

Prepared Feb. 8, 2001

Agenda for National Energy Emergency Action

I. Scope of Energy Crisis:

Physical Economy

Electricity

Continued hyperinflation on the deregulated energy markets, on top of the at-margin level of U.S. electricity output, guarantees continuing crises in California and elsewhere. Electricity rates are rising 10-50% across the country. Wholesale prices, around \$30 per megawatt-hour in 1999, have spiked as high as \$3,300 in 2001.

Nationwide, electricity is produced from coal (51%); natural gas (16%); nuclear (22%); oil (3%); hydro (9%). This mix means each region has different specific problems; but speculation hits in every region. It is estimated that, on average, in the United States today, electricity is bought and sold eight to ten times over, before it reaches the customer.

■ **California.** Feb. 7 was the 24th straight day of "Stage Three Electricity Alert"—meaning possible rolling blackouts (see report on California, in this issue). Regionwide, the Northwest Power Planning Council had called its first multi-state alert for possible shortfalls on Dec. 8, 2000. An Emergency Response Team was set up.

■ **Oregon.** The Bonneville Power Administration (operator of 29 hydroelectric power plants) said on Jan. 26 that it may have to increase rates as much as 95% later this year, to cover costs.

■ **Washington.** The Seattle City Council on Jan. 29 approved an 18% electric rate increase, less than a month after a 10% rate increase had gone into effect.

■ **Nevada.** The Sierra Pacific Re-

sources Corp. (owner of Nevada Power and Sierra Pacific Power) on Jan. 29 filed with the state for an emergency rate increase of up to 29% for the largest energy users.

■ **New York City.** On Feb. 1, the New York Independent System Operator, which coordinates electric supplies, said the City will face a 300 MW shortfall for peak load this Summer (even with emer-



Repairing downed power lines.

gency generators). New York was the second state to deregulate; wholesale electric prices have risen to 30 times previous norms.

Natural Gas, Propane

Natural gas price hyperinflation has also hit the United States, Canada, and Mexico (in 1978, the process of Federal deregula-

tion was begun, and the effect is fierce). While the average natural gas price throughout 1999 did not exceed \$2.75 per 1,000 cubic feet, it spiked over \$10 at times last Fall, and now is over \$6.30.

■ **California.** Natural gas is double or triple the national average price. The state—reliant on gas for a significant amount of its electricity generation, as well as for direct use—is trying to compel the energy cartel companies to continue to sell gas.

■ **Alabama.** A typical case, what was a residential gas bill of \$100 in January 2000, had grown to \$400 in January 2001. For example: A commercial poultry grower's annual propane bill for 2000 was \$15,000, and of that total, \$13,000 was the price for November and December alone.

■ **Pennsylvania.** The municipally owned Philadelphia Gas Works is near bankruptcy. Customer rates have been jacked up over 30%. "Intermittent contracts" have activated gas outages for 500 customers. In Western Pennsylvania, gas to factories in Beaver Falls was cut off with no notice, as gas marketers shut down.

Manufacturing

On Jan. 17, the National Association of Manufacturers told a Washington, D.C. press briefing of a survey they conducted, between Jan. 8 and Jan. 12, of 5,500 firms. National Association of Manufacturers President Jerry Jasinowski reported, "According to the Department of Energy, the price of natural gas in the first quarter of 2001 will be 130% higher than during the same period one year ago. Manufacturers consume 26% of the natural gas used in the United States. . . . Our calculations indicate that between 1999 and 2000, the rising price of oil and gas cost our economy more than \$115 billion, a full percentage point of GDP," while manufacturers'

profits were reduced “by roughly 14%.”

Soaring energy costs caused layoffs. Jasinowski said, “More than a quarter of large companies report that they have curtailed operations in response to natural gas price increase or unavailability, and 12% of all natural gas-using firms have had their production processes interrupted due to the inability to obtain natural gas.”

