Statement of Chairman Ernest Hollings
Hearing on California Electricity Market
May 15, 2002

During our past hearings regarding Enron, we heard some witnesses testify and some senators claim that Enron was just a poorly run company — an aberration of deregulation. They argued that deregulation of the energy markets still had enormous benefits for consumers.

But some of us sensed that deregulation had created an environment for corporate mischief by Enron and other energy companies, especially during summer of 2000 when high energy costs shackled the California people and their economy. And now we have evidence to prove what we intuitively sensed earlier this year: three memoranda written by Enron lawyers and outside lawyers detail how Enron manipulated the California energy market. That market manipulation kept Enron's stock price artificially high so it could continue its pyramid scheme of debt partnerships and multi-million stock cashouts for its top executives.

Former Enron CEO Jeffrey Skilling joked that California's ship would sink from problems of its own making. Vice President Dick Cheney told California's two senators that the energy crisis was caused by Californians consuming too much electricity. But it is now clear that Enron and the other energy companies exploited a vacuum of regulatory oversight to steal billions of dollars from the wallets of California's working families.

Even the cheerleaders of deregulation across all industries recognize that any deregulatory scheme must be accompanied by tough enforcement of antitrust laws. Likewise, when energy markets are deregulated, it requires tough enforcement by the Federal Energy Regulatory Commission. But during the summer of 2000, when officials at the California Public Utility Commission called on FERC to investigate and take action against companies manipulating the California energy markets, FERC ignored their pleas. We are still waiting for an explanation as to why FERC ignored California's request for help — and listened instead to Enron's lobbyists who claimed everything was fine.

FERC's indifference had real consequences for real people. The doubling and tripling of energy bills nearly broke some families — and endangered elderly residents needing air conditioning during the hot summer months. Soaring energy costs and blackouts forced some California businesses to cut back production and business hours, negatively impacting California's economy and jobs.

This personal and economic damage could have been prevented by federal regulators whose primary responsibility is to protect Americans from such exploitation. FERC must not only answer to us here today, but also to the working families of California — the poor families who emptied their wallets and bank accounts to pay energy bills that were artificially inflated by fraud and collusion permitted by energy deregulation.

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