

April 25, 2001

The Honorable Billy Tauzin  
Chairman  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable John D. Dingell  
Ranking Minority Member  
Committee on Energy and Commerce  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Joe Barton  
Chairman  
Committee on Energy and Commerce Subcommittee on Energy and Air Quality  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Rick Boucher  
Ranking Minority Member  
Committee on Energy and Commerce Subcommittee on Energy and Air Quality  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representatives Tauzin, Dingell, Barton, and Boucher:

I am writing to bring to your attention a report that my staff has prepared which documents the extraordinary revenues and profits that energy generators doing business in California recorded last year.

While previous press stories have discussed some of the earnings being reported by energy companies operating in California, this report looks at the companies' annual reports, filed recently with the SEC, to obtain full and complete information for all of 2000. The results are startling.

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The report looks at the six largest nonutility energy generators in the state: Duke Energy, Dynegy, Mirant, NRG Energy, Reliant Energy, and Williams Energy. Together, these companies own or market roughly 17,000 megawatts of capacity in California. On average, operating income rose more than two-and-a-half times for all six companies from 1999 to 2000, while operating revenues tripled. At Dynegy, profits more than tripled from \$152 million in 1999 to \$501 million in 2000, while NRG Energy's profits also more than tripled from \$57 million in 1999 to \$183 million in 2000.

The companies' subsidiaries or operating units doing business in California posted even larger returns. For example, at Williams Energy Marketing & Trading Co., a subsidiary of Williams Energy Services which sells energy from California facilities, profits increased nearly tenfold, from \$104 million in 1999 to over \$1 billion in 2000. And at Reliant's wholesale energy business segment, which provides electricity to California and other competitive markets, operating income rose over 17 times, from \$27 million in 1999 to \$482 million in 2000.

These numbers underscore the extent to which out-of-state energy companies have profited from California's high energy prices. The numbers also indicate that any attempt to address California's problems must include measures to curb these enormous windfalls.

Sincerely,

Henry A. Waxman  
Ranking Minority Member

cc: Members of Committee on Energy and Commerce