Agriculture, Food Supplies

California accounted for the biggest share, some \$25 billion, out of the nation’s \$189 billion in agricultural production in 1999—all now in jeopardy, from irrigated crops, to dairying. Operations at the world’s largest cheese factory (Hilmar), and largest U.S. milk plant (Western Region Land O’ Lakes) have been disrupted.

“Nitrogen Fertilizer Supplies Drop; Availability May Hit Crisis Level by Spring Planting,” was the headline on a *Farm Journal* article of mid-January. The fertilizer industry uses 1.5% of the natural gas in the U.S., but now manufacturers are selling the gas instead. “The U.S. could lose up to 80% of its nitrogen production capability,” the *Farm Journal* reported.

II. Scope of Energy Crisis:

Financial

Insolvency and Chain Reaction

Insolvent utilities are now causing the \$400 billion of U.S. utilities’ obligations (debts, bonds, etc.) to deflate by the hour, with chain-reaction effects.

In California, two of the big three utilities—Pacific Gas & Electric, and Southern California Edison—went into arrears on payments in the range of over \$1 billion each, in the last five weeks, on obligations totalling some \$20 billion, with cross-default clauses.

Other utilities are scrambling: For example, in mid-January, Tacoma Public Utilities negotiated a \$100 million loan, in hopes of carrying through to October. The utility said its budget was based on an estimated price of \$80-90 per megawatt-hour for electricity. But in mid-January, it paid \$150-180, and the price has spiked as high as \$400 in the past month.

Similarly, on the East Coast, General Public Utility, based in Parsippany, New Jersey, on Jan. 19 informed the Pennsylvania Public Utilities Commission that it can-

not pay wholesale electricity costs. On Jan. 24, Utility.com informed the state that it was pulling the plug on 30,000 Pennsylvania customers, because of soaring wholesale rates. This is the national pattern.

Among the prominent names directly or indirectly exposed to California utility debts: Bank of America, J.P. Morgan Chase, Barclays Plc, Crédit Suisse First Boston, Citigroup, Bank One Corp., and Crédit Agricole.

Wall Street utility bond insurers have reportedly shelled out some \$1.3 billion of payments for defaults already, for just California utilities. For example, on Jan. 17, Ambac Assurance Corp. said it made a \$36,000 interest payment on a bond for Southern California Edison.

Residential Hardship

As of the end of January—only four months into the Department of Energy’s six “official” months of Winter—households are facing impossible-to-pay bills, hardship, and even death.

■ **Iowa.** A recent survey of 62,000

households receiving energy assistance, showed that 20% postponed medical care to pay utility bills; 12% cut back on food.

■ **Boston.** At least six people have died so far in house fires sparked by faulty electric space heaters, used to avoid using costly central heating.

Mega-Profitteering

Spectacular revenues and profits are being posted by the new energy cartel companies under deregulation. Overall power companies reported returns to investors of about 60% in 2000.

■ **Calpine** (sells electricity to California): Fourth-quarter 2000 revenue quadrupled from a year earlier, going from \$247.5 million to \$1 billion. Profits tripled.

■ **Dynegy, Inc.** (sells gas and electricity to California): Fourth-quarter 2000 earnings rose 2.5 times over the year before, from \$45 million to \$106 million.

■ **Enron** (electricity futures trader; middleman marketer; gas dealer): Fourth-quarter 2000 revenue quadrupled; earnings rose by 33%. For all of 2000, operating earnings rose to \$1.27 billion, from less than \$1 billion in 1999.

■ **Duke Power** (gas, energy futures, electricity) saw its wholesale energy profits soar 374% in 2000.

III. Energy Infrastructure:

Crises and Reactions

■ **New York.** The New York Power Authority authorized nearly \$500 million

in mid-January, to build 11 very small, temporary generators for installation in

New York City, to prevent outages this summer.

■ **Washington State.** Energy Northwest said in January that it will consider completing one of the four nuclear power plants cancelled in the 1980s. The 1,300 MW plant was two-thirds built when it was cancelled; the cost to complete it now, is estimated to be \$3-4 billion.

