

LOBBY WATCH



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Greasy Transmission:

March, 15, 2010

Political Juice Amped Up \$5 Billion Power-Grid Contracts

Windmills sprouted from West Texas' gusty plains after the state mandated utilities to generate renewable power in 1999. With huge rotors overloading the transmission lines that feed power-hungry cities to the East, lawmakers in 2005 directed the Texas Public Utility Commission (PUC) to find a way to wire windy West Texas plains to big cities to the East.¹

Governor Rick Perry gave the plans a jolt in late 2006, announcing that companies would invest \$10 billion to harness Texas winds--if the state solved the transmission woes. Then-gubernatorial Deputy Chief of Staff Phil Wilson estimated that the fix would cost ratepayers several hundred million dollars.² The price hit \$5 billion by the time the PUC awarded the transmission-line contracts in March 2009. Just one contract—a \$1.3 billion doozy to a unit of Energy Future Holdings—was three times Wilson's estimate for the entire grid. Two years after his low-ball estimate, Energy Future hired Wilson as senior vice president of public affairs at its Luminant arm.

Texas emerged from the ashes of the state's disastrous electricity-deregulation experiment as a wind-power leader. To advance, the state must invest in transmission lines that require skill and money. So it's not surprising that the PUC awarded almost \$5 billion in grid contracts to politically powerful energy giants. Yet the process has been unsettling.

Last August Governor Perry's PUC commissioners decided not to tap federal stimulus project funds allocated for transmission projects. The

commissioners and some contractors said the funds were more trouble than they are worth because recipients are subject to environmental, "prevailing-wage" and buy-American restrictions.³ This rejection of stimulus funds parroted Perry's reelection script.

In awarding the transmission contracts, the PUC also short-circuited the City of Garland's energy company. Commissioners rejected Garland Power & Light's bid for part of the project, arguing that they do not exercise sufficient regulatory control over municipalities. If the PUC found ways to award transmission contracts to Canadian investors and companies from Spain, what is so hard about negotiating with a public utility in Texas?

Garland, which boasts cheap municipal financing, filed suit to block the PUC ruling. Austin-based State District Judge Stephen Yelenosky reversed the agency in January, ruling that the PUC's decision was "arbitrary and capricious" and exceeded its "statutory authority" by failing to consider the best interests of electricity consumers (who will pay \$4 a month for the grid).⁴

A possible solution discussed by commissioners on March 11th is to assert regulatory control over Garland by pairing it up with another grid contractor (South Texas Electric Cooperative) and awarding the duo an \$87 million contract originally won by the Lower Colorado River Authority, a public entity run by Perry appointees. This could make the headache go away—without touching the contracts of private companies that invest heavily in political patronage.

Grid Contract Recipients and Partners

Contract (Millions)	Grid Contractor	Contract Partners & Related Companies
\$1,340	Oncor	Energy Future Holdings, TXU, Luminant
\$789	Electric Trans. TX	Am. Electric Power, MidAmerican Energy, Berkshire Hathaway
\$750	LCRA	Lower Colorado River Authority
\$564	Lone Star Trans.	Florida Power & Light, FPL Energy, NextEra Energy
\$402	Wind Energy Trans. TX	Brookfield Asset Management, Isolux Corsan Group
\$394	Sharyland Utilities	Hunt Consolidated, Hunt Oil, Hunt Transmission, Hunt Realty
\$390	Cross TX Trans.	LS Power
\$4,629	TOTAL	

Note: Three electric cooperatives also received contracts for smaller projects.

Wondering why Garland got elbowed out of the action in the first place, *Lobby Watch* followed the money. Since lawmakers directed the PUC to pursue renewable energy transmission lines in 2005, the political committees and executives of companies linked to the \$5 billion in transmission contracts have pumped \$4.5 million into state political campaigns. Affiliates of giant Texas Energy Future Holdings accounted for 63 percent of these contributions, which peaked as the company orchestrated its \$48 billion buyout of TXU Corp. in 2007—the largest private equity deal in history.

Grid Contractor Contributions To State Candidates and Committees (Jan. 2005 Through Feb. 2010)

Grid Contractor's Parent Company	Total from PACs and Executives	Share of Total
TX Energy Future Holdings, TXU	\$2,826,948	63%
American Electric Power	\$722,517	16%
Hunt Consolidated, Inc.	\$704,857	16%
FPL Energy, Florida Power & Light	\$202,513	5%
Lower Colorado River Authority	\$1,925	<1%
TOTAL	\$4,458,759	100%

Top Recipients of Grid-Contractor Funds (Jan. 2005 Through Feb. 2010)

