

Prepared April 19, 2001

Agenda for National Energy Emergency Action

I. State Initiatives For Energy Re-Regulation

In the last two weeks, there was action against deregulation in Nevada and Oregon.

■ **Nevada enacts re-regulation.** On April 18, Nevada Gov. Kenny Guinn signed into law, newly passed legislation ending energy deregulation, originally passed in 1997, in the state. Immediately halted are pending sales to pirate marketer-companies Reliant and Mirant, of the generating plants of Sierra Pacific Resources and Nevada Power. The state retains authority to set energy prices. The measure passed unanimously in the Democratic-controlled Assembly in early April, and reached a showdown in the Republican-controlled Senate on April 13. Senate Chairman Randolph Townsend (R-Reno), nicknamed the "Senator from Enron,"

blocked any hearings on the re-regulation bill, but Sen. Joe Neal (D-Las Vegas) and others, defeated the opposition (see remarks by Senator Neal below).

■ **Oregon: A political brawl.** On April 17, hearings on two bills to re-regulate electricity were summarily cancelled by State Senate Majority Leader David Nelson (R). Oregon is the home state of U.S. Rep. Peter DeFazio (D), who is calling for re-regulation. His bill, H.R. 264, would "return to the cost-based regulation of wholesale interstate sales of electricity." DeFazio was going to speak at the April 17 hearing, but Senator Nelson, who is heading up Senate Republican elections next year, complained that DeFazio's presence would "politicize" the energy issue in Oregon!

Oregon is scheduled to deregulate en-

ergy on Oct. 1. Two bills sponsored by Sen. Tony Corcoran (D), would cancel deregulation entirely. Corcoran had arranged for DeFazio to testify at the hearing. Pat Ruckert of the FDR-PAC, a multicandidate political action committee founded by associates of Lyndon LaRouche, was also scheduled to testify. The FDR-PAC has coordinated a mobilization of mayors and city councils from around the state, demanding an end to deregulation. Many city councils have adopted such resolutions. Others, such as the Salem City Council, demand a delay of deregulation.

Senator Corcoran held a rally/teach-in inside the capitol on the day of the cancelled hearing. About 75 attended, at which DeFazio, Corcoran, State Rep. Robert Ackerman, and others spoke. DeFazio attacked "robber barons," who are driving up the price of power. He warned that Oregon is headed down California's path unless it reverses a 1999 law moving the state into partial energy deregulation on Oct. 1.

II. Lines Drawn in Washington, D.C.

■ **Bush Administration is backing radical deregulation** energy policy—to the point of preparing emergency-rule-by-decree, even as the economic destruction worsens, and the mega-profits of the Bush-associated energy cartel are documented in the latest corporate reports.

■ **Draft GOP House bill calls for emergency rule by decree.** The office of Rep. Joe Barton (R-Tex.), chairman of the Energy Subcommittee of the House Interior Committee, has prepared, at the request of the White House, a draft bill, "The Electricity Emergency Act," expected to be introduced by early May. A 24-page

"Discussion Draft" obtained by *EIR*, begins with when and how to impose emergency powers, covers how to "manage" scarce power, and gives new, sweeping rights to private energy "marketer" companies to abrogate contractual responsibility to provide reliable supplies of electricity. A few excerpts from the table of contents:

"Title I—General Measures for Electric Energy Emergencies

"Section 101. Preparation for Electricity Blackouts

"This section directs the Secretary of Energy, in coordination with the Federal Emergency Management Agency

(FEMA), to initiate emergency planning in states likely to face electricity shortages. FEMA undertook a number of contingency measures in preparation for Y2K, many of which were directed at the potential for electric power disruptions. This section would employ similar mitigation measures when the Secretary of Energy determines that a state is likely to experience blackouts. . . .

"Section 104. FERC Clearinghouse for Agreements to Forgo Electricity Purchases.

"This section directs the FERC to establish a clearinghouse system to facilitate agreements between wholesale sellers and wholesale purchasers who are willing to forgo the purchase of electric energy. This will provide a venue for those who would auction electric energy to which they have

contractual rights.”

Another section allows electricity providers to opt out of contracts if they have not been paid after 60 days, and to market elsewhere. A so-called “Public Assistance” section calls for increased funding for Federal Low-Income Home Energy Assistance, to be made available when a state governor declares a state of energy emergency. This would funnel more money into the “jaws” of the energy cartel. Section 109, called “FERC Transmission Siting Authority,” empowers the FERC to overrule states, on where transmission

routes can go—a high priority of energy cartel designs for new, for-profit systems.

