

which was referred to the House Calendar and ordered to be printed.

MANIPULATIONS OF ENRON

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 2003, the gentleman from Washington (Mr. INSLEE) is recognized for 60 minutes as the designee of the minority leader.

Mr. INSLEE. Mr. Speaker, I came tonight to the floor of the House to address an outrage, perhaps the largest fraudulent activity in American history which has resulted in literally billions of dollars being stolen from American ratepayers for electricity in the western United States. And this, of course, is the outright theft from West Coast ratepayers by the Enron Corporation. And I have come to the floor tonight because, unfortunately, the energy bill that passed this Chamber today did absolutely nothing whatsoever to restore one ounce of justice for the consumers on the West Coast who were so grievously ripped off by the Enron Corporation.

Mr. Speaker, the sad fact is that today the House of Representatives had an opportunity to do something about an outrage that has not been remedied now despite our efforts for the last 3 years. Because the sad fact is that the Enron Corporation and others manipulated with unfortunately great effect the energy market in the West Coast starting in 2000. This manipulation resulted in West Coast ratepayers paying conservatively in the billions of dollars of overcharges to Enron and other energy traders. And the law of the United States as written is designed to prevent that and does prevent that if we had a cop on the beat to enforce the laws. But, unfortunately, what happened in the years 2000 and 2001 is that Enron found a way to gain the system. They found a way to essentially shut off generating capacity for the western coast of the United States and, as a result, drive up the prices dramatically, and they were unfortunately successful in this outrageous conduct. In fact, rates being paid by utilities, and therefore ratepayers in the western United States went up by a factor of a thousand percent, sometimes on a daily basis. And Enron was successful in doing this because they decided not to follow the law. And, unfortunately, they had some allies in not following the law, and that was this Federal Government, which did not enforce the law of the United States and allowed Enron to foist billions of dollars of overcharges on the ratepayers on the West Coast.

Now, just to put a sense on how grievous this is, in Snohomish County, Washington, in the northern Puget Sound area, an area which I represent, ratepayers are still paying today half as much more than they should be paying, 52 percent more than they should be paying for electricity due to the depredation, the rapaciousness of the Enron Corporation.

This is now over a billion dollars in the State of Washington of overcharges that ratepayers are still paying today. And we believe, at least on my side of the aisle, that the Federal Government should take action to get refunds back from the Enron Corporation as a result of these wrongful activities.

Unfortunately, today, the Republicans refused to allow an amendment to be even voted on in this Chamber to get that money back for ratepayers on the West Coast. It would have been a simple amendment. I offered it in conjunction with the gentleman from California (Mr. FILNER) and the gentleman from Oregon (Mr. DEFAZIO), that would have required that refunds would have been given to these ratepayers going back to the year 2000. But unfortunately the majority party decided to side with Enron, the bankrupted corporation, bankrupt both fiscally and morally. They sided with Enron rather than with consumers and stood against giving consumers the refunds that they are owing.

□ 1815

This is outrageous, and I know it is outrageous because the offenses of which I speak are not hypothetical. We have very clear evidence of what Enron did, and that evidence has been disclosed by very vigorous, assertive, and healthfully combative Public Utility District in Snohomish County PD, in Snohomish County, Washington, because what they did was they forced the disclosure of audio tapes that these Enron traders had kept of their conversations when they came up with their nefarious deals.

The Bush administration and their Federal Energy Regulatory Commission did not want the public to hear these tapes. They did not want the public to have access to the gamesmanship that went on that cost consumers so many millions of dollars, but Snohomish County PD was very energetic in getting these tapes released. Now they have come forward, and what is on these tapes would shock even the saltiest of sailors, not only because of the language that was used but because of the immoral, unethical conduct where these traders basically sacrificed willingly the ratepayers in order to juice out another million dollars or so a day for the Enron Corporation.

I would like to go over some of these, and we have deleted the expletives that were unfortunately frequently in their conversations, but we are trying to keep the gist of their conversation, and I am just going to refer to some of them here. These are audio tapes transcribed by Snohomish County Public Utility District of traders for Enron Corporation talking to one another.

First trader: So the rumor is true that they are taking all the blank money back from you guys, all that money you stole from those poor grandmothers in California?

Response: Yeah, Grandma Millie, and she is the one who could not figure out

how to blank vote on the butterfly vote.

Response: Now she wants her blank money back for all the power you jammed her for, for \$250 per megawatt hour.

That is a conversation between Enron traders.

Now, when they talk about jamming Grandma Millie, what they mean by this is they have constricted the supply down, going to the California ratepayers and Washington for that matter and, therefore, boosted the price up, in this case to \$250 a megawatt hour, in many cases up to \$1,000 a megawatt hour, 10 times what was the previously going rate.

Now this type of conservation was repeated over and over and over again by these traders.

Second example. The Enron traders discovered a handy little technique. They found a way to congest transmission lines so that when they were congested, energy could not get through. So they would willfully schedule transmissions in a way that would prevent transmission from occurring, and when that happened, the price skyrocketed because of the existing demand. So here is a conversation here. They are talking about the congestion.

Then the other trader states: If the line's not congested, I just look to congest it. If you can congest it, that is a money maker, no matter what.

And it was a money maker, because when they congested these lines, the price skyrocketed, sometimes tenfold, and when it skyrocketed, several things happened. First off, you actually had brownouts in California, but you also forced utilities like Snohomish County Public Utility District in Washington State to enter into long-term contracts to try to ameliorate, to try to reduce the outrageous hits they were taking in these skyrocketing prices. Enron tried to sort of lure them into these long-term contracts and were sometimes successful because they were punishing ratepayers with these outrageous prices.

