applied to the areas of renewable energy and alternative
energy sources, as well as to some of the programs you
mentioned in the area of fossil energy.

I do want to though make a couple of qualifying comments.
We did find after some analysis -- we had two guiding
principles where we did make reductions that are reflected
here. And they are going to continue to be guiding principles
even though we may significantly change the budget. One is

... in the area of energy efficiency the President already
had established, this is an area where we had some guidance,
his desire to increase the Weatherization program very
substantially by $120 million over the previous level. We
have done that in the budget submission.

In order to fund that within the budget number that we
were passed back from the Office of Management and Budget, we
had to make some choices. And I did make some decisions which
may be affected by this review. But I did make some decisions
to shift monies from programs like the Industries of the
Future and from the buildings programs and others to the
Weatherization program because we felt that the notion of --
at least at the level of partnership from the private sector
in the areas that have been beneficiaries --

Senator Bayh: My yellow/red light is already on, Mr.
Secretary, so I do not want to interrupt you. Just two final
statements and then I will turn it over to the Chairman --

ALDERSON REPORTING COMPANY, INC.
1111 FOURTEENTH STREET, N.W.
SUITE 400
WASHINGTON, D.C. 20005
(202)289-2260
(800) FOR DEPO
Secretary Abraham: Maybe I could in writing flesh out the rest of this answer because --

Senator Bayh: That would be great if you could include in a written response. I know that the Defense Department is undergoing a significant -- a similar, broad review of its mission and how to meet its mission in the future. And yet they held back the Defense Department budget submission out of respect for that review process. There seems to have been a different approach with regard to the energy issue. I would be interested in why the two different approaches were taken.

Secretary Abraham: Well, actually part of what the Defense review is undertaking affects my department with respect to the National Nuclear Security Administration and indeed those issues which tend to maybe come up a little bit more often in our Armed Services hearings, than here. But the areas that deal with defense programs and non-proliferation programs are also under review and may well be affected by the defense posture review. In fact we have been working very closely with them and will perhaps be included in what he might submit here soon. So, in part our department was affected that way but the decision was to do that in that area but not in this.

Senator Bayh: Thank you, Mr. Secretary. My final point simply is, we understand the budget was submitted under difficult circumstances where there was a search on for
dollars to help make the tax cut that now is on the verge of becoming a reality possible. My broader concern is that tax cuts are appropriate and I support significant tax cuts as part of a broader economic strategy. But it has to be a broader economic strategy. And long-term energy independence, and investment in technologies and renewable and alternative energy sources has to be a part of that strategy. And we cannot let the tax agenda crowd out the important investments in this kind of energy research for the future.

Secretary Abraham: I appreciate that, and if I could just make one comment back, if time permits Mr. Chairman. That is certainly not what we were involved in. What we were involved in was trying to gauge where this Energy Task Force set of recommendations would go. Our total budget for some of these programs was reduced though based on some analysis which we did. I don't want to leave this point unstated.

You mentioned, for example, the area of transportation efficiency. We did what we considered to be due diligence on the programs in place. This is an area where I have a lot of personal interest because it's obviously one that affects Michigan. It is also a program that when I was a member that I was ardently pushing every year in the budget process.

But we had a very serious analysis of the program and I guess it demonstrates that there are no sacred cows in our budget because we did scale back a component of the program.
that went towards the development of a vehicle -- it started
in all the best faith back in the early 1990s but which we
concluded was not going to translate into the production of a
real vehicle for the marketplace. We decided that in that
area to continue to spend the taxpayer money was not wise.

Now in the process of the analysis that we will initiate,
we might find other transportation priorities. We funded the
rest: the truck program and the fuel cell program very
strongly. But we want to be very sure we are spending dollars
in the Department on these technologies in areas which will
actually find real world applications. And we look forward to
working with Congress to hopefully come to agreement on what
the priorities in these areas should be.

Senator Bayh: Thank you, Mr. Secretary. Thank you, Mr.
Chairman.

The Chairman: Thank you very much.

