

Ethan Allen Institute

Newsletter – June 2018 (Printer Edition)

Top Stories

Rolling Black Outs for New England?

By Meredith Angwin

Rolling blackouts are probably coming to New England sooner than expected. When there's not enough supply of electricity to meet demand, an electric grid operator cuts power to one section of the grid to keep the rest of the grid from failing. After a while, the operator restores the power to the blacked-out area and moves the blackout on to another section. The New England grid operator (ISO-NE) recently completed a major study of various scenarios for the near-term future (2024-2025) of the grid, including the possibilities of rolling blackouts.

In New England, blackouts are expected to occur during the coldest weather, because that is when the grid is most stressed. Rolling blackouts add painful uncertainty – and danger – to everyday life. You aren't likely to know when a blackout will happen, because most grid operators have a policy that announcing a blackout would attract crime to the area.

In early April, Exelon said that it would close two large natural-gas fired units at Mystic Station, Massachusetts. In its report about possibilities for the winter of 2024-25, ISO-NE had included the loss of these two plants as one of its scenarios. The ISO-NE report concluded that Mystic's possible closure would lead to 20 to 50 hours of load shedding (rolling blackouts) and hundreds of hours of grid operation under emergency protocols.

When Exelon made its closure announcement, ISO-NE realized that the danger of rolling blackouts was suddenly more immediate than 2024. ISO-NE now hopes to grant "out of market cost recovery" (that is, subsidies) to persuade Exelon to keep the Mystic plants operating. If ISO-NE gets FERC permission for the subsidies, some of the threat of blackouts will retreat a few years into the future.

The foremost challenge to grid reliability is the inability of power plants to get fuel in winter. So ISO-NE modeled various scenarios, such as winter-long outages at key energy facilities, and difficulty or ease of delivering Liquefied Natural Gas (LNG) to existing plants.

Ominously, 19 of the 23 of the ISO-NE scenarios led to rolling blackouts. The worst scenarios, with the longest blackouts, included a long outage at a nuclear plant or a long-lasting failure of a gas pipeline compressor.

A major cause of these grid problems is that the New England grid is heavily dependent on natural gas. Power plants using natural gas supply about 50% of New England's electricity on a year-round basis. Pipelines give priority to delivering gas for home heating over delivering gas to power plants. In the winter, some power plants cannot get enough gas to operate. Other fuels have to take up the slack. But coal and

nuclear generators are retiring, and with them goes needed capacity. In general, the competing-for-natural-gas problem will get steadily worse over time.

All the ISO-NE scenarios assumed that no new oil, coal, or nuclear plants are built, some existing plants will close, and no new pipelines are constructed. Their scenarios included renewable buildouts, transmission line construction, increased delivery of LNG, plant outages and compressor outages.

The one “no-problem” scenario (no load shedding, no emergency procedures) is one where everything goes right. It assumed no major pipeline or power plant outages. It included a large renewable buildout plus greatly increased LNG delivery, despite difficult winter weather. This no-problem scenario also assumes a minimum number of retirements of coal, oil and nuclear plants.

This positive scenario is dependent on increased LNG deliveries from abroad. Thanks to the Jones Act, New England cannot obtain domestic LNG. There are no LNG carriers flying an American flag, and the Jones Act prevents foreign carriers from delivering American goods to American ports.

We can plan to import more electricity, but ISO-NE notes that such imports are also problematic. Canada has extreme winter weather (and curtails electricity exports) at the same time that New England has extreme weather and a stressed grid.

To avoid blackouts, we need to diversify our energy supply beyond renewables and natural gas to have a grid that can reliably deliver power in all sorts of weather. When we close nuclear and coal plants and don’t build gas pipelines, we increase our weather-vulnerable dependency on imported LNG.

We need to keep existing nuclear, hydro, coal and oil plants available to meet peak demands, even if it takes subsidies. Coal is a problem fuel, but running a coal plant for a comparatively short time in bad weather is a better choice than rolling blackouts.