Amount	Recipient (Party)	Office Held/Sought
\$419,250	David Dewhurst (R)	Lt. Governor
\$416,000	Rick Perry (R)	Governor
\$230,925	Kay B. Hutchison (R)	Governor
\$133,000	Tom Craddick (R)	Speaker
\$91,000	Susan Combs (R)	Comptroller
\$88,233	Troy Fraser (R)	Senate
\$76,622	Joe Straus (R)	Speaker
\$62,500	Greg Abbott (R)	Attorney General
\$61,438	Phil King (R)	House
\$61,130	Republican Party of TX	
\$52,500	Legislative Study Group	
\$52,476	Mex.-Am. Legis. Caucus	
\$50,607	TX Legis. Black Caucus	
\$50,500	Chris Harris (R)	Senate
\$50,000	Tarrant Co. Repub. Fund	
\$43,750	Rene Oliveira (D)	House

Lieutenant Governor David Dewhurst and Governor Rick Perry were the top recipients of grid-contractor contributions by far. The governor appointed the Public Utility Commissioners who awarded the \$5 billion grid contracts

Aside from the current and former House Speaker, the top legislative recipients of grid-contractor contributions were Sen. Troy Fraser and Rep. Phil King. Fraser chairs the Senate Business & Commerce Committee, which has principal oversight over the electric power industry. Until new House Speaker Joe Straus reshuffled the deck early last year, Rep. King chaired the corresponding House Regulated Industries Committee.

Fraser and King stood out not only for the quantity of money that they harvested from grid contractors but also in the rarefied quality of some of this money. Both of these lawmakers boast a single day in which they collected a bundle of checks worth a total of more than \$10,000 from 15 or more executives of Florida Power & Light (FPL Energy).

Same-Day FPL Contributions To Rep. King, Dec. 27, 2007

Amount	Contributor	FPL Title
\$2,000	FPL PAC	PAC
\$1,208	James Keener	Vice-President
\$1,000	*Scott Cousins	Vice-President
\$1,000	Mitchell Davidson	Chief Operating Officer
\$1,000	Kevin Suncine	Engineer
\$950	Edward Ross III	Director
\$900	Joseph Hayden	Engineer
\$890	Neal Shumway	Finance Director
\$690	Peter Kiernan	Technical Management
\$500	John Stall	Engineer
\$400	*Ronald Scheirer	Vice-President
\$300	Deborah Caplan	Procurement VP
\$300	F. V. Isabella	Accountant
\$250	Elizabeth Handel	FPL VP's spouse
\$250	Karen Schneck	Vice President
\$250	John Seymour III	Wind Developer
\$200	*Keyvan Bohlooli	Vice President
\$200	Kristine DiDonato	FPL Manager's Spouse
\$12,288	TOTAL	

*King did not identify this donor as an FPL employee.

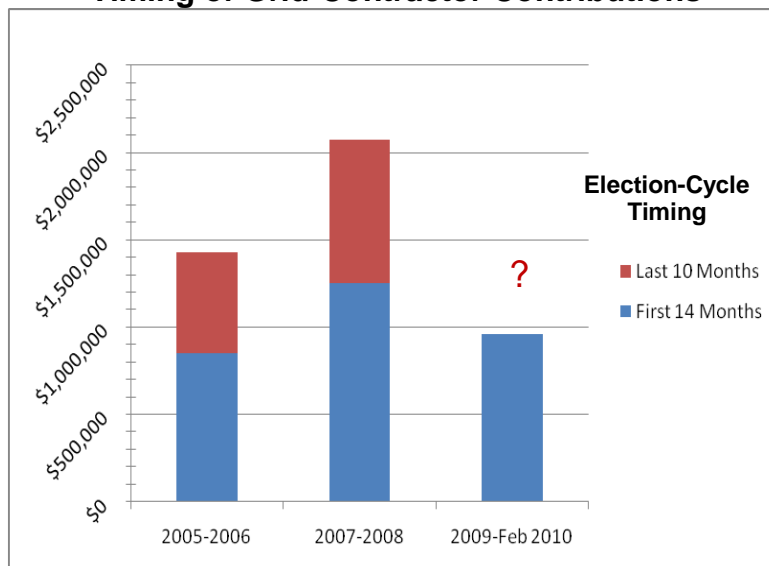
Senator Fraser's FPL money day—June 28, 2008—came four months after his campaign reported expenditures for an “FPL trip” to Florida. Fraser also toured FPL's Florida-based St. Lucie Nuclear Power Plant in 2006.

