



The Oregonian

Enron trial has captive audience in Oregon

Scandal - The energy giant goes to court, and Oregon, home of some of its victims and villains, will watch

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When the capstone trial exploring Enron's spectacular meltdown begins Monday in Houston, an extraordinary array of Portland-area residents will closely watch for new insights into the corporate debacle.

Among them: Enron critics, stung employees, infuriated customers, potential trial witnesses.

In its heyday, Enron had a greater presence in Portland than in any other spot outside the Lone Star State. Hundreds of Oregonians -- several thousand, counting employees of subsidiary Portland General Electric -- worked for the one-time energy giant. PGE, Oregon's largest utility, has 775,000 customers. All felt the impact of Enron's fall in late 2001 as scandal overwhelmed the company and erased hundreds of millions of dollars in employee savings.

The ill-fated Enron Broadband Services operated from Portland as well as Houston offices. Downtown's World Trade Center housed Enron Power Marketing, a push-the-envelope enterprise that ultimately pushed too far with market manipulation schemes known by such names as Death Star, Get Shorty and Fat Boy. PGE was tangled up in questions about Enron's power-price manipulations.

No wonder, then, that the upcoming conspiracy and fraud trial of Enron chiefs Ken Lay and Jeffrey Skilling has drawn Oregonians' intense interest. It has grabbed the attention not only of workers who were sucked deep into the consequences of Enron's collapse, but also of public officials, business leaders and electricity consumers who are searching for better explanations for lingering local impacts. Only now, after four years of contentious public debate over whether the utility should be publicly or privately owned, is PGE headed for new ownership as an independent, publicly traded company.

Granted, some wish Enron and its executive crew were long-forgotten. PGE executives say they're committed to a future as an Enron-free publicly traded company and have no interest in a trial that will stir up past transgressions of the utility's erstwhile parent.

"Get it over with; get it finished," said Peggy Fowler, PGE's chief executive officer. "It's history."

PGE, one of Enron's few subsidiaries to survive intact, probably won't get much mention during the two to four months the trial is expected to last. The utility mostly operated apart from the alleged machinations that lie behind the conspiracy and fraud charges against Lay and Skilling. State regulators say financial safeguards put in place when Enron bought PGE in 1997 helped keep the utility stable.

No PGE employees are on trial witness lists.

Nevertheless, Oregon's largest utility remains locked in a feud with the city of Portland over deals done and revenues tallied by PGE during the Enron era. Forgive and forget, at this point, is not the city's intent, and city commissioners say they will listen for any PGE-related tidbits that might arise in Houston's U.S. District courtroom.

One key question

Attorneys keeping tabs on the trial say the testimony and evidence could drill down to a fundamental question: Did Enron's top leaders lie to investors? Did they pump up the company and its stock, knowing all along that financial trickery and faltering ventures threatened Enron's existence?

So-called Special Purpose Entities are expected to weave through much of the testimony, as are other accounting strategies used by Enron to create one of the most complex financial structures in corporate history. Andrew Fastow, Enron's wheeler-dealer chief financial officer, made extensive use of SPEs. The off-balance-sheet accounting, it turned out, was used to hide \$8 billion in company debt.

One SPE, LJM2 Co-Investment, included Coyote Springs 2, a power plant project in Boardman and former PGE holding.

Fastow, who pleaded guilty in January 2004 and agreed to cooperate with prosecutors, could prove the trial's key witness.

Power traders

Questioning into who knew what when could explore the roles Lay and Skilling played in bolstering the successes of Enron's broadband and power trading divisions.

For Portland-area residents, the most recognizable name on the prosecution's witness list might be Timothy Belden. A former PGE employee, Belden joined Enron in 1997 and became chief trader at Enron Power Marketing in Portland, the center for West Coast wholesale power transactions. The trading desk no longer exists.

Belden pleaded guilty in October 2002 to conspiracy to commit wire fraud in the manipulation of West Coast energy prices and agreed to cooperate with prosecutors. He's awaiting sentencing.

