

# Fed's latest rout of U.S. nuclear power

by Paul Gallagher

In May 1981, *EIR* published a special report, "Will Paul Volcker Destroy President Reagan's Nuclear Power Policy?," which defined the turning point the U.S. electric power grid faced as the new administration took office. Then, on Aug. 8, 1983, *EIR* outlined the precise consequences to be expected from Reagan's failure, by then evident, to challenge the Federal Reserve chairman's devastation of the nation's most capital-intensive industry, electric power. As we insisted then, any pundit who claims that the collapse of the nuclear power construction industries stems from public acceptance of environmentalism, is denying both the polls and the overwhelming evidence—it is the Fed and Treasury Secretary Donald Regan's friends on Wall Street who have turned off the nuclear power switch. The President's much-publicized initiative to build a dozen nuclear plants for China is revealed to be an election-year hoax by his performance in allowing his own nation's electricity grid to be destroyed.

## Ratcheting down

Three public utilities in the United States are now on the verge of joining the Washington Public Power Supply System in bankruptcy, due to inability to complete nuclear power projects. After five years of slow crumbling under Volcker's high-interest-rate policies, the nuclear power industry is now undergoing a sudden ratchet-like collapse, threatening the national electricity grid.

Fifty-two hundred construction workers lost their jobs April 19 as Public Service of New Hampshire halted work on the Seabrook plant, despite having defeated all environmentalist attempts to stop construction of the plant. Fifteen hundred workers had been laid off last year. The state of New Hampshire has opened a National Guard armory to handle the flood of unemployment registrations.

The utility's stock and bond ratings have plunged since it announced it might be bankrupt by the end of April, and canceled its dividend. The bankruptcy was "arranged" through the release last month by a private accounting firm of a cost estimate of \$9 billion for completion of the two nuclear units at Seabrook; the publicity of the estimate led to an immediate cutoff of bank credit to the utility.

No public utility in the United States has ever gone bankrupt before, but Volcker is now knocking them down like

dominoes, with the assistance of Regan's old cronies around the Merrill Lynch water-coolers. Merrill Lynch has proposed a "robber baron" reorganization plan for Public Service of New Hampshire, which would create a "new operator" company to raise new construction cash at interest rates three or more points higher than existing bonds—while cutting off payments entirely to the smaller investors, throwing the default of Public Service upon them and the company's construction and white-collar work force.

## The next dominoes

Consumers Power of Michigan, builders of the Midland nuclear power project, has announced that it will run out of cash for the project by mid-year, due to sabotage and delays by state officials who have been unopposed by Reagan's "pro-nuclear" Nuclear Regulatory Commission. Consumers Power also faces a severe threat of bankruptcy if the project goes under. A third utility, Long Island Lighting Company (LILCO), which is being prevented by state and county officials from putting the Shoreham plant on line, is said by Wall Street insiders to be certain to go bankrupt before the end of 1984. Merrill Lynch, acting through Gov. Mario Cuomo of New York's cardboard "Commission on Shoreham," has proposed a similar reorganization for LILCO, which would close the plant and write down much of the firm's market value.

The next target is Chicago's Commonwealth Edison, the nation's largest and most experienced operator of nuclear power plants. Wall Street consultant Charles Kamanoff, an operative for the Naderite "Public Interest" lobby, and a similar Boston-based outfit called Energy Systems Research Group, have released reports claiming 50% higher construction costs than the company estimates for its Braidwood nuclear reactors, and claiming "substantial cost saving to the rate-payer from cancellation of Braidwood."

In all, more than 50,000 megawatts of nuclear power capacity have now been canceled since Volcker took over the Federal Reserve, in addition to more than 25,000 megawatts of coal-fired capacity.

## Two exceptions

Two striking exceptions to this collapse have developed in states where a political battle is now being waged in favor of nuclear power. In Pennsylvania, LaRouche Democrat Sally Phleger, a congressional candidate backed by the National Democratic Policy Committee (NDPC) who campaigned in the Harrisburg area for the reopening of Three Mile Island Unit I, received 46% of the vote in the April 10 primary. The next day, the NRC granted a license for testing of the plant prior to full operations. And in southern California, an NDPC stronghold, the NRC has granted a start-up license for the Diablo Canyon plant in San Luis Obispo, despite court actions by Tom Hayden's Abalone Alliance and Ralph Nader's Center for Law in the Public Interest.