
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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Docket Nos. EL02-113-000, et al.
and EL03-17-000, et al.

COMMISSION APPROVES SETTLEMENTS IN EL PASO ELECTRIC, ENRON-RELATED CASES; MILLIONS TO FLOW THROUGH TO RATEPAYERS IN CALIFORNIA

The Federal Energy Regulatory Commission today approved two settlements that will immediately send over \$26.5 million in refunds to California ratepayers. It is estimated that one of the settlements, involving Enron's ownership of wind-powered facilities, will produce an additional \$41 million to \$47 million in benefits through rate reductions.

The first settlement is an agreement among El Paso Electric Company, the California attorney general, the California Electricity Oversight Board (collectively the California parties) and the Commission trial staff (Docket No. EL02-113-000).

In this settlement, El Paso agrees to pay \$15.5 million in refunds and to a suspension of its market-base rate authority for over two years, from December 1, 2002 through December 31, 2004. In addition, El Paso agrees to continue its cooperation in the investigation of the California energy markets.

The refund is payable to the California Department of Water Resources (CDWR) Electric Power Fund. The refund is treated as compensation to CDWR to ensure that California ratepayers directly benefit from the settlement.

The El Paso Electric case stems from a Commission staff investigation of western markets launched in 2002. Last August, the staff issued an interim report on its investigation and recommended that the Commission initiate separate proceedings against certain energy companies based on evidence that they may have violated FERC

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regulations. At that time, the Commission ordered a hearing to look into whether Enron and El Paso Electric may have adversely affected prices in the California markets, failed to file rates, and disposed of jurisdictional assets without prior approval, among other things.

The order denies claims that part of the refund should go to the City of Tacoma, Washington, and Snohomish County, Washington. The record shows that neither Tacoma nor Snohomish purchased any power from El Paso and both failed to produce evidence to support their allegations of harm, the Commission concluded.

In a separate order today, the Commission approved a settlement resolving litigation over Enron's ownership of certain wind-powered qualifying facilities (QFs). In 2002, the Commission initiated two separate proceedings to investigate whether Enron had misled federal regulators as to its ownership of the facilities. To promote competition in the utility industry, a 1978 law and FERC's implementing regulations, limit utility ownership of QFs to 50 percent ownership.

The settlement provides California ratepayers with an immediate benefit of about \$11 million, the Commission said. California ratepayers will see additional benefits of \$41 million to \$47 million on a net present value, by reducing rates paid by Southern California Edison Co. to the eight wind farm facilities that sell power to the utility. The agreement consists primarily of a buy-down of the wind farm facilities power purchase agreements.

In approving the settlement, the Commission said that the settlement will provide ratepayers approximately what they would have received had the case been fully litigated and the Commission ruled that the facilities are not, in fact, QFs. In addition, the Commission noted that it continues to review its files to determine whether other facilities claiming QF status do not meet the appropriate criteria and is undertaking an audit of all self-certified facilities.

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