

Prepared March 22, 2001

# Agenda for National Energy Emergency Action

---

## I. Considerations for Re-Regulation:

---

### International

---

■ **France:** On March 20, Prime Minister Lionel Jospin, speaking in Brussels, pointed to the California energy crisis in demanding that the European Union slow down plans for economic privatization and liberalization. The remarks are very significant, coming on the eve of the EU economic summit in Stockholm, March 24-25. The British government is already an-

gered by Jospin's opposition, when Britain is pushing for accelerating the privatization of public services. Jospin met with European Commission President Romano Prodi on March 20, and said afterward, on the subject of a European Commission plan to fully liberalize the gas and electricity sectors by the year 2005: "We think that the question cannot be put exclusively

in terms of fixing early dates for liberalization." He pointed to "problems" in California with the deregulated energy grid, and train wrecks in England.

■ **Japan:** A March 21 *Daily Yomiuri* (*Japan Times*) editorial was titled, "Power Supply Deregulation Must Not Go Too Far." It calls for "restraint" and "careful steps" in deregulation, given the blackouts in California. The editorial ends: "Unlike hamburgers and clothes, cheaper electricity is not necessarily a good thing. The task of ensuring the stability of power supplied is directly linked with the nation's energy security."

---

## II. Scope of Energy Crisis:

---

### Physical Economy

---

■ **California:** From March 19-21, rolling blackouts hit the state again, with outages lasting for an hour or more per site. This week, unlike in January, the blackouts hit statewide, for the first time since World War II. While the immediate causes are under scrutiny—energy cartels "gaming" the markets, large amounts of power capacity down for maintenance simultaneously, smaller suppliers not being paid, the impact of the Bonneville Power Administration's drought—the fundamental cause is the refusal of Federal authority to intervene, to act in the public interest.

The state is paying \$45-60 million a day for power purchases. This means that more and more state projects of all types are being cancelled—educational, water, etc.—to shunt public funds into the dere-

gulated electricity markets. Meantime, Gov. Gray Davis's intent to market state bonds for a bailout, is confronting a situation of financial blowout, where stock values are plummeting, and corporate pressures for liquidity are at crisis levels.

In the California electricity generation base itself, financial chaos is spreading, in the absence of Chapter 11 bankruptcy intervention into the collapsed utilities, Pacific Gas & Electric, and Southern Edison. Many of the smaller companies supplying power into the California system (not the energy cartel "merchant" firms), having not been paid for months, are themselves facing bankruptcy. This accounts for growing amounts of power offline during Stage 3 alerts and blackouts.

Then, there is the major traditional out-

of-state supplier, Bonneville Power Administration. On March 14, U.S. Senators from the Northwest proposed that Oregon-based BPA be moved to the head of the line, to get paid for more than \$100 million it is owed by California utilities. This proposal was defeated; California Sen. Dianne Feinstein (D) said it would force the bankruptcy of the California utilities. Bonneville, too, is facing a financial end-game scenario by the Fall, due mainly to the drought. Only orderly Chapter 11 intervention can keep the energy system operating.

■ **Northwest:** Here, utility indebtedness and insolvency are also going out of control. Seattle City Light has had to borrow \$689 million to avoid a \$300 million deficit by Fall, and to finance capital projects, which heretofore have been covered by cash.

■ **Massachusetts:** Massachusetts Electric filed for another rate increase in March, which would bring rates to 8.385¢ per kilowatt-hour, up from 3.8¢ five months ago. The power wholesale market in New England is very volatile.

---

### III. Energy Infrastructure:

---

#### Crises and Reactions

---

■ **Nuclear Power:** On March 7, Sen. Pete Domenici (R-N.M.) introduced S. 472, the “Nuclear Energy Electricity Supply Assurance Act of 2001,” with 11

co-sponsors. The bill would authorize \$50 million in FY02 for a study of Generation IV nuclear systems (modular, passively safe new reactor designs that have been

on the drawing boards for years), with the goal of selecting and designing at least one Generation IV system for demonstration by Sept. 30, 2004. S. 472 calls for reform of the Nuclear Regulatory Commission to facilitate the development of new nuclear technology, directs the Department of Energy to study and report on the possibility of completing unfinished nuclear plants, and authorizes funding to upgrade nuclear and other science education.

