

THE

FRED SAUER

UPDATE

Wind Energy: Legalized Fraud

In mid-March, I mailed my report on the Carnahan wind farm in Missouri to the entire General Assembly. Below is the letter I enclosed:

Follow Citizens of Missouri:

Some of you may know that I have been pressing the Missouri Public Service Commission to publish how much money Ameren pays for wind generated electricity and Renewable Energy Credits. To qualify as renewable energy, Ameren has to purchase both electricity and a renewable energy credit (REC) from wind farms.



In 2008, without any knowledge of how the money flows, Missourians passed Proposition C, Clean Energy Initiative. “The actual bill approved by voters was reported to be 1000 words long, however the rules passed by Missouri officials to implement the mandate is about 10,000 words long.”

As usual, the devil is in the details. “The standard requires utility companies to gradually increase their usage of renewable energy annually until 15 percent of the energy used in the state is renewable.”

Here is a schedule that approximates the huge amount of money that is going to be transferred from all Missouri electricity users to the renewable energy suppliers that Ameren will use. If these amounts of money are not a matter of public interest, the Public Service Commission is being derelict in its duties. In the base year, 2011, relevant electricity revenues were \$5.032 billion, and, if electricity use would grow 3% per year into the future, here are the mandated annual and cumulative expenditures for renewable energy for the following 10-year intervals in billions of dollars:

Year	Annual Amount	Cumulative Amount
2011	\$100,000,000	\$1,000,000,000
2020	\$700,000,000	\$3,400,000,000
2030	\$1,300,000,000	\$15,000,000,000
2040	\$1,800,000,000	\$30,600,000,000
2050	\$2,400,000,000	\$51,600,000,000

But, the real story is in the fabulous sums of money that wind energy producers can make from selling wind energy to all the users of electricity because of the Proposition C mandate.

Since almost everyone knows that the Carnahan family has been involved in Democratic politics in Missouri for a long time, I thought it would be interesting to try to find out how much money the Carnahans could make from their wind farms. And, indeed, it was very interesting because it is extraordinarily profitable.

In the process of my work, I discovered an international company, Energias de Portugal which has a Houston based subsidiary, EDP Renewable, North America LLC. What an irony. EDP owns the Prairie Wind Farm from which Ameren buys wind energy. Based on the data I found on EDP Renewable’s financial statements, we interpolated a probable income stream for the Carnahan “Lost Creek” wind farm. It is substantial. Every electricity user should know what it is.

And this is why we are insisting that it is absolutely in the public interest for Ameren to inform all electricity users how much they are paying Prairie Farms for electricity and the renewable energy credits. The Public Service Commission used to protect electricity customers from monopoly pricing by electric companies. Now they are being used to ensure that monopoly pricing by green energy producers! Renewable energy is all about creating an artificially high price for all electricity users to shift vast sums of wealth to the chosen plutocrats that own green energy production facilities.

I urge you to read the enclosed booklet which contains the details of this fraud. You will be stunned.

Fred N. Sauer

Why GE Should Have Taken My Advice a Long Time Ago

Several weeks ago General Electric announced they would be divesting themselves of their subsidiary, General Electric Capital Services, over the next two years. The company kept a positive spin on the move, saying “the future of GE is as an industrial company,” glossing over what is a colossal failure on the part of a company that should have made much better financial investments.

Although the company is attempting to raise its per share price, GE should never have been involved in what was essentially banking to begin with. The financial giant was drawn in, not to promote GE Industrial or build the strength of the company, but to boost executive salaries. They entered the business of borrowing lots of money to buy other debt investments. This is called leveraged trading—the activity that caused Goldman Sachs to have to borrow \$600,000,000 from the Federal Reserve Bank during the financial crises of 2008.

GE Capital has been, and remains, an incredible millstone around the industrial firm’s neck, crippling GE with debt and risk. In 2012, I published a special report in National Legal and Policy entitled: Why Immelt Needs Obama. In this piece I detailed GE’s ugly financial truth.

To go to the roots of the problem, we need to go back to 1995. Business publications were touting opportunities at a GE subsidiary, General Electric Capital Services (GECS), which was a bank almost all but in name. Financial statements at the time made it appear as though GECS was the main reason for parent GE’s profitability. Yet the truth was it was not.

