

California's 2001 Crisis

Cheney Covered for The Energy Pirates

by Marcia Merry Baker

On Jan. 28, 2001, Vice President Dick Cheney was designated head of the National Energy Policy Development Group (NEPDG), created as one of the first actions taken by newly inaugurated President George W. Bush. Although the Bush-Cheney ticket was already seen in 2000 as the “Big Energy” candidacy—for reasons that were obvious, such as Cheney’s heading the Halliburton oil company—what ensued over the next four months of the Task Force’s operations went way beyond mere “special interests” corruption. The record shows that Cheney, at the highest level, covered in 2001 for outright criminal activities in California by the energy pirate companies—Enron, Williams, Reliant, Dynegy, etc.

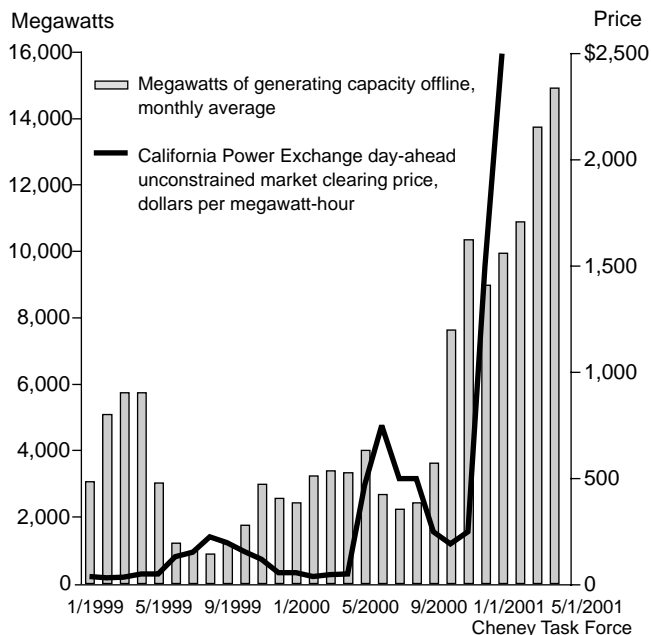
As of today, the state of California has \$43 billion in long-term energy contracts as a direct result of the bilking during 2001. Before deregulation, the average price of a kilowatt-hour (kwh) of electricity in California was \$30-35, but during Spring 2001, it jumped to more than \$300 on average, with spikes as high as \$3,700. Compared to paying \$7 billion for electricity in 2000, California paid \$28 billion in 2001—fully \$12 billion “extra” going to the pirates.

Figure 1 summarizes the essential point: During January to May 2001, when Cheney’s Task Force was in operation, the wholesale price of electricity skyrocketed in California, while power output was taken off-line in a clearly contrived pattern that further drove up prices. Cheney protected those perpetrating the looting and fraud. How did Cheney pull it off? No mastermind he, Cheney simply stonewalled and lied: “Any energy problems are the result of imperfect deregulation. We will have more deregulation.” The method is exactly the same as that which Cheney displayed in the recent countdown to war against Iraq, in which he asserted: “Saddam is a nuclear threat. We will make war against Iraq.”

The damage to the public interest during the January-May 2001 period of Cheney’s energy tenure, was unprecedented in the history of the nation—and it continues today. During four months in 2001, California was hit six times with state-wide rolling blackouts, for the first time since World War II; wholesale electricity prices spiked from \$90 per megawatt-hour (MWh) to more than \$2,500 per MWh; Pacific Gas & Electric (PG&E), one of the two main California utility companies, declared Chapter 11 bankruptcy; the state went from a budget surplus of \$12 billion in Summer 2000, to a deficit in 2001, which today stands at \$38 billion.

FIGURE 1

Energy Pirates Withheld Electricity, Jacked Up Prices in California During Cheney’s Energy Task Force — January to May 2001



Sources: California Energy Commission; California Power Exchange; University of California Energy Institute.

Elsewhere in the country, prices also spiked throughout 2000 and 2001 for energy of all kinds—natural gas, propane, gasoline. During the Winter months, the spot price for natural gas hit \$9.50 per million btu, up from under \$2.50 one year earlier. By May 2001, 4.6 million U.S. households (7-10 million people) faced power cutoffs for non-payment of bills, mainly because of energy-price hyperinflation. Agriculture, industry, and transportation were slammed.

