

Bipartisans Stop Bush Electricity Price Hike

by Franklin Bell

While the U.S. Northwest is suffering under its worst drought since 1977, a bi-partisan Congressional bloc has quashed a classic Bush/Cheney energy policy scheme for radical “market-based” electricity price hikes, which would have hastened the destruction of the remnants of the region’s economy. The needed follow-on move would be to relaunch the projects—nuclear power plants, and new inter-basin water transfers—that were shelved decades ago. These infrastructure improvements would permanently do away with the worst ravages of recurring droughts in the Northwest, and throughout the Great American Desert.

The Bush/Cheney attempted Northwest energy rip-off was contained in the White House’s proposed FY 2006 budget. In line with the 2001 Cheney Energy Taskforce, a “free markets/deregulation” scheme was buried in the 2,000 pages of the Feb. 7 budget proposal, which would have forced the Bonneville Power Administration (as well as the three other Federal public power administrations) to sell electricity to wholesalers at undefined “market rates,” rather than *at-cost*, as has been its mandate since its inception by FDR’s New Deal in 1937. The plan would also have rearranged the way the power administrations define their debts, thus severely cutting into their ability to borrow to expand their grids and make other infrastructure improvements.

The insanity of this is underscored by **Figure 1**: the 2001 electricity price spike from California’s deregulation that ruined the Northwest aluminum industry.

Bonneville generates 50% of all the electricity for the Northwest. Aside from the one nuclear plant in Washington state, most of the regional power is generated by hydro-electric facilities along the Columbia and Snake Rivers and their tributaries. The Columbia Basin’s vast hydraulic improvements made possible the Northwest’s development of heavy industry and its extensive irrigated agriculture. But as the not-so-compassionate corporativists of the Bush/Cheney regime like to complain, its playing field isn’t level. To level it, in the Bush Administration’s unbalanced mind, electricity prices must be increased 65%, according to the Northwest Power and Conservation council. Estimates vary, in large part because the Administration has refused to say what it means by “market rates.” Whatever they may be, as Washington Democratic Senator Maria Cantwell put it, “The Bush plan would have a devastating impact on our economy and jobs.”

Although Congressional delegations from Colorado, Georgia and Oklahoma haven’t gotten any ink about their

perspectives on the plan, it didn’t take a Northwest Democrat to get the picture of what the plan would have meant. The chairman of the Senate Budget Committee, Judd Gregg, a Republican from far-off New Hampshire, assured colleagues just three weeks after the the Bush plan came to light, that it would not be included in the budget resolution to be approved this year.

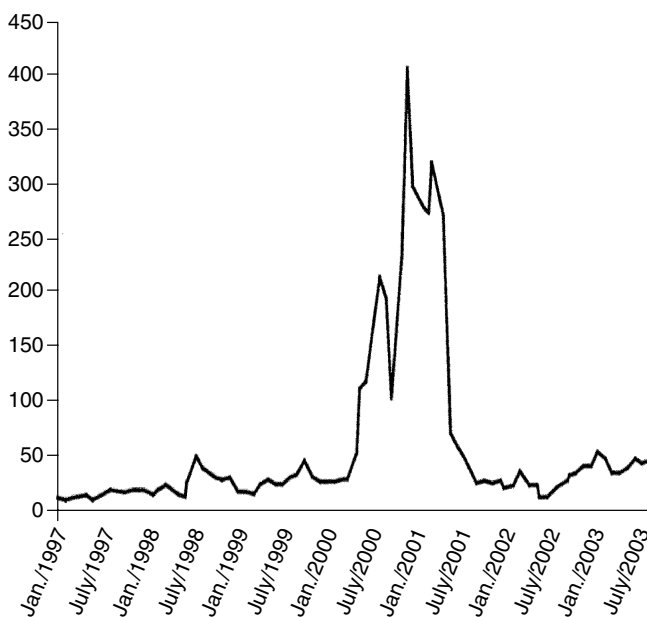
During a mid-March hearing, Rep. Peter DeFazio (D-Oregon) posed some probing questions about “the mystery of market-based rates.” “Are we talking about the spot market?” he asked. “Are we talking about the spot market in a good year for water? Are we talking about the spot market right now? An hour from now? Two hours from now? A month from now? What is a market-based rate?” He received no answers.

