Again, I wish to reiterate that we were a far better partner. I think it ought to be a source of collective embarrassment that the Federal Government contributes only 6 cents out of every dollar in America in the 21st century. Why we cannot be a one-third partner, to me, is beyond imagination. Yet that is where we are.

The 6 cents that we will be talking about contributing will make a difference. My hope is that we will fully fund those 6 cents to see to it that these schools, children, and families will have the chance to maximize their potential.

There will be extensive debate. I will be talking about the various issues that come along. I look forward to the amendment that I will offer with my colleague and friend from Maine, Senator COLLINS, on title I. I look forward to the debate on special education and these other issues that come along. I will have an amendment with my colleague from Alabama on privacy issues that we will be offering along with some other suggestions with my friend from New Mexico, Senator DOMENICI, on charter education.

We will have a good debate and a good discussion on some of these issues. My hope is at the end of this debate we will be able to meet as a body and say to each other that we have done the right thing for our country. Many of us may not be here when the next education bill comes to the floor. I would like to think that on this occasion and during this discussion we are mindful that this may be our last opportunity individually to leave our signature on how we would like to see America meet its educational challenges for the 21st century.

I yield the floor.

The PRESIDING OFFICER. The Senator from California is recognized.

Mrs. FEINSTEIN. Mr. President, I thank the distinguished Senator from Connecticut for his remarks. They are right on. I wish to associate myself with them. I wish to thank him for his decades of perseverance on behalf of education. It was an excellent set of remarks. I thank him very much.

Mr. President, my understanding is that each Member has an hour to speak on the motion to proceed. I intend to use my time not only on the education bill, but because of the situation in California with respect to energy, I wish to give this body, on the 1-year anniversary of the energy crisis, a brief report. I ask unanimous consent to do so.

The PRESIDING OFFICER. Does the Senator realize that we have a 12:30 recess for the policy conferences?

Mrs. FEINSTEIN. I do. I will use the 15 minutes, if I may.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mrs. FEINSTEIN. Thank you very much.

## THE ENERGY CRISIS

Mrs. FEINSTEIN. Mr. President, I rise today to speak once again about the California energy crisis. Today is the first day of May and in many parts of California, it is the start of a 5-month summer and the start of a five-month period of the highest electricity demand. The day also marks the 12th consecutive month we have been in an energy crisis—I add to that the Pacific Northwest—meaning for an entire year we have experienced energy prices that are about 10 times higher than they were in the previous 12 month period. And it also marks the 12th consecutive month that the Federal Energy Regulatory Commission has failed to take decisive action.

It took the Federal Energy Regulatory Commission until November to declare what people in San Diego, California discovered last May, electricity rates are ''unjust and unreasonable'' and the market is broken.

Last week, FERC attempted to modify the broken market with so-called ''price mitigation.'' In its April 26th order, the FERC outlined its proposal ''to mitigate the dysfunctional market.'' Unfortunately, what FERC offered as a solution will not do nearly enough to solve the problems in California and the Northwest.

First, the order for the most part, ignored the Northwest—offering only a limited investigation of the broken market in Oregon and Washington without any promise of even the feeble price mitigation offered to California.

Second, the order will last only one year, not nearly enough to get enough supply on line to meet our energy needs.

Third, the order only applies to stage 1, 2, and 3 energy emergencies, practically ensuring that prices for the rest of the time can remain exorbitantly high.

Fourth, the FERC order decreed that the cost based rate of the price for the least efficient megawatt of power needed at any given hour would go to everyone who bid into the market. With natural gas prices still averaging three times higher in California than elsewhere, it is almost a guarantee that this would mean at many hours, the average price of electricity will be $400-$500 per megawatt.

Which brings up the most glaring problem with the FERC order: It does not address natural gas, which is the major cost in electricity production and a problem in itself for heating, cooking, food and manufacturing production, etc. I would like to take this opportunity to read from some letters I have received about the energy crisis.

