

The Encono bill: a \$1.5 billion boondoggle

Following is a precis, prepared by its supporters, of S. 730, sponsored by Senator Henry Jackson and co-sponsored by Senator Edward Kennedy, and three bills in the House, H.R. 2511, H.R. 2508, and H.R. 2599, each identical to S. 730. The bills authorize the establishment of the Energy Corporation of the Northeast, unveiled in a 1976 Saratoga, N.Y. secret conference by Felix Rohatyn of New York's Big MAC and Lazard Freres investment bank.

Purposes (Sections 1-3)

Congress authorizes the creation of a regional energy development corporation to provide technical and financial assistance to projects designed to increase the supply or promote more efficient use of energy in the Northeast and to promote regional cooperation on energy problems. The corporation is conceived as an entity capable of joining the Federal government with the States and the private sector in meeting the energy problems of the region.

The Corporation is to be known as the Energy Corporation of the Northeast.

Congress authorizes the Secretary of the Treasury to provide Federal guarantees of the Corporation's obligations.

Organization, Management, Powers (Sections 4-14)

The Corporation will be established by incorporators appointed by the President, who will also appoint five directors, three for one-year terms and two for three-year terms. All Presidential appointments are subject to the advice and consent of the Senate. The six New England states, New York, New Jersey, and Pennsylvania may join in enacting state legislation for that purpose and contributing initial capital in the amount of \$1 per capita. The Governor of each member State will appoint one director for a term of four years. Private investors will elect up to two additional directors. All directors will serve part-time. No elected official or government employee may serve as a director.

The Corporation becomes operational if at least three states become members before Dec. 31, 1980.

The Board of Directors selects its chairman and appoints an executive director, who will serve as chief executive of the Corporation. A quorum consists of at least two Federal directors and two-thirds of the State directors.

The Corporation is authorized to participate in partnerships and joint ventures with public or private groups and to operate through subsidiaries. Neither its

Who's backing ENCONO

Following is the list of Senate and House sponsors of S. 730, H.R. 2511, H.R. 2508, and H.R. 2599, the Regional Energy Development Act of 1979, which would enact the Energy Corporation of the Northeast, and encourage the development of similar energy development corporations in other parts of the country. The list was provided by congressional supporters of the measures.

Senate

Henry Jackson (D-Wash.)
Harrison Williams (D-N.J.)
Daniel Moynihan (D-N.Y.)
Jacob Javits (R-N.Y.)

Edward Kennedy (D-Mass.)
Claiborne Pell (D-R.I.)
John Chafee (R-R.I.)
Richard Scheiker (R-Pa.)
John Heinz (R-Pa.)
Robert Stafford (R-Vt.)

House of Representatives

Robert W. Edgar (D-Pa.)
Daniel J. Flood (D-Pa.)
Raymond F. Lederer (D-Pa.)
Gus Yatron (D-Pa.)
James Shannon (D-Mass.)
Samuel Stratton (D-N.Y.)
Joseph Addabbo (D-N.Y.)
Mario Biaggi (D-N.Y.)
Shirley Chisholm (D-N.Y.)
William Green (R-N.Y.)
Frank Horton (R-N.Y.)
Norman Lent (R-N.Y.)
Stanley Lundine (D-N.Y.)
Matthew McHugh (D-N.Y.)

Donald Mitchell (R-N.Y.)
John Murphy (D-N.Y.)
Henry Nowak (D-N.Y.)
Peter Peyser (D-N.Y.)
Frederick Richmond (D-N.Y.)
James Scheuer (D-N.Y.)
John W. Wydler (R-N.Y.)
Leo Zeferetti (D-N.Y.)
Theodore Weiss (D-N.Y.)
Robert C. McEwen (R-N.Y.)
Thomas Downey (D-N.Y.)
Peter Rodino (D-N.J.)
James Florio (D-N.J.)
Frank Guarini (D-N.J.)
Harold Hollenbeck (R-N.J.)
James Howard (D-N.J.)
William Hughes (D-N.J.)
Joseph Minish (D-N.J.)
Edward Patten (D-N.J.)
Matthew Rinaldo (R-N.J.)
Robert Roe (D-N.J.)
Frank Thompson (D-N.J.)

own activities nor the projects it assists or finances are exempt from Federal taxation, except in the case of a non-profit subsidiary.

Projects (Section 15-21)

The Corporation may participate in financing or otherwise assisting any project related to the production, conservation, transmission, storage or reduction of the cost of energy within the region, to the transportation of fuels, or to the manufacturing or products or equipment related to or necessary for energy production, conservation, distribution or storage.

The Corporation may assist projects by loans (secured or unsecured), guarantees, or equity investments. The Corporation's investment in any one project is limited to the greater of 10 percent of its borrowing authority or \$200 million.