This can’t happen overnight. It has to be planned for. If we don’t diversify our electricity supply, we will have to get used to enduring rolling blackouts.

— *Meredith Angwin is a retired physical chemist and a member of the ISO-NE consumer advisory group. She headed the Ethan Allen Institute’s Energy Education Project and her latest book is “Campaigning for Clean Air”.*

Commentary: Vermont’s Electric Vehicle Future

By John McClaughry

For the past 20 years Vermont state government has aggressively worked to get Vermonters to abandon internal combustion vehicles (ICVs) in favor of electric vehicles (EVs) of both hybrid and all-electric types. The favored method in those early years was to adopt California emission standards by requiring auto dealers to sell quotas of EVs.

The dealers resisted on the reasonable grounds that most car buyers aren’t interested in EVs, mainly because of excessive prices, “range anxiety”, safety concerns, and battery failures in cold weather.

Gov. Peter Shumlin’s 2011 Comprehensive Energy Plan, founded on combating the menace of global warming, reiterated support of low- and zero-emission vehicle programs. It declared an EV goal of 25% of all vehicles registered by 2030. (It’s now less than 2%). Its 2016 update called for “a large-scale transformation to alternatively fueled

vehicles that reduce petroleum usage and related emissions with advanced technologies and fuels (such as plug-in hybrid electric vehicles, all-electric vehicles, and fuel-cell electric vehicles.)”

The Department of Environmental Conservation is now focusing on creating more and faster public EV charging stations. (There were 1395 EVs registered in October 2016, 0.3% of Vermont’s 450,000 passenger vehicles; there are now 164 charging stations.)

Today’s EVs run smoothly and quietly and look good. They insulate owners from fuel price volatility and supply shortages, and in most states from fuel taxes.

But EVs do not come without problems. Even though 13 manufacturers now offer vastly improved EVs with greater ranges and lower prices, and the \$7,500 Federal tax credit is still available, there has not been a rush to buy EVs. Most of the EVs sold are bought by high income purchasers. A 2015 study found that buyers of the lower-cost Ford Focus EV had an average household income of \$199,000, more than three times the U.S. median household income. Tesla owners’ incomes averaged \$293,200.

Power train repairs require expert technicians. Many EV models are not attractive for rural roads, or where winter weather diminishes their battery capacity by as much as 35%. Even where a charging station is convenient, there can be “charging time trauma”. Public charging stations primarily use 240-volt (Level 2) chargers that charge a Tesla Model 3 in 6.5 hours. Motorists won’t find that acceptable on the Interstate.

Since EVs use the highways but don’t purchase gas or diesel fuel, they escape the tax used to support highway maintenance. To deal with this, seventeen states now impose additional licensing or registration fees on these vehicles. Vermont has studied this in depth three times since 2013. The most recent report reaffirms that “registration fees should not be increased ... until the market for EVs moves beyond an early adopter phase”, which they think won’t end until 15% of passenger vehicles are electric (68,000!).

Will replacement of ICVs by EVs reduce harmful pollutants? After a long and complex analysis, economist and former Vermont DPS planner Dr. Jonathan Lesser finds, in a paper just published (“Short Circuit”, Manhattan Institute), that “subsidies and mandates designed to accelerate migration from ICVs to ZEVs would result in greater emissions of criteria air pollutants—SO₂, NO_x, and particulates—but lower emissions of CO₂. Thus, one of the key claims used to justify ZEV subsidies and mandates to replace ICVs—that they will reduce levels of criteria air pollutants—is unsupported.”

“Although the analysis shows that ZEVs will reduce CO₂ emissions relative to an equivalent number of ICVs, the reductions will have no impact on climate and, hence, no economic benefit. This will be true even if ZEVs were powered using electricity generated only from renewable sources.”

