Congressman Brad Sherman

Strong action to solve the energy crisis

Congressman Sherman is working to reduce energy prices and increase supply.

Leading the fight for fair electricity rates.

In the last two years the price of wholesale electricity increased from $40 per megawatt hour to over $700 during peak times. Sherman co-sponsored two bills (H.R. 238 and H.R. 1468) which would direct the Federal Energy Regulatory Commission (FERC) to impose cost-of-service based price regulation on wholesale electricity.

Sherman and other members of the California Congressional Delegation have consistently pressured the Bush Administration and FERC to take action to stabilize the wholesale price of electricity and order refunds of illegal generator charges.

Increasing the supply of electricity.

Congressman Sherman has led the effort to ensure that federal export programs do not subsidize the export of critically needed electricity generation and transmission equipment, unless the equipment is not needed in California.

Extending daylight saving time.

Congressman Sherman has introduced legislation (H.R. 704) which would allow California and other Western States to adjust their use of daylight saving time to conserve energy. This could reduce demand for electricity by between 1% and 3%.

Congressman Sherman supports effective clean energy alternatives.

Promoting clean alternatives.

Sherman is a cosponsor of H.R. 1066, the Coast States Protection Act, to protect our coasts from offshore drilling and legislation to protect the Arctic National Wildlife Refuge (ANWR). Drilling for oil in environmentally sensitive areas won't produce oil for years, will have no effect on our current electrical crisis (California does not use oil to produce electricity), and will have no effect on world oil prices.

Sherman is a cosponsor of H.R. 876, which would extend the Wind Tax Credit for five years, and H.R. 1967, the Gas Price Spike Act, which imposes a windfall profit tax on energy companies which price gouge, and provides tax credits for purchases of fuel-efficient passenger vehicles.

How you can help meet the energy challenge.

Californians can already take pride in the fact that we are the best state in the country at energy conservation. Whether or not we get reasonable price regulation of the wholesale price of electricity, it is important that both business and residential electric customers do all they can to conserve energy.

Recently, the state government adopted very substantial incentives for businesses to acquire energy-saving technology. Additionally, under the 20/20 energy rebate program, both residential and business customers are eligible for rebates if they reduce electric usage by 20% when compared with last summer's level. There are also programs for those businesses willing to accept power interruptions on particular days or particular peak hours. If you would like more information about these and other programs, please visit the following web site:

http://www.ladwp.com/effisolu/effisolu.htm

Another resource for information regarding energy efficiency rebate programs is the California Energy Commission at **800-232-4685** or **800-555-7794**. The Commission also has a business energy help line which can be reached at **916-445-9699**.

ROLL CALL
THE NEWSPAPER OF CAPITOL HILL SINCE 1955

The West Needs Temporary Price Controls on Electricity

By Rep. Brad Sherman

When President Bush came to California last month for an "energy summit" with California Gov. Gray Davis, I met him at the airport and urged him to listen with an open mind to our Governor as to our need for temporary cost-based regulation of the wholesale price of electricity. The President responded that regulating the price would suppress the supply.

The President invokes an elementary economic principle: The price of a commodity is the point at which demand and supply meet. Although this principle holds true in functioning markets, it is not the case in the dysfunctional Western states' electricity markets.

Until recently, California, like other states, had regulated its electricity market. In the late 1990s, California implemented a deregulation system that was not without its flaws. It worked out to be two deregulation systems: (1) deregulation of both the wholesale and retail prices in San Diego and (2) deregulation of only the wholesale price in the rest of the state. Both systems failed. Electricity prices have spiraled, and the absence of regulation has given electric wholesalers an incentive to withhold the supply and drive up the price.

That is why I am a proponent of implementing temporary cost-of-service based regulation on wholesale electricity prices, exempting capacity added after December 31, 2000. California will not be able to fix its deregulation system until temporary relief is implemented, just as one cannot rebuild a home while it is still burning.

In 1999, California paid $7 billion for its electricity generation. Last year, as a result of conservation efforts, demand was decreased and yet the price was $32.5 billion. This year, California will buy about the same amount of electricity as the previous two years and the price will be anywhere from $50 billion to $70 billion. Thus, the increase from 1999 prices will transfer roughly $80 billion of wealth in two years from California consumers primarily to a few large companies who operate electrical generation facilities that they purchased in the late 1990s at bargain prices.

We have chiefly an artificial supply problem created by power generators taking power generation off-line for "maintenance." Today, "closed for maintenance" means "closed to maintain an outrageous price per megawatt."

The number of turbines closed for maintenance month after month over the past six months has been double, triple, sometimes quadruple the number of turbines shut down in the same month in the prior year. In April 2000, the power generators in California took 3,329 megawatts off-line for maintenance; in April 2001, they took 14,911 megawatts off-line on the average day. The difference, 11,592 megawatts, is well over 20% of our need—far more than any alleged shortage.

For a complete copy of this article: www.house.gov/sherman/oped_elec_pricecontrols.htm