Members, and to those listening, I just believe that we need to support the President's comprehensive energy plan. There is no quick fix to our energy needs.

As we talked, I think a lot of it has been brought up by the hysteria of the Kyoto Protocol and the concept that the Kyoto was something special that we had to do. If global warming was a fact of life, the Kyoto Protocol was not something that made it better. It was a bad deal for this country, and would not have changed what the situation was in the world, because it would have allowed all the countries to steal our employment, steal our factories, where they do not have strict pollution laws.

In this country, where we have the strictest and the best technology, we would have lost the business, so it would not have improved the world's atmosphere, it would have destroyed the economic base. The poor people in America would have lost their jobs.

That, and the energy issue as a whole is one that the American people had better be very wise about. I think the Bush-Cheney administration on the Kyoto Protocol made the right decision, and having a broad-based energy where we improve our ability to have the energy we need for this country, and allow the marketplace then to work from supply, not from shortages, is what is needed.

I thank the gentleman tonight for allowing me to join in on his special hour.

Mr. SMITH of Michigan. I thank the gentleman from Pennsylvania. In the authorizing bill for the State Department that went through the Committee on International Relations, there was an amendment in there, and that is what we have been talking about tonight, to go ahead with implementation of the Kyoto Protocol.

It is interesting, that vote was very close. I think it was 20 to 22 that the amendment succeeded in going on that bill with something like 14 members absent, so it is a real question that needs debate.

I would certainly encourage the conferees from the House and Senate, when they meet to reconcile the differences between the House and Senate, that they seriously look at the consequences of that language and consider removing it from the final bill.

THE ENERGY CRISIS IN CALIFORNIA AND THE WEST

The SPEAKER pro tempore (Mr. GRUCCI). Under the Speaker's announced policy of January 3, 2001, the gentleman from California (Mr. FILNER) is recognized for 60 minutes as the designee of the minority leader.

Mr. FILNER. Mr. Speaker, we are going to spend the next hour or so speaking about the crisis in California and the West, and spreading to other parts of this country.

Apparently, this Congress is going to adjourn tomorrow or the next day passing a tax cut for the wealthiest of Americans but refusing, refusing to do anything about the electricity crisis in California.

We just heard how good the President's energy plan was. Yet, out of the 105 recommendations made by the President in his energy plan, not one, not one addresses the problems of California and the West.

Those problems are severe. California's economy is teetering on the edge. If California's economy goes, so goes the rest of the Nation.

What is the source of the problem in California and the West, and what actions should we take to solve it? That is what we want to spend some time tonight in dealing with, and we have colleagues who will testify that this issue is not just confined to California but to other parts of the West, the Midwest, and the eastern parts of our Nation.

The roots of this crisis go back to last summer. California passed a deregulation law a couple of years ago. It put the path to deregulation that our utilities in the State would have to go. San Diego, California, which I represent, was the very first by the terms of the deregulation act to fully deregulate its wholesale and retail prices.

I think San Diego was the first place in the Nation, certainly in the State of California, to fully deregulate in this way. We found out in retrospect that that deregulation law was badly flawed. It allowed deregulation of a basic commodity, the oxygen of our economy, when there was no market, no competitive market, to allow the reduction of rates that were promised by the law. Yet, we went ahead and deregulated, and boy, did we find out what a mistake it was.

When my constituents in San Diego opened their bills last June, they were completely shocked to see that their prices had literally doubled. Even worse, the next month the prices had gone up another level, tripled from the original pre-deregulation rate.

Now, if one was a senior on a fixed income paying $50 a month and the bill went to $150 or $200 without any explanation, without any reason, and without any end in sight for the increases, that person was panicky, wondering how they can air condition their apartment or heat it when necessary.

If one was a small business and paying $800 a month for electricity and the bill went to $1,500 and then to $2,500, even $3,000, how could that business stay in business? How could they survive with those rates? Scores of my constituents had to close their doors in that first just 60 days of deregulation in San Diego.

Now, San Diegans found out and learned pretty quickly what the reason was that this occurred. It was not any hotter a summer in 2000 than it was in 1999. Demand did not go up in California or in San Diego. The cost of producing a kilowatt of electricity, which is a couple of cents, did not increase.

Yet, their prices tripled in 60 days. It was clear that there was a manipulation of the market; that the few companies who controlled electricity in California were jacking up the prices, gouging people, and taking enormous, enormous profits. Those profits, Mr. Speaker, have amounted to $20 billion over the last year in California.

Now, all the politicians reacted to the panic, to constituents who came in and said they were going bankrupt. We looked death in the eye literally in San Diego last summer. We said that this price increase, these price increases, were caused by manipulation of the market by a whole number of means which we became aware of and submitted to the Federal Energy Regulatory Commission, FERC.

