



June 15, 2009

The Honorable Jon Huntsman
Governor
Utah State Capitol Complex, 350 North State Street, Suite 200
Salt Lake City, UT 84114-2220

Dear Governor Huntsman:

On behalf of the 362,000 members of the National Taxpayers Union (NTU), over 3,500 of whom reside in Utah, I write first to express our gratitude for your leadership in working to ensure that taxpayer dollars are spent frugally and carefully in your state. I am also writing to you, as Chair of the Western Governors' Association (WGA), to request information regarding WGA's involvement, and use of taxpayer and other funds, in the direction and management of the Western Climate Initiative (WCI).

Specifically, we wish to inquire about the possibility that taxpayer dollars from states not supporting the WCI process, as well as federal funds, were used to underwrite this project against the wishes of several Governors. Our request is based upon recently reported information from Paul Chesser of Climate Strategies, Inc. Mr. Chesser is an investigative researcher with expertise in the field of organizational finances, and has been a professional acquaintance of NTU's for some time.

As you may know, NTU has taken an active role in protecting taxpayer resources from abuse on behalf of big-government agendas. For example, in the past we have expressed concern that the National Association of Governors as well as the National Conference of State Legislatures were advocating on behalf of the Streamlined Sales and Use Tax Agreement (SSUTA) with the indirect assistance of tax dollars.

Although opinions on this initiative within your own organization vary, NTU views the SSUTA as a danger to tax competition and the beneficial policies that flow from this activity. We also agree with Thomas Jefferson's opinion that "[t]o compel a man to furnish funds for the propagation of ideas he disbelieves and abhors is sinful and tyrannical."

In addition, NTU is spearheading a nationwide program to institute searchable online databases of state grants, contracts, and other expenditures that will allow citizens to see where and how their money is being spent. We believe that any entity receiving taxpayer funds, directly through appropriations or indirectly through awards, operating dues, or other means, should be "transparent" in its fiscal practices and open to examination from all those who underwrite it.

No doubt you agree that, as an organization that receives tax dollars from both state and federal sources, WGA has a responsibility to operate with full transparency and public disclosure in terms of its fiscal activities, where it receives its funding and how and where it spends those funds. We also know that WGA functions on the basis of consensus among its member states, so that moneys provided to WGA by one or several states do not subsidize operations or programs that their governors oppose.

Seven states agreed to work as WGA partners, leaving the majority of WGA states not formally supporting the involvement of WGA in the WCI process. According to information we have received, no resolution was adopted by WGA endorsing WCI or authorizing WGA to provide any support to the WCI process.¹ Given the opposition by many Governors to having any of their taxpayer-backed contributions to be used to subsidize the operations of the WCI, this is understandable.

That is why we were surprised to review documents recently released by WGA that indicate deep and wide-ranging involvement by WGA staff in the WCI.

According to these documents, which are attached to this correspondence, WGA actively aligned itself with this effort and became intimately involved in a support role for the WCI's mission and objectives. It is difficult to see how tax dollars from non-WCI states did not subsidize this process.

For example, the research we have been provided shows that:

- WGA contracted with the California Air Resources Board² in which WGA staff committed to support the activities of the WCI, including to:
 - “Make recommendations to the WCI Partners on the most efficient and effective way to achieve the results required to meet the initiative’s goals....”
 - “Work with the chair and the co-chair to develop project and financial plans....”
 - “Conduct fundraising, as directed and assisted by WCI Partners....”
 - “Provide support to the WCI Partners in conducting regional communications and stakeholder outreach....”
 - “Issue and manage contracts on behalf of the WCI Partners, including all aspects of the design and implementation of recommended mandatory regional cap-and-trade program to dramatically reduce GHG emissions....”
- WGA executed a contract with the State of Washington’s Department of Ecology³ in which WGA contractually committed to provide “services and staff, and

¹ Certainly, no such resolution or agreement among Governors has been made publicly available.

