

Byron L. Dorgan

U.S. Senate □ 713 Hart Building □ Washington D.C. 20510

E-mail: senator@dorgan.senate.gov □ Internet Web Page: <http://dorgan.senate.gov>

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CONTACT: Barry E. Piatt
or Christina Angarola
PHONE: 202-224-2551

OPENING REMARKS BY SENATOR BYRON DORGAN AT CONSUMER AFFAIRS SUBCOMMITTEE HEARING ON ALLEGATIONS ENRON MANIPULATED WEST COAST ENERGY PRICES

(WASHINGTON, D.C.) – Following is Senator Byron Dorgan’s opening statement at a hearing he chaired Thursday where the Senate Commerce Subcommittee on Consumer Affairs looked into allegations that the Enron Corporation may have manipulated energy prices last year in California and elsewhere on the West Coast.

The text follows:

TEXT OF REMARKS

U.S. Senator Byron Dorgan (D-ND)
Chairman of the Senate Commerce Subcommittee on Consumer Affairs
at a hearing investigating allegations of West Coast energy price manipulation
by the Enron Corporation

April 11, 2002
Washington, DC

We are meeting today to discuss the issue of the Enron Corporation once again.

We have, on previous occasions, held hearings with respect to the Enron scandal, as it is described in the press and by others. We had, in this room, testimony by the author of the Powers Commission report. That was a report of the investigation that was empanelled by the Board of Directors of the Enron Corporation itself. The result of the investigation by the Board of Directors of the Enron Corporation was, according to the fellow who testified here, that they found inside this corporation things that were “appalling.”

We know that what the Board of Directors found happening inside the Enron Corporation, they described as “appalling.” The Board of Directors own report says that this corporation booked \$1 billion in income that it didn’t receive in a year. Let me say that again: this is a corporation that claimed to have \$1 billion in income, in a given year that it did not have. That’s according to the Board of Directors own investigative report. They also disclosed that a substantial amount of debt the corporation incurred was kept off the books.

We know that the Enron Corporation is the subject of a criminal investigation by the Justice Department.

Given all of that, the question Senator Boxer and others have asked, my colleague Senator Wyden as well, is this: “What was involved in Enron’s activities on the west coast, particularly in California, but in a larger sense on the West Coast, with respect to electricity prices a year and a half or so ago?”

The corporation that had a climate of corruption inside the company sufficient for their own Board of Directors to say they were claiming a billion dollars of income they didn’t receive, and they were keeping debt of the books.

That corporation didn’t play fair with consumers on the West Coast.

Senator Boxer and Senator Wyden asked questions of Enron executives at previous hearings on this subject, and of course, the Enron executives insisted things were just fine. There is other evidence, however, and other allegations that exist that suggest this corporation did to consumers on the West Coast what it was doing inside its own company. That is, it cooked the books. They created partnerships. They bought and sold through partnerships they controlled and created. They created sham transactions and effectively manipulated the market price for electricity and took billions of dollars out of the pockets of consumers in California and on the West Coast.

Enron was one of the largest participants in the electricity markets and had an enormous amount of market power. They helped create that market power and some will say they manipulated that market power in a way that cheated consumers out of billions of dollars.

The testimony we will hear today from a number of witnesses paints quite an “appalling” picture. I mentioned that the word appalling was used by the Board of Directors when looking inside its own company. They said what they found was appalling.

The testimony we will receive today suggests that there was some appalling behavior by this corporation with respect to the manipulation and distortion of markets for electricity in a manner that systematically cheated the consumers and rate payers in California and on the West Coast.

I think this will be an interesting hearing. I appreciate my colleagues from Oregon and California who pressed for this inquiry. I think it is a reasonable inquiry, given what the Board of Directors of this corporation said about the behavior of the corporation inside the company.

Would they have been cheating inside the company and then expected not to cheat with respect to what they were doing in major electricity markets? Well, we’ll see. I think the testimony we’ll hear today will bear on some of that and I think it will be interesting testimony.

This will not be the last hearing we have. We are scheduling a hearing on this subject with respect to pension funds. I don’t have the date on that, but it’s been set. We will have some on other subjects as well.

Let me call on my colleagues now, if they have statements.

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