



Senator Feinstein Urges Steps to  
Prevent Another Energy Crisis in California  
August 12, 2004

**Washington, DC** – As a heat wave strikes California, U.S. Senator Dianne Feinstein (D-Calif.) has called on Federal and State officials to take steps to protect California’s energy supply and prevent the widespread manipulation and gaming of the energy market that devastated California during the 2000-2001 Western Energy Crisis. Based on current estimates, the State could face blackouts or energy shortages in the next few months to three years.

Specifically, Senator Feinstein is seeking:

- To strengthen the authority of the Federal Energy Regulatory Commission (FERC) to ensure just and reasonable rates for electricity and prevent manipulation and gaming of the market.
- A new regulatory framework for the State of California that would ensure a reliable supply and stable rates for electricity.

**“I am deeply concerned that unless California acts to take control of its energy future and the Federal Energy Regulatory Commission receives additional authority to more effectively combat energy market manipulation, the energy crisis could be repeated and Californians could again face rolling blackouts and sky-rocketing utility bills,”** Senator Feinstein said.

### Increasing FERC’s Authority

Senator Feinstein has advocated increasing federal oversight of energy markets since the beginning of the energy crisis, and she has offered legislation to give FERC the powers it has requested to adequately punish possible instances of fraud and manipulation, and impose stiffer penalties for those in violation of regulations.

Senator Feinstein this week renewed her call for increased federal oversight in letters to FERC Chairman Pat Wood and the Chairman and Ranking Member of the Senate Energy and Natural Resources Committee, Pete Domenici and Jeff Bingaman.

In her letter to Chairman Wood, Senator Feinstein expressed her desire to give the Commission more authority and again requested that FERC use the authority it already has to provide California with the \$9 billion it was overcharged during the last energy crisis.

Senator Feinstein wrote: **“I would like to work with you to develop the changes to the penalties sections of both the Federal Power Act and the Natural Gas Act, in addition to changes in the refund effective date of the Federal Power Act.”**

She continued: **“[G]uilty pleas [of former Enron executives] clearly indicate that fraud and manipulation took place on a major scale during the energy crisis. This is proof positive that California should be refunded the \$9 billion it was overcharged during the Crisis, and that FERC should void the contracts the State entered into at the height of the crisis.”**

In her letter to Senator Domenici and Bingaman, she wrote: **“I would very much like to work with you and other members of the Committee to amend the Federal Power Act and the Natural Gas Act to provide, as Chairman Woods calls for, ‘this agency with greater refund authority and civil and criminal penalty authority, all of which are needed to more effectively address the type of activity that we witnessed in 2000-2001 in the Western energy markets.’”**

### **New Regulatory Framework**

Earlier this year, Senator Feinstein invited California Governor Arnold Schwarzenegger to work with her to establish a new energy framework for the State of California, and she proposed a framework that would promote timely and adequate investments in efficient, cost-effective, environmentally-sustainable resources and provide customers with reliable electric service at reasonable cost. This proposal became the basis for the legislation which Speaker Fabian Núñez introduced in the State Assembly.

Senator Feinstein this week reiterated her call for such a framework, which would provide consumers with reliable electric service at a reasonable cost.

In a letter to Governor Schwarzenegger, Senator Feinstein wrote: **“...it is imperative that California move quickly and swiftly to at least partially re-regulate the energy markets so that small customers served by utilities have consistent and reasonable rates. I am concerned that if the State does not act to take control of its own energy future, then the energy crisis could be repeated.”**

In a letter to Speaker Núñez, she wrote: **“I will do everything I can here in Washington to increase the civil and criminal penalty authority that FERC has to penalize companies that manipulate the energy markets in the future. Hopefully, this will be enough of a deterrent to prevent companies from manipulating the energy markets in the first place. In the meantime, I hope that this letter provides you with further evidence as to why legislation such as yours is necessary.”**

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