Let me speak about a letter from the California Steel Industries, and I quote:

> Our company is a relatively large consumer of both electricity and natural gas. Our historical gas bill was about $12 million annually. With the price gouging going on in California, that bill will rise to $40 million or even $50 million this year. For electricity, we historically paid about $15 million per year. That number will double this year due to increased retail rates, which became necessary as a result of skyrocketing wholesale prices.

Mr. President, I ask unanimous consent that letter be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

CALIFORNIA STEEL INDUSTRIES, INC.,
*Fontana, CA, April 16, 2001.*

Hon. DIANNE FEINSTEIN,
*U.S. Senate, Hart Senate Office Building, Washington, DC.*

DEAR SENATOR FEINSTEIN: This is to ask for your help in immediately seeking emergency action by the Federal Energy Regulatory Commission, to stop the relentless profiteering and price gouging by energy providers to the state of California.

The problem in the wholesale price of electricity is well documented. Power prices have gone from about $30 per megawatt hour in 1999 winter months to more than $1400 per megawatt hour at times during the winter of 2000–01. This was not due to a rise in demand or a supply shortage—the winter months for both years saw demand at about half of the summer peak period.

High prices have continued through the moderate spring weather and could hit astronomical levels this summer.

Natural gas, a key component of electricity generation and of industrial production in its own right, has followed suit. While the price of natural gas is up across the nation—about double the historical average in Chicago, New York and Texas, for example—in California, it is about six times the historical average. In recent weeks, natural gas has been a little over $5 per MMBTU in most areas of the country, and nearly $15 in South California.

Our company is a relatively large consumer of both electricity and natural gas. Our historical gas bill was about $12 million annually. With the price gouging going on in California, that bill will rise to $40 million or even $50 million this year. For electricity, we historically paid about $15 million per year. That number will double this year due to increased retail rates, which became necessary as a result of skyrocketing wholesale prices.

For California Steel Industries and its 1,000 direct employees, those numbers are not only mind-boggling, they spell disaster. No business can absorb that kind of a hit for long and continue to survive. We are the largest producer of flat-rolled steel in Southern California, and we serve nearly 400 customers, most of whom are in California. We cannot pass along these increased costs to our customers because they can easily purchase competing steel from the Midwest, the East, and from offshore, produced with far less expensive energy.

Unfortunately, our story is just one of many in California these days.

The President of the California Public Utilities Commission, Ms. Loretta Lynch, has requested the help of the FERC in this crisis. Thus far, she has been rebuked by the regulators, on the basis that this is simply a supply and demand issue that will straighten our as soon as more power plants are built and more gas pipelines constructed. Unfortunately, we fear the problem will go away even sooner—by a huge drop-off in demand as businesses shut down and lay people off. This is not the solution the FERC wants, we are sure. However, we cannot wait for the FERC's theoretical approach to solve everything 50 months from now. We cannot even wait 50 days.

It is our belief that there is *no fair market* for gas or electricity in California, and there will not be fair pricing without federal intervention at the wholesale price level. We are committed to doing our part for conservation. We would also welcome the chance to talk with you personally about this subject.

In the meantime, on behalf of all Californians who value a good job with a secure future, and who helped create the world's 6th largest economy through hard work and perseverance, we urge you to get directly involved in this matter and demand that the FERC do its job. We must ensure that electricity and natural gas—two unique commodities, which in most cases have no short-term substitute—are priced fairly. Otherwise, you can turn out the lights in California, because the party will be over.

Very truly yours,

C. LOURENÇO GONÇALVES,
*President and CEO.*

Mrs. FEINSTEIN. Mr. President, California is the largest dairy State in the Union.

Let me read a brief quote from the Dairy Coalition of Concerned Energy Consumers.

As the number one-ranking dairy producing state in the nation, the California dairy industry uses substantial quantities of natural gas to run its processing plants. Between December 1999 and December 2000 the cost of gas to dairy plants in California increased 4,000%. Our paramount concern is the dramatic increase in the non-commodity portion of the price of gas.

