

Energy Insider by William Engdahl

The battle for a nuclear Northwest

Why one of the nation's highest-paid lawyers has become interested in representing 'the people.'

A surprisingly successful \$850 million bond sale Feb. 16 would seem to ensure that the Washington Public Power Supply System (WPPSS) will be able to construct three nuclear units out of an originally projected complex of five units. But it turns out, no such thing is ensured.

Merrill Lynch told me that the reason for the successful bond issue was an earlier decision to cancel units 4 and 5. Under a financial agreement with WPPSS dating from the early 1970s, the first three units are effectively government-backed through a "net-billing" arrangement with the Bonneville Power Administration, a federal agency which will purchase all power generated by the three units.

But because units 4 and 5 enjoyed no such agreement, and were farther from completion (15 and 25 percent, respectively) these became targets of opportunity for anti-nuclear forces, who not only succeeded in having them cancelled, but are now working on ways to force cancellation of 1, 2, and 3.

Oregon, Washington, and the three other states which are included in WPPSS's power grid have plenty of anti-nuclear kooks. But the man behind it all is Joseph Califano.

Califano's variegated career is tied together by an effort to undercut traditional institutions and pro-growth constituencies. He created the 1960s War on Poverty, and was

involved with McGeorge Bundy and Cyrus Vance in the "counterinsurgency" projects that triggered the riots of that decade. Califano also encouraged the use of the Civil Rights Act of 1964 to break up political machines, tried to reorganize the Commerce, Agriculture, and Labor Departments, and helped introduce systems analysis into the federal budgeting procedure. He was instrumental in imposing the "McGovern Reforms" on the Democratic party in 1974, and went on to become Jimmy Carter's HEW Secretary.

The real problems for WPPSS began last year when a group misnamed "Don't Bankrupt Washington" was helped by Mr. Califano, one of the highest-paid lawyers in the nation, in drafting "Initiative 394," which passed on Washington's November ballot. The five-state WPPSS system must now get voter approval every time it needs to borrow to complete nuclear construction. To date, WPPSS has had to do so every three to four months.

Since this is patently unconstitutional, WPPSS bond-holders have gone to court to overturn the referendum. Joseph Califano has agreed to represent the environmentalists in defending the statute, a remarkable move indeed.

If he succeeds in preserving I-394, no bond house will ever agree to lend for construction of units 1, 2, and 3, a project then subject to "democratic" whim and hysteria

every step of the way. Moreover, he would have a precedent to utterly kill nuclear construction nationally by similar "democratic" means.

But that is only one option. Units 4 and 5 were cancelled largely through the press hysteria generated by a *Seattle Post-Intelligencer* journalist, Joel Connally, a Sierra Club member, and the lies and fabrications of an Oregon Congressman, Democrat Jim Weaver, an anti-nuclear kook-type. Rep. Weaver, who thinks WPPSS "should default on all its bonds," began touring the state a few months ago whipping up consumer fears over rate-increases in opposition to WPPSS's plan to simply "mothball" units 4 and 5 until economic conditions improved.

Then, a Weaver aide filed a lawsuit to force 4 and 5's outright cancellation—although a study commissioned by state governors showed mothballing to be the cheapest option for the 88 municipalities who formed the WPPSS umbrella-utility—costing only about \$150 million. WPPSS finally conceded to cancellation, however, leaving a \$7.38 billion debt, of which \$5.13 billion is interest (thanks to Paul Volcker)—which still must be repaid over the next 35 years.

Now, Weaver, Califano, and groups with names like the "Light Brigade" are trying to organize a "rate-payers revolt." So, if Califano can maintain I-394, he eventually bankrupts nuclear utilities. But if he can't, the obvious next step is to demand that the \$7.38 billion debt on already cancelled units 4 and 5 not be passed on to rate-payers, but be borne by the WPPSS consortium—an added obligation which will ensure no lending for construction of units 1, 2, and 3.