

Public Energy

Notes Toward a New System

by JAMES RIDGEWAY and BETTINA CONNER

Most proposals for reforming the energy industry are too limited. We need a whole new system—one that is accountable to those it serves.

The energy crisis of the past year stimulated a variety of political responses. Among the most interesting, in our view, were the protests of citizens' groups and consumer advocates over the skyrocketing costs of electricity. The number of such protests is surprisingly large.

In Atlanta, for example, the Georgia Power Project challenged rate increases, initiated lawsuits, and generally stirred up opposition to the Georgia Power Company. In Philadelphia, the Strike Committee on Philadelphia Electric Company (SCOPE) organized a coalition of groups with a combined membership of nearly half a million to fight a proposed 21 percent rate increase. Citizens pledged not to pay their bills until SCOPE decided how and when. In Connecticut, an alliance of labor unions and consumer groups persuaded 20 percent of United Illuminating Company's customers to withhold the fuel cost adjustment portion of their bills. A class action suit in Ulster County, New York, against Central Hudson Gas and Electric sought to declare the fuel cost adjustment clause illegal.

In Rhode Island, the People's Public Utilities Coalition (PPUC), an ad hoc organization of welfare-rights groups and unions, got 6,000 names on a petition opposing a fuel escalation clause, and so

JAMES RIDGEWAY is an associate fellow at the Institute for Policy Studies in Washington and author of *The Last Play* and *The Closed Corporation*. BETTINA CONNER is a resident fellow at the Institute. Both authors edit the new magazine *The Elements*, a monthly concerned with energy policy.

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impressed the state utilities commission that it employed PPUC to investigate utilities operating in Rhode Island. In North Carolina, the United Mine Workers allied themselves with citizen action groups to fight the Duke Power Company. The UMWA was attempting to organize Duke's Brookside mine in Harlan County, Kentucky; to bring financial pressure on the company, it retained a firm of utility experts to funnel information to North Carolina Public Interest Research Group and Carolina Action, two groups that have intervened with the state utilities commission to block Duke's proposed rate increases. In Berkeley, advocates of public power, defeated once in a move to municipalize the facilities of Pacific Gas and Electric, geared up for a new campaign (see "Buying Power," by Thomas Brom and Edward Kirshner, *Working Papers*, Summer 1974). Across the Bay in San Francisco, a grand jury recommended that the city lease PG&E's facilities and run its own electric system.

Measured against the entire energy-industry complex, of course, such groups represent limited opposition. For one thing, they have focused almost exclusively on electric utilities. The reason, no doubt, is that the utilities are the most visible target for attack; and their decision-making processes are at least nominally open to public intervention through state regulatory agencies. It is harder to see how to attack an oil company. Picketing your local gas station isn't quite the same thing.

Focusing on electric utilities means, however, that the objectives of most groups, even at their most radical, seldom go beyond "public power." Given the subordinate role of the utilities in the energy system as a whole, public power per se has its limits. Most

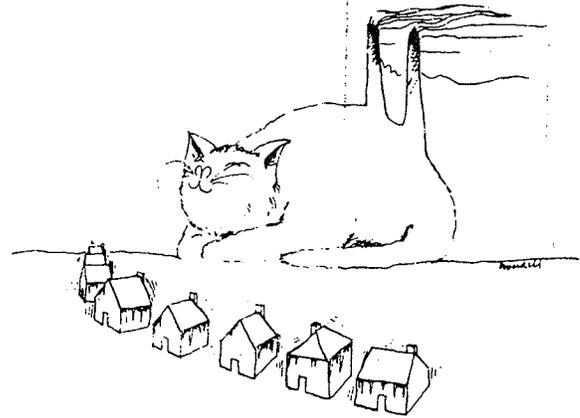
utilities are dependent on the international oil companies for their fuel, since the oil companies control much coal production as well as petroleum. If the oil companies decide to change their terms, it won't make much difference who owns the utility. In fact, a movement for public power could function as an industrial public-relations program, letting the "public" agency take the blame for the high costs caused by the oil companies. Or it could turn out to be another case of the public bailing out a sick industry. When the federal government takes over rail service, it usually takes over the losing runs while leaving the profitable ones to private enterprise. The pattern could repeat itself in energy. The electric utilities are in fact beginning to hurt financially. So public take-over is a real possibility. But nobody is talking seriously about taking over the oil companies (though there have been proposals for a federal oil company to compete with them).