Third example. The Enron traders talked about who they would like to be running the Federal Government, and they talked about it in terms about who would be on Enron's side. They talked about who would be favorable to Enron, who would sort of wink at the wrongful actions by Enron, who would be sort of the cop who was asleep at the switch; and they reached a conclusion pretty quickly.

First off, they noted that Enron was the biggest contributor to the election campaign of President George Bush. They then noted that would it not be great if the next Secretary of Energy was Ken Lay, the disgraced CEO of the Enron Corporation. What they said was, How great would that be for all the players in the market. He would open these markets up.

Now, they were right on that. If Ken Lay was Secretary of Energy, he would have opened up these markets and

would not have taken any steps to try to tamp down the rapacious behavior of Enron, but it turned out they did not need Ken Lay as being Secretary of Energy because the people in the Bush administration were quite effective in not doing anything to lift a finger to stop Enron from gouging west coast ratepayers. They got what they wanted. They got cops on the beat who just winked and let the bank robbers take money out the door without doing anything about it.

It is very interesting here. The prediction of the Enron traders that, number one, they could congest these lines and drive up prices was accurate, much to the damage of people in Washington, Oregon and California; but their second prediction, that the President of the United States would let them get away with it, was accurate, too. That is the reason why it was such a grand shame here today when the Republican Party would not let this House vote on an amendment to simply enforce these laws, to finally blow a whistle on Enron and blow a whistle on the Bush administration for their failure to enforce this law.

I would like to yield to the gentleman from Oregon (Mr. DEFAZIO) who has been fighting this battle now for several years, who has been a stalwart on it, who has a never-give-up attitude.

Mr. DEFAZIO. Mr. Speaker, I thank the gentleman for his leadership on this issue.

Of course, the interesting thing is that we in the Pacific Northwest were the tail of the dog here. On manipulated markets for profit in California, they drove up wholesale markets West-wide. In fact, some 570 days they manipulated markets. It has now been found to be more than 460 days.

The gentleman might remember the meeting we had with Vice President CHENEY just about 3 years ago now. We got a bipartisan meeting together and Democrats and Republicans came together and said to the Vice President, as Northwesterners we are really concerned about what is happening with electricity prices, \$2,000, \$3,000 a megawatt. This cannot be market forces at work. Energy is usually selling at \$30 a megawatt, \$40 a megawatt. Out in the Pacific Northwest, it is 50, 100 times more.

You probably remember the Vice President. He dismissed us with his usual, it is hard to say, I guess sneer would be the best way to say, and say we just simply did not understand, poor little babies. These were market forces at work. This had nothing to do with market manipulation, absolutely nothing; and if we did not build a 500 megawatt plant a week for 16 years, this would continue, \$2,000, \$3,000 megawatt energy.

A funny thing happened on the way to the market forces here, and that is, the Senate changed hands. DIANE FEINSTEIN then managed to schedule a hearing to bring in the people from the Federal Energy Regulatory Commission

and other people from the Bush administration to have them testify on the record under oath about these market forces; and you know what, they suddenly decided there was market manipulation. They quickly imposed price caps, and then the whole thing began to unravel.

They protected their contributing class of Mr. Lay and others as long as they could. As these gentlemen said here in these transcripts, Enron was the single largest contributor to George Bush, and Ken Lay was the single largest individual contributor to George Bush over his lifetime until this campaign. He may still well be contributing and the President may still be taking his money. Ken Lay has not gone to jail yet so I guess he can still contribute.

Mr. INSLEE. Mr. Speaker, I think it is important to go into our conversation in some detail with the Vice President.

This was a bipartisan meeting with members of the west coast delegations, and what we did is we laid out the evidence for the Vice President, and stoplights in California were not working at the time we were talking to the Vice President of the United States, begging him for assistance. What the evidence we showed him was that at the time we were talking to him fully 32 percent of all the generating capacity in the west coast of the United States was turned off. At the time that stoplights were going out in California, Enron and its co-conspirators had turned off almost a third of all the generators in the west coast. They have tried to lay this excuse that, well, we were maintaining them, which was pretty lame because on the average in the last 12 years there has only been 2 to 4 percent of these plants down.

So what we told the Vice President, in a pretty cogent way is, Mr. Vice President, it is obvious someone is gaming the system. There is clear manipulation going on. There is skullduggery. This is a scandal. One-third of the generators are turned off. You are causing brownouts in California. We are having 1,000 percent run-ups in the State of Washington. We need your help. We need your help to force FERC to enforce the law. And I will never forget what he said to that request.

He looked at us in the eye, and he said, and this is about as close to a quote as I can come: you know what your problem is, you just do not understand economics. Now, we do understand economics. My degree happens to be in economics. It is just that we do not understand Enronomics. We do not understand Enronomics that the President and the Vice President of the United States sit on their hands and do nothing while consumers are gouged 10, 20 billions of dollars a year and are still suffering as a result of this Federal Government's refusal to act.

Mr. DEFAZIO. Mr. Speaker, we need to spend more time on the past here because people need to understand what

happened with this market manipulation, and in fact, of course, the head of the Federal Energy Regulatory Commission, Pat Wood from Texas, chosen by George Bush and Ken Lay, wants still to push forward with this deregulation model and impose it on the rest of the United States of America. After all, it was a great success. The only problem was that Enron got caught. A few people made a lot of money. A lot of people had to pay a lot more for their electricity, but that is kind of the way they run the tax system in this country.

I would like to draw a parallel to something that is even more on people's minds. In the Northwest now it is not the heating system. The high rates are not quite as troublesome, although they certainly trouble our businesses every day, particularly those that are energy intensive and are contributing to our high unemployment rate, but I would compare it to what is happening with gasoline.

