EXHIBIT 1

INTRODUCTION

Respondent Mark Baldwin was an energy consultant to the Department of Water Resources ("DWR"), in the California Energy Resources Scheduling division (the CERS division). As a consultant, Respondent was prohibited by the Political Reform Act (the "Act")[1] from making, participating in making, or using his official position to influence any governmental decision in which he had a financial interest, or that directly related to a contract involving a party with whom he had engaged in a prior business transaction. In addition, Respondent had a duty to disclose all of his reportable economic interests on a statement of economic interests upon assuming his position as a consultant.

In this matter, Respondent twice participated in making a governmental decision in which he had a financial interest, and participated in making a governmental decision directly relating to a contract involving a gas storage company with whom he had a business relationship. In addition, Respondent failed to disclose his economic interest in three energy companies on his assuming office statement of economic interests.

For the purposes of this stipulation, Respondent's violations of the Act are stated as follows:

COUNT 1: As a consultant for the Department of Water Resources, Respondent Mark Baldwin, on or about May 15, 2001, participated in making a governmental decision in which he had a financial interest, by initiating negotiations between the Department of Water Resources and Wild Goose Storage, Inc., a source of income to him of $500 or more, regarding the storage of natural gas, in violation of section 87100.

COUNT 2: As a consultant for the Department of Water Resources, Respondent Mark Baldwin, on or about June 1, 2001, participated in making a governmental decision in which he had a financial interest, by initiating negotiations between the Department of Water Resources and Wild Goose Storage, Inc., a source of income to him of $500 or more, regarding the storage of natural gas, in violation of section 87100.

COUNT 3: As a consultant for the Department of Water Resources, Respondent Mark Baldwin, on or about June 1, 2001, participated in making a governmental decision directly relating to a contract involving a party with whom he had engaged in a prior business transaction within the previous 12 months, in violation of section 87450.

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[1] The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

COUNT 4: As a consultant to the Department of Water Resources, Respondent Mark Baldwin failed to disclose ACN Energy, Inc. as a source of income of $500 or more on his assuming office statement of economic interests, filed on or about July 25, 2001, in violation of section 87300.

COUNT 5: As a consultant to the Department of Water Resources, Respondent Mark Baldwin failed to disclose Calpine Corporation as a source of income of $500 or more on his assuming office statement of economic interests, filed on or about July 25, 2001, in violation of section 87300.

COUNT 6: As a consultant to the Department of Water Resources, Respondent Mark Baldwin failed to disclose Wild Goose Storage, Inc. as a source of income of $500 or more on his assuming office statement of economic interests, filed on or about July 25, 2001, in violation of section 87300.

SUMMARY OF THE LAW

Prohibition Against Conflicts of Interest

A finding upon which the Act is based, as stated in section 81001, subdivision (b), is that public officials, whether elected or appointed, should perform their duties in an impartial manner, free from bias caused by their own financial interests, or the financial interests of persons who have supported them. Therefore, a stated purpose of the Act, as set forth in section 81002, subdivision (c), is that the assets and income of public officials, which may be materially affected by their official actions, be disclosed, and in appropriate circumstances, that the officials disqualify themselves from acting, so that conflicts of interest may be avoided.

To prevent conflicts of interest in governmental decision making, section 87100 prohibits state and local public officials from making, participating in making, or attempting to use their official position to influence a governmental decision in which they know, or have reason to know, that they have a financial interest. Under section 87103, subdivision (a), a public official has a financial interest in a decision if it is reasonably foreseeable that the decision will have a material financial effect on a recognized economic interest of the official. For purposes of sections 87100 and 87103, there are six analytical steps to consider when determining whether an individual has a conflict of interest in a governmental decision.[2]

First, the individual must be a public official as defined by the Act. Section 82048 defines "public official" to include consultants of state agencies. Regulation

[2] As set forth in regulations 18700 through 18708, the Commission has established an eight-step analysis for determining whether a public official has a conflict of interest in a governmental decision. The last two steps of the analysis are exceptions that allow a public official to participate in a governmental decision even though the official may have a conflict of interest. The two exceptions are not relevant to the matter that is the subject of this stipulation.

