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Joan Claybrook, President

August 24, 2004

Kenneth D. Schisler, Chairman
Public Service Commission
6 St. Paul St., 16th Floor
Baltimore, MD 21202

Re: Maillog # 94055

Dear Chairman Schisler,

This letter responds to the August 19 answer by Reliant Energy Solutions East (“Reliant East”) to questions raised in an August 10 PSC Letter Order.

Public Citizen’s initial concerns regarding the criminal indictment of an affiliate of Reliant East have not been satisfied after reading the company’s explanation. Reliant East lists a number of “corrective actions” that the company claims to have taken since the January 2003 settlement with the Federal Energy Regulatory Commission.

But U.S. Attorney Kevin V. Ryan, a member of President Bush’s Corporate Fraud Task Force, said in the press release announcing the criminal indictment on April 8, 2004: “Faced with evidence of widespread fraud within the company, Reliant chose to be uncooperative during the federal investigation. As a result, the grand jury and the Justice Department sent an important message today to corporate America and consumers: Even a Top Five energy company can and will face criminal prosecution if it engages in far-reaching criminal conduct and fails to take immediate steps to disclose and clean up its act.”¹ This unambiguous statement by the lead U.S. government attorney investigating the case directly contradicts claims made by Reliant East that the company has taken adequate “corrective actions.”

Given Reliant’s recent track record with federal regulators and prosecutors, and given the company’s current claims of “conducting its business with the highest

¹ www.justice.gov/opa/pr/2004/April/04_crm_223.htm

integrity,” one would assume that the company would err on the side of caution when it comes to deciding whether to disclose penalties assessed by an Independent System Operator. Reliant East’s decision to not disclose the \$25 million penalty assessed against the company by the California ISO raises serious questions as to why the company—after all the millions of dollars it has paid to federal regulators to settle allegations of manipulation—would decide to make its own interpretations of what it is and is not legally required to disclose to Maryland regulators. Public Citizen believes that companies seeking to truly reform unethical business practices would disclose such an action by an ISO. But the incautious approach by Reliant East may indicate that the company has not fully abandoned its troubled past.

Sincerely,

Tyson Slocum

Cc:

J. Joseph Curran, III, Commissioner
Ronald A. Guns, Commissioner
Harold D. Williams, Commissioner
Allen Freifeld, Commissioner
Felecia L. Greer, Executive Secretary
Gregory V. Carmean, Executive Director
Susan S. Miller, General Counsel
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