We are hearing the same refrain from the administration about the prices of gasoline, that these are market forces. Yet, in the last 10 years, there have been 2,600 mergers in the oil industry. We find that every company in the oil industry, those few that are left, are enjoying record profits; and they are saying, oh, these are just simple market forces at work, and again, refusing to act, and of course, this time there is no prospects, since they control both Houses of Congress, that someone can convene hearings to get to the bottom of the market manipulation that is going on here.

It starts with OPEC, and the President, of course, is a great believer in free trade. If he is such a believer in free trade, why is he letting the OPEC countries violate the World Trade Organization? Why not file a complaint? I have sent him two letters to that extent and have had no response.

Beyond that, there are certainly other things he could do. A much braver Congress and more independent Congress years ago imposed a windfall profits tax on the industry and took other dramatic steps to help save American consumers, but they will not do that. It is the same thing that happened with electricity here.

There are a favored few who I would call the contributor class. Most of the people who made the money here are Pioneers or Rangers for the President. Most of the companies that manipulated the market just happen to be based in Texas, and they are still profiting from these contracts because they will not allow your amendment.

I mean, if anything is an illegitimate contract, if you read these obscene transcripts, which we could not read on the floor of the House, the FCC would be on top of us, of these so-called traders of Enron and what they were doing to manipulate and the language they were using and what they were doing to people, if these are not illegitimate contracts, extorting people illegally in

the Northwest and elsewhere, I do not know what is; but they will not allow us to debate an amendment on that issue on the floor.

Mr. INSLEE. That is correct and the reason this is such a shame now is that for over 2 years we urged the administration to act. They did not act. There was an obvious defrauding going on, an obvious offense, an obvious crime. They let the embezzlement in a sense continue, and then told us they cannot get the money back for us. I want to make sure people understand this.

First, when we asked for relief, the President and the Vice President said you are on your own, we are not going to help you. They said that for 2 years. Finally, in 2003, they said, okay, now we give up, we are going to offer some price caps, and they finally gave us some relief in 2003.

□ 1830

But the horse was well out of the barn after 2 years of theft. What happened was they allowed that money to go to Texas. A lot of people in Houston bought mansions with the money we paid on the west coast, with money they stole from the west coast. The former Texas Governor let them steal it and did nothing for 2 years. Those people are now in Texas with money in bankruptcy that we cannot get.

Now because of the combination of President Bush's inaction and failure to follow his responsibility and the bankruptcy laws, this money is gone. But at least we ought to be able to stop Enron from getting another \$122 billion from Snohomish County.

Mr. Speaker, I yield to the gentlewoman from California (Mrs. DAVIS) who has been a tremendous advocate from the very beginning trying to get some action by this government for California ratepayers.

Mrs. DAVIS of California. Mr. Speaker, we did have an opportunity to address this issue today. We had an opportunity to say something happened 4 years ago that needs to be remedied today. Unfortunately, we did not act.

I want to go back for a moment and talk about what our experience was and what happened. When energy prices spiraled out of control beginning 4 years ago yesterday with the major blackout in California, we were told it was just because California had not built enough energy plants so there was not enough supply for the demand; but there was. Power had been turned off by the energy companies to create a false shortage and exorbitant prices. In fact, the power plants had 37 to 46 percent of capacity that was untapped.

The tapes of Enron employees which were finally revealed recently make that abundantly clear. They said, "There are ways you can go and run through the congestion process, get paid for congestion, and then cut your power and just collect the money."

But in San Diego, we have known that the market was being manipulated for most of the 4 years since it began.

Workmen at Duke's Otay Mesa Energy plant revealed early on that they had been ordered to turn off the generators and say that maintenance was needed. They had been ordered to do that. Then they were told to destroy parts so that no maintenance could be completed and the power supply would continue to be turned off to create an artificial shortage. Yet the Federal Energy Regulatory Commission, FERC, refused to investigate. Their legal role was to ensure "just and reasonable rates," but they let the rates skyrocket without action.

Throughout that summer, we petitioned them to hold hearings and to put a cap on rates, but they refused to act. For over a year and a half, there had been details not only of Enron's manipulation, but of gaming by other energy companies. Reliant traders also bragged of shutting down much of the energy production, gloating, "Isn't it fun when you can do things like that now?"

Tapes were found of Williams employees conspiring to cut supply. I recall public hearings at the time where representatives of these energy companies denied any gaming of the market. A number of us were at these hearings and we were trying to push, trying to understand, and they denied any possible gaming of the market. With other elected representatives I heard the president of our local utility declare they were just "passing on their costs," but they neglected to tell us that their existing lower cost contracts for natural gas to run their plants were not being used for the local facilities, but were being sold on the market at an enormous profit.

And did FERC investigate these acts and hold the energy companies accountable? Members know the answer to that. No. Instead, they held private meetings with the power company seeking settlements out of the public eye for a few cents on the dollar.

In San Diego where the rates first soared, so many people suffered. I remember going to local restaurants, small business owners whose ice cream stores could not cut back the electricity, and they had to go out of business. A bakery that closed, mom and pop shops with very narrow margins wiped out by triple energy prices. Frail, elderly people on fixed incomes who could not afford to run their fans or air conditioners when inland temperatures soared.

And when winter came, the natural gas line coming from Texas suddenly cut off half the volume. Natural gas prices exploded, and folks could not afford to heat their homes. Museums housing precious objects, churches and synagogues and nonprofit agencies could not expand their limited budgets for this enormous line-item increase, and they could not just put a surcharge on the price of their services as some businesses chose to do. Schools and colleges had to cut supplies and programs. To save energy, grocery stores turned

off half of their lights, having been told supply was the problem.

