Electricity Deregulation: Carter-Gore Policies, Bush Profits

by John Hoefle

The conglomerates that are turning legislators' heads for electricity deregulation, and for then buying up electric generating capacity and turning deregulation into a "gaming" casino of super-profits and super price increases, are led by the Enron Corp., a Texas-based Bush-Baker-Harriman interest.

Enron, closely connected to former President George H.W. Bush, is the biggest contributor to Texas Governor and Presidential candidate George W. Bush, having donated over $555,000 to his political career.

This and other Bush-Baker-linked companies, ironically, are making a killing implementing energy deregulation policies which originated with Jimmy Carter's Trilateral Commission administration, whose heir is Al Gore today.

The former British Secretary of State for Energy, Lord Wakeham, is also on Enron's Board of Directors; it was Britain, during Lord Wakeham's tenure, which launched the electricity deregulation swindle.

Enron Corp., based in Houston, is the leading company in the global electricity deregulation market and a major player in the energy derivatives market. The company has seen its market capitalization rise from $13 billion at the end of 1997 to $60 billion today, thanks to a major presence in the United States, Europe, Ibero-America, Africa, the Middle East and Asia. The company is actively transforming itself from an industrial company into a trading company, with trading rooms in its Houston headquarters which rival those of Wall Street investment banks. Its policy, and that of its powerful sponsors, is to insert the company as a middleman between energy producers and energy consumers, skimming a portion of the billions of dollars spent each year on energy into its coffers.

Enron was formed from the 1985 merger between natural gas companies Houston Natural Gas and Omaha-based InterNorth (née Northern Natural Gas), forming the nation's largest natural gas pipeline company, with 23,000 miles of pipelines stretching from California to Florida and Mexico to Canada. The new company, named HNG InterNorth, was briefly based in Omaha, then changed its name to Enron and moved its headquarters to Houston.

Enron's rise from a relatively unknown pipeline company to an international energy conglomerate can be traced back to 1989, when it opened an office in London to take advantage of the deregulation of the electricity and gas markets being developed and tested in Britain; the lessons learned were then spread to the United States and the rest of the world, as the Brits pushed their deregulation scheme globally, using companies like Enron to disguise it as a U.S.-led operation.

Enron's fortunes surged when President Bush left office and members of his Administration began to cash in on deals many regarded as flagrant influence-peddling. Following his defeat in the 1992 U.S. Presidential election, according to a 1993 *New Yorker* article by Seymour Hersh, George Bush made a private trip to Kuwait that was partly devoted to peddling influence on behalf of Enron. He reportedly pitched in favor of Enron to win the 400 MWe Shuaiba North power plant contract. Hersh wrote that such a high-level push was necessary because Enron's price for supplying a unit of electricity was 11¢, against the rival bid of 6¢ by the German company Deutsche Babcock. On that trip, according to Hersh, Bush was accompanied by his two sons Neil and Marvin, as well as his former White House Chief of Staff and Secretary of State James A. Baker III and Gen. Thomas Kelley, who had played an important role in the Gulf War. Having kicked Iraq out of Kuwait, some have suggested, Bush arrived to collect his reward.

Both Baker and Kelley, along with Bush Administration Secretary of Commerce Robert Mosbacher, took "consulting" jobs with Enron shortly after leaving office. Texan Mosbacher had been general counsel to the Bush/Quayle campaign in 1992, and later was the finance chairman of the Republican National Committee.

James Baker was a power in his own right. His family law firm, Baker & Botts, had long been one of the most powerful institutional forces in Texas, representing the Harriman and Morgan interests, both of which were fronts for the British Royal Family and British financial interests.

Among today's Enron directors is John H. Duncan, a former director of the King Ranch, which had its own close ties to the British Royal Family and which played a role in the political career of President Bush. John Duncan's brother Charles was Secretary of Energy in the Carter Administration. Charles Duncan was a liaison between Dominique Schlumberger de Menil and President Carter, who jointly formed the Carter-Menil Foundation and Center.

This close relationship to the interlocking Bush/Schlumberger/British nexus is the key to Enron's success. Enron was, in effect, given a franchise by the oligarchs who control both the financial and energy cartels, to be a vehicle for global energy deregulation. These are the people who turned struggling businessman George H.W. Bush into a President, and are now trying to do the same for his son.

