

Profiles in Piracy

by John Hoefle

U.S. independent power producers, including unregulated affiliates of regulated U.S. electric utilities, are among the world's leading buyers of electricity and natural gas assets outside the United States. In looking at these companies, one thing stands out: a British connection. Many of these companies on the prowl internationally were part of J.P. Morgan's electricity cartel or otherwise connected to the British-front Morgan and Harriman interests, and are today part of the corporate assault force we call Southern Strategy, Inc. Here we profile three of these companies — Enron, AES, and Reliant — in depth.



Enron Corp.

1400 Smith Street
Houston, Texas, 77002-7369
www.enron.com
Standard Industrial Classification (SIC):
Security brokers, dealers & flotation

Selected officers and directors:

Chairman: Kenneth Lay. Lay is a director of pharmaceutical giant Eli Lilly and Company, Compaq Computer, and the Trust Company of the West. Lay serves as a virtual ambassador for the energy pirates, directing Enron's propaganda and lobbying operations, and has been a key adviser to the Bush family.

President/CEO: Jeffrey Skilling. Skilling is also a director of the Houston Branch of the Federal Reserve Bank of Dallas.

Directors of note: Lord John Wakeham, former U.K. Secretary of State for Energy and deregulation czar under Margaret Thatcher; Dr. Wendy Gramm, former head (1988-93) of the Commodities Futures Trading Commission, who deregulated derivatives (and wife of Sen. Phil Gramm); Ronnie Chan, director of Britain's Standard Chartered Bank, which was identified by *EIR's* book *Dope, Inc.* as a top opium-trade bank; John H. Duncan, a key player in the Schlumberger/Lazard/King Ranch nexus which helped create the energy pirates and the Bush League; Paulo V. Ferras Pereira, former president of the State Bank of Rio de Janeiro; Herbert Winokur, Jr., an investor and director of DynCorp, a "private" spook outfit.

Scope of activities:

Enron is active in most of the major and semi-industrial-

ized nations, buying and selling various energy products and commodities, and is the largest energy trader in the United States. Its EnronOnline website is the world's largest e-commerce operation, executing 548,000 trades totalling \$336 billion in gross value in 2000. Enron owns a regulated electric utility, Portland General Electric in Oregon, and an extensive natural gas pipeline network in the United States. Enron also plays a major role in the energy derivatives business, both through its own operations and through its steering role in the International Swaps and Derivatives Association.

Enron is a highly political company, with deep ties to the Bush family. The company hired a number of top officials of the first Bush Administration, including Secretary of State James A. Baker III and Commerce Secretary Robert Mosbacher, and former President Bush himself accepted a number of lucrative speaking assignments for the company; the company repaid the favor by becoming the single largest contributor to the political campaigns of Bush's son, President George W. Bush. With its deep pockets and political pull, Enron has taken the point in pushing deregulation around the world.

Looting magnitude:

Enron, the world's leading energy trader, was number seven among all U.S. corporations in terms of revenue in 2000, with \$101 billion in revenue, a 151% increase over 1999's \$40.1 billion. The company made a killing in the natural gas market with \$50.5 billion in revenue, more than it made in all of its businesses in 1999, and pulled in \$33.8 billion in the electricity market, more than its entire revenue of \$31.3 billion in 1998. The firm added \$9.2 billion from its nascent metals business in 2000.

Brief history:

The company known today as Enron was created in 1985, by the merger of two natural gas pipeline companies, InterNorth (née Northern Natural Gas) of Omaha, and Houston Natural Gas (HNG), creating what was then the nation's largest gas pipeline network. InterNorth, the acquirer, was one of the builders of the Northern Border Pipeline, which linked Canadian gas fields with U.S. markets, while HNG operated the nation's only transcontinental gas pipeline. Shortly after the merger, HNG's Ken Lay, a former Exxon executive, took control of the company and moved its headquarters back to Houston.