The just-passed transportation bill tasks the Public Utilities Commission with reporting on just where the ZEV push is taking us. It includes a commendable provision that the PUC study the barriers to EV charging, “including strategies... to reduce operating costs for current and future EV users without shifting costs to ratepayers who do not own or operate EVs.” Whether legislators adopt such strategies remains to be seen.

What conclusions should legislators draw about Vermont’s long-running EV campaign? In a nutshell, the state should: aggressively reduce regulatory barriers to encourage EV usage by those who perceive its advantages; charge EVs a registration surcharge so that EVs pay their fair share of upkeep of Vermont’s highways and bridges; designate and permit public sites for charging stations, but price the energy delivered by

publicly-owned chargers to pay off their costs; allow utilities and other private companies to install their own chargers at those and other sites; and abandon any compulsion to regulate and spend to reach any arbitrary goal of “X% of all vehicles shall be electric by 20XX”.

- John McClaughry is the founder and vice president of the Ethan Allen Institute

Commentary: Vetoing the \$15 Minimum Wage Was a Good Thing

By Rob Roper

After watching the debate in the State House over the \$15 minimum wage it is hard to see how any rational or compassionate person could have, at the end of the day, supported the policy. The potential good that it may have done for a small minority of people was far outweighed by the potential damage it would have done to many, especially Vermont’s poor.

One of the facts presented to lawmakers that did not get much play in the media is that a majority of Vermont households living in poverty, particularly the elderly, do not have any wage income. So, while there is no chance that these people’s situations could benefit at all from an artificial increase in salaries, they would certainly be stuck paying higher prices for goods and services artificially inflated by the \$15 minimum wage. Fixed incomes, already stretched, would not stretch as far.

The cost for in home care and other services that help the elderly would also become more expensive. Senator Richard Westman (R-Lamoille) [noted](#) that, for example, Lamoille Home Health and Hospice would have to raise or charge an extra \$80,000 to cover wage increases for their visiting nurses.

Similarly, families with young children would take a substantial hit. Parents who earn minimum or low wage salaries might see a bump in their take home pay (assuming their hours aren’t cut), but due to the “benefits cliff” that bump would be offset by a greater loss in childcare subsidies. The Joint Fiscal Office calculated that a couple working full time in minimum wage jobs with one school-aged child would see an annual income increase by \$1,155 in the first year of proposed minimum wage increases, but they would lose \$1,334 in benefits.

Adding to that dilemma is the fact that a \$15 minimum wage would undoubtedly increase substantially the cost of childcare, which is dependent upon low wage workers, and force some providers to close their doors. So, the couple mentioned above would be left with fewer resources to pay for a more expensive service that is at the same time harder to find. Even the child advocacy group Let’s Grow Kids [warned](#) that the wage increase “might even exacerbate the [childcare] situation...”, which they already see as a “crisis.”

The Joint Fiscal Office (JFO) also [concluded](#) that the wage increase would result in a net annual long term “disemployment” rate of 2250 jobs from 2028-2050. As a share of total jobs in Vermont this amounts to 0.5%, but as a share of minimum wage jobs, it is 3.3%. In other words, the negative impact of the \$15 minimum wage on low wage workers is substantial and disproportionate.

One objective of the \$15 minimum wage for its proponents is to help bridge the income inequality gap (even though JFO testified that there is no evidence that the policy would do this). But if some people get a raise from \$10.50 to \$15 while others lose their jobs and go from \$10.50 to zero, wouldn't that increase income inequality? Especially if the number of minimum wage workers losing their jobs is far greater than the number of higher-wage earners losing their jobs?

The state boasts it will net about \$20 million in 2024 (the year the \$15 minimum would be in full force) from increased tax revenue plus decreased benefit payments, but remember, this would ironically be money taken away from the same low-income workers the increased wage was supposed to help. On the federal side of the ledger, however, the state would lose an estimate \$54 million in lost federal benefits and higher federal taxes. Again, a significant net loss.