But, on May 16, 2001, the Cheney Task Force report was released, demanding even more energy deregulation as the national policy. This program remains the Bush-Cheney policy, despite the fact that Enron and the other major energy pirates that looted California have been exposed as thieves. The “California Effect”—the end result of deregulation—was most recently seen again in August, in the 50 million-person Northeast blackout. And, fuel prices are again soaring.

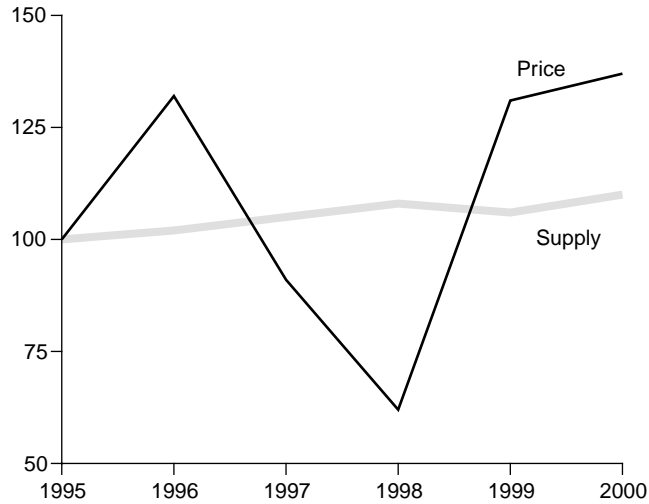
January 2001: U.S. Energy Crisis Explodes

Situation: As of the new year 2001, the price of all types of energy in the United States were in the throes of hyperinflation, shortages (much of them contrived), and wild profiteering by the *nouveaux* “merchant” (that is, speculator) energy companies (see Figure 1, and **Figure 2-4**). This was the impact of the various state, local, and Federal deregulation measures that were taking effect for electricity, natural gas, oil,

FIGURE 2

World Oil Price Disconnects From Supply Under Deregulation

(Indexed to 1995=100)

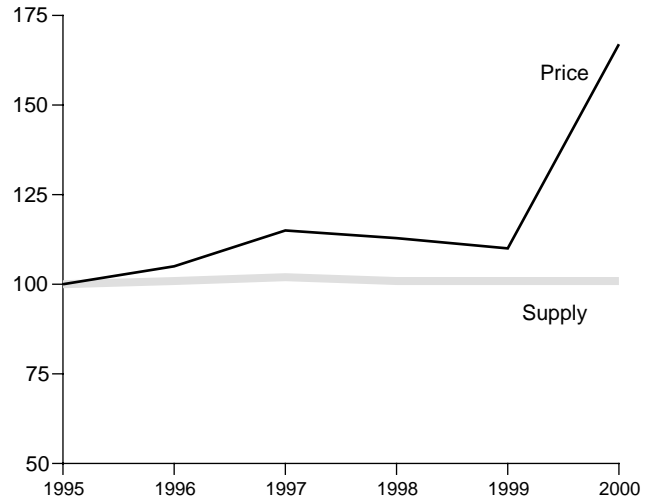


Sources: California Power Exchange, U.S. Dept. of Energy, *EIR*.

FIGURE 3

U.S. Natural Gas Disconnects From Supply Under Deregulation

(Indexed to 1995=100)

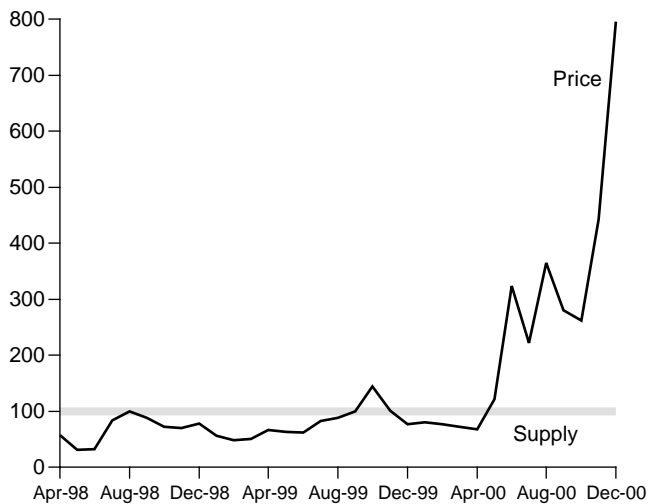


Sources: U.S. Dept. of Energy, *EIR*.