FERC investigated what we had supplied them and they reported last November that, yes, we were right, the price was manipulated, the market was manipulated in San Diego, California, and the prices were unjust and unreasonable. That is the term in the law. Therefore, they were illegal.

I believe, Mr. Speaker, that the true crisis in California started the day that that report was issued by FERC, when they admitted or they revealed that the prices were illegal, yet they did nothing to stop the wholesalers and generators who were charging these prices.

What FERC said by not applying any sanctions to these wholesalers was ''Go and rob the State blind, because we are not going to do anything about it.'' Boy, did they ever.

My friend, the gentleman from Sherman Oaks, California, the most well-named city in America, is here with me. We have representatives from Chicago and the Midwest. I hope the gentleman from California (Mr. SHERMAN) will pick up the story of what occurred when they said, ''Go rob the State blind'' to the energy wholesalers, and what they did to the State of California in the year 2001.

□ 2345

Mr. SHERMAN. Mr. Speaker, I thank the gentleman from San Diego, California (Mr. FILNER) whose home county was ground zero for the consumer being directly affected by this Statewide and now regionwide rip-off.

In 1999, California paid $7 billion for electricity generation. The next year, in the year 2000, we actually used less electricity at peak times, but for the same basic amount of electricity we paid $32½ billion. This year we will use the same amount of electricity as we used in the prior 2 years, and we will be charged $70 billion, from $7 billion to $70 billion, no more electrons, just more price. A transfer this year, if it continues, of $63 billion from the consumers of California to a few megacorporations coincidentally based in Texas.

The entire State said okay, we did not do the right thing with our deregulation. We want to reverse it. We want to regulate these same plants that used to be owned by our regulated local utilities and have been sold off to these big outfits based in Texas, and then we are told by the Federal Government, you cannot regulate these same plants that you regulated before, Federal law prevents it and we, the Federal Government, although the statute tells FERC that they are required, are required to insist upon fair and reasonable rates, they have decided to go AWOL.

So the effect is to move $63 billion of wealth from consumers in California to megacorporations chiefly in Texas. Now, in order to justify or hide this incredible rip-off, what we are told by many of our Republican colleagues is that this is not a rip-off. It is a morality play. California is immoral and should be punished by a just God who should transfer money to their political supporters.

Keep in mind, first, even if California made some mistakes in its environmental policy or its regulatory policies, it is hardly any reason for the Federal Government to tie our hands and prevent reasonable regulation, but it is also not true. California did not prevent the construction of these power plants.

First of all, in 1999, we were exporters of electricity many months during the year, exported it to the Pacific Northwest to other States, no one really wanted to build power plants in California. Nobody filed a serious application.

In fact, the private sector was able to buy the existing plants at bargain prices. They had no particular interest in building more, but let us say they have such an interest and let us say environmentalists somehow prevented them from building in California, two great leaps of imagination, physicists have informed me that electrons do not know when they cross a State border.

We have one electric grid for the West. You can build a plant in Arizona, Nevada, Oregon and Washington and save the same market. If you are interested in selling electricity in the West, it does not matter which side of the State boundary you are.

They were not building plants in Nevada, and they were not building plants in Arizona until a year ago. We had a Republican governor in California who in his 8-year term did not grant a single permit, because none was seriously requested. Now we have 14 plants under construction.

The City of Los Angeles has no shortage because we have public power. We are exporting power from the City of Los Angeles to the other parts of the West.

The reason we have this shortage is because a few megacorporations have discovered a new definition for ''closed for maintenance''; that is to say, the plant is closed to maintain an outrageous price for each kilowatt. That is what is happening.

Mr. FILNER. Mr. Speaker, I want to continue with the California story and what our recommendations are to solving it, but I want our colleagues to know that this is not just a California problem. This is not just a western problem. This is a national problem. That is why only the Federal Government can step in.

Mr. Speaker, the gentleman from Chicago, Illinois (Mr. RUSH) would like to tell us what is happening in his home State and home city in Chicago.

Mr. Speaker, I yield to the gentleman from Illinois (Mr. RUSH)

Mr. RUSH. First of all, I want to thank the gentleman from California (Mr. FILNER) for not only his convening this special order for this evening, but for all the outstanding work that he has done on the issue of energy prices throughout America.

I certainly want to thank the gentleman from California (Mr. FILNER) and the gentleman from California (Mr. SHERMAN) for their outstanding contributions.

Tonight, I just want to rise to discuss the endless stream of energy problems suffered by consumers within the City of Chicago. This is indeed not just a California problem. It is not just an Illinois problem.

It is a problem that America faces, but in order to paint a picture of what is happening in Illinois, I want to zoom in on Chicago. In the summer of 1999, Chicago experienced almost daily electricity blackouts; the following summer, the summer of the year 2000, Chicago consumers were subject to gasoline prices which soared above national averages.

