

The Enron Tapes: A Campaign for Consumers
Corporate Communications Team
Snohomish PUD
Everett, WA

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Title: The Enron Tapes: A Campaign for Consumers
Division/Category: Communication Management/Strategic Communication Processes (Div. 1, Cat. 11)
Organization: Snohomish County Public Utility District (PUD)
Time Period: 2003-2004
Brief Description: A PUD communications campaign exposed widespread abuse at Enron in an effort to prompt expanded review by federal regulators and void a \$122 million lawsuit.

1. Need/Opportunity:

During the West Coast energy crisis of 2000-2001, Snohomish County PUD (a public utility serving a suburban community north of Seattle) faced extremely volatile wholesale energy prices due to short supplies and a dysfunctional market structure. To meet customer demand, in 2001 the PUD entered into an eight-year wholesale energy contract with Enron Corp. Unfortunately, the energy was costly – 400 percent higher than what the utility had paid in the past. The Enron contract, along with other expensive energy purchases, forced the PUD to raise its retail rates by 50 percent. A record number of PUD customers saw their service disconnected for non-payment of bills (increasing by 75 percent in two years to 15,192 in 2002). Local businesses, meanwhile, saw their competitive edge erode as cheap Northwest energy quickly became a thing of the past. In 2002, PUD customer satisfaction plummeted. Research showed only 77% of customers trusted the PUD, and only 77% felt the utility charged “fair and reasonable” prices. In turn, several members of the utility’s senior management team were fired and an elected commissioner voted out of office.

In 2003/2004, the PUD became more proactive by fighting Enron and other energy wholesalers over inflated energy contracts. The utility terminated its Enron contract. However, Enron fired back with a \$122 million lawsuit against the PUD. To counter the claim, the utility aggressively pursued evidence showing Enron manipulated the power market. In 2004, the PUD hit pay dirt, uncovering explosive audio tapes and financial records revealing widespread corporate corruption by Enron. The evidence was central to its 2004 communications campaign.

Additional Research Findings:

- Research after the energy crisis showed customers lacked confidence in PUD management.
- Customer focus groups, letters and emails showed low awareness of the PUD’s efforts to reduce energy costs.
- Customers’ letters and emails asked for ways they could help the utility fight Enron and other energy firms.

2. Intended Audiences:

a) The PUD’s 300,000 residential and business customers – Many local consumers and businesses were hit hard by high energy pricing, which was exacerbated by the recession. Boeing, a major employer was downsizing. Unemployment levels were high. Both residents and businesses were receptive to messages about how they could help influence federal regulators in resolving problems caused by the Western energy crisis, particularly the Enron lawsuit.

b) The Federal Energy Regulatory Commission (FERC) – The federal regulator has been largely unresponsive to the needs of Western consumers. By publicizing the widespread abuse of Enron, and in turn building both public interest and political pressure, the PUD forced FERC into taking a more active role in regard to Enron’s abuse within the wholesale energy market.

3. Goals & Objectives:

Goals:

- Rebuild customer confidence and trust in management, as well as overall satisfaction levels with the utility.
- Pressure the Federal Energy Regulatory Commission (FERC) to expand Enron investigation and help the PUD void \$122 million lawsuit.

Key Objectives:

- Increase 2004 customer “trust” of utility by at least 5 percent over 2002 “post-energy-crisis” survey levels.
- Increase 2004 customer perception of “well-managed company” by at least 5 percent over 2002 survey levels.
- Increase 2004 customer rating of “fair and reasonable prices” by at least 5 percent over 2002 survey levels.
- Prompt Federal Energy Regulatory Commission to launch comprehensive review of Enron energy contracts in 2004.

4. Solution Overview:

In spring 2004, the PUD decided to publicize new evidence showing Enron’s widespread abuse. Audio tapes and other evidence secured by the utility demonstrated a blatant disregard for consumers by Enron. These tapes became the cornerstone of the PUD’s communications campaign.

Key Messages:

- The PUD’s new evidence clearly shows that Enron intentionally congested electricity transmission lines and used its influence to delay wholesale price caps – both in order to profit unjustly in the Western electricity market.
- In addition, transcripts provide evidence that Enron lied to the PUD during contract negotiations in order to drive up the contract price. The transcripts also provide evidence suggesting that Enron’s top leadership, including Ken Lay and Jeff Skilling, were aware of illegal gaming.
- It is absurd that Enron believes that the PUD owes them a dime under the cancelled energy contract.
- The PUD is working hard to get action from the Federal Energy Regulatory Commission (FERC), which is charged with protecting consumers from unjust energy pricing.
- The PUD has received overwhelming support from the Congressional delegation, including continued work by Senator Maria Cantwell and Representatives Jay Inslee and Rick Larsen.

Strategies:

Educate PUD customers (and consumers throughout the west) about:

- a) New Enron evidence – audiotapes & financial records - showing its widespread corruption and market manipulation;
- b) Lack of corrective action by the Federal Energy Regulatory Commission (FERC) on behalf of Western U.S. consumers; and
- c) Ways consumers can pressure FERC to conduct review of Enron energy contracts (through letters, emails, phone calls, etc.)

