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California ISO asks FERC to revoke market-based rate authority for Duke, Dynegy, Mirant and Reliant

(Folsom CA) In a series of filings with the Federal Energy Regulatory Commission (FERC) the California Independent System Operator (Cal ISO) is asking FERC to revoke the authority to charge market-based rates in California for four companies that own and operate generating plants in the state. Revocation of the market-based rate authority would require the companies, Duke, Dynegy, Mirant and Reliant, to charge wholesale rates that are based on the cost of production with a reasonable rate of return. Further, the ISO is asking FERC to order these companies to adjust the prices they charged in California going back to May of 2000, and to refund any payments that have been made deemed to be in excess of just and reasonable cost-based rates.

The filings are available at www.caiso.com/pubinfo/FERC/filings.

“Three years ago FERC granted the authority to charge market-based rates to these companies in the belief that it would foster just and reasonable rates in California,” said Charles Robinson, General Counsel for the ISO. “Clearly wholesale rates in the state have not been just and reasonable and the ISO wants FERC to live up to its mandate and revoke the market-based rate authority.”

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Robinson adds that FERC's other option is to enact meaningful price mitigation in California's energy market. "There are loopholes in FERC's current mitigation plan that could lead to charging unreasonably high prices," said Robinson. "The ISO needs FERC to either revoke market-based rate authority or to close the loopholes."

FERC requires the generating companies to reapply for the authority to charge market-based rates after three years. The ISO filings are in anticipation of Duke, Dynegy, Reliant and Mirant reaching their three-year deadlines in the near future. AES/Williams is also reaching its three-year deadline and the ISO made a similar filing regarding AES/Williams last week.

The California ISO is charged with managing the flow of electricity along the long-distance, high-voltage power lines that make up the bulk of California's transmission system. The not-for-profit public-benefit corporation assumed the responsibility in March, 1998, when California opened its energy markets to competition and the state's investor-owned utilities turned their private transmission power lines over to the California ISO to manage. The mission of the California ISO is to safeguard the reliable delivery of electricity, facilitate markets and ensure equal access to a 25,526 circuit mile "electron highway."

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