Enron's rise to power was also helped by Bush alumna and former Commodity Futures Trading Commission Chairman Wendy Gramm. Gramm, the wife of rabid de-regulator Sen. Phil Gramm (R-Tex.), paved the way for today's derivatives market during her stint at the CFTC, by administratively exempting many futures transactions from the legal requirement that they be traded only on organized exchanges. The ruling opened the door for the rapid spread of the over-the-counter (OTC) derivatives market. Wendy Gramm is now a director of Enron.

Enron has spread its brand of energy speculation all over the globe, with operations in India, Ibero-America, Africa, the Middle East, and Asia. It also has deals with Russian gas giant Gazprom in the former Soviet Union.

In 1997, Enron bought Portland General Electric Company, a major Oregon electric utility. While Enron was promising that the move would benefit Oregonians, Enron president Jeffrey Skilling told an electric industry conference in Arizona that "you must cut costs ruthlessly by 50 or 60%." The proper approach, Skilling said, is, "Depopulate. Get rid of people. They gum up the works."

Today, Enron is a pioneer in Internet-based energy trading. In late 1999, it launched its EnronOnline web site to sell energy over the Internet, and is actively working to open up new markets, such as paper and pulp, to such speculation. It is also active in the privatization of public water supplies and treatment thorough a subsidiary, Azurix, which it took public in 1999.

The combination of political connections and speculation has proved highly profitable to Enron. In 1999, the company had revenues of $40 billion, ranking 18th among U.S. companies.

AES of Arlington, Virginia

AES, based in Arlington, Virginia, is another major player in the global energy deregulation scheme. It was founded in 1981 by Roger W. Sant and Dennis Bakke. As of 1997, Sant was the chairman of the U.S. branch of Prince Philip's World Wildlife Fund, a.k.a. the Worldwide Fund for Nature, and a director of the World Resources Institute. Sant was assistant administrator for Energy Conservation and the Environment at the U.S. Federal Energy Agency (FEA) from 1974 to 1976, and director of the Energy Productivity Center of the Mellon Institute from 1977 to 1981. Bakke was Sant's deputy at both the FEA and the Energy Productivity Center.

Other directors of AES, as of 1997, included: former World Wildlife Fund chairman and Environmental Protection Agency administrator Russell Train; John H. McArthur, a senior adviser to the president of the World Bank and director of the Cabot Corp.; Alice Emerson of the Andrew W. Mellon Foundation, who was also a director of the World Resources Institute and the Bank of Boston; Frank Jungers, the retired chairman of the Arabian American Oil Company (ARAMCO) and a director of the Donaldson, Lufkin & Jenrette investment bank; and Thomas Unterberg. the managing director of the Unterberg harris investment bank.

AES has been active in grabbing energy assets in the former Soviet Union, buying electric generating capacity in Kazakstan and Georgia for pennies on the dollar.

Dynegy of Houston

The oddly named Dynegy, of Houston, Texas, has been active in buying power plants and marketing energy products in North America, the United Kingdom and Europe. The major owner of the Houston-based company is oil giant Chevron, which owns 29% and has a commanding presence on the board of directors. Dynegy completed its acquisition of Illinova in February.

According to the company, its name reflects its "evolution from a natural gas marketing company to an energy services company capable of meeting the growing demands and diverse challenges of the dynamic energy market of the 21st Century." In 1999, the company initiated electric power marketing operations in the United Kingdom and continental Europe.

The company has interests in 31 power projects in operation, under construction, in late stage development, or pending acquisition, having combined gross capacity of 6,832 megawatts of electricity. The majority of these facilities are gas-fired and are principally owned through interests in joint ventures formed to operate the plants.

Reliant Energy of Houston

Reliant, formerly known as Houston Industries (parent of Houston Lighting & Power), is also jumping into the energy deregulation market. In 1997, Reliant bought NorAm Emergy Corp., the parent of Entex, a natural gas company.

The most prominent director of Reliant is former Bush Administration Secretary of State and Enron consultant James A. Baker III, now a senior partner in his family law firm Baker & Botts. Baker is also a senior counselor to the Carlyle Group, a Washington, D.C.-based merchant bank made up of former Bush Administration officials.

