


Big Bucks for Bad Actors

 **Dynegy is under increased scrutiny for allegedly engaging in sham energy trading and deceptive accounting practices. Instead of cracking down on corporate abuse, will Congress reward Dynegy with new tax breaks and subsidies in its final energy legislation?**

Corporate Irresponsibility

Cooking the Books: The Securities and Exchange Commission (SEC) is investigating Dynegy for “Project Alpha,” a complex accounting vehicle related to a gas contract that boosted reported cash flow by \$300 million and cut taxes with no other obvious purpose.¹ As of August 22, 2002, Dynegy was one of 16 companies yet to comply with an SEC directive requiring executives at 691 companies to swear to the veracity of their financial statements. Dynegy cited its three-year re-audit as cause of the delay.²

Air Pollution: Dynegy also has a spotty environmental track record. Mainly through its subsidiary, Illinois Power, Dynegy owns some of the dirtiest power plants in Illinois and New York, emitting pollutants that cause smog (NOx), soot (SO₂) and global warming (CO₂).

Emissions from Dynegy’s Dirtiest Power Plants (2001)

	SO2 (tons)	CO2 (tons)	NOx (tons)
Baldwin (IL)	23,130	11,738,582 (43 rd)	28,389 (29 th)
Danskammer (NY)	12,380	2,575,837	5,058
Havana (IL)	8,126	1,875,653	3,725
Hennepin (IL)	4,173	1,865,709	3,090
Roseton (NY)	15,591	2,684,373	3,638
Vermilion (IL)	15,114	1,045,630	1,935
Wood River (IL)	17,783	2,380,913	6,073

Source: EPA’s Acid Rain Database. Rank of power plants in top 100 nationally for emissions in parentheses.

Energy Policy: Throwing Good Money After Bad Actors

Dynegy stands to benefit from several of provisions in the House and Senate energy bills, including:

Handouts for Dirty Power. Dynegy stands to benefit from several of the provisions designed to increase electricity generation from “clean” coal. There is no such thing as “clean” coal, as coal pollutes air, land and water from the point of mining to combustion. The Senate bill contains \$1.9 billion in tax breaks for “clean” coal; the House bill contains \$3 billion in tax breaks and an additional \$2.5 billion in subsidies for research and development.

Dynegy has received Department of Energy funding in the past for “clean” coal. The Wabash River Coal Gasification Repowering Project, a joint venture of Dynegy and PSI Energy, completed a \$438,200,000 “clean” coal project in 2000 at PSI Energy’s Wabash River Generating Station in West Terre Haute, Indiana.

Opening the Door to More ‘Enrons’. The Senate energy bill repeals the pro-consumer Public Utility Holding Company Act. The American Public Power Association predicts that repealing PUHCA will allow multi-state holding companies to “escape effective regulatory oversight,” leaving “consumers at risk of severe market power abuses.”³ Repealing PUHCA removes accountability and transparency from the energy sector at a time when evidence

suggests that energy companies such as Dynegy have engaged in sham energy trades to boost their bottom line.

Giveaways to Big Oil and Gas. Dynegy's natural gas liquids subsidiary, Dynegy Midstream Services, includes North American midstream liquids operations, global natural gas liquids transportation and marketing operations. As such, Dynegy could benefit from the enormous tax breaks and subsidies for the oil and gas industry in the House and Senate energy bills. The House energy bill includes \$23.7 billion in tax breaks and subsidies for the oil and gas industry. The Senate energy bill contains \$5.6 billion in tax breaks for oil and gas.

 **Dynegy's Political Influence**

Dynegy won these concessions in the House and Senate energy bills by helping to elect industry-friendly Members of Congress, buying access with campaign contributions and lobbyists, and tapping into its high level of access with the Bush administration.

Dynegy's Lobbying Expenses and Contributions to Congressional and Presidential Candidates

	Total
PAC \$ (2000-2002 cycles)	\$127,850
Hard \$ to Energy Bill Conferees* (2000-2002 cycles)	\$44,700
Soft \$ (2000-2002 cycles)	\$364,982
Lobbying Expenses 2001	\$180,000

Data collected from www.opensecrets.org and Senate Office of Public Records at <http://sopr.senate.gov/>.

* Includes PAC money and individual hard money contributions

Access to the Bush Administration

- Former Dynegy CEO Charles Watson sat on the Electricity Advisory Board, which was set up by Energy Secretary Spencer Abraham to advise him on electricity policy issues.⁴

 **Company Background**

DYNEGY

Dynegy produces and delivers energy, including natural gas, power, natural gas liquids and coal.

Headquarters: Houston, Texas
Revenues (6 months ending 6/30/02): \$18.6 billion⁵
CEO Salary (2001): \$6.2 million⁶
COO Salary (2001): \$6.1 million⁷

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¹ Kristen Hays. "Dynegy Reports \$328 Million Loss." *Associated Press*. July 30, 2002.

² Krissah Williams. "16 of 691 Firms Missed Deadline." *Washington Post*. August 22, 2002.

³ American Public Power Association Issue Brief, "Congress Must Act to Solve the Wholesale Electricity Market Crisis." March 2001.

⁴ Department of Energy, <http://www.energy.gov/HQPress/releases01/decpr/ElectricityAdvisoryBoardMembers.html>.

⁵ Kristen Hays. "Dynegy Reports \$328 Million Loss." *Associated Press*. July 30, 2002.

⁶ Yahoo Market Guide, <http://biz.yahoo.com/p/d/dyn.html>.

⁷ Yahoo Market Guide, <http://biz.yahoo.com/p/d/dyn.html>.