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**Says Subcommittee will call Army Secretary  
White, and that Special Counsel is Required:**

## **TRANSCRIPT OF OPENING REMARKS OF CHAIRMAN BYRON DORGAN AT CONSUMER AFFAIRS SUBCOMMITTEE HEARING EXAMINING ENRON "SMOKING GUN" MEMOS**

(WASHINGTON, D.C.) --- Following is the text of remarks by U.S. Senator Byron Dorgan (D-ND), Chairman of the Senate Subcommittee on Consumer Affairs, which held a hearing today to look into internal Enron corporation "smoking gun" memos regarding possible price manipulation in California and elsewhere on the West Coast.

TEXT  
OF REMARKS  
Wednesday  
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This hearing is following on a number of hearings this Subcommittee has held dealing with the issue of the Enron Corporation and a series of things that have happened to Enron, to employees and to investors and to California and West Coast rate payers.

The hearing we held most recently on Enron, was dealing with the question of what Enron was doing in the marketplace for electricity on the West Coast. We had testimony from California officials and West Coast officials at that hearing. We had denials, of course, from the Enron Corporation that they were involved in any way with manipulating the marketplace in California. But since that time, some memorandums have surfaced dealing with specific strategies employed by the Enron Corporation and that will be the subject of this hearing.

Some long while ago, Mr. Kenneth Lay and his attorney and others involved in Enron took great exception to a statement that I had made, that having studied Enron at some length following its collapse that I felt that there was a quote -- "culture of corruption" -- unquote inside the Enron Corporation. Mr. Lay and his attorney took great exception to that and we then had Mr. Lay come before the committee under subpoena. He took his Fifth Amendment rights and refused to testify. But what we have learned in recent months is that the culture of corruption assessment was not only true but truer than most any of us could possibly have expected.

Mr. Powers testified before this subcommittee. He was commissioned as a member, a new member, of the Board of Directors of Enron to do a study of what was happening inside the Enron Corporation. He did a study of only three partnerships, or SPEs, only three. And, Mr. Powers sat at that table and said what they found inside the Enron Corporation was quote, "appalling," unquote. This remember, would be the best possible light put on this company because it was done by a member of the Board of Directors, at the request of the Board of Directors. What they said was they found something inside that company that was "appalling." Officers of that company and people in the company, for example, invested \$25,000 of their own money and took out \$4 million, thirty days later, sixty days later. What we have discovered with respect to this corporation is in fact a culture of corruption.

But today's hearing is going beyond that. It is a hearing to follow on the heels of a hearing we did earlier on the issue of what happened to electricity costs on the West Coast, California especially, but also Oregon, Washington and the West Coast generally.

What we have learned since the last hearing was that a couple of confidential memorandums have surfaced dated December 6, 2000 and December 8, 2000 written by Mr. Christian Yoder and Mr. Hall. They're essentially the same memoranda with different dates and some slightly different language. But, these two memoranda describe a strategy by which the Enron Corporation attempted to rig the energy market on the West Coast.

Now, I think a "culture of corruption" perhaps is too mild for what I spent my time reading. I read most of last evening, and over the last week or so, as much as I could possibly read and understand about what was happening with respect to California, California and West Coast electric prices. I think with respect to what is alleged in these memos -- and I might say there's another memorandum by two other attorneys who will testify, that says 'Whoops what's in the first memorandum is really not quite the case and here's a different spin we put on it' I'm anxious to go through all of that with you -- but, what I have learned from all of this is there are, I think, significant legal problems and perhaps a substantial amount of criminal activity.

I think there needs to be from FERC (Federal Energy Regulatory Commission) answers to this Congress about where were they? Why were they shamelessly absent? Where was the accountability for this federal agency that should have taken action, would not take action? Why did they not take action? At whose behest were they sitting silent on their hands while California West Coast rate payers were being essentially stolen from? And so, the question is what do we do about all of this? Well let's learn today what we can about these memoranda.

I want to hold up a chart. Others will have charts as well. This is just a snippet of the strategies. The strategies that were called Get Shorty, Fat Boy, Death Star, Loadshift.

Death Star: "Enron gets paid for moving energy to relieve congestion without actually moving any energy or relieving any congestion," quote unquote. Legal? Pardon me.

Loadshift: “By knowingly increasing the congestion costs, Enron is effectively increasing the costs to all market participants in the real time market.”

Exporting California Power: “This strategy appears not to present any problems, other than a public relations risk, arising from the fact that such exports may have contributed to California's declaration of a Stage 2 Emergency yesterday.”

Fat Boy: “The answer is to artificially increase the load on the schedule submitted to the ISO.”

The memo is replete with that. It is disgusting corporate behavior without a moral base and it does in fact, in my judgment, represent a culture of corporate corruption. This was a corporate strategy to cheat West Coast consumers out of billions of dollars. This seems to be a demonstration of corporate greed or perhaps much, much more than that. I expect we will want to see a special counsel of some type investigate West Coast pricing and not just this company, but West Coast pricing of this company and others.

I suspect a Special Counsel is perhaps necessary to do that, number one. Number two, I think a full investigation of FERC and its behavior and its contacts is necessary to evaluate why the referee or the regulator sat silent, which is also a strategy, incidentally, to help rip off consumers on the West Coast.

And finally we will call others to account to the subcommittee for what we learned today and what we already know.

It is my intention to call Mr. Thomas White to come testify before this committee. Mr. White, as we know, is the head of Energy Services and Ms. Lynch had a chart that showed the condition of that organization inside Enron as part of all of this and it is my expectation, following this hearing, to ask Mr. White to be present to testify I expect within the next two weeks.

So, that's my take on it. This is an ugly mess. I think the people of this country have been cheated out of billions of dollars. And, I think some sunlight here is the best disinfectant. We'll learn a lot.

Let me call on the Chairman of the full committee, Senator Hollings.

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