18701, subdivision (a)(2)(B), defines a "consultant" as an individual who, pursuant to a contract with a state agency, serves in a staff capacity with the agency, and in that capacity, participates in making a governmental decision or performs the same or substantially all the same duties for the agency that would otherwise be performed by an individual holding a position specified in the agency's conflict of interest code.

Second, the official must make, participate in making, or attempt to use his or her official position to influence a governmental decision. Under regulation 18702.2, subdivision (b), a public official "participates in making a governmental decision" when, acting within the authority of his or her position, the official negotiates, without significant substantive review, with a governmental entity or private person regarding a governmental decision, or advises the decision maker either directly or without significant intervening substantive review, by: (1) conducting research or making any investigation which requires the exercise of judgment on the part of the official and the purpose of which is to influence a governmental decision; or (2) preparing or presenting any report, analysis, or opinion, orally, or in writing, which requires the exercise of judgment on the part of the official and the purpose of which is to influence a governmental decision.

Third, the official must have an economic interest that may be affected by the governmental decision. Under section 87103, subdivision (c), an economic interest of a public official includes any source of income of $500 or more that is received by the official within 12 months before the decision. Section 82030, subdivision (a) defines "income" to include a pro rata share of any income of a business entity in which the official owns a 10 percent interest or greater.

Fourth, it must be determined whether the economic interest of the official is directly or indirectly involved in the governmental decision. Under regulation 18704.1, subdivision (a), a business entity is directly involved in a governmental decision when that entity initiates the decision, or is a named party in, or the subject of, the decision.

Fifth, it must be determined which materiality standard applies to the economic interest of the official. Under regulation 18705.1, subdivision (b), if a business entity is directly involved in a governmental decision, the reasonably foreseeable financial effect of the decision on the business entity is presumed to be material. This materiality standard is commonly referred to as the "one-penny rule."

Sixth, it must have been reasonably foreseeable, at the time the governmental decision was made, that the decision would have a material financial effect on the economic interest of the official. Under regulation 18706, the financial effect of a governmental decision is "reasonably foreseeable" if there is a substantial likelihood, rather than just a mere possibility, that the effect will occur. (*In re Thorner* (1975) 1 FPPC Ops. 198.)

Restrictions on a State Officer's Participation in Decisions Relating to Contracts

In addition to the conflict of interest prohibition in section 87100, section 87450 of the Act provides that state administrative officials are also prohibited from making or participating in making any governmental decision directly relating to any contract where the official knows or has reason to know that any party to the contract is a person with whom the official engaged in any business transaction regarding the rendering of goods or services totaling $1,000 or more within 12 months prior to the time the official makes or participates in making the decision.

Section 87400, subdivisions (b) and (c) define "state administrative official" to include a consultant of a state agency who, as part of his or her official responsibilities, engages in contract proceedings in other than a clerical or ministerial capacity. Section 87400, subdivision (d) defines "participated" as having taken part personally and substantially, through decision, approval, disapproval, formal written recommendation, rendering advice on a substantial basis, investigation or use of confidential information, as an officer or employee, but excludes approving, disapproving, or rendering legal advisory opinions to departmental or agency staff which do not involve a specific party or parties. This definition of "participated," does not refer to "general" or "remote" involvement in a governmental decision. (*In re Steven Lucas*, FPPC Ops. 00-157.)

Duty to Disclose Economic Interests on Statements of Economic Interests

An express purpose of the Act, as set forth in section 81002, subdivision (c), is to ensure that the assets and income of public officials, which may be materially affected by their official actions, be disclosed, so that conflicts of interest may be avoided.

