



# CURRENTS IN COMMERCE

## Fix the financial system now

Reforming the financial system will require reforming our political system. Big banks and other financial interests are spending hundreds of millions of dollars on lobbying and campaign expenditures to fight financial reform.

Senator Richard Durbin (D-Ill.), Senate Majority Whip, has said, "The banks—hard to believe in a time when we're facing a banking crisis that many of the banks created—are still the most powerful lobby on Capitol Hill. And they frankly own the place."

In discussing his bill to regulate derivatives, Congressman Collin Peterson (D-Minn.), Chair of the House Agriculture Committee, (which oversees the Commodity Futures Trading Commission), said last year, "The banks run the place. I will tell you what the problem is—they give three times more money than the next biggest group. It's huge the amount of money they put into politics."

Citizens must stand up to corporate money unloosed by the U.S. Supreme Court's campaign finance

decision in the *Citizens United* case. A few things you can do now:

- Call and write your members of Congress to demand [campaign finance reform](#)
- Join the [Americans for Financial Reform](#) campaign
- Join the [Move Your Money](#) campaign
- Join the [Community Banking Initiative](#) to use the power of banking locally to empower individuals and communities and curb Wall Street's clout
- Join HuffPost's [book club on "The Road from Financial Ruin"](#) and participate in the discussion about how to get out of our national financial mess.
- Join the [Campaign to Legalize Democracy](#), a project of the Business Ethics Network
- Boycott the products of companies that block efforts in Congress to reform campaign spending, lobbying, and earmarks



### Did you know?

|   |                                |
|---|--------------------------------|
| Amount SLM Corp, the biggest student lender, spent on federal lobbying last year .....                                      | <a href="#">\$3.48 million</a> |
| Total expenditures on federal lobbying, 2009 .....  | <a href="#">\$3.47 billion</a> |
| Average monthly job losses the last 4 months .....  | <a href="#">27,000</a>         |
| Average monthly job losses during the same period a year ago .....  | <a href="#">727,000</a>        |
| Number of downloads of "From Dictatorship to Democracy" in Farsi in June '09 when Iran protestors took to the streets ..... | <a href="#">3,487</a>          |
| Number of downloads of "From Dictatorship to Democracy" in Farsi in May '09 .....   | <a href="#">79</a>             |



## Health insurance reform reality check

The health insurance lobby is putting on a media blitz to block healthcare reform and justify its proposed rate hikes like Anthem Blue Cross' proposed 39% hike that we reported last month. Groups opposing and supporting reform have spent [\\$11 million this month](#), which could rise to \$30 million by the week's end. See the White



House's ["health insurance reform reality check"](#) for facts about why we need reform.

Congress found that in 2007 and 2008, Anthem's parent, Wellpoint, spent over [\\$27 million on executive retreats](#) and paid its executives over \$347 million. In 2008, "Wellpoint paid \$115 million to 85 senior executives, compensating 39 executives over \$1 million each. That year, one executive made \$9 million and two executives made over \$4 million each."

The five biggest for-profit health insurers made [record profits](#) of \$12.2 billion in 2009 while 2.7 million Americans lost coverage.

## Moxy vote

Small shareholders' votes traditionally haven't counted for much, but that is changing. A helpful article for small investors, ["Voting your shares may start to matter,"](#) asks: "What would happen if all the small investors banded together and cast their bal-



lots during proxy season, the time of year when all shareholders get to vote on corporate issues? How much of an impact would they have?"

The article is full of helpful information and tips for small investors, including the suggestion to visit the website of [Moxy Vote](#), which is designed "to empower small shareholders to effect change."

## Extending the Bush tax cuts for the wealthy

As we all gear up to argue about extending the Bush tax cuts for the wealthy, consider the numbers. In 2007, the year that Congress enacted the tax cuts proposed by George W. Bush, the average income of the top 400 U.S. earners was almost \$345 million, up 30% from the year before and [more than double the 2001 average](#) of \$131 million. In 2007, those households paid taxes at an average rate of 16.6%.

## Solar power: name your price

Global investment in solar panels will leap about 50% to \$50 billion this year, according to [Bloomberg New Energy Finance](#). It would take at least 7 new, average-sized nuclear power plants to produce that much new capacity (about 9000 MW).

Over 30 countries have copied Germany's decade-old system of creating incentives for developing solar power by paying more for electricity generated from solar power than for electricity generated from fossil fuels. As a result of Germany's above-market rates (feed-in-tariffs) for solar power fed into the grid, it has 1.5 million solar-powered homes.



