



California Fair Political Practices Commission

May 5, 1987

Mr. Cortus T. Koehler, Vice President
Board of Directors
Sacramento Municipal Utility District
P.O. Box 15830
Sacramento, CA 95852-1830

Re: Your Request for Advice
Our File No. I-87-122

Dear Mr. Koehler:

I have been assigned your letter of April 16, 1987, regarding the Arthur Anderson & Co. review of SMUD's contract with Management Analysis Corporation. As I understand it, that contract involved the services of John Ward and his role at Rancho Seco. In light of the developments reported in the media last week, do you still need this agency's guidance? Please advise.

Sincerely,

A handwritten signature in cursive script that reads "Robert E. Leidigh".

Robert E. Leidigh
Counsel, Legal Division

REL:km



SMUD

SACRAMENTO MUNICIPAL UTILITY DISTRICT

P. O. Box 15830, Sacramento CA 95852-1830, (916) 452-3211
AN ELECTRICAL SYSTEM SERVING THE HEART OF CALIFORNIA

APR 20 9 26 AM '87

April 16, 1987

Diane Griffiths, Esq.
General Counsel
California Fair Political
Practices Commission
P.O. Box 807
Sacramento, CA 95804-0807

Dear Ms. Griffiths:

There has been some discussion in the media about this District's contract with Management Analysis Corporation (MAC). We are obtaining the services of our Deputy General Manager, Nuclear, and several other top Rancho Seco managers under that contract.

I would like you to know that the District is about to ask Arthur Andersen & Co., its auditor, to review the manner in which the District's contract with MAC has been administered so that we can be sure that the administration of that contract has been in conformity with the Political Reform Act of 1974. Arthur Andersen & Co. will be directed to consult your office for guidance on the requirements of the Act if any legal questions arise so that everyone concerned, including your agency, will know that the audit is completely independent.

I am writing this letter so that you will have a clear, direct statement from a SMUD Board member as to why this action is being taken. The purpose of the audit is to give everyone in the community assurance that the administration of the MAC contract has received an independent, outside review.

Sincerely,

Cortus T. Koehler
Vice-President
Board of Directors



California Fair Political Practices Commission

April 21, 1987

Cortus T. Koehler
Vice-President
Board of Directors
Sacramento Municipal Utility District
P.O. Box 15830
Sacramento, CA 95852-1830

Re: 87-122

Dear Mr. Koehler:

Your letter requesting advice under the Political Reform Act was received on April 20, 1987 by the Fair Political Practices Commission. If you have any questions about your advice request, you may contact Robert E. Leidigh, an attorney in the Legal Division, directly at (916) 322-5901.

We try to answer all advice requests promptly. Therefore, unless your request poses particularly complex legal questions, or more information is needed, you should expect a response within 21 working days if your request seeks formal written advice. If your request is for informal assistance, we will answer it as quickly as we can. (See Commission Regulation 18329 (2 Cal. Adm. Code Sec. 18329).) You also should be aware that your letter and our response are public records which may be disclosed to the public upon receipt of a proper request for disclosure.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Diane M. Griffiths".

Diane M. Griffiths
General Counsel

DMG:plh

Sacramento, CA
(Sacramento Co.)
Bee
(Cir. D. 219, 057)
(Cir. S. 252, 212)

APR 7 - 1987

Allen's P. C. B. Est. 1888

Lobbying costs

More than \$64 million was spent last year by businesses, professional organizations and others to lobby the Legislature and state agencies, the Fair Political Practices Commission reported Monday. ²⁹³

It said 1,750 groups spent the money in an effort to influence the outcome of legislative bills and state agency administrative actions.

The \$64.3 million spent in 1986 brings to \$138.5 million the total spent during the two-year legislative session in 1985 and 1986, an increase of \$26 million from the previous two-year session, the commission said in a 477-page report.

The commission reported that the five top lobbying spenders were the Western Oil & Gas Association, \$1.5 million; the California Manufacturers Association, \$1.4 million; the California Medical Association, \$1 million; the Association of California Insurance Companies, \$810,000; and the California Trial Lawyers Association, \$693,500.

Sacramento, CA
(Sacramento Co.)
Bee
(Cir. D. 219, 057)
(Cir. S. 252, 212)

APR 7 - 1987

Allen's P. C. B. Est. 1888

SMUD set for effort to hire its top nuclear adviser

²⁹³
By Doug Dempster
Bee Staff Writer

SMUD directors are expected to begin negotiating as early as this week to place their nuclear chief, John Ward, directly on the utility payroll.

Ward, in charge of efforts to return the Rancho Seco nuclear plant to service, carries the SMUD title of deputy general manager but actually works for a consulting firm, Management Analysis Co., which was hired by SMUD to manage the re-start effort.

