

Big Bucks for Bad Actors



Duke Energy is under increased scrutiny for allegedly engaging in “round trip” energy trading. Instead of cracking down on corporate abuse, will Congress reward Duke Energy with new handouts in its final energy legislation?



Corporate Irresponsibility

Sham Energy Trading: On July 16, 2002, Duke Energy admitted to completing 23 round-trip trades—the simultaneous buying and selling of power with the same counterparty for the purpose of inflating volumes or revenue—amounting to \$126 million. Duke says these trades were intended to raise volume on the electronic trading platform Intercontinental Exchange.¹

Polluting North Carolina’s Air: Duke Power, a subsidiary of Duke Energy, operates some of the most polluting power plants in North Carolina, emitting pollutants that cause smog (NOx), soot (SO₂) and global warming (CO₂).

Emissions from Duke Power’s Coal-Fired Power Plants (2001)

	SO ₂ (tons)	CO ₂ (tons)	NOx (tons)
Allen	37,027 (93 rd)	5,487,331	10,673
Belews Creek	83,077 (22 nd)	13,148,649 (33 rd)	34,203 (14 th)
Buck	9,205	1,730,127	3,752
Cliffside	29,559	4,049,227	9,139
Dan River	4,412	898,554	1,993
Lee	15,744	2,438,866	5,398
Marshall	77,291 (25 th)	11,860,117 (42 nd)	20,124 (64 th)
Riverbend	17,435	2,374,459	5,055

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

Duke Energy stands to benefit from numerous provisions in the House and Senate energy bills.

Handouts for Dirty Power. Duke Energy operates eight coal-fired power plants via its subsidiary, Duke 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 \$3 billion in tax breaks and an additional \$2.5 billion in subsidies for research and development.

New Handouts for Nuclear Power. Duke Energy, via Duke Power, operates three nuclear power plants: the Catawba Nuclear Station in York, S.C.; McGuire Nuclear Station in Huntersville, N.C.; and Oconee Nuclear Station in Seneca, S.C. 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. Through its subsidiaries, Duke Energy operates more than

18,900 miles of interstate transmission pipeline and leads the midstream segment of the natural gas industry as one of the nation's largest natural gas gatherers and natural gas liquids producers. As such, Duke Energy 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 bill contains \$5.6 billion.

Opening the Door to More 'Enrons'. The Senate energy bill repeals the pro-consumer Public Utility Holding Company Act. Duke Energy 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."² Repealing PUHCA removes accountability and transparency from the energy sector at a time when evidence suggests that energy companies, such as Enron and Duke Energy, have engaged in sham energy trades to boost their bottom line.



Duke Energy's Political Influence

Duke Energy 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.

Duke Energy's Lobbying Expenses and Contributions to Congressional and Presidential Candidates

	Total
PAC \$ (2000-2002 cycles)	\$477,375
Hard \$ to Energy Bill Conferees* (2000-2002 cycles)	\$79,750
Soft \$ (2000-2002 cycles)	\$223,915
Lobbying Expenses 2001	\$1,640,000

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

- Duke Energy and Duke Power contacted Vice President Cheney's energy task force three times, according to an analysis by NRDC.
- William Coley, President of Duke Power, met with Energy Secretary Spencer Abraham on March 20, 2001 as a representative of the Nuclear Energy Institute.³
- Harvey J. Padewer, Group President of Energy Services at Duke Energy, sits on the Electricity Advisory Board, which was set up by Energy Secretary Spencer Abraham to advise him on electricity policy issues.⁴



Company Background

Duke Energy is an integrated energy company delivering both electricity and natural gas to customers worldwide.

Headquarters: Charlotte, NC

Revenue (first 6 months of 2002): \$28.22 billion⁵

CEO Salary (2001): \$4.8 million plus \$4.2 million in exercised options⁶

CFO Salary (2001): \$3.7 million⁷

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¹ Paul Thomasch. "Duke Admits to 23 Round-Trip Power Trades." *Reuters Business Report*. July 16, 2002.

² American Public Power Association Issue Brief, "Congress Must Act to Solve the Wholesale Electricity Market Crisis." March 2001.

³ Center for Responsive Politics, http://www.opensecrets.org/news/energy_task_force/doelist.asp.

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

⁵ Yahoo! Market Guide, <http://biz.yahoo.com/p/d/duk.html>.

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

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