In furtherance of this purpose, section 87300 requires every agency to adopt and promulgate a conflict of interest code. The agency's conflict of interest code must specifically designate the employees of the agency who are required to file statements of economic interests disclosing their reportable investments, business positions, interests in real property, and other income. Under section 82019, subdivision (c), and section 87302, subdivision (a), the persons who are to be designated in an agency's conflict of interest code are the officers, employees, members, and consultants of the agency, whose position with the agency entails making, or participating in making, governmental decisions that may have a reasonably foreseeable material effect on a financial interest.

As provided in section 87302, subdivision (a), an investment, business position, interest in real property, or source of income of a designated employee shall be made reportable by an agency's conflict of interest code if the economic interest may foreseeably be affected materially by any decision that is made or participated in by the designated employee by virtue of his or her position.

Section 87302, subdivision (b) provides that an agency's conflict of interest code must require every newly hired designated employee to file a statement of economic interests within 30 days of assuming office, disclosing reportable investments, business

positions, and interests in real property held on the date of assuming office, and income received with the 12-month period before the date of assuming office.

As mandated by the Act, DWR has a duly promulgated conflict of interest code. Under DWR's conflict of interest code, a newly hired consultant must file a statement of economic interests within 30 days of assuming office. On the statement, the consultant must disclose all of his or her economic interests, unless the agency makes a determination that, based on the consultant's duties, a narrower level of disclosure applies.

Under section 87300, the requirements of an agency's conflict of interest code have the force of law, and any violation of those requirements is deemed a violation of the Act.

SUMMARY OF THE FACTS

Respondent Mark Baldwin was an energy consultant to DWR in the CERS division. Respondent was also a 75-percent owner and the president of Interstate Gas Service ("IGS"), an energy consulting firm based in Livermore, California. Through IGS, Respondent provided consulting services to Wild Goose Storage, Inc. ("Wild Goose"), a natural gas storage company based in Canada. Wild Goose owns a natural gas storage facility in Butte County, California.

COUNTS 1-2
Participating in Making a Governmental Decision Involving a Financial Interest

As provided in sections 87100 and 87103 of the Act, Respondent was prohibited from participating in making any governmental decision that would have a reasonably foreseeable material financial effect on any of his financial interests. As set forth below, Respondent twice participated in making a governmental decision having a reasonably foreseeable material financial effect on Wild Goose.

Respondent was a "Public Official" as Defined by the Act

The definition of "public official" includes a consultant of a state agency who, pursuant to a contract, serves in a staff capacity and in that capacity participates in making governmental decisions.

On January 17, 2001, Governor Gray Davis declared that the energy crisis affecting California in 2000 and 2001 constituted a state of emergency, and issued an executive order requiring DWR to purchase energy on behalf of the State of California in an effort to stabilize the energy market. In May 2001, Respondent signed a two-year consulting agreement between IGS and DWR that required Respondent to assist DWR in the procurement, transportation, and storage of natural gas. Among other things, Respondent had a contractual duty to make recommendations based on his professional expertise concerning the fuel market.

By having a contractual duty to give professional advice to DWR decision makers, Respondent was a consultant as defined in regulation 18701, subdivision (a), and therefore a public official as defined in section 82048.

Respondent Participated in Making a Governmental Decision

A public official "participates in making a governmental decision" when the official participates in negotiations with a private corporation on behalf of the official's government agency.

In April 2001, DWR officials had an interest in storing natural gas, but had difficulty finding a natural gas storage facility with extra storage space available. In addition to other natural gas storage facilities, DWR considered storing natural gas at the Wild Goose natural gas storage facility in Butte County. To pursue their interest in storing natural gas at the Wild Goose facility, DWR officials contacted Respondent in his capacity as a paid representative of Wild Goose.