And it was
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GE Capital actually took on enormous debt that has only ballooned over the years. In a chart comparing the earnings and total debt, I showed just how unsustainable their position truly is.

Look at the comparison of returns on total debt assigned to GE Industrial and GE Capital Services. Here you should focus on the columns “Return on Total Debt” for GE (the industrial company) and “Return on Total Debt for GECS” the finance company. (See chart to right)

Year	GE			GECS			Summary
	Total Debt	Net Earnings	Return on Total Debt	Total Debt	Net Earnings	Return on Total Debt	GE Return on Total Debt/GECS Return on Total Debt
1995	\$3,943	\$4,158	105.45%	\$111,598	\$2,415	2.16%	48.73
1996	\$4,049	\$4,463	110.22%	\$125,621	\$2,817	2.24%	49.15
1997	\$4,358	\$4,947	113.52%	\$141,263	\$3,256	2.30%	49.25
1998	\$4,147	\$5,500	132.63%	\$172,200	\$3,796	2.20%	60.16
1999	\$2,967	\$6,274	211.46%	\$200,025	\$4,443	2.22%	95.20
2000	\$1,781	\$7,543	423.53%	\$205,371	\$5,192	2.53%	167.53
2001	\$2,509	\$8,267	329.49%	\$239,935	\$5,417	2.26%	145.94
2002	\$9,756	\$10,507	107.70%	\$267,014	\$3,611	1.35%	79.64
2003	\$10,943	\$7,587	69.33%	\$316,593	\$7,974	2.52%	27.53
2004	\$11,034	\$8,432	76.42%	\$355,501	\$8,728	2.46%	31.13
2005	\$10,208	\$9,134	89.48%	\$362,069	\$7,577	2.09%	42.76
2006	\$11,119	\$10,084	90.69%	\$426,017	\$10,658	2.50%	36.25
2007	\$15,762	\$11,907	75.54%	\$500,696	\$10,301	2.06%	36.72
2008	\$12,202	\$10,280	84.25%	\$514,430	\$7,055	1.37%	61.43
2009	\$12,185	\$9,310	76.41%	\$493,585	\$1,415	0.29%	266.52
2010	\$10,112	\$9,189	90.87%	\$470,562	\$2,155	0.46%	198.43
Average							87.27

And so, General Electric needed and got a government bailout.

This, unfortunately, is where taxpayers come into the picture. General Electric was, to use an all-too-common phrase, "too big to fail." The following account in the New York Times reveals that the FDIC came to GE's rescue:

General Electric said Wednesday that the federal government had agreed to insure as much as \$139 billion in debt for its lending subsidiary, GE Capital. This is the second time in a month that G.E. has turned to a federal program aimed at helping companies during the global credit crisis...The F.D.I.C. program covers about \$139 billion of G.E.'s debt, or 125 percent of total senior unsecured debt outstanding as of Sept. 30 and maturing by June 30....

Last month, G.E. started using a new Federal Reserve program aimed at reviving demand for the commercial paper for a wide variety of companies.

But, in spite of this you have to see how Jeffrey Immelt prospered while the stockholders of GE were pummeled.

In 1992 GE had about \$37.9 billion in sales and a net profit of \$4.3 billion. The stock price ranged from \$7.30 to \$6.10 share with an average of \$6.70. By the time Welch retired, GE's market cap at \$60.50 per share was 10 times larger than in 1992. This is an extraordinary accomplishment by anyone's standard. His compensation, justifiably, doubled during his last five years.

It's hard to say the same thing about his successor. Jeffrey Immelt's total compensation for his first year was \$6.387 million, the same as for Welch's last year. By 2006, his salary would increase \$17.863 million, or 2.8 times that...Immelt's total compensation by the close of his sixth year actually exceeded Welch's final total compensation of \$16.246 million.

Can you believe this? Next we will show you how Warren Buffett makes huge profits from government guarantees, and also how Goldman Sachs went broke!

Why Immelt Needs Obama: General Electric Is a Bank, and It's Too Big to Fail

In 2012 I wrote an analysis on General Electric and General Electric Capital Services, arguing at the time, "GECS is dangerously reliant on short-term financing to support its own lending. The result is a company ultimately dependent on political influence to mitigate the risk, creating opportunities for the well connected, like Warren Buffett." It was published by the National Legal Policy Center and is available at www.nlpc.org.

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