

all seeing millions of dollars increase. They are passing the costs on to the consumer, and the profit to their shareholders. I think that that *is wrong. It's robbing people.* It's taking away from the hope that so many had in this nation and state.

I don't know what we can do, but I believe that these big oil conglomerates, the oil cartels, are the ones that are doing this. It's not the cold weather. And it's not that the cost of producing is more, because it's not. Propane is a by-product. It's just that they are spiking the prices to make their pockets fatter.

EIR: There are chain-reactions of effects going on, including in food processing. Alabama has the "Sweet Sue" cannery, and others.

Jackson: What is happening, is that the natural gas prices are going to be passed on to the consumer. We won't even be able to purchase food! Our farmers are going to take a hit this Spring, because of the nitrogen they use on their fields. It's going to quadruple, because of natural gas. I don't know what it's going to do to our food production.

EIR: What is the readiness of lawmakers and others, at different levels in the state, to take action for emergency measures, and re-regulation?

Jackson: No one has spoken of it, but I have mentioned it to the Commissioner of Agriculture, Commissioner Bishop. We met on Jan. 29. We shared some information, on maybe getting a joint House resolution, to the Oversight Committee, on the situation. The legislature comes in session on Feb. 6.

Natural gas is regulated in our state; propane is not. In the last two weeks, we had two separate meetings with the natural gas and propane associations here in the state of Alabama.

EIR: What is the price of propane?

Jackson: Residential propane was \$1.03 [a gallon] a year ago. It's \$1.70 now. That's up 65%. Wholesale last year was \$0.487, and now, \$1.09 as of Jan. 12, and that's a 124% increase. We're having a lot of problems here.

EIR: What do you see happening next?

Jackson: What we're trying to do, is to get a handle on this stuff here in the state. And hopefully, with the distributors and producers, that we can help our constituents, as well as our farmers, that they can pay along. That is, don't cut their gas use off. I have heard, and read in some papers in my district, where there was no leeway for the consumer. But we are mandating it, that there be leeway, that they can pay those bills over a period of time — it can take them until August, this Summer, to get those bills paid down.

EIR: So you are mandating no cuts, and a stretchout of bills, until you can do something else?

Jackson: That's right.

EIR: You've had some crises, and losses, such as the

chicken houses?

Jackson: Oh, yes. What has happened, is that, they can't pass their price on, because they are contracted by Star-Kist — or whatever company they are growing these chickens for. And when chicken growers' profit is put in, for paying for heating — you know, the law says, that you have to keep those birds warm. If they drop the temperature, they are going to lose those birds; they are really in a hard situation. Some of them are trying to get out of the business altogether. And those that can, work with the propane companies, and are paying a cost along, as they stretch out their payments; so, they are working with them pretty well up there, in the Culvert and Calhoun County areas.

Interview: Michael Obuchowski

Deregulation Policy Defeated in Vermont

Vermont State Rep. Mike Obuchowski (D) spoke with Marcia Merry Baker on Jan. 27.

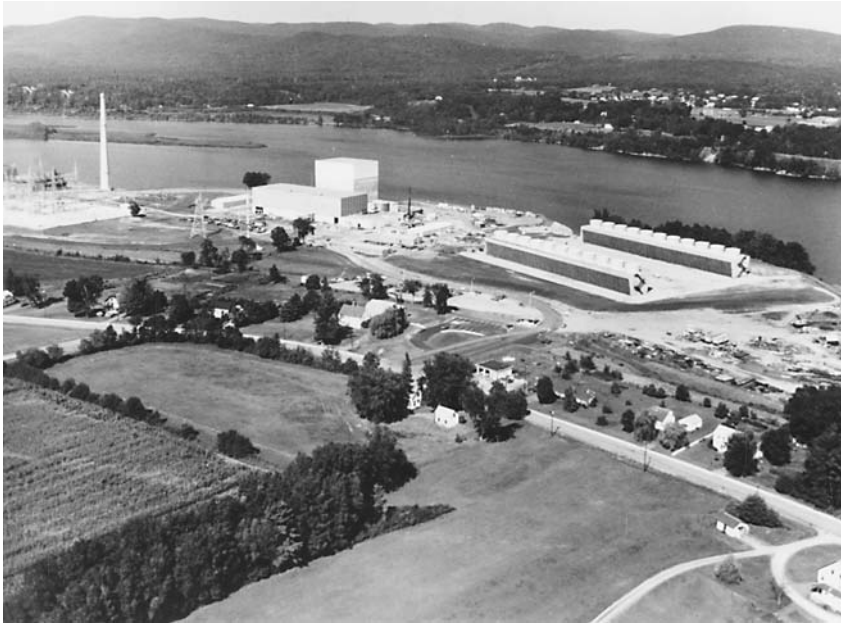
EIR: You were Speaker of the House in Vermont when the energy deregulation issue came up a few years ago, and you helped lead the fight to defeat it. Tell us about that.