In 1989, when the U.K. began its electricity privatization and deregulation under Margaret Thatcher, Enron set up a 400-person office in London. Enron expanded in Europe as national markets privatized, and expanded into Ibero-America with the 1992 purchase of an interest in a 3,800 mile pipeline in Argentina. In 1997, Enron established a joint power generation venture with Italian utility ENEL, and bought Portland General Electric, an Oregon electric utility. The firm began power trading in Australia in 1998 and became

the first electric power marketer in Brazil.

Enron also entered the private water market in 1998, with the acquisition of Britain's Wessex Water; in 1999, it spun its water holdings into a separate company, Azurix, which it later reabsorbed.

While it still owns significant production and distribution assets, Enron's focus on energy trading has transformed the company into an investment bank with global trading operations (in its filings with the Securities and Exchange Commission, Enron lists its Standard Industrial Classification as "Security brokers, dealers & flotation companies," the same as Goldman Sachs and Merrill Lynch). Enron is also attempting to create the first national electricity reseller, through its New Power Company.



AES CORP.

1001 N 19th Street
Arlington, VA 22209
www.aesc.com
SIC: Cogeneration services & small
power producers

Selected officers and directors:

Chairman: Roger W. Sant. Sant, who cofounded AES with Dennis Bakke in 1981, is a member of the board of Prince Philip's World Wide Fund for Nature (WWF, a.k.a., the World Wildlife Fund), and the head of the WWF's U.S. branch. Under the cover of protecting wildlife and the environment, the WWF steers narco-terrorist and indigenous groups as tools of the British Empire's assault against nation-states. Sant is also chairman of the Summit Foundation, which is involved in the "Negro removal" operations in the District of Columbia. Sant was Assistant Administrator for Energy Conservation and Environment at the Federal Energy Administration (forerunner of the U.S. Department of Energy) from 1974 to 1976, and director of the Mellon Institute's Energy Productivity Center from 1977 to 1981.

President/CEO: Dennis Bakke. Bakke, who cofounded AES in 1981 with Roger Sant, was Sant's deputy at the Federal Energy Administration and the Energy Productivity Center. Bakke cites Margaret Thatcher as his inspiration for getting into the electricity business.

Directors of note: Alice F. Emerson, senior adviser of the Andrew W. Mellon Foundation, and a director of the World Resources Institute, FleetBoston Financial, and Eastman Kodak; Frank Jungers, retired chairman of the Arabian American oil Company; Philip Lader, senior adviser to Morgan Stanley International, a former U.S. Ambassador to the U.K., a former executive vice president of the late Sir James Goldsmith's U.S. holding company; John H. McArthur, retired dean of the Harvard Business School, is a senior adviser to the president of the World Bank, and a director of Cabot Corp., HCA



The pirates seize the economy. ("The Pedlar," woodcut by Hans Holbein.)

Healthcare, Glaxo Smith Kline, and Rohm & Haas; Hazel R. O'Leary, Secretary of Energy from 1993 to 1997, and a director of the U.S. branch of the World Wildlife Fund and UAL Corp.; Thomas I. Unterberg, managing director of the investment bank Unterberg, Tobin; and Robert Waterman, an author and consultant who sits on the board of the U.S. branch of the World Wildlife Fund.

Scope of activities:

AES, which describes itself as the largest independent generator of electricity in the world, is active in 32 countries, including most of the Western Hemisphere and large chunks of Southeast Asia. With operations in Mexico, El Salvador, the Dominican Republic, Panama, Colombia, Venezuela, Brazil, Bolivia, Chile, and Argentina, it is the largest power generator in Ibero-America. AES is also active in Australia, China, India, Bangladesh, Sri Lanka, Pakistan, Georgia, Kazakhstan, Oman, Turkey, Bulgaria, Hungary, Poland, Spain, the Netherlands, the U.K., Nigeria, Uganda, Tanzania, South Africa, and Canada. It owns all or part of power plants with a generating capacity of 58,000 megawatts, with another 800 MW under construction, putting it roughly even with Brazil, Italy, and the U.K. in generating capacity.

