

The Emperor's New Clothes

Part 1 — Evaluating Energy Policy Choices

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There is a charming fairytale by Hans Christian Anderson called *The Emperor's New Clothes*. This story illustrates several principles about the political process that I have learned over the years while lobbying various energy policy issues on behalf of electric cooperatives.

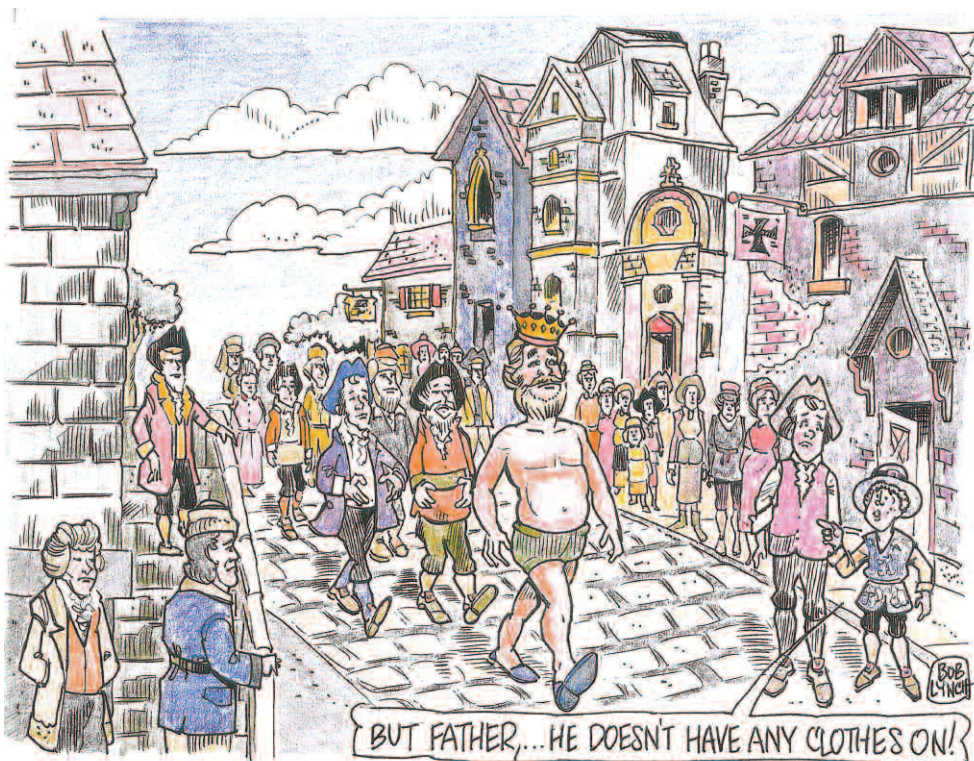
According to the story... many years ago there was an Emperor who was so excessively fond of new clothes, that he spent all his money on them. He cared nothing about his country or his people, except to show off his new clothes.

One day two swindlers came to the castle and told the Emperor they could weave the most beautiful materials imaginable. Not only were the material's colors and patterns unusually fine, but the clothes made from it had the peculiar quality of becoming invisible to every person who was either not fit for the government position they held, or was incredibly stupid.

The Emperor placed an order for a suit made from this wonderful cloth and in the bargain believed he would find out who were unfit for their positions in his kingdom. The two swindlers asked the Emperor for an advance in gold coins along with pure gold thread, and other fine silk and cotton threads. They set up shop with two looms and pretended to work night and day at them.

Being a bit nervous about whether even he would be able to see the cloth, the Emperor sent two of his trusted ministers each at separate times to see the cloth. Of course, neither would admit that they could not see the cloth, but praised it anyway. They carefully memorized the details about the cloth described by the swindlers, so they could repeat the information "correctly" back to the Emperor.

Finally, the great day arrived for the Emperor, who got dressed in the clothes he couldn't see, to lead a



procession through the middle of town. Of course, all of the townspeople who had heard about the quality of the cloth, were wildly praising the Emperor's new clothes, afraid to admit they couldn't see them either.

"He doesn't have any clothes..."

