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Pacific Gas & Cronyism

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President Obama's aggressive green energy agenda has produced its fair share of winners: Democratic donors such as John Doerr, George Kaiser, Steve Spinner, Sanjay Wagle, and Harvey Whittemore; former vice president and green energy investor Al Gore, General Electric CEO and White House jobs council chairman Jeffrey Immelt, and top executives at failed green energy firms.

And there have been losers: Solyndra, A123, Ener1, Fisker Automotive, First Solar Inc., Amonix Inc., Beacon Power Corp., Energy Conversion Devices Inc., Nevada Geothermal Power, Abound Solar, SpectraWatt, Cardinal Fastener & Specialty Co., Evergreen Solar, Bright Automotive Inc., SunPower, green energy shareholders, former Department of Energy loans director Jonathan Silver, and the American taxpayer, among others.

But few companies have more successfully cashed in on the flood of federal support for green energy than Pacific Gas & Electric (PG&E).

PG&E is the largest utility in California and operates as a near-monopoly in the northern half of the sate. It ranked 177th on last year's Fortune 500 list, raking in $13.8 billion in total revenues and $1.1 billion in profit.

The company, which enjoys an extensive network of former high-ranking employees holding influential positions in government agencies at the federal and state level, has benefitted handsomely from government financing of green energy projects.

According to Recovery.gov, PG&E received federal grants and contracts worth more than $47 million as part of the 2009 stimulus package.

But that is hardly the extent to which the company has benefitted from federal largesse.

PG&E has become an aggressive buyer of power supplied by solar, wind, and other renewable sources, in large part due to statutory requirements under California's Renewable Portfolio Standard, which mandated that 20 percent of the utility's electricity come from renewable sources by 2010—and 33 percent by 2020.

According the Department of Energy Loans Program website, PG&E is the sole purchaser of power from a number of green energy projects financed with taxpayer dollars. Six solar projects that will sell power to PG&E have received a combined $5.5 billion in taxpayer-backed

DOE loans, nearly one-third of the total funding allocated for the program in the stimulus package.

Those projects include the controversial BrightSource Energy development, linked to former Obama fundraiser Sanjay Wagle and Democratic fundraiser Harvey Whittemore, a close friend of Senate Majority Leader Harry Reid (D., Nev.) who is currently under FBI investigation for allegedly making illegal campaign contributions.

Additionally, PG&E has a power purchasing agreement with the Genesis Solar Energy Project, which has come under fire in recent months for its connection to the deaths of a number of local kit foxes—a protected species—and the possible defiling of a Native American burial site.

A renewable energy developer who has done business with PG&E told the *Washington Free Beacon* that the company operates as "basically a monopoly" in northern California, and is "pretty much impossible to deal with" as a result.

Projects cannot get approved without a power purchase agreement (PPA), typically lasting 20 years or longer, with PG&E, which routinely exploits its clout to demand exceedingly low prices.

According to the California Public Utilities Commission (CPUC), the government agency responsible for regulating the company and determining how much it can charge customers, payments made under PPAs "are fully recoverable in rates over the life of the PPA." In other words, the costs are ultimately transferred to customers.

PG&E has managed to insulate itself from nearly all of the risks involved in the development process, the developer said, requiring prospective developers to put down multi-million dollar deposits and "jump through a ton of hoops" to get projects approved. Additional expenses —equipment upgrades, for example—are also typically passed on to consumers.

Another source, who has worked with PG&E in the past, declined to comment on the company, citing a fear of retribution. The developer who did speak to the *Free Beacon* said he was told not to speak to the press for this very reason. "They are shady as shit," he said of PG&E.

When reached initially for comment, PG&E spokeswoman Lynsey Paulo asked to know the source of the allegations—either the name of the developer's company or the particular stage of the development process the company was engaged in. Paulo later said she understood why the sources would prefer to be kept anonymous.

She said that while PG&E recognizes that renewable energy is more expensive, the company is meeting the California utility mandate "in ways that are cost effective to our customers."

PG&E maintains a strong political presence in Washington, D.C., having spent $81.4 million on

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lobbying since 2008. The company's political action committee has given nearly $380,000 to Democrats since 2008, more than double the amount it gave to Republicans during that same time. PG&E corporate officers and board members have given tens of thousands of dollars to President Obama and other Democrats since 2007.