Feed-in tariffs vary. Ontario pays about 13 times more for solar-generated electricity than for fossil-fuel generated electricity. For the next 6 months, Britain will pay 12 times more. Italy, Israel and China are going to pay about 6, 4, and 4 times more, respectively, and solar power developers are rushing in. In Italy, the owner of a 1,076 solar-paneled roof feeding the grid will be able to earn \$48/day. Not bad for a day's work.



## Cap and rebate

There's good news for the planet and good news for the U.S. economy: support is growing for a "cap and rebate" system (also known as a "cap and dividend" system) as a way to curb carbon emissions and cut U.S. dependence on imported oil.



As we explained in the July 2009 issue of *Currents in Commerce*, under a cap and dividend system, the government would

sell big industrial sources permits to emit carbon as a way to raise the price of dirty fossil fuels like coal and oil and stimulate investments in clean renewable energy like wind and solar. The proceeds from selling the permits would be rebated to consumers on a pro rata basis.

A "cap and trade" system is much more complex and subject to manipulation by Wall Street.

This month, AARP endorsed the bill for a "cap and dividend" system introduced by Senators Maria Cantwell (D-Wash) and Susan Collins (R-Maine). Both *The Economist* Magazine and the *Washington Post* have praised the bill (known as the CLEAR bill) as being pro-consumer. [The Economist](#) said:

"Of all the bills that would put a price on carbon, cap-and-dividend seems the most promising. . . . The most attractive thing about the bill is that it is honest. To discourage the use of dirty energy, it says, it has to be more expensive. To make up for that, here's a thousand bucks."

More and more people are recognizing that a cap and rebate system may be the only climate change strategy that is [politically viable](#). The sooner the apt name "cap and rebate" catches on and replaces "cap and dividend," the better.

## Nuclear "spin-co"

The nuclear industry, like Wall Street, knows how to make money with other people's money: move liabilities off balance sheet, use lots of borrowed money and leverage, don't worry about loading too much debt onto the company as long as insiders can walk away with plenty of money, and look to the fool taxpayer to cover the losses.

Such was the script that private equity used to get rich by flipping companies like [Simmons Mattress](#) while driving them into the ground and laying off thousands of workers. It's also the script that Entergy Corp. is using today to spin off aging, leaking nuclear power plants.

Anyone who wants to know how to flip a nuclear plant might want to take a page from Entergy's playbook. Entergy owns and operates a fleet of nuclear power plants that sell electricity on the wholesale market at prices set by supply and demand. It also does business through subsidiaries that operate as regulated utilities, which sell electricity to households at retail rates set by regulators.

It turns out that Entergy, the second biggest nuclear player in the U.S., is not too sure that nuclear power can compete in the free market. It plans to spin off five of its wholesale nuclear power plants—all leaking radioactivity—into a new shell company front-loaded with billions in debt. The new company was originally named "[SpinCo](#)" but it now has a nice new name, "Enexus."

Entergy's grand plan is in trouble. Vermont and New York have reared up in revolt, and Mississippi is getting into the action too.

The spin-off would include Entergy's aging Vermont Yankee plant, which the company bought in 2002, and its aging Indian Point plant about 40 miles from New York City. Entergy is trying to extend both

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### **Nuclear "spin-co"**

plants' operating licenses 20 years beyond their 40-year design lives.

Late last month, the Vermont state Senate voted 26 to 4 to close the 38-year old Yankee plant when its 40-year license expires in 2012. Citizens worried about the discovery of groundwater contamination from radioactive tritium leaks at the plant were incensed when Entergy testified incorrectly under oath that pipes under the plant did not carry tritium. The Senate vote also reflected concern that Entergy's new shell company couldn't afford to properly run the plant and clean up the site. Entergy plans to keep fighting to get the license extension.

The spin-off would help insulate Entergy for liability for spills and leaks. In addition to tritium, Indian Point is leaking radioactive strontium 90, a dangerous carcinogen, from a partially decommissioned reactor. Both leaks are moving through the groundwater into the Hudson River.

Other [plants leaking radioactive tritium that Entergy wants to spin off](#) into the new company include the Fitzpatrick plant in western New York, the Pilgrim plant in Massachusetts, and the Pallsades plant in Michigan. Citizens had better be prepared to fend for themselves.

