

THE IMPACT OF RISING ENERGY COSTS ON OLDER AMERICANS

HEARING
BEFORE THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE
NINETY-FIFTH CONGRESS
FIRST SESSION

—
PART 6—WASHINGTON, D.C.
—

JUNE 28, 1977



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- Part 2. Washington, D.C., September 25, 1974.
- Part 3. Washington, D.C., November 7, 1975.
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THE IMPACT OF RISING ENERGY COSTS ON OLDER AMERICANS

TUESDAY, JUNE 28, 1977

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., Hon. Frank Church, chairman, presiding.

Present: Senators Church and Domenici.

Also present: William E. Oriol, staff director; David A. Affeldt, chief counsel; Philip S. Corwin, professional staff member; Caroleen L. Silver, minority staff director; David A. Rust, minority professional staff member; Patricia G. Oriol, chief clerk; Marjorie J. Finney and Theresa M. Forster, assistant clerks; and Eugene R. Cummings, printing assistant.

OPENING STATEMENT BY SENATOR FRANK CHURCH, CHAIRMAN

Senator CHURCH. The hearing will please come to order.

On April 5, almost 3 months ago, I began a hearing on rising energy costs for older Americans by saying "If spring comes, can winter be far behind?" Now that it is summer, it may be even more difficult to think about cold and ice, but for the Senate Committee on Aging it is necessary to do so.

We simply must learn from the lessons of the past winter in order to be prepared for the next one. We have to ask in June whether our older Americans will once again be as hard hit in the coming winter, or only partially as hard hit, as they were during the last winter.

At our hearing in April, we heard startling facts about the impact of bad weather and high energy costs on older Americans. We learned that some low-income elderly are spending more than 30 percent of their monthly checks on fuel costs during the winter months. We heard about older persons who may only have \$30 or even \$20 left each month after paying their utility bills. We compared the increases in social security benefits with rising energy costs and found that the costs for electricity and natural gas are far outdistancing the increases in retirement income.

We heard directly from older persons who said that the desperation by them was high during the winter of 1976-77, and would be even higher next time around unless corrective and preventive actions were taken.

Congress has already responded partially to one need—emergency relief to assist the poor and near poor in meeting abnormally high fuel bills incurred during the past winter. The \$200 million for emer-

gency grants is to be divided and delivered to the States within the next week or so; and the States have until August 31 to use the funds to pay bills. I hope that satisfactory use of the money will be made in that limited period.

I would like to raise the question of whether the administration is giving any thought to the feasibility of having an in-place mechanism, looking ahead toward the possibility of the recurrence of this problem next winter, in order to provide emergency relief more promptly than we have been able to do in this case.

FUNDS NOT AVAILABLE

The money just was not available when it was most desperately needed, and perhaps it won't be again should we have another severe winter.

Congress has also provided funding for organization of private dwellings for persons of limited means, and there appears to be a division of authority between two Federal agencies as to the responsibility for such assistance. That matter has not been resolved by the President's energy proposals or by the Congress' energy discussions since those proposals were made. I hope the representatives of the Federal Energy Administration can throw some light on that issue today.

I have other questions about the matter of insulating homes and apartment houses for those whose incomes are above the poverty or near-poverty level. How can they best be helped? Are loans provided by utility companies, or what is the best way or the more direct means? This is a question that I know my colleagues are interested in, too.

Finally, I would like to say that the President's recognition of the need for utility rate reform in his national energy plan was very welcome. He called for several actions which could result in more equitable rates. I do not think discussion of the lifeline rates settings received much attention before this committee. I think the lifeline concept deserves testing on a rather extensive demonstration basis. I hope that we can have more light shed upon it during this morning's discussions.

Now, of course, I have other questions, but I think it is important to hear from our witnesses on matters that could not be discussed at our hearing in April, which was a few weeks before the President issued his message on his energy plan. Now that we have these proposals and we have had a chance to study them, the testimony this morning will be of particular pertinence.

I want to be sure the agency representatives here know this committee stands ready to work with them in every way possible.

This winter we hope that we will have set in place some mechanism that might work promptly to reach those people of low incomes that cannot pay these high costs in order to keep warm.

So that is the major reason for holding these hearings today. We are looking ahead. I want to welcome the witnesses. There is no need to explain that, despite the efforts to reorganize the Senate to avoid conflicts, I have three different hearings I have to attend this morning. I will be in and out. I suppose Senator Domenici will be here, but we will do the best we can between us, and other members of the committee coming in and out. If it happens that at any time both of us are

absent, then I would ask the staff to carry on the questioning so that we can complete what we had hoped to accomplish this morning while the witnesses are here.