I remember clearly we felt like we were in the dark no matter where we went. Our city felt under siege. Worse, the community ratepayers, the small businesses and families who suffered, have not received rebates in proportion to their losses, \$9 billion in unjust charges.

So we must not let this prevail. We must not be silent. We must continue to advocate and to let our voices be heard because our voices are the voices of our communities, and they know this was unjust and they know this was not reasonable; and that is why we must continue to speak out. That is why I am so disappointed today, and thank the gentleman from Washington (Mr. INSLEE) for holding this Special Order because we could have handled this today. We could have addressed this issue today, and we chose not to do it.

Mr. INSLEE. Mr. Speaker, I appreciate the gentlewoman's eloquent statement, but I think it is important to state that the Democrats on this side of the aisle, we were prevented from having this amendment brought up. Think about the outrage, when we want democracy in Iraq, we do not have democracy on the floor of the House. The House is not even given an opportunity to vote on an amendment to get refunds.

To show how callous these Enron traders that the Republican Party has now decided to accommodate by not allowing this amendment even to be voted on, I want to read one transcript to let Members know what the Enron corporation was like. Here is a trader that says, Kevin, there was a guy here yesterday. He is some consultant for some "blank" other business we are supposed to be starting over. He said the guy came in and he said I am in California now, and my small consulting business, my energy costs have gone from \$100 to \$500 a month. It is unbelievable. I do not know what to do.

The trader said, I just turned from my desk and looked at him and said, Move.

Mr. Speaker, that was a very heartfelt comment, and that was Enron's attitude and apparently that is the Republican Party's attitude. He should have moved from the west coast because we are not going to do anything for refunds.

The same trader continued saying, "The best thing that could happen is if there was a 'blank' earthquake and let that thing," meaning the west coast, "float out to the Pacific where they can just light candles."

That is the attitude of Enron and that is the attitude of the majority party, apparently, that would not allow us to take action to do something about this travesty. California was hit, Oregon was hit, Washington was hit; and we are still suffering today.

Mr. Speaker, I yield to the gentlewoman.

Mrs. DAVIS of California. Mr. Speaker, it is very disappointing because when people deal with these issues, they are not dealing with it in a political context. This is not political. This is about the lives of people, their businesses and how they conduct themselves. When the public hears the kinds of statements made by those traders, they look to us, they look to us for help, for support. That is why it is important that this House which represents the people, whether Democrat, Republican, Independent, needs to respond; and that is why this was such a disappointment today.

Mr. INSLEE. The reason we need to respond is the administration has not. Beginning in 2000 and 2001, we have made every concerted effort to get the administration to impose some type of relief, price caps or otherwise. They refuse to take any steps. They sat on their hands. As Bonnie and Clyde ran out with the bank notes, these people sat there and watched this theft occur and did not lift a finger for 2 years.

Now in 2003, because they were so ashamed by what was going on, they finally issued some price caps. But unfortunately according to their commissioner, and this was on June 4, and this is amazing, talk about a catch-22 here, this administration's agency, the Federal Energy Regulatory Commission, whose job it is to protect consumers, they wrote me a letter. I urged them to take action to get refunds for people up and down the west coast.

They wrote me a letter and told me, number one, we have concluded there was massive violation of the law by Enron. We have concluded that there was manipulation. We have concluded there was gaming of the system. We have concluded in essence that there was congestion caused to shut down access to drive the price. We have concluded there was all of this skullduggery and scandal. But we do not think we have the authority to act to get refunds back from the people who had all of this money embezzled before 2003.

So here we have this administration saying we concluded there was a huge crime here. There was robbery, fraud, and embezzlement, and we know how much was taken from ratepayers; but golly gosh, we cannot do a thing about it.

Mr. Speaker, we had a chance today to do something about it to make it the law of this land that we are going to get those refunds, and the majority party refused to even allow that to come up for a vote, and it is a double scandal. It is a scandal that would make Enron proud.

Let me make reference to one thing, when there was a fire that shut down a transmission line and prevented transmission of electricity to California which allowed Enron to boost the rates almost a thousand percent, a trader said, "Burn, baby, burn. That is a beautiful thing." That is why Enron would be very proud of the majority party today refusing to allow us to vote on

something to get refunds for people. The majority party adopted the "burn, baby, burn" approach to not allow us to do anything to get these refunds.

If there was some question, if it was kind of a close call, like there are close calls in baseball, was he safe, was he out, if this was a close call whether Enron gouged west coast ratepayers, then perhaps there might be an excuse; but there is no excuse here. These tapes are the equivalent of a videotape of the crime, DNA of their identity, fingerprints, and a confession after their Miranda rights; and still when this crime occurred, the Republican Party will not help us remedy this wrong. We are going to continue this effort.

Mrs. DAVIS of California. Mr. Speaker, we had the tapes that we just dealt with, and there have been so many other instances along the way that pointed to the fact that there was outright manipulation. Talk about a smoking gun, we had a smoking howitzer, and people still did not respond.

□ 1845

Mr. INSLEE. Just to give you an example, I just want to read specific language of two traders. They are talking about whether to keep a generating plant running or not. One trader asked the operator of the plant from Enron, "How hard would it be for you to turn off your plant and then if we want to start it up later?" He said, "It's not that hard." So the Enron trader said, "If we shut it down, could you bring it back up in 3 or 4 hours?" The response was, "Oh, yeah." The response was, "Why don't you just go ahead and shut it down if that's okay." And when they shut it down, they boosted these prices up, sometimes 1,000 percent.

