

## Anti-nuclear ruling threatens national security

by Richard Freeman

On June 15, 1983, a conspiracy of environmentalists succeeded in winning a state supreme court ruling that will ensure that Washington Public Power Supply System (WPPSS), the nation's largest supplier of electricity to utilities, will default on \$2.2 billion worth of bonds, unsettling the entire tax-exempt bond market and threatening disruptive power shortages for the industrial Northwest and the nation.

Washington Supreme Court ruled that the 88 utilities that had legally contracted to purchase power from WPPSS, and to pay interest and principal on the bonds WPPSS floated to construct nuclear units #4 and #5, should not have to continue payments on the bonds. The two plants were mothballed in June 1981, during the height of the environmentalist/Wall Street uproar over "cost-overruns" at nuclear plants (themselves due to environmentalist-caused delays and Paul Volcker's interest rates). The court said that the 88 utilities had exceeded their authority in entering into the original "tax and pay" agreement with WPPSS, Washington state's power authority, which has been marketing electricity to Washington, Oregon, Idaho, and Montana since 1957.

Pressure for the ruling came from the Natural Resources Defense Council, the Sierra Club, and the Friends of the Earth, joined by the news media, Lane Kirkland-controlled labor unions, and prominent Wall Street investment firms, led by Treasury Secretary Donald Regan's alma mater, Merrill Lynch.

### Strategic stakes

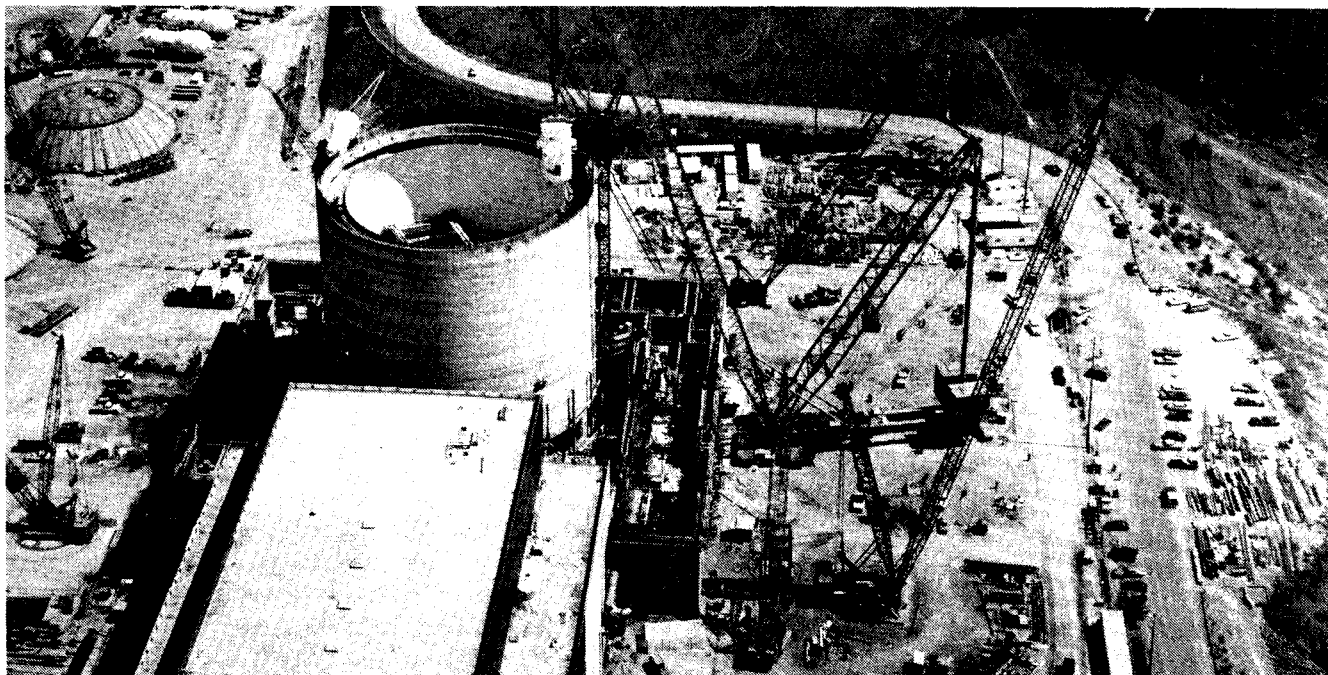
The June 15 decision represents a top national security issue, with implications for the economic and military well-being of the United States. The decision will accelerate what

experts warned would be a 1984 timetable for power shortages and blackouts. Most important, as a study by the La-Rouche-Riemann econometric model team has demonstrated, the United States cannot defend itself militarily without a vast expansion of energy supplies; at the moment this is a greater bottleneck than any faced during the World War II military mobilization. Adequate defense requires highly electricity-intensive lasers, plasma beams, and so forth.

