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## The WPPSS Case

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# How Soviet assets in the 'peace' and ecology movements are wrecking the U.S. power grid

by Richard Freeman

The Soviet KGB has been caught running a conspiracy in the United States involving the U.S. environmentalist movement; Chemical Bank of New York, the seventh largest bank in the United States; and leading members of Congress and their wives to shut down the Washington Public Power Supply System (WPPSS), the largest megawattage supplier of electricity in the United States. The aim of the conspiracy is destruction of the nation's electricity production grid with the same efficiency as a Strategic Bombing Survey bombing attack. The other two of the three key components of the U.S. industrial strength—manufacturing and transportation—are already in ruins.

The conspiracy was launched several years ago, when the National Resources Defense Council, which is the "green" side of the U.S. nuclear freeze movement, joined by the *Seattle Post-Intelligencer* and several Lane Kirkland-controlled AFL-CIO units attempted to shut down five WPPSS nuclear power plants, which were in various stages of construction. This effort succeeded on June 15 when the Washington State Supreme Court made its ruling: 88 utility companies that had guaranteed \$2.3 billion worth of bonds to allow WPPSS to construct nuclear power plant units 4 and 5 were no longer responsible for the payment of interest and principal on those bonds (see *EIR*, July 5).

Since WPPSS is an electricity wholesaler—that is, it has no independent income stream, but must sell electricity to the utilities who in turn sell it to customers—the court ruling left WPPSS with a \$2.3 billion debt and no way to pay it off. In late July, WPPSS, unable to meet monthly interest payments on the units 4 and 5 bonds, was declared in default by Chemical Bank, the trustee for the units 4 and 5 bondholders. This represents the largest municipal bankruptcy in American history!

### 'A thing of the past'

An aide to Rep. James Weaver (D-Ore.), a fanatical environmentalist who supports the Global 2000 strategy to reduce the world's population by 2 billion people, reported Aug. 16: "As a result of the WPPSS default, I think that

central generating stations, that is, enormous coal-fired plants and nuclear power plants, are a thing of the past. They're dinosaurs. Diversified sorts of energy, like cogeneration, solar energy, and so forth, done on a community-by-community basis, are the wave of the future."

But this was only the start of the conspiracy. In July, Sen. James McClure (R-Ida.), whose state is one of the four supplied with electricity by WPPSS—the others are Washington, Oregon, and Montana—introduced an amendment to a fiscal 1984 funding bill for the Department of Interior asking for federal emergency money to save WPPSS. The McClure amendment would grant the federal Bonneville Power Administration the authority to issue bonds through a new entity that would bear the costs of completing construction of WPPSS nuclear units 1, 2, and 3. Though these three units are not the subject of the June 15 Washington State Supreme Court ruling against WPPSS, that ruling and the subsequent declaration of WPPSS in default eliminated WPPSS's ability to raise funds for any of its units. Units 1, 2, and 3 are 75 percent, 98 percent and 60 percent completed respectively, but units 1 and 3 have already been mothballed because of intense environmentalist opposition.

McClure's amendment ran into a buzzsaw. A filibuster was led by Sens. Howard Metzenbaum (D-Ohio), Donald Riegle (D-Mich.), John Heinz (R-Pa.), and William Proxmire (D-Wis.), joined by Senate Majority and Minority Leaders James Baker and Robert Byrd, Representative Weaver, and Reps. Richard Ottinger (D-N.Y.), Donald Bonker (D-Wash.) and John Dingell (D-Mich.). Riegle and Metzenbaum are currently in the Soviet Union meeting with the Andropov leadership discussing the disarmament of the United States.

It turns out that the wives of WPPSS opponents Riegle, Heinz, Metzenbaum, Weaver, and Bonker are leaders of a group called Peace Links, which advocates that women around the world, on a person-to-person basis, stop war through "understanding." (See article, page 50.)

Senator McClure will hold hearings in Seattle on Sept. 7 to attempt to rally forces to save WPPSS. The opponents of

WPPSS plan to hold public hearings in Congress in October. The Reagan administration, in the person of Energy Secretary Donald Hodel, a former head of the Bonneville Power Administration who strongly backed construction of WPPSS nuclear units 4 and 5, is a particular target. "The fingerprints of Don Hodel in the WPPSS affair will be made large for all to see," Weaver's aide, David Jory, told an interviewer.

There is another level of Soviet conspiracy against WPPSS and the U.S. electrical power sector. On Aug. 3, two weeks after it declared WPPSS in default, Chemical Bank, the trustee for WPPSS bondholders, just launched one of the largest suits in the history of the United States, charging WPPSS and 500 other parties in the utility and nuclear plant construction industry with fraud, misrepresentation, and negligence.

