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ONE HUNDRED EIGHTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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April 9, 2003

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Don't Let Future Enrons Fleece Consumers
Support the Dingell Substitute Amendment on Electricity

Dear Colleague:

We are writing to ask you to vote for the Dingell substitute amendment for the electricity title of H.R. 6. The substitute is supported by the AFL-CIO, the International Brotherhood of Electrical Workers, Consumers Union, Consumer Federation of America, the American Public Power Association, the Air Conditioning Contractors of America, the Associated Builders and Contractors, Consumers for Fair Competition, the Electricity Consumers Resource Council, the National Alliance for Fair Competition, the National Association of State Utility Consumer Advocates, the National Electrical Contractors Association, Plumbing-Heating-Cooling Contractors – National Association, and U.S. Public Interest Research Group.

The Dingell Substitute Amendment on Electricity, which is identical to H.R. 1272, the "Energy Markets Fraud Prevention and Consumer Protection Act of 2003," would modernize Federal laws to protect consumers from fraud and abuse. Specifically, the substitute would prohibit fraudulent, manipulative, or deceptive acts in electric and natural gas markets (the Federal Energy Regulatory Commission (FERC) testified recently that such authority would help them); provide for audit trails and transparency in those markets; increase penalties for violation of the Federal Power Act and Natural Gas Act; expand FERC's authority to order refunds; require the Securities and Exchange Commission (SEC) to reexamine certain exemptions allowed under the Public Utility Holding Company Act (PUHCA) (an SEC judge recently denied Enron's petition to retain an exemption that the company had self-certified); and require FERC to revoke market-based rates where market power has been abused.

In contrast to the Dingell substitute amendment, the electricity title of H.R. 6 ignores consumers harmed by the manipulation of California and other western electricity markets during the period 2000-2001, when Enron and other unscrupulous actors abused market power, exploited investors, and shook the reliability of the Nation's electricity industry. Despite this experience, H.R. 6 repeals the consumer and investor protections of PUHCA of 1935, makes it harder for the FERC to reform unjust and unreasonable contracts, and proposes only cosmetic market "reforms."

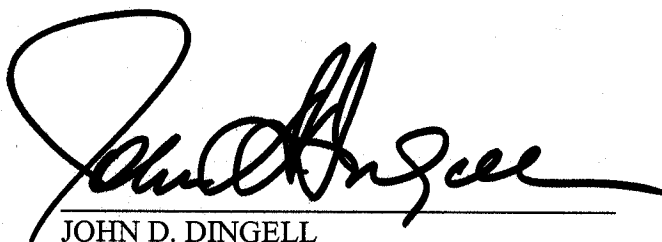
FERC recently issued a staff report on its investigation into manipulation of California and other West Coast markets during the period 2000-2001, in which it found the following market abuses which caused price volatility and undermined the reliability of electric service:

- Numerous entities appear to have participated in Enron price manipulation strategies, engaged in economic withholding, and raised clearing prices through inflated bidding.
- "Churning" in natural gas markets "significantly increased the price" of gas, which in turn caused California electricity prices to rise by more than \$8.00. The responsible trader profited by selling at the top of the price climb it caused, all without violating FERC's existing rules.
- Market participants provided false reports on natural gas prices and trade volumes to industry publications, to a level FERC called "epidemic." FERC concluded that "Many traders acknowledged that false reporting was done openly in the industry."

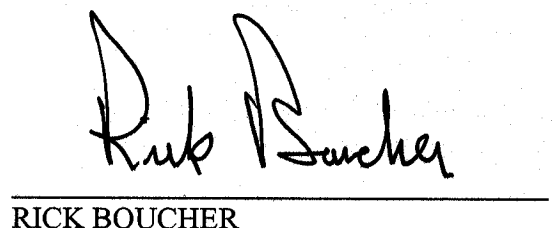
The Republican electricity title would do little or nothing to prevent this type of abuse from recurring. Its "market reforms" are anemic and the weakening of other existing consumer protections, invite future Enrons to fleece investors and pick consumers' pockets.

Please support the Dingell substitute amendment.

Sincerely,



JOHN D. DINGELL



RICK BOUCHER