Senator Feinstein. Good morning.
STATEMENT BY DIANNE FEINSTEIN, U.S. SENATOR FROM CALIFORNIA

Senator Feinstein: Good Morning. Thank you very much, Mr. Chairman. Welcome Mr. Secretary. I just wanted to say about the report, you know, I think there are some good things in it. There is much that I profoundly disagree with, but I wanted to think aloud with you for just a moment.

You and I have talked about the California energy situation a number of times. I just want you to know where this Senator is. I am really coming to question the deregulation in the energy area. I want to tell you why. As a consumer when you deregulate airlines, the consumer has a choice of airlines. If you do not like one airline -- the time, the price, whatever it is -- you can go to another. If you deregulate telephone service, the consumer has a choice. If I do not like one telephone company, I can go to another. If I do not like one service provider, I can go to another. I have full transparency on my bill.

You do not have that with energy. The consumer has no choice. When my natural gas bill goes up two-thirds, I have no choice and I have no way of knowing why. When my electricity bill goes up, I have no way of making a choice.

It is pretty well established that in 1999 the total cost of energy for California was $7 billion. To date this year, the total cost varied between 25 and $30 billion, and are

ALDERSON REPORTING COMPANY, INC.
1111 FOURTEENTH STREET, N.W.
SUITE 400
WASHINGTON, D.C. 20005
(202) 289-2260
(800) FOR DEPO

28586

Obtained and made public by the Natural Resources Defense Council, May 2002
going to go up by the end of the year it is projected by $65 billion.

Now there are those that say there is no evidence of price gouging. Everything is fine. Let the market work its will. The market cannot function as a market should right now. In your report, and I am quoting, you say "unfortunately there are no short-term solutions to long-term neglect."

See, I profoundly differ with this. Today California per capita is the most energy efficient state in the Union. We are building new power. It is going to take a period of time. And if the Federal Power Act is not being followed, and it isn't, the Federal Energy Regulatory Commission has a mandate under that act that if rates are unjust and unreasonable to regulate. And they refuse to do it. They say it is within their discretion.

If that is the way deregulation of energy is going to be carried out, it is a supplier's marketplace dramatically.

There is no choice for the consumer. There is no transparency of why natural gas prices are three to four times higher than anywhere else in the United States. We know that in overall costs the escalation is from $7 billion in two years to 25 to $30 billion. I really question whether energy should be deregulated. And I would like your response to that.

Secretary Abraham: Well, let me make a couple comments. I think how you deregulate is as important as
whether or not you deregulate. What constitutes real
deregulation to me is the principal issue, at least with
respect to California. You and I have talked about this.
Obviously people will draw conclusions from the California
experience. They will draw conclusions from the Pennsylvania
experience. They may draw very different conclusions because
of the different approaches taken.

But I think if you try to, and I am not trying to go back
five years or whatever, but if you tried to create a
regulatory approach that -- emphasized deregulation, you would
not, in my judgment, go the route that has been pursued in
California. You would not only deregulate on the wholesale
price side and not the retail side. By capping the amount of
charges that could be assessed by the utility companies, you
put the companies in a situation where they were totally at
the mercy of wholesale spot market price fluctuations.

Then when you further prevented, and I do not mean you,
if any state did this -- if they prevented the companies, the
utility companies, from entering into -- hedging their bets
with long term contracts and exclusively relying on a single
type of contractual market system, the wholesale
market, I
think you exacerbate the problem much further.

And therefore I'm not -- I guess certainly today nobody
can say deregulation, if you want to call it that, in
California worked. I do not think California did deregulate.
I think they didn't. They regulated the kind of contracts utilities could engage in and regulated how much their utilities could charge.

Senator Feinstein: Stop for just a minute because I agree with everything you have said but it is not the point. The point is that you have what you have. And I agree with you, this was a bad bill. I happen to agree. I was the first one that said that the prices have to be passed on. The result of not passing them on is you bankrupt whomever has to buy the power.

But the problem becomes that when you do have a problem you have no way of adjudicating it. You have no way of regulating it because the Federal Commission will not do the job it is supposed to do. And so you have these enormous price spikes.