The attorney for Chemical's suit is one Michael Mines. Mines, it turns out, is on the executive board of "Target Seattle," a peace organization that will submerge Seattle in events celebrating Russian "blood and soil" culture for five days between the end of October and the beginning of November of this year. The featured speakers at Target Seattle are Georgii Arbatov of the Moscow's U.S.A.-Canada Institute of the Soviet Union, and Marcus Raskin, one of the directors of the pro-terrorist Washington, D.C.-based Institute for Policy Studies, which helped sponsor the 33-city tour of top-ranking KGB officials through the United States earlier this year.

### **Contractors and finances under fire**

The Chemical Bank lawsuit coincides with 13 other lawsuits brought by "bondholders" of WPPSS securities, who are being coached by such environmentalists as Jim Lasar, head of the Seattle-based Fair Electric Rates Now (FERN).

Lasar told an interviewer Aug 16 that the suits against WPPSS and others are focused against, for example, the architectural firm of R. W. Beck, Jr., which is consulted on almost every nuclear power plant built in the United States. Lasar believes that Beck will be found guilty of the charge of fraud or of willful disrespect (negligence), because Beck recommended construction of WPPSS units 4 and 5 on the grounds that the plants were needed and would not be expensive (which is true, had high interest rates and environmentalists not intervened). Beck's conviction would make it perilous for any architectural firm to work on nuclear plant design. The lawsuits will also discourage investment firms from bringing to market new utility issues for coal or nuclear-fired plants, removing the financial underpinnings of the electric power industry.

The WPPSS rulings and lawsuits may be repeated throughout the country. Robert Lamb, a professor at the New York University Graduate School of Business specializing in municipal finance, reported Aug. 16, "The entire municipal bond market has been affected by the WPPSS July default on its bonds. Public power bonds are now comparable in yield to hospital bonds, which means they are paying 50 to 75 basis

points more than they used to.

"There are going to be thousands of suits all over the country. The effects of the suits and the WPPSS ruling will increase the cost of public power dramatically," Lamb said.

The effect of all these rulings? Concluded David Jory: "I think you will find that there is not a chief executive officer or a president of a utility in this country who would sign an order to build a new nuclear plant."

This adds up to a financial Three Mile Island, a giant success for the attempt to sabotage nuclear power that was begun with the fake Harrisburg "disaster" of four years ago.

A municipal bond analyst at the Belgian royal household-controlled New York investment bank of Drexel Burnham Lambert, Eileen Austin, who played a role in 1981 in forcing the depreciation of WPPSS bonds, notes that there are 16 states which have "take or pay" contracts similar to those WPPSS had with the 88 utilities which were struck down. ("Take or pay" simply means that the contractor for power or any other service to be produced from building power plants must pay for the bonds to finance the building, even if the building is never completed.) These states have issued \$14 billion worth of public power bonds on the take or pay basis.

Although in many of these states, the state supreme court or the state legislature has upheld the legality of "take or pay" contracts, Austen alleges, "I think that economics of the projects will supersede any legal agreement drawn up previously. You have to look at each project and see whether it is economic. In each case, I think that economics will take precedence in court rulings despite the original way the contract is written." Thus, contracts could be invalidated in each of the following states, potentially crippling their *existing* power facilities: Florida, Louisiana, South Carolina, Texas, Kansas, Massachusetts, Michigan, Nebraska, North Carolina, Vermont, Georgia, Missouri, Utah, California, Connecticut, and Minnesota.

Austen added, "I would advise you to look at the Texas situation. The city of Austin is suing the Houston Lighting and Power Company to get out of a 16 percent share that Austin has in the Houston Lighting and Power Company's South Texas nuclear plant. The way this ruling goes could have more importance than the WPPSS ruling."

In order to finance its legal expenses, which reached \$20 million last year alone, and to pay interest on its bonds, WPPSS is asset-stripping itself to raise money.

WPPSS is trying to sell on the open market two wide reactor vessels crafted with special high-grade steel. The price of the two vessels was \$203.5 million, but because there are no buyers for nuclear equipment, WPPSS may have to sell these vessels, into which went thousands of hours of skilled labor, for scrap metal. It is also ripping down and liquidating 1,000 miles of unused electrical cable, more than 100 miles of pipe, six electrical transformers, and thousands of tons of reinforcing bars. Such are the results of the Soviets' strategic bombing of America's utilities.