vice about 1 million homes.

- The ISO estimates there could be 55 hours of blackouts this Summer. The NERC's *optimistic* number is 260, or 15 hours per week. The total could rise to 700 hours, under the worst conditions.
- The ISO projects that 43,841 MW of capacity will be available for peak demand this Summer. The NERC states that this does not include reduced supply "for financial reasons," if companies refuse to sell power, because of the state's credit problems, or withhold power for a higher price.
- The ISO's figures assume that 3,000 MW of new capacity will be available by the end of the Summer, compared to Gov. Davis' plan of 5,000 MW. The NERC can only certify that 1,500 MW will be available.
- The ISO assumes there will be only 2,500 MW of forced (unplanned) outages this Summer. The NERC estimates more than 4,500 MW of outages, judging by events this past Winter.
- The ISO assumes California will be able to import 3,500 MW of hydroelectric power this Summer from the Pacific Northwest, while the NERC believes it will be zero.

The Fight for the General Welfare

Deregulation has driven California's largest utility into bankruptcy, if not the state itself, because President Bush's friends have been able to hold the state hostage for the highest prices they could extract for energy. Vice President Cheney claimed that California brought this upon itself, by not building enough power plants, due to strict environmental regulations, and opposition from the population. This is a myth.

When deregulation started, through an order of the Federal Energy Regulatory Commission (FERC) in 1992, regulated utilities stopped building new power plants, not knowing what deregulation would bring. Economist Severin Borenstein points out that "uncertainty about the rules of the new market," meant that between 1994 and 1998, no applications for major new plants were received.

Political leaders in California have had enough of deregulation. On May 22, state legislators brought suit against the FERC, stating that electricity blackouts and price hikes are a threat to the "public health, safety, and welfare of the state's 34 million residents," which has been "put in jeopardy due to the tragic consequences of rolling blackouts and punitive prices."

The FERC, the suit states, has provided no relief. The public officials allege that the FERC's refusal to enforce "just and reasonable" rates has created "a crisis of unprecedented dimensions." Were the FERC to enforce "just and reasonable" rates, there would be no incentive for power pirates to withhold power to create an artificial shortgage, and hike spot market prices.

But while the Bush Administration and its energy industry cohorts may think they will be able to convince the nation to cut its own throat, the fight for re-regulation of the energy industry is gaining momentum.

California vs. Reliant

Beating the Bushes For Justice

by John Hoefle

When California Gov. Gray Davis (D) singled out Houston's Reliant Energy for "bleeding the state dry" through manipulation of electricity prices, he was stating a truth which should be obvious to anyone who views the catastrophe in California from the perspective of the General Welfare of the population.

To understand the nature of the beast that has seized California, one must look East, not just to Texas but beyond, to Wall Street and the City of London, the centers of the world energy and financial cartels. The savage looting of the U.S. population, of which California is merely the leading edge, is nothing new; poorer nations recognize the policy immediately. What is new, is that the global financial system has become so unstable, that the United States itself is now being subjected to the same sort of International Monetary Fund conditionalities long imposed on what is euphemistically called the Less-Developed Sector. The bubble is popping, and the oligarchs of Wall Street and beyond are visibly beginning to steal everything that isn't nailed down. Reliant—nasty, guilty Reliant—is an instrumentality of that theft.

Morgan Lighting & Power

The company known today as Reliant Energy was formed in 1882 as Houston Electric Lighting and Power by a group which included local bankers and Mayor William Baker. In 1901, the utility was absorbed by J.P. Morgan's General Electric, through its United Electric Securities subsidiary. By 1922, then known as Houston Lighting & Power (HL&P), the company was a subsidiary of Morgan's Electric Bond & Share, a General Electric spin-off.

At the time of the election of President Franklin D. Roosevelt, the U.S. electricity industry was dominated by two men, banker J.P. Morgan and his one-time employee, Samuel Insull, whose empires consisted of layers of holding companies with wildly inflated asset values. The electricity-price and financial-asset manipulations of Morgan and Insull contributed significantly to the 1929 stock market crash and its aftermath, and the passage of FDR's Public Utility Holding Company Act of 1935 (PUHCA), which was designed to end such abuses and bring Morgan, Insull, and their crowd to heel. One crucial feature of PUHCA was to break up the giant holding companies by prohibiting them from owning unconnected utilities in separate states. As a result of PUHCA, Morgan was forced to divest HL&P in 1942. The ownership of the company changed, but the Morgan influence remained.