Finally, a small child said: "But father, he doesn't have any clothes on!" This was whispered from person to person in the crowd until everyone was shouting the Emperor was wearing nothing. The Emperor heard the crowd, believed they were right, but held his head high and finished the procession.

The Emperor represents a government that is focused on the fashion or issue of the day as opposed to focusing on the long-term, real needs of the country and its people. Because of the competitive nature of the political process it is difficult for government to prioritize multiple issues and to act on more than one or two issues at a time. Often you will find politicians more worried about their appearance (polls) than results.

The two swindlers represent those organized to lobby the government. In real life, the vast majority of people involved in the political process are decent, honest people. The very few who are not, eventually get caught. However, it is critical to understand every

person involved in the political process comes with two pieces of baggage: 1) a set of beliefs (political, religious, environmental, etc.), and 2) a set of economic interests.

These beliefs and economic interests always affect how people present (spin) their message to their elected representatives. The entire political process can be seen as an effort to accommodate the beliefs and interests of various members of our society, which are often in serious conflict with each other.

The government ministers are well intentioned and want to be effective. However, they have a self interest (keeping their jobs) and also are vulnerable to being swept along by the issue of the day. This can render them ineffective in their jobs when they ignore the real facts in front of them, rather than risk sounding "politically incorrect."

The people also can be swept up by the issue of the day and may even buy into the "politically correct" view for a time. Ultimately, the people get it right! Usually, it starts out with a few (the small child) seeing the facts as they are. Then the process of networking begins and everyone (or at least the majority) sees the truth as it is, not as someone wishes them to see it. That is why it is critical for the majority of voters to inform themselves about issues that affect them and then participate in the political process.

In the future

In future articles/editorials I plan to discuss various aspects of today's energy policy debate such as climate change legislation, the economics of solar and wind generation versus coal, gas and nuclear generation, the drive to modernize the transmission grid, etc. My goal will be to try to look at and analyze the issues with an objective view like the child in the story. Hopefully, we will have some fun while informing you about energy issues affecting your cooperative and ultimately the electric rates you pay by putting some real "clothes" on these issues.

I freely admit to also having a set of beliefs and economic interests while addressing these issues, especially those affecting the cooperative. However, I also will employ a four-part yardstick in my analysis: is it Affordable, Reliable, Fair and Achievable?

Affordable – Is the proposal affordable? Not every proposed idea is affordable or even worth the investment. The issue of affordability is one your cooperative takes very seriously.

Reliable – Will the proposal result in maintaining or improving the reliability of the electric system? Figures A and B illustrate the critical importance of electricity to running our homes and powering our society. The electric grid is said to be the largest and most sophisticated machine ever built by man over the last two centuries. It needs to be maintained and updated to safeguard the reliable distribution of electricity. Is it too much to ask the people who built and maintain the grid for advice on what is achievable, affordable, and won't erode reliability before the government forces changes that could disrupt it?

Fair – Is the legislative proposal "fair" to all parties, especially electric cooperative members? Please note that fairness is often determined in the eye of the beholder.

Achievable – Can the proposal even be implemented in the proposed time frame? Electric utilities are often tasked with various mandates. Nevertheless, the electric industry is based on well established science, despite the wishful thinking of how others believe the electric industry ought to operate.

Importance of Reliable Electricity

Figure A

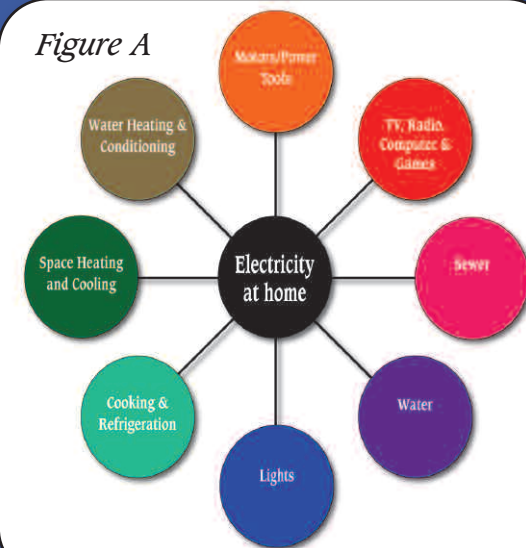


Figure B