That type of language was found by Snohomish County in at least a dozen specific circumstances where Enron specifically requested energy to be shut down. We do not know all of them because we found out they were actually taking some of these calls on cell phones to try to get them off their recording system but we have got enough to know there was a clear crime here.

Mr. Speaker, I yield to the gentleman from Washington (Mr. BAIRD), who has so ably advocated for southwest Washington, which also suffered in this debacle.

Mr. BAIRD. I want to thank my friend for raising this issue and for his leadership on this and my friend from California as well. What I would like to do is do two things: First of all talk a little bit about the impact of this terrible practice on the people of my district and relate a couple of stories, and then contrast that impact with what the chairman of the Federal Energy Regulatory Commission said about this incident.

First let me talk a little bit about schools. I visited a number of schools in my district during the height of this crisis and asked them what the impacts of these terribly increased energy

rates were. These were the things I was told. First of all I was told of one school district that had scheduled to purchase new textbooks for their kids. These were not because they just were whimsically buying unnecessary books. I saw the books that they were using. These were books that were almost a decade old. As you can imagine after that much use, the binders were torn up. The books were really not serviceable, were not up to date. But because they could not afford to pay their energy bill, these school districts were having to forgo the purchases of new textbooks.

In addition to that, I visited some of the classrooms. Some of the classrooms were functioning with only half of their lights on and the kids were literally told you need to wear extra sweaters and coats to school because we cannot afford to heat your classroom because of these energy rates.

I talked to senior citizens who told me, Congressman, I am not necessarily going to be able to pay my rent because of the increase in power rates. We had utility districts that saw almost a 100 percent increase in power rates for residential customers. I talked to farm product producers, refrigeration houses, et cetera, who said they were almost faced with bankruptcy because the cost of operating their facilities had gone up so high that they were not able to make ends meet.

On a much larger scale, we had an aluminum smelter that had produced some of the highest quality aluminum in the world that was forced to shut down and is in bankruptcy now and is being parted out, basically scrapped out. We had 700 or more workers directly affected who lost their jobs, their health benefits, in some cases their retirement benefits because electrical prices went through the roof.

In the backdrop of that, of schools not ordering textbooks and turning off their lights and turning down their heat to levels that the kids were cold, in the backdrop of senior citizens who could not pay their rent, in the backdrop of small businesses and farmers who were forced to close their doors, in the backdrop of more than 700 jobs permanently lost, I want to share with you a statement by the individual who could have stopped this but did not. Pat Wood, the head of the Federal Energy Regulatory Commission, said this on March 4, 2002 in an interview in *Business Week*:

"I view Enron's collapse as an affirmation of the efficiency of energy markets." I am going to say that again. "I view Enron's collapse as an affirmation of the efficiency of energy markets," said Pat Wood.

He continued:

"Here was a player who because of bad investments in noncore businesses, managerial shortcomings and—to be charitable—accounting obfuscation, became tainted and lost creditworthiness. Yet, with few exceptions, energy

customers have been able to work through those problems without any real significant impact." Let me say that again. The head of the Federal Energy Regulatory Commission, who refused to act when Enron was manipulating these prices, who was recommended by the top guns at Enron, said even as people throughout my district, throughout the West Coast were losing their jobs, losing their homes, losing their businesses, said, "With few exceptions, energy customers have been able to work through these problems without any real significant impact."

My good friend from Washington commented earlier, and I was in the room with the gentleman from Washington (Mr. INSLEE) when we talked to the Vice President of the United States. We said, Mr. Vice President, the economy of the West Coast is being devastated by these incredibly increased power rates. We said, Mr. Vice President, wholesale markets have gone from \$30 a megawatt hour to \$3,000 a megawatt hour, a 100-fold increase. There is no justifiable mechanism that causes such a basic commodity as this to increase 100-fold. Everybody is complaining now about gas prices going over \$2.50 a gallon. I share that complaint. But if it were a 100-fold increase in gas prices, gas prices would be \$250 a gallon. That is the kind of price increase we sustained in electrical wholesale markets.

The Vice President of the United States of America did nothing to stop that. The head of the Federal Energy Regulatory Commission did nothing to stop that. As businesses closed, our constituents lost their jobs and our school districts went broke, they did nothing to stop it. It is shameful, if not criminal.

Mr. INSLEE. Not only did they do nothing, this House today did nothing while our consumers are still continuing to pay these outrageous electrical rates in Snohomish County, Washington, 52 percent today, still higher. This is the long, dark shadow of Enron that today we refused to do anything about. I want to go through just a moment of history of how this administration has and has not acted and why this ends up with rates being so high.

It is interesting when President Bush was running for office in October 2000, when he was in San Diego and the prices were just starting to maybe go up, he said, "I believe so strongly that part of this region is going to suffer unless you have a President who is willing to tell FERC to do what is right for the consumer." So when he was campaigning, he said he was going to make sure FERC did right by the consumers. He then took the oath of office in January 2001 and the next thing we heard was from Lawrence Lindsey, his assistant in the White House who said, "They should expect no more help from the White House." Message from George Bush to the West Coast: Go

fish. Let them eat cake. As a result, Enron had the green light from the President of the United States to go embezzle, cheat, gouge as much as they could from the West Coast and, by gum, Enron got the message. How do I know that? Here is a quote from one of the Enron traders. This is just right before the election. "Matt," the Enron trader said, "you know what? I'm scooping up every bit of 'blank' power I can and take next summer," Tom said, "because caps won't be there," meaning price caps, meaning he knew the President would do nothing about this problem.

