

## **Chairman Jon Wellinghoff on Bloomberg TV's Street Smart with Trish Regan and Adam Johnson**

**Trish Regan:** JP Morgan, the nation's largest bank, has agreed to pay \$410 million to settle allegations that it manipulated power markets in California and the Midwest. The Federal Energy Regulatory Commission says that JP Morgan's traders engaged in strategies that led power companies to overpay for electricity. JP Morgan neither admitted nor denied any wrongdoing.

We are joined right now by FERC Chairman Jon Wellinghoff in Washington. Jon welcome to Street Smart. Let me ask you, how much do you believe companies were overpaying for electricity?

**Chairman Wellinghoff:** Well, we believe it was at least \$125 million, plus in this settlement of \$410 million, in addition to that \$410 million, the California grid operator today announced that there was another \$250 million of profits that JP Morgan agreed to forgo because of this settlement.

**Trish:** What did it mean ultimately for consumers? Did they wind up paying, in your belief, a higher price for energy because of this?

**Chairman:** Yes, ultimately they did and that's why we have the amount in the case where they are actually going to be reimbursed that \$125 million.

**Adam Johnson:** But here's the thing Jon, \$410 million, that's the total amount that JP Morgan is going to be penalized. They admitted no wrongdoing, there is no further action by your office – \$410 million is like six days' worth of profits at JP Morgan. What do you say to the people who would say you let them get off easy?

**Chairman:** Well I'd say for this unit it certainly isn't six days of profit for just the commodities unit. I think it has made a huge impact on them, number one. Number two, as I mentioned, there was addition to the \$410 million that JP Morgan actually forgo another \$250 million that they said that they were entitled to but now, because of this settlement, they are no longer going to pursue claims on that amount as well. So there is a substantial amount of money here that I think is on the table that we actually ensured that JP Morgan will not be able to take to their bottom line.

**Trish:** Are you looking at other banks? Do you think that this is more widespread than just JP Morgan?

**Chairman:** Well we have one case right now pending with Barclays, where Barclays was fined over \$400 million by the Commission. They've not agreed to settle or pay that fine, and that will end up in court. We look at all ranges of traders in the market, not just banks, but utilities, hedge funds and others, and we've taken cases against those other types of entities as well. We are sort of an equal opportunity enforcer. Anybody that we see in the market who may be engaged in what we believe to be manipulative activity – our enforcement division is going to go after them.

**Trish:** Well you know Jon, when you hear about energy manipulation you can't help but think about Enron. How does what you saw happening at JP Morgan, and the allegations that you have against Barclays, how does that compare with the Enron scenario?

**Chairman:** Well, from the standpoint of the actual activities they are somewhat similar, I mean they tried to engage in somewhat similar manipulative activities. From a standpoint though of total money amount, I think we are getting on the cases here much faster than certainly FERC could or did back in 2000 and 2001 with Enron, or the states. That was an instance of where there was over \$12 billion extracted out of the markets and we have to, again, put that in the context of this case where we are saying that there is \$125 million that we are now asking them to return to those markets as unjust profits that they extracted for them. So I think we are much faster on the case now, even though they are similar activities, and I think we have the ability now with a much larger, expanded enforcement group of over 200 people to adequately police and oversee these markets.

**Adam:** Jon you mentioned states, and I'd like to ask what support you may be lending to states attorneys general or perhaps even the Department of Justice as to whether they might pursue their own efforts, or investigations against JP Morgan?

**Chairman:** Well certainly we are willing and open to collaborate and cooperate with the Justice Department, the US Attorney's Office or state attorneys general if they want to bring actions in this matter. We have full and open records with respect to our investigation, and be happy to collaborate with any of the entities. Of course, it is going to be up to those entities, and within their discretion, to determine within their jurisdictional limits as to whether or not they want to pursue separate causes of action.

**Adam:** Jon, can you confirm whether any further investigations are happening either at the states attorneys general level or at the DOJ?

**Chairman:** I can't at this time, no. Not to my knowledge.

**Trish:** All right, we are going to leave it there. Jon Wellinghoff, thank you very much for joining us.

**Chairman:** Thank you.