



Senators Feinstein, Cantwell Call for Hearings on
Western Energy Market Manipulation
June 28, 2004

Washington, DC – U.S. Senators Dianne Feinstein (D-Calif.) and Maria Cantwell (D-Wash.) today requested additional Senate hearings into Enron’s manipulation of the Western energy markets.

In a letter to Senators Pete Domenici (R-N.M.) and Jeff Bingaman (D-N.M.), the chairman and ranking member of the Senate Energy and Natural Resources Committee, Senators Feinstein and Cantwell cited inconsistencies between the new evidence that has recently come to light and the testimony Enron executives and attorneys provided the committee in 2002 as the reason to pursue further investigation into the company’s manipulative behavior.

Following is the text of the letter:

June 25, 2004

The Honorable Pete Domenici
Chairman
Energy & Natural Resources
364 Dirksen Senate Building
Washington, DC 20510

The Honorable Jeff Bingaman
Ranking Member
Energy & Natural Resources
312 Dirksen Senate Building
Washington, DC 20510

Dear Chairman Domenici and Ranking Member Bingaman:

New evidence recently released in ongoing Enron investigations shows inconsistencies in the testimony Enron executives and attorneys provided to Congress in 2002. In particular, the Senate Energy and Natural Resources Committee held a hearing related to Enron on May 15, 2002 entitled *Western Energy Market Manipulation*.

A review of the hearing record, depositions collected during the course of numerous ongoing federal investigations, as well as new evidence contained in recently-released audiotapes and financial documents point to inconsistencies in Enron testimony provided to the Committee. As such, we are requesting that you schedule an Energy and Natural Resources Committee hearing to consider these matters, as well as the new evidence that has emerged shedding greater light on Enron’s manipulative behavior of our nation’s interstate electricity markets—the aftershocks of which ratepayers in the West continue to suffer.

In particular, a review of the May 15, 2002, committee hearing transcript shows that no fewer than four Enron officials and attorneys testified that the market manipulation schemes outlined in Enron’s December 6, 2000, and December 8, 2000, “smoking gun” memos ceased upon the memo’s

circulation. On the contrary, recently-released Enron accounting data and audiotapes suggest these schemes continued for almost a year after the memos were circulated, and quite likely to within a week of the company's bankruptcy filing, in December 2001.

In addition, there remains a significant lack of clarity as to how the "smoking gun" memos were developed. While members of the Enron legal team asserted under oath that these memos were first received at the beginning of December 2000, a review of documents and emails released as part of the discovery process in ongoing proceedings at the Federal Energy Regulatory Commission (FERC) point to the existence of draft documents outlining these same schemes as early as October 2000.

Meanwhile, the recently-released Enron audiotapes also demonstrate that the company itself recognized that its manipulation of the California market had impacts all across the Western Interconnection. Time and again, Enron traders are heard moving power out of California to other points across the West, then moving it back into California. Similarly, Enron traders stated that long-term power prices are the direct result of prices in the dysfunctional California spot markets. This leaves little doubt that Enron's schemes affected short- and long-term markets all across the West. Unfortunately, the Federal Energy Regulatory Commission has consistently taken a view that ignores this evidence, to the detriment of ratepayers in the West.

The new evidence also suggests the existence of a handful of previously-unidentified Enron schemes; points to the fact Enron maintained up to five different sets of books in order to account for variances resulting from these manipulative practices; and provides the first snapshot of the magnitude of Enron's unjust profits—conservatively estimated as at least \$1.1 billion on days in which the company was engaged in manipulation schemes.

To the extent the Committee was provided with inconsistent or incomplete testimony by Enron witnesses, we believe it is appropriate to convene new hearings to consider these matters. We do not agree with the Committee spokesperson's assessment of Enron's participation in the Western Energy Crisis that "this ground has been thoroughly ploughed by all branches of government." Further, a thorough and timely consideration of the new evidence is of extreme importance to ratepayers throughout the West, where consumers continue to pay the unjust price of the energy crisis of 2000-2001.

While this month will mark the three-year anniversary of FERC's long-overdue decision to put in place wholesale price caps, ratepayers throughout the West have yet to see relief from the many ongoing FERC proceedings that is in any way proportional to the damage that was caused. Clearly, western ratepayers would benefit from the clarity new hearings would provide.

Sincerely,

Dianne Feinstein
United States Senator

Maria Cantwell
United States Senator

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