Ultimately, public control over America's energy system *will* require control over fossil fuels. It will also require control over energy planning and the introduction of new energy technologies. At present this control rests largely in the hands of the major oil companies; to a lesser extent it rests with the federal agencies that, historically, have been the oil companies' handmaidens. Those who would change this situation cannot do so simply by challenging electric companies' rate hikes, though such challenges are a promising first step. Nor can they do so simply by proposing new forms of regulation at the federal level. Regulation has proven ineffective in the past, and is likely to remain so in the future. As long as control over the production and marketing of energy remains in private hands, the corporations will have the information, money, and political power to turn any attempt at regulation into a charade.

What is needed, we believe, is an outline of an alternative energy system. We need to propose plausible ways of producing and distributing energy that rely neither on the large corporations nor on some mammoth federal bureaucracy. Utopian projections of this sort, though they have their limitations, can suggest some practical approaches to changing the system we have now. A sketch of such an alternative, together with some models and some implications, follows.¹

Local Beginnings

A publicly controlled energy system, in our view, should be decentralized and democratically run. The heart of our plan involves creating a new local



governmental unit to establish and administer energy policy—the public energy district (PED). The district would be a new sort of municipal corporation, a political subdivision within a state. One model for the public energy district is the state of Washington's public utility districts (PUDs). These are public agencies responsible for the production and distribution of electric power. David Whisnant, in an article in *People's Appalachia*, describes how they work:

In concept the public utility district is relatively simple. Normally a PUD law authorizes a publicly controlled body to issue revenue-producing bonds, receive and disburse funds, acquire real estate (by condemnation if necessary), construct dams and other power generation and distribution facilities, and sell electric power. Many PUDs in the Northwest are distribution facilities only, buying their power from the Bonneville Power Administration. All PUDs pay a specified portion of their receipts into the general revenue funds of their counties. As nonprofit enterprises, they are able to supply electricity to their customers at about half the rate charged by private utilities, while paying off their own indebtedness to bondholders.

The public utility district mechanism quickly proved capable of achieving spectacular results in poor Washington counties. Tiny Lewis County, with a population of 35,000 farmers, loggers, and cattlemen and no industry now operates a \$2-million-a-year PUD which provides nearly a quarter of a million dollars a year in revenues for the county—including \$125,000 per year to support its public schools. Chelan County, also quite small, started its PUD in 1936 and purchased its first transmission lines nine years later. Within the next few years it bought out some existing power systems, built a 249,000 kw generating facility at Rock Island, and financed

construction of its own Rocky Reach dam by selling \$263 million worth of revenue bonds. The 800,000 kw Rocky Reach project is a model of activity in the public interest; its powerhouse even includes a museum of artifacts excavated during construction of the dam. Power from Rocky Reach, available by 1961, attracted manufacturing installations by Alcoa, Dow Chemical, the Vanadium Corporation, and others. By 1967, 22 Washington PUDs were supplying electric power to 280,000 customers.

A public energy district would simply extend the idea of a public utility district. A PED, in theory, would have jurisdiction over the production and distribution of all forms of energy in its locality. Voters in a proposed district could request a referendum to establish such an agency in a general election. Directors of the PED would be elected at the polls as part of regularly scheduled elections; standards might be set for local geographic and perhaps employee representation.

As we envision it, a public energy district would have the power of eminent domain but not the power to tax. Its revenue would come from bonding and from the operation of its facilities. At first, its functions might be limited. Eventually, it would undertake responsibility for all activities in its district having to do with the production and distribution of energy. At that point it would produce oil, gas, coal, uranium, etc; build oil refineries; lay pipelines; operate and construct electric generation systems—in short, all of the functions now carried on by the different energy industries. At the same time, it would establish and administer overall energy policy for the area. It would set utility rates and priorities. It would carry on research and development activities, and plan the introduction of new energy techniques such as solar collectors.

Putting powers and responsibilities of this sort in the hands of one agency naturally implies a powerful political and economic organization. The PED, as we see it, would oversee much of its locality's economic development through its power to allocate energy. It would also have a good deal of control over transportation policies, environmental protection, employment patterns, and land use. The control of energy provides an entry for public control in all these areas.