Then during the winter of 2000, Chicagoans faced 300 percent to 400 percent increases in their gas bills over the previous winters.

As if that stream of emergencies was not enough, today this very day while thousands of Chicago residents are digging their way out of the winter national gas debts, they have been slammed by yet another seasonal energy crisis.

With an average regional price of $1.80 per gallon of gasoline in the Midwest, Chicagoans have been paying up to an astonishing $2.40 per gallon for gasoline which represents the most dramatic increases in gasoline prices within this entire Nation.

If we would just consider the following: taking a snapshot of 10 major metropolitan areas nationwide during the month of April, Chicago's spike, and that is indicated by the bar in red, Chicago's spike in gasoline prices dwarfs the cities on this chart and all cities nationwide, all cities nationwide.

The chart says that the average gasoline price increase was 12.8 percent average across the Nation; but in Chicago, it was in excess of 22 percent. Simply put, these recent and drastic price increases are more than my constituents can bear.

For example, there exists in my district a man who owns a grocery store who delivers foods and goods to the people in the neighborhood. Because of the recent hikes in gasoline prices, this man, this breadwinner for his family, this business owner is forced to factor the increased costs of gasoline into his delivery charges. And as a result, many of the elderly customers who live on fixed income must bear the weight of the current crisis.

These are people who have no other means of income, except what they get from their fixed income checks, their Social Security and other types of fixed income checks on a monthly basis.

Indeed, the effects of extreme gasoline prices does not only affect individuals, but entire bodies of local governments. For example, last summer, I convened a Chicago delegation hearing on that summer's exorbitant gasoline prices. And at the hearing, we heard from a gentleman from the district of my colleague from Illinois (Mr. DAVIS), who you will hear from later. We heard from Chief Gregory Moore of the Village of Bellwood Police Department in suburban Chicago.

During the hearing, Mr. Moore testified to the fact that the costs of operating police vehicles jeopardized the solvency of the police department's budget. That was just one indication of the impact on local governments. The list of the local impacts goes on and on and on.

What adds insult to injury in the current situation is the fact that while consumers nationwide struggle with gasoline and other energy prices, the big oil and gas companies are realizing greater and greater profits.

For example, in the summer of 1999, the average spread between the spot price of crude oil and gasoline was 8 cents per barrel. During the following summer, that spread rose to 15 cents per barrel. Shockingly during the month of April 2001, we saw that spread hit an all-time high of 34 cents per barrel.

What this dramatic increase means is that despite relative stability and refining costs, the profit margin for refiners has skyrocketed. This is only one example of how big energy continues to profit while consumers continue to pay unreasonable high prices.

Many industry experts and insiders, including President Bush and Vice President CHENEY argued that the recent windfalls in big energy profits is simply a result of national market reactions to constrained supply and energy across the board. But when gasoline companies in the Midwest and natural gas companies in the West walk the fine legal line and intentionally reduce the output, market forces are not at work, Mr. President. When unchecked merchant mania strangles competition in the petroleum industry, I would argue that market forces are not at work, Mr. President, and Mr. Vice President. When Midwestern petroleum refiners maliciously failed to make the investment in refineries in an effort to turn the public against locally produced clean burning fuel additives, market forces are certainly not at work, Mr. President and Mr. Vice President.

What makes matters worse is that in this feverish desire to pump up the free market, the President and the Vice President have forgotten about the very people that the market is supposed to benefit, the little people. And this fact was made perfectly clear in the nomination of Timothy J. Muris to the Federal Trade Commission.

□ 2300

Mr. Muris is a man who has been excessively critical of the very purpose, the mission, the object of that body, the Federal Trade Commission, which is singly to investigate unfair and deceptive corporate practices. Well, this certainly reminds me of the proverbial fox guarding the hen house.

Clearly, the President's National Energy Policy, which I quote, is ''designed to help bring together business, government, local communities and citizens'', is really designed to bring the big energy barons closer to the pockets of our beleaguered citizenry.

So in response to the administration's energy plans which sets a series of long-term goals for ''strengthening the market'', I challenge the President to remember that his constituency extends beyond big business. I also challenge the President to talk to the needy, the informed, the struggling, and the elderly about where our energy prices will be in 10 years. I challenge the President to tell the leaders of local government, municipalities who are on the verge of budget crisis that they will have to ride out volatile markets for the next 10 years.

So in closing, let me say that, as long as energy markets in this country remain unpredictable, consumers will be forced to suffer unexpected and undue hardship. We in Congress, and those in the White House, must find some way to level the playing field so that consumers are not forced to pay for the necessity of energy as though it was a luxury.