Obuchowski: About four years ago, the utilities, as well as the Executive branch in Vermont, approached the legislature, and asked us to deregulate. Jurisdictions such as California, which had already passed legislation, were held up to us as the example, as the shining light that we were to follow.

However, there were those of us in the Assembly, who, because of our experience dealing with utilities, understood the basic operation of the utilities, and then, were able to apply that knowledge to bring up a number of risks.

One of the things that I've seen happening, is that it was the industry strategy to have folks look at their own state only — to look just at Vermont, and at deregulating only in Vermont. But the reality, is that our electric grids are connected to each other. Taking the intra-state view, did not do the issue justice, because there are so many connections that supply you with electricity, especially in a small state like Vermont, where we don't do an awful lot of the generation ourselves.

So, that was one of the first warning signs to us: just the approach. And it really comes down to pretty simple things — supply and demand, and making sure that your regional organization has provided for enough supply. And apparently, in California, that didn't happen. The ISO [Independent System Operator] did not provide enough supply. In order for con-



Vermont Yankee's nuclear power station. Vermont defeated attempts to impose electric deregulation, but its dependence on the functioning of a broader regional grid, demands national policy action to ensure a reliable supply at reasonable prices.

sumers to benefit, for there to be an ultimate benefit, there has to be low-cost electricity and supply, and it didn't work.

EIR: In 1996, it was asserted in California, that there was a 15% "surplus" supply of electricity; but then, whoops, it wasn't there any more. So, real evaluation is important. What other propaganda, directed at the public and lawmakers, did you see?

Obuchowski: I think that this idea—that when restructuring was passed, consumers would benefit—to a certain extent was propaganda. Our experience in Vermont was: Okay, that's fine; you're saying these benefits are going to happen, we need a guarantee if we're going to be supportive of your [restructuring] legislation.

And as soon as we started mentioning a guarantee, or as soon as we started mentioning a specific reduction in rates, or a set duration of time, the utilities clammed up. They said to us, basically, "Well, we really can't guarantee that this is going to happen," and so on. At least they were honest with us. But, fortunately, we asked the right questions, and got an honest answer, and that was enough to help us decide it wasn't the right direction to go.

EIR: Besides the couple of long-standing major utilities in Vermont, did you not have major intervention in New England from companies waiting in line to get in on purchasing any deregulated sell-off of your electricity system?

Obuchowski: Right, and that's going on right now in the state of Vermont. Vermont Yankee, our only nuclear plant, is being looked at by Amerigen and others, for purchase. When

you asked earlier about deregulation, it hasn't been authorized by the legislature, but there are things happening in the marketplace, in terms of the supply side, the generating side, that affect us. Those kinds of things are happening.

One other thing that I've seen: Restructuring has had an impact beyond the cost of electricity. I live in a town called Bells Falls, Vermont. We're a village of about 4,000 people. The majority of our tax base is a hydroelectric station on the Connecticut River, which formerly was owned by New England Power Co. What happened here is, when Massachusetts approved restructuring, they told their companies that they had to divest of their generation holdings. So, the power company sold all the hydro stations up and down the Connecticut River Valley. They were bought, essentially, by U.S. Generating, which is a subsidiary of PG&E [Pacific Gas and Electric].

What they have been doing, is coming into these little Vermont towns, and trying to get their appraisals lowered. They bought a number of facilities for a set sum, and then they have allocated that sum where the tax rates were the lowest. They have put in jeopardy towns, and the children in those towns, in terms of their education, because our property taxes pay for education in the state of Vermont. And it really hasn't been a good experience.

So, even though Vermont hasn't crossed the line of deregulation, deregulation is having effects on people that go beyond what you have to pay for your electric bill, and whether your lights are on or not. It can impact your town government, whether or not people are getting the services they need, whether or not the streets are getting plowed. And it can even impact what kind, and what quality of education your children are receiving. So, it's a pretty brutal exercise.

EIR: In the course of opposing deregulation, was there a shift in the political alignment in the state?

Obuchowski: There has been a shift. I'm no longer the Speaker. I took a lot of pounding on the deregulation issue, from our press, which is essentially establishment press in the state of Vermont, because of the utilities. The utilities have such great connections with the press, because they are one of the other institutions in the state.