Many of what we see as the PED's eventual functions, of course, presuppose immense political changes. Controlling the production and distribution of petroleum, for example, would mean supplanting or replacing some of the largest, most powerful companies in the world. This is not an immediate

possibility. But the advantage of such utopian speculation is that it provides guidelines for policies that may be practical tomorrow. Rather than a federal oil and gas corporation as was proposed last year, for instance, we would advocate legislation that facilitated the creation of local oil and gas corporations. These could be underwritten by federal money, but they would be locally controlled, and they would introduce the idea of a locally responsible public energy district. Over time, such limited agencies could form the basis for the much more powerful public energy district that we propose.

Regional Boards

Each public energy district would send a representative from its board to a regional energy board. How big these regions should be is open to some question, but they should be areas larger than a state. Already, for example, the federal government has developed ten multistate regions for the purpose of administering its different programs. While these regions are arbitrary, they provide a useful starting point.* The regional energy board might be organized along geographic lines that follow the ten federal regions. While the public energy district would administer energy resources on a day-to-day basis, the regional board would allocate resources within the region and among the PEDs.

The Tennessee Valley Authority provides an idea of what a regional organization might be like. Since its origins in 1933, TVA sought to mesh different aspects of resource planning, electric power, agriculture, industry, fertilizer production, navigation, flood control, recreation, and conservation. It conceived its immediate job as not merely to build dams and reservoirs but to put people back to work. This it did, not contracting for the workers but hiring them directly. It also built communities for its workers and tended to their health needs. It reinforced existing

*Not all federal "regions," of course, are similar. They include 6 large "depressed areas" defined by the Economic Development Administration; 25 metropolitan administrative areas called Federal Executive Boards; and 10 overall administrative regions which cover the nation and its territories. Under Nixon, the major emphasis was to develop these 10 regions. The Departments of Labor, Housing and Urban Development, and Health, Education, and Welfare all were committed to similar regional concepts, and often had offices in the same building in a given city. This city then served as a sort of regional capital: Boston, New York, Philadelphia, Atlanta, Dallas, Denver, Chicago, Kansas City, Seattle, and San Francisco. Nixon set up a regional council where representatives of each involved agency had a seat.

state and local governments by delegating tasks to them on a contract basis. Its free technical services helped raise the level of state and local services.

Even though it was entirely surrounded by hostile corporations (and though its support in Washington was never very firm), TVA became an immensely important economic force. Its electricity production program literally made possible the development of the nuclear industry. Without the vast quantities of power produced by the combined coal and hydroelectric plants of the authority, the Atomic Energy Commission's uranium enrichment plants could never have functioned. In the process of providing that electricity, TVA effectively reorganized the coal industry as well. As the single largest purchaser of coal in that region, it introduced the concept of long-term contracts and thereby contributed to the mechanization of mining. It also introduced a modicum of sanity into the electrical utility industry through its interlinks with other private systems in the South and southeastern mountains. Despite the vitriolic attacks made upon TVA by private power, the agency, through these interlinks, made the private systems stronger and more stable.

The tragedy of TVA is that it became too much an instrument of national economic policy. Its overriding objective at present is to provide low-priced electricity. It seeks out coal at the lowest possible prices, and hence trades heavily in strip-mined coal from Appalachia. Strip mining ruins the entire region; by buying the stripped coal, TVA turns many of the citizens of its region against it. The agency's role in nuclear development reflects this pattern of priorities too. TVA provided the electricity to enrich the uranium necessary for hydrogen bombs and nuclear power plants. In doing so it was answering the dictates of the national military, which was anxious to perpetuate nuclear technology, not the immediate needs of those who live in its region.

Unlike TVA, our proposed regional energy board would be responsible not to Washington but to the local public energy districts that compose the region. The danger that it will be dominated by federally determined objectives is correspondingly less. There are, of course, other dangers. Local control is only as good as the local officials who exercise it and the context in which they operate. An argument can be made, in fact, that TVA would never have done much of anything if it was locally controlled, since "local control" would have meant control by local businessmen.² Our plan, however, assumes that citizens care about what happens to energy resources—an assumption that seems increasingly plausible. It also assumes

that public agencies—the PEDs and the regional board itself—have sufficient power and revenues to be largely independent of private economic interests.

