opinion
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In the spirit of Monopoly

Municipal utility opponents are running a campaign

By James C. Larew

Three events, in three states, in a recent span of three weeks, may determine Iowa City's energy fate for the next 30 years or longer.

Press-Citizen photo illustration / Jason A. Cook

MidAmerican and Monopoly

MidAmerican Energy Co. is the monopoly that supplies Iowa City's high-priced electricity. It is wholly owned by MidAmerican Energy Holdings Co. that in turn is controlled by Omaha-based Berkshire Hathaway.

What happens at MidAmerican and Berkshire Hathaway are more than a passing interest to local voters because soon, on Nov. 8, they will have an opportunity to vote on an alternative to MidAmerican: a publicly owned, locally controlled, non-profit municipal electric utility governed by a five-member board of trustees, each appointed by the Iowa City Council.

Therefore, recent events at Berkshire Hathaway's annual meeting in Omaha and events transpiring shortly thereafter are particularly noteworthy.

Given the pending local political referendum, and MidAmerican's opposition to it, it is, to say the least, ironic that Berkshire Hathaway is based in Omaha -- the city that operates one of the great municipally owned electrical utility companies in America, the Omaha Public Power District.

As a result of that power district's efficient operations, electric ratepayers, including Berkshire Hathaway's executive officers, employees and corporate offices, are accustomed to low-cost electrical power: 6.8 cents a kilowatt-hour for residential consumers while businesses pay 5.4 cents a kwh.

By comparison, Mid-American charges Iowa City consumers a whopping 9.3 cents a kwh and 8.5 cents a kwh. That is, for the same consumer product, MidAmerican charges us 40 percent to 60 percent more than residents and businesses in Omaha are charged by their publicly owned electric utility company.

Berkshire Hathaway shareholders arriving at this year's annual meeting in Omaha, an event that has been sometimes called the "Woodstock of Capitalism," were greeted with the first opportunity to purchase a personal copy of the new, limited, Berkshire Hathaway Diamond Edition Monopoly, specially minted in honor of the company and its principal founders

The original Parkers Brothers' Depression-era Monopoly game, first issued in 1936, had once captured the imagination of America's faltering middle class in the heart of the Depression years.

The stated rules of Monopoly have remained the same since the game was first invented, as has the game's stated object: "to become the wealthiest player through buying, renting and selling property."

Game purists may object to changes made to the game board in this Diamond Edition Monopoly. Instead of the the original game's historic, glamorous old properties, places such as Boardwalk and Park Place, players in this version roll the dice and move figurines amongst those immensely profitable, if mundane, properties that now compose Berkshire Hathaway's expanding economic empire: GEICO Auto Insurance, Dairy Queen, Nebraska Furniture Mart and MidAmerican Energy.

To that, one might add a host of locally known businesses that were once independent entities, but that now are controlled or owned by Berkshire Hathaway or MidAmerican: Iowa Realty, Oral-B, H&R Block, RSM McGladrey, Inc.

Those infused with the spirit of Monopoly in Omaha could not be disappointed by what happened at this year's annual meeting. Warren Buffett, one of the company's founders and a cult figure in the world of finance, assembled his shareholder-pilgrims for a sermon-like meeting in a big-box arena.

Long famous for his counsel that one should buy only those businesses that one understands and that are certain to make a profit, Buffett this time added a new dimension to his investment strategies: "We like buying businesses that have untapped pricing power. You don't have a great business when you have to have a prayer meeting when you want to raise prices a penny."

You also don't need prayer meetings to raise and sustain prices when your company is run by those who are accustomed to bending market forces to their own will. To that end, the annual meeting's election of Bill Gates, the world's most notorious monopolist, to join Warren Buffett, the world's shrewdest profit taker, to Berkshire Hathaway's clubby, all-white, all-male board of directors, was instructive.

Gates, co-founder of Microsoft, may be new to Berkshire Hathaway's board, but he is no stranger to monopolistic schemes. Federal judge Thomas Penfield Jackson in 1999, upon hearing all of the evidence presented in an anti-trust case filed by 19 of America's ablest state attorneys general, concluded Microsoft "enjoys monopoly power" and that, under Gates' tutelage, it had used its power to strangle competition and hurt consumers. Gates, after all, referring to its competitor, Netscape, had threatened, "We are going to cut off their air supply."

The monopolist expands

It therefore came as no great surprise when shortly after the annual meeting's adjournment, Warren Buffett, in Portland, Ore., announced Berkshire Hathaway's subsidiary, MidAmerican, had agreed to purchase Pacific Power -- an electric company monopoly spanning seven states -- for \$5.1 billion cash, plus the assumption of \$4.3 billion in debt.

Who helped create the cache of cash that made this purchase possible? Whose good faith and credit will, ultimately, stand behind the debt when MidAmerican's bonds, necessary to carry off this deal, are sold on the open market?

Look in the mirror, Iowa City ratepayers, and weep.

During hot summer months this year and beyond, when MidAmerican's scorching electric bills arrive in Iowa City mailboxes, ratepayers will sweat when they learn that profits reaped from MidAmerican's local operation have been used to help pay for a West Coast utility company whose 1.6 million consumers pay only a fraction of what Iowa City ratepayers are charged for the same electrons. In Portland, for example, the rates are 7.5 cents a kwh for residential use and 5.8 cents a kwh for commercial clients.

