

Big Bucks for Bad Actors



Reliant Energy is under increased scrutiny for allegedly engaging in round trip energy trades through its subsidiary, Reliant Resources. Instead of cracking down on corporate abuse, will Congress reward Reliant with new handouts in its final energy legislation?



Corporate Irresponsibility

Sham Energy Trades: Reliant Energy and its subsidiary Reliant Resources filed amended annual reports with the Securities and Exchange Commission to reflect so-called round-trip trades—the simultaneous buying and selling of power with the same counterparty for the purpose of inflating volumes or revenue. The swap transactions inflated the companies' revenue for fiscal years 1999, 2000 and 2001.¹

Air Pollution: Reliant owns and operates numerous dirty power plants, emitting pollutants that cause smog (NOx), soot (SO₂) and global warming (CO₂).

Emissions from Reliant's Dirty Power Plants (2001)

Plant Name	SO2 (tons)	CO2 (tons)	Nox (tons)
Avon Lake (OH)	33,530	4,076,111	15,757 (94 th)
Cheswick (PA)	49,003 (58 th)	3,958,748	6,749
Conemaugh (PA)	6,453	12,129,341 (40 th)	20,864 (60 th)
Indian River (FL)	11,097	1,292,723	2,653
Keystone (PA)	159,725 (2 nd)	11,958,429 (41 st)	19,239 (70 th)
New Castle (PA)	28,851	2,248,463	4,127
Niles (OH)	25,901	1,535,028	6,869
Portland (PA)	16,621	1,287,571	1,915
Seward (PA)	13,395	1,067,214	2,212
Shawville (PA)	42,015 (75 th)	3,114,275	6,695

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



Energy Policy: Throwing Good Money After Bad Actors

Reliant stands to benefit from several of the coal, oil, gas and nuclear provisions in the House and Senate energy bills. Such provisions include:

Handouts for Dirty Power. Both the House and Senate energy bills include tax breaks and subsidies for so-called "clean" coal technology. 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 more than \$3 billion in tax breaks and an additional \$2.5 billion in subsidies for research and development. In July 2001, Reliant Energy announced that it had broken ground for a new "clean coal" power plant in Seward, Pennsylvania designed to generate electricity from more than 40 million tons of waste coal piled up around Pennsylvania.²

Opening the Door to More 'Enrons'. The Senate energy bill repeals the pro-consumer Public Utility Holding Company Act. Reliant signed on to a March 2001 letter to Vice President Cheney advocating the repeal of PUHCA. 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

Enron and Reliant, have engaged in sham energy trades to boost their bottom line.

New Handouts for Nuclear Power. Reliant Energy owns 30% interest in the South Texas Project Electric Generating Station, a large nuclear power plant located near Bay City, Texas. The company therefore stands to benefit from the massive subsidies for nuclear power in the House and Senate energy bills. The House energy bill contains \$2.9 billion in research subsidies and tax breaks for the nuclear industry. The Senate energy bill contains \$1.1 billion in tax breaks and proposes allocating additional funding for research into reprocessing spent nuclear fuel and other dangerous technology.

Giveaways to Big Oil and Gas. Reliant Energy owns and operates numerous oil and gas-fired power plants across the country. As such, the company 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.



Reliant's Political Influence

Reliant won pro-industry energy policy 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.

Access to the Bush Administration

- Reliant Energy had contact four times with Vice President Cheney's energy task force, according to an analysis by NRDC.
- Reliant Energy's CEO, Steven Ledbetter, was a Bush "pioneer," raising more than \$100,000 for Bush's presidential campaign. He also gave \$100,000 to the Bush-Cheney 2001 Presidential Inaugural Committee.⁴

- Joe Allbaugh, Director of the Federal Emergency Management Agency, served as Chief of Staff to then-Governor George W. Bush. Allbaugh served as the National Campaign Manager for Bush-Cheney 2000. Allbaugh's wife, Diane Allbaugh, is a registered lobbyist whose clients include Reliant, Entergy and TXU Corp.⁵

Reliant's Lobbying Expenditures and Contributions to Presidential and Congressional Candidates

	Total
PAC \$ (2000-2002 cycles)	\$407,179
Hard \$ to Energy Bill Conferees* (2000-2002 cycles)	\$108,500
Soft \$ (2000-2002 cycles)	\$133,355
Lobbying Expenses 2001	\$1,500,000

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



Company Background

Reliant Energy is an international energy services and energy delivery company with operations in North America, Western Europe, and Latin America.

Headquarters: Houston, Texas
Revenues (1/1/02-6/30/02): \$18.43 billion⁶
CEO Salary in 2000: \$3.4 million⁷

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¹ Leticia Williams. "Reliant Energy amends annual report." CBS.MarketWatch.com. July 5, 2002.

² "New 'clean coal' power plant set for Pennsylvania." *Environmental News Network*. July 31, 2001.

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

⁴ NRDC, <http://www.nrdc.org/air/energy/aplayers.asp>. Center for Responsive Politics, <http://www.opensecrets.org/2000elect/other/bush/inaugural.asp>.

⁵ See registration forms on file at the Senate Office of Public Records, <http://sopr.senate.gov/>.

⁶ Yahoo! Market Guide, <http://biz.yahoo.com/p/r/rei.html>.

⁷ Yahoo! Market Guide, <http://biz.yahoo.com/p/r/rei.html>.