The ruling will also knock out the aluminum industry of the Northwest, which consumes 40 percent of all industrial electricity in the region. Aluminum is indispensable for the military goods produced by Boeing, McDonnell Douglas, and other West Coast-based military contractors.

The collapse of the U.S. nuclear industry which this ruling will accomplish is viewed by the Soviet Union as a top strategic factor. At the same time that the Washington state Supreme Court was handing down this ruling, Andrei Gromyko, the Soviet foreign minister and a member of the Communist Party Politburo, was telling that party's special central committee meeting that the anti-nuclear movement must be mobilized and joined with the peace movement to disarm the United States. Gromyko said, "The anti-nuclear and anti-war movement that has arisen in the West is a kind of popular referendum."

While Gromyko spoke, scores of Russian Orthodox Church officials and Soviet KGB officers were touring 33 American cities denouncing President Reagan's historic March 23 call for the United States to adopt a directed energy beam defense system and a superpower agreement for a strategic doctrine of Mutually Assured Survival. Some of the same environmental-peace groups sponsoring the Russian



Courtesy of WPPSS

*One of the WPPSS plants under construction which will never be completed unless emergency action is taken.*

delegations are involved in provoking the Washington state decision.

The Washington Supreme Court ruling stemmed from a suit brought by New York's Chemical Bank, trustee for the units #4 and #5 bondholders, when it became clear that WPPSS would not be able meet its regular payments. Pressure for a ruling seems to have been stepped up in May, when WPPSS missed a \$15 million payment into a reserve fund at Chemical Bank for the bond payments. Now that the 88 northwestern utilities have been freed from their obligation of having to guarantee and make payments on the bonds, WPPSS' revenue stream is sure to dry up, making default on the bonds inevitable. There is now speculation in the financial community that WPPSS may go into Chapter 9 bankruptcy, and that Chemical Bank will try to get first lien for the bondholders.

The inevitability of default shook the U.S. bond market, and all municipal and state bonds prices fell \$10 to \$20 per \$1,000 face value of the bonds, the day after the WPPSS decision was announced. The bonds of WPPSS, covering the mothballed units #4 and #5, fell to less than 20 cents on the dollar; other WPPSS bonds fell to less than 50 percent of their value; bonds issued by any agency of the state of Washington plummeted. One source suggested that \$50 billion worth of utility, water supply, sewage, and other bonds, constructed on a similar "take and pay" contract basis as the WPPSS bonds, might be challenged in the courts, destroying credibility in the U.S. state and municipal bond market.

The environmentalist-"peace" forces that forced this court decision crowed that this was an "historic, unprecedented victory," and concluded that the ruling would devastate the

nuclear power industry and paralyze the U.S. economy.

Ralph Cavanagh, the West Coast coordinator of the Natural Resources Defense Council (NRDC), which by his own account played a leading role in securing the state supreme court ruling, boasted to a reporter June 21, "This decision will mean that no new nuclear orders will be placed in the U.S. ever again. *No new nuclear plants will be built in the U.S. ever. . . . This is the worst day ever for the U.S. utilities. This decision means that at least 48 out of 91 U.S. nuclear plants now under construction will never be built,*" and that as many as 25 to 30 of the remaining 91 will likely not be built.

The Electric Power Reliability Council reported last month that even if all the nuclear plants under construction in America were to be built, America would face power shortages and blackouts by 1984. A LaRouche-Riemann econometric model study, "A Beam Weapon Based Recovery for the U.S.," concluded that U.S. electricity generating capacity would have to increase sixfold over the next 10 years if the economy were to have the requisite energy supply to recover. The Washington Supreme Court decision means that the United States will experience blackouts the moment it actually increases real capital goods output. Any attempt at putting America back to work will be impossible; the United States will undergo, as the LaRouche-Riemann model team described it, a "thermodynamic heat death."

### **Environmentalist subversion**

The move to destroy the WPPSS system and the U.S. power grid was launched in Washington and the three other states served by the WPPSS system—Oregon, Idaho, and

Montana—by a coalition of forces whose most important components are:

- The environmentalists: the **Natural Resources Defense Council (NRDC)**, the **Sierra Club**, and the **Friends of the Earth** and the coalition front for these groups in Washington, the **Northwest Conservation Act Coalition**. According to Mark Reis, the director of the coalition, “The Washington Supreme Court ruling represents a victory for what we’ve doing for the last 10 years. Our coalition’s program won out.”

