THE ELEMENTS

No. 4 IPS/TRANSNATIONAL January, 1975

New Energy

Our plan is to turn the privately controlled US energy industry into a socialized regional and local network

Last year a group of us at the Institute for Policy Studies sought to develop the outlines of an overall plan that would change the existing energy system in the United States. We set forth principles, and then a tentative scheme for a new system, actually a network of democratically constituted local, regional and national energy organizations. This system would have the authority to produce, transmit and distribute energy throughout the nation. Its introduction clearly would have major effects on other parts of the political economy as well.

In doing so we recognized all the dangers inherent in Utopian planning. But it seemed to us important to set forth a vision for the future and also a fretwork into which various reforms or changes could be fit. Otherwise, we are likely to go fumbling along, patching up a decrepit system here and there, not driving for any fundamental change.

Our plan or system is based on several principles, including:

1. The natural resources of the nation should belong to all the people.

2. Each citizen should be assured a fair share of the energy made available to the American people.

3. Whatever system is developed, it should be firmly rooted in local popular control. Thus, regional and district agencies, created under the plan, should be involved in every stage of the preparation of the national energy plan.

4. All information regarding the activities of every energy agency, all reserve statistics and data on energy consumption should be publicly available on a timely basis, to facilitate the fullest possible participation by the public in the preparation of the plan, and in its subsequent implementation.

5. The prices of energy products should be set at the minimum level consistent with the costs of production and the ecologically-sound use of the nation's resources, including not only energy resources but also air, water, land and other natural resources.

6. There should be the minimum possible consumption of non-renewable resources. Where possible, the energy plan should be coordinated with other national planning aimed at reducing the consumption of non-renewable resources.

With these principles in mind, the group then began to lay out an initial, tentative scheme for actually translating the ideas into a legislative and administrative program.

Briefly, the concept calls for creation of public energy districts around the country. There would be several hundred such districts, and the district energy boards would be chosen in general elections. The district boards would plan, control and administer energy production and distribution within their territories. They are the guts of the system. The local districts, in turn, would send representatives to regional energy boards. The regional boards would send representatives to the national energy agency, which would coordinate and develop national energy policy and arrange for international transactions.

This governmental system would plan energy development and execute energy policy. It would dispense research and development funds and administer large portions of the energy apparatus that is now under private control.

The essential aim was to ground an energy system in responsive democratic government at the local level, which would not only govern, but whose constituents would be intimately involved in actual production, distribution and use of energy. The plan would place control of private transportation systems, i.e., oil and gas pipelines and electric transmission systems, in the hands of the national agency. The plan additionally would sever the bonds that link industry and government by removing planning from the industry purview and putting it in the hands of the new system. Research and development functions also would be taken from the federal government and industry, and instead placed directly in the hands of the district, regional and national energy agencies.

In practice this energy system might work like this: The energy district board of, let's say, Riverhead, Long Island, New York, would meet weekly to debate and develop energy policy that would include a five to ten year forward plan. These plans would take into account

CONTENTS

Self-sufficient agriculture, p. 2
TVA-Peabody, p. 3
Japan's energy, p. 4
Utility report on Zero Economic Growth; Fuel Adjustment; Organizing Citizens, p. 6
Resource Briefs on Mideast oil; Andean Pact; Coal research, p. 8

Plan (continued from page 1)

such factors as the feasibility of introducing solar energy for heating and cooling of buildings, low energy architecture, transportation and industrial patterns. Riverhead's district then would join with other public energy districts making up a Middle Atlantic region, for monthly meetings at New York. At these meetings, the Riverhead representative would work with other regional representatives in hammering out a coordinated energy plan, also involving maximum use of solar and other alternative energy schemes. These meetings would result in a regional plan, which the regional representative would present in Washington to the national agency. The members of the national agency, each one representing a region, would then work up a coordinated national plan that sought to meet the requirements of each region and district.

Suppose, in the case of the Middle Atlantic region, including Riverhead, the national plan calls for allocating oil to be used for medicine and gasoline. The national board allots the region an amount of oil production on the outer-continental shelf off Louisiana. Then the Middle Atlantic region contracts with the southern region for production of the oil at rates established by the national board. The oil then is transported from offshore Louisiana to Middle Atlantic refineries via pipelines controlled by the national board, and from the Middle Atlantic refineries to Riverhead, in pipelines controlled by the region.

This system is operated by a popular governmental planning process that is grounded in local constituencies. Private enterprise functions within this system in a circumscribed way, i.e., its methods of operation, rates, etc., are established by the system, treated in effect as a public utility.

Here is a more detailed description of the plan's different aspects:

Public Energy Districts: The heart of the plan involves creation of a new local governmental unit to administer energy policy — the Public Energy District (PED). This would be a sort of municipal corporation, a political subdivision within a state. The idea is taken in part from Lee Webb's work on a model energy scheme for Vermont. In part it is based on historical experience in the state of Washington. As David Whisnant has described the Washington experience in *People's Appalachia*, "In concept the public utility district is relatively simple. Normally a PUD law authorized 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 non-profit 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."

