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# FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426



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## NEWS RELEASE

FOR IMMEDIATE RELEASE

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Docket Nos. EL03-180-020, *et al.*;  
EL03-180-024, *et al.*; EL05-139-000 &  
EL06-3-000

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**COMMISSION APPROVES FOUR ENRON SETTLEMENTS;  
EXERCISES EXCLUSIVE JURISDICTION UNDER SECTION 1290 OF EPACT**

The Federal Energy Regulatory Commission today approved a settlement between Enron Power Marketing Inc. and Commission trial staff resolving pending matters stemming from Enron's activities during the 2000-2001 Western energy crisis, and approved three other settlements involving contract-termination disputes between Enron and the Valley Electric Association of Nevada, the City of Santa Clara, California, and the Metropolitan Water District of Southern California.

Commission Chairman Joseph T. Kelliher observed: "These settlements mark the most recent of two dozen settlements, collectively valued at \$6.4 billion, which the Commission has approved stemming from the California energy crisis of 2000-2001. Fair and reasonable settlements, rather than costly litigation, are the most effective and efficient way to bring closure to any remaining disputed proceedings."

The Commission today also exercised its exclusive jurisdiction under section 1290 of the Energy Policy Act of 2005 and found that the Snohomish Public Utility District of Everett, Washington, is not obligated to pay a contract termination fee to Enron. The Commission denied Enron's termination claim upon a finding that Enron's financial fraud induced Snohomish to enter into the contract.

While the settlement with trial staff did not preclude access to evidence against Enron in ongoing litigation before the Commission, the Commission modified certain elements of the settlement to further this access for non-settling parties. The Commission made certain that "nothing in today's order precludes other non-settling parties from access to or use of Enron trader tapes or other evidence in the record of these proceedings." The Commission found that the public interest is served by trial staff's continued participation in ongoing proceedings among the non-settling parties.

Approval of the trial staff settlement, subject to modification, “will not adversely affect non-settling parties in prosecuting their cases fully,” the Commission said.

Commission Kelliher stated: “It is important to note that the procedural rights of non-settling parties are not affected by today’s settlements. Nevertheless, the public interest is served by modifying this settlement and having trial staff continue as a participant in any ongoing Enron-related proceedings. Therefore, we are rejecting those sections of the settlement that refer to trial staff’s withdrawal.”

The Commission emphasized that certain evidence in these proceedings is subject to a protective order the Department of Justice (DOJ) obtained from the U.S. District Court for the Northern District of California, to protect evidence in ongoing criminal prosecutions of former Enron employees. Access to this information is obtained only by signing the DOJ protective order, and release of the information by trial staff or any other party may result in court sanctions, the Commission noted.

The settlements approved today resolve all issues against Enron involving disgorgement of profits and other remedies sought by Commission trial staff; Valley Electric Association, a Nevada electric cooperative; the City of Santa Clara; and the Metropolitan Water District of Southern California.

Under terms of the settlements, Enron would be released from past, existing and future claims involving the settling parties arising from the Commission’s determinations on Enron’s actions during the western electricity crisis.

Under the terms of the settlement, Enron agrees to:

- grant a general unsecured \$5 million claim to FERC trial staff as part of the Enron Power Marketing Inc. bankruptcy proceeding, \$4 million allocated to Santa Clara and \$1 million allocated to Valley Electric;
- a FERC trial staff penalty claim of \$400 million in the Enron bankruptcy proceeding;
- a general unsecured claim of \$13 million in the Enron bankruptcy proceeding to Valley Electric;
- allocation of up to \$10 million in disgorgement amounts to non-settling parties that have filed timely claims against Enron in the bankruptcy proceeding.

“The monetary consideration in these settlements represents a fair resolution of the disputes...and is thus in the public interest,” the Commission said.

The settling parties “assessed the risks and benefits of continuing their litigation with Enron and determined, on the basis of those assessments, that the monetary and other considerations outweigh the uncertainty of continued litigation and possibility of lesser relief,” the Commission said in today’s order.

In its settlement, Valley Electric will pay Enron a contract termination payment of \$8 million. Santa Clara has agreed to pay Enron a \$36.5 million contract termination payment. The Metropolitan Water District agreed to pay Enron a \$316,000 contract termination payment.

Also today, the Commission dismissed a petition from the City of Vernon, California, for relief under section 1290 of the Energy Policy Act, finding that the contract does not qualify for relief under that provision.

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