

Fighting Deregulation, Inflation: State Legislators Use EIR

Since *EIR*'s Aug. 18 *Feature* exposé of electricity deregulation, and of the “new robber baron” conglomerates buying up the nation's electric-generating capacity, prices of all forms of energy have continued to spike upwards ominously around the country and abroad. While Europeans strike against soaring petroleum prices, American elected officials have begun to use *EIR*'s fully documented warnings, to move to roll back deregulation.

State Sen. Joseph Neal (D) of Nevada sent *EIR*'s feature to the state's legislative leaders, and to Nevada Gov. Ken Guinn, with an urgent letter warning, “There is an energy crisis spreading across the nation like an angel of darkness.” Days later, Governor Guinn spoke out on the threat of rising electricity prices resulting from deregulation, and the *Las Vegas Sun* headlined, “Nevada Governor May Scuttle Utility Deal.” Then, on Sept. 13, three leaders of the Nevada legislature (which had already passed electricity deregulation) publicly called for postponing it until the next legislative session. They added the warning that the Las Vegas casinos would get cheap power under deregulation, while residents and small business would pay “skyrocketing power bills.”

Senator Neal is simultaneously fighting to ban health maintenance organizations (HMOs) in the state, and to tax the gaming interests to improve the general welfare of the state's citizens. He was a panelist convening the Ad Hoc Democratic Platform Hearings in June in Washington, D.C.; the platform proceedings have been circulated in 1 million copies in the United States since then, to mobilize the 80% of lower-income constituencies and to rebuild the Democratic Party. Senator Neal was interviewed on Sept. 12 by Paul Gallagher.

Interview: Joseph Neal

Energy Crisis Is Spreading like an ‘Angel of Darkness’

EIR: Senator Neal, you have been, just in the last week, re-elected, for which congratulations, because you have been involved in a number of fights on behalf of your constituents, right up to the day of the election; and it is a good sign that they supported you in that with re-election. There are 25 states

which have deregulated the production and distribution of electrical power, as *EIR* reported in its special report a month ago. Is Nevada one of them?

Neal: Nevada, yes, is one of those states that is headed in that direction; but what we did in the law that was passed, was to put a provision in there, to say that the governor had the authority to say when competition was to take place—that's what they call deregulation, you know, “competition” in the electrical industry. And he has, I think, set a date of Nov. 1 for deregulation to take place, and he has now indicated by certain press statements, that he is hesitant about going forward. He has made the statement to the effect that deregulation would not decrease the price of electricity—that electricity costs would go up.

EIR: You played a role in that change of mind with the governor, and I understand also, that the recent package on deregulation done by *EIR*, played a role in exposing the way electricity prices have jumped up in the states where deregulation has already been in effect. Can you tell us what you did?

Neal: Yes, I sent the governor a letter back in August of this year, asking him to stop deregulation until such time that the legislature would have opportunity to revisit this particular subject. Of course, I never did get an answer in writing from him; the letter was publicized, because I sent a copy to all of the leadership in the legislature; and the letter got out to the press, and the press publicized it. In [the letter], I had raised some questions about the deregulation process occurring across the country; that we are now seeing spikes in the cost of megawatt-hours of electricity, from anywhere from \$1,400 up to \$9,500. And this was outrageous, in my judgment, since we had been experiencing the selling of megawatt-hours of electricity at between \$30 and \$40.

EIR: You are talking about the prices paid by utilities?

Neal: Right. And I think the governor must have taken note of this, because the last time we had a Republican governor, he lost because of the fact that his appointments to the utility commission did not stop the increase in the price of electricity back in the 1980s. And so, I made mention of that fact in the letter. So, hopefully, he did respond according to what I had said; but right now, we don't know what is going to happen. There is some discussion about going forward with the deregulation process as far as the large users are concerned [primarily casinos—ed.]. I believe that this also is a mistake,

because what that would tend to do, is shift the cost of the electricity back to private residents, once you get the large users deregulated themselves, and trying to purchase cheap electricity on the open market; it would cause, in my judgment, a spike in the cost of electricity to the residents of the state.

