



Buyers Up • Congress Watch • Energy Program • Global Trade Watch • Health Research Group • Litigation Group
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June 2, 2004

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Dear Mr. O'Malley and Mr. Smith,

On May 12, the Baltimore City Board of Estimates and the Baltimore Metropolitan Council awarded a multi-million dollar, 23-month electricity supply contract to Houston-based Reliant Energy. This contract was awarded despite the fact that on April 8 the U.S. Department of Justice obtained a criminal indictment against the company for its alleged role in helping to create the California energy crisis of 2000-01. In addition to the criminal indictment, Reliant Energy has agreed to pay \$125 million to government authorities in fines, settlements, and refunds related to the company's role in the California energy crisis. Public Citizen believes that in light of Reliant Energy's alleged role in manipulating electricity markets, the City of Baltimore should reevaluate the fitness of Reliant Energy to receive a lucrative, taxpayer-financed contract to provide electricity services to local and regional public entities and, if possible, revoke the contract.

According to the federal grand jury criminal indictment, Reliant Energy has been charged with conspiracy to commit wire fraud, in violation of 18 USC § 371; wire fraud, in violation of 18 USC §§ 1343 and 2; and manipulation of the price of electricity in violation of 7 USC § 13(a)(2). The indictment charged that Reliant Energy "devised an illegal scheme to drive up the price of electricity in California by shutting off the majority of the company's power generation plants, intentionally creating the appearance of an electricity shortage, and disseminating false and misleading information to the market that wrongly attributed the shut-downs to environmental limitations."

In addition to the criminal indictment, Reliant has agreed to pay \$125 million thus far to government regulators to settle allegations that the company manipulated energy markets:

- In July 2002, California regulators ordered Reliant to pay \$42 million to settle allegations that the company manipulated the state's energy market.

- In January 2003, Reliant agreed to pay \$13.8 million to the Federal Energy Regulatory Commission (FERC) to settle allegations that the company withheld power from the California market.
- In October 2003, the company agreed to pay as much as \$50 million to FERC to settle charges that Reliant engaged in economic withholding and physical withholding of generation, and attempts to manipulate prices at an electricity trading hub near the California border.
- In November 2003, Reliant agreed to pay \$18 million to the U.S. Commodity Futures Trading Commission to settle charges of false reporting and attempted manipulation, as well as charges of illegal sales of electricity.

The contract involves over 20 different Maryland government entities: Baltimore City Government; Baltimore Museum of Art; Baltimore Lexington Market; Baltimore City Public Schools; Anne Arundel County Government; Anne Arundel Community College; Baltimore County Government; Baltimore County Government - Revenue Authority; Baltimore County Government - Libraries; The Community Colleges of Baltimore County -Dundalk Campus, Essex Campus, Catonsville Campus; Baltimore County Public Schools; Carroll County Government; Harford County Government; Harford Community College; Harford County Public Schools; Howard County Government; Howard Community College; city of Aberdeen; city of Annapolis; city of Bowie; town of Bel Air; town of Hampstead; and town of Havre de Grace.

Public Citizen requests a response from the Baltimore City Board of Estimates and the Baltimore Metropolitan Council as to why Reliant Energy is fit to profit from the taxpayers of Maryland.

Sincerely,

Tyson Slocum, Research Director

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