Mr. President, I ask unanimous consent that letter be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

CALIFORNIA DAIRY COALITION OF CONCERNED ENERGY CONSUMERS,
*Sacramento, CA, February 16, 2001.*

Hon. DIANNE FEINSTEIN,
*U.S. Senate, Hart Senate Office Building, Washington, DC.*

DEAR SENATOR FEINSTEIN: On behalf of the California Dairy Coalition of Concerned Energy Consumers, I would like to thank you for all of your activities to date directed to resolving the energy crisis in California.

The Dairy Coalition was formed recently due to the supply problems and dramatic price increases seen for both electricity and natural gas in California in late 2000. The Coalition represents all of the major dairy producer co-operatives in California, as well as the major proprietary processing companies.

As the number one-ranking dairy producing state in the nation, the California dairy industry uses substantial quantities of natural gas to run its processing plants. Between December 1999 and December 2000 the cost of gas to dairy plants in California increased 4,000%. Our paramount concern is the dramatic increase in the non-commodity portion of the price of gas.

Again, the Dairy Coalition greatly appreciates your attention to this critical issue.

Sincerely,

JIM GOMES,
*Executive Vice President,*
*California Dairies, Inc.*

Mrs. FEINSTEIN. Mr. President, let me read briefly from a letter from Bayer. Bayer uses tremendous quantities of energy, and it relies extensively on natural gas and oil as both fuel and feed stock. It has had a 300-percent surge in the open market cost of natural gas since early in 2000.

The letter goes on to say:

Volatile crude oil prices have increased the cost of feedstock by as much as 100 percent.

Mr. President, I ask unanimous consent that letter be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

BAYER CORPORATION,
*Pittsburgh, PA, April 2, 2001.*

Hon. DIANNE FEINSTEIN,
*U.S. Senate, Hart Office Building, Washington, DC.*

DEAR SENATOR FEINSTEIN: I write on behalf of Bayer, the world's largest producer of both synthetic rubber and polyurethane systems and a major U.S. exporter with more than 23,000 employees in the United States.

Please act promptly to advance a comprehensive national energy policy and strategy that promotes high environmental standards and a diverse, flexible energy supply at globally competitive prices.

Our polymers and chemicals businesses use tremendous quantities of energy and rely extensively on natural gas and oil as both fuel and feedstock. In this way, our $10 billion U.S. company is representative of a major segment of the economy. The $460 billion business of chemistry is the largest exporting sector in the country, accounting for ten cents out of every dollar in U.S. exports. At Bayer Corporation, one out of every five jobs depends on our $2 billion export business. We cannot fight with both hands tied behind our back, one already tied by the strong dollar, now the other by high energy costs.

The 300-percent surge in the open-market cost of natural gas since early in 2000 has dramatically affected business. Volatile crude oil prices have increased the cost of feedstock by as much as 100 percent.

Passing these costs along to our customers in the appliance, automotive, construction and other markets is not a viable, long-term solution. Rather it is a bleak, zero-sum game for the U.S. economy.

We are doing our part by aggressively pursuing policies to conserve energy and otherwise raise efficiency through measures such as co-generation. Even so, we need your help in bringing about a rational approach to the energy needs of the world's largest, single-nation economy.

I urge you to please speak out on this matter and act immediately.

Please do not hesitate to contact me if you would like additional information about Bayer's perspective on energy policy.

Sincerely,

HELGE H. WEHMEIER,
*President and Chief Executive Officer.*

Mrs. FEINSTEIN. California is a very large floral producer. I would like to read a brief quote from the California State Floral Association.

While our state decision makers have devoted most of their attention to the supply and cost of electrical energy, it is the high cost of natural gas that is of the greatest concern to our grower members. They have seen their natural gas bills increase by five to six fold. For example, one of our nurseries reports having their monthly gas bills increase from $26,000 in December of 1999 to $145,000 in January of 2001. This is fairly typical of the industry.

I have a letter from the H.K. Canning company which states that they are going to be forced out of business because of the high costs of energy today in California.