Secretary Abraham: Well, the other point I was going to make has to do with whether or not -- I mean, in terms of market competition obviously you also have a problem, and we have talked about this. If you don't have -- you know, if we have added supply, which as has been unfortunately the case for a number of years, while demand continues to go up -- and California I would echo completely and the President did the other day that California deserves a lot of credit for its conservation leadership in terms of its actual accomplishments.
But the demand still has gone up in spite of the conservation. Part of the problem, and I think we addressed this in our recommendations, is that we have significant constraints in terms of who you can buy from because of the bottlenecks and the limits within the electricity grids. I think one of the underlying principles of this set of recommendations of our report is that we need to address that issue as well.

Right now there is a finite amount of electricity that can get into California and into the Western grid. I mean, the Western grid has a finite amount and it is unconnected to the other grids. So we have this unusual and unfortunate situation in America of having surpluses in some parts of the country, deficits in others and no capacity for us to move electricity to help people where there are in fact shortages.

Senator Feinstein: You are circumnavigating my point.
Secretary Abraham: I am not trying to.
The Chairman: Senator --
Senator Feinstein: Just quickly let me just do this one. Just this one. My point is that you have an improper deregulation system. Granted. And you have people taking advantage of it. And you have a federal law that says when that happens there should be regulation. And the federal body empowered to do that regulation refuses to do it. That is the flaw I am trying to get at in the short-term.
Secretary Abraham: Well, let me just kind of -- I mean, I'm not trying to -- I mean, I thought your point was that deregulation might not be a good idea. I think it depends how it is done. But what I would say is that -- you know, and I have raised this issue at a previous hearing here.

The Federal Energy Regulatory Commission has the ability to regulate, as you note, within the Power Act certain enumerated entities that sell electricity in the wholesale market in California, not all of them. Roughly half I think. The others, which are among others which are the municipals and cooperatives in the state, are not regulated. The price that they charge is -- they can do whatever they want. They're not under the -- a FERC price cap would not apply to them.

The state of California, I believe, could impose price caps on those entities. We cannot at the federal level. Yet no action has been taken to put a cap on those entities. And yet because of the structure of the purchases, the purchase arrangement, the power exchange, they were charging and in fact have clearly charged the same kinds of rates as the other entities who were selling.

So it is not simply a situation where Washington or the FERC has this authority, the state has it and has not acted on that either. I'm sort of -- I am not sure why, I really have not queried anybody, but I am not sure why they have not done it.
Senator Feinstein: I want to respond but my time is up.

Thank you, Mr. Chairman.

Thank you, Secretary.

The Chairman: Senator Bingaman and I want to apologize.

A number of things are happening. The Secretary has to leave at 11:00. I want to make sure everybody has an opportunity to question him. We have another panel on Price-Anderson and we have agreed to first apologize to our witnesses, Mr. Eric Fygi, the Acting General Counsel for the Department of Energy; Mr. Bill Kane, Deputy Executive Director, Reactor Programs, U.S. Nuclear Regulatory Commission of Rockville, Maryland; Mr. John Bradburne, President and CEO of Fluor Fernald of Hamilton, Ohio; Mr. John Quattrocchi, Senior Vice President for Underwriting of American Nuclear Insurers of West Hartford, Connecticut; Mr. Marvin Fertel, Senior Vice President of the Nuclear Energy Institute of Washington, D.C.; and Ms. Anna Aurilio, Legislative Director of the National Association of State Public Interest Research Groups.

With our apologies, we as a consequence of the conflicts, are going to prevent us being able to question the witness on the second panel. We have a balanced panel. We are most appreciative. We will take the prepared statements of the witnesses for the record. So if you will submit your written statements, we will have questions for the witnesses for the record from the members. I would ask all members to submit
those questions by the close of business today.

We will also accept additional statements on comments for
the record. Now this is covering Price-Anderson.
Price-Anderson is generally supported, to my knowledge, by the
members of the committee but I wanted to extend my apologies
and let you gentlemen and ladies who were going to testify
know the circumstances. Our next testimony or statement will
come from Senator Graham, followed by Senator Cantwell,
followed by Senator Landrieu, followed by Senator Johnson.

Senator Cantwell: Mr. Chairman, I think Senator Landrieu
arrived before I did.

The Chairman: Okay. I am sorry. I am keeping track of
this. The staff does a better job than I do.

