

Enron spokeswoman Karen Denne declined comment on the transcripts but said the company continues "to cooperate fully with all investigations."

While FERC has agreed Enron manipulated the market at some point, the agency is restricting the time frame for which utilities can claim refunds.

Washington Rep. Jay Inslee, D-Bainbridge Island, plans to introduce an amendment to an upcoming **energy** bill that, if passed, would lengthen that window and allow larger refund requests. Besides California utilities, local utilities including the PUD, Tacoma Power and Seattle City Light should benefit, Inslee said.

"These tapes are very accurate, obscene descriptions of what (Enron) did," he said yesterday. "I expect to get a vote on the amendment because I can't understand how you can listen to these tapes and allow citizens to be gouged."

Congress is expected to begin negotiating a new **energy** bill next week.

The PUD, which has more than 280,000 customers in a service area that covers 2,200 square miles in Snohomish County and Camano Island, and others have argued for months that market manipulation forced them to raise rates well beyond what many customers could afford.

While FERC officials said they're still reviewing Enron documents filed by the PUD, they also say little so far has changed their minds about PUD's contractual obligation to Enron.

"The bottom line is was this crisis all manipulation?" said FERC spokesman Bryan Lee. "Or was there an actual shortage that resulted in the supply and demand already being tight?"

Lee acknowledged that California utilities involved in the day-to-day power trading will receive part of a \$3 billion refund paid out by utilities participating in the **energy** scam.

But California Sen. Joe Dunn said FERC has done nothing to help consumers who lost money during rolling blackout periods across the state.

"(FERC officials) like to wave around the \$3 billion figure, but it is in essence pennies on the dollar that California is owed in this type of behavior recorded on these tapes," Dunn said. "We ought to be talking about \$40 billion."

PUD officials say the utility deserves part of the \$3 billion refund. Because the utility signed a short-term contract -- and didn't deal day to day -- the PUD must show how day-to-day prices impacted contractual prices, Lee said.

The PUD says it turned to the Justice Department for copies of the tapes because of FERC's inaction.

"I hope FERC will listen up and pay attention to this because consumers are outraged," said PUD attorney Michael Gianunzio. "This contract was born out of (Enron's) trading practices, and we have proof of that now."

Gianunzio said the PUD will fight Enron "to its dying breath."

West Coast **energy** consultant **Robert McCullough**, who has worked with the PUD and Seattle City Light to recoup damages from Enron, says the Enron scandal reaches into the far corners of the Pacific Northwest and California.

"Enron was so feverishly inventive," McCullough said. "There was a set of criminal activities that was so aggressive that even the dullest and most honest people showed up around the edges."

While PUD officials acknowledge that some of their employees were contacted by Enron to help shuffle power to boost prices, there's no evidence on the tapes that suggests PUD employees helped Enron manipulate the market.

"It was one of the reasons we were so interested in the tapes," said PUD attorney Eric Christensen.

#### ENRON TAPES

Background: Houston-based Enron started as a pipeline company in 1985 and evolved into an **energy** broker. The company declared bankruptcy in 2001, and company executives were accused by federal investigators of plotting to manipulate Enron's earnings and boost its stock price.

The local angle: The Snohomish County Public Utility District in February began acquiring transcripts of conversations among Enron traders after the FBI raided the company's offices. The PUD, involved in legal battles with Enron, received 54 CDs containing taped conversations in exchange for providing the Justice Department with a complete transcript. The PUD has filed a number of the tapes with the Federal **Energy** Regulatory Commission as evidence.

What this means: The PUD says the tapes prove Enron and other companies overcharged West Coast utilities for power at peak times and withheld available **energy** at other times.

What's next: Utilities say they'll use the contents of the tapes to file lawsuits against Enron and to request overcharges from FERC.

-----

To see more of The Seattle Times, or to subscribe to the newspaper, go to <http://www.seattletimes.com>.

(c) 2004, The Seattle Times. Distributed by Knight Ridder/Tribune Business News.

Document KRTSE00020040603e0630005I

© 2004 Dow Jones Reuters Business Interactive LLC (trading as Factiva). All rights reserved.