Overall, JFO estimated that the impact on state GDP would be negative 0.3 percent. That may seem like a small number, but, in 2017 Vermont real GDP grew by only 1.1 percent. Stifling economic growth isn't helpful to anyone, particularly the poor. As Rep. Cynthia Browning (D-Arlington), who has a PhD in Economics, warned her colleagues before the vote, "Good intentions and wanting to help won't suspend the laws of economics." The majority either didn't listen or they didn't care.

Governor Scott was absolutely right to veto the \$15 minimum wage bill. Let's hope he doesn't have to do so again a year from now, and, if he does, he has the votes to sustain that veto.

- Rob Roper is president of the Ethan Allen Institute.

Events

If you would like a presentation on the The Triumph of Liberty, the Carbon Tax, or an overview of hot issues in the state house for your organization, please contact Rob Roper at rob@ethanallen.org.

News & Views

Jefferson's Legacy: On April 24 John McClaughry completed 25 years of sponsoring, hosting, or performing at EAI's annual Jefferson Day event. This year's event was to AP history and other students at Lyndon Institute, where he also spoke in 2014 on "Thomas Jefferson's Legacy to America's Youth of [Today](#)."

Scott Signs Individual Mandate Tax Bill. On May 28 Gov. Scott signed H.696, a bill to create a working group to advise the 2019 legislature on how to force individual Vermonters to purchase government-approved health insurance. The most likely recommendation is a revival of the Democrats' INDIVIDUAL HEALTH EFFORT TAX, which was part of a single payer bill vetoed by Gov. Douglas in 2005. Why would the governor agree to create a working group to fashion a new tax, if his policy is to veto new taxes?

New Hampshire Taxes Less, Provides Better Services than VT. The financial services site [WalletHub](#) recently did a state-by-state analysis of taxpayer “Return on Investment” (ROI) – who gets a good bang for their government confiscated buck. Overall, New Hampshire ranked number one in the nation for good ROI. Vermont ranked 45. Fifth worst. On that total taxes line, New Hampshire was number 3 (no income or sales tax), and Vermont 48th (just about every tax under the sun). But, when it comes to providing government services Vermont comes in fourth. So, take that, New Hampshire. We may pay a lot, but we get a lot and don’t leave our most vulnerable citizens out to dry. Not so fast. New Hampshire ranked even better at second nationwide. Vermont and New Hampshire scored respectively: Education – 9/16, Health – 8/2, Safety 1/3, Economy 24/4, Infrastructure & Pollution 16/13. Just goes to show that, yes, we can do more with less. And, no, our elected officials in Montpelier are not being good stewards of a whole lot of our money.

Why We Hate Regulating Bureaucrats. The FDA wants to label maple syrup and honey with “sugar added.” This is, of course, as misleading as it is stupid as no sugar is added to real maple syrup or honey. They are pure sugars. Vermont producers are rightfully concerned because the untrue and misleading label is designed to turn off customers and to get them to eat less of the product. Vermont politicians have stepped up to defend producers of Vermont’s most iconic product. Their arguments would be less hollow if they hadn’t passed a similarly misleading law regarding GMOs. He who lives by stupid regulations dies by stupid regulations.

Magazine Ban Lawsuit Filed: The Vermont Federation of Sportsman’s Clubs has filed a lawsuit challenging the State’s recently enacted ban on the possession of certain commonly owned firearm magazines. “Millions of law-abiding Americans—and thousands of Vermonters—own the standard-sized magazines the State now deems ‘large capacity’ and bans,” said Chris Bradley, president of the Federation. “These magazines are commonly used for competitive sport shooting throughout the State, and many citizens also rely on them for home defense.... The Vermont Constitution’s protection of the right to bear arms prevents the State from requiring law-abiding Vermonters to defend themselves and their families with sub-standard firearm magazines, We are confident the courts are going to quickly strike down this obviously unconstitutional ban.”