But the Cheney energy policy approach remains. “[The plan) will accelerate recovery of taxpayer subsidies and repayment of debt owed to Treasury, while creating a more level playing field for the wholesale power market,” Energy Secretary Samuel Bodman said. “We believe we have a sensible proposal that will bring (Bonneville) and other power marketing administration rates up to market levels,” said Energy spokesman Joe Davis after the hearing. “Our position has not changed.”

The fact is, Bonneville gets no budget allocations from the Federal government. And monies from its wholesalers’

FIGURE 1
Pacific Northwest Monthly Wholesale Electricity Prices, 1997-2003

(Dollars per Megawatt Hour)



Source: GAO/Platts-RDI PowerDAT data.

FIGURE 2



ratepayers pay down the U.S. Treasury debt it incurs for capital projects. It's the same for the other three public power administrations based in Colorado, Georgia and Oklahoma. Combined, they provide power to some three dozen states.

Bonneville relies on the 259,000-square-mile Columbia River drainage basin (an area bigger than France) for its hydro-electric power. And that basin has been hit with one of its driest winters on record, the third-driest in 75 years. Snowpack in some places is as little as 8% of average. With less snowpack, there is less spring runoff, no matter how great the spring rains. And the less the runoff, the less hydro-electric power that is generated. This sets in motion the necessity to acquire make-up megawatts from other sources, to meet the needs of the Northwest, thus competing with supplies for electricity-short California. In "normal" times—a euphemism—the Northwest sells its "excess" power to California, but not this year. Thus, pressures are created for everybody's electricity rates to go up. In addition, of course, water supplies for irrigated agriculture are short.

Under these circumstances, state politicians are resorting to their various "coping" mechanisms. Washington Gov. Christine Gregoire (D) declared a statewide drought emergency in March. She has asked the legislature for \$12 million to cope with the situation, including implementing plans for earlier training of forest fire fighters, and similar measures. She is urging people, among other things, to flush their toilets less often.

Oregon Gov. Ted Kulongoski (D), who has already declared drought emergencies in a number of counties, is considering making it statewide. He urges all to conserve water, even by planting spring flowers that need less water. Idaho,

Wyoming, and the western Dakotas are also hit by this Winter drought, which does not bode well for the rest of the Missouri River states, either (see **Figure 2**). In the Great Plains they're still trying to carve up what's left of the Missouri River. Water in the river's six major reservoirs is only slightly above the level for restricting downstream flow—what the Army Corp of Engineers calls the "navigational preclude." Governors or representatives of seven Missouri River states met in February to try to come up with acceptable accommodations. The Montana *Great Falls Tribune* headlined its coverage of the meeting "Missouri River States in Hopeless Impasse."

Nebraska Gov. Dave Heineman announced a program on March 19, that will pay farmers to take land out of irrigation, starting the takedown of programs of the past half-century that made Nebraska the nation's leading groundwater irrigating state, and the second-leading state in total irrigated acres. The \$168 million program will be 80%

financed by the USDA.

But all of this coping, conflict, and catharsis could have been avoided, had the available, workable solutions been initiated decades ago. To initiate variants of those solutions today requires thinking outside the anti-infrastructuralists' sandbox, which decrees that problems must be accommodated, rather than solved. It requires implementing infrastructure projects on the order of Super-TVAs, creating new "natural" resources, not manipulating ever more diminished supplies.

The North American Water and Power Alliance (NA-WAPA) was and still is a project that is really needed. It would bring water now flowing into the Arctic and Northern Pacific Oceans down into Canada, the United States and Mexico. As then-Sen. Frank Church of Idaho said during Senate committee hearings on NAWAPA in the 1960s, "Whether or not this proposal is advanced further, whether or not it is adopted, we must not be deterred by its size. To perform the great task before us may well need a program as farsighted as the Louisiana Purchase." Even at that time, in the 1960s, the technology for this project was already off-the-shelf.

The other key component necessary to make the region drought-proof has made major technological advances since the 1960s. New technologies in desalination, powered by advanced nuclear power plants, could easily help supply ample water for all of the West Coast—at most efficient rates.

The Northwest has one nuclear plant that is 85% built, but has just been gathering dust for years, since its completion was halted by "environmentalists." Along with the region's power production, much of its industrial and agriculture production has been taken down.

And still the workable solutions sit on the shelf.