



United States Senate

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June 24, 2004

Emilia Snider, Chief
Internal Review Office (DESC-DI)
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Dennis Stanley, Branch Head
Procurement Review Branch (DESC-CPB)
Defense Energy Support Center
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Dear Ms. Snider and Mr. Stanley,

This letter is in reference to the electricity contract awarded to Reliant Energy on May 19, 2004 (contract award SP0600-04-D-8007 and solicitation number SP0600-03-R-0149).

I am concerned about the appropriateness of awarding a \$36 million contract to Reliant to provide electricity services to federal installations in light of the criminal indictment against Reliant Energy Services for the company's role in manipulating the Western energy markets. The April 8, 2004 indictment was brought against the company and four of its officers by Attorney General John Ashcroft, Deputy Attorney General James Comey, Assistant Attorney General Christopher A. Wray of the Criminal Division, U.S. Attorney Kevin V. Ryan of the Northern District of California, FBI Director Robert Mueller, Commodities and Futures Trading Commission Chairman James Newsome and Federal Energy Regulatory Commission Chairman Pat Wood, III.

It is my understanding that Reliant Energy was required to answer the following question during the application process: "The offeror certifies, to the best of its knowledge and belief, that the offeror and/or any of its principals are or are not presently indicted for, or otherwise criminally or civilly charged by a government entity with, commission of any...offenses."

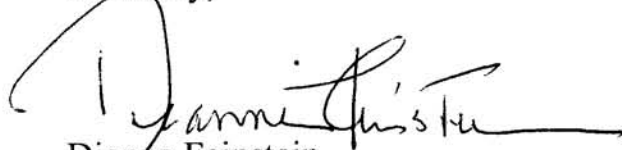
I do not doubt that Reliant's response to the solicitation was truthful. But I am concerned that Reliant did not amend its bid after the indictment and prior to the issuance of the contract.

As a result, I would like to know whether the Department has begun debarment/suspension proceedings against Reliant in accordance with the Federal Acquisition Regulations System (48 CFR 9.400). The regulations provide that an agency can suspend a contract if the contractor commits "embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, or receiving stolen property; or...indicat[es] a lack of business integrity or business honesty that seriously and directly affects the present responsibility of a Government contractor or subcontractor."

I would assert that Reliant's actions during the Western Energy Crisis should warrant a suspension or debarment. Not only has the company been indicted by the U.S. Government, but it has been fined by the Commodity Futures Trading Commission and the Federal Energy Regulatory Commission for manipulating and gaming the Western Energy Markets. Reliant should not be rewarded with a \$36 million contract for taking advantage of California's energy customers.

Thank you for your consideration of my request. I look forward to your reply.

Sincerely,

A handwritten signature in black ink, appearing to read "Dianne Feinstein", with a long horizontal flourish extending to the right.

Dianne Feinstein
United States Senator