Matt responded, "They got to come for it. I'm bound to bet huge on the election. When this election comes, Bush will 'blank' whack that stuff, man." I am paraphrasing the expletives out. "He won't 'blank' play this price cap stuff. I bet they'll impose a national price cap at \$1,000 and that's fine with me."

They bet and they won. The Enron traders won when George Bush was elected to office and when the Republicans controlled the House of Representatives because they have done nothing for the years 2000, 2001 and 2002 to remedy this bleeding by our consumers.

Just to make sure that people understand we are not kind of making this stuff up as we go along, I want to read about what the administration themselves concluded. On March 2003, the Federal Energy Regulatory Commission issued a final report on price manipulation in western markets. It found "significant market manipulation," that "many trading strategies employed by Enron and other companies were undertaken in violation of antigaming provisions." It identified more than 30 entities that might have manipulated the market. But Catch-22 from the Bush administration, we are not going to do anything about it. They concluded for 2 years before 2003 there was massive market manipulation and they refused to lift a finger to give refunds for people who were victimized. I could understand it if they said we are not sure if there was a crime here. But when the President of the United States' own agency concludes that billions of dollars were stolen from ratepayers in the western United States but they refused to lift a finger to get refunds, something is rotten in the State of Washington, D.C., and it is the influence of Enron Corporation still in the political process of those who still run the Federal Government. We have got to see some changes around here.

Mr. BAIRD. I want to underscore exactly what you said and how prescient and remarkably so that the individual cited in the recording said, "I'm betting on a \$1,000 per megawatt cap" because that is exactly the cap that was proposed. Let us put that cap into context. Again, the average cost before this crisis was \$30 a megawatt hour. So the cap on \$1,000 is a 30-fold increase. A

30-fold increase if applied to gasoline would be over \$75 a gallon today. \$75 a gallon. Not a tankful but a gallon. That is the kind of cap they were talking about. How remarkable. And I do not think it really is remarkable that they would speculate on precisely the cap that was put in.

Let me line this trail of evidence further. The Vice President of the United States has claimed executive privilege and has denied this Congress and the American people access to the names of the people with whom he consulted in crafting his energy bill. How is it that Enron traders would so accurately predict the level of the cap that would be put on in the energy bill? How did they know that? And how coincidental that the Vice President of the United States will not give us the list of those names. He is consulting with the very people who are manipulating the energy markets at the very time they are doing the manipulation and he is refusing to do anything to stop that manipulation. And the people of the United States are being hammered and losing their jobs, losing their homes, losing their businesses, and the people who are doing the manipulation are talking to the Vice President about what the energy bill should contain and he is going along with them and he is refusing to stop them, and now is it any wonder he refuses to tell the American people with whom he was speaking.

I want to walk through, if I may, a little bit about how this dynamic works. Here is the situation our local utility districts were faced with. Normally they could go on the spot market and buy energy in a shortfall for between \$30 and maybe up to \$60 a megawatt hour, but somewhere in that ballpark. But when prices spiked to \$3,000 a megawatt hour, that is a 100-fold increase, so think about that for a second. If you have a commodity that goes up 100-fold, then in 4 days of purchase you have blown your entire annual budget. In 8 days of purchase, that is 2 full years of your budget. So the utilities were left with a Hobson's choice. I personally believe Enron, et cetera, created this choice for a very clear motive. What they did by letting prices spike to \$3,000 a megawatt hour was they then had the utilities over a barrel and they said, "Here, we've got a choice for you. If you don't want to risk that \$3,000 per megawatt hour, why don't you just lock in prices at, say, \$250 a megawatt hour," roughly the same level that that quaint trader said he would shove somewhere up some grandmother's anatomy. The utilities had no choice. Either you buy \$250 a megawatt hour and lock it in for the long haul, thereby forcing your ratepayers to pay as much as eight times the normal going rate, or you run the risk of \$3,000.

So some of our utilities had no choice but to lock in these long-term contracts because they had to protect themselves against the risk of these outrageous short-term power rates. We

are still paying the cost of that today in Cowlitz County, a county in my district that saw that aluminum smelter close, saw the loss of more than 700 jobs, is one of the leading counties in my State in unemployment, or had been. It is a wonderful county with hardworking, decent people. Their public utility district saw 97 percent rate increases. The Social Security COLA runs somewhere between 2 to 4 percent a year, depending on the year. If you are a senior citizen on a fixed income and you have to heat and light your home, when the Social Security COLA increases 2 or 3 percent but your power rate increases 97 percent, how do you possibly make ends meet?

□ 1900

And how does Pat Wood, the head of the FERC, say most consumers have gotten through this without any difficulty? And, frankly, how does the Vice President of the United States sleep at night?

Two questions that I hear from my constituents all the time. First, where is the money? Who profited from this? Where did the money go when these rates went through the ceiling? And the second is, why does someone not go to jail? People ought to go to jail for this. They clearly broke the law. They clearly defrauded the public. They ought to go to jail, and those who profited from it ought to pay back the money.

And one final thing. I can tell them where part of the money went. Part of the money went into campaign contributions. Part of the money went into campaign tricks to help the very people who refused to regulate this market get reelected, and here I am sorry to say that as these energy markets went through the roof and were manipulated criminally, we received almost no assistance, virtually no help from our colleagues on the other side of the aisle. They said, no, we are going to let the market take care of itself. We are not going to intervene. Indeed, there was a certain condescension on their part that how dare we try to control these markets.

And let me point out that regulated cost-based pricing was the model that worked in this country for many decades before Enron, et al. persuaded various governments and the administration that we ought to deregulate the markets, and they took advantage of that. They helped write the law. They then took advantage of that, and they deceived the public in the process, and our friends on the other side of the aisle were silent, in fact, blocked our efforts to try to impose regulations.