Now, Senator Domenici, would you like to say anything before we start?

STATEMENT BY SENATOR PETE V. DOMENICI

Senator DOMENICI. Just very briefly, Mr. Chairman.

I hope that it works out that we are not both out at the same time but that may be the case. I have the exact same conflict.

I have no prepared remarks. I am particularly interested in how we are going to help the poor and the elderly in our country effect the energy conservation that we are trying to impose across the board.

Second, I am genuinely concerned about that group of poor senior citizens who are already living on fixed incomes and how they will meet the ever-increasing price for energy. Even with the President's plan, there is an admission that the cost of energy is going to go up. I will be interested in finding out what the administration witnesses have in mind with reference to assisting the low fixed-income elderly meet the ever-increasing costs of energy as a percentage of their income. I am sure that Ms. Olivarez, Mr. Chairman, who I personally know and who comes from my home city, is learning a very difficult job and I truly expect that she will have some strong management ideas with reference to the weatherization and energy conservation programs administered by her agency.

Having said that, I am interested in hearing her testimony and I want to thank you, Mr. Chairman, for convening this morning's hearing.

Senator CHURCH. Thank you very much, Senator.

Our first witness, then, will be Graciela Olivarez.

It has been suggested by Mr. Oriol that we might call all of the witnesses up as a panel in the interest of saving time. So would those witnesses come up to the witness table. David J. Bardin, Deputy Administrator, Federal Energy Administration, also representing the Energy Resources Council; and Hon. Lawrence Simons, Assistant Secretary for Housing, Federal Housing Commissioner, Department of Housing and Urban Development.

We can hear from the panelists in the order that they were called forward.

STATEMENT OF HON. GRACIELA OLIVAREZ, DIRECTOR, COMMUNITY SERVICES ADMINISTRATION; ACCOMPANIED BY RICHARD M. SAUL, COORDINATOR OF ENERGY PROGRAMS

Ms. OLIVAREZ. Thank you, Mr. Chairman. My name is Graciela Olivarez; with me is Richard Saul, who is the Energy Coordinator of the agency.

I should point out, Mr. Chairman, that I have been on the job a little less than 2 months, and I don't profess to be an expert on any of the phases of the program yet, and that is why I asked Mr. Saul to accompany me because he has a better grasp of what is going on in the agency, in terms of energy and the elderly.

I would like to submit my statement for the record; I won't read it.

Senator CHURCH. Very good. It will be entered into the record now.

[The prepared statement of Graciela Olivarez follows:]

PREPARED STATEMENT OF GRACIELA OLIVAREZ

My name is Graciela Olivarez and I am Director of the Community Services Administration, formerly the Office of Economic Opportunity. I am particularly pleased to have the opportunity to present testimony to this committee and to discuss the subject of the energy problems of the elderly, because I head an agency which I believe has helped to encourage and assist many low-income elderly persons faced with utility and fuel bills they simply cannot afford to pay.

Beginning shortly after the oil embargo in the fall of 1973, CSA (then OEO) and its nearly 900 community action agencies undertook a variety of programs designed to alleviate the severe impact of the energy crisis on the poor and the elderly—both in terms of shortages and rapidly rising costs. These included emergency fuel supplies and assistance to prevent utility shutoff, gasoline hot-lines and crisis centers, and insulation of their houses. Perhaps the best known of these programs was Maine's project F.U.E.L., funded by OEO in December 1973, which insulated 2,878 poor people's houses in Maine in a period of 4 months. In the two winters of 1973-74 and 1974-75, OEO/CSA and community action agencies diverted more than \$20 million in funds to energy related programing, largely on an ad hoc basis and in response to need.

Fiscal year 1975 was the first in which there were funds specifically appropriated for this program, now authorized by section 222(a)(12) of the Community Services Act, adopted in January of 1975. The total available in fiscal years 1975 and 1976 for CSA energy programs was \$4 million. The appropriation for the first 6 months of fiscal year 1977 was \$27.5 million; the fiscal year 1977 supplemental appropriation, signed by the President on May 4, included \$282.5 million for CSA energy programing, of which \$200 million is earmarked for a special crisis intervention program to assist in payment of fuel and utility bills, and \$82.5 million to the regular emergency energy conservation program. This brings the level of the CSA energy conservation program up to \$110 million for the current fiscal year, of which approximately 75 percent goes to weatherization.