I ask unanimous consent that both of those letters be printed in the RECORD.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

CALIFORNIA STATE FLORAL ASSOCIATION,
*Sacramento, CA, February 5, 2001.*

Hon. DIANNE FEINSTEIN,
*U.S. Senator, Senate Office Building, Washington, DC.*

DEAR SENATOR FEINSTEIN: The California State Floral Association represents retail florists, wholesale florists and cut flower growers in California. We are very concerned about the impacts the current energy crisis is having on our members. Of particular concern is the skyrocketing natural gas price as well as recent concern over natural gas availability and the possibility that gas customers including nurseries will have their gas service curtailed.

The energy crisis in California will have major economic ramifications on the state. We know you understand the seriousness of this situation. The unstable supply of all energy resources and the escalating costs of natural gas, diesel, propane and electricity have placed enormous new economic burdens on our industry. Our product is highly perishable and power outages can cause significant losses in a very short period of time. We have a very real concern that many of our members may be forced out of business. We face economic losses from the grower through the marketing chain to the retail florist.

While our state decision makers have devoted most of their attention to the supply and cost of electrical energy, it is the high cost of natural gas that is of the greatest concern to our grower members. They have seen their natural gas bills increase by five to six fold. For example, one of our nurseries reports having their monthly gas bills increase from $26,000 in December of 1999 to $145,000 in January of 2001. Other nurseries report similar increases in the cost of natural gas. Since farmers are price takers not price makers, these costs cannot be passed on. Some growers have reduced production, laid off employees and had to reduce employee benefits just to stay in business.

The flower industry is an important contributor to the agricultural revenues of this state. Cut flowers account for over $300 million dollars in farm gate revenues and all ornamentals total over $700 million statewide. California is also the number one flower producing state in the country. Yet the future of the cut flower industry is not bright.

We know that many in our nation's Capitol believe our energy crisis to be a ''California Problem'' and that it should be remedied through state action. While there may be some validity to this view with regard to the shortage of electrical energy, we believe this to be a grossly inaccurate perspective relative to the natural gas crisis in our state. The problem of natural gas availability and manipulative pricing needs to be dealt with at the federal level.

In light of the above, we urge you to do everything in your power to get the Federal Regulatory Energy Commission (FERC) to act immediately to stop the predatory gas pricing practices being perpetrated against California consumers. FERC has the ability to mitigate the anti-competitive conditions that exist in the marketing and delivery of natural gas. As we understand it, they have the opportunity to do this through two cases pending before them brought by two of our utilities. They have the responsibility to take such action under their charge as an oversight commission and the statutory authority under which they operate. And they need to take such action soon or many flower growers will not survive this crisis.

We desperately need your assistance in this time of great need. Please make this issue your highest priority. We thank you in advance for any help you can provide and are awaiting your response. Please do not hesitate to call on us for specific information and assistance.

Very respectfully yours,

JIM RELLES,
*President.*

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H.K. CANNING, INC.,
*Ventura, CA, February 1, 2001.*

Senator DIANNE FEINSTEIN,
*U.S. Senate, Hart Senate Office Building, Washington, DC.*

DEAR SENATOR FEINSTEIN: My wife and I are owners of a small food processing cannery plant in Southern California called H. K. Canning, Inc. We have 81 employees with families that in total represent approximately 350 people. We all need your help desperately.

We purchase Natural Gas to power our steam boiler for processing soups and vegetables. The attached cost summary shows that for the last five years our volume of BTUs has remained constant along with the cost for these BTUs. However, until recently, our Natural Gas bill has risen seven (7) times over previous months without using any additional BTUs.

This is going to force us out of business! Profit margins in the food processing business are very tight, as we are all aware of what happened to Tri-Valley Growers in Stockton, CA. We have also seen our Worker's Compensation costs triple since 1999 with no cost control implementation. California is in trouble. We are in trouble and the government is moving to slow!!!

We, and our employees, need your help now.

Sincerely,

HENRY KNAUST,
*President.*

Enclosure.