FIGURE 4

California Electricity Price Disconnects From Supply Under Deregulation

(Indexed to August 1998 =100)



Sources: California Power Exchange, U.S. Dept. of Energy, *EIR*.

and other forms of energy. (Even a coal futures market was being created by Enron.)

In the forefront was California, the first state to have enacted electricity deregulation, signed into law in 1996 by Gov. Pete Wilson (R), after a political assault by Enron and related

financial circles. The policy kicked in during 2000, and by December, spot price spikes on the California wholesale electricity exchange (Cal PX) were hitting levels more than 15 times higher than two years earlier, before the “free market” was in operation. On Dec. 13, the day-ahead average Unconstrained Market Clearing Price (UMCP) of electricity on the Cal PX hit \$1,406.76 per MWh; California’s 1998 average price was \$90.30. During December, the average UMCP was \$398.97 per MWh. The pirate power companies—Enron, Dynegy, Reliant, Williams, Calpine, AES—posted record profits in the fourth quarter of 2000, while, with end-user prices capped, California’s two main utilities, PG&E and Southern California Edison, had to borrow heavily and headed toward bankruptcy. As of Christmas 2000, electricity rates to end users throughout the West, as well as wholesale prices, were soaring in many locations—for example, on Dec. 25, rates rose 30% in Tacoma, Washington.

On Dec. 28-29, Governor Davis met in Washington, D.C., in emergency sessions with Treasury Secretary Lawrence Summers and Federal Reserve Chairman Alan Greenspan. Davis appealed for Federal intervention, after the Federal Energy Regulatory Commission (FERC) had issued a finding in December that “merchant power companies” (the energy pirates) were, indeed, not charging “fair and reasonable” rates, but then said it would take no action.

Elsewhere, energy prices of all kinds were soaring; in New England, fuel oil was 50% higher than the previous year; in the Midwest, natural gas rates were more than 200% above previous levels. Governors, Congressmen, and city councils were all appealing for Federal emergency action. Some 20

states were discussing energy *re-regulation*, in contrast to the earlier deregulation bandwagon.

On Jan. 17-18, rolling blackouts struck California.

On Jan. 18, George W. Bush, in interviews, made clear his Administration intended to do nothing to curb the profiteering of the private companies. In particular, he dismissed the idea of Federal price caps on the price of wholesale electricity in the West, which had been requested by Governor Davis, California's Senators Dianne Feinstein (D) and Barbara Boxer (D), and the governors of the surrounding states.

Cheney's Record: On Jan. 20, Bush was inaugurated President. On Jan. 23, he announced that he would extend for two weeks a Federal order compelling merchant power suppliers to continue to sell electricity to California utilities (now facing an inability to pay the hyperinflated prices). But that would be the last action he would take for California. He then announced that Cheney would head a newly created National Energy Development Task Force.

On Jan. 28, Cheney gave his views in interviews with the Sunday nationally televised talk shows. He reiterated that Bush's Jan. 23 two-week extension of emergency orders for energy firms to continue to supply California would be the only help forthcoming: "The President made it very clear that that is an absolute deadline." Asked about state intervention to take control of the electricity sector, Cheney responded, "That wouldn't be my choice. I'm a believer in markets. . . . I think the notion of deregulation is basically sound. What happened in California—it was poorly executed." He announced a Feb. 1 meeting with Western states' governors.

On Jan. 29, the first meeting of the Cheney Task Force was held at the White House. Those in attendance included Secretary of Energy Spencer Abraham, Treasury Secretary Paul O'Neill, Commerce Secretary Donald Evans, Transportation Secretary Norman Mineta, Agriculture Secretary Ann Veneman, and Environmental Protection Agency head Christine Todd Whitman. Bush said that this would be the first of a series of meetings to be chaired by Cheney. White House spokesman Ari Fleischer told reporters later, "There was no new ground broken" at the meeting regarding California. Fleischer repeated what was to become the consistent line: The Cheney-Bush energy policy would focus on how to provide more oil and gas for the future. Cheney's dogma was that any special problems in California were the result of "flawed deregulation," and that *more deregulation*, not Federal intervention, was required. This was repeated for the next four months by all Administration spokesmen, the President, and in particular, by Ken Lay, chairman of Enron.

What was most striking at the time was the number of members of the incoming Bush Administration who had ties to Enron and other energy companies, and also the significant amounts of funding provided by Enron, Reliant, and other energy firms to the Bush-Cheney campaign and to the campaigns of other selected candidates.