In fact, the reality is that even our Governor [Howard Dean] has come around to the point where he indicated—even though he hasn't admitted it, it was the Democratic majority that stopped deregulation. He is sort of taking credit for stopping it himself, that he didn't push hard at that time. During the campaign [the November 2000 gubernatorial election], he said, maybe we didn't make a mistake when we went

slow on restructuring.

But, the reality is, that we're the ones that stopped it. He's even saying, it's a good thing that it was stopped at the point that it was.

EIR: What do you see now, for energy in the region?

Obuchowski: I guess my biggest fear in New England right now, looking around at the other states that have passed restructuring, is that they're having to take back their promise to their ratepayers, that they would experience lower rates. Where they did give them lower rates, they are having to go back to their Public Utility Commissions, and ask for increases. They're not standing behind their word. And so, that's of concern to me.

The other thing that's of concern to me, is the strength of our ISO in the region. That organization—that makes sure there's enough electricity to go around, and that it's going to get to where it needs to be, when it needs to be—concerns me. We're having enough problems holding manufacturing in the region, and in this country, without energy supply problems.

Businesses seem to have wanted to go into a restructured market, because they saw the benefit to themselves of being able to buy electricity from the most inexpensive supplier. But I think that now, we have them saying: What if there aren't any inexpensive suppliers? That's going to be a bad situation for us to be in. Maybe a regulated environment, where we have some consistency and predictability of what is going to happen, is better for us, running our business, rather than sort of being on a yo-yo, in terms of getting power from the utilities.

EIR: The ISO is regionwide in New England?

Obuchowski: Yes. And I understand that the director, or one of the people, has been replaced. The people who are watching this, feel a lot more comfortable. But it's in New England—because, essentially, Vermont is really a speck—that our strength comes from. The ISO is sensitive to our needs, that we're going to be better served.

The other thing that I find a little bit humorous, is that while we were going through this debate in Vermont, one of the things that we suggested, was a public power authority. While we didn't see a public power authority necessarily delivering power to residential and business customers, we saw it as a wholesaler. We suggested this proposal in Vermont, and people just looked at it with disbelief, and said, how could they be so outlandish as to suggest something like this? I find a little bit of humor in the fact, that that's one of the avenues that California is looking at. For the state to buy the power, and essentially wheel it to the utilities. To me, it's kind of interesting.

EIR: Wasn't Enron very active?

Obuchowski: Enron came in at one point, and was looking

at the whole situation, but their interest, as far as I know, petered out. Looking at both Central Vermont Public Service, and also Green Mountain—those are the two largest Investor Owned Utilities.

The other thing I find interesting, in Vermont specifically, is, the Executive appointed a commission, when they were not successful in getting the legislation passed. This was called the Bankowski and Gilbert Commission. Their major suggestion in terms of rates, was that we should have leveled rates. They didn't really set a duration of time, but most of the graphs that they produced, showed it for quite a long time—a ten-year period, that we would have leveled rates. That was their goal.

A bipartisan group of legislative leaders—the Lieutenant Governor, the Minority Leader from the Senate, the Majority Leader from the House, and others—got together and said that our goal, if we're going to go to a deregulated environment, is a 10% reduction in rates. The utilities at that time—this was the Summer of 1999—said, well, maybe we can get to a 6% reduction, and so on. But just this week, our Public Service Board approved, essentially, a 12.9% increase for Green Mountain Power.

EIR: For a temporary duration, or permanently?

Obuchowski: There were two temporary rate increases. Green Mountain Power had asked for 11.9%, or two temporaries, and then this third was characterized as a 3% rate increase. And if you put them all together, and they made them all permanent, you get this 12.9%.

The only other thing that I would say, is the threat of bankruptcies is one of the only levers that consumers have in this situation. And as soon as that threat is taken away—and I think we see this happening in California to some extent—the utilities are in control. Essentially, the utilities are us. Because without us, and our utilization, either as business people, or as residents, using electricity, they don't exist. So, it seems to me that they should be more conscious of their customers, and their customers' needs, and what their customers reasonably can pay for the product that they are dispensing.

EIR: What about the condition of the infrastructure?

Obuchowski: It could use some help. It is not as technologically current, and capacity current, as it could be. That has to be troublesome, especially when we're going to this new system that divides the transmission, the generation, and the distribution up into various segments.

The other thing that we haven't mentioned is the whole concept of securitization, where, essentially, we electric consumers are asked to pay off bonds, that utilities get to cover their stranded costs. We call it bailing out the utilities for their management concerns, and so on. Our effort in Vermont has been to make those stranded costs come home to roost for the shareholders.