Director Ed Smeloff said Monday that the full board and Ward agreed

in a closed session last week to start talking.

Ward said he would be "proud to be associated with SMUD," but added that he did not know if the utility could make it financially attractive enough for him to leave MAC, where he is a vice president.

Smeloff said he expects that if agreement on salary and other working conditions can be reached, Ward will transfer to the SMUD payroll "fairly soon," well before next summer's scheduled plant startup.

Last week, the board's Audit Committee, chaired by Smeloff, decided having Ward on staff would avoid po-

tential conflicts-of-interest, result in smoother administration and save MAC's high overhead charges.

Smeloff also said that a member of an independent review group that advises directors and top management about the re-start effort has resigned. He said John Jackson's departure will take effect when a replacement is named.

Director John Kehoe said SMUD will be looking for an individual with skills similar to Jackson's expertise in startup testing, a critical item as restart looms. Jackson also had worked in quality assurance for

SMUD during part of the plant's original construction.

The committee expressed concern last month there might be a conflict between Jackson's position as a MAC employee and his role as part of the review group.

Smeloff said SMUD might want to ask the review group about MAC's performance or get advice on how to change the contract with MAC.

The Rancho Seco plant — responsible for producing about half of SMUD's power — has been out of service since an over-cooling incident Dec. 26, 1985.



SMUD

SACRAMENTO MUNICIPAL UTILITY DISTRICT P. O. Box 15830, Sacramento CA 95852-1830, (916) 452-3211
AN ELECTRIC SYSTEM SERVING THE HEART OF CALIFORNIA

MAY 26 5 55 AM '87

May 21, 1987

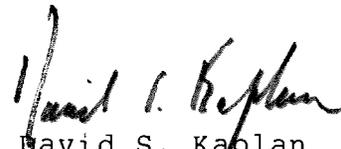
Robert E. Leidigh
Counsel, Legal Division
California Fair Political Practices Commission
P. O. Box 807
Sacramento, CA 95804-0807

Re: SMUD Contract No. B865 with MAC
FPPC File No. I-87-122

Dear Mr. Leidigh:

Cortus Koehler handed me your letter of May 5. I enclose a copy of my letter of May 15 to Diane Griffiths. Probably you have seen it already. As indicated in that letter, the District will be proceeding with its audit of the Management Analysis Company contract. I understand from Ms. Griffiths that it will be in order for Arthur Andersen and Co., our auditor, to consult with your office on legal questions relating to Section 87100 of the Political Reform Act of 1974 and the related code sections and regulations. We certainly appreciate the cooperation you have been giving us.

Sincerely,


David S. Kaplan
General Counsel

Attachment

cc: Cortus Koehler

State of California

Memorandum

To : Bob Leidigh
Kathy Donovan
John McClean

Date : May 21, 1987

From : **FAIR POLITICAL PRACTICES COMMISSION**
Diane Griffiths

Subject : S.M.U.D.

Please read the attached letter. No comments required.



SMUD

SACRAMENTO MUNICIPAL UTILITY DISTRICT P. O. Box 15830, Sacramento CA 95852-1830, (916) 452-3211
AN ELECTRIC SYSTEM SERVING THE HEART OF CALIFORNIA

MAY 13 2 05 AM '87

May 15, 1987

Diane Griffiths
General Counsel
Fair Political Practices Commission
428 J Street, Suite 800
Sacramento, CA 95814

Re: SMUD Contract No. B865 with MAC Corporation

Dear Ms. Griffiths:

This is to confirm our telephone conversation of a week or so ago.

Management Analysis Company (MAC) has been supplying SMUD with a number of key executives to assist in the Rancho Seco restart effort. The District has decided that it would be well to have our outside auditor, Arthur Andersen & Co., audit the contract to make sure that it is being administered in compliance with the requirements of Section 87100 of the Political Reform Act of 1974 and the related code sections and regulations. To make it clear that the audit is truly independent, we have advised the Arthur Andersen people that they should feel free to consult with your office on any legal questions that may arise. I have, of course, supplied them with copies of the pertinent sections of the Political Reform Act of 1974 and with copies of Section 18700 through 18704 of

Diane Griffiths

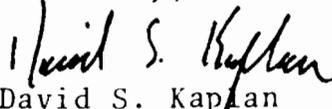
- 2 -

May 15, 1987

the FPPC Regulations. I understand from our previous conversation that it is in order for your office to assist us in this manner.

I want to thank you for your cooperation.

Sincerely,


David S. Kaplan
General Counsel

cc: Arthur Andersen & Co.
Attn: Rick Blumenfeld