the second quarter due to higher costs that they are not being permitted to recoup through needed rate increases. The latest is Baltimore Gas and Electric Co., which registered a 40.6% drop in profits for the second quarter and 35.4% drop for the first six months. Its earnings rate was half the level expected.

Another recent hit was sustained by Commonwealth Edison Co. in Illinois, which reported a huge $398.8 million loss in the second quarter, all due to refunds ordered by the Illinois Commerce Commission and backed up by the state courts. The utility was penalized $523 million for its alleged "imprudent cost overruns" in building three nuclear power plants. The "imprudence" was almost entirely caused by regulatory and environmental rulings that delayed construction of the plants and inflated costs far beyond original projections.

Even more lunatic are punitive rate actions to enforce power "conservation," which PUCs are viewing as the alternative to building costly new plants. In cases before PUCs in New York and Washington, D.C., electric utilities have been told that instead of being granted requested rate increases to ensure the provision of reliable power, they must enforce consumer "conservation" programs to cut demand.

The July 7 *Washington Post* reported that Potomac Electric Power, which had to black out 70,000 customers two days before because of inadequate reserve capacity margins, was granted a 1.6% rate increase compared to the nearly 7% it requested. The commission, according to the *Post,* penalized the utility for failing "to enact aggressive energy conservation programs." PEPCO blasted the Commission's action, stating that the increase was "inadequate to cover costs." Its last rate increase was in 1984.

In New York, the Public Service Commission has recommended that Orange and Rockland Utilities have its rate frozen until Jan. 1, 1991, and then be granted 2.7% of its requested 5.8% increase—provided it includes a $3 million increase for conservation programs.

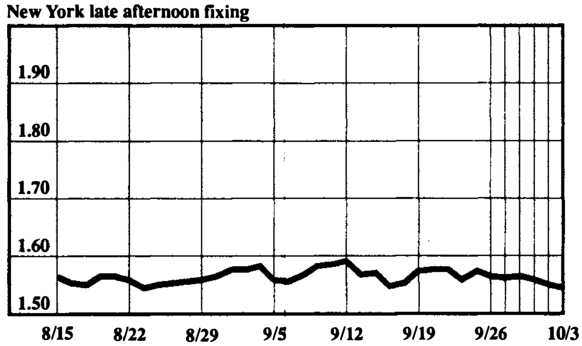
The PSC also proposed to "decouple" the relationship between earnings and electricity sales to "eliminate both extra profits from increased sales of electricity and lost profits resulting from energy conservation." Thus, a company which is in business to sell electric power will now make money paying customers not to buy their product.

The depths of this newspeak was evinced by the Bonneville Power Administration which announced a new program on July 17 "to pay customers to find ways to use less power. The program is called "billing credits." BPA actually calls this "acquiring" power; such cutbacks, it says, will mean "acquiring 50 megawatts through this program."

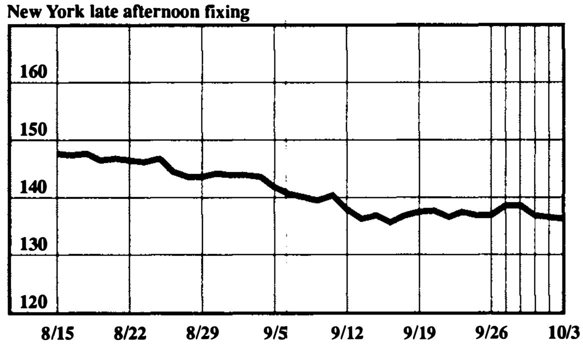
These "policies have been quite effective in stopping new construction and eroding investor confidence," says Edison Electric in its 1988 Rate Regulation report. There is no doubt that such "effectiveness" will soon mean the end of the United States as an advanced industrial nation.

Currency Rates

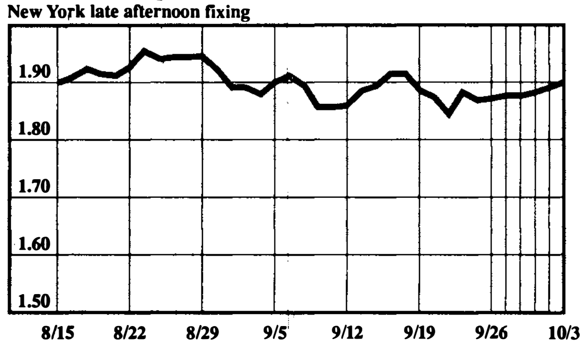
The dollar in deutschemarks
New York late afternoon fixing



The dollar in yen
New York late afternoon fixing



The British pound in dollars
New York late afternoon fixing



The dollar in Swiss francs
New York late afternoon fixing