

Power Outage Traced to Dim Bulb in White House

The Tale Of The Brits Who Swiped 800 Jobs From New York, Carted Off \$90 Million, Then Tonight, Turned Off Our Lights

by Greg Palast

I can tell you all about the ne're-do-wells that put out our lights tonight. I came up against these characters - the Niagara Mohawk Power Company - some years back. You see, before I was a journalist, I worked for a living, as an investigator of corporate racketeers. In the 1980s, "NiMo" built a nuclear plant, Nine Mile Point, a brutally costly piece of hot junk for which NiMo and its partner companies charged billions to New York State's electricity ratepayers.

To pull off this grand theft by kilowatt, the NiMo-led consortium fabricated cost and schedule reports, then performed a Harry Potter job on the account books. In 1988, I showed a jury a memo from an executive from one partner, Long Island Lighting, giving a lesson to a NiMo honcho on how to lie to government regulators. The jury ordered LILCO to pay \$4.3 billion and, ultimately, put them out of business.

And that's why, if you're in the Northeast, you're reading this by candlelight tonight. Here's what happened. After LILCO was hammered by the law, after government regulators slammed Niagara Mohawk and dozens of other book-cooking, document-doctoring utility companies all over America with fines and penalties totaling in the tens of billions of dollars, the industry leaders got together to swear never to break the regulations again. Their plan was not to follow the rules, but to ELIMINATE the rules. They called it "deregulation".

It was like a committee of bank robbers figuring out how to make safecracking legal. But they dare not launch the scheme in the USA. Rather, in 1990, one devious little bunch of operators out of Texas, Houston Natural Gas, operating under the alias "Enron," talked an over-the-edge free-market fanatic, Britain's Prime Minister Margaret Thatcher, into licensing the first completely deregulated power plant in the hemisphere.

And so began an economic disease called "regulatory reform" that spread faster than SARS. Notably, Enron rewarded Thatcher's Energy Minister, one Lord Wakeham, with a bushel of dollar bills for 'consulting' services and a seat on Enron's board of directors. The English experiment proved the viability of Enron's new industrial formula: that the enthusiasm of politicians for deregulation was in direct proportion to the payola provided by power companies.

The power elite first moved on England because they knew Americans wouldn't swallow the deregulation snake oil easily. The USA had gotten used to cheap power available at the flick of switch. This was the legacy of Franklin Roosevelt who, in 1933, caged the man he thought to be the last of the power pirates, Samuel Insull. Wall Street wheeler-dealer Insull creator of the Power Trust, and six decades before Ken Lay, faked account books and ripped off consumers. To frustrate Insull and his ilk, FDR gave us the Federal Power Commission and the Public Utilities Holding Company Act which told electricity companies where to stand and salute. Detailed regulations limited charges to real expenditures plus a government-set profit. The laws banned "power markets" and required companies to keep the lights on under threat of arrest - no blackout blackmail to hike rates.

Of particular significance as I write here in the dark, regulators told utilities exactly how much they had to spend to insure the system stayed in repair and the lights stayed on. Bureaucrats crawled along the wire and, like me, crawled through the account books, to make sure the power execs spent customers' money on parts and labor. If they didn't, we'd whack 'em over

the head with our thick rule books. Did we get in the way of these businessmen's entrepreneurial spirit? Damn right we did.

Most important, FDR banned political contributions from utility companies - no 'soft' money, no 'hard' money, no money PERIOD.

But then came George the First. In 1992, just prior to his departure from the White House, President Bush Senior gave the power industry one long deep-through-the-teeth kiss good-bye: federal deregulation of electricity. It was a legacy he wanted to leave for his son, the gratitude of power companies which ponied up \$16 million for the Republican campaign of 2000, seven times the sum they gave Democrats.

But Poppy Bush's gift of deregulating of wholesale prices set by the feds only got the power pirates halfway to the plunder of Joe Ratepayer. For the big payday they needed deregulation at the state level. There were only two states, California and Texas, big enough and Republican enough to put the electricity market con into operation.

