

TESTIMONY

Testimony of Deborah G. Perrotta before the Senate Governmental Affairs Committee

February 5, 2002

Good morning, Mr. Chairman, and distinguished members of the Government Affairs Committee. Thank you for giving me the opportunity to come here today to share personal insights into the financial, social and emotional impact Enron's demise has had on my family, former employees, pensioners and shareholders.

My name is Deborah Perrotta, and I am a former Enron Employee that was involuntarily laid off on December 5, 2001. I was employed by Enron from January 1998 to December 2001 as a Sr. Administrative Assistant. During that time, I worked for Enron International, Enron Engineering and Construction Company and Enron Energy Services.

Let me take a moment to paint a picture of what it was like to be an employee of Enron.

I was ecstatic and proud to become part of the "Enron Family." There was a lot of competition for jobs at the company. The employees at Enron had great respect for management. We believed that the company was full of opportunity for anyone who was willing to work hard. There was a dynamic of excitement at Enron. They had an unbelievable reputation and were known for hiring the best of the best.

Enron offered tremendous compensation and benefits packages and rewarded employees who exhibiting unflinching loyalty and worked hard for the company's success. I myself gave 110 percent to the company. Many times I worked late into the evenings, and numerous times I received phone calls in the middle of the night from my superiors when they were overseas trying to close business deals. But I did not mind because I really loved the company and my work. I believed the company would live up to its promises and that by working hard, I would be able to secure my financial future

In 2000, we were the darlings of the business community. We received an estimated \$40 million in positive publicity. It was a unique environment, where its innovation and values fueled our success. Customers, the financial community, and the company's leadership heralded our success! We had rallies to promote company spirit, they touted our multi million contracts and recognized employees for their personal contribution to company success. A book came out titled Leading the Revolution, which acclaimed Enron as the model "new economy company". Bonuses were routine and accolades commonplace.

This created an atmosphere of great pride, trust, and respect for the management and Enron's invincibility. After all, we went from Fortune 17 to 7. Enron On-line was the largest B-to-B web site in the world, they transacted between 3 to 4 billion dollars a day. We were building the first skyscraper in Houston in 20 years. We signed the naming rights agreement for the new major league baseball stadium for thirty years. We invested millions to launch Enron Broadband Service, when dot coms were going bust. These successes only served to reinforce our invincibility! I was ecstatic to be associated with a winner, whose mission as defined by Mr. Skilling was to be "The World's Leading Company." If you doubted it, you only had to attend an employee meeting and read our literature to have your any doubts removed. We felt great optimism, security, and confidence about the company's future.

In 2001, Jeff Skilling was named CEO. Soon after, he held an all employee meeting in February, where he touted that the stock would be valued at \$120.00 by year-end. He justified it because of the success of Enron Energy Services, the selling of Portland General and many of our international assets that were not profitable. He said these steps would enable us to reduce debt and move from an asset intensive business to a commodity trading company.

After only 7 months, Mr. Skilling resigned for what he and Enron said were personal reasons on August 14, 2001. They said it was to spend more time with his family. As a result, Mr. Lay reassumed the Chairman and CEO position. Shortly thereafter, he held an employee meeting where he reconfirmed confidence in the company and us. He assured employees that Enron's reputation would be restored. He wanted us to continue what we were doing and to stay focused on our mission, while he would spend more time educating the investor community. Mr. Lay said the problem was never an issue of the business model, innovation or profitability, but rather that investors didn't understand how we made money. A tape of this meeting has since been widely broadcast by CNN and others.

Mr. Lay followed up that meeting with an e-mail dated 08/27/01, giving me shares valued at \$36.88 per share. In the memo he says and I quote "As I mentioned at the employee meeting, one of my highest priorities is to restore investor confidence in Enron. This should result in a significantly higher stock price. I hope this grant lets you know how valued you are to Enron. I ask your continued help and support as we work together to achieve this goal." From this memo, many others and I were encouraged, since he was a seasoned executive with great integrity and respect.

Then on October 16th, Enron made the first announcement that something was really wrong-- the \$1.2 billion equity write-down.

We who worked at the Houston headquarters, received notification in September that we were changing saving plan administrators, and the last date for any investment fund balance changes would be October 26, 2001. The notice stated that certain kinds of fund transactions would not be possible after October 19, 2001. Finally, the notice said that the transition period would end on November 20th.

Though we received an email November 14 saying a new plan website was up, that email did not say that we could now make investment fund balance changes. I don't know when it became possible to do that again. I know employees of Enron subsidiaries and retirees have testified their lockout periods were longer-- I hope you can get to the truth of how long these periods really were and whether everyone was really treated the same. I assume that the new vendor, Hewitt, has records of when they processed the first transactions after the freeze ended and whether all plan participants were treated the same.

During this period of the lockout Enron's stock price fell by more than 50% -- from 15.40 at the close on October 26 to 7 dollars at the close on November 20. This occurred during a period when allegations about improprieties were being lodged against management as a result of the special purposes entities (SPE's) and Mr. Andy Fastow's alleged involvement and personal gain. For example, during the lockout period Enron issued its 8-K on November 8, 2001. That 8-k was a major disclosure restating Enron's earnings back to 1997 which led to the erosion of Enron's credit rating and its trading business.