Looting magnitude:

AES saw its revenues more than double in 2000, to \$6.7 billion, and its net income increase 76% to \$665 million. Thirty-nine percent of its revenue came from North America, 38% from Ibero-America, 14% from Europe, and 9% from Asia; 52% of its income comes from the distribution of energy, and 48% from generation. AES also owns two U.S. utilities, Cilcorp (Central Illinois) and IPALCO (Indianapolis Power & Light). AES generates electricity in California; that energy is marketed by Williams, and Williams and AES have been accused of manipulating the supply of electricity in the state in order to maximize the price.

Brief history:

AES was founded in 1981 by Roger Sant and Dennis Bakke, two former Federal Energy Administration officials affiliated with the Anglophile Mellon financier/intelligence apparatus. The firm is virtually an extension of Prince Philip's anti-human World Wildlife Fund: Sant sits on the WWF's board of directors, and heads its U.S. branch, and two other WWF-USA directors sit on the AES board. With funding arranged by Thomas Unterberg, AES got its start building a cogeneration facility for Atlantic Richfield at its Houston refinery, then expanded into Pennsylvania and California, and by the late 1980s was an established second-tier cogeneration firm. After Bakke met with British Prime Minister Thatcher circa 1989, AES launched an international front, winning a 1991 bid with partner Tractabel of Belgium, for a coal plant in Northern Ireland.

AES went public in 1991, selling 10% of the company for \$90 million, and has been on a buying and building spree ever since. By 1995, it operated 19 plants in six countries, including Argentina, Brazil, China, and Pakistan, and soon added Hungary and Kazakstan. In 1999, AES bought its first utility, Central Illinois' Cilcorp, and began retail sales of electricity through its NewEnergy subsidiary; it also bought the 4,065 megawatt Drax coal plant in England, Western Europe's largest coal-fired plant. In 2000, AES acquired EDC in Venezuela, and IPALCO, parent of Indianapolis Power & Light, in the United States, and ended the year with some 18 million customers in 32 countries.

**RELIANT ENERGY**

1111 Louisiana
Houston, Texas, 77002
www.reliantenergy.com
SIC: Electric Services

Selected officers and directors:

Chairman/President/CEO: Steve Letbetter, has been with Reliant Energy since 1978. He also serves on the Advisory Board of Chase Manhattan Bank Texas.

Directors of note: James A. Baker III, former U.S. Secretary of State, Secretary of the Treasury, Bush family consigliere, senior partner of Baker Botts (the Schlumberger/Bush League law firm), and senior counselor to the Carlyle Group; Linnet F. Deily, vice chairman of Charles Schwab Corp.; Richard E. Balzhiser, Ph.D., president emeritus of the Electric Power Research Institute.

Scope of activities:

While Reliant is primarily a regulated electric utility (Houston Lighting & Power), it is in the process of transforming itself into a full-fledged energy pirate, by buying plants from other utilities in deregulated states. Reliant owns six power plants in California, with a generating capacity of 4,658 MW, and 21 power plants with 7,132 MW of generating capacity in the Mid-Atlantic states, mostly in Pennsylvania. These plants enabled the company to become a major player in the electricity trading market in the United States, and one of the most hated companies in California. Reliant also owns the Dutch utility UNA, which has five plants with a generating capacity of 3,476 MW, and plans to expand its European electricity sales and trading businesses. Earlier this year, Reliant spun off its Reliant Resources unit as a separate company, as it continues its privatization.