Both the mega-profits and mega-donations by the energy pirates were unprecedented. **Table 1** shows the percentage

TABLE 1

**Profits Soar at U.S. Energy Companies:
Increase in Net Profits, 2000 over 1999**

Company	Percent Increase
EOG Corp	570%
Unocal	436%
Williams	277%
Apache	259%
Phillips	250%
Calpine	238%
Kerr McGee	218%
Dynegy	210%
Occidental	176%
AEA	165%
Conoco	149%
Texaco	139%
Chevron	138%
BP Amoco	129%
ExxonMobil	102%
Shell	85%
Reliant Energy	65%
Dominion Resources	36%
Enron	32%
Coastal	31%
Duke Energy	18%

Source: *EIR*, March 9, 2001, p. 14.

*EOG Resources, formerly Enron Oil & Gas, is a spin-off of Enron Corp.

increase in profits for 2000 over 1999 by the leading U.S. energy companies, for example, Enron Oil and Gas (570%), Williams (277%), Calpine (240%), and Dynegy (210%). **Table 2** shows the percentage increase and total dollar increase in profits of the major suppliers to California. But high as these rates were, the rate of hyper-profits was even steeper in the opening weeks of 2001.

Mega-political funding went along with the profiteering (see **Table 3**). For example, for the 2001 Bush-Cheney Inauguration Committee, Enron, Enron's Jeffrey Skilling, and Ken and Linda Lay each gave \$100,000; Reliant Energy CEO Steve Letbetter also gave \$100,000, as did Southern Co. Altogether, electric utilities donated \$845,000 to the Inaugural Committee.

Enron donated \$1.61 million to Republicans overall during the campaign, of which \$630,179 was hard money and \$979,850 was soft money. Altogether, the energy companies donated \$2,032,883 in hard money and \$2,061,950 in soft money to the Republicans. (Smaller, though significant, amounts went to Democrats.)

These companies donated \$196,395 to Bush's campaign. Enron was the leading contributor to both Bush and Gore, giving Bush \$127,525 and Gore \$11,250, followed by Reliant (James Baker's company), which gave \$35,070 to Bush. The Republican National Committee received \$1,366,090 from energy companies. Again, Enron led the pack, giving \$713,200. (Smaller amounts went to the Democrats.)

TABLE 2

California Power Suppliers Post Mega-Profits for 2000

(\$ Millions)

Company	1999	2000	% Change
Williams Cos.	\$ 221	\$ 832	276%
Calpine Corp.	95	323	240%
Dynegy	146	452	210%
AES	228	657	188%
Arizona Public Svc.	127	307	141%
Reliant	528	819	55%
Enron	893	1,266	42%
Duke Energy	1,507	1,776	18%
Southern	1,276	1,313	3%
Total	\$5,022	\$7,745	54%

Source: Company reports, analyzed by *Public Citizen*, February 2001.

February 2001: Cheney Stonewalls

Situation: On Feb. 1, with the Federal government refusing to help, the California Assembly passed a bill, approved by the Senate the day before, that was intended by the legislature and Governor Davis to shore up the state's electricity system. At this point, PG&E and Southern California Edison had racked up at least \$12 billion in debt because of the higher electricity prices and were facing bankruptcy.

The gist of the emergency law was that the state would interpose itself between the energy merchant pirate companies, and the utilities PG&E and Southern California Edison, with the state buying the electricity from the merchant power suppliers and selling it at a lower price to the two utilities to supply their end-user customers. The state had to go into debt to do this—the first estimate was a \$10 billion bond issuance, but this was soon seen as way too small. At the same time, the state committed itself to signing long-term contracts with the energy pirates to obtain electricity at prices lower than the exorbitant market rates. The energy pirates balked at entering into such contracts. Some even refused to provide electricity for California, arguing that they anticipated non-payment by PG&E, Southern California Edison, and the state.

The pattern then began to become widely known in California, of an unusually high number of power plants that were being closed down for suspicious reasons, which inevitably drove up prices. Several of the energy companies were conspicuous in this “gaming,” including Reliant of Houston. Governor Davis denounced Reliant and called for an investigation. In the San Diego area, lawmakers gathered evidence for a criminal suit.

On Feb. 15, the “Stage Three Alert” in California marked the 31st day of potential rolling blackouts in the state. Still, the energy companies continued their gaming and threats.

