



June 23, 2017

Michael Picker, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
FAX: 415-703-1758

Dear President Picker,

At a time when we are paying other states to take our excess solar power, it's unconscionable that California would continue to build more natural gas powered plants and that two plant operators financed the Governor's trip to Beijing to proclaim his world leadership against the damage wrought by fossil fuels.

We are deeply troubled to learn that AES Corporation, which chipped in to help pay for the Beijing trip via the California State Protocol Foundation, sent an executive to accompany the Governor. AES recently won the right to build two big new fossil fuel-powered electric plants in the Los Angeles basin for Southern California Edison despite a demonstrated electricity glut.

AES won from other regulators the right to expand that capacity beyond what the Public Utilities Commission (PUC) approved. Edison will need to come before you for permission to pass those extra costs along to ratepayers.

When Californians are overpaying billions of dollars for their electricity, and independent operators are shutting down their plants, it's outrageous that AES would win the right to build *new* fossil-fueled power plants and then parade around the world with the Governor as climate change champions.

We call upon the PUC to ensure full transparency by requiring disclosure of any contact between AES and Administration officials on the trip, as well as

the Governor himself, about any upcoming proposals before the PUC involving Edison and AES.

Governor Brown travelled to Beijing this month to promote his climate agenda along with a delegation of 30 state business leaders, including from AES, energy investors such as BP Ventures, and business advocacy groups such as the Bay Area Council.

The trip was underwritten by these executives who paid a fee of about \$5,500 to the California State Protocol Foundation on top of their travel costs to attend multiple private dinners, luncheons, and receptions with Brown, as well as Chinese business and political leaders. The Foundation funded the Governor's travel to Beijing with these donations.

NRG is a contributor to the same foundation, having donated \$25,000, and \$110,000 overall to the Governor's campaigns, causes and the California Democratic Party since 2012. The PUC approved Edison's contract with NRG to build a gas-fired power plant in Oxnard, but that plan now hangs in the balance as other energy regulators rethink the need for it.

As we have demonstrated in our report, *Brown's Dirty Hands*, energy companies have used campaign and charitable donations to win favors from the Administration or lawmakers or to say "Thank you." AES has donated \$20,000 to the Oakland Military Institute, one of Governor Jerry Brown's favorite causes. Edison is a major donor to Governor Brown's campaigns and the California Democratic Party, contributing more than \$1.7 million to Brown's two gubernatorial campaigns and the California Democratic Party since 2009.

Ironically, companies milking the state for unnecessary fossil fuel power paid for by ratepayers are underwriting the Governor's anti-climate change agenda and the media coverage that it drives.

While the trip presented a business opportunity to sell technology and know how aboard, it also presented a business opportunity to influence Governor Brown and regulators such as Robert Weisenmiller of the California Energy

Commission and Mary Nichols of the Air Resources Board, to encourage utilities to buy that technology in California.

Weisenmiller and other energy commissioners recently granted AES licenses allowing the company to build 62 percent more capacity at Alamitos and 31 percent more capacity at Huntington Beach for Edison than the PUC approved last year.

Ratepayers are already saddled with these powerplants, but it is only a matter of time before Edison returns to ask the PUC for permission to charge ratepayers for additional power that the plants will generate, whether it is needed or not.

AES West executive Stephen O’Kane had access to Brown and his top officials in Beijing to influence such a decision.

The Governor has intervened in such decisions in the past, according to emails produced under Public Records Act Requests. For example, Brown appears to have played an instrumental role in helping muscle PUC votes for fossil fuel projects that weren’t necessarily needed.

When Pacific Gas & Electric wanted to build the Oakley natural gasfired power plant in Contra Costa County, one PUC Commissioner resisted. According to a January 1, 2013 email from former PG&E lobbyist Brian Cherry to his boss, Cherry described his conversation with former PUC President Michael Peevey: “He reminded me how he and Governor Brown used every ounce of persuasion to get [commissioner Mark] Ferron to change his mind and vote for Oakley...Jerry’s direct plea ...was decisive. Peevey suggested that Tony [Earley, former PG&E CEO] call the Governor personally and thank him.” An appeals court later struck down the PUC decision because PG&E could not prove the need for the plant.

The PUC’s troubled history with international back-room dealing makes disclosure of any such contacts critical, despite the fact that there are no *ex parte* rules covering the reporting of energy company conversations with other energy policy decision makers outside of the PUC. Based on this

situation, we urge legislative leaders to broaden the law governing *ex parte* communications.