Pennsylvania Rep. James Attacks Reliant, Enron

In Harrisburg, Pennsylvania, on May 22, a "Day of Action" and lobbying was held by 75 activists from around the state, associated with Democratic Presidential pre-candidate Lyndon H. LaRouche, Jr.'s 2004 campaign. Among the speakers at the kick-off rally under the capitol Rotunda, was Rep. Harold James (D-Philadelphia), who dramatically announced he had just sent e-mails to all fellow House members, asking for co-sponsors on a "New Bretton Woods" Resolution on the economic crisis, to be introduced in June. By the end of the day, two other state representatives had become co-sponsors. The resolution states that "American economist Lyndon H. LaRouche, Jr. has consistently warned of this crisis, and there is significant international support for a solution based on Mr. LaRouche's 'New Bretton Woods' economic policy."

James also spoke on deregulation:

"We were told that deregulation would mean more competition. But instead, we've seen mergers and acquisitions. For example, Philadelphia Electric [PECO] has merged with Unicom of Chicago, and May 24, the Pennsylvania Public Utility Commission will rule on a takeover of GPU by First Energy of Akron, Ohio.

"We were told that deregulation would mean lower prices, but the PUC [Public Utility Commission] will rule May 24 about breaking the rate caps for GPU, because of the increase in wholesale electricity prices. We were told that deregulation would mean 'customer choice,' but we see ratepayers being switched from Philadelphia Electric Co. . . . 299,000 PECO customers were switched to New Power Co. in January, without their knowledge, and 50,000 more customers are supposed to be switched to Green Mountain this month, again without their knowledge. It sounds like Governor Ridge has invented a new concept: 'mandatory choice.'

"But even more worrisome is the fact that both New Power Co. and Green Mountain, have close political and financial ties to George W. Bush. New Power Co. is made up of Enron Corp., IBM, and AOL. Enron's CEO, Kenneth Lay, is an intimate adviser to the Bush Administration on energy policy. He just met with [Vice President] Dick Cheney last week. Enron is backing a current member of the Pennsylvania Public Utility Commission, Nora Mead Brownell, for a spot on the Federal Energy Regulatory Commission. What is going on here?

"Green Mountain, based in Austin, Texas, is run by Sam and Charles Wyly, who contributed over $200,000 to Bush and the Republican Party for the 2000 campaign. . . .

"Now, I understand that Reliant Co., also of Houston, Texas, owns at least 16 electricity generating plants in Pennsylvania. Reliant has now become a force in Pennsylvania. Reliant Vice President W. Paul Ruwe is now Chairman of the Board of the Electric Power Generation Association, based here in Harrisburg, while Reliant's mid-Atlantic headquarters is in Johnstown.

"I recognize that Lyndon LaRouche's forecast about the economy and the financial crisis was accurate. I respect his idea when he proposes that public utilities should be re-regulated. I will look very closely at the law passed recently in Nevada, where electricty and natural gas deregulation was repealed on April 18."

In 1976, the company restructured, creating Houston Industries as the holding company of which HL&P became a subsidiary. Between 1992 and 1998, Houston Industries began to expand into Ibero-America, buying interests in electric utilities in Argentina, Brazil, Colombia, and El Salvador. In 1997, it made a major U.S. acquisition when it bought natural gas company NorAm Energy.

In 1998, Houston Industries expanded into California with the purchase of five power plants from Edison International, parent of the Southern California Edison utility. Among those plants were the 1,613 megawatt Ormond Beach facility and the soon to be notorious 1,049 MW Etiwanda plant; the purchase gave the company 4,000 MW of generating capacity in the state, enough to supply—or extort—several million homes.

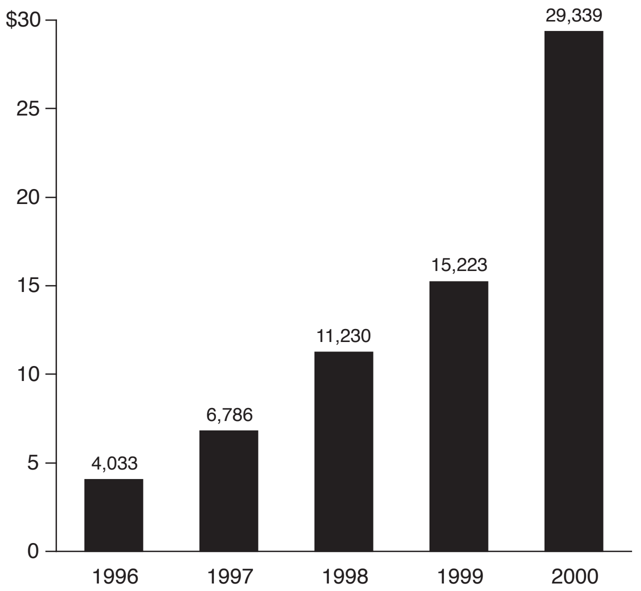
Reflecting its transformation from local utility to international pirate, Houston Industries changed its name to Reliant Energy in 1999. That same year, it bought control of Dutch power generation firm UNA.

