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Powerex cleared of charges of manipulating California market

Settlement exonerates Powerex, saves about ten million dollars in future legal costs

VANCOUVER, B.C. CANADA - US regulators cleared Powerex, BC Hydro's power marketing subsidiary, of allegations of "inappropriate market behaviour" during California's energy crisis of 2000 and 2001, and concluded that Powerex played a positive role in helping California keep the lights on during the crisis. The settlement announced today between the US Federal Energy Regulatory Commission (FERC) Staff and Powerex will also save Powerex about ten million dollars in additional legal costs.

"We always said we helped – not hindered – California during its time of need and today's settlement with FERC agreed with that fact," said Doug Little, Powerex Vice President of Marketing and Trade Policy. "In fact, in the settlement FERC specifically states that '... the evidence shows that Powerex was a valuable and reliable supplier of energy and ancillary services to the California organized markets...'"

"We view this as complete exoneration on the charges in question and consistent with what we have said all along – that allegations against us were totally unfounded and based purely on the politically-driven agenda of the California parties."

In an agreement made public today, the Trial Staff of the Federal Energy Regulatory Commission (FERC) rejected California's claims that it was owed more than \$1 billion (US) by Powerex. In the agreement FERC states that:

- "...Staff has seen no probative evidence that Powerex engaged in or facilitated any of the Gaming Practices..."
- "Staff has seen no probative evidence that Powerex had a partnership, alliance or other relationship with Enron or PSNM [Public Service Company of New Mexico] that was used to jointly engage in Gaming Practices or any other improper concerted activity..."
- "There is no basis for requiring Powerex to disgorge revenues or profits that it earned from transactions in the ISO and PX markets....", and
- "There is no basis for imposing any non-monetary remedy on Powerex with respect to its transactions in the ISO and PX markets during the relevant period."

"To date, Powerex is the only one of the six largest suppliers to California to be completely cleared of these charges", said Doug Little, Vice President of Marketing and Trade Policy. "We applaud the FERC Staff for taking this step. This will go a long way

toward restoring the long-standing beneficial energy relationship between BC and California,” added Little.

The agreement is subject to approval by the full Commission, and calls for further litigation to be suspended pending this approval. In return for suspension of these lengthy and complex proceedings, and to gain regulatory certainty and closure, Powerex has agreed to a payment of \$1.3 million once the settlement is approved.

“We were successful in our request earlier this year for a full evidentiary hearing and remain confident that had these charges gone to hearing, the results would have been full exoneration of Powerex and no liability,” concluded Little. “However, the additional legal costs alone of that 1-2 year process would be about \$10 million. It was prudent to settle today and avoid these future costs and entanglements. We want to put these California issues behind us and get on with business.”

Today’s filing will be posted under the News section of the Powerex web site at www.powerex.com