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Key Enron trader pleads guilty to fraud charge

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SAN FRANCISCO --A former Enron trader accused of masterminding a scheme to drive up energy prices during California's power crisis pleaded guilty today to conspiracy and agreed to cooperate with prosecutors.

Timothy Belden, the former head of trading in Enron's Portland, Ore., office, admitted to one count of conspiracy to commit wire fraud. He faces up to five years in prison and must forfeit \$2.1 million.

"I did it because I was trying to maximize profit for Enron," Belden

told U.S. District Judge Martin Jenkins.

U.S. Attorney Kevin Ryan said the plea demonstrates once and for all that the rolling blackouts and huge price increases that rocked California in 2000 and last year were the result of illegal conduct.

"These charges answer the question that has long troubled California consumers: whether the energy crisis was spurred in part by criminal activity. The answer is a resounding yes," Ryan said.

Belden, 35, who now lives in Houston, was released on \$500,000 bail. He will be sentenced in April.

Belden's plea is the first prosecution of anyone in connection with the West's energy crisis. It is also the first public acknowledgment by the government that criminal activity helped drive up power prices -- a point California Gov. Gray Davis and other lawmakers have been making since the crisis began two years ago.

The case represents a remarkable evolution in the Bush administration's attitude about the energy crisis. In May 2001, Vice President Dick Cheney said California was to blame for power shortages and soaring prices. "They caused it themselves," Cheney said then.

Prosecutor Matthew Jacobs said Belden will help build a case against higher-ranking officials at Houston-based Enron, the energy giant whose collapse last year has roiled the energy industry.

Belden's attorney, Cristina Arguedas, said her client was following Enron's instructions when he handled his trades and will "make amends for that by cooperating with the government."

Belden is the third Enron figure to be prosecuted. Andrew Fastow, Enron's former chief financial officer, is charged with of devising the off-the-books partnerships that were used to hide some \$1 billion in debt. Fastow aide Michael Kopper pleaded guilty in August to money laundering and conspiracy.

"Tim Belden is not a high-level executive who was lining his pockets out of greed," Arguedas said. "He did his job. Tim was always honest with others at Enron about his actions, and was never disciplined by Enron.

"He now realizes that what he was taught to do was wrong," she said.

Belden was the mastermind behind the strategies described in memos spelling out how Enron manipulated the California energy market, said Chris Schreiber, an attorney working with a California Senate committee investigating the crisis.

"He's been on our radar for a long time," Schreiber said.

Federal investigators have worked for months with the state Senate panel, and a federal grand jury in San Francisco weighed criminal charges.

Internal company memos, first released in May, describe how Enron took power out of California at a time of rolling blackouts and shortages and sold it out of state to elude price caps.

Enron bought California power at cheap, capped prices, routed it outside the state and then sold it back into California at vastly inflated prices, authorities said. The so-called "ricochet" deals were designed to circumvent California's price caps on wholesale energy.

The scheme "allowed Enron to exploit and intensify the California energy crisis and prey on energy consumers at their most vulnerable moment," Deputy Attorney General Larry Thompson, head of the Justice Department's Corporate Fraud Task Force, said in Washington.

Thompson said revenue from Belden's trading unit rose from \$50 million in 1999 to \$500 million in 2000 to \$800 million in 2001.

State Sen. Joe Dunn, a Democrat who chairs the committee on price manipulation, called Belden's plea "the first of many dominoes that will fall, not only at Enron, but within other energy companies within the wholesale energy market. Tim Belden not only knows how Enron played, but how others played as well."

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