² CARB Agreement No. 07-107

otherwise do all things necessary for, or incidental to, the performance” of the following tasks:

- “Assist Washington State with development of regional greenhouse gas reduction goals, as part of Washington’s participation in the Western Regional Climate Action Initiative (WRCAI)....”
- “Design, with consultant assistance, a multi-sector market-based mechanism to assist Washington in meeting the reduction goals....”
- In a separate agreement, WGA committed to the State of Washington’s Department of Ecology⁴ to provide specific communications tools for the WCI cap and trade design rollout.
- In yet another contract with the State of Washington’s Department of Community, Trade and Economic Development⁵, WGA agreed to “assist Washington, as part of regional effort, to develop greenhouse gas reduction goals and design a multi-sector market-based mechanism to assist in meeting those reduction goals....”
- The Energy Foundation and Pew Charitable Trusts – organizations that regularly fund activist groups that advocate against the interests of many Western Governors – granted WGA funds⁶ based on a proposal for funding submitted by WGA. In its proposal, WGA described as among the activities it would undertake with the funding:
 - “Economic analysis and modeling in support of the WCI’s development of the design of a regional cap and trade program for GHGs....”
 - WGA went on to describe its mission and activities as “...develop[ing] design recommendations for a regional GHG program by August 2008”

The WGA, in turn, entered into a number of “service” agreements with third parties to support the work of the WCI. A few examples are:

- WGA contracted with ICF Resources, LLC, Fairfax, Virginia⁷ to assemble data, perform economic analysis of various cap-and-trade program designs and prepare modeling that would include “refined model inputs and specifications that enable partner-specific conditions to be reflected....”
- WGA contracted with the Pew Center on Global Climate Change, Arlington, Virginia⁸ to help support what Pew described as its “extensive involvement in the WCI.” Pew’s scope of work under these contracts included “decision support through policy analysis, expert input, technical and organizational support, research, data collection and educational outreach. The Pew Center’s Director of

³ Contract C0800193

⁴ Contract CO900110

⁵ Contract 08-52100-06

⁶ Grant G-0802-09843

⁷ Contract 30220-01

⁸ Contracts 30-220-03 and 30-220-08

Innovative Solutions is serving as a policy advisor and several Pew Center staff members are providing support for the activities of the WCI subcommittees and stakeholders....”

In particular, WGA contracted with Pew personnel to:

- Participate in WCI meetings and conference calls, including “...direct engagement with staff for WCI states, real-time analysis of policy options and assessment of research, data and analytic needs....”
 - Organize, moderate and present “educational outreach to stakeholders” including cap and trade webinar series and briefings.
 - Provide expert advice to frame questions, examine data, and write up options. “Pew Center staff members are currently providing research, analysis and data for the scope subcommittee and anticipate continuing efforts to parse and analyze public comment, complete additional research, produce options papers and advise the subcommittee and Partners’ decision-making process....”
 - Supporting the Economic Analysis Working Group by “assisting with the RFP and work plan” and “providing and analyzing input assumptions, reviewing and interpreting output and assessing implications for policy choices.” Pew notes in their scope of work, “Pew Center staff has already contributed to the economic modeling RFP, drawing on our extensive experience overseeing economic modeling of climate policies and researching economic model designs....”
 - Providing research and analysis for other subcommittees and producing “options papers and advising the subcommittees’ and Partners’ decision-making process....”
- WGA contracted with Ross and Associates Environmental Consulting, Ltd., Seattle Washington,⁹ to facilitate WCI Partner meetings and stakeholder workshops.
 - WGA contracted with the World Resources Institute, Washington D.C. to facilitate various activities of the WCI.¹⁰
 - WGA contracted with the Eastern Research Group, Sacramento CA,¹¹ for the development of essential requirements for a model WCI reporting rule.
 - WGA contracted with Energy and Environmental Economics, Inc., San Francisco, CA,¹² to “provide and assessment of the potential for GHG leakage from the