Former PUC President Peevey, now under criminal investigation, cut an illegal under the table deal with Edison in Warsaw, Poland on a Hotel Bristol napkin that unjustly assigned the lion's share of billions of dollars in decommissioning costs for the defective San Onofre nuclear generators onto ratepayers instead of shareholders.

As soon as an Edison proceeding is opened, the Commission needs to ascertain from the Governor and from top regulators travelling with him whether AES lobbied on approving yet more natural gas power capacity for the LA Basin for its client, Edison.

As you know, the state requires regulators to consider increased energy efficiency, demand-side programs, and renewable energy before the construction of new fossil fuel power plants, which are to be a last resort. Instead, under your tenure as a top energy advisor to Brown and then at the PUC, 15 natural gas power plants have been approved or built.

Though electricity demand continues to fall, *The Los Angeles Times* has reported new natural gas power plants will provide a minimum of 21 percent more power than demand for it by 2020. (<http://www.latimes.com/projects/la-fi-electricity-capacity/>)

The tab to Californians totals \$40 billion a year, nearly \$7 billion more than we were paying a decade ago. The state has authorized major investor-owned utilities to build in roughly triple the minimum extra capacity than required to meet unforeseen demand. This comes at a time when we are paying other states to take our excess solar power whose plummeting price now rivals that of natural gas power, according to *The Los Angeles Times*. (<http://www.latimes.com/projects/la-fi-electricity-solar/>)

State regulators' approval for these plants keeps the state hooked on fossil fuels that Governor Brown purports to be battling, increases global warming and toxic emissions, and knowingly creates stranded assets at the expense of ratepayers and the environment since the plants will not be able to run for decades and still meet stringent new legal requirements for renewable energy.

All five PUC Commissioners, including yourself, are former top Brown aides or former Brown executive branch appointees. Governor Brown has enlisted the PUC in the past to represent his views to state lawmakers attempting to reform the Commission and tighten rules preventing behind-the-scenes dealings between the Commission and the energy industry. Tough new legislation was ultimately vetoed by Brown in 2015. The Governor, more closely than any other in modern history, controls the PUC with a firm grip.

With ratepayers paying billions more for electricity that that they don't need greased by PUC corruption scandals, the Governor and the PUC owe the people of California full disclosure in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Liza Tucker", with a horizontal line extending to the right.

Liza Tucker
Consumer Advocate

CC:

PUC Commissioner Martha Guzman Aceves

PUC Commissioner Carla Peterman

PUC Commissioner Liane Randolph

PUC Commissioner Clifford Rechtschaffen

Kevin De Leon, President pro Tempore

Anthony Rendon, Speaker of the Assembly

Ben Hueso, Chair, Senate Energy, Utilities & Communications Committee

Chris Holden, Chair, Assembly Utilities & Energy Committee

Top 12 Corporate Tax Dodgers

1. **Pacific Gas & Electric (PG&E).** Since 2008, PG&E has received a \$1.6 billion refund from the IRS. And this huge utility company doesn't just dodge taxes. Last year, it was convicted of obstructing a federal investigation into a gas pipeline explosion that killed eight people and destroyed 38 homes. The maximum fine for this felony is \$3 million -- a fraction of the \$10.8 billion in profits this corporate tax dodger has made over the past eight years. And last year, PG&E rewarded its CEO with \$11.1 million in total compensation.
2. **General Electric (GE).** When it comes to dodging taxes, GE brings good things to life. From 2008 through 2015, while GE made more than \$40 billion in profits, it received a tax refund of nearly \$1.4 billion. Since 2008, GE has received more than \$15.3 billion in tax breaks. Meanwhile, GE has outsourced thousands of jobs overseas, reduced its U.S. workforce by 37 percent since 1999 and shut down more than 50 American factories since 2008. During the financial crisis, GE received a \$16 billion bailout from the Federal Reserve while the corporation's CEO, Jeffrey Immelt, served as a director of the New York Fed. In 2015, Mr. Immelt received over \$33 million in total compensation.
3. **JP Morgan Chase.** In 2013, JP Morgan Chase made a profit of \$12.5 billion, but instead of paying federal income taxes it received a \$1.4 billion tax refund, thanks in large part to 385 subsidiaries incorporated in offshore tax havens, including 149 in the Cayman Islands. Since 2008, JP Morgan Chase has received more than \$22.2 billion in tax breaks. Meanwhile, during the financial crisis, JP Morgan Chase received a \$391 billion bailout from the Federal Reserve, while Jamie Dimon, the CEO of this financial institution, served on the Board of Directors of the Federal Reserve Bank of New York.
4. **International Paper.** Since 2008, International Paper made more than \$5 billion in profits, but instead of paying federal income taxes, it received a \$386 million tax refund from the IRS. International Paper has a decades-long history of dumping pollution from its mill in Ticonderoga, NY into the air and into Lake Champlain, damaging the surrounding environment and that of the Vermont towns on the other side of the lake. While the company's environmental record has improved in recent years, it still emits a huge amount of pollution into Vermont with processes that the company claims are necessary to remain profitable. Meanwhile, the CEO of this corporation made more than \$16.8 million in total compensation in 2015.
5. **IBM.** In 2015, IBM made nearly \$6 billion in profits in the U.S., but not only did IBM pay nothing in federal income taxes that year, it received a \$321 million tax refund from the IRS, and \$1.35 billion in government contracts. From 2008-2015, IBM avoided \$17.8 billion in U.S. taxes while they now have 16 subsidiaries in offshore tax havens. While Big Blue has been working hard to avoid U.S. income taxes, it is in the process of firing thousands of U.S. workers shipping many of these jobs to Asia and Eastern Europe. Meanwhile, IBM's CEO, Ginni Rometty, received nearly \$20 million in total compensation last year including a record-breaking \$4.95 million bonus.