CSA's authorizing legislation, section 222(a)(12) of the Economic Opportunity Act, as amended, establishes a broad program entitled the emergency energy conservation program, "designed to enable low-income individuals and families, including the elderly and the near poor, to participate in energy conservation programs designed to lessen the impact of the high cost of energy on such individuals and families and to reduce individual and family energy consumption." The section includes broad authority to carry out a wide range of programs in furtherance of these purposes. Included in the major program activities described in CSA's instruction for this program are:

(a) *Weatherization*: Making home repairs and energy saving improvements to minimize heat loss and improve thermal efficiency. Components include repairs to stop heat loss through infiltration; installation of a balanced combination of energy saving home improvements, including insulation and storm windows and doors; and where needed, the adjustment and repair of heating systems.

(b) *Crisis intervention*: Intervention to prevent hardship or danger to health due to utility shutoff or lack of fuel. Components include grants, loans, fuel voucher or stamp programs, or payment guarantees; mediation with utility companies or fuel suppliers and financial counseling; and maintenance of emergency fuel supplies, warm clothing, and blankets.

(c) *Consumer information, education, and legal assistance*: Dissemination of energy conservation information, conducting of energy conservation education programs and the representation of the interests of the poor in public proceedings involving, for example, energy policy and utility rate structures.

(d) *Transportation*: Projects designed to offset the increased costs to the poor of transportation needed for access to essential services and employment.

(e) *Alternate energy sources*: Development and application to energy needs of the poor of technology that capitalizes on nonfossil fuels and renewable energy sources such as solar and wind power or methane digesters: or that can make

conventional fuels available to the poor at substantially decreased cost and/or increase efficiency.

(f) *Program support*: Training and technical assistance, research and demonstration, and evaluation.

IMPORTANCE OF WEATHERIZATION

Of the wide range of activities authorized by CSA's section 222(a)(12), the largest and most important in terms of a long-range solution to the problem of the inability of the poor and the elderly to pay necessary energy costs is weatherization, or increasing the energy efficiency of their dwellings. Weatherization also has the most important implications for the growing burden that energy costs are placing on tax supported programs such as SSI, social security, welfare, and public housing; and, in terms of energy resource development, we believe it to be cost effective.

There are 14 million households below 125 percent of the poverty threshold; 55 percent are renters, 60 percent live in single-family dwellings, and 22 percent in apartments of eight units or less; in central cities, 20 percent live in apartments of nine units or more, which compares with 11 percent for the Nation as a whole.

According to a study recently completed for CSA by the Washington Center for Metropolitan Studies on "The Energy Crisis and Low-Income Americans," of the 14 million households below 125 percent of the poverty threshold, 5.2 million, or 37 percent, are households with heads aged 65 or over.

According to the study, 57 percent of the elderly live in detached houses, slightly higher than the total for low-income households as a whole; and, of course, detached houses require more energy to heat than those with common walls. Also, the houses of the elderly tend to be older, and the study found that they are less well equipped with insulation than the average low-income dwelling, although they are somewhat better equipped with storm doors and windows. The study found that fully 50 percent of the homes of the elderly had no insulation in either walls or ceiling, and only 22 percent had both. Only 44 percent had all or some windows covered with storm sash, while 52 percent had storm doors on all or some outside exits.

The large majority of these homes are in need of improvements which will stop air infiltration. For example, we know that 71 percent of all low-income dwellings have no window weatherstripping. We also know from 3 years of experience with the OEO/CSA weatherization program—and housing programs over an even longer period—that many dwellings of the poor have broken windows and doors, holes in the floor or siding, bad roofs, and that many of the heating sources are operating at very low efficiency because of lack of adequate maintenance.

In addition to weatherization, examples of other activities supported by the CSA energy conservation program during the past 2 years include:

- Crisis intervention assistance to 48,400 families between July 1975 and October 1976. The figures for the past winter have not yet been compiled, but were substantially higher because of the severity of the winter.
- A pilot grant to the Nebraska Center for Rural Affairs for a program to demonstrate energy conserving techniques on small, low-income farms in the corn belt.
- The establishment of a National Center for Appropriate Technology, headquartered in Butte, Mont., whose role will be to provide information, publish reports and manuals on energy technology and related subjects, and provide technical assistance and modest financial support to projects and programs of CAA's and other qualifying local groups seeking to develop and improve innovative energy technology and energy systems appropriate to the needs of the poor. The center will concentrate on technological support for CSA's weatherization program as well as attacking specific areas of need, such as the problem of making mobile homes more energy efficient, and reducing the cost of solar hot water.
- A 2-year grant to the National Consumer Law Center in Boston, Mass., to provide legal backup and economic analysis to local projects involved in utility rate structure hearings and other energy related administrative or legislative proceedings, so as to assure adequate representation of the interests of the poor.