- The European oligarchy-controlled financial groups, including **Drexel Burnham Lambert** and **Merrill Lynch**, as well as the bond rating services, **Moody’s** and **Standard and Poor’s**. These groups undermined the WPPSS bond ratings over a period of years.

- Lane Kirkland-controlled unions in the Northwest, including the **Retail Clerks**, the **Service Employees Union**, the **Communications Workers of America**, and the **Oregon Federation of Teachers**.

- The nation’s news media, led by the *Washington Post* and the *Seattle Post-Intelligencer*.

The Natural Resources Defense Council, which is financed by the Rockefeller family, was jointly founded by the Aspen Institute and Harlan Cleveland. Cleveland recently hosted the Soviet KGB and Russian Orthodox Church delegation when it made its most prominent stop on its 33-city nuclear freeze organizing tour in Minneapolis, Minnesota May 24. *Seattle Post-Intelligencer* reporter Joel Connelly, who led the media assault on WPPSS for five years, is described by NRDC West Coast coordinator Ralph Cavanagh as “one of my very close friends.”

## The assault

WPPSS was targeted because the Northwest is the most energy intensive region in the nation. While, in 1982, the nation consumed 70.8 quads of all types of energy, of which electricity production took 23.5 quads, or 33 percent, in the Northwest, of all energy use, electricity constitutes more than 40 percent. Of total electricity in the United States, about 13.5 percent is supplied by nuclear power.

Power for the Northwest region started to be expanded in the 1930s, when engineers achieved their dream of harnessing the mighty Columbia River. The first great achievement of this effort was the construction of the Grand Coulee Dam. A federal power authority, the Bonneville Power Administration (BPA), was created to supervise the region’s power provision. By the early 1970s, more than 50 dams were in place on the Columbia River and its tributaries.

As the Columbia was harnessed, use of electricity spiraled, and its price fell, making electricity in the Northwest to this day the cheapest in any region of the country. In 1968, the Bonneville Power Administration designed a plan to carry out the same historic rate of energy growth of the previous 30-year span—7.5 percent growth per year—into the 21st

century. The regionwide power plan for Washington, Oregon, Idaho, and Montana called for the construction of 20 nuclear reactors and 40 coal-fired power plants by the end of the century.

The agency selected to do part of this job was WPPSS, which was formed by the Washington state legislature in 1957. In utility jargon, WPPSS is known as a “joint operating agency.” Its membership consists of 19 public utility districts and four city-owned utilities, including Seattle City Light and Tacoma City Light.

WPPSS then decided to build five nuclear reactors as part of this plan. Three were authorized in 1969 and two more in 1974, which together were to generate up to 6,000 megawatts per day, a capacity equal to Grand Coulee Dam. Each 1,200 megawatt WPPSS nuclear plant was designed to produce more electricity than normally used by the city of Seattle.

The first three WPPSS plants—units #1, #2, and #3—were supposed to come on line in the mid-to-late 1970s and the last two units—#4 and #5—were to be completed in the 1980s. Each of the two sets of reactors was financed by different bond issues. But then the environmentalist movement intervened. The Nuclear Regulatory Commission, which is supposed to facilitate nuclear plant construction (but under Naderite control, actually hinders it) lengthened the construction time of the plants from 7 to 8 years to 10 to 14 years. Then starting in 1979, Federal Reserve Board chairman Paul Volcker more than doubled construction financing costs through his usurious interest rates. As a result, while the cost of the combined five units was slated to be a total of \$4.1 billion when construction was first started in 1969, by the end of 1982, the environmentalists and Volcker had forced it up to \$23.8 billion, a sixfold increase.

Starting in the late 1970s, and accelerating in mid-1980, month after month, the Seattle press, led by the *Seattle Post-Intelligencer*, denounced the nuclear reactor construction projects, repeating the formula of the Natural Resources Defense Council, which stated that the Northwest didn’t need all this cheap energy and blaming the cost overruns, caused by the environmentalists and Paul Volcker, on “mismanagement.” This effort was crowned by *Seattle Post-Intelligencer* reporter and raving environmentalist Joel Connelly, who in late March 1982 was assigned to cover WPPSS almost full-time, starting with his derogatory article about WPPSS, “The Year the Big Dream Died.”

