Congress of the United States
Washington, DC 20515

HELP US URGE THE HOUSE TO INITIATE INVESTIGATIONS INTO THE RELATIONSHIP BETWEEN FERC AND ENRON
"The Fox is Guarding the Henhouse"

May 30, 2002

Dear Colleague:

In testimony before the Senate on May 15, FERC Chairman Wood indicated that Enron had 367 meetings with FERC staff between May, 2000 and June, 2001. Interestingly, Chairman Wood neglected to provide complete information about his own contacts with Enron, despite several requests made to him, including that of Rep. Henry Waxman on February 28. Notwithstanding 367 meetings, Chairman Wood testified that he did not believe "that Enron or any of its affiliates has had any undue influence on the decision-making process at the Commission." We are not persuaded. FERC is supposed to be the energy industry's watchdog, yet two current Commission members were literally hand picked by Enron.

FERC ignored violations of the "just and reasonable" standard of the Federal Power Act (FPA) by Enron and others. In fact, in May 2001, FERC launched an internal inquiry into Enron's electronic energy trading activities. The inquiry ended in August 2001, and ultimately settled for incomplete, unconvincing, or incorrect answers. This occurred at a time when internal Enron documents make it clear that the company wanted to maintain unregulated status of its shady trading activities. On May 14, 2002, Senate Government Affairs Committee Chairman Lieberman wrote to Chairman Wood. He stated "in the end, the 2001 FERC inquiry is ultimately more noteworthy for what it overlooked than for what it scrutinized, leaving consumers unprotected," and that "though the report identified a number of areas that ought to have troubled FERC as the federal government's lead energy regulator, it found no reason for concern and no cause for action." Senator Lieberman further advised that he intends to call FERC before the Committee. When will the House take action?

FERC continues to shirk its legal obligations, in spite of congressional outcry and most recently, the "smoking gun" memos. At best FERC has been merely negligent in its obligation to protect the American people and enforce the FPA. However, we are concerned that there may be something more than simple incompetence or negligence taking place. For that reason, we are requesting you join us in urging Speaker Hastert, Chairman Tauzin, and Chairman Burton to hold hearings into the relationship between FERC and Enron, and FERC's failure to carry out its legal obligations. FERC refuses to answer these questions, in spite of numerous requests. To sign on, contact Kim Zarish-Becknell of Mr. Pascrell's office at 5-5751 or Mary Niez of Mr. Filner's office at 5-8045.

In short, the fox continues to guard the henhouse. Isn't it time to investigate the fox?

Sincerely,

Bill Pascrell, Jr.
Member of Congress

Bob Filner
Member of Congress

May XX, 2002

The Honorable J. Dennis Hastert
Speaker of the House of Representatives
H232 Capitol
Washington, DC 20515

The Honorable Billy Tauzin, Chairman
Energy and Commerce Committee
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Dan Burton, Chairman
Committee on Government Reform
2157 Rayburn House Office Building
Washington, DC 20515

Dear Speaker Hastert, Chairman Tauzin and Chairman Burton:

We urge you to initiate a full investigation into the relationship between Enron staff and FERC staff, including that of past and current staff and commission members, and into the failure of FERC to carry out its legal obligations under the Federal Power Act (FPA). In addition to the other important work you have done and intend to do, we believe it essential that the relationship between Enron and FERC and the influence Enron had on FERC decisions is thoroughly examined. We are therefore requesting you hold hearings on these issues.

In testimony before the Senate on May 15, FERC Chairman Wood indicated that Enron had 367 meetings with FERC staff between May 2000 and June 2001. Interestingly, Chairman Wood neglected to provide information about his own contacts with Enron, despite several requests made to him, including that of Rep. Henry Waxman on February 28. Notwithstanding 367 meetings, Chairman Wood testified that he did not believe "that Enron or any of its affiliates has had any undue influence on the decision-making process at the Commission."

This disturbing level of access to the FERC's leadership by a large energy company leads to our concern that deregulation was being pursued, and ushered through by the Commission, not as a means to lower energy prices for consumers but to raise them in the hope of generating profits for a select few. We are concerned that FERC ignored violations of the "just and reasonable" standard of the Federal Power Act (FPA) by Enron and others.

For example, in May 2001, FERC launched an internal inquiry into Enron's electronic energy trading activities. The inquiry ended in August 2001, and ultimately settled for incomplete, unconvincing, or incorrect answers. This occurred at a time when internal Enron documents make it clear that the company wanted to maintain unregulated status of its shady trading activities. On May 14, 2002, Senate Government Affairs Committee Chairman Lieberman wrote to Chairman Wood. He stated "in the end, the 2001 FERC inquiry is ultimately more noteworthy for what it overlooked than for what it scrutinized, leaving consumers unprotected," and that "though the report identified a number of areas that ought to have troubled FERC as the federal government's lead energy regulator, it found no reason for concern and no cause for action." Senator Lieberman further advised that he intends to call FERC before the Committee.

The FERC does important work that affects somewhere between four to six percent of the Gross Domestic Product (GDP). The commission has made 139 regulatory decisions concerning Enron alone since 1995, and the effect these decisions have had on energy consumers must be closely examined. The American people deserve to know whether or not FERC has been doing its job and protecting consumers, or whether it has been influenced by Enron to do otherwise. We implore you to begin hearings on these important issues.

Sincerely,

Bill Pascrell, Jr. Bob Filner

Members of Congress