EIR: It's also had the effect, in other states, of causing those large users to shut down frequently, for a day, an afternoon, two days, to save power.

Neal: That is true, too, and we have seen that happen here. We call it a yellow alert, which means that the utility of this state calls some of the large users, and asks them to decrease their use of power. And of course, following a yellow alert, then you have rolling brownouts; and we have seen some evidence of that happening in this state. Hopefully, the governor will take all of that into account, because he is the sole individual that actually can put the brakes on this, unless the legislature meets in February of next year to try to roll back the whole process.

EIR: Has the circulation of *EIR*'s information on deregulation occurred among the general population out there, and has it had an impact on this?

Neal: I have gotten some calls from individuals who indicated that they had read the articles of *EIR*, and that it gave them a better understanding of the process. I had one call from a gentleman who could not believe that I was one of only two people in the legislature, who actually voted against deregulation. Yes, I think it has had some impact, because what the *EIR* article did—it went into depth about the history of electrical utilities, beginning with the Electrical Utility holding act that was passed in the 1930s. And it examined the reason for that, and why it was necessary to have such an act; and you could see, from that particular article, what was to come under this new thrust toward deregulating the utilities.

EIR: *EIR* named some specific companies—Enron Corp., Dynegy, Reliant Corp., Duke Power—that it called “the new robber baron” companies. Have any of them been active in the passage of deregulation there?

Neal: Oh, yes. Enron—I call it End-run, with that specific meaning in mind; they were very prominent in passing our deregulation law in this state. In fact, they were the ones which specifically wrote the bill to deregulate, so they've been very active in this state. And I just saw some indication that, in California at least, because they were not able to get on with what they thought they recently had there, the governor kind of intervened, and I think they kind of moved out of California, because it seemed that it was not working the way that they had figured it. But the state of Nevada has not reached that conclusion yet; and I keep hearing some of the leaders in the legislature—and I heard this over the weekend—saying that we were more particular about how



State Sen. Joseph Neal

we drafted our law. And I thought it was a lot of b-s when I heard it. We are at the same exposure that we are now seeing in the state of California, particularly in the San Diego area. It just hasn't hit us yet with the full force that has hit them down there.

EIR: The pattern of these companies, in state after state, is the same. And of course this is a company very closely associated with the Republican candidate for President at the moment, and his family.

Neal: Yes, it is.

EIR: You've also spoken out in the past on the fact that there is not enough electrical generation capacity in the nation at this time, and you've attacked what you call “open market rigging.” Can you explain what you have meant by this?

Neal: Well, one of the things that I had mentioned in our letter to the governor, was that one of the underlying flaws in deregulation of electricity in Nevada, was the assumption that competition would drive the energy prices down. And I made mention, in that letter, that in order for that to happen, there must be an adequate supply of generating facilities, with non-discriminatory access to transmission systems for all suppliers. And, of course, I made mention of the fact that these conditions did not exist, and will not for some time, if ever.

The thought behind putting that particular statement in the letter, was that I had come to the conclusion that the way that this process was being administered in this state—with the lack of these [sufficient generating] facilities—you are at the disposal of those individuals who were to purchase facilities. And we did require, by law, that the utility—and I call it the utility now, because the two (Sierra Pacific and Nevada Power) have merged—had to sell off, either their transmission or their generating capacity. And so, if you had

to divest yourself of one or the other, you expose yourselves to those who would purchase the generating facilities for the purpose of selling you power, to any price they want to charge you. And we would not have had in place, an agency such as the Public Utility Commission, to ward off those increases. Because under the deregulated environment—and we now see it has been characterized by weak oversight—that allowed the people who owned the generators and the transmission lines to manipulate the prices, and thereby exploit the consumers. So it was those thoughts, that I felt needed to be addressed, and let the governor know what my position was, since I was one of the two individuals that actually had voted against this bill in the first place.