6. **CBS.** In 2014, CBS made nearly \$1.8 billion in profits, but instead of paying federal income taxes, it received a \$235 million refund from the IRS. Meanwhile, Leslie Moonves, the CEO of CBS, made over \$56 million in 2015 and has an estimated net worth of more than \$700 million.
7. **Boeing.** Since 1994, Boeing has shipped almost 60,000 jobs overseas. In 2014, shortly after forcing U.S. workers to accept an end to the company's defined benefit pension plan, Boeing's CEO – who made \$23.5 million in compensation that year – callously said that he decided to put off retirement because “The heart will still be beating, the employees will still be covering, I'll be working hard.” When it comes to avoiding taxes, no company works harder than Boeing. In 2013, Boeing made nearly \$6 billion in profits, but instead of paying federal income taxes, it actually received a tax refund of \$199 million from the IRS.
8. **Verizon.** Not only did this telecommunications giant avoid paying federal income taxes on \$12.3 billion in U.S. profits in 2013, it received a tax refund of \$197 million from the IRS. And Verizon isn't just good at avoiding U.S. taxes. In 2009, it used a Dutch subsidiary to convert \$1 billion of equity into debt to escape paying virtually any taxes in Europe. Since 2008, Verizon has received over \$21.1 billion in tax breaks. Meanwhile, Verizon has shipped more than 5,000 jobs to the Philippines, Mexico, the Dominican Republic and other low-wage countries in recent years. Meanwhile, the CEO of Verizon, Lowell McAdam, made \$18.2 million in total compensation in 2015, over 200 times more than the average worker.
9. **Priceline.com.** Not only did this online travel company, avoid paying federal income taxes from 2008 to 2015, it received a tax refund from the IRS of \$31 million, even though it made a combined profit of \$698 million. Not content to avoid federal taxes, Priceline has been sued in several states for not paying state and local hotel taxes on their booking fees. Meanwhile, it paid its CEO, Darren Huston, over \$15 million in total compensation in 2015.
10. **Netflix.** In 2015, not only did Netflix avoid paying federal income taxes, it received a \$28 million tax refund from the IRS, even though it made more than \$97 million in profits. Netflix benefits from tax breaks for executive stock options and the research tax credit, and is also known to make use of tax havens in Luxembourg. Remarkably, the state of Maryland has provided tax credits for the production of the Netflix show House of Cards, despite a report from Maryland's Department of Legislative Services concluding that those tax credits do not benefit the state at all. Meanwhile, the CEO of Netflix, Reed Hastings received over \$16.6 million in total compensation in 2015.
11. **Time Warner.** In 2014, not only did Time Warner pay nothing in federal income taxes, it received a tax refund from the IRS of \$26 million, even though it made \$4.6 billion in profits. Since 2008, Time Warner has received more than \$6.7 billion in tax breaks. Meanwhile, the CEO of Time Warner, Jeffrey Bewkes, received over \$31 million in total compensation in 2015.

12. **Exxon Mobil.** Not only did Exxon Mobil pay nothing in federal income taxes in 2015, it received a tax refund of nearly \$2 million from the IRS. Meanwhile, Rex Tillerson, the former CEO of Exxon Mobil, received a \$180 million severance package from this big oil company before he became President Trump's Secretary of State.