On Feb. 21, a Federal judge ordered the merchant energy companies to continue selling electricity to California, on grounds that the public safety was at stake.

TABLE 3

Political Donations by Energy Cartel Firms, 2000

(\$ Thousands)

Company	Republicans	Democrats	Total
Enron	\$1,610.0	\$ 728.3	\$2,338.3
Southern Co.	856.5	275.0	1,131.5
Reliant Corp.	634.6	190.3	824.9
Edison Electric Institute*	347.1	293.6	640.6
Williams Cos.	244.0	30.9	274.8
Duke Energy	210.8	66.3	277.0
Arizona Public Svc.	92.5	14.8	107.2
Dynegy	60.2	59.9	120.5
AES Corp.	4.7	76.2	80.9
Calpine Corp.	34.7	39.5	74.1
Total	\$4,095.0	\$1,774.5	\$5,869.4

* Association of investor-owned power companies.

Source: Public Disclosure Inc. (www.tray.com) data analyzed by *Public Citizen*, February 2001.

Public Citizen shows that the major California power producers and marketers donated \$5.9 million to Federal candidates and political parties during 1999-2000; of this amount, \$4.1 million went to Republicans and \$1.8 million went to Democrats.

As of Feb. 23, only four out of ten wholesale supplier pirates had agreed to sign a long-term contract with the state. They were still holding out, and holding the public at ransom.

Governor Davis, in the framework of the attempted state-level rescue, went to Wall Street to talk up his new state measures for shoring up the bankrupt utility companies, and for a near-future bond issuance by California. The state was now incurring debt in the range of millions of dollars a day.

Hyperinflation in California had extended throughout all kinds of energy. Natural gas prices in California had risen by 489% from March 2000 to February 2001, with the two Houston-based energy companies—Enron and El Paso Natural Gas—raking in mega-profits.

Cheney's Record: On Feb. 1, the Cheney Task Force met with the governors of the Western states. Cheney decreed that no price controls, nor any Federal intervention to ensure reliable electricity supplies, would be forthcoming.

On Feb. 26, as the chaos worsened, President Bush attended a second Western states governors meeting. Washington state Gov. Gary Locke personally appealed to Bush for Federal intervention to set regional caps on wholesale electricity prices. But Bush repeated the Cheney decree: No. Meantime, Cheney refused to respond to repeated requests to his Task Force from Western states' Congressmen for a meeting on the energy disaster.

March 2001: Cheney to California, 'Go to Hell'

Situation: On March 1, a “Stage Two Alert” was announced for California, signifying blackout danger, because power reserves had fallen to under 5%. The same day, PG&E announced it was defaulting on another \$1.21 billion in pay-

ments to merchant power suppliers. The scale of overcharging had reached the point that on March 1, the Independent System Operator (ISO, coordinating the electricity sector) of California issued figures showing that for the two months of December 2000 and January 2001, California had paid a total of \$11 billion for electricity! This compared with \$7 billion for the entire year 2000. The ISO published its calculations, and stated that two-thirds of the charges to California for December-January were “excessive.”

California Congressmen attempted various flanking actions against the Cheney lock on Washington. On March 5, Rep. Bob Filner (D), from the San Diego area, filed a criminal suit against some of the energy pirate firms, citing how they were gaming the markets and bilking the population.

Cheney’s Record: Cheney continued to refuse any contact with California Congressmen, to the point where 26 Western states lawmakers—including Republican Rep. Duncan Hunter from San Diego, wrote on March 6 to President Bush, appealing to him directly for a Federal emergency price cap on wholesale electricity prices.

At a March 6 House Commerce Committee hearing, Rep. Jay Inslee (D-Wash.) denounced Cheney for stonewalling. Inslee recounted that it was President Bush who personally told Inslee to “talk to the Vice President,” when Bush attended a Democratic Party retreat in Western Pennsylvania earlier in the year and Inslee had asked him about the possibility of Federal intervention in the energy crisis. Inslee said he had tried for three weeks to reach Cheney and the Task Force, but got no reply. On March 19, Cheney presented an “interim” report to President Bush from the Task Force, formulated to bar any Federal relief for the worsening Western states power crisis.

Under the Cheney Task Force regime, a secrecy wrap was placed on a FERC investigation begun in March, which was documenting blatant gaming of the California electricity markets by Williams and Reliant. The companies were gaming, by shutting down capacity and thus driving up prices. Under the Cheney policy, these findings were kept secret. Eventually, the illegalities were made known, and Williams was fined \$10.8 million and Reliant \$13.8 million—token penalties, given their looting worth billions of dollars.