Tactics:

- *Media Relations:* Use press conferences, news releases and editorial board briefings to communicate key messages.
- *Government Affairs:* Partner with key elected officials to prompt additional action by FERC.
- *Publications:* Use customer newsletters, bill inserts, website and collaterals to educate & involve customers in issue.
- *Public Outreach:* Use public forums, special events and speaking engagements to educate customers and to offer ways to communicate with FERC and elected officials about the PUD and Enron.

5. Implementation and Challenges

Despite efforts by Enron and FERC to block them, the PUD's legal team successfully obtained evidence from the Department of Justice (seized from Enron for criminal trials) that proved Enron bilked consumers in the Western U.S. of more than \$1 billion. In early 2004, the utility waded through 2,800 hours of audio-taped phone calls between Enron energy traders (trading floors routinely tape calls). The profanity-laden phone calls revealed traders discussing "stealing" up to \$2 million a day from California during the energy crisis, taking power plants offline to inflate the price of power and lying to the PUD during energy contract negotiations. The evidence was used for an extensive communications campaign that relied on several specific tactics.

Media Relations:

During a 12-week period starting in late spring 2004, the PUD issued more than a dozen news releases, held 10 press conferences and managed 256 media inquiries about Enron. The utility partnered with U.S. Sen. Maria Cantwell (D-WA) for media briefings in both the Seattle area and in Washington, D.C. It ran as the lead story on the CBS Evening News in early June, followed by stories on all major networks, CNN, BBC, Canadian Broadcasting Corp., Aljazeera, National Public Radio and Voice of America. Newspapers covering the story included *The New York Times*, *Washington Post*, *Chicago Tribune*, *Houston Chronicle*, *L.A. Times*, *US Today* – plus papers in Japan, France, New Zealand and Australia. Even Comedy Central weighed in creating an Enron skit for the *Daily Show with Jon Stewart*. The media interest was so strong that a website used for downloading audio clips crashed just hours before media deadlines. The PUD communications team scrambled to email electronic files to reporters and re-launch a website better suited to handle high traffic. Multiple spokespeople, who were well-versed in the key messages, were used to handle the considerable media interest in the first weeks of the story.

Government Affairs:

The utility partnered with Sen. Cantwell to pressure FERC action. As a measure of success, just minutes prior to a meeting between Sen. Cantwell and FERC Chairman Pat Wood, FERC announced it

would launch a thorough review of Enron, dating back to 1997. Working closely with other Northwest politicians, the utility also gained the support of U.S. Reps. Jay Inslee and Rick Larsen (both WA); Washington Gov. Gary Locke; and Attorneys General Christine Gregoire (WA) and Brian Sandoval (NV). By introducing legislation and joining legal filings these elected officials helped influence the process.

Publications:

The PUD used its *Watts Happening* bill insert, *Current* newsmagazine and customer fact sheets to educate customers about its work to expose market corruption by Enron. The utility positioned itself as an industry leader, fighting for justice on behalf of consumers harmed by the energy crisis. Email updates, called *Watts in the News*, also were sent to business customers. In addition, similar information was posted on the utility's website.

Public Outreach:

The utility encouraged both residential and business customers to write FERC and elected officials to influence the PUD's fight with Enron. The utility provided information at about 25 speaking engagements at service clubs and staffed booths at more than a dozen local fairs and festivals to share materials and answer questions about Enron.

Budget:

Publication design, printing & bulk mailing:	\$60,000
Travel to Out-of-Area News Conferences	\$ 5,000
Misc. supplies for media relations & outreach	<u>\$ 2,000</u>
Total	\$67,000

Budget does not include internal staff time

6. Measurement/Evaluation of Outcomes

Key Objectives Met (Exceeded objectives of 5 percent increases; also prompted FERC action):

- "Customer trust" measure increased from 77 percent in 2002 to 94 percent in 2004 (up 17 percent).
- "Well-managed company" measure increased from 85 percent in 2002 to 93 percent in 2004 (up 8 percent).
- "Fair & reasonable prices" measure increased from 77 percent in 2002 to 84 percent in 2004 (up 7 percent).
- On July 22, FERC announced it would launch a review, dating back to 1997, of Enron's unjust profits. FERC stated it could potentially order Enron to "disgorge profits for all of its wholesale power sales" in the Western U.S.

Other Measures:

- "Overall customer satisfaction" increased from 80 percent in 2002 to 93 percent in 2004.
- Content analysis of key newspapers showed positive coverage increased from 27% to 48%.
- A fall 2004 survey showed 97% of customers supported the legal battle against Enron.
- The PUD received over 250 phone calls & letters/emails applauding its work on Enron issues.
- Consumers in California and Washington sent donations to the PUD legal fund; one consumer even sent flowers.
- At a utility conference in late 2004, PUD staff received a standing ovation when introduced.

Other Notes:

Despite improvement in customer attitudes about the PUD and a new investigation launched by FERC, the PUD's Enron lawsuit is still pending. Enron still seeks \$122 million from the PUD. In 2005, the PUD will continue to pressure FERC to take corrective action to resolve this issue. Regardless, the evidence released by the PUD in 2004 will help ensure that the matter gets the full attention of FERC, the agency charged with protecting consumers.