He was known as a smart, ambitious energy trader who gave Enron exactly what it wanted: plenty of money from wholesale trading, primarily in California, where a botched deregulation plan made the region ripe for exploitation. Belden devised some of the now-infamous schemes that turned public suspicions of trading shenanigans into widespread outrage.

The explosive memo that catalogued the names and details of the various trading strategies surfaced in May 2002 during a U.S. Senate investigation into the Enron bankruptcy. The memo, dated Dec. 6, 2000, came from Stoel Rives legal offices in Portland.

California State Sen. Joe Dunn, one of Enron's early critics, said he's eager to hear what Belden has to say. He considers Belden the kingpin in a scheme that drove up power prices and bilked billions of dollars from California ratepayers.

"He's one who led the effort to pillage the West Coast," Dunn said.

Portland-based energy consultant Robert McCullough, who continues to advise clients on issues related to the 2000-01 power crisis, also says the high-profile trial could unloose new trading details.

"There could be a whole set of determinations about what happened on a day-by-day basis -- where the money went and who was involved," he said.

The challenge for prosecutors, McCullough said, will be to guide jurors through the mind-numbing complexities of wholesale trading.

"White-collar crime can be unbelievably dull," McCullough said. "It's not sexy women and exotic cars. It's ugly geeks and reams of computer paper."

The Broadband bunch

The workings of fiber-optic networks are equally complex. Yet they, too, could spark up the trial. For a time, Enron Broadband Services was the company's golden boy, a new-age entrant into a world where bandwidth would be traded like pork bellies or oil.

Enron Broadband began in Portland as a PGE venture FirstPoint Communications. Joe Hirko, former chief financial officer of PGE, initially headed the venture, but resigned in June 2000 after an awkward time as co-chief executive with Houston's Ken Rice.

In the months following his departure, Hirko unloaded \$35 million worth of Enron stock. He and four other Internet executives were later accused of lying about the fiber-optic network's capability to inflate the stock and cash in.

Last July, Hirko, who still lives in Portland, was acquitted of some insider trading and money-laundering charges. A mistrial was declared on remaining charges, which included securities and wire fraud. Hirko is scheduled for a new trial in September.

Rice pleaded guilty to securities fraud in July 2004. He was the star witness at the trial of Hirko and the other Internet executives.

Rice is on the prosecution's witness list for the Lay-Skilling trial. Hirko is on the defendants' list.

Hirko's attorney, Per Ramfjord of Stoel Rives, said he doubts prosecutors will delve into Enron Broadband, particularly given their lack of success at the Internet trial.

"There are other things simpler and easier for people to understand," Ramfjord said.

Yet it's no slam-dunk for prosecutors. The special-purpose entities and other accounting measures used by Enron are common corporate practices.

"Whether they are the best practices, that's another question," Ramfjord said. "But that's not something that should make for criminal misconduct."

Savings lost

Still, Enron employees who saw company stock fall from an all-time high of \$90 in August 2000 to virtually zero upon the bankruptcy have blood in their eyes.

"I wish they'd strip every last dollar from them and give it to the employees," said Dave Covington, 46, a PGE lineman, whose 401(k) now holds only a fraction of the \$319,000 from Enron's salad days.

When former Enron Broadband programmer Barry Lavine was asked what he hoped would happen, he asked, "Do you mean would I rather see them decapitated or drawn and quartered?"

Six years ago, Lavine was a millionaire. Today, the 52-year-old says he's a man of more modest means, working out of his home as a contract programmer.

"It took about a year waking up in the middle of the night wondering where that \$1 million was," he said. "But now, I'm largely over the loss."

He doesn't regret his Enron days because, at the time, "I was convinced that what we were doing would make Internet history."

But today, Lavine looks back on the Enron experience a little differently. "I hate to be cynical about corporate America," he says, "but it sure made me cynical about corporate America."

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