Federal Regulation

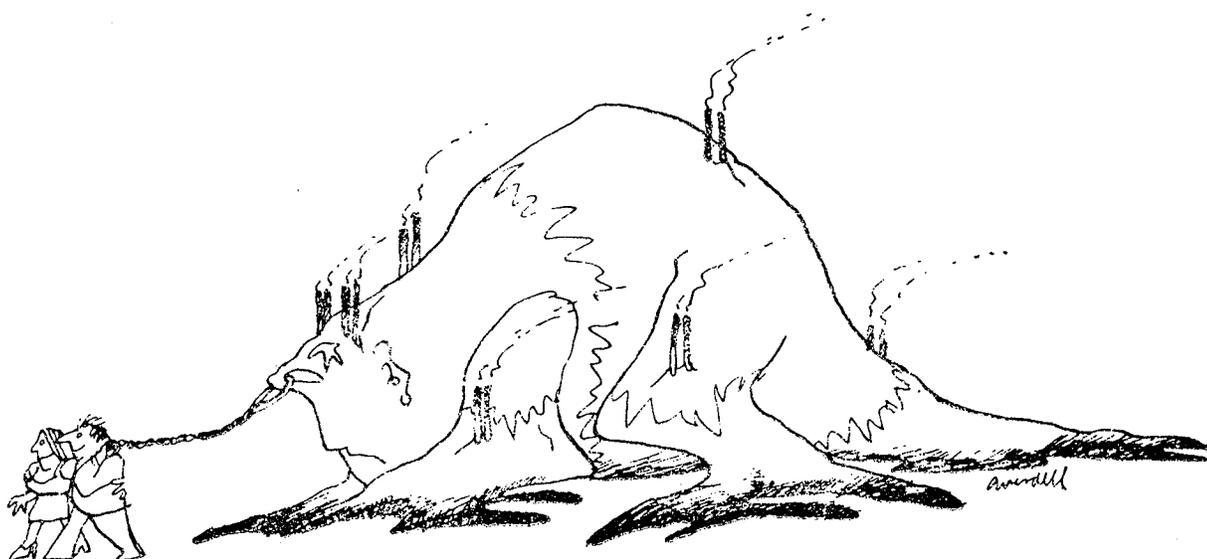
Finally, our plan proposes a national energy agency to coordinate the ideas and plans of the different regions. The agency's most important function would be to act as trustee of the nation's natural resources, allocating scarce resources to regions for distribution to localities.

Eventually, all natural resources of the nation ought to be public, and not given to any corporation for exploitation on its own terms. But, as with every other aspect of this plan, there need to be transitional steps. Here is one good example.

Right now, a new national agency could take over from the Interior Department the administration of those territories already in the public domain (that is, areas specifically removed from commerce by the Congress for the purpose of the "general public good"). According to a common estimate, over 50 percent of the fossil fuel energy resources of the United States are in the public domain territories. Some estimates place the figure as high as 80 percent. The Ford Foundation's Energy Policy Project estimates that about one-third of the remaining domestic oil and gas resources are likely to be found in the outercontinental shelf, which is part of the public domain. In 1972, the outercontinental shelf lands produced 10 percent of the domestic oil and 16 percent of the domestic gas.

Oil shale is almost entirely controlled by the federal government. About one-half the domestic coal in the West is under federal control. About 85 percent of the strippable low-sulfur coal deposits are in the public domain. About half of the country's geothermal resources are on public land, and about half of the domestic uranium supply is in the public domain. And these estimates do not include the huge areas of Alaska that have already been leased by the federal government to the oil companies. Nor do they include state-controlled lands.

One transitional scheme would be to place these resources—already in the federal domain and thus in one sense "nationalized"—under the control of the national agency. The regional boards then could make initial plans based on their shares of these resources. Eventually, the basic idea would be to widen the concept of public lands so that all natural resources, including mineral fuel resources, were considered public.



The national energy agency also should have a planning staff that functions as a public research and development center serving the different regions. This staff would conduct the mapping and resource estimates that now are carried out by private industry. The agency would also take over functions of the Federal Power Commission and the other energy regulatory agencies. For instance, it would establish interstate rates and priorities for energy, and arrange for international trade.