Senator Graham.
STATEMENT OF BOB GRAHAM, U.S. SENATOR FROM FLORIDA

Senator Graham: Thank you, Mr. Chairman. I want to welcome our good friend and Secretary, Spencer Abraham. I am going to submit some questions for subsequent response because they are relatively detailed, but let me just ask one which will sort of open up an area of my interest.

It is has been my experience in dealing with complicated subjects such as National Energy Policy that it is helpful at the beginning to set some goals that are quantifiable and placed in a time sequence, so that you know what you are going to be graded by at the end of the process. I will be submitting some questions which will be probing what this policy intends to do.

But just let me ask you as an example, in the area of electric generation. Could you give us what this policy's goals would be in terms of the distribution of sources of energy for electric generation, let us say by the year 2020 as among natural gas, coal, nuclear or other sources of electric generation?

Secretary Abraham: We have not set a specific percentage for each of those sources. But let me just talk about what the current set of policies projects into the future. When we did the assessment of our future demand levels, we assessed that electricity generation would increase by about 45 percent over the next twenty years. This is done by the Energy
Information Administration in the Department, which is an
independent assessment office.

They further concluded that approximately 90 percent of
that increase would be in the area of natural gas driven
generation. That is assuming current policies, practices and
so on were maintained. They further estimated that there
would probably be a decline in the role of hydropower and
nuclear, a slight decline in terms of their
Coal would, as a total, decline although levels would probably
remain the same as today but because of the larger pie it
be a smaller percentage. They actually saw a
net reduction in terms of hydropower and nuclear, and a very
slight increase in terms of renewable and alternative energy
means for producing electricity.

Our conclusion was that the ultimate number was probably
correct, in terms of the 45 percent increase. If anything
that might be a conservative estimate because in recent years
the percentage increase has exceeded that which EIA is
projecting forward because of new technologies, particularly
computer-driven technologies that seem to be moving at a
faster pace.

Our general conclusion, Senator, was to have all of the
increase essentially a natural gas-driven increase was a risky
course in the sense that it could place us very dependent on a
specific source, not all of which could be generated
domestically. And therefore the goal of the plan was to try
to not just propose policies that would allow for natural gas
production and distribution, but also to try to give the other
components of renewable, coal, nuclear and hydropower a chance
to remain active at levels hopefully that would not decline.
And that is essentially what, I think, is our projection. How
that translates directly into percentages, I would have to get
back to you to see if I can do that. But we did not try to
set a number. We tried to balance the sources.

Senator Graham: Well, I would urge you, as a matter of
policy, to establish some goals. I recognize that those goals
are not mandatory, but they give you some general direction.
I strongly agree with what you have said relative to the
increasing reliance on natural gas not being in the nation's
interest. But I am afraid there is such a momentum towards
that that unless there is a clear goal as to the alternatives
to natural gas that we will not end up with the policy changes
that will be required to avoid the kind of 90 percent of our
new generating capacity being in natural gas.

Let me move to a second issue and that is budget. Has
there been a budget developed for the total number of
recommendations that are in this report?

Secretary Abraham: No, not yet.

Senator Graham: When can we anticipate that?

Secretary Abraham: Obviously some of these are in areas
outside of my department. What I have been charged with is to
examine our budgets relative to energy efficiency, renewable
energy and some of the fossil oil and gas technology areas. I
have already launched the review that will result in the
energy efficiency recommendations. I hope we can get those
-- we have set an initial period between now and July 1, 2002;
and then a second phase through September 30. But I honestly
cannot tell you where the other departments might be in that
assessment. I would be happy to keep the committee apprised
as I learn of information or even try to solicit from the
other departments their timeframes. But we are trying to move
quickly to determine what budget adjustments are relevant to
me, as a department head.

Senator Graham: Do you think we might get some initial
numbers by the first of July, and more refined numbers by the
first of September?

Secretary Abraham: The first area that I launched is the
review that is to translate into suggestions in the area of
energy efficiency. I expect to make further announcements
very soon in regards to other areas in which I was asked to do
budget related assessments. Our goal is to move quickly on
that. But we also want to engage a lot of participation in
that set of reviews.

Senator Graham: One area that concerned me is on page
5.7. I recognize this is outside of your department. But in
The Chairman: Senator, could I -- he's got to leave. Please wind up. Your time is up and I have three more Senators.