- A demonstration grant to 519 East 11th Street in New York City for the installation of solar hot water and a wind generator on a six-story tenement house followed by a 2-year grant to the energy task force—the group of young people who provided the technical support to the 519 project—to give similar support to other similar projects throughout the greater New York area.
- Support of solar greenhouse projects in California and Arizona, assistance in refinement of a new wood stove in Bellow Falls, Vt., and others.

PROGRAM DESIGN

At this point, I should like to explain the design of CSA's weatherization program. In designing the program, we have built upon two strengths: first the agency's network of nearly 900 community action agencies, serving areas in which reside 83 percent of the Nation's poor; and second, on the National Bureau of Standards study, "Retrofitting Existing Housing for Energy Conservation: An Economic Analysis."

A word about the community action agencies, and particularly some facts which are relevant to their weatherization capability: Based on preliminary findings of a recent study of a statistically valid sample of 10 percent of 843 agencies, community action agencies have a total paid staff of 108,250, plus a total of 395,300 volunteers, for a grand total of paid and volunteer staff of 503,500, which represents an outreach capability familiar with the poor and their problems unmatched anywhere. In the past year, these agencies brought services ranging from manpower and economic development programs to transportation, housing, food, and senior opportunities, to 27 million direct participants. Total programs expenditures in 17 different program areas came to \$1.5 billion, only \$327 million, or 19.8 percent, of which came from CSA. The balance represented a mobilization of \$1.2 billion in other Federal, State, and local resources.

The basic planning and data instrument is the building weatherization plan, which must be completed for every building worked on, and on which the local administering agency enters basic data about the dwelling, the work required to stop heat loss through infiltration, and the computations which indicate the optimal level of weatherization and its cost.

In addition, every local project must establish a project advisory committee, made up of at least 51 percent poor persons and including representatives of the local governments and other resource agencies within the community served, as well as a representative or representatives of the local public utility and local fuel dealers.

We suggest in our agency instruction that the project advisory committee should be the focal point of energy related planning for the local administering agency; and it can also play a major leadership role in the larger community, educating and influencing the nonpoor about the need for the benefits accruing to them from energy conservation.

Support of communitywide conservation efforts can also mean economic stimulation and new job opportunities for the poor.

I have tried briefly to acquaint you with the agency's experience to date in energy programing, and to provide you with a general sketch of the level of need of that portion of the population which is least able to meet its energy emergencies without some form of assistance. More detailed information on either of the above can be provided on request.

Finally I should like to point out that CSA, with 1977 funds, is hoping to undertake in the very near future, with the National Bureau of Standards, a major research effort which will make actual measurements of the actual savings achieved through optimal weatherization of homes of the poor and near-poor.

Through a program that will optimally weatherize dwellings which represent the 11 different building types in each of the 16 climate zones in the Nation and that will instrument many of those dwellings and follow household energy use over a 2-year period, we hope for the first time to obtain really hard data on the savings that are possible and the actual costs involved.

This is particularly important because it will tell us whether, through a program of optimal weatherization of the homes of the elderly poor, it will be possible to so reduce their energy consumption that they will not be forever dependent on the government for subsidy of their energy costs. In testimony a few months ago before this committee, Administrator O'Leary of the Federal Energy Administration testified that many elderly poor last winter paid as much as

50 percent of their disposable income for energy. He suggested that the best that weatherization could accomplish would be to reduce that 50 percent to 40 percent, indicating that the rest was a "social" problem, i.e., one to be dealt with through income transfer.

We would like to think that we can do better than that, and by this time next year we should have meaningful results from the work to be done with the National Bureau of Standards, which will indicate just how close our local agencies can come to achieving energy self-reliance for the poor and the elderly on fixed incomes. We hope and believe that this goal can be reached through a comprehensive program that combines weatherization with conservation education and counseling, support of utility rates that provide essential services at the lowest cost, and development of alternative energy sources that are simple, affordable, and easy to maintain. At the same time we believe that such a program can create jobs, improve the housing of the poor and the elderly, and stimulate the development and improvement of their neighborhoods.

SUPPLEMENTAL APPROPRIATION RECEIVED

Of course, such a program will take time, and in the meantime, the needs of the elderly and poor must be met. As you know, CSA recently received a supplemental appropriation of \$200 million for a special crisis intervention program designed to assist those hardest hit by last winter's severe weather. CSA will be carrying out an extensive assessment of this program in order to learn as much from the experience as we can so as to be able to meet similar crises as effectively as possible in the future.

We will of course be happy to keep you informed of the progress of our monitoring and assessment of the program as we go along although most of the significant information will not be available until after the program ends on August 31, 1977. We have requested and will be receiving from the Governors, starting in August, monthly information which is filed by utility companies in their States on the number of shutoffs, accounts in arrears, amount of arrearages, and the like, which is being shared with the Federal Energy Administration.