Mr. INSLEE. Mr. Speaker, unfortunately, our friends on the other side of the aisle were worse than silent. They absolutely choked off any consideration of the Enron scandal on the floor of the House today. Here we have this enormous scandal breaking with the exposition of these tapes, and they refused to allow any Enron discussion

even or action on the floor of the House.

The gentleman brings up campaign contributions. It is interesting because so did the Enron traders. I want to read from a transcript of a tape of two Enron traders talking shortly before the election. The first one, his name was Matt. Matt was talking to Tom, and the transcript says: "Tell you what. You heard this here first: When Bush wins—

"Tom: Caps are gone," meaning price caps, some action to keep prices reasonable.

"Matt: That 'blank' Bill Richardson," former Secretary of Energy, "he's gone, and Clinton, he's gone. All those socialists are gone.

"Tom: Yeah.

"Matt: And who's the biggest single contributor to the Bush campaigners?

"Tom: You.

"Matt: (Laughs) Enron.

"Tom: Enron. What?

"Matt: Enron.

"Tom: Is it Enron?

"Matt: Yeah.

"Tom: Is that true?

"Matt: Yeah, I think it is.

"Tom: The biggest single contributor." Enron Corporation.

"Matt: Yeah, the biggest corporate contributor.

"Holy—really? That's huge.

"And that is number one.

"Ken Lay," CEO of Enron, "is going to be the Secretary of Energy.

"Tom: Get out of here!"

Tom does not have to get out of here because he got what he wanted. He got a compliant administration that let Enron rip off American citizens, Democrats, Republicans, Independents alike. They were bipartisan victims, and he got an administration to let them run rampant through the energy markets and steal billions of dollars from our citizens and neighbors who cannot afford it. He got what he wants. Now it is up to this Congress to do something to get what we want and what our citizens, Republicans and Democrats alike, want, which is a refund for the money.

Where did this money go? It went to buy a lot of mansions in Houston where the President used to be Governor, where his Vice President met with Ken Lay, the CEO of Enron, in a secret meeting to come up with a secret energy plan that is no secret any longer. There is no secret about what happened here. Enron got what they wanted, a compliant administration to let them take as much as they want from consumers and do nothing about it. And they got a Vice President, when we laid out the facts to them, when it was clear as a bell that this manipulation was going on, they got a Vice President, and do my colleagues know what he said? The same months that there were brownouts in California, he said "The basic problem in California was caused by Californians." Maybe he is referring to the traders in Enron. Maybe they lived in California. I do not know, but I do not think so because it

was obvious what was going on here. Thirty-two percent of all the steam-generated, gas, coal-fired plants feeding the west coast United States had been turned off, and the Vice President and the President of the United States told victims of that skullduggery that they were not going to do anything about it.

And now Congress needs to act, and we are going to continue to press on this because we have learned an interesting thing. We can actually get this administration sometimes to change behavior. For 2 years they refused to do anything about this. We finally shamed them into action, and in 2003 they finally adopted price caps that they said were going to ruin the U.S. economy and that this was a communist plot to have price caps. They finally did it in 2003 because they could not take the heat anymore. We are hoping this administration, when they feel enough heat, and our colleagues across the aisle, when they feel enough heat, maybe they will not see the light; but maybe they will feel the heat, and maybe they are going to then knuckle under and do something for the consumers that are owed so much. I would like a closing comment from the gentleman from Washington (Mr. BAIRD) as we close our discussion tonight.

Mr. BAIRD. Mr. Speaker, I would just add to this that when appropriations runs around in this Congress, we often, all of us, send out press releases to our constituents. We help get X amount of dollars to come back to our district for a school or a highway or you name it. But I wonder why my friends on the other side of the aisle have not sent letters back to their constituents saying because of our inaction in 2000 and 2001, billions of dollars were taken from people's pockets, from their families, from their schools, from their businesses and given to large energy corporations. Because whatever they may bring back to their district, Mr. Speaker, they have allowed to be taken out. Because of their inaction, because of the inaction of this administration, because of their actions in allowing this deregulated debacle to move forward, billions of dollars have been taken out of hard-working Americans' pockets, put into large corporations who have broken the law, rewritten the law to their own advantage. It has been cynical. It has been destructive.

The one final thing I would say is, and it is a little bit of a deviation, but there is a pattern here. It is not only a pattern evident in the energy bill. We saw in the Medicare bill, which was also written to a large degree by special corporate interests and some of our own colleagues who helped write that legislation are going to work for those special interests, to prohibit the Secretary of Health and Human Services from negotiating lower drug prices. When I tell this to my friends back home in town meetings, they sometimes do not believe it. They say,

Do you mean to tell me that the very people who benefit, who raise our prices on energy or on pharmaceuticals are writing the laws and Congress is doing nothing?

And the sad truth is we are doing worse than nothing. We are enabling this.

Mr. INSLEE. Mr. Speaker, we do not want to believe that the U.S. Congress would allow such a massive rip-off of Americans to take place and not do something. We do not want to believe that just because Ken Lay was so close to President Bush that the whole Federal Government will do nothing. We do not want to believe that massive political contributions could end up with the Federal Government not doing its job. We do not want to believe that when the Federal Government itself concludes that there was a crime, that there was manipulation, that there was gamesmanship, that there was defrauding, that there was embezzling, that they would do nothing. We do not believe that is the right thing to do, and we think ultimately we have some confidence that we will actually prevail on this. Even if it takes November and we get a new Congress that will finally take action to get a refund for Americans, that is the route we will go.