Less than two weeks after the freeze ended, Enron filed for bankruptcy on Sunday, December 2, 2001. Two days earlier, Enron cut \$105 million in retention bonuses for a

small number of executives. The next day, Monday, December 3, 2001, I and 4,500 Enron employees in Houston were fired. According to the Enron's Policy and Procedure Manual, we were owed an estimated \$150 million in severance and vacation pay. When we asked for it, they said they couldn't pay us because the bankruptcy court was making all financial decisions. A couple of weeks later many of us got checks for \$4,500 in severance, less taxes and insurance, really about \$3,000, but haven't gotten a penny. I understand that even though the company promised us severance payments averaging roughly \$37,000, and even though there are billions of dollars in assets still in the company, we have to wait in line behind the big banks in bankruptcy court. And we hear there won't be much left to all the victims of Enron after those banks have been paid off. For employees, there won't be much, if anything once it is all said and done. It may be the Law, but it's wrong.

When I read about the executive bonuses in the paper I was so angry that I covered my car with posters that said "to management at Enron—how can you justify taking your \$55 million when thousands of us didn't get our severance?"

Due to the layoff, freezing of the 401k plan and loss of severance, I and thousands of others lost the resources we had counted on and worked for to pay our bills, fund our retirements and feed our families. I'm not alone in my pain, I'm just one of the thousands former employees and retirees, desperately looking for relief and eventual reform. I really didn't want to come here, but I saw this an opportunity to bring light to the pain and suffering of others as well. Herein lies many lessons for the American worker and I'm sorry I'm an example.

In 1997 my family and I were rebuilding a nest egg as a result of some adversity we experienced a few years early. My layoff and loss of 401k came at a time when my oldest daughter was preparing for her wedding in September 2002. As such, financial commitments were made increasing my frustration and anxiety. As a mother this is something I always dreamt of doing for my daughter. Today that burden has fallen on her shoulders. Since I was with Enron for 5 years, my losses were \$40,000. Now when you couple the loss of medical coverage, dental, life insurance, and the struggle to pay my most basic needs, like food, mortgage, car payments, etc. you can appreciate why I am here before you. The demise of Enron has affected every one in my family emotionally and physically. Our monthly prescription costs are more than \$300.00, and we cannot afford it. Without employment, we can last but a few more months. This is embarrassing for my family and me since we have a strong work ethic and always had faith in the system. But I must say that my family and I are among the lucky.

Besides losing their 401k's many laid off Enron employees are losing their homes, have medical expenses and face an uncertain future that only a short time ago looked bright. A poll of 482 former employees/shareholders taken on January 28, 2002 showed a sum of \$363 mm dollars was lost from their 401K accounts. Five of my friends' total losses combined exceeded \$6 mm. This may sound like these were rich people, but this was money that they were planning to live off in retirement. For my friends in there fifties, this money simply cannot be replaced. And this is only the tip of the iceberg!

Obviously, many retirees were greatly affected. One e-mail I received stated "I am still in a state of shock about the events and I was not astute enough to get out of my 401k when the price of stock was at a reasonable level. I rode the damn stuff right into the ground and now I have nothing from my Enron retirement plan. I was hoping to retire in 2-3 years but after sinking a lot of money into Enron stock and savings plan, looks like I will be doing pipeline work when I have a white beard."

On January 28th when traveling to Washington by bus we stopped in Baton Rouge, and I met Mr. Kling, a retired Enron employee. He met us with tears in his eyes and told the group how much he really appreciated our efforts since he retired two years early and now has seen his 401k money disappear. At age 72 his future is behind him, and he is considering going to work to make ends meet.

This isn't right. American workers shouldn't be experiencing these feelings of loss, despair and hopelessness. We worked hard, many of us as hard as we possibly could, often at the expense of our families. We put all our ingenuity and creativity at the service of a company we believed in and trusted and were certain would reward our commitment. When Enron told us its business was sound and its stock was going to go up – we believed them. We put our money in the company's stock in good faith and Enron's leadership and government let us down.

I'm here asking for my family and the thousands of other families whose lives have been destroyed by a handful of individuals. We need your leadership now. We need financial relief now. We know you can't replace the loses in the 401k plan, but you can create legislation to provide immediate relief and eventual reforms that would protect the American worker in the future. We think you need to do two things. First, you need to make sure that if a company wants its workers to put their retirement money in the company's stock, that company needs to back up that stock with some kind of insurance so that those employees aren't at risk of losing everything. Second, we need bankruptcy reform that gets workers a real place at the table when their employer goes bankrupt, and particularly when those workers are the victims of fraud.

In closing, I like my colleagues loved Enron and were passionate about its success. We believed Enron's leadership and the endorsements by others of its success and future prosperity. Now the company's own board members say they inflated the earnings by over a billion dollars. This should not and cannot ever happen again in America.

Perhaps our trust in Enron's leadership and board of directors was misguided. My fellow ex-Enron employees and I came to Washington with some faith that our government would right the terrible wrong that has been done to thousands of Enron employees and pensioners. I hope that faith is not in vain for many of us are desperate and have no place else to turn.

Thank you.

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