School Choice Advocate Appointed to State Board. Oliver Olsen, a former state representative from Jamaica, Vermont, was Phil Scott’s choice to fill an open seat on the State Board of Education. Olsen, represented mostly school choice towns feeding Burr & Burton Academy, The Long Trail School, etc., has been an intelligent, resourceful, and relentless advocate for protecting Vermont’s school choice system. He will be a welcome addition to the board. From our perspective, anyway. Heads amongst the Blob are already exploding!

Little Pink House is the new movie about how the City of New London CT, the Pfizer corporation, and five liberal justices of the US Supreme Court (in 2006) conspired to forcibly confiscate the the home of Susette Kelo, so Pfizer could built a great office and commercial complex (that was never built). You can watch this terrific film at littlepinkhousemovie.com.

Vermonters and Defence: “The legacy of Ira Allen, founding father of Vermont, symbolizes the understanding of the right to keep and bear arms in the early republic. This legacy included his constant exercise of this right by carrying pistols for self-protection, his participation in the adoption of the Declaration of Rights which explicitly recognized this right, and his purchase and eventual distribution of 20,000 muskets to the populace. Pistols in the pocket and an arsenal at home were options available to every free citizen of the Green Mountain State.” _ Stephen Halbrook, “The Right to Bear Arms in the First State Bills of Rights: Pennsylvania, North Carolina, Vermont, and Massachusetts”, 10 *Vermont Law Review* 255-320 (1985).

Tragic Results of Tax Bill: “As of April 8, nearly 500 American employers have announced bonuses or pay increases, affecting more than 5.5 million American workers, as a result of the TCJA. Walmart, the largest private employer in the country, has announced a \$2-an-hour increase in the starting wage of new workers and \$1-an-hour rise in its base wage for employees of more than six months. For someone working 40 hours a week, that is up to \$3,040 per year in additional pay.” (WSJ 4/18/18)

Our Progressive Tax Code: The Tax Foundation reports that the top 10% of income tax payers paid 71% of federal income tax; the bottom 50% paid 2.8%. ([CNS News](#) 3/21/18) “The U.S. income tax remains steeply progressive: Even after the tax overhaul, top earners will pay a higher share of income taxes. Households in the top 20% will pay about 87% of income taxes in 2018, up from about 84% last year.” (WSJ 4/6/18)

Monopoly Hospital Pricing: After getting CT scan at an independent center in Ft. Myers for \$268 cash, Benjamin Hynden had the same scan at a hospital ER: master price = \$8,897, Cigna negotiated price \$5,516—a "discount" of 40%. Cigna paid \$2,864.08, leaving Hynden to pay the rest. ([AAPS](#) 4/9/18)

Not Reported by MSM: “Last year, the Congressional Budget Office surmised that the Republican tax cuts would have little immediate impact on the nation’s economic growth and estimated 2018 GDP at just 2%. That estimate has now been revised up to 3.3% — not a small adjustment. The CBO has also adjusted its 2019 estimates up to 2.4% from what was only 1.5% GDP growth. (Patriot Post 4/12/18)

Minimum Wage Effects: “My colleagues and I find that minimum wages are counterproductive, leading to higher poverty and an increased reliance on public assistance in disadvantaged neighborhoods. The EITC, in contrast, reduces poverty and dependence on public assistance, with one caveat: It may be less effective in severely disadvantaged neighborhoods where there is insufficient labor demand to absorb more people looking for work.” – Prof. David Neumark, a leading economist on employment and wages, U. of California-Irvine (WSJ 4/12/18).

“Reagan’s Lost Speech” has finally seen the light of day. Written for Gov. Reagan by speechwriter John McClaughry on election eve 1980, and composed of words and themes Reagan had already said over his career, it was withheld to avoid spurring controversy a day away from an election that Reagan knew he was going to win. It has been published

with John's introduction by Reason at <http://reason.com/archives/2018/05/30/ronald-reagans-lost-speech-of-1980>.