Senator Graham: I will submit this in writing but it has
to do with encouragement for outer continental shelf drilling
through waivers or diminutions in current royalty levels. I
will submit maybe to you or Ms. Norton some request for some
specifics of what is being suggested there.

Secretary Abraham: My understanding, and just to be
brief in response and I am happy to stay extra minutes so I
may give you this response, is that the goal here was to
identify whether or not there were areas where because they
were on the frontiers, because of the high level of financial
risk that might be involved in considering even exploration
operations in these areas would warrant some adjustment in the
royalties. The notion of trying to identify high-risk,
financial-risk areas is I think at the heart of that
recommendation, but I would want the Department of the
Interior to participate in helping shape any answer.

Senator Graham: This is a comment rather than a question
and will take just a second, Mr. Chairman. Yesterday the
Senate voted to utilize the full tax reduction authority that
has been granted under the budget resolution from now until
the year 2011. So any additional tax-oriented changes, which
would have the effect of reducing revenue, are going to
require offsets. I would, as part of this review, I would
like your recommendation as to where we should be looking to
offset any of the additional diminution of tax revenue as a
result of implementing this energy policy.

Secretary Abraham: Well, I would just say two things.
My impression would be that the principal focus here would be
in areas where there was no anticipated revenue to the
Treasury because the risk level would basically discourage
investments at all and so any royalty receipts even if they
were lower would, in fact, be additions.

Senator Graham: I was not speaking to that specific
example but to the totality --

The Chairman: I have three more senators. I am going to
reduce your time to five minutes each, if that is fair,
because we have got to leave, and he has got to leave.

Senator Landrieu.
STATEMENT OF HON. MARY LANDRIEU, U.S. SENATOR FROM LOUISIANA

Senator Landrieu: Thank you. And I'll try to help, I may stick to four minutes and giving some extra time to my colleagues. Mr. Secretary it is going to be a pleasure working with you on this particular subject and I look forward to working with you closely and think there is some promise in the the plan that has been laid out. But there is obviously a lot of work that needs to be done and there are some areas that are of great concern to me and the people of Louisiana.

Let me just begin by associating myself, Mr. Chairman, with the remarks from the Senator from Indiana who I think raises an excellent point that all the great plans, and rhetoric, and promises in the world do not mean very much if there is not budget authority and real money to back them up, whether we need tax cuts or tax credits or new investments in alternative energies.

So as we move forward to develop a plan, I think we have got to be very honest and responsible to make sure that the initiatives that we propose, and hopefully can work together in a bipartisan way, there are actually, Mr. Secretary, dollars that can carry those out and help create a supply of energy that this nation can depend on and grow with.

My second point is that I think in the plan I agree with the focus that must be made to increase production in our
nation. And this is sensitive in many areas. I believe we
can increase production and still maintain our commitment to
the environment. We are doing a very good job of that in
Louisiana, and the technology has improved substantially. I
want to commend the industry. The industry gets beat up on
this committee from both sides and I want to say that the
industry over the last twenty years has made remarkable
investments and changes to be able to drill in areas that we
were not able to drill before and do it in an environmentally
sensitive way.

So I want to commend you for your emphasis on production
both onshore and offshore. I am hoping that the Gulf,
including Lease 181, we can look at in reasonable ways and try
to increase the supply which is very important for our nation.
My colleague from California is not here, but she made a
statement, and I just want to respond, "California is the most
energy efficient state in the Union." And with all due
respect to that, and I most certainly think it is true and
have appreciated her leadership, it brings me to my point
exactly, that energy efficiency does not guarantee adequate
supply. Yes being energy efficient is important, but it is
also very important to have a supply and reliable sources of
energy.

The second thing that I want to say on a positive note is
that I think the focus on nuclear, and the role that nuclear
power can play in our nation now that we have become more
sophisticated about controlling the liabilities, more
sophisticated about approaches for the waste, and more sure of
our science to make sure that the public is protected and is
safe. Nuclear power as has been used in France can be a very
good mix for the nation of a clean and efficient fuel. So I
want to commend you on that.

