

# LOBBY WATCH



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King Was in the Counting House...

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## Industry Pays Tribute To the King of Dereg

The *Dallas Morning News* recently published a graph showing how Texans' electric rates shot past the national average after deregulation hit Texas in January 2002. It graphically portrayed how deregulated power companies have gouged Texas families.<sup>1</sup>

Yet the graph failed to address how deregulation has affected the politicians who—all evidence to the contrary—have sold deregulation as a boon to consumers. This *Lobby Watch* plots average retail electric rates at the state and national levels alongside the campaign money that the electric industry has given to the legislature's leading deregulation apologist.

As the respective committee chairs overseeing this mess, Sen. Troy Fraser and Rep. Phil King are logical candidates to be Texas' dereg poster boy. But a joint hearing that their committees held in November 2006 served as a tiebreaker.

By that time even most lawmakers realized that deregulated power companies jack up rates when energy prices rise but are notoriously sluggish about passing on savings when energy costs fall. While hardly a quick study, Sen. Fraser belatedly saw that the fix was in. At the hearing he ripped into John Wilder, the then-CEO of the profit-engorged TXU Corp.

By contrast, the hearing seemed to trigger an existential crisis in Rep. King, as he struggled to grasp why Adam Smith's "magic hand of capitalism" had yet to descend from the sky to clean up Texas' dereg wreckage.

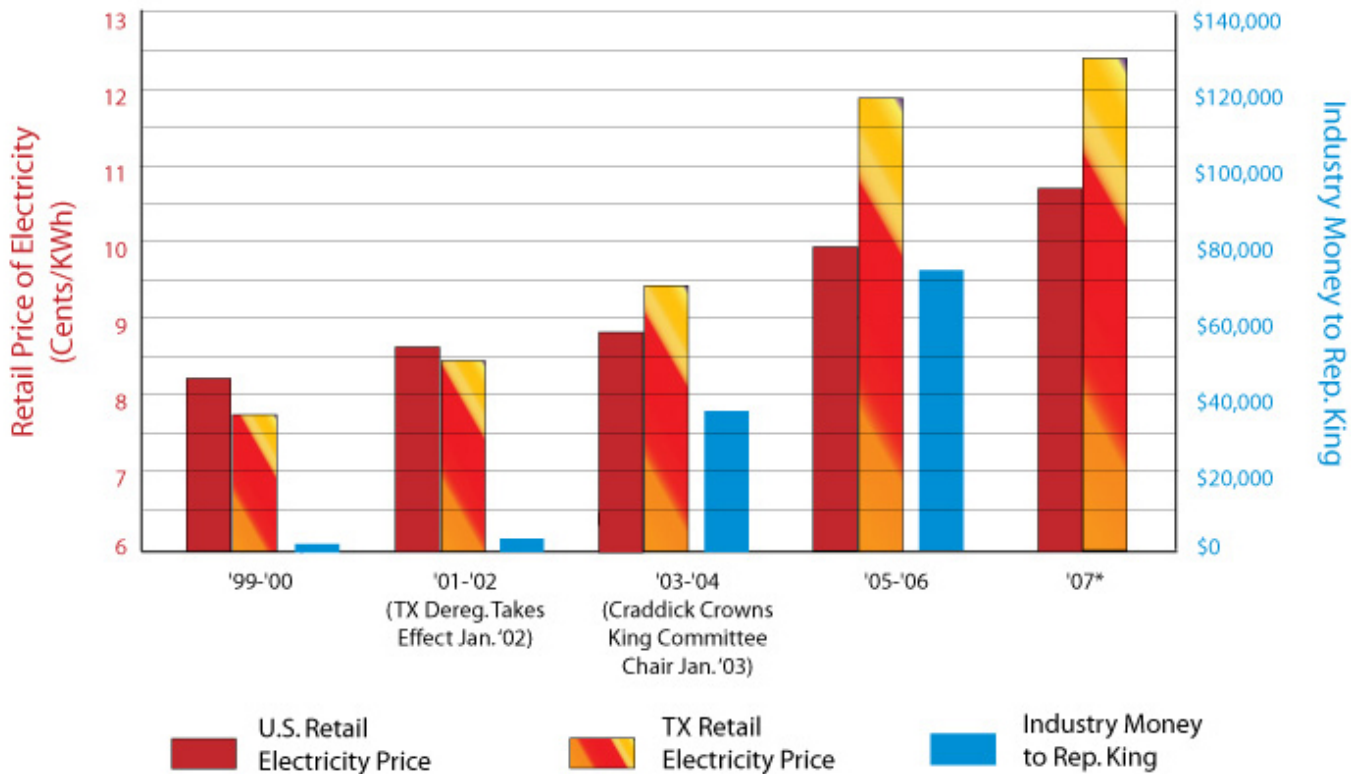
"I'm a really, really strong believer in the free market," King said. "When you have a competitive market that's competitively structured, you're always going to get the best price and the best innovation and the best service," King said. "The question is, do we really have a market that's structured to be competitive?"<sup>2</sup> Duh?