Upon being contacted by DWR, Respondent made a presentation to DWR at which he offered his own consulting services to DWR. During the presentation, Respondent emphasized his business relationship with Wild Goose. Thereafter, on May 15, 2001, Respondent signed a consulting agreement between IGS and DWR, under which DWR agreed to pay Respondent $215 per hour, and Respondent agreed to assist DWR in the procurement, transportation, and storage of natural gas. Among other things, Respondent had a contractual duty to provide pertinent information to DWR decision makers regarding DWR's natural gas storage options with specified natural gas storage companies. Respondent's source of income, Wild Goose, was one of seven natural gas storage companies that were specifically mentioned as providers of storage options in the consulting agreement between IGS and DWR. As required by the consulting agreement, Respondent attended weekly meetings at DWR regarding the procurement, transportation, and storage of natural gas. At these meetings, Respondent made recommendations to DWR based on his professional expertise of the fuel market.

On two separate occasions, in May and June 2001, Respondent contacted Wild Goose and urged Wild Goose to make an offer to DWR, but did not inform Wild Goose that he had been retained by DWR as a paid consultant. In response, Wild Goose made two separate offers of very short duration to DWR. DWR, however, was not able to respond to the two offers before they lapsed. In July 2001, when DWR became aware of potential conflicts of interest on the part of DWR consultants as a result of recent news stories, Respondent recused himself from any further negotiations between DWR and Wild Goose. Thereafter, on August 1, 2001, DWR and Wild Goose entered into a contract under which Wild Goose agreed to store natural gas for the State of California at the Wild Goose facility.

By urging Wild Goose to make two offers to DWR, Respondent twice participated in making a governmental decision, as defined in regulation 18702.2.

Respondent Had an Economic Interest in Wild Goose

On or about April 1, 2001, Respondent had signed a one-year consulting agreement between his consulting firm, IGS, and Wild Goose, under which Wild Goose agreed to pay a monthly retainer fee of $8,500 to IGS, and IGS agreed to assist Wild Goose in the marketing of natural gas storage services at the Wild Goose facility. In addition to the monthly retainer fee, Wild Goose also agreed to pay IGS an incentive fee based on the volume of business that Respondent could attract to the Wild Goose facility. As a 75-percent owner of IGS, Respondent had a 75 percent interest in the $8,500 monthly retainer fee, and the incentive fee. As such, Respondent had an economic interest in Wild Goose, as a source of income of $500 or more, as described in section 87103, subdivision (c).

Wild Goose was Directly Involved in the Governmental Decision

DWR decision makers made a governmental decision to negotiate and sign a contract with Wild Goose. As a named party in that decision, Wild Goose was directly involved in the decision, as described in regulation 18704.1.

The Decision Had a Reasonably Foreseeable Material Financial Effect on Wild Goose

When a business entity is directly involved in a governmental decision, any financial effect on the business entity is deemed to be material. Pursuant to the terms of the natural gas storage contract between DWR and Wild Goose, DWR agreed to pay a total of $256,000 to Wild Goose. As it was reasonably foreseeable that DWR's decision to sign the Wild Goose contract would have a $256,000 effect on Wild Goose, Respondent was prohibited from participating in making that decision.

Accordingly, by making two separate requests of Wild Goose, a source of income to him, to store natural gas for the State of California, Respondent committed two violations of section 87100.

COUNT 3

Participating in Making a Governmental Decision Directly Related to a Contract

In addition to the prohibition in section 87100, Respondent was also prohibited by section 87450 from making or participating in making a governmental decision directly relating to a contract involving a party with whom he had a prior business relationship. As set forth below, Respondent participated in making a governmental decision directly relating to a contract involving Wild Goose, a company with whom he had an existing business relationship.

Respondent was a "State Administrative Official" as Defined by the Act

As an energy consultant to DWR, Respondent's official duties were to engage in contract proceedings in more than just a clerical or ministerial capacity by making

recommendations to DWR based on his professional expertise concerning the fuel market. As such, Respondent was a "state administrative official" as defined in section 87400.

Respondent Participated in Making a Decision Directly Relating to a Contract

As a consultant for DWR, Respondent was personally and substantially involved in the formation and final approval of the Wild Goose contract by acting as a facilitator between Wild Goose and DWR prior to DWR's decision to sign the Wild Goose contract. Under these facts, Respondent "participated" in DWR's decision to enter into the Wild Goose contract for purposes of section 87450.