Same-Day FPL Contributions To Sen. Fraser, June 28, 2008

Amount	Contributor	FPL Title
\$2,000	FPL PAC	PAC
\$2,000	James Robo	Chair & CEO
\$500	Miguel Arechabala	VP Plant Ops
\$500	Scott Cousins	VP & Gen'l Counsel
\$500	Mitchell Davidson	President
\$500	Robert Garvin	VP – Reg. Affairs
\$500	Joseph J. Hayden	VP - Development
\$500	Roxanne Kennedy	PGD Gen'l Mgr.
\$500	Mark Maistro	President Retail
\$500	Michael O'Sullivan	SR VP Development
\$500	Manuel Sanchez	VP Wind Operations
\$500	Mark Sorensen	CFO
\$500	Kevin Suncine	VP - Human Res.
\$500	Brian Tobin	Reg'l Business Dir.
\$500	TJ Tuscai	SR Vice President
\$500	Lawrence Wall	VP Gas Infrastructure
\$11,000	TOTAL	

Two grid contractors did not appear to contribute to Texas politicians: LS Power's Cross Texas Transmission and Wind Energy Transmission Texas (a joint venture of Canada's Brookfield Asset Management and Spain's Isolux Corsan Group).

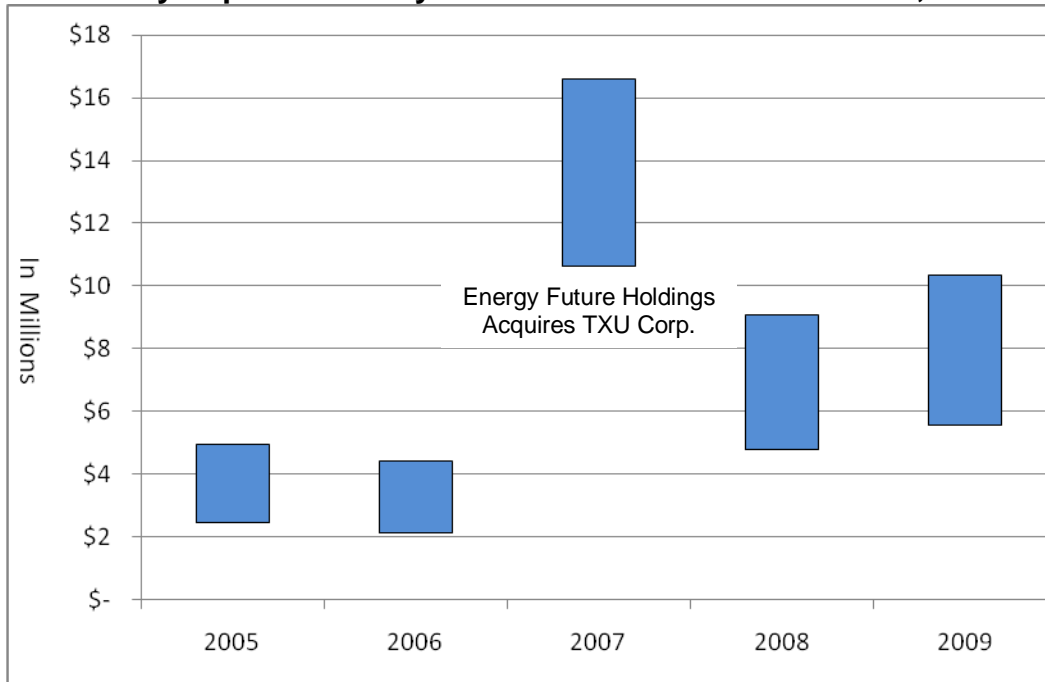
Timing of Grid-Contractor Contributions



Since lawmakers directed the PUC to pursue renewable energy transmission lines in 2005, companies linked to the \$5 billion in transmission contracts spent from \$26 million to \$45 million on 761 Texas lobby contracts (exact amounts are unknown because Texas lobbyists report their incomes in ranges). Companies related to Energy

Future Holdings Corp. and predecessor TXU Corp. accounted for 76 percent of these lobby expenditures. The push by Energy Future Holdings to buyout TXU Corp.—the largest private-equity deal in history—helped quadruple grid-contractor lobby expenditures in 2007.⁵

Texas Lobby Expenditures by Transmission-Line Contractors, 2005-2009



Grid Contractor	Top Related Lobby Client	Max. Value Of Contracts	Min. Value Of Contracts	No. of Contracts	Grid Contract (Millions)
Oncor	Energy Future Holdings	\$34,275,008	\$19,575,000	565	\$1,340
Electric Trans. TX	Am. Electric Power	\$5,630,000	\$3,565,000	49	\$789
LCRA	LCRA	\$2,985,000	\$1,275,000	86	\$750
Lone Star Trans.	FPL Energy, LLC	\$1,485,000	\$660,000	38	\$564
Sharyland Utilities	Hunt Realty Corp.	\$715,000	\$325,000	18	\$394
Cross TX Trans.	LS Power	\$300,000	\$150,000	5	\$390
TOTALS		\$45,390,008	\$25,550,000	761	\$4,227

Note: Three electric cooperatives also received contracts for small projects.⁶

The only contractor without lobby contracts is the foreign-controlled Wind Energy Transmission Texas. During this same period, the City of Garland paid a maximum of \$1.1 million for 16 lobby contracts. Its top lobbyist was Brian Sledge of Lloyd Gosselink.

