

California Re-Regulation: Sign Of Sanity Amid the Collapse

by Harley Schlanger

A long-overdue California electricity *re-regulation* bill, SB 888, was announced on April 8 by State Sen. Joe Dunn (D-Santa Ana) and a number of Democratic Party leaders in the State Assembly. It would end the state's disastrous deregulation "experiment" which has been the target of a renewed nationwide mobilization by Lyndon LaRouche's

campaign against the insanity of deregulation since August 2000, when that experiment began. The Dunn bill was the first sign of sanity in what has been otherwise a dismal process of finger-pointing and ducking reality since the California legislature convened in January.

It is also the most recent indication that key leaders in the

Feds Still Nuts Over Dereg

"We aren't mending it; we're ending it," California State Sen. Joe Dunn said on April 8 regarding the state's notoriously failed electricity deregulation law (Assembly Bill 1890). Although, so far, no Republicans have signed on to Dunn's re-regulation bill, there is a Democratic majority in both houses of the State Legislature, and Gov. Gray Davis has indicated his support for the measure. Senate Bill 888, the Repeal of Electricity Deregulation Act of 2003, returns oversight and regulation of California's electricity and natural gas industries to the Public Utilities Commission, for the benefit, and to protect the interests, of the citizens of the State.

"Customer choice" would be ended. Utilities would be guaranteed a fair 10% return on investment, charging a "cost-of-service" price, in return for making investments to meet the needs of their customers. Incentives would encourage utilities to invest in transmission lines; and the moratorium on companies selling their power-generating assets would be extended from 2005 to 2010.

While the state of California has taken steps to follow Lyndon LaRouche's advice, and "put the toothpaste back in the tube," elected officials in Washington, D.C. are still trying to *expand* electricity deregulation, to remove even the last vestiges of protection for consumers. For the past two years, the Bush Administration has tried to push through the Congress a broad-ranging energy bill, which went down in flames after the Cheney Task Force/Enron/Halliburton scandals in the previous Congressional session. If the proposals had been passed to forge ahead with yet more deregulation of the electricity sector, that would have done worse damage to the ecology than any drilling in Alaska, and would have devastated the economy of this nation.

In the current Congressional session, another try is being made to patch together an energy bill. The Senate version has been stripped of the controversial Alaska oil proposal, which is, however, included in the House version. The economic-conservative hawks on Capitol Hill have not given up on wrecking the national electricity system. They have proposed to mandate more deregulation, by taking oversight of the transmission grid from the states and handing it over to the Federal Energy Regulatory Commission (FERC)—the same FERC that could see no signs

California Democratic Party are acknowledging, at least in private, what they are afraid to admit publicly: that Democratic Presidential pre-candidate Lyndon LaRouche has been right all along, on the economy and related issues.

California, recognized as the “richest state in the richest nation,” has been in economic free fall ever since electricity deregulation was phased in, beginning in the Summer of 2000. According to its neo-liberal exponents, deregulation would lead to increased competition, which would force electricity providers to be more efficient, thereby offering lower prices for consumers. It was sold to legislators as part of the same “New Economy” ideological hype which claimed that “free trade” would increase California’s exports, and that the so-called high-tech information technology revolution, centered in the Silicon Valley, represented a new economic paradigm, in which owning stocks would guarantee that virtually everyone could become rich.

LaRouche Takes On the Delusions

It was in a state of euphoria, induced by this irrational belief in the “New Economy,” that electricity deregulation



The LaRouche campaign’s three-year mobilization for electricity reregulation—“putting the toothpaste back in the tube”—has battled ideological obstacles and free-trade lunacy; LaRouche Youth Movement delegations have repeatedly invested the legislature in Sacramento.

was passed in 1996 by the California Assembly, without a single dissenting vote! Not a single elected official in the state had a clue of what was to come, as they were blinded by the delusions created by free-trade deregulation ideology, and the big-buck lobbyists of Enron, Dynegy, and the other energy pirates.

The only significant voice against this was that of Lyndon

of manipulation or illegalities in the California energy debacle, until that state had been fleeced of nearly \$9 billion. The original draft of the Senate energy bill also proposed to eliminate what little protection remains for electricity consumers, through repeal of the Public Utility Holding Company Act. PUHCA was enacted in 1935, in the Roosevelt era, in order to eliminate use of market power and fraudulent abuses of the type that took place recently in California.

In response to overwhelming opposition to more electricity deregulation, expressed at a hearing on the bill on March 27, Senate Energy Committee Chairman Pete Domenici (R-N.M.) announced that the electricity portion of the bill will be re-drafted. The repeal of PUHCA is included in the House version of the energy bill, which passed on April 11.

One of the strongest statements in opposition to repealing the Public Utility Holding Company Act at the hearing came from Glenn English, representing the National Rural Electric Cooperative Association. Its 1,000 members are consumer-owned and not-for-profit electric cooperatives, serving more than 35 million consumers. “Now is the wrong time to repeal PUHCA,” English stated. “While it has not been adequately enforced, PUHCA is more critical

today than ever to protect consumers from abuses in the utility industry. It was PUHCA that prevented Enron from owning, and abusing, more than one electric utility [Portland General Electric, in Oregon]. It was PUHCA that should have prevented Enron and many other companies . . . from shifting the risks of their unregulated and offshore activities to retail consumers in the United States.” Rather than repealing PUHCA, English urged, FERC should be given *more* authority to review mergers between electric utility holding companies.

That call was echoed by Alan Richardson, president of the American Public Power Association (APPA), representing 2,000 publicly owned power and municipal electric utility systems, serving 40 million customers, mainly in small communities. And for the first time, an association representing large industrial users of electricity also opposed the repeal of PUHCA. Industrial users, believing the propaganda from Enron that deregulation would lower their costs, were the biggest promoters of electricity deregulation during the 1990s. John Anderson, executive director of the Consumers Resource Council, told the Senators: “I argue that [PUHCA] is needed at least as much today as it was when it was enacted. . . . In fact, in some ways PUHCA should be strengthened.” —*Marsha Freeman*