About a quarter of all U.S. nuclear power plants are leaking radioactive tritium, but the pro-industry Nuclear Regulatory Commission (NRC) refuses to require Entergy and other nuclear plant owners to monitor their groundwater. Exelon, which owns the most U.S. nuclear plants, recently agreed to pay over \$12.5 million for [radioactive tritium leaks](#) at three of its Illinois nuclear power plants. The money will go towards cleaning up groundwater contaminated by

the leaks, getting one town a new water supply, and compensating affected homeowners. The company was cited for failing to respond properly to 22 leaks that started in 1996. Exelon announced a tritium leak at its Oyster Creek plant in New Jersey a few days



after it won a 20-year extension of the plant's 40-year license. Tritium is also leaking from the Barnwell County nuclear waste dump in [South Carolina](#), where tritium levels in the groundwater under the landfill are more than 1,000 times the safe level for drinking water.

The New York Public Commission staff has concluded that Entergy's proposed spin-off is not in the public interest, and that the new company will be too debt-burdened and financially unstable. Indian Point's neighbors fear the new company will not be able to clean up 1.63 million cubic feet of radioactive soil at the site when the plant is shut down. The Commission has postponed its decision until later this month and asked for public comment. New York Attorney General Andrew Cuomo is litigating whether the NRC has done enough to protect nuclear plants from aerial terrorist attacks. The 9/11 Commission reported that the lead pilot in the Trade Center attacks had scoped out the plant as an alternative target. Indian Point's neighbors will hardly be reassured by this week's news that an [Al Qaeda suspect](#) from New Jersey who was recently captured in Yemen had worked for several years in five Northeast U.S. nuclear power plants.

To counter the opposition and sweeten the spin-off, Entergy has offered to cut the new company's long-term debt from \$4.5 billion to \$3 billion, restrict equity pay-outs, and leave the company with more unencumbered cash up front. That wasn't enough to entice Wall Street.

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### **Nuclear "spin-co"**

Earlier this month, Credit Suisse wrote a note to investors called "A scene from Groundhogs' Day in Albany," saying that Entergy should "pull the plug on the spin and focus on the ongoing operations" of the nuclear plants it is trying to spin off. Credit Suisse said that investors were "increasingly less allured by the outlook for what would be the nation's first nuclear-only merchant generator."

The NRC has already approved the spin-off. Now [Mississippi](#), where one of Entergy's utilities sells power at regulated rates, is investigating the deal. Attorney General Jim Hood wants to know where Entergy got \$1.3 billion that it recently transferred into its nuclear division. He said, "The ratepayers of Mississippi—and the rest of those inside Entergy's service area—have a right to know where their hard-earned money is going, and what it is being used for.... When our ratepayers are paying their light bills each month, they should not have to worry that their dollars are headed to Vermont to pay for a leaking nuclear reactor."

Finally there is some action at the federal level to look at the problems with aging nuclear plants. Earlier this month, Congressman [Ed Markey](#) (D-Mass.), chair of the House Energy and Environment Subcommittee, asked the Government Accountability Office (GAO) for a thorough report about the adequacy of nuclear reactor safety and oversight and the NRC's licensing process for new and existing nuclear power plants.

That report will take time. Citizens around the country must continue to ask themselves: "If private investors won't buy into the nuclear spin, why should we?"

### **Quakes and nuclear plants don't mix**

Earthquake concerns were front and center at a recent hearing on the proposal to extend the operating license of the Diablo Canyon nuclear power plant in San Luis Obispo, California for another 20 years.

A [newly discovered fault just offshore of the nuclear plant](#), which sits about half way between L.A. and San Francisco, has increased concerns about another known fault further offshore. Local residents are pushing to postpone a decision on renewing the plant's license until the fault can be mapped, but the utility objects to any delay. The San Onofre, California nuclear power plant also sits in a highly active seismic zone.

In 2007, a 6.8 earthquake damaged Japan's Kashiwazaki-Kariwa nuclear plant, which had been [built on an undiscovered active fault line](#). The quake caused widespread damage at the plant, although only a small radiation leak, and it was shut down indefinitely. Japan is prone to earthquakes and its nuclear plants had supposedly been designed to withstand them.

After the quake, the deputy director general for nuclear safety at Japan's Ministry of Economy, Trade and Industry said the nuclear company had done the best it could when the plant was constructed, adding that, "If you insisted on being 100 percent sure about finding all active fault lines, you'd never get anything built."

Japan gets about 30% of its electricity from nuclear power, but [54% of Japanese are anxious or uneasy about nuclear power](#), mostly because of fear of an accident. Japan's 6.9 earthquake last month probably didn't help.