Wall Street got into the act. Howard Sitzer, a research analyst for Merrill Lynch, the firm that had been hired by WPPSS to underwrite WPPSS’s bonds, issued a report on July 24, 1981 entitled “WPPSS at the Crossroads,” which advised investors to get rid of the \$2.0 billion bonds that had been issued thus far to finance WPPSS units #4 and #5. Eileen Titmuss, of the investment firm, Drexel Burnham Lambert, issued a similar report within weeks (the Lambert family is a top representative of the Belgian royal household). As the anti-nuclear Sitzer boasted in an interview June 22,

"My report and that of Drexel Burnham killed any new bond issues for WPPSS units #4 and #5."

The bond rating services of Moody's and Standard and Poor's got into the act, manipulating a crisis—just as they did in New York City in 1975—by downgrading in successive steps WPPSS's bond rating, scaring off investors.

As the pressure mounted, in late fall 1981 the environmentalists got together with the help of massive media scare tactics to pass a referendum demanding that WPPSS or any other power authority in the region could not issue bonds—an inherent right of these authorities—without first having a referendum on each bond issue. That is, every time WPPSS wanted new funds it would have to go before an anti-nuclear-manipulated populace. When WPPSS appealed the referendum as unconstitutional, Joseph Califano, former Secretary of HEW and a big wig in the liberal wing of the Democratic Party, became the counsel for the environmentalists and the courts sustained the referendum.

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The outcome for WPPSS was a Shakespearian tragedy. In June 1981, a besieged WPPSS was forced to announce that it would mothball—i.e., never complete—the construction of units #4 and #5, even though they were 16 percent and 24 percent completed, respectively.

The fall-out from the latter two units began to affect the financing and viability of the first three units, which were financed under entirely different bond issues, issues which

unlike those for units #4 and #5 were backed by the federal Bonneville Power Administration. In April 1982, WPPSS was forced to announce that it would mothball unit #1, even though the unit had been 60 percent completed at the time. Then on May 27 of this year, WPPSS was forced to announce that it would mothball unit #3, even though it had been 75 percent completed.

That leaves only unit #2, which is 98 percent completed, and scheduled to open in April 1984. But NRDC's Cavanagh brags, "The unit #2 can't sell its electricity in Washington, because there is no demand [due to the Volcker depression]. It will try to sell the electricity to California. My bet is that the plant will start up in early 1984, fail in its ability to sell its electricity, and close down for good."

Thus, more than \$10 billion later, after more than 13 years in the works, the WPPSS will end up producing not even one kilowatt of nuclear-fueled commercial electricity.

Worse, in 1980 the U.S. Congress passed a little noticed law that set up the Northwest Planning Council, which was entrusted with the authority to set regional power planning and investment for all of the Northwest utilities. The Northwest Planning Council just issued a report in May of this year, entitled "Northwest Conservation and Electric Power Plan," of which NRDC's Cavanagh says, "We practically wrote it." The strategy of the plan, according to Cavanagh, is that cost-effectiveness replaces the traditional criteria of "reliability of electricity supply" as the key criteria for energy generation, and Cavanagh lied, "nuclear power is not cost-effective."

The plan "asserts that energy conservation is the dominant aim for the Northwest over the next 20 years, not building new power plants. The lion's share of investment will go for small-based generation." Cavanagh concluded, "This plan brings an end to smokestack industry. It takes a gigawatt to sustain one aluminum job. It takes one-thousandth of that amount to sustain some high tech company job. The Northwest will move away from the energy intensive industries." The Planning Council plan provides for a 0.9 percent increase in electricity generating capacity per year for the next two decades, in its worst case scenario, but if implemented this plan would actually mean negative growth.

Ironically, despite all the added-on costs, electricity is provided in Washington state via WPPSS through its utility retailers at 3 cents per kilowatt hour. In New York city, the cost is 16 cents per kilowatt hour, belying all the claims about WPPSS inefficiency.

### **The hit list for nuclear plants**

According to the NRDC's Ralph Cavanagh, at the start of 1983, there were 91 nuclear power plants that were under construction. These 91 plants represented a potential of 80 to 90 gigawatts of newly installed electrical generating capacity by the year 1995. But, Cavanagh reports, 11 of these have been indefinitely deferred, meaning that they will never be

built. Further, he said, "What the WPPSS case establishes as a precedent is that if a utility has nuclear power plants less than 40 percent completed, like units #4 and #5, it is more cost-effective for the utilities to swallow the costs of the plants and not build them, rather than complete construction. Currently, there are 37 plants around the country that are less than 40 percent completed, and these will be closed down on account of the WPPSS ruling." The hit list that the NRDC and the other leading environmentalist groups have drawn up for closing down plants includes:

- Four Tennessee Valley Authority plants including two in Mississippi and two in Tennessee;
- Three additional plants in Washington state;
- Three in Illinois;
- Seabrook Plant #2 in New Hampshire;
- One plant in Texas, two in the Carolinas, one in Georgia, one in Alabama, one in Indiana, and others.