No contributions or lobby expenditures were found tied to Omaha investor Warren Buffet, the planet's third wealthiest inhabitant. Buffet's Berkshire Hathaway owns MidAmerican Energy Holdings, which landed a \$789 million grid contract together with American Electric Power.

Million-Dollar Lobbyists For Grid Contractors (2005 Through 2009)

Lobbyist	Max. Value of Contracts	An'l Contracts With Grid Contractors	Lobbyist background
Dennis Thomas	\$1,695,000	15	TX Public Utility Commissioner: 1984-1988
Curtis Seidlits Jr.	\$1,450,001	6	Ex-lawmaker, Ex-TXU Senior VP
Andrew Kever	\$1,150,001	5	Winstead attorney; Gov. Briscoe's ex-aide
Stan Schlueter	\$1,020,000	12	Ex-lawmaker
Marc Lipschultz	\$1,000,002	2	Partner at KKR, which acquired TXU

Note: Grid contractors paid ex-Dallas Mayor and future U.S. Trade Representative Ron Kirk up to \$800,000.

Top Grid-Contract Contributors, Jan. 2005 Through Feb. 2010

Amount	Contributor	City	Company
\$1,166,617	TXU Energy PAC	Dallas	TXU Energy Corp.
\$720,576	American Electric Power	Columbus, OH	American Electric Power
\$612,738	Erle A. & Alice Nye	Dallas	TXU Energy Corp. Ex-CEO
\$610,422	Ray L. Hunt	Dallas	Hunt Consolidated, Inc. CEO
\$464,710	TXU Employees PAC	Fort Worth	TXU Energy Corp.
\$180,275	Florida Power & Light	Juno Beach, FL	FPL Energy
\$169,635	Energy Future Holdings	Dallas	Energy Future Holdings
\$125,500	TX Energy Future PAC	Austin	Energy Future Holdings
\$58,350	Donald L. Evans	Midland	Energy Future Holdings Chair
\$37,750	Hunt Oil Co.	Dallas	Hunt Petroleum Corp.
\$27,500	Hunt Consolidated	Dallas	Hunt Consolidated, Inc.
\$25,000	Michael S. Greene	Fort Worth	Energy Future Holdings Vice Chair
\$17,900	Michael T. McCall	Southlake	TXU Energy Corp. President
\$15,492	Robert C. Walters	Dallas	Energy Future Holdings Gen'l Counsel
\$15,000	Jerome Farrington	Dallas	TXU Energy Corp. Ex-CEO
\$14,000	Charles Wilder	Dallas	TXU Energy Corp. Ex-CEO
\$11,500	David Bonderman	Fort Worth	Texas Pacific Group Mng. Partner
\$11,150	John Young	Dallas	Energy Future Capital CEO
\$9,250	Thomas Baker	Dallas	Energy Future Holdings Chr. Emeritus
\$9,005	Brenda L. Jackson	Dallas	TXU Energy Corp. VP
\$8,244	Curtis Seidlits, Jr.	Austin	TXU Energy Corp. VP
\$8,138	Luminant PAC	Dallas	Luminant
\$8,000	Paul Plunket III	Dallas	TXU Energy Corp. VP
\$6,500	Mario Max Yzaguirre	Austin	Hunt Resources President
\$6,000	Phil Wilson	Austin	Luminant VP
\$6,000	James Robo	Palm Beach, FL	FPL Energy President

Notes

¹ Senate Bill 20's so-called "competitive renewable zones," which works call "CREZs." Publicly and privately owned power companies backed the bill, as did the renewable industry.

² "Wind Energy in Texas Gets \$10 Billion Boost," Renewable Energy World.com, October 4, 2006.

<http://www.renewableenergyworld.com/rea/news/article/2006/10/wind-energy-in-texas-gets-10-billion-boost-46145>

³ "Texas Utilities' Rejection of Stimulus Funds Could Lead To Higher Bills," *Dallas Morning News*, September 30, 2009.

⁴ "PUC To Discuss Tiny Utility's Bid Today," *Dallas Morning News*, January 29, 2010. "Garland City Attorney and PUC Spar Over Release," *Fort Worth Star-Telegram*, January 29, 2010.

⁵ "Power Players Unplugged: For Buyout Kingpins, an Energy Deal Gets Tricky," *New York Times*, February 28, 2010.

⁶ South Texas Electric Cooperative, Brazos Power Electric Cooperative and Bandera Electric Cooperative.