IV. Policy Response,

Federal Level

■ **Bush Administration.** The President and the new Energy Task Force remain committed to radical deregulation. On Feb. 8, Federal Energy Regulatory Commission Director Curtis Hebert said at the National Press Club, that he opposes any regional cap on wholesale electricity rates. At midnight on Feb. 7, FERC discontinued its order mandating power sales to supply California.

■ **Congress.** On the side of radical deregulation, Sen. Richard Shelby (R-Ala.) introduced on Jan. 30 the Public Utility Holding Company Act of 2001, which would repeal the 1935 law of the same name, and substitute a nationwide “free market” regime.

On the side of re-regulation, a bill to place caps on wholesale electricity prices in Western states, was introduced in Janu-

ary by Sen. Barbara Boxer (D-Calif.), with a House version by Rep. Bob Filner (D-Calif.) A similar bill, empowering the Energy Secretary to order regional price caps when a determination is made that there are “unjust and unreasonable” prices, was introduced by Sen. Dianne Feinstein (D-Calif.), with a House version by Reps. Anna Eshoo and Duncan Hunter, both California Democrats.

A bill for Federal re-regulation has been filed by Rep. Peter DeFazio (D-Ore.).

A bill to create a national entity to enforce reliability standards for the nationwide electric grid, has been introduced by Sen. Gordon Smith (R-Ore.).

V. Policy Response,

State and Local Initiatives

Moves to stop deregulation are proliferating.

■ **Arizona.** Deregulation starts Jan. 1; Corporation Commissioner Jim Irvin is reconsidering.

■ **Arkansas.** Gov. Mike Huckabee, with legislative leaders, endorses legislation to delay deregulation from Jan. 1, 2002 to October 2003, with option to delay

till 2005. State Rep. Jim Bob Duggar (R-Springdale) files bill (HB 1149) to repeal.

■ **Connecticut.** Rep. Tom Bozek (D-New Britain) introduces bill for energy re-regulation (LCO No. 174).

■ **Nevada.** In Fall 2000, deregulation was delayed. Now, Sen. Joe Neal is intervening in Legislature to stop it, and to take over state power plants if necessary.

■ **New Mexico.** Attorney General Patricia Madrid calls for delay in implementing deregulation (set for January 2002).

■ **North Carolina.** On Jan. 24, Legislature stops deregulation.

■ **Oklahoma.** Attorney General Drew Edmondson recommends repeal of deregulation, set for July 1, 2002.

■ **Texas.** On Jan. 24, State Reps. Sylvester Turner and Kevin Bailey introduce HB 918, requiring the Texas Public Utility Commission to intervene if retail prices violate the “public interest.”

■ **Utah.** On Jan. 24, State Legislature votes to repeal deregulation.

VI. Considerations for Re-Regulation:

National Energy-Management and

Reconstruction

Lyndon LaRouche on Feb. 6 issued a policy document for mass distribution as a pamphlet—“On the California Energy Crisis: As Seen and Said by the Salton Sea”—mobilizing for energy re-regulation (see *Feature*, in this issue.)

Documentation

Proposed Bill No. LCO NO. 174, introduced in early 2001, into the Connecticut State Legislature, “An Act Concerning the Repeal of the Electric Restructuring Legislation”:

Be it enacted by the Senate and House of Representatives in General Assembly convened:

That Public Act 98-28, entitled “An Act Concerning Electric Restructuring,” be repealed and that the prior laws governing electric regulation be restored, provided certain financial commitments entered into as a result of Public Act 98-28 are preserved.

STATEMENT OF PURPOSE: To prevent the loss of high-paying jobs within the state; to preserve the real estate tax base of the towns in which the utilities’ assets are located; to better manage and determine the generation and distribution of electricity; and to guarantee a sufficient electric supply for present and future businesses.