Unfortunately, the President's vague, uninspired and one-dimensional energy plan with its blind faith in the market shows that the administration has turned a blind eye to the current needs of the American people, to the right-now needs of the American consumer.

I want to thank again the gentleman from California (Mr. FILNER) for this opportunity, and I want to commend him again and exalt him and lift him up, because he has done such a magnificent job on this issue and other issues as we attempt to try to correct an insane, incentive, callous energy plan that the White House has come up with.

Mr. FILNER. Mr. Speaker, I thank the gentleman from Illinois (Mr. RUSH) for telling us what is going on in Chicago. It sounds like Chicagoans have learned the same lesson as San Diegans.

This is not a crisis of supply and demand. This is not a crisis of environmental regulation or overregulation. This is a manipulation of the market by incredibly big firms and just a few of them who, whether it is gasoline or natural gas or electricity, have earned record, record profits from 500 percent to 1,000 percent per quarter higher than the previous quarter, while our people on fixed income, our small businesses, our big businesses are suffering, and the profits flow at the expense of our people.

Mr. Speaker, the best metaphor I have heard on this issue was from a Republican colleague in California who had said what is happening here is as if you were scheduled for a life-and-death operation in a hospital at 3 p.m., and you were getting prepared for that operation, and at 5 to 3:00, the administrator to the hospital comes in and says now how much were you willing to pay for that oxygen.''

This is not a question of lack of supply. This is not a question of cost of production. This is a question of control of a basic commodity at the very moment that it is needed. If one is not moral and if one is interested only in gouging and if one does not care about the people involved, one can charge whatever the market will bear.

We have also learned that the President's policy does nothing to help the situation.

So I thank the gentleman from Illinois (Mr. RUSH) for helping us here understand the issue. We are learning that the high prices are not the result of any market supply and demand curve. We are learning from the profit reports how much these multinational corporations are making.

Now, the issue becomes what are we as a society, what are we as a Congress going to do about it. The President has not given us an answer. The President has what I call a faith-based energy policy. He is praying to the markets. But I say to the President, there is no market here. There is no competition. There is withholding of supply. There is manipulation of statistics. There is gaming the system, and we are suffering.

Mr. Speaker, I yield to the gentleman from Illinois (Mr. DAVIS), another Member from the Chicago area who is with us to tell us about what is going on in the Midwest.

Mr. DAVIS of Illinois. Mr. Speaker, I want to thank the gentleman from California (Mr. FILNER) for yielding to me. I am pleased to join with him and the gentleman from California (Mr. SHERMAN), the gentleman from Illinois (Mr. RUSH), and large numbers of other people throughout the country who recognize that America, the world's most powerful economic engine, is suffering from a severe energy crisis. That means big trouble, big trouble for the American economy, but also big trouble for the world economy.

When the energy supply of an engine suddenly becomes erratic, unstable or insufficient, one can expect that the impact will be felt and felt soon. Well, the impact of our energy crisis is being felt from California to Illinois. America's families and America's small businesses all over the country are facing energy shutdowns and back-breaking prices for gasoline, natural goods, and electricity.

Suddenly, even middle-class families are facing the choice between paying their energy bills or paying their mortgages or car payments. Suddenly small businesses are being forced to cut back or, in some cases, even close. At the same time when most American corporations are reporting reduced earnings, energy companies are reporting record profits.

I remember Shakespeare saying one time that there was something rotten here, and I suspect that it is. Americans want to know what is going on, who is to blame. They deserve an answer, an honest answer.

What do we do? We know that California, for instance, has enough electrical generation capacity to meet their needs but that, under deregulation, power producers have strong incentives not to run plants at full capacity or even to shut them down to manipulate prices.

We know that, despite allegations of the difficulty in getting environmental permits to build new plants in California, nine major new power projects have been approved in the last 2 years, six of which are under construction.

We know that much of the high cost of gasoline in the Midwest and Illinois in particular has been attributed to the cost of additives for the summer reformulation of gas. Of course we know that we do not use those additives in Chicago. We use ethanol in plentiful and cheap supply even as gas prices jolted to well over $2 per gallon and remain there at most stations.

We know that more drilling for oil has been touted as a major fix for our energy crisis even though we have enough gasoline for the summer driving season. Even though California uses no oil to produce electricity and even though the drillers have targeted one of our national treasurers for drilling, the Arctic National Wildlife Refuge. We know that America, which ruthlessly demands productivity from its workers, which justifies the mass layoffs of workers in the name of productivity, squanders its energy and powers pollutants, greenhouse gases, acids and particulates in the air and water.

We also know that the administration has proposed reducing spending on energy efficiency and renewable energy by 15 percent and appears ready to repeal energy efficiency standards implemented in the 106th Congress. Those regulations, which would increase the efficiency of new washers and air conditioners, can meet 5 percent of our energy needs by 2020. That translates into about 60 fewer power plants than we would otherwise need.

