

Agenda for National Energy Emergency Action

I. Scope of Energy Crisis:

Physical Economy

■ **California Update:** Supplies of electricity remain on an hour-by-hour basis. California has now had more than 32 days of "Stage Three Alert" for rolling electricity blackouts. Hyperinflated natural gas prices are causing havoc. There are day-to-day actions by Gov. Gray Davis, by the State Assembly and in Federal court, as summarized below. On Feb. 21, Governor Davis threatened Pacific Gas & Electric with state takeover of PG&E's electricity transmission grid through powers of eminent domain, because PG&E's holding company refused to negotiate in the crisis.

What must be understood about all these initiatives to keep the lights on in California, is that they stem from a stubborn illusion that there will be "something" or "someone" (some even still look to Greenspan), to stabilize the "markets" and the financial breakdown. But there is no such *deus ex machina*. The Depression is on.

Since the world is now in a global financial and economic collapse, means must be taken to deal with any specific situation from that overall perspective. What is required in the immediate California crisis, is Chapter 11 bankruptcy action for the utilities, combined with re-regulation of energy, including Federal re-regulation of gas, and traditional cost-based pricing. This approach is spelled out in the mass-circulation pamphlet, "LaRouche on the California Energy Crisis" (also available on www.LaRouchein2004.com). LaRouche warned of today's crisis in advance; he has been proven right, and peo-

ple just have to face reality.

The way for Governor Davis and other responsible officials to proceed, in order to avoid panic, is to say, "Since we are in a depression, we have to take measures immediately that worked before. Government must act now as it has in the past, using the precedents of the past, to get us out of the depression." They have no other choice.

Starting in Sacramento on Feb. 13, and continuing on March 6 in California and other states, "Days of Lobbying" for this approach are under way. (See "Strategic" section below).

Among the most recent, lesser initiatives, still *locked inside the disintegrating realm of "market economics,"* are the following:

On Feb. 21, U.S. District Judge Frank Damrell issued an extension to his previous order requiring Reliant, Williams, AES, and Dynegy ("merchant" wholesalers of the energy cartel) to continue selling power to California. The order, extended until Feb. 23 (when the judge may rule on various motions), was based on protecting Californians from rolling blackouts.

On Feb. 20, the State Senate voted up a measure for a state power authority, with the right of eminent domain, to seize power plants, to build, to upgrade, etc., and for \$5 billion in initial funding. At the same time, preparations for the state bond issue of \$10 billion, for the state to buy electricity, are proceeding through underwriters, Morgan Stanley, Lehman Brothers and a score of others, many of which had

connived all along with deregulating and destroying the power system.

National Energy Hyperinflation Impact

One reading of the impact of energy hyperinflation comes from the Feb. 21 release of the U.S. Consumer Price Index for January. The CPI shows a 0.6% price increase for January, over December, in which the energy price rise drove the CPI overall: a 3.9% rise in energy prices in January, with natural gas prices up 17.4% (the largest gain on record), and electricity costs up 2.6%, the biggest gain since February 1980. This drove housing costs up 1%, the biggest jump since June 1982. Since the CPI is notoriously fabricated (e.g., the "Quality Adjustment" hoaxes), the real impact of energy hyperinflation is so huge that even CPI tricks can't hide it.

Electricity

The hydropower potentials of the Western U.S. states and Canadian provinces are hit hard by the severe drought, in the context of energy hyperinflation. Hydropower is significant in the West and Northwest of North America, because systems of dams and generators were built up 50 years ago; their output was intended, by the year 2000, to be supplemented by nuclear power (very little has been developed) and the continental North American Water and Power Alliance, which was never built. Therefore, naturally occurring drought becomes a man-made, policy-caused disaster.

Snowpack this Winter in the Canadian and U.S. Rockies, and the Sierras, is only 40-55% of average. Snowpack to refill the Brownlee Dam on the Snake River is 55% of normal. Bonneville Power Authority's generating capacity has fallen by 4,000 MW due to the drought, and BPA

TABLE 1

California Power Suppliers Post Mega-Profits for 2000

(Millions of Dollars)

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.

has spent \$500 million since Oct. 1 to buy wholesale power to meet its contracts.

Natural Gas, Propane

Price hikes for Federally deregulated natural gas are hitting throughout the continent.

■ **Canada:** In the four provinces where energy prices are deregulated (in various stages)—British Columbia, Alberta, Ontario, and Quebec—the impact is severe. Whenever and wherever price “caps” come off, economic shock means instant political shock.

■ **Michigan:** The three-year locked-in price of \$2.46 per unit (mcf) of natural gas expires on March 31, whereupon prices to end-users are expected to spike up by 75-100%. Consumer Energy, one of the two major utilities, has asked the state utility’s commission for a rate increase, from \$2.46 up to \$5.94.

■ **Arizona:** On Feb. 22, the state’s utility regulation agency, the Coporation Commission, will start hearings to decide whether to approve a request from Southwest Gas Co., for a residential rate increase of 20%.

