



United States Senate

WASHINGTON, DC 20510-0504

<http://feinstein.senate.gov>

June 16, 2004

The Honorable Pat Wood
Chairman
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Dear Mr. Chairman:

In March 2003 the Federal Energy Regulatory Commission (FERC) released over 3,000 pages of evidence of manipulation and fraud perpetrated by energy companies during the Western Energy Crisis. Those transcripts revealed a clear intent to defraud and manipulate the California market, provided evidence that energy companies were trying to destroy documentation to hide their actions, and showed that rates were not "just and reasonable."

I had hoped that the documentation included in the 3,000 pages would have been enough for the FERC to refund the \$8.9 billion owed to California's consumers and nullify the over-priced long-term contracts entered into on behalf of the State of California. Yet, more than one year later, FERC has done very little to resolve the Western Energy Crisis.

Moreover, more tapes and transcripts continue to be released. Week after week we have seen evidence of massive manipulation and fraud perpetrated on the western energy markets by energy companies and their traders. And yet FERC continues to fail to aggressively and sufficiently punish these perpetrators.

On June 14, 2004 Senator Maria Cantwell released information about a series of additional schemes perpetrated by Enron called Sidewinder, Donkey Punch, Ping Pong, Russian Roulette, and Spread Play. She also noted that Enron maintained five separate sets of books, allowing Enron to profit from its manipulative behavior by approximately \$1.1 billion.

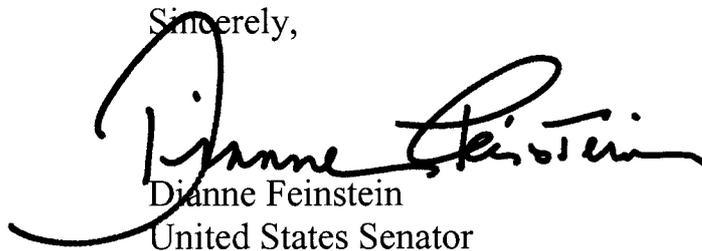
Opponents of language proposed by myself and Senator Cantwell to increase FERC's authority under the Federal Power Act to prevent this type of manipulation from occurring have always argued that FERC has sufficient authority to prohibit fraud and manipulation of market-based power and transmission transactions. If that is in fact the case, then why has FERC not acted more aggressively to fine the energy companies and punish the traders? Why has FERC not refunded the \$8.9 billion California believes it is owed by the energy companies? And why has FERC not allowed the over-priced long-term contracts California entered into at the height of the crisis to be renegotiated?

Mr. Chairman, we have spoken many times about the crisis and its aftermath. I would like to believe that you are trying to do the right thing by California and the entire West. Therefore, I implore you to either act within your existing power to refund Californian's the \$8.9 billion they are owed, allow the contracts to be renegotiated, and punish the traders and the energy companies that manipulated the western energy markets or ask me and other members of Congress to provide you with the additional authority you need to carry these actions out.

FERC's inaction is deeply troubling to me in light of all the transcripts that have been released. I hope that FERC can take the appropriate steps to resolve the Western Energy Crisis.

I look forward to your reply.

Sincerely,



Dianne Feinstein
United States Senator