By the way, these more efficient appliances would also save their owners money for the life of the appliance. We know that, according to Public Citizen, that nine power companies and a trade association that stand to gain most from Federal energy policy decisions affecting California contributed more than $4 million to one party alone. Three of those companies gave $1.5 million.

So it has become something of a mantra among those here in Washington not to try and solve problems by simply throwing money at them. So I am amazed that here we are with a raging fire consuming our Nation with the inability of people to get the basic energy that they need. There is no real plan coming from our administration.

□ 2310

I say, and we say, that something must be done and it must be done now. And that is why I am pleased to be associated with individuals who are willing to act, who understand that inaction is not the way to solve problems, who recognize that we cannot stick our heads in the sand like an ostrich but who know that the American people are waiting, looking, seeking, and expecting that their government will act.

If deregulation has been the answer, it must have been an answer that I have not seen, or it must have been an answer that millions of other consumers have not seen. And so I think it is time to step in to act, and I thank the gentleman from California (Mr. FILNER) for acting this evening by organizing this opportunity for all of us to discuss this tremendous issue, and I yield back to the gentleman.

Mr. FILNER. I thank the gentleman from Illinois. I, like you, find it just inexplicable that we are going to be leaving for our Memorial Day recess and this majority refuses to act on this crisis.

Mr. DAVIS of Illinois. It is incredible, it is unbelievable, and I do not know how we can have a good holiday knowing that whatever it is that we are about to use just might not work.

Mr. FILNER. I thank the gentleman, and we appreciate hearing from the Midwest.

Mr. Speaker, my colleague, the gentleman from California (Mr. SHERMAN), and I, are going to try to discuss in the time that we have left the short-term and long-term solutions to this problem.

It is clear that the prices are bleeding us dry in California; my colleague from California told us in 2 years from $7 billion to $70 billion. The short-term answer involves getting down those prices. The long-term answer, and we will discuss what the Governor of California is doing and what the President of the United States is not doing, is to make sure that we diversify our resources of energy, get into alternative and renewable sources, and begin the discussion of public power, which, as the gentleman knows, Los Angeles is very familiar with, and have so avoided our problems in the rest of the State.

The prices have driven us to near bankruptcy in the State. Our major utilities are bankrupt. Sixty-five percent of the small businesses in San Diego County face bankruptcy this year. What should we do about these prices?

Mr. SHERMAN. The answer is simple and long in coming. The answer is established by Federal law and ignored by a Federal regulatory agency. Our law says that the price being charged by wholesale generators, those who bought the plants from our local utilities and are operating them, chiefly big companies based in Texas, that they should only charge fair and reasonable rates. And the Federal Energy Regulatory Commission, FERC, is there to make sure that they only charge reasonable rates. Well, California has been FERC'd.

The Federal Energy Regulatory Commission refuses to do its job. So we here in Congress need to force them to do their job. Alternatively, it would be just as good if we simply allowed California to do the job. It really is a multi-state market, but most of the plants that supply California are in California. Some might say, well, why can California not solve the problem by imposing fair, regulated price on these plants located in our State? The power of the Federal Government through preemption stands on our neck and watches our pockets being picked.

Mr. FILNER. It is amazing that an administration which stresses States' rights and wants to keep the government off our backs will not allow us to do that.

It costs 2 or 3 cents a kilowatt to produce electricity. We are paying in California anywhere from 30 cents to 50 cents to $1. It went up to $2 last week. Could go to $5, who knows. The cost of production has no relationship to what they are charging us nor to the amount of electricity available.

And the same for natural gas, by the way. Turns out that the El Paso Gas Company, which controls the pipeline into California, kept the pipeline empty to drive up the prices. So the guys who charge us for electricity say, we have to charge you more for electricity, the price of natural gas went up. Well, the price of natural gas went up because the cartel, which is a subsidiary of the same electric companies that are saying they have to pay this, shot up the prices arbitrarily also. It is the prices, stupid, to coin a phrase.

Mr. SHERMAN. We have an adequate supply of pipeline space into California. It would be good to have some more. But the supply of pipeline capacity to move the natural gas from Texas and Colorado into California is just tight enough, not so that there is a shortage, but tight enough so that you can create a shortage. And as the gentleman pointed out, that is exactly what several of these companies, based in Texas, close friends just down the street at 1600 Pennsylvania Avenue, that is what these companies have done.

That is why the cost of moving natural gas from Texas to California has gone up by 1,200 percent for the same pipelines. No new pipelines have been built. No new investment. Just a 1,200 percent increase in the price. And that is why it costs more to move a unit of natural gas from Texas to California than the value of the natural gas. So Californians are paying for this natural gas, which has gone up nationwide; and then we are paying to move the natural gas in an amount in excess of the value of that increased price that the rest of the country is paying for natural gas. And then that then flows in.