But let me say that one of the negatives from the
perspective of Louisiana particularly. There is a point in
the plan that says that we might want to take royalties from
offshore/onshore revenues and fund weatherization plans for
the nation. But then it goes a step further to say also to
help with low-income energy assistance. But as you know,
southern states are not really treated as fairly in that
formula and there is no help for cooling.

So I want you to know that I think it is ironic, and I am
certain that we will make this change, that if you are
expecting some of the Gulf coast states to actually produce
the revenues necessary to fund programs that we ourselves are
not able to participate in, that is a great weakness in this
plan. So I wanted to call that to your attention, to say I
look forward to working with you, as we hopefully develop this
royalty conservation fund program which is, I think, of good
merit, maybe not exactly the way it has been proposed but
something along those lines. But to urge you as we do help

ALDERSON REPORTING COMPANY, INC.
1111 FOURTEENTH STREET, N.W.
SUITE 400
WASHINGTON, D.C. 20005
(202) 289-2260
(800) FOR DEPO
consumers in my state in Louisiana, around the nation, with
their energy bills that you recognize that what you are
proposing the money is coming from basically off the shores of
Louisiana. We produce 85 percent of the offshore oil and gas
yet the formula does not accommodate Louisiana. Obviously, I
cannot support that and look forward to working with you to
correct it. Mr. Chairman, thank you for the time, but I look
forward to working with you.

The Chairman: Thank you very much, Senator Landrieu. I
appreciate you staying within your time allotment. The last
member of the panel, Senator Cantwell, please proceed.
STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM

WASHINGTON

Senator Cantwell: Thank you, Mr. Chairman. Mr. Secretary, good to see you here. Obviously my colleagues have run through some of the issues and I do want to associate myself with the comments from the Senator from California about the lack of, what I believe, is a short-term solution to this plan. And I think that we have had a couple of exchanges on that, and will not focus my comments on that at this moment. But I continue to be extremely concerned about the next 10 to 24 months in the Northwest and the larger Western economy as we struggle through this. I am hopeful as we go through this process here that any energy plan that comes out of the committee will provide some short-term relief for the Northwest and particularly the West.

I wanted to ask you a couple of things in general about the report and specifically about the recommendations in the report as it relates to -- I know the President basically during his campaign had a pledge to keep the existing moratoria on outer-continental shelf leases. And I know that Secretary Norton when she came before the committee we asked her about this said the same thing. But yet the report calls for a reexamination of that. So basically it is saying we need to determine if changes are needed regarding energy related activities and siting of energy facilities in the

ALDERSON REPORTING COMPANY, INC.
1111 FOURTEENTH STREET, N.W.
SUITE 400
WASHINGTON, D.C. 20005
(202) 289-2260
(800) FOR DEFO

28604

Obtained and made public by the Natural Resources Defense Council, May 2002
coastal zone and on the outer-continental shelf. So currently
we in Washington have a moratoria. Is the Administration
suggesting --

Secretary Abraham: No, I think my understanding of that
area, and I am happy to do my best here to represent all the
different departments who participated, so I want to be as
effective as I can be in representing an area that the
Department of Interior had the lead on in the compilation of
this set of recommendations, but my understanding was that
there were some concerns. There are no implications here and
none should be drawn with respect to existing moratoria. I
think the concern was about the implementation of the Coastal
Zone Management Act in areas where in fact exploration is
permissible beyond the area in which the states have direct
authority. As you know in the way the law works, after so
many miles, three miles, or whatever, the states still have a
role but it is not the same kind of control that exists closer
to the shore.

And my understanding is that there has been in some
areas, the goal of trying to get the federal government's
decision making process and the state's process in a consensus
and harmonious way has not always worked out. The way the
process -- I think there are multiple sorts of steps which
begin with decisions by Interior which can then be challenged
by the states which are then adjudicated by the Department of
Commerce and then can be taken to court. And I think the
goal was to try to look at these regulations to see if there
was a way to better harmonize the relationships between the
state and the federal government in these decisions. That is
my understanding of the thrust of that recommendation.

Senator Cantwell: So you believe the Administration
still supports the moratoria on offshore drilling?

Secretary Abraham: That's my understanding, yes.