In May 2001, Reliant restructured again, spinning off its Reliant Resources merchant power division as a separate company. HL&P, the regulated utility, remained a part of Reliant Energy, but its 14,000 MW of generating capacity are slated to be transferred to the unregulated Reliant Resources, pending state approval. Once that occurs, HL&P will have to buy its electricity from Reliant Resources, and the customers of HL&P will be subject to the same predatory practices as the residents of California.

Reliant sits near the center of the apparatus *EIR* has described as Southern Strategy, Inc., an alliance of Wall Street and European financiers, steered by the oligarchic Schlumberger/Lazard financial and intelligence apparatus.

One of the chief figures in this apparatus is James A. Baker, III, the former Secretary of State, White House Chief of Staff, and consigliere to the Bush family. Baker is a dominant figure at Reliant, both through his seat on the company's

FIGURE 1
Reliant Energy Revenues
(Billions $)



Source: Reliant Energy.

board, and the role of his family law firm, Baker & Botts, as Reliant's attorneys. Reliant and its subsidiaries paid Baker & Botts, where Baker is a senior partner, $15 million in legal fees in 1999. Baker & Botts gave $113,621 to the Bush campaign during 1999-2000.

Both Reliant's current chairman, Steve Letbetter, and previous chairman Don Jordan, were members of President George W. Bush's "Pioneers Club" of major campaign contributors, and Letbetter gave $100,000 to the Bush-Cheney Inaugural Committee. During the 1999-2000 political season, Reliant donated $825 million to political candidates and parties, with $635 million of that going to Republicans.

Baker & Botts has also been the main law firm of two companies founded by the first President Bush, who was one of the founders of Zapata, which became Pennzoil, and later headed Pennzoil spin-off Zapata Offshore. Lazard Frères, the French-British-American investment bank, was an early investor in these Bush companies. Another Baker & Botts client is Schlumberger (whose board has included Baker & Botts attorneys), also a business partner with Pennzoil.

Reliant is not the only Morgan-connected company active in the California energy market. El Paso Corp., the natural gas company accused of manipulating the natural gas supply in the state, thereby creating the pretext for the sharp rise in electricity prices, is a spin-off of Burlington Northern Santa Fe, a part of the old Morgan railroad empire. And, Atlanta's Southern Company and its Mirant Corp. spin-off are part of the old Morgan electricity cartel.

Soros Smiling About Bush's Drug Policy?

by Jeffrey Steinberg and Art Ticknor

In a May 18 *Los Angeles Times* commentary by Ethan Nadelman, the director of George Soros's pro-drug legalization Lindesmith Center/Drug Policy Foundation, the dope lobby's top gun suggested that President George Bush could surprise the world and push through a major overhaul of America's drug policy—in synch with Soros's agenda. "Is there any chance that President Bush could pull a 'Nixon goes to China' on drug policy?" Nadelman asked. "Don't laugh, it's possible," he replied to his own question.

Nadelman's piece cited a growing number of Republican elected officials, including Connecticut Gov. John Rowland, New York Gov. George Pataki, and former Wisconsin Governor—now, Secretary of Health and Human Services—Tommy Thompson, who have recently abandoned their pro-drug enforcement stances and entertained various ideas of drug decriminalization. Among these, Nadelman heaped the most praise on New Mexico's Gov. Gary Johnson, who is a Soros/Cato Institute poster boy for dope legalization, and who will keynote the Lindesmith Center/Drug Policy Foundation annual conference in Albuquerque in June.

Nadelman also cited former Secretary of State George Shultz, who headed George W. Bush's Presidential exploratory committee policy team, as another "free market" Republican, who, like Milton Friedman and William F. Buckley, peddle full drug legalization. "The fact is," Nadelman wrote, "there's a libertarian streak that runs deep in the Republican Party that understands the futility of trying to prohibit what are essentially global commodity markets. Many of these libertarians recoil—just as do many Democrats—at the drug war's assault on personal freedoms. Look for some of them to speak their minds."

A week before the Nadelman hype of "Bush the drug reformer," the London *Economist,* a fervent propaganda organ for the legalization of drugs, editorialized, "*The Economist* has long argued that drugs should be decriminalized. Few politicians will go that far, but many have edged in that direction. Back in January, George Bush, who was once busted for drunk driving and has always danced around the question of whether he took drugs in his misspent youth, seemed to be one of them."

Actions Louder than Words

While President Bush's appointment of John Walters, a former head of supply interdiction in the White House drug