The merchant energy pirates’ profits during the first quarter of 2001 were off the charts. For January through March, Enron Oil and Gas profits increased 448% over a year earlier; Williams, 172%; Reliant, 104%. Calpine, heavily operating in the California markets, showed a 424% increase (see **Table 4**).

April 2001: Cheney Confabs With Enron’s Lay

Situation: On April 6, PG&E declared Chapter 11 bankruptcy. The state, continuing its policy of buying electricity on the speculative markets to supply PG&E and Southern California Edison, was now paying as much as \$70 million a day. Governor Davis, facing the disappearance of the 2000 state budget surplus, came up with \$3.2 billion in expenditure

TABLE 4

Profits Soar at Selected Energy Companies, First Quarter 2001

(First Quarter 2001 Compared to First Quarter 2000)

Company	Increase	Company	Increase
EOG Resources*	448%	Chevron	53%
Calpine	424%	BP plc**	52%
Williams	172%	Duke Energy	51%
Apache	158%	El Paso	46%
Unocal	122%	ExxonMobil	44%
Reliant Energy	104%	Texaco	39%
Occidental	93%	Southern	35%
Phillips	86%	Dominion	28%
Mirant	84%	Enron	26%
Kerr McGee	81%	Shell	23%
Dynegy	73%	AES	19%
Conoco	58%		

Source: Company financial reports.

* EOG Resources, formerly Enron Oil & Gas, was a spin-off of Enron Corp.

** BP had dropped the Amoco from its name, reverting to BP plc.

cuts from the budget he had proposed in January. On April 18, Davis met with the Legislature and asked for authorization for a state bond issuance of \$14 billion, not the \$10 billion he had requested barely five weeks earlier.

Lawmakers in other states, seeing what was happening in California and the Cheney-Bush intransigence on protecting the piracy, scrambled to come up with state and local forms of re-regulation. On April 18, Nevada Republican Gov. Kenny Guinn signed into law a re-regulation bill.

The energy merchant companies were claiming wild success. The April 16 Fortune 500 list now posted among the top 20 companies: Enron, in 7th place (up from 18th a year earlier); Duke Energy (now 17th, up from 69th).

Cheney’s Record: During April, Cheney met with Enron Chairman Ken Lay, among other private energy company officials he met with in the name of Task Force business. Of the eight recommendations Lay included in a memorandum to Cheney, seven appeared in the final draft of Cheney’s Energy Task Force Report. Lay’s major point was that more deregulation of energy must be implemented.

On April 30, Cheney spoke in Toronto, Canada, telling the Associated Press that no form of electricity price caps would be implemented.

Cheney’s secrecy practice of shutting out Congressmen and others from the Task Force continued to the point that, in April, the GAO was asked by six Representatives and Senators to examine the process used by the Task Force. The GAO eventually said, “The Vice President denied us access to virtually all requested information.” (See accompanying article.)

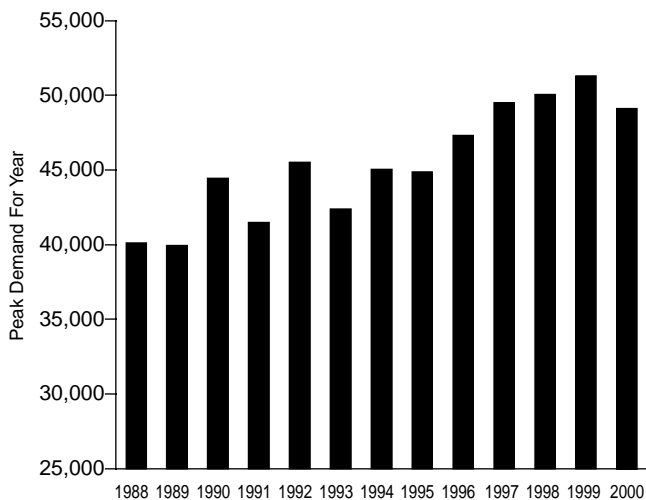
May 2001: Cheney’s Energy Policy Orders More Chaos

Situation: On May 7, the fifth day of rolling blackouts hit California. The fact that this was contrived is dramatically

FIGURE 5

Blackouts Hit California in Spring 2001 Despite 35,000 MW Demand — Far Lower Than Past Peaks