Congress: Moves Toward Re-Regulation

■ **New legislation for cost-based electricity pricing**, intended to stop hyperinflation, is expected to be introduced on April 24, by Sen. Dianne Feinstein (D-Calif.) and Sen. Gordon Smith (R-Ore.).

The “Energy Price and Economic Stability Act” (H.R. 1468) was introduced on April 4 by 40 House Democrats, and is intended “to stabilize the dysfunctional

wholesale power market in the Western United States.” The bill mandates the FERC to impose cost-of-service-based rates for electric energy sold at wholesale, which is subject to the FERC’s jurisdiction under the Federal Power Act, in the portion of the United States that is covered by the Western Systems Coordinating Council for the North American Electric Reliability Council. Most of the co-sponsors are from Western states, with the exception of House Minority Leader Richard Gephardt (D-Mo.). The leading spokesman is Rep. Jay Inslee (D-Wash.).

III. Continuing Deregulation

Results in Worsening Economic Destruction, Financial Chaos

■ **California:** Gov. Gray Davis (D) reported on April 18, following a meeting with state legislators, that the state is now paying up to \$73.2 million a day for electric power. Wholesale suppliers are adding a “credit charge” to their price, after the April 6 declaration of bankruptcy by Pacific Gas & Electric. Davis spoke of the state now floating bonds for up to \$14 billion, not the intended \$10 billion, to

pay for the purchases under way, meaning more rate hikes and taxes.

Electricity futures contracts for August delivery in California, are now trading at \$750 per megawatt-hour, already five times higher than last August’s level of \$147 per mwh. Predictions are for 35-40 days of rolling blackouts, because of tight supplies, regardless of cost.

Pennsylvania: Supposedly the “model

deregulation state.” Pennsylvania now has plans for electric rate hikes of 30-50% for 2 million of its 5 million households.

Allegheny Power, in Western Pennsylvania, announced in March, plans for a 50% rate hike in the near future.

Another request for a rate hike for more than 1 million electricity customers, is now before state consumer and utility authorities, from GPU Inc., of New Jersey, and FirstEnergy Corp. of Akron, Ohio. FirstEnergy has a \$10.7 billion bid to buy GPU, and wants Pennsylvania’s rate cap to be lifted on two utilities GPU owns in Pennsylvania. A decision may come in May. GPU is claiming it could lose \$250 million because of high wholesale electric prices, and capped retail prices, and wants an \$82 million income hike.

IV. Triple-Digit Profits for the

Energy Cartel/Bush ‘League’

The April 16 *Fortune* magazine documents the mega-profits of the Bush-associated energy companies, which stands in dramatic contrast to the losses and layoffs elsewhere. ExxonMobil leads all U.S. companies in revenue for the year, with a 28% increase in revenue and a 124% increase in profits over 1999. Enron, the largest single contributor to the Bush campaigns, moved up to 7th place from 18th, with a 151% increase in revenue, and a 10% increase in profits. Enron’s sales have grown more than 65% each year for the last five years. Texaco moved up to 16th from 28th, with a 43% increase in revenue,

and Duke Energy was 17th (up from 69th), thanks to a 127% increase in revenue.

Neal: Deregulation Has Been ‘Turned Back’

State Sen. Joe Neal (D-Las Vegas,) an international leader against energy deregulation, and a 25-year veteran legislator, gave a report to *EIR* on April 14, on the vote the day before in the Senate. “Deregulation has been turned back in the state of Nevada,” he said. He reported that the legislature disallowed the selling of power plants, and that they are going with the Assembly bill, which includes a provision for de-

ferred energy costs, which means that the regulated utilities “don’t have to pay for their costs immediately. And they can increase their bond rating, and their services, by not having to pay immediately.”

Neal reported that the vote to stop deregulation came despite efforts by Enron. “They’ve been down in the Las Vegas area, trying to whoop up support to keep up deregulation going,” Neal said.

The electricity crisis has begun to hit the state. “In the northern part of the state, where it is affected by what is happening in California, we have had that effect,” he said. “Where people have to lay off people—in the motels, and things like that, in order to compensate for the high cost of energy. But in the southern part of the state, we have not reached that point yet. Neither have we reached that point in the rural areas, because they are under . . . rural electrification.”