So these independent electric utilities are in an interesting circumstance. If they want to generate electricity, they have to pay for the natural gas to generate it. If they operate all out, they will produce enough electricity so they will have to sell it for a reasonable profit. But if they restrict production, they need less natural gas to produce less electricity which they can sell for a lot more money. Withholding supply.

Mr. FILNER. This is the irony of the situation and the answer to our critics when we say we need what is called cost-based rates, established by the Federal Government, to get these prices under control. Cost-based rates means the generator of electricity can get the cost of production plus a reasonable profit. That is what it was under regulation, and it worked for 100 years. We want to return to that.

Interestingly enough, when there are no caps on the price, there is, as the gentleman has described, an incentive to withhold production.

Mr. SHERMAN. Now, I should point out that that incentive exists only when things are close to shortage. There are States that have passed similar laws to California, but those are States that have been losing population, or at least losing relative population to the rest of the country. They are old and established States, the Internet has not touched them as much; and so those States have a significant oversupply, well over 15 percent oversupply of electric generating capacity.

It is not that this system can never work. It is just if you do it in a booming State, and California has been booming for a couple of years, you end up with a situation where you are close enough to shortage so they can smell the opportunity and get you.

Mr. FILNER. And they certainly took that opportunity.

So we need cost-based rates. We have legislation to do it. This Congress can take it up today, tomorrow, and pass it and bring some relief to people in California.

The Governor of California is doing everything he can to get out of the situation that the gentleman described, out of the tight supply situation. We have a dozen power plants online and getting into production. He is doing everything he can to encourage conservation with rebate programs and tax incentives to do this.

□ 2320

The governor of California, however, has no authority to regulate the wholesale price, only the Federal Government can do so.

So the Governor is working overtime. The legislature is working overtime, but they cannot bring down the prices because it is the Federal Government's responsibility. That is where we need to pass the legislation.

Mr. SHERMAN. It is not the 14 plants that have just been approved, four or five of them are going to be on-line this summer, many more will be on-line by next summer. Californians are working overtime in conservation. We are second only to Rhode Island in using less electricity per person. When new statistics are available, I am sure we will be first. Even the President of the United States praised California's efforts at conservation. Although, frankly, it was kind of back-handed. He was not doing it to praise California, he was doing it to insult conservation, on the theory that anything being done in California was unworthy of being embraced as national policy.

We are doing all we can except for this huge blockage, and that is a Federal Government that will not let us regulate the price at the wholesale level, and will not regulate the price itself and huge transfers of wealth to a few big corporations.

Mr. FILNER. I have heard it said never has so much money been transferred from so many people to so few in so short a time. We are being killed by the prices. The Federal Government must act or the whole economy is threatened. It is these same corporations that control this that have prevented real research and development and implementation of alternative sources of energy because they cannot control those sources. It is decentralized and one that is out of their power.

So through photovoltaic and solar sales and wind power, we can in fact have energy sufficiency and independence without relying on these corporations; and we have to move in that direction. Yet this President not only does not do anything for California in his plan, but in his budget cuts research into alternative energy sources and cuts conservation programs.

What is he doing for us. I cannot figure out whether it is a political attack, one out of ignorance or just plain, hey, my friends in Texas are telling me what to do and I am just going to do it.

Mr. SHERMAN. I take up that issue about conservation research and renewables. The President's budget which then passed the floor of this House cut those areas by a third. We are in the middle of an energy crisis, but we cut our research on renewables conservation. It is absolutely absurd.

Then the President, realizing that the whole country wants research into renewables and conservation, issued this glossy report in which he says he is going to provide $2 billion in tax credits for clean coal, billions more for those who buy energy-efficient appliances. Billions and billions, except for one thing, he cut the money in the budget. So which is the law of the land, the budget we pass here? The glossy booklet that they put out of the White House press office; it is unfortunately, in this case, the law.

That is why the President needs a blackout because in the light of day it becomes apparent what he is advocating on the one hand out of the press office, which there is no money in the budget for, there will be no money appropriated for, it will never happen; but it will be talked about.

Mr. FILNER. There is a myth that our colleague, the gentleman from California, the chairman of the Committee on Ways and Means said earlier today in a debate, California inflicted this upon ourself. Our environmental wackos overregulated and prevented plants from being built, and now we are suffering for it.

I want to talk about something that is going on in San Diego that will put a lie to that. I have a friend in San Diego who was a builder of power plants around the country. He is retired. He received environmental awards from all over the Nation for his ability to build power plants, but in both an architecturally and environmentally sensitive fashion.