Senator Cantwell: Thank you. That is very helpful. The
issue of natural gas supply in Canada is something that has
come up in conversations with you before this committee and in
some of the recommendations in looking at a closer energy
integration plan with Canada. Can you update us on what --

Secretary Abraham: Sure. One of the things the
President had recommended in the campaign was the need for us
to look at energy policy on a North American basis, and had
recommended that we forge a North American energy framework or
strategy with our partners in Mexico and in Canada. I had the
opportunity to have the first trilateral meeting with my
counterparts from those two countries in March at the
Hemispheric Energy Initiative Conference in Mexico City. And
we agreed at that time that there were areas of common
interest that had to do with a variety of cross-border matters
and so on that we wanted first to identify and then perhaps
assign to working groups.
And it is my understanding we are on track to have the first working group meetings in June, probably here in Washington. At which point we will principally try to identify areas of interest that each of the countries would like to work together on. If there are suggestions for topics that we might include as a list of proposed areas of joint effort, I would be very receptive to getting those from the committee, and would welcome them.

Senator Cantwell: We will certainly supply that given the large natural gas supply just over the border from us and the energy crisis that will continue to prevail in the Northwest. I think it becomes a very important discussion point that I would like to see accelerated with the Canadian government. It brings up a related issue of that relationship and the need for strong pipeline safety legislation. Does the Administration support Senator McCain's pipeline safety bill?

Secretary Abraham: That is the Department of Transportation's ultimate responsibility, but I do know that a set of recommendations in this report call for the President to direct the agencies to continue their inter-agency efforts to improve pipeline safety and expedite pipeline permitting in an environmentally-sound manner, as well as recommend that the President support legislation to improve the safety of natural gas pipelines. Those are two separate recommendations on the topic. I honestly cannot tell you but I would be glad to get

ALDERSON REPORTING COMPANY, INC.
1111 FOURTEENTH STREET, N.W.
SUITE 400
WASHINGTON, D.C. 20005
(202)289-2260
(800) FOR DEPO
an answer for you as to whether that translates into the
McCain bill.

Senator Cantwell: That would be great. I know my time
has expired here. But I think it is an important question
because I think we will go through a mark-up process and I
think that particular legislation which seems to be stalled
and seemed to be stalled in the past, and yet we want this
larger integration effort with our partners. We have to
assure the communities' security in how that supply is
delivered.

Secretary Abraham: That was one of the recommendations,
and I would be glad to determine if that suggests a separate
legislation initiative by the Administration. I'll look into
that for you.

Senator Cantwell: Specifically their support or
nonsupport of Senator McCain's bill. Thank you very much, Mr.
Chairman.

The Chairman: Thank you, Senator. For your information
I advise you that I attended a U.S-Canadian interparliamentary
meeting and there was a proposal as a consequence of the new
government of British Columbia under Premier Campbell, to, I
guess, reconsider the OCS activity off the west coast of
British Colombia, which you might be interested in.

Secretary Abraham: Mr. Chairman, could I just make two
quick comments. One, I was just informed by my staff that

ALDERSON REPORTING COMPANY, INC.
1111 FOURTEENTH STREET, N.W.
SUITE 400
WASHINGTON, D.C. 20005
(202)289-2260
(800) FOR DEPO

28608
apparently that there is a statement of Administration's position in support of Senator McCain's bill. And second, I would just want to make sure that the record does not leave in doubt that in addition to our trilateral efforts with both Canada and Mexico, we also have a very robust and continuing on-going effort on a bilateral basis with Canada that is independent of anything we might do as part of a North American strategy. And I do not want to leave any implication that the only activities between the United States and Canada now will take place within the context of the North American initiative.

The Chairman: Thank you very much. I want to thank the Secretary and the members for their effort to try to live within the time sequence. And again, I want to apologize to those witnesses that came here to testify on Price-Anderson. Their statements will be taken by the staff and entered in the record. Again I want to thank the Secretary. I gather your short-term solution would be to challenge us to repeal the laws of supply and demand as one solution. With that profound observation, again let me thank you, Mr. Secretary. The hearing is concluded.

[The information referred to follows:]

[Whereupon, at 11:05 a.m., the committee adjourned.]