H.K. CANNING, INC.: NATURAL GAS BILLING ANALYSIS

| Fuel vendor | Month and year used | Quantity MMBtu therms | Price MMBtu therms | Monthly cost |
|---|---|---|---|---|
| Amoco | 6–1996 | 2,289 | 1.40 | 3,204.60 |
| Do | 7–1996 | 2,310 | 1.72 | 3,973.20 |
| Do | 8–1996 | 2,043 | 2.19 | 4,474.17 |
| Do | 9–1996 | 2,003 | 1.75 | 3,505.25 |
| Do | 10–1996 | 2,757 | 1.76 | 4,852.32 |
| Do | 11–1996 | 2,513 | 2.65 | 6,659.45 |
| Do | 12–1996 | 2,135 | 3.73 | 7,963.55 |
| Do | 1–1997 | 2,551 | 4.30 | 10,969.30 |
| Do | 2–1997 | 1,932 | 2.68 | 5,177.76 |
| Do | 3–1997 | 1,984 | 1.64 | 3,253.76 |
| Do | 4–1997 | 2,673 | 1.77 | 4,731.21 |
| Do | 5–1997 | 2,103 | 2.08 | 4,374.24 |
| Do | 6–1997 | 2,133 | 2.23 | 4,756.59 |
| Do | 7–1997 | 2,588 | 2.25 | 5,823.00 |
| Do | 9–1997 | 2,744 | 2.53 | 6,942.32 |
| Do | 10–1997 | 3,236 | 3.11 | 10,063.96 |
| Do | 11–1997 | 2,532 | 3.37 | 8,532.84 |
| Do | 12–1997 | 2,975 | 2.39 | 7,110.25 |
| Do | 1–1998 | 2,273 | 2.31 | 5,250.63 |
| Do | 2–1998 | 2,703 | 2.11 | 5,703.33 |
| Do | 3–1998 | 2,781 | 2.34 | 6,507.54 |
| Do | 4–1998 | 2,616 | 2.40 | 6,278.40 |
| Do | 5–1998 | 2,669 | 2.37 | 6,325.53 |
| Do | 6–1998 | 2,610 | 2.10 | 5,481.00 |
| Do | 7–1998 | 2,920 | 2.25 | 6,570.00 |
| Do | 8–1998 | 2,885 | 2.33 | 6,722.05 |
| Do | 9–1998 | 2,981 | 2.05 | 6,111.05 |
| Do | 10–1998 | 3,006 | 2.06 | 6,192.36 |
| Do | 11–1998 | 2,905 | 2.36 | 6,855.80 |
| Do | 12–1998 | 3,599 | 2.32 | 8,349.68 |
| Sempra | 1–1999 | 2,774 | 2.04 | 5,658.96 |
| Do | 2–1999 | 2,814 | 1.83 | 5,149.62 |
| Do | 3–1999 | 3,316 | 2.20 | 7,295.20 |
| Do | 4–1999 | 2,941 | 2.20 | 6,470.20 |
| Do | 5–1999 | 2,748 | 2.20 | 6,045.60 |
| Do | 6–1999 | 2,912 | 2.20 | 6,406.40 |
| Do | 7–1999 | 2,750 | 2.20 | 6,050.00 |
| Do | 8–1999 | 3,110 | 2.20 | 6,842.00 |
| Do | 9–1999 | 3,332 | 2.20 | 7,330.40 |
| Do | 10–1999 | 3,173 | 2.20 | 6,980.60 |
| Do | 11–1999 | 3,025 | 2.20 | 6,655.00 |
| Do | 12–1999 | 3,275 | 2.20 | 7,205.00 |
| Do | 1–2000 | 3,153 | 2.20 | 6,936.60 |
| Do | 2–2000 | 3,437 | 2.20 | 7,561.40 |
| Do | 3–2000 | 2,778 | 2.60 | 7,222.80 |
| Do | 4–2000 | 2,478 | 3.03 | 7,508.34 |
| Do | 5–2000 | 2,958 | 3.04 | 8,992.32 |
| Do | 6–2000 | 2,319 | 3.04 | 7,049.76 |
| Do | 7–2000 | 2,638 | 4.92 | 12,978.96 |
| Do | 8–2000 | 2,798 | 4.50 | 12,591.00 |

