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NEWS ANALYSIS

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## Where Enron Was on the Money, Legally

A former employee of the disgraced giant took the idea of trading in corporate energy supplies and made it work

One of Enron's many novel business ideas was offering long-term contracts that provided the likes of IBM ([IBM](#)) and Owens Corning ([OWENQ](#)) with all of their energy, nationwide. It was a business called Enron Energy Services.

"The concept is good," says salesman Eric Melvin, who joined the company in 2000, after stints at Goldman Sachs ([GS](#)) and Dallas-based utility TXU ([TXU](#)). Like a lot of Enron schemes, however, this one didn't work so well in practice. Enron's business model required aggressive assumptions about how much energy could be saved over the life of contracts that lasted as long as 15 years.

In some cases, Enron was betting that individual states would deregulate their local power markets, which was never a sure thing. "Nobody has the ability to price electricity across the U.S.," Melvin says.

**STARTING OVER.** In the upcoming trial, federal prosecutors will allege that former Enron execs Kenneth L. Lay and Jeffrey K Skilling reorganized energy services in the first quarter of 2001, shifting hundreds of millions of dollars in losses over to the trading business to make the highly touted retail operation look more successful.

Melvin, meanwhile, lasted only a year, leaving in July, 2001. As has happened all across Houston, this Enron survivor regrouped and modified the company's overly ambitious strategy (see BW, 2/6/06, ["I Survived Enron"](#)). Melvin, now 42, founded Mobius Risk Group, which offers corporate customers many of the same services that Enron once did but doesn't promise fixed energy prices or enter into contracts for much longer than a year. Melvin gets paid a monthly retainer to buy and sell energy on clients' behalf. If they don't like the job he does, they can let him go.

It seems to be working. Mobius employs 30 people, seven of whom used to work at Enron. Last year the company, based in a Houston high-rise, bought and sold energy worth \$4 billion for 30 clients, including casino operator Harrah's Entertainment ([HET](#)) and Continental Airlines ([CAL](#)).

**ENERGY UPKEEP.** The goals are still the same: to save money and reduce risk for clients. Sometimes this means installing more energy-efficient heating and ventilation equipment or small on-site generators. Other times it might involve switching from daily purchases of power or natural gas to monthly contracts to get better prices.

When the Gulf Coast hurricanes knocked out gas service to Nucor ([NUE](#)) steel plants in the Carolinas, Mobius found trucks to take diesel fuel to the facilities and kept them humming. It's not Enron. But at least this time the business is profitable.