(Megawatts)



Source: California Energy Commission.

clear from the fact that peak demand the first week in May was in the range of 34,450 megawatts, far below the peaks of the previous Summer of more than 44,000 MW when *blackouts did not occur* (see **Figure 5**). What was behind the blackouts, was the removal, all at one time, of a huge amount of power generation capacity. An estimated 12,000 MW of power generation, including four nuclear plants, were offline for repairs—and so the pirates could game the markets, as was later documented, and as was known in the control and trade rooms of the big-name speculator power companies at the time. Spot wholesale electricity prices were running at \$510 MW per hour, more than tenfold higher than one year earlier, and at a time when electricity usage was down in California by 9% from one year earlier!

On May 7, the California State Assembly approved Governor Davis' bond issuance request of \$13.4 billion. But many questions were unanswered: What interest rate would be required? Could the issuance succeed? Would more money be needed?

Governor Davis began to intensify his attacks on the pirates and the Bush-Cheney policy. On ABC News' "This Week" Sunday talk show, on May 13, Davis blasted Reliant Energy for charging the state \$1,900 per MWh in the first week of May, when the state was desperately looking for electricity in order to avoid blackouts. Reliant was charging five times the prevailing, already outrageous market price.

"That's obscene," Davis told ABC News' George Stephanopoulos. "No one can defend that. The company is named Reliant. It's in Texas. It's a big buddy of President

Bush and Vice President Cheney, and they can't just sit back and say, 'Hey, it ain't our problem.' "

On May 16, Davis signed a bill into law creating a state power authority. At the signing ceremony, he leveled a warning at the speculator electricity suppliers: "If they don't want to see their plants seized [by the state, under eminent domain procedures], they should make sure their plants are up and running this Summer."

Cheney's Record: On May 1, Cheney went to Capitol Hill to give a private briefing to House Republicans. He warned that he, that is, the Administration, would aggressively oppose anything resembling electricity price caps. On the same day, an amendment that would have implemented a Federal wholesale electricity price-control measure was defeated by a vote of 20 to 12. On the same day, "The Electricity Emergency Act" was introduced by Rep. Joe Barton (R-Tex.). It was nicknamed the "Emergency Rule" bill because it spelled out how the Federal Emergency Management Agency and other entities should carry out domestic control operations in the event of widespread power outages.

On May 5, Bush, Defense Secretary Donald Rumsfeld, and Assistant Secretary of Defense Paul Wolfowitz gave a White House press conference to announce that California military bases would be ordered to cut use of electricity, to "do their share" to cut energy usage in the state.

Cheney launched a media blitz for his go-to-hell message to California. On May 5, he told *Los Angeles Times* writer Doyle McManus, that he opposed any action to bring price relief to California. "I'm a skeptic. I've never seen price regulations that I've felt very good about," Cheney said. "The way you address these issues, is you either have to reduce demand or increase supply. And anything that doesn't do that is counterproductive. Ultimately, I think we're going to be better off if we have a deregulated energy market in this country." He reiterated this policy to Cable Network News on May 9.

On May 16, Cheney presented his final, 170-page report, "Affordable, and Environmentally Sound Energy for America's Future." Downplaying California's crisis, the report called for more deregulation across the board, and for international control over priority oil resource regions.

Within days of the release of the Energy Task Force Report, the Public Broadcasting System program "Frontline" broadcast its interview with Cheney. Asked whether energy corporations were acting like a cartel, Cheney said, "No." He added: "The problem you had in California was caused by a combination of things—an unwise regulatory scheme, because they didn't really deregulate. Now they're trapped from unwise regulatory schemes, plus not having addressed the supply side of the issue. They've obviously created major problems for themselves and bankrupted PG&E in the process."

Enron's Ken Lay, like Cheney, went on the stump in May, to insist on more deregulation, and lay blame on California, and on Governor Davis in particular. On May 22, Lay addressed the New England Regulatory Commissioners confer-

ence in Mystic, Connecticut, saying that, a year ago, most states and countries were moving toward deregulation, but today, there is a lot of second-guessing going on, thanks to California Governor Davis having said, "Deregulation is dead."

Lay then gave a short history of deregulation, going back to British Prime Minister Margaret Thatcher. He said that California deregulated in a faulty way, and that this might be why the state could have a total electricity bill of \$70 billion and rolling blackouts. But for certain, price caps are not the solution, he said; they never were. Lay told the New England audience that the "solution" for California is "real-time pricing"—installing meters everywhere, commercial and residential, and offering inducements to forgo use of electricity.