Regional Energy Planning (Section 22)

The Corporation will prepare a biennial Regional Energy Plan, establishing regional energy production, utilization and conservation objectives; forecasting energy supplies, consumption, required investment in each supply and consumption sector, and the level of investment that can be achieved without the Corporation's assistance; and identifying strategies to be followed and resources to be committed in meeting the objectives. To become effective, the Regional Energy Plan must be approved by the Governors of all member States.

Financing (Sections 23-32)

Capital subscriptions from the States (\$1 per capita initial contribution) and private investors determine the borrowing authority of the Corporation on the basis of a formula permitting \$15 of borrowing for each \$1 capital contribution. After the initial subscription, additional State capital is authorized but not mandatory. Thus the Corporation's borrowing capacity will expand to the extent that its performance justifies additional subscriptions from any source.

Capital securities may be issued to both member States and private investors in a form determined by the Board.

The Corporation may issue its own general obligations, payable out of any of its revenues, or obligations secured by and payable out of only the revenues from a specific project or projects. No further authorization

from the Federal government or the member States is required for the issuance of obligations. The specific terms of the Corporation's borrowing are left to the Board. Similarly, the security and priority for Corporation borrowing will be determined by the process of market negotiation. The Corporation's obligations are limited in term to a maximum of 40 years.

Except in the case of Federally guaranteed obligations, the Corporation's obligations will not be backed by either the credit of the United States or the credit of any member State.

Federal Guarantees (Sections 33-38)

The Secretary of the Treasury is authorized to guarantee obligations of the Corporation. The maximum amount of guaranteed obligations that may be outstanding is determined by the formula of \$25 billion times the member State's proportion of the nation's total population. The Secretary may review and approve the terms of any financing before providing the guarantee.

In the event of default, a holder of guaranteed Corporation obligations may seek payment from the Secretary after 30 days and the Secretary must pay within 60 days after demand. This is the standard procedure for Federal bond guarantees.

Required State Legislation (Sections 39-52)

Upon joining the Corporation, a member State is required to pass legislation assuring decisions within 90 days on permits required for projects assisted by the Corporation.

The member State must also exempt from taxation the property and activities of the Corporation, as well as the holder's income on all obligations of the Corporation.

The member State must also authorize the use of its powers of eminent domain of behalf of the Corporation, but the decision whether condemnation powers will be exercised for any particular project remains entirely with the member State.

Other provisions

The bill authorizes a regional corporation for the Northeastern states. The findings, however, make clear the Congressional intent to authorize similar regional entities for other regions.

New York plan junks nuclear to burn garbage

Governor Hugh Carey's "New York State Energy Master Plan," prepared by his energy commissioner James LaRocca, calls for a complete moratorium on nuclear power plant construction in that state, and heavily increased reliance on coal, conservation, and such "alternate" energy sources as wood, solar, and garbage. It also calls on the federal government to enact Senator Edward Kennedy's ENCONO proposal, and demands that the government subsidize the current jacking-up of the price of home heating oil. Key portions of LaRocca's "Preface" to the "Master Plan" follow:

Preface

...In the area of electric energy, the State Plan differs markedly from that offered by the State's utilities in the New York Power Pool (NYPP) plan. Our Plan projects a lower rate of electric demand growth (2.1 percent) than that of the NYPP (2.6 percent). By 1994, under the Power Pool strategy, electric utilities in the State would still be consuming over 80 million barrels of oil per year compared to approximately 89 million barrels in 1978. Adoption of the State Energy Office Draft Energy Master Plan would reduce oil consumption by the utilities by nearly 60 percent from the approximately 89 million barrels per year in 1978 to just slightly over 36 million barrels in 1994.

Under the Master Plan, New York will reduce its dependence on oil through a variety of strategies:

- Increased coal use. The Plan projects the need for four new major power plants, beyond those already under construction, providing a total of 2900 additional megawatts of power by 1994, three of which shall be coal-fired. The Plan also provides for the conversion of almost 6000 megawatts of power from oil to coal. This ambitious program for coal is predicated on meeting all applicable environmental standards.

- Increased gas use. Natural gas is the cleanest, most efficient major conventional source of energy. Its use in New York can be significantly increased during the forecast period by removing regulatory impediments to increased use, by promoting use, and by promoting aggressive pursuit of additional gas supplies by the State's gas utilities.

- Increased use of renewable energy resources, including small hydroelectric power, resource recovery (energy from waste), wood and solar. The State Plan provides for 725 megawatts of electric load being met with small hydro and almost 300 megawatts from resource recovery plants. This contrasts with New York

Power Pool projections for only 213 megawatts and 32 megawatts, respectively. In addition, the State Plan sets forth the possibility of 325 additional megawatts of small hydro and 292 megawatts of resource recovery on the theory that success will breed success as the economic and environmental attractiveness of these energy forms is widely demonstrated. Further, the equivalent of 12.5 million barrels of oil annually could be displaced by 1994 by wood and solar.

- Increased penetration of conservation strategies and technologies into every phase of energy use. Energy conservation is the least expensive, environmentally safest, and most economically beneficial supply option now available to New York....