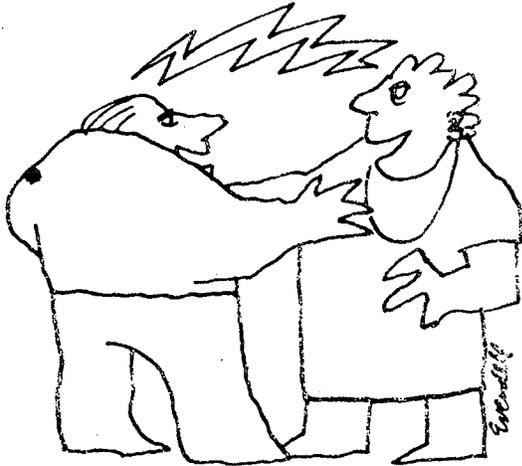
Transportation of energy is a critical factor in its control. As the history of the modern energy industry shows, again and again large corporate interests—the Standard Oil trust, its successor companies, the Morgans, Insulls, Rockefellers—controlled different sectors of the industry through control of the transmission facilities. Rockefeller initially built his monopoly through control over transportation. In the 1930s, the Morgans and Rockefellers controlled the natural gas business by dominating the pipelines. In California today, the major companies control the industry by ownership of the pipelines. In electricity, brownouts and blackouts are due in large part to the inefficiencies caused by private companies' refusal to interlock their systems with public power systems. Ownership of tanker fleets, the largest navies in the world, rests largely with the seven major oil companies. Railroads on occasion refuse to haul coal from one market to another, thereby contributing to shortages.

Under the plan, all major interstate energy transportation facilities would be under direct control of the national energy board. The board might acquire control (51 percent of the securities) of the major

interstate natural gas and oil pipelines and electrical transmission systems in a process staged over ten years. During this period, the energy board would lease and operate those portions of oil, gas, and electrical transmission systems necessary to transmit energy from public domain territories to the different public energy districts. The lease period would provide an effective test of the systems, and the energy board could determine which parts of the transportation lines could be used in its developing interregional system. At the same time, in the case of interstate commerce in energy transported by water, rail, truck, or airplane, the energy board would establish rates and prescribe national policy.

Federal agencies, in general, can play a useful role in overseeing and regulating state and local authorities. Too often in American governmental history, though, federal bodies have come to dominate the state and local authorities they were designed to supplement. The energy plan we propose attempts to prevent such a development from the outset. Local public energy districts would have jurisdiction over production and distribution of energy within their areas and any energy commerce confined to the district. Regional authorities, in turn, would allocate resources among districts within the region, and control intraregional commerce in energy. The federal agency, finally, would regulate interregional commerce and allocate scarce resources as necessary among regions. The use of higher authority in this way reflects our wish to avoid the emergence of local OPECs—Texas and Louisiana, for example, controlling the rates at which oil was sold to the rest of the United States. But the

power of the higher authorities would be largely regulatory. The work of production and distribution, in most cases, would be handled on the local level.



Two additional functions, however, would best be carried out at the federal level. One is planning, and the other is research and development. Again, they should be done in such a way as to increase rather than undercut local control.

For example, the federal agency envisioned in this plan would conduct routine, careful mapping of the nation's mineral energy resources, including geophysical assessments, shallow and deep-core drilling, environmental tests, aerial and space surveys, mapping and testing of the nation's coal, and so on. But the actual work of doing this would be carried out by the staffs of the local energy districts, under contract with the federal board. Federal money for planning would be earmarked first for use by local energy districts and secondly for use by regional authorities.

Research and development would follow a similar pattern. At the moment, federal agencies—HUD, NASA, the National Science Foundation, the AEC—are battling over who gets what in solar research. Whichever federal agency gains control then siphons the research money off to the institutions that surround it—universities, consulting firms, big corpo-

rations, and so on. Under the plan, in contrast, most research monies would be centered in one federal agency. But again, the actual work of research and development would be carried out by the public energy districts (or in some cases regions) under contract with Washington. The PEDs would doubtless need to subcontract some of the work out. It might be a good idea to rank order the institutions eligible for these contracts: nonprofit institutions within the district, nonprofit institutions within the region, smaller businesses, and so forth. The presumption would be in favor of the higher priority organization; only if none had the required capabilities could the contract go to a larger, nonlocal corporation. In some cases, where the need was sufficient (e.g., the design and testing of solar energy devices), federal funds might be used to set up local organizations capable of doing the work.

A plan of this sort is utopian in the sense that it has no chance of being passed today. But today's utopias can become tomorrow's possibilities. This is particularly true if, as we believe likely, the energy industry continues to manipulate prices and policies to its own advantage—and to the disadvantage of everyone else. The energy crisis, as we have already seen with electric utilities, generates new political responses and thereby new political opportunities. If we can agree on the long-range objectives for a decent energy system we will be that much closer to figuring out how to get there.

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FOOTNOTES

1. The plan outlined in this article grew out of a seminar on energy held at the Institute for Policy Studies in Washington during 1974.
2. See Peter Barnes, "Back-Door Socialism: Reflections on TVA," *Working Papers*, Fall 1974.

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