Looting magnitude:

Reliant Energy saw its revenues rise 93% in 2000, to \$29.3 billion from \$15.2 billion in 1999, moving it up to 55th from 114th on the Fortune Revenue 500. Much of that increase came from the company's 80% increase in its electricity trading business. While the company will not disclose its profits from California, they appear to be significant; California Gov. Gray Davis has publicly denounced Reliant for "obscene" price-gouging, charging the state as much as \$1,900 a megawatt-hour to avoid blackouts. Workers at Reliant's Etiwanda power plant have charged the company with adjusting the plant's power output in order to create shortages and thereby manipulate prices upward.

Brief history:

Houston Electric Lighting & Power was formed in 1882, and by 1901 was part of J.P. Morgan's electricity cartel. Thanks to Franklin Roosevelt's Public Utility Holding Company Act of 1935, Morgan's National Power & Light was forced to divest the utility, then known as Houston Lighting & Power (HL&P). In 1976, Houston Industries was formed as the holding company for HL&P. In the 1980s, the company entered the cable-television business, selling it in 1995 to Time Warner.

Houston Industries moved into Ibero-America in 1992, joining a consortium that bought 51% of Argentine electric company EDELAP, acquired 90% of Argentine electricity EDESE in 1995, was part of a consortium which took a controlling stake in the Brazilian utility Light in 1996, bought a



A demonstration of LaRouche supporters in Chicago against Enron's piracy.

stake in the Colombian utility EPSA in 1997, and bought interests in three El Salvador utilities and developed and operated a natural gas system in Mexico in 1998; the company has since sold most of its Ibero-American holdings in order to concentrate on Europe.

In the United States, the company bought natural gas dealer NorAm in 1997, and in 1998 bought five California power plants from Edison International, the parent of utility Southern California Edison, and announced plans to build power plants in Arizona, Illinois, Nevada, and Rhode Island.

In 1999, Houston Industries changed its name to Reliant Energy, and bought Dutch utility UNA. In 2000, it bought 21 power plants in the Mid-Atlantic from Sithe Energies, most of which Sithe had bought from Pennsylvania utilities. In May 2001, Reliant Energy spun off its Reliant Resources unit as a separate company, still controlled by Reliant, to expand its unregulated activities.

Other Companies of Note

Southern Company/Mirant Corp., Atlanta, Georgia. Southern, once part of J.P. Morgan's Commonwealth & Southern holding company, is the holding company for five Southern utilities (Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Savannah Electric), and spun off its independent power operations into Mirant Corp., which it controls. Southern is active worldwide, with operations in the Bahamas, Brazil, Chile, China, Denmark, Fin-

land, Germany, Hong Kong, the Netherlands, Norway, the Philippines, Sweden, Trinidad & Tobago, and the United Kingdom.

Entergy Corp., New Orleans. Entergy, another former Morgan company, owns five regulated electric utilities in Arkansas, Louisiana, and Mississippi, and owns and/or operates more nuclear power plants than any other U.S. company except Exelon. Entergy is active in Argentina, Australia, Bolivia, Bulgaria, China, India, and the U.K., often in joint ventures with Spanish power company Endesa.

PPL Corp., Allentown, Pennsylvania. PPL, formerly known as Pennsylvania Power & Light, is yet another former Morgan company buying assets overseas. PPL is active in Bolivia, Chile, El Salvador, Portugal, Spain, and the U.K.

American Electric Power Corp., Columbus, Ohio. Formerly known as American Gas & Electric, AEP was part of Morgan's Electric Bond & Share holding company. AEP, which has been buying utilities in the United States as well, has expanded into Australia, Brazil, China, Mexico, and the United Kingdom. AEP shares a director with Schlumberger, the oil-services company/intelligence unit which, with investment bank Lazard Frères, plays a key role in organizing and steering Southern Strategy, Inc.

Duke Energy Corp., Charlotte, North Carolina. Duke Energy was formed out of Duke Power, a Carolina utility which bought natural gas pipeline company PanEnergy of Houston in 1997. Duke bought three California power plants from Pacific Gas & Electric in 1998, and charged the state \$3,880 per megawatt-hour for electricity earlier this year.