He said last summer, I can build you a power plant, follow the environmental regulations, and it can be up and running in a fairly short amount of time. I can charge you what is called a cost-based rate which is roughly a nickel a kilowatt, and I will make money on it. I will make a profit, as I have always done. I will make sure that the people of San Diego have reasonably priced electricity. I will follow the environmental regulations.

We are in the process of trying to get that implemented. We are calling it the San Diego community power project. It puts a lie to this argument that California did this to itself because of environmental rules. We can respect the environment. We can have reasonably priced electricity if we have people like the builder of this plant, who understand that they can make money without gouging families and businesses in California.

Mr. SHERMAN. As I was talking about before, the private sector was not anxious to build plants in California. A few years ago they bought the existing plants at bargain prices, which is proof that there is no pent-up demand or desire to build plants. You can serve San Diego or Los Angeles with plants built in Nevada or Arizona or Oregon, and nobody was anxious to build plants in those States either, either to serve Las Vegas, a booming market, or California.

By the way, the electrons do not know when they pass a State boundary. The private sector did not want to build plants in the West. Now that we have these huge prices, a few companies are coming in to build, thank God.

If we have a moment, I would like to illustrate why it is that economics 101, which we are being fed by the White House office, is entirely wrong. If you only take one course in economics, you are told if you pay more for electricity, if you let the price go up and up, you will get more. Supply meeting demand. Then you have to take the advanced courses to learn what happens when somebody has monopoly power. If we had a regulated market, you could make the electricity, and you are talking about kilowatts, I will talk with megawatts, which are a thousand times as large. You make a megawatt for $30, sell it for $50, and you have no reason to withhold supply. Every megawatt you make, you make $20 on.

Mr. FILNER. And that is 66 percent profit.

Mr. SHERMAN. That is a good profit.

But if you have monopoly power and the White House is there to make sure that you do not get regulated, you produce less. Why produce a megawatt for $30 and sell it for $50 when by producing half as many, you can drive up the price to $500. You will sell fewer megawatts, but you will make an enormous profit on each one.

That is what is happening in California, and it is that simple to explain. With monopoly power, with the absence of regulation, with a White House that prevents us from proposing that regulation ourself, with a White House commission that refuses to follow the law and impose that regulation, and with a House Republican leadership that refuses to tell the Federal Government to impose that regulation, the way you make the obscene profits is you produce a lot less electricity and you sell each megawatt for a fortune.

Mr. FILNER. There is a power plant in my district in southern San Diego County, the biggest power plant in my area, and in January during a stage-3 emergency that we had, stage-3 alerts, the biggest generator of their four at this plant, a 250-megawatt generator, was somehow removed from service. This was at a time of a stage 3-alert.

Mr. SHERMAN. And the other turbines in the same plant were generating electricity and selling it for prices 50 and 100 times the rates being charged.

Mr. FILNER. Exactly. Not only were they making profits, I had thousands of people at plants in San Diego being sent home because their places of employment were blacked out or they had certain agreements with the utilities that they had to turn down their power during a stage-3 alert.

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So we have the incredible situation of blackouts in San Diego and other parts of the State, almost fatal collisions, by the way, at intersections as the lights went out, possible health fatalities, businesses. I had the biggest business in my district, one of the biggest businesses in my district come to me recently and say, they are going to have to leave San Diego and California because they cannot live with this uncertainty.

So we have the power. The power is there. By the way, when we asked them why they did not produce, a TV station had talked to one of the people working there, and they revealed the logs and they said, they just turned it off. First they told me, well, we turned it off because there was environmental problems, restrictions, and we went to the air quality board and they said, that is a lie, there is no restrictions. They said there were mechanical problems, but the mechanics there said there were none. Then they said the system operator in the State did not ask them; it turned out that they did.

So we have this incredible situation.

Mr. SHERMAN. Mr. Speaker, a stage-3 alert is a desperate situation where we are asking everybody to conserve and produce.

Mr. FILNER. And, the blackouts occurred at a time when our capacity for production theoretically is 45,000 megawatts, the demand in the wintertime when air-conditioning is not on is about 30,000, so we have a 30,000 megawatt demand, we have a 45,000 capacity. Economics 101 says there ought to be sufficient supply at a reasonable price. We had blackouts, and we had blackouts because of the situation that the gentleman described earlier.

I wonder if the gentleman might share with us also the experience of those with public power; that is, there are 3,000 communities around this country that have public power. The City of Los Angeles, which the gentleman knows very well, produces its own power and distributes it. The City of Sacramento I think has its own power supply. Those cities and those municipalities, those areas that have public power are not under the control, for the most part, of this energy cartel. Does it work?