Moreover, in its Portland purchase announcement, MidAmerican made clear that its purchase of Pacific Power was merely one more in a string of planned energy company acquisitions to occur throughout the nation in coming years.

What is particularly striking about this transaction is that under today's federal laws, it is probably unlawful: MidAmerican and its lobbyists will need to change our statutes to accommodate the deal, because, wisely, our laws, since the New Deal, have prevented the same owners from owning multi-state electric utility companies through these types of mergers.

But, there is seemingly nothing owners of relentless and obsessive utility companies can't do in today's tortured political environment if it goes to serve their private interests.

It was no coincidence that in the same week the MidAmerican-Pacific Power deal was announced in Portland, 3,000 miles away in Washington, D.C., shills for big energy interests, disguised as lawmakers in Congress, reintroduced a proposal to repeal the Public Utility Holding Company Act, the law was first created as a part of the New Deal that has required utility companies to be small enough that they can be reasonably well regulated on a state-by-state basis.

The demise of PUCHA -- which allowed companies like MidAmerican to establish huge, interstate electric monopolies -- has been the focus of MidAmerican's political efforts, through its president and CEO, David L. Sokol, during the past several years. Sokol has testified frequently in Congressional hearings about abolishing PUCHA. He has raised enormous sums of money to advance the political careers of those politicians who share his beliefs.

As one of the only people who has a private ownership interest in MidAmerican (according to reports, he and a handful of individuals own about 18 percent of the energy company, the rest is owned by Berkshire Hathaway) Sokol's political and economic interests clearly are allied with his company's interests -- but, those private interests should not be confused for those of the public good.

No doubt, at least in part, as a response to the political poundings of MidAmerican and others in the electric utilities industry, the present weakening of governmental protections of the public interest is not confined to the halls of Congress -- it is evident within our federal regulatory agencies as well.

In the guise of looking out for folks like you and me, MidAmerican's owners will, in fact, serve its private preferences by continuing to expand its interstate reach, grabbing additional energy companies, most of them protected by monopoly territories, and thereby increasing its share of our nation's energy infrastructure.

When you have a monopoly and your friends are the folks who pass our nation's utility laws and decide how much you can charge consumers, why not acquire more monopolies? There is no such thing as too much power, or too much profit, right?

In the meantime, while MidAmerican is busy expanding its empire, it will have a decreasing ability and interest in keeping its finger on the vibrant pulse of progressive communities like Iowa City, where core values include self-government and local control.

Iowa City campaign

It is in this deteriorating economic and political climate that during late May MidAmerican formally launched its local campaign to crush local efforts to have a publicly owned electric company replace the company's monopoly franchise by dumping 31,000 individually-addressed, first-class paid letters in to our mailboxes.

That MidAmerican must campaign at all is because a few years ago when the company attempted to renew its expired franchise agreement, one it had assumed from its predecessor, Iowa-Illinois Gas & Electric Company, the Iowa City Council wisely declined to sign the deal.

The council instead chose to have an independent analysis performed by a former private utility executive concerning the viability of establishing a publicly owned electric utility in our community. The city and the University of Iowa each participated in a study that revealed at least $60 million in savings, using the most conservative assumptions.

When more than 1,200 local residents petitioned the council, it scheduled a special referendum for November. If approved by a majority, voters could set in motion the creation of a non-profit citizen-owned electric utility company -- like those 136 other Iowa communities now enjoy.

If enough Iowa City voters say "yes" to the referendum questions, the City Council will be empowered to appoint a five-member board of trustees that will formulate a business plan for a publicly owned electric utility company. If proven feasible, the trustees will advance the concept to the Iowa Utilities Board, which, if it finds that a municipally owned utility in Iowa City would serve the public interest, will determine the cost of acquisition.

If Iowa City voters choose public power it would put a tourniquet on at least one source of MidAmerican's gushing flow of dollars that are moving away from our local economy -- and the company doesn't want to permit it.

Buffett once advised his fellow investors on the advantageous use of the fear factor when making market investments: "Be fearful when others are greedy," he said, "and greedy when others are fearful."

Using this calculus, MidAmerican's campaign strategy to kill the public power option is simple: Scare Iowa City. Spend whatever it takes, say whatever you have to, but above all deceive Iowa City into thinking a publicly owned utility would increase rates. MidAmerican would have us fear any future that did not include sending our monthly checks to corporate accounts in faraway banks.

We know better, however. We know Iowa City responds to hope and optimism, not fear and intimidation. We know Iowa City is full of individuals who, like Robert Kennedy, dream of things that never existed and ask, "Why not?"

Public interest, not private profit, must drive our decisions regarding a basic utility, such as electricity, a commodity to which all citizens and businesses -- no matter how powerful -- must have access at a reasonable cost.

Local control, by people we know and can greet on the street corner, not autocratic directives from closed board rooms in distant cities, can characterize the governance of our electric utility, if we so choose.

Many citizens, after considering all of the facts, are deciding to vote "yes" in the November referendum, thereby allowing us to move forward with the public power option.

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