---

### IV. Policy Response:

---

#### Federal, State, and Local

---

■ **Bush Administration:** A marathon series of deregulation speeches took place in Washington, D.C. on March 19-20, to insist on the “markets” policy, and denounce any proposal for energy price-controls.

There were the following highly publicized events: a two-day National Energy Summit held by the National Chamber of Commerce; a four-hour hearing on March 20 by the House Energy Subcommittee of the Commerce Committee; a meeting on March 19, between the President and the Energy Taskforce; an NBC “Today Show” appearance on March 19 by Energy Secretary Spencer Abraham.

Speakers during this series included Federal Energy Regulatory Commission head Curt Hebert; Sen. Frank Murkowski (R-Ak.), and energy cartel spokesmen. They uniformly insisted on further deregulation. Abraham said on NBC-TV that energy “price controls aren’t going to increase supply. They’re not going to reduce demand. They’re just going to make more blackouts certain.” “Supply” is being used as the thematic to refuse to address the real issues of hyperinflation, mega-profits, or economic breakdown.

Enron Chief of Staff Steven Kean told the Chamber of Commerce on March 19, that there must be no interference in the “free market.” He further denounced the “enormous protectionist” tendency popping up around the country, saying it was “creating problems.”

■ **Mandatory Electricity Consump-**

**tion Cuts,** as policy, have now been prominently proposed in Washington, D.C., by Rep. Joe Barton (D-Tex.), chairman of the March 20 House Energy hearing (fourth in a series, and set to continue on March 22). Barton told the packed chamber that his committee has been asked to come up with proposals for California by the coming weekend. Indicating the rule-by-decree thinking present in the Administration, he made the point later at the hearing, that the energy problem in California is elementary “Economics 101.” Barton said: Either increase supply, or reduce demand. He then asked the FERC board members present, to look into whether FERC has the *authority to enforce demand-cutbacks on California*, excepting nursing homes and hospitals.

Rep. Chris Cox (R-Calif.) said that rolling blackouts in his state were too “blunt an instrument” for forcing usage cuts. But “prices” (high prices) would discriminate better, forcing cutbacks in demand.

On March 20, a dramatically confrontationalist episode involved Rep. Richard Burr (R-N.C.). He pointed his finger menacingly at each of the FERC members present, shouting, “Answer me! Do you, or do you not, dare to call the power supplier companies ‘pirates’?” Barr thus defended North Carolina-based Duke Energy, which company is internationally prominent in the energy cartel. (Rep. Bob Filner [D-Calif.], on March 2, asked the San Diego District Attorney to press criminal charges against Duke, Reliant, and others, for bilk-

ing California. Many other individuals and states are taking the same approach.)

■ **Pennsylvania’s “Model” Deregulation:** This was the featured claim on March 20, in a live webcast of the Chamber of Commerce National Energy Summit—Day 2, by Pennsylvania Gov. Tom Ridge (R). He was the final and featured speaker of the day, saying that “marketplace solutions must be the linchpin of energy policy.” He added, “California’s problem wasn’t too much faith in the marketplace. It was too little. I am here today to say that marketplace solutions work. And I offer Pennsylvania’s experience as Exhibit A.” The state passed deregulation legislation in late 1996, just four months after California.

Ridge did not acknowledge that the electricity provider to 1 million Pennsylvania accounts (20% of all accounts in the state), is asking for a 30% rate hike! New Jersey-based GPU made its case in five-day hearings March 12-16, before the Public Utility Commission, in the state.

Pennsylvania Rep. Camille “Bud” George, chairman of the state’s House Energy Committee, has called deregulation in Pennsylvania “a lurid story of greed and broken promises.” (See separate article on the details of the worsening crisis in the state.)

■ **Pennsylvania:** The political forces are coalescing in order to oppose the lie of “deregulation” and to address the energy crisis in the state and nation. On March 20, the state’s House of Representatives passed House Resolution 100, calling on its Judiciary Committee to hold public hearings (using subpoena powers, and sparing no expense) to show why “energy prices across the Commonwealth have fluctuated dramatically over the course of the past year.”