Directors of the PED would be elected at the polls as part of regularly scheduled elections with standards set for local geographic and worker representation.

A public energy district would have power of eminent domain, but not the power to tax.

The public energy district would be the basic unit within the proposed system of local, regional, and federal energy planning and administrative bodies. It would conduct planning, carry out research and development, produce oil, gas, coal, uranium, etc., design and manufacture solar collectors, build oil refineries, lay pipelines, operate and construct electric generation systems — all of the functions now carried on by the different energy industries or fragmented public or non-profit bodies.

THE ELEMENTS: Published monthly (except in August) by the Transnational Institute, a program of the Institute for Policy Studies, at 1901 Q Street, NW, Washington, DC, 20009, 202-234-6485. Subscriptions: Individuals, $5; Institutions, $10. Third class postage paid at Washington, DC. No. 9, June. 1975.

Editor: James Ridgeway; Managing Editor, Bettina Conner; Utilities, Rick Morgan, Sandy Jerabek, Tom Riesenberg; Latin America, Roberta Salper; Middle East, Joe Stork; Production Editor, Mary Ann Fraulo; Business Manager, Susan Weber; Assist. Production Editor, Lee Rodberg. Contributors this issue: Beth Stone.

It is anticipated that the district would continuously debate energy policy and establish and administer policy for the region. It would set utility rates and priorities for end use of fuels.

The district is meant to be a powerful political and economic organization. For example, if an automobile manufacturer sought to open a plant within a public energy district, it must first submit a detailed plan of operations to the PED whereupon the directors would initiate hearings on the advisability of building such a plant, initially taking into account the plan's impact on energy and the environment. But as the PED developed, it might also go further, inquiring into the energy efficiency and usefulness of the end product, i.e., car, truck or bus; the effect of the plant on employment and transportation within the PED, environmental impacts, effect on economic growth policies, and in other ways look into the beneficial and adverse effects of constructing the factory.

Within the different operations of the district, workers would manage and operate the facilities, although the overall policies would be determined by the district board or council, which of course also would include workers.

Regional Energy Boards: Each public energy district would send a representative of its board to a regional energy board. The federal government has developed 10 multistate regions for the purpose of administering its different programs, and while these regions are arbitrary, the plan uses them as a basis, at least tentatively.

(There are several different sorts of federal regions, including six 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 entire nation and its territories. Under Nixon, the major emphasis was to develop the 10 regions, and the Departments of Labor, HUD and HEW all were committed to similar regional concepts, and often had offices in the same building in the same city, which served as a sort of regional capital: Boston, New York, Philadelphia, Atlanta, Dallas, Denver, Chicago, San Francisco, Seattle, and Kansas City. Nixon set up a regional council where representatives of each involved agency have a seat.)

While the public energy district would administer energy resources on a day to day basis, the regional board would allocate resources within the total area.

The Tennessee Valley Authority provides an idea of what a regional organization might be like. Since its origins in 1933, TVA sought to mesh together different aspects of resource planning, electric power, agriculture, industry, fertilizer production, navigation, flood control, recreation, conservation. It conceived of the immediate job as not merely to build dams and reservoirs, but to put people to work. It did not contract for the workers, but hired them directly, building them communities, attending to their health needs. It was an important force in reinforcing existing state and local governments, by delegating tasks to these governments on a contractual basis. Its free technical services helped raise the level of state and local services.

Even though it was entirely surrounded by hostile corporations and a federal government which reinforced those corporations, TVA became an immensely important economic force, far more so than often is recognized. It should be remembered that TVA's electrical production program initially made possible the nuclear industry. Without the vast quantities of electricity produced by the combined coal and hydroelectric plants of the valley authority, the Atomic Energy Commission's uranium enrichment plants could never have operated. In providing that electricity, TVA literally reorganized the coal industry. It introduced the concept of long term contracts, was an important factor in mechanizing the coal industry, and became the single largest purchaser of coal, a vital factor in the market. 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, particularly the American Electric Power Company's operations. Despite the vitriolic attacks made upon TVA by private power, the valley authority, through these entities, made the private systems stronger and more stable.

The tragedy of TVA is that because it became so much an instrument of national economic policy, it has been placed in a position of turning against its own constituency on the strip mine issue. Because of its policy of providing low priced electricity, the authority seeks out coal at the lower prices, and hence trades heavily in strip mined coal from Appalachia. Strip mining is ruinous to the entire region; by buying the stripped coal TVA turns its own constituency against it.

A similar situation developed around nuclear power. TVA reorganized the coal industry to provide the electricity to enrich the uranium necessary for hydrogen bombs and nuclear power plants. In doing so it was answering the dictates of the Pentagon, which was anxious to perpetuate nuclear technology.