⁹ Contract 30-22-06

¹⁰ Contract 30220-1

¹¹ Contract 30220-03

¹² Contract 30-220-09

electricity sector under WCI...” Among the issues WGA contracted with the firm to consider:

- “The amount of fossil generation in the WECC that will be outside of WCI geographical jurisdiction, in terms of generation capacity, energy and GHG emissions?
 - What is the slack capacity of this non-WCI fossil generation?
 - How much transmission capacity is available to permit power sales from identified potential sources (e.g., coal plants with available capacity) to potential buyers in ways that would avoid WCI jurisdiction?
 - Going forward, how much additional non-WCI fossil generation and transmission capacity could plausibly be built as a result of leakage?
 - How do GHG allowance price assumptions affect the estimates of short-term and long-term leakage?”
- WGA entered into an agreement with Waggener Edstrom Worldwide, Inc.¹³ to have that firm conduct a full-scale public relations and messaging effort in support of WCI. We would point you specifically to Schedule C of that agreement, which details extensive efforts to support WCI and its messaging, including:
 - “Provide a compelling, credible and consistent approach to communicating the report and its recommendations....”
 - Preparation of a comprehensive communications “tool kit,” including a “positioning platform” and “messaging architecture” to help WCI Partners and staff to “pitch” the WCI.
 - Finally, it is important to note that a full-time WGA staff member has served as the full-time Project Manager for the WCI. We also understand that other WGA staff, paid for by taxpayer dollars from all WGA member states, may have spent considerable time lending support to the WCI process.

These facts raise serious questions about the use of taxpayer funds in this effort from states that did not agree to partner in the WCI project – including Wyoming, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Texas, Idaho, Nevada and Alaska. In fact, it is difficult to see how this was *not* the case, given the extent to which WGA time, staff and resources were spent to support the WCI.

Certainly, at a minimum, WGA’s deep involvement in this process gives the impression of the organization’s support for the research, modeling methodologies and policy recommendations that have emerged from WCI’s activities.

¹³ WGA 30-220-04, WE #50180

Accordingly, we ask that you direct the WGA and WCI organizations to provide us with information necessary to answer the following questions:

1. What is the rationale for WGA's decision to take on such a major role in developing, managing and promoting a product and process that was not officially sanctioned by Western Governors as a whole?
2. How could WGA staff resources be utilized without some expenditure of taxpayer funds – particularly those from non-WCI partner states? Were those employees put on leave of absence from WGA during the period this project was underway?
3. Were all Western governors made fully aware of the contracts and financial agreements WGA entered into, including the public relations contract engaged to help “shape public opinion to support WCI?”
4. What entities contributed funding, either direct or in-kind, to the WCI process, either directly to WCI or through WGA?

Consistent with our ongoing mission and history, we suggest that both WGA and WCI release to the public all relevant legal, operational, financial and supporting documents relevant to WCI's activities and any support WGA gave them.

Thank you very much.

Sincerely,



Duane Parde
President

cc: All Western Governors
U.S. House and Senate Western Congressional delegations
Western Governors Association
Western state legislative leaders

Attachments:

- CARB - WGA (Agreement No. 07-107)
- State of WA - WGA (Contract C0800193)
- State of WA - WGA (Contract C0900110)
- State of WA - WGA (Contract 08-52100-06)
- Energy Foundation and Pew Charitable Trusts Grant to WGA (Grant G-0802-09843)
- WGA - ICF Resources, LLC (Contract 30220-01)
- WGA - Pew Center on Global Climate Change (Contract 30-220-03) and (Contract 30-220-08)
- WGA - Ross and Associates Environmental Consulting, Ltd. (Contract 30-22-06)
- WGA - World Resources Institute (Contract: 30220-1)
- WGA - Eastern Research Group (Contract 30220-03)
- WGA - Energy and Environmental Economics, Inc. (Contract 30-220-09)
- WGA - Waggener Edstrom Worldwide, Inc. (Contract 30-220-04, WE #50180)