

WASHINGTON OFFICE  
205 CANNON BUILDING  
WASHINGTON, DC 20515-0514  
(202) 225-8104  
FAX (202) 225-8890  
<http://www.house.gov/eshoo>

DISTRICT OFFICE  
698 EMERSON STREET  
PALO ALTO, CA 94301  
(650) 323-2984  
(408) 245-2339  
FAX (650) 323-3498

**Anna G. Eshoo**  
**14th District, California**  
**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-0514**

COMMITTEE ON ENERGY AND COMMERCE

SUBCOMMITTEES:  
TELECOMMUNICATIONS AND THE INTERNET  
HEALTH  
COMMERCE, TRADE AND CONSUMER  
PROTECTION  
WHIP AT LARGE  
CO-CHAIR  
MEDICAL TECHNOLOGY CAUCUS  
VICE-CHAIR  
DEMOCRATIC BUDGET GROUP  
CO-CHAIR  
DEMOCRATIC ADVISORY GROUP  
ON HIGH TECHNOLOGY

February 4, 2002

The Honorable Larry D. Thompson  
Deputy Attorney General  
U.S. Department of Justice  
Tenth and Constitution Avenues, NW  
Washington, D.C. 20530

Dear Deputy Attorney General Thompson,

I'm writing to urge you to broaden the scope of your investigation into the business conduct of Enron Corporation.

While most attention has rightly focused on the financial and accounting practices of Enron and its auditor, Arthur Andersen L.L.P., there are many other troubling aspects regarding the case that must be examined. I'm concerned that these aspects might be ignored.

From California's perspective, we must know what influence Enron had in the exponential increase in wholesale electricity rates in the West in 2000 and 2001. The *San Francisco Chronicle* reported on January 30, 2002, that Enron's former chairman Kenneth Lay submitted a memorandum on energy policy to Vice President Cheney in April 2001. Mr. Lay's memorandum made a number of policy recommendations, including a call for a no-intervention response to the price gouging that was ongoing in the California electricity market at the time. Estimates of the overcharges during this period range from hundreds of millions of dollars to nearly \$9 billion. The American people, particularly those in the West who are still paying the price for this gouging, deserve to know the degree to which Mr. Lay's lobbying influenced the Administration to permit this activity.

Equally important, the American people must know the influence that Enron and its executives had in the selection of the regulators who were supposed to oversee Enron and the energy industry. Public accounts (including interviews with Mr. Lay and former Federal Energy Regulatory Commission chairman Curtis Hébert) indicate that Mr. Lay and Enron attempted to exert influence over FERC by emphasizing its connections to the White House. Those connections were real; Enron and Mr. Lay were major donors to the Bush campaign and Mr. Lay was a longtime friend of the Bush family. Through these ties, he and his company gained the ear of the White House, particularly over nominations to the Commission and in the selection of its chairman.

During interviews for the television program *Frontline* last year, Mr. Lay acknowledged that he and other Enron executives screened potential nominees to FERC. He also acknowledged that he presented a list of Enron-favored nominees to Clay Johnson, Director of the Office of Presidential Personnel (interview transcript at [www.pbs.org/wgbh/pages/frontline/shows/blackout/interviews](http://www.pbs.org/wgbh/pages/frontline/shows/blackout/interviews)).

In a separate interview for *Frontline* in 2001, Mr. Hébert was told, "Our sources tell us that he [Mr. Lay] offered to talk to the President on your behalf if you would go along with what he wanted [open access to wholesale and retail markets]." Mr. Hébert responded, "I don't think there's any doubt he would be a much stronger supporter of mine if I ... were willing to do what he wanted." Mr. Hébert was also asked, "Has any other CEO of any company ever called you privately to lobby their position?" Mr. Hébert said, "No."

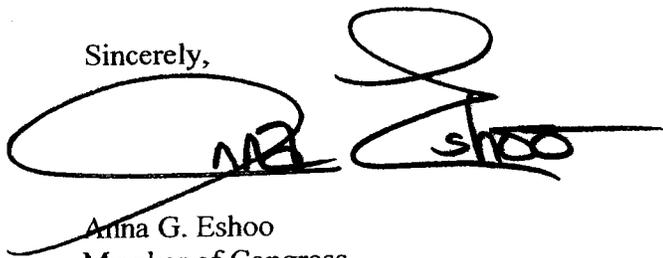
Finally, Mr. Hébert was asked, "Because of the sensitivity of this, it is not incorrect to characterize these communications [between you and Mr. Lay] as ones that involve (1), policy, and (2), his [Mr. Lay's] ability to help you in some fashion?" Mr. Hébert answered, "There's no doubt Ken Lay and I have had communications as to policy and the direction he would like to see this Commission move in. There is also no doubt that he and I have had conversations as to whether or not he was supporting me for the [FERC] chairmanship."

It seems obvious that Mr. Lay and Enron attempted to leverage their close ties to the Administration to pressure regulators and to influence the Administration's policies and choices of personnel to fill regulatory positions. These attempts to influence government policy might not have had any effect, as the White House has stated, but the Department of Justice should investigate in order to clear the air on this subject.

Last March, I called upon the Department of Justice to investigate the pricing practices of electricity producers and gas pipeline operators in the West. Regrettably, no inquiry took place. Had there been one, we might have avoided some of the fallout from Enron's collapse. An investigation certainly could have helped end the price gouging in the West. Even though the damage has been done, we still must have the full story of Enron's role in the electricity crisis.

I'm enclosing copies of the transcripts of *Frontline's* interviews of Mr. Lay and Mr. Hébert and Enron's memorandum to Vice President Cheney. I urge you to make this information part of your investigation and that you give a timely response to my urgent request. I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Anna G. Eshoo", written over a horizontal line. The signature is stylized and includes a large loop at the top.

Anna G. Eshoo  
Member of Congress

cc: The Honorable Michael Chertoff

Enclosure