Book of the Month

A Spy Among Friends

Kim Philby and the Great Betrayal

By Ben McIntyre

I have enjoyed nearly two dozen audiobooks in the past year, but I would have to place *A Spy Among Friends: Kim Philby and the Great Betrayal* as among the best. *Betrayal* begins with Philby's conversion to communism before WWII and explains how he was able to use his good family standing in England to infiltrate British intelligence, with Nicholas Elliot's assistance. Under USSR direction, Philby went on to thwart nearly every British spy operation during WWII and the Cold War until the 1960's. At its heart, the book is the story of Kim Philby and Nicholas Elliot's friendship, and how Philby exploited that friendship until it was left in tatters.

Ben Macintyre's book was such a pleasant surprise to come across, combining the pace of a fictional spy novel with the substance of historical non-fiction. Admittedly, I have always been partial to tales of international espionage, so that may skew my overall view of the book. Regardless of how much you enjoy the story, Macintyre knows how to write well.

I truly believe that if Dante had lived during the Cold War, he would have placed Philby in the lowest rung of his *Inferno* with the other infamous betrayers of history- Judas Iscariot, Brutus and Cassius. Whereas Brutus and Judas's betrayals may have been attributed to fits of passion against Caesar and Christ, Philby's betrayal was carefully orchestrated over the course of nearly three decades, and lead dozens of French and Americans to their deaths, along with hundreds of his fellow Englishmen.

While many Americans, whether liberal or conservative, would like to imagine that espionage is a forgotten relic of the Cold War, it would seem that Western governments have been particularly susceptible to espionage in the past 100 years. Our leaders have chosen, either passively or intentionally, to ignore these embarrassing episodes years after the fact. My theory: they do this out of fear of alarming the public as to how easily the most powerful governments in the world can be fooled under the right circumstances.

I hope I won't pick up another espionage book in 2050 that explains how America was ill-served by our intelligence agencies from 2000-2020. Considering the disarray in the CIA and FBI, it wouldn't terribly surprise me. All the news (and fake news) about Russia infiltrating our elections certainly creates an interesting modern context for *Betrayal*.

But, America has reason to hope. The Soviets won the Cold War of Espionage because their society assumed all individuals - even their own countrymen - could not be trusted. We Westerners may be easier to fool because we were raised to take people at their word, but this "weakness" helped us to win the Cold War of Economic Systems, and, well, the Soviet Union no longer exists. So there.

As Vermonters ponder revamping our entire education system, a simple curriculum change like introducing espionage thrillers into the classroom could go a long way toward teaching the next generation about how the West's past faults manifested themselves in Cold War espionage, while showing young Vermonters how the West has been able to overcome these faults to rise above other societies in the past 500 years.

- *Reviewed by David Flemming, policy analyst the Ethan Allen Institute.*

The Final Word

June Survey

Governor Scott projects that roughly \$300 million in K-12 savings are possible with reform. If those savings materialize, what should the money be used for? Set the sliders in the survey to your preferred percentages for allocation.

- Reduce property taxes.
- Increase spending on Pre-K programs.
- Increase spending on higher education programs.
- Pay down unfunded teachers' pension liabilities.

May Survey Results: Should Governor Scott Veto...

- The \$15 minimum wage bill?
 - o Yes. 88.75% (71)
 - o No. 11.25% (9)
- The Paid family Leave Bill (0.141% payroll tax)
 - o Yes. 91.25% (73)
 - o No. 8.75% (7)
- The Airbnb licensing mandate (\$130 fee)?
 - o Yes. 80% (64)
 - o No. 20% (16)
- A \$2 per night room fee for lake clean up
 - o Yes. 83.54% (66)
 - o No. 16.46% (13)
- A bill shifting some education costs to the income tax, but with no spending cuts or cost containment?
 - o Yes. 88.46% (69)
 - o No. 11.54% (9)