The State Plan does not propose any new nuclear powerplants beyond those already licensed or in the final stages of construction. This is in sharp contrast to the New York Power Pool plan which calls for five new nuclear powerplants during the forecast period beyond the two already under construction. The Power Pool seems not to hear the strong and growing public concern about the runaway costs, uncertain safety, and unresolved waste problems associated with this energy form....

In the environmental area, there are negative impacts associated with some of the strategies, especially in the area of air pollutant emissions from coal, wood and resource recovery facilities. On the other hand, the New York Power Pool plan would involve substantial increases in radiological impacts because of the heavy reliance on nuclear capacity....

Governor Carey's proposal for the establishment of the Energy Corporation of the Northeast (ENCONO), as a regional development mechanism, is presented in the Plan as a means for expediting financing and infrastructure development necessary for significantly increasing the availability of coal in New York and the Northeast....

Yet, increasing numbers of New Yorkers are this very day finding it difficult, if not impossible, to pay their basic energy bills. As the winter approaches, this can be a critical matter of life or death for the elderly poor and others who face the unacceptable dilemma of paying for heat or foregoing other necessities of life.

The Plan discusses these concerns, but it is clear that Federal intervention to assure energy supply at a subsidized or assisted price will be essential during the winter of 1979-80, notwithstanding anything else which may happen in energy....

Roger Starr's 1977 interview on 'planned shrinkage'

Two years ago, the Oct. 4, 1977 Executive Intelligence Review published an interview with Roger Starr, a member of the New York Times editorial board and a former Housing Commissioner of New York City, which spelled out in detail today's program of "planned shrinkage" for New York City by driving out some 2 to 3 million ghetto residents through a calculated policy of energy austerity, service cuts, and aid cutoffs.

Below, we reprint portions of this important interview.

Q: *How would you describe current urban policy?*

Starr: . . . Unless someone is willing to face the fact that the cities cannot be revived on the scale which we thought they were going to achieve in the late 1940s and 1950s and that industrial production has gone somewhere else and there are only certain kinds of jobs that can be in the cities because they are no longer industrial centers, then all we are going to do is support poor people in poverty, on federal stipends keeping them away from moving to other parts of the country.

Q: *Are people willing to confront this in the administration?*

Starr: . . . if you really want to do a job, you have to ask yourself how do you get the poor people into the economic mainstream of American life. Then you have to look at where the mainstream is and you will find that it is now in much smaller cities and cities in different parts of the country. But the poor people are held here by the suction of the social programs that were created.

In New York and Massachusetts, for example, people on welfare get much more than in other states and that keeps them here. You have to figure out some way to make it possible for these people to migrate to where the jobs are. . . .

Q: *Doesn't what you are talking about involve a major restructuring of all political and economic constituencies? Particularly, doesn't this mean that you are going to eliminate the present constituencies of almost every black and minority Congressman by shipping them somewhere else?*

Starr: That is exactly what we were trying to say in that editorial that we ran last week [which called for an urban policy which would support relocation of the

poor—ed.]. Those black leaders who come to Washington to demand full employment and a national urban policy may be asking for two things which are incompatible. What they want is everybody to be kept exactly where they are in the cities so their constituencies would remain there and keep voting them back into Congress.

Q: *What you are talking about is what you call "planned shrinkage" or what others have called "managed decline"?*

Starr: Someone put this for me in a very concise fashion the other day. He asked me to tell him what the United States would be like today if in 1865, instead of opening the country widely to European immigration . . . we had really made a determined effort to use the black people of the U.S. to do the kind of work which we were then trying to recruit immigrants to do.

Now in a very important sense, we are facing something of the same problem. Now, instead of putting the black men to work, we have put to work a large part of the female white population. What I am saying is that the economy of the southwest, the south and the booming parts of the American heartland is based on the employment of white women rather than black males. This is not recognized as racism, but it is Now, what are we going to put the black males to work doing and where are the industries and what are the American needs of capital investment that we can put these people to work constructively? I am not a believer in "make work" jobs—to make the city more habitable. That depends entirely on federal charity.

One of the big things for us to exploit is natural resources, particularly fuel resources. We should look at that industry and ask ourselves what is it going to need to develop resources that have been uneconomic to develop up to now. In large part they may be uneconomic because there may be huge labor requirements. But what the hell, instead of paying money for people to sit in the cities and do nothing, it would be much better to encourage them to move elsewhere and subsidize their work in those capital industries which we really have to develop now. . . .

Q: *How do you get the people in the cities jobs? Does the welfare system block this move?*

Starr: The welfare system is devastating. It is corrupt. It is evil. But you can't, unfortunately, just cut it off because people would starve. . . . The administration's plan to put people to work is a little help. But I really think, that we should let people relocate and have them carry their welfare with them for a little while. But welfare and jobs training and unemployment insurance should be coordinated so that people would be encouraged to improve their skills to make them employable.