H.K. CANNING, INC.: NATURAL GAS BILLING ANALYSIS—Continued

| Fuel vendor | Month and year used | Quantity MMBtu therms | Price MMBtu therms | Monthly cost |
|---|---|---|---|---|
| Do | 9–2000 | 2,787 | 6.32 | 17,613.84 |
| Do | 10–2000 | 3,211 | 5.58 | 17,917.38 |
| Do | 11–2000 | 2,905 | 5.19 | 15,076.95 |
| Do | 12–2000 | 2,854 | 14.09 | 40,212.86 |
| Do | 1–2001 | [1] 3,000 | 16.32 | 48,960.00 |

[1] Estimate.

Mrs. FEINSTEIN. Mr. President, I have a letter from California State Senator K. Maurice Johannessen. This letter points out that the Shasta Paper Company is now closing its doors because of rising natural gas prices and the suspension that has resulted on pulp production. I ask unanimous consent that the letter be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

CALIFORNIA STATE SENATE,
*Sacramento, CA, December 15, 2000.*

Re: Request for Immediate Intervention

Hon. GRAY DAVIS,
*State Capitol,*
*Sacramento, CA.*

DEAR GOVERNOR DAVIS: The State of California currently teeters on the brink of a major energy crisis that threatens the well-being of citizens, communities, and the economy. The significant increase in natural gas prices and looming energy shortages have caused distress among many Californians. Couple that with the decision by the United States Forest Service to halt operations in National Forests, including forest thinning, fire hazard reduction, and ground disturbing activities, and we have a formula for disaster brewing in our state.

In my district alone, the Shasta Paper Company (the only remaining paper pulp mill in the state) had to close its doors last week because of rising natural gas prices and the suspension on pulp production. Although they were able to reopen this week, they have been forced to do so on a limited basis, with a substantial reduction in their workforce. They have taken an enormous financial hit and are in danger of being priced out of their ability to operate in the future.

The Shasta Paper Company employs nearly 450 people with a payroll of approximately $1 million per week and revenues of $144 million yearly. The closing of this plant will not only devastate the area but deprive the entire state of the benefits from this valuable enterprise. They are currently considering alternatives to natural gas but will require a temporary waiver of emission standards to remain viable. In the meantime, many once productive members of the workforce are left to wonder about their personal financial situations.

Burney Forest Power is a 31 megawatt biomass fueled co-generation plant located in Shasta County that is capable of supplying power to about 25,000 homes. At a time when every megawatt produced in the state is precious, the USFS decides to suspend all timber-related activities to the detriment of biomass power plants throughout California. While industries are laying off workers due to the cost of natural gas, these same workers are being asked to pay higher fuel and energy costs. The financial impacts to individuals, communities, social service agencies, and industries may cause irreparable damage statewide.

I understand that the actions of the USFS were the result of lawsuits filed by the Earth Island Institute and other environmental groups as an interim settlement. The agreement was for suspension by the USFS ''not to offer, advertise, auction or award any timber sales within the Sierra Nevada Framework planning area'' from December 11, 2000 to March 1, 2001, or 30 days after the Record of Decision is issued for the Sierra Nevada Framework Final Environmental Impact Statement.

Earth Island Institute asserts in their suit that the area not only has suitable habitat for the California Spotted Owl but also that the Sierra Nevada province may contain potentially suitable habitat for the Pacific Fisher. The USFS agreed to expand the area of consideration from suitable habitat for the California Spotted Owl and suitable or potentially suitable habitat for Fisher to include the entire Sierra Nevada planning area!

I do not believe that the USFS took into account the impacts on biomass power producers and other industries when they entered into this agreement. It is not difficult to see the effect that the loss of these power producers can and will have on northern Californians as we enter into the coldest months of the year. What impact can we reasonably project on the cost of doing business in northern California when many enterprises rely on natural gas to operate? If biomass producers are hindered or shut down, the demand for natural gas will increase, causing an even greater strain on the current situation.