The company is actively involved in California politics as well, primarily in support of Democrats. In 2010, PG&E gave more than $1 million to Democratic candidates, and more than $645,000 to the California Democratic Party. Gov. Jerry Brown (D) received $31,580.

"PG&E believe that everybody benefits from a vibrant multipart system that provides the electorate with a broad field of qualified candidates," Paulo told the *Free Beacon*. "Contributions are paid for with shareholder funds, not utility customer money."

Former PG&E employees currently hold, or previously held, high-ranking government positions at the state and federal level, furthering the company's influence.

Frank Lindh worked 16 years as an attorney for PG&E before being named general counsel of the CPUC. (He is also the father of convicted terrorist John Walker Lindh, who he has claimed is "entirely innocent.")

The relationship between PG&E and the CPUC has come under fire following an explosion at a San Bruno gas pipeline that killed eight people and destroyed nearly 40 homes. A subsequent investigation by the National Transportation Safety Board found that a history of operational deficiencies at PG&E and inadequate regulation by the CPUC were to blame for the tragedy. The company announced on Monday it would pay the city of San Bruno $70 million in restitution for the blast.

The CPUC, which has the final say with respect to the PPAs between PG&E and developers, has on occasion rejected PPAs that it deems are "not price competitive with projects that are currently being offered to PG&E."

What this typically means, the developer said, is that higher-cost PPAs are revised to be brought in line with lower-cost arrangements, resulting in a better deal for PG&E. "This drives investors crazy," the developer said.

Mindy Spatt, spokeswoman for The Utility Reform Network (TURN), told the *Free Beacon* the CPUC's cozy relationship with the utilities it regulates is "the most egregious example" of how utility companies are able to game the system for their own gain at the expense of customers.

At least two former PG&E officials currently hold senior positions in Gov. Brown's administration. Former director of public affairs Dana Williamson was recently hired as a senior adviser, who will oversee the administration's lobbying efforts in Washington, D.C.

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Last year, Brown appointed Nancy McFadden, PG&E's former senior vice president of public affairs, to the position of Executive Secretary for Legislation, Appointments and Policy. McFadden had previously served as general counsel to the U.S. Department of Transportation and was deputy chief of staff to former vice president and green energy investor Al Gore.

McFadden is also a former member of the Apollo Alliance, an influential conglomerate of labor groups and green energy proponents that boasts connections to Van Jones, the former White House green jobs czar who resigned under a cloud of controversy, and John Podesta, former president of the liberal think tank Center for American Progress and co-chairman of the Obama-Biden transition team. PG&E has donated at least $75,000 to the Apollo Alliance since 2008.

Paulo said the company's network of former employees in influential positions was a testament to PG&E's "impressive and experienced workforce."

"Because of their talents, some of our former employees are called for opportunities in both the public and the private sector," she said.

Perhaps the most controversial former PG&E employee to hold an influential government post is Cathy Zoi. A former energy analyst for the company, Zoi served as chief of staff for environmental policy under President Clinton and was CEO of Gore's Alliance for Climate Protection, and was until recently President Obama's Assistant Secretary for Energy Efficiency and Renewable Energy (EERE). Part of her responsibilities included overseeing almost $17 billion in federal stimulus funding for renewable energy projects.

Tim Carney of the *Washington Examiner* reported, "Zoi's tenure was rife with conflicts of interest." Her husband's window manufacturing company, Serious Materials, was publicly praised by Obama and visited by Vice President Biden. Serious received a stimulus tax credit worth more than $584,000 and was the first window company to receive stimulus financing.

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Zoi testified before the Senate Energy and Natural Resources Committee in favor of a HOMESTAR program, also known as cash for caulkers, which became another subsidy for Serious.

At the time of her nomination, the couple owned between them 120,000 stock options in Serious Materials, according to her April 2009 personal financial disclosure. She also owned at least $265,000 of stock in a Swiss company called Landis+Gyr that makes "smart meters," high-tech thermostats that the administration has promoted for saving energy.

Zoi left the Obama administration in February 2011 to join Silver Lake Kraftwerk, a private

equity fund financed by the controversial left-wing billionaire George Soros, who said, "developing alternative sources of energy and achieving greater energy efficiency is both a significant global investment opportunity and an environmental imperative."

PG&E's considerable political clout is evident to those with experience working with the company.

"There is definitely some politics going on," the developer told the *Washington Free Beacon*. "Everyone's in bed with everyone else."

"There is money to be made," he added. "But PG&E is making most of it."

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