Other directors of note include: John T. Cater, a former president of MCorp, one of whose subsidiary banks, Houston's Bank of the Southwest, once included Schlumberger official Jean de Menil, the husband of Dominique Schlumberger de Menil, on its board.

Green Mountain Energy of Vermont

Green Mountain Energy of Vermont says it is "dedicated to changing the way energy is made," by pushing "renewable resources like wind, water and geothermal." The company hopes that by creating the perception that buying its high-priced electricity, consumers will be making the world a better place. Green Mountain puts up an environmentalist front as part of its sales pitch, advertising an Environmental Advisory Board featuring representatives from the Natural Resources Defense Council, the Worldwatch Institute, the Rocky Mountain Institute, the Clean Energy Group, and the World Resources Institute, but its pedigree is pure finance. The chairman of Green Mountain is Sam Wyly, a founding partner of the $3 billion Maverick Capital hedge fund group, and one of the leading financial contributors to the political career of Texas Gov. George W. Bush; Wyly and his brother Charles have donated over $222,000 to the younger Bush's political campaigns.

Green Mountain director Dianne Dillon-Ridgley is a former president of Zero Population Growth and a member of the British Oxford Commission on Sustainable Consumption.

NRG Energy of Minneapolis

NRG Energy of Minneapolis, Minnesota, a subsidiary of Northern States Power Company, has been buying power plants in the United States and the United Kingdom, and now owns all or a portion of 57 power plants with a total generating capacity of 23,000 megawatts.

FPL Group/Entergy of Miami and New Orleans

FPL Group, of Miami, the parent of Florida Power & Light, announced on July 31 that it would merge with Entergy Corp., a utility based in New Orleans.

The board of FPL includes two directors with close ties to the Bush family: Fred Malek, who served as campaign manager of Bush/Quayle '92; and Armando Codina, a business partner of Florida Gov. Jeb Bush, son of the former President.

Sithe/Vivendi of New York and France

New York-based Sithe Energies has been buying up power plants in Pennsylvania and New Jersey. Sithe is 60% owned by France's Vivendi and 30% by Japan's Marubeni Corp. Vivendi has been actively buying water companies in the United States and Europe, and recently agreed to buy Seagram's, the liquor company run by the notorious Bronfman family.

Regulation: The Fight Which Saved the Nation

by Richard Freeman and Marsha Freeman

On July 18, Sens. Phil Gramm (R-Tex.) and Charles Schumer (D-N.Y.) introduced into the Congress Federal legislation for extreme deregulation of the U.S. power grid. The bill would take the nation backwards, to the era of the 1920s, when very little electric power regulation existed, and the Wall Street-City of London financier oligarchy ran America's electric utility policy, and a good part of its economic policy, as its own fiefdom. This contributed to the speculative orgy that culminated in the Great Depression.

The Gramm-Schumer bill calls for the dissolution of the Public Utility Holding Company Act (PUHCA), which was passed by the U.S. Congress in August 1935. President Franklin D. Roosevelt, who along with other patriots had pushed for the Act, signed it into law on Aug. 26, 1935.

The PUHCA was passed—along with the Federal Power Act, which was also adopted in 1935—in one of the fiercest battles in the nation's 225-year history. The Wall Street forces demanded that they be allowed to do as they pleased, and that Federal regulation with teeth—as opposed to the state "supervision" which existed at the time—was out of the question.

During the 1920s, the financier oligarchy, led by J.P. Morgan Bank, employed speculative "holding companies"—such as Morgan Bank's two big holding companies, the United Corp., and the General Electric Corp.—to buy up, through a large number of mergers, most of the nation's electric power-generating and transmission-line capacity. It also bought up a lot of the natural resources that went into electricity generation, including coal and natural gas, and it even attempted to monopolize water sources for hydroelectric power. It obtained a hammer-lock on America's electric power generation, as was obtained over few other economic processes in history.

But this is not just another "resource" or "commodity." This is the supply of vital electrical energy, which heats and electrifies homes, drives farm processes, and powers factories, a form of hard infrastructure that is indispensable to the nation's advancement, or even continued survival.

Under the Wall Street plan, one holding company would buy anywhere from 50 to 300 operating companies. These companies generated electric power or transmitted it along transmission lines; that is, they did the actual work of altering nature for the benefit of man. Then, for speculative purposes,