EIR: Was the other one a Democrat also?

Neal: I don't recall right now who the other individual was. I think it might have been.

EIR: I was going to ask you, with the prices of all forms of energy, from heat to electricity, going up rapidly at this point nationwide—and this is an important issue in the election—do you see others in your party moving on this? Do you have collaborators in other states?

Neal: Yes. One of the most conservative Democrats in our legislature—he terms himself a free-market guy, a gentleman by the name of Senator Snyder—has come to the conclusion that deregulation might be wrong for the state. He has indicated that he wants to do something to help ward this off.

EIR: You've also taken the lead against deregulation of health care—another vital area—to overturn what has stemmed from the 1973 HMO legislation. What are your plans on that?

Neal: Well, what we are actually attempting now, is to place the medical decisions back in the hands of the doctors and the patients, and eliminate the middle person. And this process of establishing HMOs, which we all fell for in the 1970s, came about as a result of the fact that we were told at the time, and convinced at the time, that it would go a long way in reducing medical costs. But, that turned out not to be the case. It turned out to be a nightmare for many of our citizens who had to get health care, because we found ourselves at the mercy, not of doctors, but of accountants who wanted to charge everything possible to the consumer. At one time, you had a price of a [hospital] room that was given to you, and that included the bed, and the linen and the towels, and the soap to wash or bathe yourself; but those all became individually charged items, through some time of master listing. And thereby, they increased the cost of medicine. And so far, this has turned out to be a nightmare for many citizens; once you get a decision from your doctor as to what your health needs are, in order for you to get any medication for that, you have to get the approval of some HMO, some intermediary organization such as managed-care groups. That, rather than reducing the cost of health care, increased the cost of health care.

So, my position now, is that we are trying to roll all of that back, and put the medical decisions in the hands of the doctors and the pharmacists who honor your prescriptions, the doctors who make decisions as to whether or not you would be treated in a hospital, or what other type of medication one might need.

EIR: One last question on electricity, but now from this broader standpoint. You are involved in a number of fights simultaneously. Between now and Nov. 1, you are also the main proponent of a referendum to place a tax on the gaming interests in Nevada, in order to use the revenues for the general welfare out there. Nov. 1 is also the target date for the deregulation. With you out campaigning and mobilizing in this way, would you forecast what is likely to happen with regard to electricity deregulation?

Neal: I don't know, because as I indicated, in the bill that we passed, we allowed the governor the authority to determine when deregulation would take place. So far, I understand that that might be Nov. 1 of this year. It's clearly within his powers to move forward with it. If he does, and we have a spike in the cost of electricity—and of course we are beginning to experience some of that now—what will happen, is that he would no longer be governor. But the people would have to suffer until such time as there is a reversal of his action. And we have a three-member Public Utility Commission, and two of them are in favor of moving on the deregulation, and one is adamantly opposed. As it turned out, she happens to be the most experienced person in that process. In fact, I have to return a call to her today, because she just called me yesterday, and had some concerns that she wanted me to be aware of.

EIR: And you're trying to use this *EIR* intelligence, then to make him see this handwriting on the wall, so that he will postpone it or kill it.

Neal: That is correct, and the letter that I wrote to him was very exact and to the point, in trying to explain to him that deregulation is not a course that we should take; and we should wait until the legislature convenes, in order to revisit this subject. And I had called for a bill draft to reverse the process of deregulation; and they already know that that's in the mill, and that we will have something to consider in February 2001. . . .

Of course, I would have loved to have had the information that you guys have at *EIR*, during the time we were considering the deregulation of electricity, back in 1997. That would have been quite helpful, to know the history of that. And that's one of the disadvantages, I guess, when we have a citizen legislature like we have, that we are vulnerable to those particular attacks, because we don't have the information to make the proper judgment—unless you are like myself, who goes on the basic feeling, after looking at that, that I am suspicious that what they are talking about might not occur. And so, you wind up voting on that, and in many cases, you do not have the necessary information to even support that.