Governor Davis, California already suffers from skyrocketing gas and energy prices and the state is in a near emergency situation. You have sought to preserve current supplies and I am confident that you will be anxious to prevent further hardship to the citizens of California. We are already facing the threat of rolling blackouts and government offices within California have been directed to implement energy conservation strategies and actions in response to current and expected shortages.

I do not believe that the USFS acted maliciously when they entered into the agreement, however, I do feel that the action was shortsighted. To have not consulted with the Governor of a state where such actions will cause harm is irresponsible, unconscionable, and unacceptable.

I am requesting that you intervene with the Department of Justice to provide a temporary waiver for emission standards and address the United States Forest Service's action to cease all timber-related operations in the Sierra Nevada planning area.

Your immediate consideration is greatly appreciated.

Sincerely,

K. MAURICE JOHANNESSEN,
*Assistant Republican Leader.*

Mrs. FEINSTEIN. Mr. President, last week I reported that C&H Sugar, the only sugar refinery on the west coast, that had employed 1,000 people, closed its doors for 5 days. Its cost of steam went from $450,000 a month to $2 million a month. I would like to update that report. That company is now looking for a special bridge loan. If it is unable to find that loan, the only sugar refinery on the west coast will have to permanently close its doors.

These complaints are all centered on natural gas prices. People have not yet been hit with the 40-percent increases planned for the average ratepayer in electricity this month. This does not even address gasoline prices which some are predicting may reach $3 a gallon in California this summer. So things are going to get a lot worse before they get better.

The California Independent System Operator has said that the State will be 2,000 to 5,000 megawatts short in meeting its energy needs. In other words, millions of homes and businesses are at risk of being blacked out, maybe every day. This affects traffic lights, ATMs, farmers, assembly lines. It affects vineyards; it affects small hospitals—and the list goes on and on.

Since January, the State Department of Water Resources has been purchasing all of California's power needs because of the poor financial condition of the State's utilities. Last week, I updated my colleagues in the Senate on the amount the State has spent so far to keep the lights on. At that time, it was $5.2 billion. In the last week, that number has gone up by $1 billion, to $6.2 billion. And the State continues to buy power at the rate of $73 million a day.

The implications of these high power prices are devastating to the State. In fact, State budget officials are already making deep cuts in California's $105 billion budget that the Governor will sign into law in late June. Last week, the California State Senate Budget Committee chairman called on the Budget Committee to come up with a list of cuts totaling $2 to $4 billion to compensate for higher energy costs so far.

I would like to put the costs in perspective. California, as I said, is spending $73 million a day on power. How much is that? It is enough to fund the annual budget of the Santa Ana Police Department. It is one-fourth of the cost to run California's entire judicial system for 1 year. It would provide health coverage for almost 300,000 working families in the State. And it is gone in 1 day.

As I have said before, the major problem was a flawed deregulation bill passed in 1996 called AB 1890. However, the State is doing today all it can to increase supply and reduce demand. The State will have an additional 3,572 megawatts on line by the end of the summer and an additional 6,923 megawatts on line before the end of 2003, and by 2004 the State expects to add 20,000 more megawatts. That is enough power for 20 million additional homes.

The problem is in the interim. The problem is the absence of price stability. The State spent $7 billion in 1999 for energy—total—$32 billion in the year 2000, and it is estimated to spend $65 billion in 2001. Simply stated, this is the result of price gouging. Simply stated, it is a Federal responsibility to provide a period of reliability and stability in price before we bankrupt every industry in the State of California and close businesses from Eureka to San Diego. The Pacific Northwest is in the same crisis, and the Midwest and other regions will be as well, unless the FERC takes action.

Yesterday, the Commission ordered the Williams Company to refund $8 million for withholding power. This is the first action of its kind. The Commission found that this generator improperly shut down plants with the implicit understanding that withholding power from the market would drive up prices. Even to the most conservative Member in this body, this is evidence of manipulation of the market in California to drive up energy prices. The FERC found it, and the agreement was that Williams will pay $8 million in a refund.