Petroleum and Gasoline

On Feb. 16, the Anglo-American bombing of Baghdad signals new petroleum price

TABLE 2

Political Donations by Energy Cartel Firms, 2000

(Thousands of Dollars)

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.

shocks ahead. Even though last year’s peak prices of \$35-plus per barrel (international, speculative markets) fell back this Winter, the economy is still paying high prices for heating oil, diesel, and gasoline at the pump.

■ **Nebraska:** Diesel fuel, for on-farm delivery, to power for irrigation, in this case, was 86¢ a gallon last Summer, and \$1.06 in September, and now \$1.56.

Agriculture and Food Supplies

■ **Fertilizer** prices are skyrocketing, while supplies are short. On Feb. 9, South Dakota Farmers Union member Randy Knecht (Brown County) met with U.S. Senate staffers, to ask for emergency energy relief. He told them, that on his farm, with 3,500 acres, raising 450 beef cattle, corn, beans, and wheat: “My nitrogen costs will be up 40 to 90% this year.”

■ **Idaho farmers** are being offered cash to dry up their irrigated land, so electricity can be shunted to other users this coming crop season. Farmers have been asked to submit bids by Feb. 28 to Idaho Power Co., for how much money they will take to *not* use electricity for irrigation this year.

Bonneville Power Authority is appeal-

ing to all farmer customers to cut back on irrigation.

Social Hardship

School districts, hospitals, and all public institutions are reeling from utility bills.

■ **Massachusetts:** Boston public schools, hit with an expected 19.7% increase in energy costs over FY 2001-2002, will not fill vacant administrative positions, will adjust thermostats, and even lower lights if necessary. Boston College will increase tuition by 5% due to doubled energy costs.

Massachusetts General Hospital, hit with a 30% increase in energy costs over last year, is considering reducing lighting and adjusting thermostats, etc.

Military

■ **Kentucky:** The fuel cost crisis for Fort Knox and Fort Campbell typifies how the military is being unplugged. Since October, the cost of natural gas has gone up 350% for Fort Knox. The January bill for the installation was \$2.5 million. At Fort Campbell, the bill was up to a monthly \$1.5 million for January—almost three times the cost for the same period in 2000.

II. Scope of Energy Crisis:

Financial

State Funds Drain Into Energy Cartel

■ **California:** State funds intended for water projects, are being diverted into the state's \$50 million per day payment for electricity from the energy cartel. Gone so far: \$200 million to line the All-American Canal near Mexico; \$135 million for the Cal Fed water projects; \$70 million for flood protection; \$35 million for a ground-water project.

■ **Oklahoma:** This typifies how many states are scraping for any available monies for low-income households' utility bills and also vital functions, such as sewage treatment, hospitals, schools. Without re-regulating power and prices, any such deployment of monies, goes right out to feed energy cartel. A leading proponent of using Oklahoma's "Rainy Day" fund for low-income housing fuel aid, is State Sen. Kevin Easley (Blue Dog Democrat), who has been the major backer of deregulation since 1995. Easley has received very large campaign donations from energy firms, and himself works for an energy company.

Insolvency and Chain Reactions

Farm loans are blowing out.

■ **Nebraska:** George "Bill" Burrows, of the Nebraska Farm Service Agency, reported to *EIR* on Feb. 18 that "farm loans are all on a tight balance" with cash flow all figured out, and now increased energy costs will blow them out. "The hammers

are hitting agriculture . . . either there is a change in the total concept, or you pump in humongous funds."

■ **Bonneville Power Authority:** The financial status of all entities forced onto the wholesale power spot markets, grows worse by the hour. The giant BPA, faced with both drought and energy price hyperinflation, has informed the governors in the region, that BPA may need their backing for a bond issue to cover financial shortfalls. BPA may fall into arrears in debt-service payments to the Federal Treasury. If payments are not made, it is expected that the Yahoos in Congress will try to put BPA up for fire-sale for purchase by the energy cartel companies. Bonneville has spent \$500 million since last Oct. 1 to buy wholesale power to meet their contracts. Their reserves are down to practically nothing. They anticipate requesting a 95% rate hike by next Fall, but that won't even meet the hyperinflation.

Energy Cartel: Mega-Profits, Mega-Campaign Donations

Every part of the global energy cartel, from the petroleum and gas companies (BP-Amoco, Mobil-Exxon, et al.) to natural gas transmission firms, "merchant generators," and energy futures speculators, are making mega-profits. The companies wholesaling power and gas to California last Fall had profit rises of: Williams (276%), Calpine (240%), Dynegy (210%), Reliant (55%), Enron (42%), Duke Energy (18%).

Tables 1 and 2 show these same companies mega-profits *and* some of their campaign donations:

Of the \$1.61 million donated by Enron to Republicans, \$630,179 was hard money, and \$979,850 was soft money, while the corresponding figures for the Democrats were \$208,204 and \$520,065. Overall, these companies donated \$2,032,883 in hard money, and \$2,061,950 in soft money to the Republicans, and \$859,782 hard and \$914,753 soft to the Democrats.

These companies donated \$196,395 to Bush, and \$16,000 to Gore. Enron was the leading contributor to both, giving \$127,525 to Bush, and \$11,250 to Gore, followed by James A. Baker's Reliant, which gave \$35,070 to Bush, and \$1,500 to Gore.