Then on May 24, Lay was in California for a secret political meeting. Former Dow Jones California bureau chief Jason Leopold recently revealed that the session took place at the Peninsula Hotel in Beverly Hills, for Lay to organize a group of GOP bigshots and Hollywood celebrities to join his propaganda drive against Davis, and peddle Enron's schemes for accelerated looting of the state through even more drastic deregulation schemes.

Among the attendees were former Los Angeles Mayor Richard Riordan, infamous Drexel Burnham junk bond felon Michael Milken, and Arnold Schwarzenegger. The attendees at the 90-minute session were given an eight-page proposal titled "Comprehensive Solution for California." One of its key points was that all state and Federal investigations into Enron's role in the California energy crisis must immediately be shut down.

Sequelae

On Oct. 15, 2001, Enron announced it had falsified financial statements; on Dec. 2, 2001, Enron declared bankruptcy—the largest corporate bankruptcy in U.S. history. Subsequent investigations have also documented the fraud and looting practices by the other prominent energy pirates, including Reliant, Mirant, El Paso, and Williams. The state of California's debt is now \$38 billion. And the Bush-Cheney energy policy today remains the same as the May 16, 2001 Cheney National Energy Report.

LaRouche's Record For Reregulation

On Jan. 3, 2001, speaking at an international webcast event in Washington, D.C., Presidential pre-candidate Lyndon H. LaRouche, Jr. declared what had to be done for the California and national energy crisis: "Immediately, through the Federal Government, create two steps: . . . Establish reregulation, emergency reregulation. Do it under Clinton. Don't wait for Bush. Do it now! . . . And then get some money in there.

. . . Get some power generation going in that area. We're going to ensure a safe and adequate supply of energy, to industry and to populations throughout the area."

The following are some of the key interventions by LaRouche during the 2000-2001 energy disaster period.

Sept. 19, 2000: LaRouche issues a 10-point memorandum, as a policy summary, "On the Subject of Emergency Action by Governments to Bring the Present Petroleum-Price Inflation Under Control."

Dec. 4, 2000: In Boston, LaRouche's policy proposals are presented in testimony at a hearing of the Boston City Council's State and Federal Affairs Committee, convened to hear public discussion on a "Resolution on Emergency Governmental Action to Reduce Oil and Natural Gas Prices"—a proposal for reregulation by Councilman Chuck Turner. LaRouche's statement of support was presented, stressing, "The measure before you, if adopted, is surely, once again, a shot which will be heard around the world."

LaRouche and associates collaborate with state and local lawmakers for reregulation. In Nevada, State Sen. Joe Neal (D-North Las Vegas) introduces a bill to roll back deregulation; other states and cities demand reregulation. Neal travels to California, Ohio, and later, Mexico, collaborating with the LaRouche effort to expose the energy pirates, and reregulate electricity.

Jan. 3, 2001: In Washington, D.C., LaRouche calls for emergency Federal energy reregulation action for California.

Feb. 4, 2001: In California, LaRouche addresses a youth conference, calling for a full-scale energy reregulation organizing campaign, and warning against Cheney, et al. His address is titled, "On the California Energy Crisis—As Seen and Said by the Salton Sea," and specifies how deregulation and energy speculation led up to the crisis, what practical measures are called for immediately from government, what legal precedents exist, and what consequences can be expected if the proper action does not take place. The candidate made an explicit warning on Cheney: "The present Administration and its complement in the Congress, has two principal features. On the one side, as typified by cases such as Vice-President Cheney and Secretary of Defense Rumsfeld, it is identified with the Wall Street 'establishment.' "

Jan. 31, 2001: LaRouche's reregulation program is submitted to the Senate Energy and Natural Resources Committee, in *EIR* testimony to a hearing on the California crisis, and at many subsequent hearings.

Feb. 13, 2001: A 200,000 press run of LaRouche's Feb. 4 California crisis speech is issued as a national mass pamphlet on reregulation by the LaRouche in 2004 campaign, with follow-up reprintings.

Feb. 14, 2001: In Sacramento, California, the LaRouche Youth Movement conducts an intense "lobbying day" for reregulation, timed with the State Assembly's Special Session on Energy Pricing. The young activists continue to hold these action-days in coming weeks.