

News Release



Controller of the State of California - Kathleen Connell

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FOR IMMEDIATE RELEASE

STATE CONTROLLER KATHLEEN CONNELL LAUNCHES WEB PAGE WITH ENERGY CONTRACT INFORMATION

Sacramento, July 5, 2001 – State Controller Kathleen Connell today unveiled an interactive web page that provides details about energy contracts and payments, and allows people to view redacted portions of the long-term energy contracts by clicking on a light switch to reveal the previously hidden text.

“What we are trying to do is give the general public a sense of what the State has agreed to in these long-term contracts,” said Connell. “We have \$43 billion worth of long-term energy contracts. There are 27 contract documents representing a total of 41 contracts.”

The web page includes five main components:

- 1) Summary of DWR long-term energy contracts terms and conditions.
- 2) Redacted provisions of the long-term contracts.
- 3) Payments against the contracts.
- 4) Unredacted contracts.
- 5) Consulting contracts.

Connell demonstrated how each section works. The **Summary** lists the energy company, the dates of the contract and dates power will be provided. This is followed by price per megawatt hour and two columns indicating whether the contracts contain operating expense clauses or bond termination clauses, which the Controller called controversial.

“The operating expense clause is something I have major concerns about. I pointed it out to the legislature.” Said Connell. “I am concerned because it means the General Fund will be the last to be repaid. 18 of the contracts contain this clause.”

16 of the contracts contain a bond termination clause that means the contracts can be terminated or renegotiated if the bond issuance does not take place by a certain date.

The section on **Redacted Provisions** allow people to view text that had been blacked out by the Administration until a court ruled last week that it must be released under the Public Records Act.

The section of **Payments Against the Contracts** includes the amount paid, date of the payment, cost per megawatt-hour. The Controller pointed out that payments in the long-term contracts are averaging well above the price per kilowatt-hour the Administration predicted.

“Originally the goal of this Administration was to achieve a price of \$.055 to \$.07 on the long-term energy contracts. When you look at the material that will be up on the web page today, you’ll see that the contract price for the long-term energy contracts is around \$.17, so it’s far higher than the goal of what they had hoped achieve.”

The two final segments are under construction and expected to be available early next week.

- More -

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Connell commented on the consulting contracts, which have also been the subject of controversy. The Controller has raised questions of a conflict of interest and refused to pay the Administration's energy consultants Mark Fabiani and Chris Lehane, who signed a contract worth \$30,000 per month. The Administration has since dropped Fabiani but has renegotiated a more lucrative contract with Lehane.

"Actually Mr. Lehane has gotten a bonus. His contract has now gone up to \$15,200 per month and he receives travel in addition to the base level," Connell explained. "For that \$15,200 he is required to work only 66 hours per month."

Connell also addressed the Administration's assertion that releasing this information could increase electric bills for ratepayers.

"The San Diego Superior court ruled that this information is public and must be released," said Connell. "The judge was clear on that. She could not find in any document presented by the Administration or its experts any reason to believe that releasing this information would in any way affect prices of energy in the market."

The Governor's Office had also planned to release the contracts and did not appeal the judge's ruling.

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Please visit the State Controller's Web Site at www.sco.ca.gov to view the new online display.

For more information or to obtain hard copies of the contracts and payment information, contact the State Controller's Office at (916) 445-2636.