This firm has admitted no wrongdoing in the settlement. However, it should be clear that what was alleged was that they took key generating units in Long Beach and Huntington Beach offline in April and May of last year. Williams said it settled to end the matter and that they would have been exonerated had FERC pursued the case. Initially, FERC had sought a refund of about $10.8 million but settled for the $8 million in the compromise agreement.

Today, Pacific Gas and Electric, a very large investor-owned utility, is in bankruptcy in chapter 11. Southern California Edison, the distributor of power to 11 million people, is very close to bankruptcy. Should the agreement forged by the Governor not go through, that utility will be in bankruptcy.

Yesterday, a divided State senate appropriations committee approved a bill that would impose a windfall profits tax on electricity sellers who gouge California consumers. Revenue from the tax would flow back to Californians in the form of a credit on their State income tax, starting next April 15. On a 7–3 vote, Democrats on the committee voted for the bill, Republicans lined up against it. The measure moved to the Senate floor, where it will require a simple majority of 21 votes and is expected to pass. The Governor has said he is open to signing a windfall profits bill, but he has not publicly lobbied for the passage of the bill.

Yesterday, the Vice President made an energy speech. I would like to say a few things about it.

In his first extensive remarks about the energy recommendations his Cabinet-level task force will make to the President by the end of May, the Vice President blamed current shortages on shortsighted decisions in the past. The Vice President said that conservation, while perhaps ''a sign of personal virtue,'' does not make for sound or comprehensive policy. The Vice President promised ''a mix of new legislation, some executive action as well as private initiatives'' to cope with rising energy prices and growing demand. He definitely rejected turning to price controls, tapping the Strategic Petroleum Reserve, or creating new bureaucracies.

Over the next two decades, it will take between 1,300 and 1,900 new power plants—or one every week for 20 years—just to meet projected increases in nationwide demand, Mr. CHENEY said. And he said, ''Without a clear, coherent energy strategy for the nation, all Americans could one day go through what Californians are experiencing now, or even worse.''

I have been really disappointed and surprised with this administration's attention to the energy crisis. I have written to the President three times now asking to meet with him and explain the situation. So far, he has not yet agreed to meet with me.

The Vice President and the Energy Secretary through this Presidential Task Force are talking about how the Federal Government is going to help. However, adding 1,600 new power plants over the next 20 years is not the answer we need. Nobody questions that we need more supply in the long term. But we have a situation where prices have been spiking for almost a year in California and about 6 months in other parts of the Northwest, where the Northwest is experiencing the driest hydro year on record. This is where we need the help.

This is where the Federal Government has a duty to help. California and the Northwest badly need a period of stability and reliability, and this is where the Federal Government can help. I argue that this is where the Federal Government has a duty to step in and protect consumers from being gouged. As I said, California is adding 20,000 new megawatts itself which is the equivalent of forty new average-sized plants, without any Federal prompting.

Lastly, I am also quite surprised that the Vice President, in his remarks yesterday, essentially said that wind, solar, geothermal and other renewable energy sources are still too far into the future and the future is all fossil fuels.

Even if that were true, the truth of the matter is that nuclear power, for instance, takes years and years to cite and there is nothing this administration can do to help with the supply we need this summer and next summer.

I, again, urge my colleagues to support Senator GORDON SMITH and I and force FERC to take action and address the problem. The alternative may be an economic disaster for the entire country this summer.

The PRESIDING OFFICER. The Senator's time has expired.

Mrs. FEINSTEIN. I thank the Chair.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SANTORUM. Mr. President, I ask unanimous consent that at 2:15 today Senator THOMAS be recognized for up to 1 hour allotted post cloture and, following that time, Senator WELLSTONE be recognized for his hour post cloture.

The PRESIDING OFFICER. Without objection, it is so ordered.

## RECESS

The PRESIDING OFFICER. Under the previous order, the hour of 12:30 having arrived, the Senate will now stand in recess until the hour of 2:15 p.m.