

Energy Insider by William Engdahl

The Northwest nuclear wars

The combination of insane interest rates and antinuclear solons could torpedo vital new energy construction.

Well-informed sources report that the Reagan administration is now drawing up plans to break the political stalemate that has all but destroyed one of our nation's most vital strategic resources—nuclear power plant construction. If, as has been rumored, the President plans to announce this new strategy at the July 20 Ottawa heads of state economic summit, it would be a big step toward reversing one of the most destructive aspects of the Carter legacy.

Recent events that occurred in Washington State and on Wall Street, however, confirm what we have said many times—until the present usurious interest-rate policy of the Federal Reserve is drastically reversed, the utilities aren't going to rush to commit themselves to new power plants.

Three weeks ago, Robert L. Ferguson, managing director of the nation's largest municipal power utility, the Washington Public Power Supply System (WPPSS), recommended a one-year construction moratorium on WPPSS nuclear units 4 and 5, declaring that the present borrowing on long-term bond markets "presents a very, very difficult problem in today's financial market." The WPPSS situation should be examined closely for its national implications.

In the early 1970s, a group of 23 smaller public consumer-owned utilities formed the joint operating agency WPPSS to operate five nuclear power plants in Washington

State. The utilities estimated in 1977 that total cost of construction, with "pre-Volcker" interest rates and inflation, would be slightly less than \$7 billion. Now, because of astronomical interest-rate costs on long-term bond borrowing, combined with absurd regulatory delays from the Nuclear Regulatory Commission and completion schedule delays, the final current cost estimate will now run closer to \$17-24 billion by the 1988 estimated completion date for WPPSS-5.

Under a complicated net-billing arrangement, the Bonneville Power Administration—the Northwest's federal electricity marketing agency (see *EIR*, March 24, 1981) is committed to purchase all the power from units 1 and 2 and seventy percent of unit 3. But BPA can't commit itself for units 4 and 5, and spread the front-end cost among all the ratepayers in Washington, Oregon, Idaho, and Montana without congressional okay.

So, an antinuclear congressman from Eugene, Ore., counterculturalist Jim Weaver, is trying to revoke the existing net-billing arrangement. In a recent exchange between Weaver and Richard H. Bornemann, executive director of the 1,000-member Oregon Energy Council, a privately funded group seeking to ensure adequate energy supplies for Oregon, Bornemann pointed out that Weaver's strategy would have an economically crippling impact on the entire Northwest region. The political ambig-

uous Weaver, meanwhile, has announced he plans a lawsuit to declare the BPA net-billing arrangement illegal, and has gone to Wall Street to huddle with bond investment analysts to discourage potential buyers of WPPSS bonds.

Weaver's activity and the publicity his antinuclear antics have received has helped defer units 4 and 5. Now, Moody's has announced it has dropped its bond rating for WPPSS 4 and 5 down two grades from its A1 rating, a move that some Wall Street sources feel could make those plants impossible to finance in the future.

I did some probing into the impact permanent loss of WPPSS 4 and 5 would have on the region's economy. The Pacific Northwest Utilities Conference Committee (PNUCC), the regional body that makes electricity-demand forecasts for the area's utilities, has just released a revised demand projection. Their analysis shows that by 1988, if units 4 and 5 are not producing power, the industrial Northwest will have a potential power deficit of as much as 3,000 megawatts in a year of water shortage. That's the equivalent of total electricity needs for a city about the size of Chicago.

As the Oregon Energy Council's Mr. Bornemann pointed out in a letter to Weaver, "There is not a single public agency whose electricity-demand forecast shows the region to be free from alarming power-supply deficiencies by the end of the 1980s if all five of these plants are removed from the resource base."

But that is exactly what Weaver is hell-bent on doing. Of course, if Weaver is successful, he can call the ensuing economic collapse "energy conservation."