The companies donated \$1,366,090 to the Republican National Committee, and \$624,600 to the Democratic National Committee. Again, Enron led the pack, giving \$713,200 to the RNC, and \$341,350 to the DNC.

Enron and its executives were also major contributors to the Bush-Cheney 2001 Presidential Inaugural Committee. Enron itself, and 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. Electric utilities donated \$825,000 to the Inaugural Committee.

Several of the company executives were also members of Bush's Pioneers Club, including: Don D. Jordan, the chairman of Reliant (retired, 1999); Steve Letbetter, the new Reliant CEO; Thomas Kuhn, president of Edison Electric Institute, a trade group of investor-owned utilities; and Ken Lay, chairman of Enron.

the city, to augment peak supplies.

The new "merchant generator" companies (Calpine, Enron, Reliant, Dynegy, Duke Energy Corp.) now running gas turbine generators throughout the country, and planning dozens more, assert that the new deregulated market means they have no responsibility to invest in transmission infrastructure.

III. Energy Infrastructure:

Crises and Reactions

The national electric transmission grid is aging, and deficient. In cities, such as New York, over one-fourth of the city's peak electricity needs come through heav-

ily loaded, aged transmission lines. Anticipating power shortages this Summer, the New York Power Authority is working on setting up contingency generators inside

IV. Policy Response:

Federal Level

The Bush Administration remains intransigent on behalf of deregulation, and the energy cartel's right to hyper-profits. This is also the stance, so far, of the Republican Congressional leadership, such as Rep. Joe Barton (R-Tex.), Chair of the

Energy Subcommittee of the House Commerce Committee, which held hearings on the energy crisis on Feb. 15. In his testimony, Carl Wood, of the California Public Utilities Commission, attacked the core idea of deregulation: that electricity should

be traded on a spot market.

Speaking out against deregulation is Rep. Peter DeFazio (D-Ore.). His H.R. 264 calls for "cost-based rate regulation of electricity nationally." He told a Feb. 20 Energy Town Hall in Oregon, referring to the drought, "If we have some severe weather, or anything that would create a necessity for reserve energy in a deregulated market, the private power companies decide how much to charge for that reserve energy. It opens the market up for profiteering."

V. Policy Response:

State and Local Initiatives

More Opposition to Energy Deregulation

■ **Oklahoma:** On Feb. 20, the House Energy and Utilities Committee voted 29-1 to delay energy deregulation until 2004.

■ **Indiana:** A draft bill will reassert state authority over utility company

mergers.

■ **Alabama:** Rep. Alvin Holmes (D) will introduce a bill condemning utilities for gas-price gouging; the utilities claim that their rate rise of 400% was just a "price adjustment."

■ **Mississippi:** On Feb. 17, some 150 protesters marched from the Light Co. to

the State Capitol. The action was prompted by the impossibly high energy bills and the economic crisis. Protesters included LaRouche activist Donnie Finley, the Rev. Willy J. Jones of Crystal Springs, an NAACP leader, and protest organizer Doris Rhodes, head of Unified Souls, Inc. Every participant received a copy "LaRouche on the California Energy Crisis." A planning session has set April 27 as the date for a much larger march.

Earlier in February, there were protest actions in Philadelphia and Atlanta, at the offices of gas utility companies.

VI. Considerations for Re-Regulation:

National Energy Management and Reconstruction

LaRouche 'Organizing Days'

■ **California:** On March 6 in Sacramento, the second blitz "Day of Organizing" by statewide constituency representatives will hit the State Assembly and government offices, to push for re-regulation, as an essential part of the only workable response to the hyperinflation and global financial/economic breakdown. A public forum will be held the same day. Similar actions are set for early March around the country, including in Austin, Texas, the home state for most of the energy-cartel wing of "Southern Strategy, Inc."

Californians held their first LaRouche "Day of Organizing" in Sacramento on Feb. 13, the same day the legislature began "Special Session" committee hearings to "manage" the energy crisis. Organizing teams were included 30 constituency leaders from the state's farmers, Hispanic community, seniors, and others.

The organizers circulated the LaRouche in 2004 pamphlet, "LaRouche On the California Energy Crisis," driving home the scope of the crisis, what led up to it, and stressing that nothing less than re-regulation, and Chapter 11 bankruptcy for the utilities, will work.

What characterized the quality of thought in the capital of the nation's most

populous state, was the silly phrase repeated everywhere: "Re-regulation is a lot like putting toothpaste back into the tube. . . . You can't do it." This was the "talking point" from among the apparently "more reasonable" state officials. (Those supporting deregulation, merely said, "We just haven't deregulated enough.") Many agreed with re-regulation complained, "We don't have the votes."

International Opposition to Deregulation

■ **The Netherlands:** A Parliament vote stopped deregulation on Feb. 16, by rejecting the sale of further public property in the energy sector.

■ **New Zealand:** Despite the fact that privatization has reigned for years, a new Labour government has begun to discuss reversing the radical privatization of railways and finance, with Prime Minister Helen Clark noting that its experiment in market fundamentalism has "failed."