Respondent Engaged in Prior Business Transactions with Wild Goose

Prior to becoming a consultant for DWR, Respondent, through his consulting firm, IGS, had provided various consulting and marketing services to Wild Goose over the 12 months preceding DWR's decision to contract with Wild Goose. As such, Respondent was prohibited from participating in that decision.

Accordingly, by facilitating a contract between DWR and Wild Goose, a client of his consulting firm, and thereby participating in DWR's decision to approve the Wild Goose contract, Respondent violated section 87450.

COUNTS 4-6

Failing to Disclose Sources of Income on Statements of Economic Interests

Upon becoming a consultant for DWR, Respondent had an obligation to file an assuming office statement of economic interests. In July 2001, DWR notified Respondent of his duty to file the assuming office statement of economic interests. In the DWR notification, Respondent was advised to disclose his income from any business entity that matched one of the following descriptions:

- Investor owned electric utility included within the Western Systems Coordinating Council;
- Manufacturer of power generation or transmission facilities, or advanced energy systems;
- Supplier of fossil or nuclear fuel;
- Manufacturer, seller, or repairer of electrical, mechanical, or solid state electronic testing equipment, or electrical or mechanical equipment utilized in the generation of electrical power or the pumping of water;
- Consulting firms involved in the above activities;
- Energy marketer or merchant generator conducting electrical energy business within the Western States Coordinating Council region.

After receiving the notification, on or about July 25, 2001, Respondent filed an assuming office statement of economic interests with the DWR personnel office. On the

assuming office statement of economic interests, Respondent reported that he had no reportable economic interests. However, through his consulting firm, IGS, Respondent had an economic interest in three energy companies as sources of income: ACN Energy, Calpine Corporation, and Wild Goose (a subsidiary of Alberta Energy Company). Respondent did not report his interests in the three energy companies on his July 25, 2001 assuming office statement of economic interests.

By failing to disclose three business entities as sources of income on his assuming office statement of economic interests, Respondent committed three violations of section 87300. On or about October 9, 2001, at the urging of the Governor's office, Respondent sought legal advice which led him to amend his assuming office statement of economic interests to report his previously undisclosed economic interests.

CONCLUSION

This matter consists of six counts of violating the Political Reform Act, and carries a maximum administrative penalty of Five Thousand Dollars ($5,000) per violation, for a total of Thirty Thousand Dollars ($30,000).

Regarding Counts 1 through 3, it was DWR that had invited Respondent to provide consulting services to DWR with the knowledge that Respondent had a business relationship with Wild Goose and did not inform Respondent of a possible conflict of interest. Nevertheless, Respondent had a personal stake (that has since been relinquished) in the contract between DWR and Wild Goose, as Respondent was receiving income from Wild Goose to attract business to the Wild Goose facility. Therefore, imposition of the maximum penalty of $5,000 per violation is appropriate for Counts 1 through 3.

Regarding Counts 4 through 6, Respondent's failure to disclose his economic interest in Wild Goose, as well as other energy providers, on his assuming office statement of economic interests concealed from the public that Respondent had a personal stake in the contract between Wild Goose and DWR, and had other economic interests that could potentially be affected by his actions as a consultant for DWR. However, prior to becoming a consultant for DWR, Respondent had only worked in the private sector and therefore lacked familiarity with the Political Reform Act. According to Respondent, his failure to disclose the clients of his consulting firm on his assuming office statement of economic interests was the result of a misunderstanding of the disclosure requirements. When the requirements were explained to him by legal counsel, Respondent promptly filed an amended assuming office statement of economic interests to properly disclose all of his reportable economic interests. As such, imposition of the lesser penalty of $3,500 per violation is appropriate for Counts 4 through 6.

Accordingly, the facts of this case justify imposition of a total administrative penalty of Twenty Five Thousand Five Hundred Dollars ($25,500).