Mr. SHERMAN. Mr. Speaker, it works just fine. In the City of Los Angeles, and I live within the city limits, the prices are the same, no blackouts; we have no problems. Our city produces a little bit more electricity than it needs and sells it to the gentleman's city and others in the west. Occasionally, somebody will say, maybe L.A. is charging San Diego too much or too little, and somebody will write a story about it on page 6 of the newspaper. But the overwhelming story, the headline story is, no story here.

Mr. Speaker, regulated electricity, that is to say privately owned but subject to rate regulation, costs plus profit, worked fine in our State and virtually every other State for 80 to 100 years. Something even more regulated, that is to say the government actually owning the means of production and selling the electricity itself, works fine in Sacramento, the City of Los Angeles, the City of Burbank.

Unregulated power seems to work well in some of the States where their economy is not growing at all and their population relative to the rest of the country is contracting. But in a State like ours that is growing a bit, surrounded by other States that are also experiencing growth, an unregulated market is an invitation to be gouged. The theorists may not have realized that at the time. It seems apparent now. When we try something and it does not work, we should go back to what we had before that was working pretty well.

Mr. Speaker, the Federal Government will not let us. We get lectures from the White House, lectures about how, if only we had elected Republicans, this would not have happened. But we are having a hard time hearing the lecture, because we are bound and gagged by Federal law that will not allow us to go back to the same system that worked so well for us.

Mr. FILNER. Mr. Speaker, if I can sum up from my perspective and then give the gentleman a similar chance, California is being bled dry by a cartel of energy wholesalers. We are being charged at a rate of $3 billion a month, and the State is purchasing that because the utilities are bankrupt. Our first job is to get down those prices. We have legislation which virtually all of the Democrats and some Republicans from the States of California, Washington, and Oregon are supporting, which establishes cost-based rates for electricity in the western region. That will bring down the prices and stop the hemorrhaging, while the governor is programmed to build new plants and conserve more has its effect. We must bring down those prices. This Congress has refused to act and is going home for its Memorial Day recess without doing that.

We have to move in addition, for the long range, and it really comes back to the same problem, because these cartels will not do the research for renewable resources, for sustainable energy. We could in California be pretty self-sufficient with photovoltaic cells if we brought down the cost and purchased in mass. We have to do more work in that. San Diego, as are other regions in the State, are moving toward a public power authority so we can have our own plant like the one that I described earlier. We can build and have some leverage in the system. We do not have to expropriate the San Diego gas and electric distribution system. At their rate, they will be very happy to do it. But we need some leverage of our own electricity and our own capacity so we can take control of our own future from this cartel.

Whether we looked at gasoline in Chicago or whether we looked at electricity in California or natural gas as it flows, as the gentleman described, from Texas into California, the economic situation is the same. There is no competition, there is no market, there is a manipulated and controlled situation by a small group of major corporations. We must bring them under control, and we as different communities must establish our own sources to get out of their control.

So I thank the gentleman, and I will give him the last word in the few minutes that we have left.

Mr. SHERMAN. Mr. Speaker, the gentleman is right to bring up the natural gas prices.

As I indicated, the price of moving natural gas went up by 1,200 percent. That happened right after the Federal Energy Regulatory Commission, the same culprit as in the other situation, deregulated the pipelines and allowed them to charge, through a loophole, to charge as much as they wanted to charge. Imagine your home is burning down. You might have one neighbor who, for some reason, does not help you. But only the most malevolent of neighbors would seize your hose, watch your home burn down, hold on to your hose and lecture you about how it is your fault, you should not let the fire break out to begin with.

California is burning. The Federal Government is holding our hose, and we are being hosed by Washington, which will not give us the rate regulation that virtually all Californians want, and will not let us do it ourselves.

Mr. FILNER. Mr. Speaker, we call on the President and this Congress to act today. I thank the gentleman from California, and I thank our colleagues from Illinois.

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PATIENT PROTECTION LEGISLATION

The SPEAKER pro tempore (Mr. GRUCCI). Under the Speaker's announced policy of January 3, 2001, the gentleman from Iowa (Mr. GANSKE) is recognized for 22 minutes.

Mr. GANSKE. Mr. Speaker, we are about ready to head home on recess, so I want to speak to my colleagues about something that I think that we should address when we come back from this recess. That is the issue of patient protection legislation.

We have been dealing with this for several years. I have just a few minutes left before we close down for the evening.

This is a really important issue. HMOs are making hundreds of thousands if not millions of decisions each day that can adversely affect the health and lives of the people who are supposed to get their insurance from them.

Mr. Speaker, remember a few years ago the movie As Good as It Gets? We had Helen Hunt talking to Jack Nicholson during the movie about her son who had asthma and was not getting the proper authorization for treatment by her HMO.

She then went into a long string of expletives about her HMO, and I saw something happen in a movie theater I never saw happen at any other time.