California fell first. The power companies spent \$39 million to defeat a 1998 referendum pushed by Ralph Nadar which would have blocked the de-reg scam. Another \$37 million was spent on lobbying and lubricating the campaign coffers of legislators to write a lie into law: in the deregulation act's preamble, the Legislature promised that deregulation would reduce electricity bills by 20%. In fact, when San Diegans in the first California city to go "lawless" looked at their bills, the 20% savings became a 300% jump in surcharges.

Enron circled California and licked its lips. As the number one life-time contributor to the George W. Bush campaign, it was confident about the future. With just a half dozen other companies it controlled at times 100% of the available power capacity needed to keep the Golden State lit. Their motto, "your money or your lights." Enron and its comrades played the system like a broken ATM machine, yanking out the bills. For example, in the shamelessly fixed "auctions" for electricity held by the state, Enron bid, in one instance, to supply 500 megawatts of electricity over a 15 megawatt line. That's like pouring a gallon of gasoline into a thimble - the lines would burn up if they attempted it. Faced with blackout because of Enron's destructive bid, the state was willing to pay anything to keep the lights on.

And the state did. According to Dr. Anjali Sheffrin, economist with the California state Independent System Operator which directed power movements, between May and November 2000, three power giants physically or "economically" withheld power from the state and concocted enough false bids to cost the California customers over \$6.2 billion in excess charges.

It took until December 20, 2000, with the lights going out on the Golden Gate, for President Bill Clinton, once a deregulation booster, to find his lost Democratic soul and impose price caps in California and ban Enron from the market.

But the light-bulb buccaneers didn't have to wait long to put their hooks back into the treasure chest. Within seventy-two hours of moving into the White House, while he was still sweeping out the inaugural champagne bottles, George Bush the Second reversed Clinton's executive order and put the power pirates back in business in California. Enron, Reliant (aka Houston Industries), TXU (aka Texas Utilities) and the others who had economically snipped California's wires knew they could count on Dubya, who as governor of the Lone Star state cut them the richest deregulation deal in America.

Meanwhile, the deregulation bug made it to New York where Republican Governor George Pataki and his industry-picked utility commissioners ripped the lid off electric bills and

relieved my old friends at Niagara Mohawk of the expensive obligation to properly fund the maintenance of the grid system.

And the Pataki-Bush Axis of Weasels permitted something that must have former New York governor Roosevelt spinning in his wheelchair in Heaven: They allowed a foreign company, the notoriously incompetent National Grid of England, to buy up NiMo, get rid of 800 workers and pocket most of their wages - producing a bonus for NiMo stockholders approaching \$90 million.

Is tonight's black-out a surprise? Heck, no, not to us in the field who've watched Bush's buddies flick the switches across the globe. In Brazil, Houston Industries seized ownership of Rio de Janeiro's electric company. The Texans (aided by their French partners) fired workers, raised prices, cut maintenance expenditures and, CLICK! the juice went out so often the locals now call it, "Rio Dark."

So too the free-market cowboys of Niagara Mohawk raised prices, slashed staff, cut maintenance and CLICK! - New York joins Brazil in the Dark Ages.

Californians have found the solution to the deregulation disaster: re-call the only governor in the nation with the cojones to stand up to the electricity price fixers. And unlike Arnold Schwarzenegger, Gov. Gray Davis stood alone against the bad guys without using a body double. Davis called Reliant Corp of Houston a pack of "pirates" - and now he'll walk the plank for daring to stand up to the Texas marauders.

So where's the President? Just before he landed on the deck of the Abe Lincoln, the White House was so concerned about our brave troops facing the foe that they used the cover of war for a new push in Congress for yet more electricity deregulation. This has a certain logic: there's no sense defeating Iraq if a hostile regime remains in California.

Sitting in the dark, as my laptop battery runs low, I don't know if the truth about deregulation will ever see the light - until we change the dim bulb in the White House.