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**CPUC HAILS FERC JUDGE’S RULING THAT CALIFORNIA’S ENERGY
CRISIS CONTRACT WITH SHELL WAS PRODUCT OF FRAUD**

SAN FRANCISCO, April 13, 2016 – The California Public Utilities Commission (CPUC) today applauded an Initial Decision issued by an Administrative Law Judge (ALJ) at the Federal Energy Regulatory Commission (FERC) on Tuesday, which finds that Shell Energy North America (US) L.P. defrauded California during the negotiations of a long-term power contract signed during the energy crisis in May 2001. The Initial Decision also finds that the Shell contract, along with a contract the state signed with Iberdrola Renewables LLC in June 2001, burdened California consumers with more than \$1.1 billion in excessive charges, including interest. The Initial Decision, if affirmed, paves the way for refunds for California consumers from Shell and Iberdrola Renewables for overcharges under long-term contracts executed during the energy crisis of 2000-2001.

CPUC Commissioner Mike Florio, who submitted testimony describing the devastating impacts to California consumers of the crisis and the contracts, said, “I am gratified that the ALJ agreed that FERC has a duty to vindicate the public interest and protect consumers from exorbitant overcharges that Shell and Iberdrola pocketed due to the worst electricity crisis and market meltdown in modern history. I congratulate the team that helped achieve this milestone result for California.”

The California Department of Water Resources signed the contracts with Shell and Iberdrola when it stepped in as the buyer of last resort in 2001—after California’s largest two electric utilities were driven to insolvency—and needed to shore up power supplies to avoid looming blackouts.

Extensive evidence showed that Shell manipulated short-term market prices during the energy crisis, including audio tapes capturing Shell’s traders and supervisors likening their manipulation of the

ISO market to taking “candy from a baby” and confirming they had no “ethical” problems with the rolling blackouts California suffered during the crisis. Lacking knowledge of Shell’s manipulative actions and the extraordinary profits that Shell was raking in at the time, the California Department of Water Resources agreed to pay excessive prices for power under the contract. The Initial Decision finds that Shell defrauded the state agency by misrepresenting Shell’s positions in the market during negotiations.

In alternative findings the FERC ALJ ruled that the Shell contract saddled consumers with more than \$779 million for no value added, and the Iberdrola contract saddled consumers with more than \$371 million (both figures including interest), relative to prices they would have otherwise paid. The Initial Decision is a first step towards having FERC review both contracts and determine an amount to be refunded to consumers.

The CPUC filed a complaint at FERC in 2002 on behalf of California consumers, alleging that the prices and terms of the contracts were unreasonably high. FERC initially denied relief, but the case was remanded for further proceedings following the Supreme Court’s 2008 decision in *Morgan Stanley v. FERC*, 554 US 527 (2008). In 2014 the CPUC, joined by the California Attorney General, Pacific Gas and Electric Company, and Southern California Edison (collectively known as the California Parties) asked FERC to end a five-year hiatus and set the case for further evidentiary hearings. Yesterday’s decision followed more than three weeks of hearings last November and December.

Of the 32 long-term contracts signed with 22 different sellers that were part of the original CPUC complaint, Shell and Iberdrola are the only two sellers left in the case.

The CPUC has posted a copy of the Initial Decision at www.cpuc.ca.gov/EnergyCrisisLitigation.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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