I want to thank the gentleman from Washington (Mr. BAIRD) for joining me this evening.

THE WAR ON TERROR

The SPEAKER pro tempore (Mr. GARRETT of New Jersey). Under the Speaker's announced policy of January 7, 2003, the gentleman from Arizona (Mr. FRANKS) is recognized for 60 minutes as the designee of the majority leader.

Mr. FRANKS of Arizona. Mr. Speaker, it is an honor to be here tonight. I am especially gratified at the presence of the gentleman from California (Mr. HUNTER), the distinguished chairman of the Committee on Armed Services. I truly believe that there is not a finer American in the Congress than the gentleman from California (Mr. HUNTER).

Mr. Speaker, as we begin to discuss some of the new events that are taking place in Iraq, I thought it might be good to review some of the circumstances that brought us there in the first place. Mr. Speaker, with all of the discussion lately regarding the search for weapons of mass destruction, regarding the Abu Ghraib prison issue, sometimes I think we forget what our basic reason was for going into Iraq.

After September 11, this country recognized that it had entered into a different age, and the wars that we fought in the past and the Cold War we had an enemy that we recognized for who they were. We recognized that they had a capability that was incredibly dangerous to the freedom of the United States of America. We knew their capability, Mr. Speaker; but we did not al-

ways know their intentions. And, Mr. Speaker, I submit that even the basis of our defense at the time in the Cold War was predicated to a great degree on our enemies' sanity. We believed that they had enough respect for their own lives and enough commitment to live that somehow our own offensive capability would deter an attack from an enemy like the Soviet Union.

And, Mr. Speaker, I am sure that we would all like to have a better philosophy than mutually assured destruction, but indeed that philosophy kept us safe for a very long time. But, again, it was predicated on the sanity of our enemy.

Today, Mr. Speaker, we recognize a different enemy. It is an asymmetric enemy that no longer fits the traditional mode at all. We now know the intention of our enemy very well. If September 11 did not teach us that, then I suppose it is a lesson that will escape us forever. If the circumstances regarding the brutal murder of Nick Berg does not teach us the mindset and intention of our enemy, then again I suppose that lesson will evade us. If the words of Osama bin Laden when he said that "obtaining nuclear weapons is our religious duty," if that does not help us understand the gravity of the enemy we face, then perhaps again it is a lesson that will evade us to our great peril.

Mr. Speaker, today with terrorism we face an enemy that has the worst possible intentions for America and the worst possible intentions for freedom. It is fundamentally critical that we interdict their capability. And, Mr. Speaker, of all the reasons for us to have gone into Iraq to free that country, one of the greatest is to interdict the entire process that leads to the terrorist organizations throughout the world.

Terrorists understand that better than anyone. Even now terrorists come into Iraq on a regular basis to try to not only discourage Americans from maintaining their commitment to freedom but to do everything that they can to win the battle there in Iraq because they know that if there is a beachhead of freedom built in Iraq, if we truly can find freedom come to this nation, that it could begin to spread throughout the entire Middle East region, and, Mr. Speaker, perhaps it has the ability to turn the whole of humanity in a better direction.

□ 1915

I truly believe that our choices are very simple: We either defeat terrorists in Iraq on their own ground, or we continue to fight them here.

Mr. Speaker, I think it is very important that we not only defeat terrorists on the battlefield, but we have to understand that we need to address the core rationale that spawned terrorism in the first place, and that is a misguided religious hatred. If we fail to address that and to win the battle of ideas, then we will be destined to fight this battle over and over again.

Mr. Speaker, I think one of the things that gives me great hope along those lines is the recent visit that I was privileged to have in Iraq, privileged. I met with the Iraqi Governing Council. One of my great concerns has been the kind of constitution that Iraq would finally end up with.

You say, well, you know, isn't that just the new Iraqi government's job to do that?

Mr. Speaker, it is important that the new Iraqi government maintains the oversight of their constitution and builds the government for themselves. But I really, truly believe that America has a tremendous responsibility to help the newly freed, the newly liberated Nation of Iraq, have the advantage of some of our experience.

It was not so long ago that young men in airplanes, with a misguided religious fervor once again, flew their airplanes into ships, and sometimes I wonder if we missed the connection there, that the same misguided young men today are flying airplanes into buildings, and for some of the same basic, twisted reasons.

When we fought with Japan, when we prevailed, we told Japan that they should write their own constitution, and they did. They wrote three of them. None of them had religious freedom or any truly basic bill of rights in their constitution. So we recognized the importance of that, and at that time we literally imposed that constitution.

We did not have to do that this time, Mr. Speaker. Now we have been privileged to see an interim constitution in Iraq that has almost all of the magnificent bill of rights that the U.S. Constitution has.

Let me just quote Alexander Hamilton to underscore the importance of that. He said, "If it be asked what is the most sacred duty and the greatest source of our security in a republic, the answer would be an inviolable respect for the Constitution and the laws, the first growing out of the last. A sacred respect for the constitutional law is a vital principle, the sustaining energy of a free government."

Mr. Speaker, I have to say, I have been terribly concerned that somehow once we liberated Iraq and withdrew, as we always do, we do not continue to occupy a nation after we liberate it. I think it has been said that the only piece of ground that the American soldier has ever occupied for any length of time has been that little green patch of grass under some Star of David or Cross of Calvary out on some foreign battlefield cemetery.

Mr. Speaker, I pray that when we finally step away from Iraq that they will have the kind of constitutional foundation that will give them some of the same magnificent tools and hopes and dreams that America has had, because I think it would be very arrogant on the part of Americans to think we are smarter than everyone else. We have had a wonderful blessing of a