Thus, of the 91 plants now being built, 48, or more than half, will never be completed under current circumstances, representing tens of billions of dollars of lost construction and lost energy. Furthermore, Cavanagh indicated many plants that are more than 40 percent completed might also be closed. The Nuclear Regulatory Commission's new requirements for excessively rigorous, phony "evacuation plans" for communities surrounding nuclear power sites might accomplish these shutdowns, as is indicated by the case of the Long Island Lighting Authority's Shoreham nuclear plant.

What this spells is catastrophe. In the five-year period since 1978, 80 coal-fired plants and 84 nuclear plants have already been cancelled. The cost for nuclear and coal plants indicates the problems: the environmentalists and Volcker have raised the costs for an average new plant—coal or nuclear—from \$120 to \$160 per kilowatt in 1969, to more than \$1,200 per kilowatt today, a staggering 10-fold increase, seven times greater than the rate of inflation for other goods.

*No U.S. utility has put through a new order for a nuclear plant since 1978.* Moreover, since 1975, every one of the new orders on which construction was started has been cancelled. Thus, no post-1974 nuclear plant is still under construction.

The United States is entering what the *Executive Intelligence Review's* LaRouche-Riemann econometric model team describes as a "thermodynamic heat death," meaning that even if credit were made available and cheap, the U.S. economy could not recover. America has a total of 650 gigawatts of installed electrical generating capacity of all types (13 percent is nuclear). At the rates of capital construction of power plants up until the WPPSS ruling, by 1993 utilities would have seen 20 to 25 percent of their plants become obsolete but would have replaced at most only 18 percent of them (120 gigawatts). This means that the installed electrical generating capacity in the United States would have shrunk by 2 to 7 percent during the next decade, stopping all industrial growth and interrupting real physical goods output, since

for every 1.7 percent rate of growth of electricity capacity, there is a 1 percent growth in industrial output.

But the new ruling will mean that obsolescence will outstrip new production by 20 percent or more.

In achieving this result, which started with the 1973-75 Henry Kissinger-rigged oil crisis, the environmentalist fifth column has been aided by the leading U.S. proponents of the "nuclear freeze." For example, it was James Schlesinger, the current anti-beam weapon technology exponent, who was then Trilateral Commission President Jimmy Carter's Energy Secretary, who funded an NRDC "study" which purported to disprove the U.S. utility industry's assertion that the United States would need to keep to its 7.5 percent per year historical rate of electricity growth, or face power blackouts. The NRDC got a second grant from the Carter DOE for the same sort of project in 1980. These "studies" constituted a good part of the evidence considered by the Washington Supreme Court in its June 15 WPPSS ruling.

Beyond this, the NRDC, along with the Friends of the Earth and others, want to spread the Washington example as quickly as possible to every state to cut off any investment for energy, and instead emphasize conservation, windmills, passive solar heating, and so forth. Currently, Sen. Clairborne Pell (R-R.I.) and Sen. Robert Stafford (R-Vt.) are co-sponsoring a bill in the U.S. Congress to create a New England Power Planning Council modeled exactly on the Northwest Power Planning Council, to constrict energy production in New England.

### **What the White House will do**

The WPPSS ruling has been greeted so far, with dead silence from the White House. Donald Hodel, President Reagan's energy secretary, was chief administrator of the Bonneville Power Administration, the federal authority that underwrote the construction of WPPSS units #1, #2, and #3, and the person who urged the 88 northwestern utilities to back the construction of WPPSS units #4 and #5.

Hodel has pulled together a roundtable of utility construction company executives who wrote a special study for the DOE, just released in June, entitled, "The Future of Electric Power Supply in America: Economic Supply for Economic Growth," which calls for a sizeable increase in coal and nuclear-fired electricity generating plant construction.

But the report seems as if it were issued in a political vacuum. Immediately after the WPPSS court ruling, Hodel said that he hoped that the "parties in Washington can solve the problem among themselves." As one source put it, "Hodel can't openly come out for government intervention in the case, because there are too many free-marketeers in the administration who would oppose him."

President Reagan must take immediate action as Commander-in-Chief to reverse the WPPSS disaster. Unless he does so, invoking war powers granted to the President, there may not be much of a U.S. economy left to defend.