That performance cemented Rep. King's reputation as Texas' good ol' poster boy for dereg—an experiment that has fleeced Texans who are neither power executives or power brokers.

Rep. King's party won control of the Texas House the same year that dereg took effect in 2002. In January 2003, new House Speaker Tom Craddick gave King control of the House's newly misnamed Regulated Industries Committee. As the accompanying graph shows, this put King in the perfect chair from which to claim his share of the electric industry's dereg windfall.

At the dawn of dereg in the 2002 election cycle, Rep. King received \$3,500 from electric power interests (excluding donations by electric co-ops, which were not big dereg cheerleaders). This industry money accounted for 1 percent of the money that Rep. King raised that cycle. During the 2004 cycle—with King now at the helm of the House's newly christened Regulated Industries Committee—electricity prices in Texas began to break away from the nation as a whole. That cycle, industry PACs and executives transmitted \$37,000 to Rep. King, accounting for 9 percent of the money he raised.

## Power Companies Rewarded the Dereg King As Texas' Deregulated Electric Rates Rocketed Past the National Average



Time Period	1999-2000	2001-2002	2003-2004	2005-2006	2007*
U.S. Retail Electricity Price (per KWh)	8.20 ¢	8.51 ¢	8.84 ¢	9.93 ¢	10.66 ¢
TX Retail Electricity Price (per KWh)	7.76 ¢	8.46 ¢	9.45 ¢	11.90 ¢	12.45 ¢
Industry Contributions to Rep. King	\$1,000	\$3,500	\$37,000	\$73,450	\$26,000
Industry's Share of Rep. King's Money	1%	1%	9%	13%	7%

\*2007 donations cover until Jan. 24, 2008; electricity price for 2007 covers through Nov. 2007.  
Sources: Energy Information Administration, Texas Ethics Commission.

In the last complete election cycle, which ended in December 2006, the electric industry jolted Texans with a dereg surcharge that made their kilowatts 20 percent more expensive than the national norm. That cycle this industry gave Rep. King \$73,450—or 13 percent of the money he raised.

With most of the money in the 2008 cycle yet to be reported,<sup>3</sup> Rep. King raised \$362,966 from January 2007 through the first few weeks of 2008; this included \$26,000 from the electric industry (7 percent). Sometimes the magic hand picks many pockets to fill but a few. ●

### King's Top Power Donors , 2005-2006

Amount	Industry PAC Donor	City
\$10,000	CenterPoint Energy, Inc.	Houston
\$10,000	Entergy	Austin
\$7,500	American Electric Power Co.	Columbus, OH
\$7,500	Constellation Energy	Baltimore, MD
\$7,500	Reliant Energy	Houston
\$5,000	TXU Energy	Dallas
\$5,000	TXU Employees	Fort Worth
\$5,000	Florida Power & Light Co.	Juno Beach, FL

<sup>1</sup> "Is electricity deregulation a raw deal for Texas?" *Dallas Morning News*, January 20, 2008.

<sup>2</sup> "Legislators slam record TXU profits," *Dallas Morning News*, November 10, 2006.

<sup>3</sup> A fundraising ban around the legislative session barred any donations during most of the first half of 2007. In the preceding election cycle, major-party state candidates raised 43 percent of their money prior to the primary. See *Money in PoliTex*, Texans For Public Justice, September 2007. <http://www.tpj.org/reports/politex2006/>