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# Luminant agrees to \$15 mln fine over '05 charges

HOUSTON | Wed Nov 26, 2008 11:07pm GMT  
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Nov 26 (Reuters) - Luminant Energy, an affiliate of Dallas-based Energy Future Holdings, said Wednesday it has reached a settlement over charges the electric generating company violated Texas market-power rules in 2005.

The settlement agreement with the staff of the Public Utility Commission of Texas calls for Luminant to pay a fine of \$15 million, down from a record proposed penalty of \$210 million. The proposed fine was later cut to \$171 million.

Luminant continued to deny the charges in the agreement, which is subject to PUC approval, according to a company filing with the Securities and Exchange Commission.

The case stemmed from an investigation by the independent market monitor for the Electric Reliability Council of Texas (ERCOT) who found that the dominance of TXU's wholesale power subsidiary enabled it to unfairly raise prices by 15.5 percent in 2005, costing other wholesale power customers about \$70 million.

The market monitor's initial report also said Luminant's action to withhold generation from the market boosted its profit by \$19.6 million.

Luminant argued that the violations were based on a "fundamentally flawed analysis" that was inconsistent with the rules and policies of the commission.

It later proposed a mitigation plan to allow the company to avoid future charges that it has the ability to manipulate the market for real-time power used to meet rapidly changing demand.

Luminant's parent company, TXU Corp, was acquired by a group of private equity firms led by Kohlberg Kravis Roberts & Co. [KKR.UL] and Texas Pacific Group [TPG.UL] for \$32 billion.

Luminant owns 18,000 megawatts of generation, or 22.4 percent of the generation in ERCOT. (Reporting by Eileen O'Grady; Editing by Christian Wiessner)

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