Under this new proposal, the possibility of such policy would be greatly lessened by grounding the policies of a TVA-like authority in the local districts, which in this instance would include the strip mined areas, and it could not become an instrument of top-down federal policy.

National Energy Organization: The purpose of this board or agency would be to coordinate the ideas and plans of the different regions. It would be an important organization, providing the point of contact with the federal governmental apparatus and the Congress.

It would have several principal functions. Perhaps the most important would be to act as trustee of the nation's natural resources, allocating scarce resources to regions for distribution to localities.

In principle, all natural resources of the nation ought to be public, and not given solely to any corporation for exploitation on its own terms. But, as with all other aspects of this plan, transitional steps are needed. Here is one good example:

The national agency could take over from the Interior Department 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. These federal resources include an extensive amount of mineral fuels. The estimates vary. 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 amounts as high as 80 percent. According to the Ford Foundation's Energy Policy Project report, about one-third of the remaining domestic oil and gas resources are estimated as 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 sulphur deposits are in the public domain. About half of the nation's geothermal resources are on public land. An estimated 50 percent of the domestic uranium supply is in the public domain.

These estimates do not include the huge areas of Alaska that already have been leased by the federal government to oil companies, nor the state-controlled lands.

Under one concept, a transitional scheme would be to place these important resources, already in the federal public domain (and in one sense "nationalized") within the control of the national agency, whose regional constituents then could make initial plans and coordinate national policy based on this resource base.

Eventually, the idea would be to widen the concept of public lands so that all natural resources, including mineral fuel resources, were considered public.

In principle then, all energy sources would come under the public control.

In addition, the national organization should have a planning staff that functioned as a public research and development center serving the different regions. Probably this staff would conduct the mapping and resource estimates that now are carried out by private industry.

The national organization would take over functions of the Federal Power Commission and the other regulatory agencies. For instance, it would establish all interstate rates and end use priorities for energy, and arrange for international trade.

As the history of the modern energy industry instructs, again and again large corporate interests — the Standard Oil Trust, its successor companies, the Morgans, Insulls, Rockefellers — dominated 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 pipelines. In electricity, brownouts and blackouts are due in large part to the inefficient systems caused because private companies refuse to transmit public power and interlock their systems with public power systems. Tanker fleets, the largest navies in the world, still are controlled by the major oil companies, and so on. Transportation of energy is absolutely crucial to its ultimate control. Therefore, under the plan the major interstate transportation facilities should be placed under direct control of the national energy board. This is a crucial part of our long range plan.

The plan would have the national board in a staged process acquire outright control (obtain 51 percent of securities) of the major interstate natural gas and oil pipelines, and electrical transmission systems.

During this 10-year period, the national 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. Terms of the leases would be negotiated between the board and the companies.

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 inter-regional system.

In the case of interstate commerce in energy that was transported by water, rail, truck or airplane, the energy board would establish rates and prescribe general policy.

While the national board would determine policy and establish rates, the actual work would be carried out at the local level by the PEDs. Neither the national energy board nor the regional boards should maintain sizeable bureaucracies. All work, including planning, bookkeeping, hearings and investigations should be conducted by the PED staff.

The national energy board would regulate commerce in energy between regions. Commerce within a given region, among the public energy districts, would be governed by the regional board. Commerce within the public energy district would be regulated by that board.

Planning: As the brief history of the oil and coal industries indicates, the crucial element in the industry's control of public resources and of federal governmental policy is planning. Systematically, since the early 1920s, the federal government has given over to industry access to natural resources and has refused to plan these resources.

The central, most important step in breaking apart big capital from the federal government would be to remove planning from the industry. The representative federal board as 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, etc.

As with other parts of the proposed system, the actual work would be carried out within the different energy districts under contract from the federal and regional boards.

Federal money designated for planning would be earmarked for use first by local energy districts, and secondly through contract with not-for-profit groups within the localities.

Where the money was spent on private industry, it would go to locally owned and managed small business.

This is a tentative long range plan for political action. It cannot be implemented tomorrow; the outline surely will change with experience and discussion. But we offer the plan as the beginning of a debate for socializing our natural resources.

(Those participating in the IPS discussions included Bettina Conner, Len Rodberg, James Ridgeway, Robb Burlage. A more detailed version of this plan will appear in *New Energy*, by James Ridgeway and Bettina Conner, to be published by Beacon Press this spring.)

The Elements
1901 Q Street, NW
Washington, D.C. 20009

Non-Profit Org.
U.S. POSTAGE
PAID
Permit 45748
Washington, D.C.

From the Reader of the Conference on Alternative State & Local Public Policies held June 13-15, 1975 in Madison, Wisconsin. The reader was edited and compiled by Derek Shearer and Lee Webb.