In addition, as a result of discussions which took place during the planning of the special crisis intervention programs, the Edison Electric Institute and the American Gas Association have expressed an interest in being represented on a CSA-sponsored task force which will seek to gather more specific information of this kind from a sampling of low-income neighborhoods. The National Oil Jobbers Council has taken the matter of participation in this task force under advisement. With this type of information, we hope to be able to keep better track of the severity of the impact of energy prices on the poor and elderly before and during the coming winter.

With regard to the special crisis intervention program itself, let me briefly summarize: The President signed the supplemental appropriation bill on May 4, 1977. On May 27, I sent a lengthy memorandum describing the program to the Governors of the 50 States, Puerto Rico, and the Virgin Islands, and the mayor of the District of Columbia. Accompanying the memorandum was a copy of the proposed special conditions governing the program and the allocation of funds to the States, based on a formula set out in the Senate appropriation report. The formula included last winter's heating degree days, number of poor, number of elderly, and a factor for comparative fuel costs.

It is important to remember that this is a State program. The Governors will choose the agencies within their States that will carry it out as well as the method for disbursement of the funds. However, CSA has imposed certain safeguards and minimum requirements, including:

- Priority assistance to elderly.
- No currency to change hands.
- All programs to be audited.
- Payments to be made to energy suppliers (except \$50, which Senate report provided should go to households in dire straits because of having paid large energy bills).
- Energy bills to be reduced by full amount of the payments.
- Any remaining balance to be covered by a deferred payment arrangement.
- No security deposit.

The Senate report also put a limit of \$250 on the amount of assistance to be paid to or on behalf of any household. Income eligibility, as in CSA's regular energy program, is 125 percent of the poverty threshold.

As of June 24, last Friday, 23 States had submitted requests for funds, 13 grants had been approved, and 2 States had submitted State plans for CSA regional offices for review. No funds can be released until State plans have been submitted and reviewed for completeness.

Ms. OLIVAREZ. I would just like to point out, Mr. Chairman, that with regard to the special crisis intervention program itself, I will summarize by saying that the President signed the supplemental appropriation bill on May 4, 1977. On May 27, I sent a lengthy memo describing the program to the Governors of the 50 States, Puerto Rico, the Virgin Islands, and the Mayor of the District of Columbia. Accompanying the memo was a copy of the proposed special conditions governing the program and the allocation of funds to the States based on a formula set out in the Senate appropriation report.

The formula included last winter's heating degree days, number of poor, number of elderly, and a factor for comparative fuel costs.

MINIMUM REQUIREMENTS NOTED

It is important to remember that this is a State program. The Governors will choose the agencies within their States that will carry it out as well as the method for disbursement of the funds. However, CSA has imposed certain safeguards and minimum requirements, including:

No. 1: Priority assistance to the elderly.

No. 2: No currency to change hands.

No. 3: All programs to be audited.

No. 4: Payments to be made to energy suppliers, except \$50 which Senate report provided should go to households in dire straits because of having paid large energy bills.

No. 5: Energy bills to be reduced by full amount of payments.

No. 6: Any remaining balance to be covered by a deferred payment arrangement.

No. 7: No security deposit.

The Senate report also put a limit of \$250 on the amount of assistance to be paid to or on behalf of any household. Income eligibility, as in CSA's regular energy program, is 125 percent of the poverty threshold.

As of June 24, last Friday, 23 States had submitted requests for funds, 13 grants had been approved, and two States had submitted State plans to CSA regional offices for review. No funds can be released until State plans have been submitted for completeness.

Senator DOMENICI. [presiding]. Would you please repeat that again?

Ms. OLIVAREZ. Twenty-eight have indicated that they will be applying for the money.

Senator DOMENICI. Have we disbursed any funds yet?

Ms. OLIVAREZ. Not yet. We are in the process of doing our first ones by tomorrow. Not all the States have submitted the plans yet. The 28 I have indicated have written in asking us to take care of the funds for them; after that, they have to submit the plans, and then we will start giving the money.

By the way, Senator, New Mexico is one of the States that has asked to participate in the program.

Senator DOMENICI. And we will get about \$1.2 million?

Ms. OLIVAREZ. That is in essence where we are. New Mexico gets \$1,160,000.

Senator DOMENICI. Before you leave the crisis intervention program, it is my understanding that it is a \$200 million national program in terms of funding.

Ms. OLIVAREZ. Yes, sir.

Senator DOMENICI. Even though it is going to be State managed, are you going to monitor it in such a way that you will be able to tell us the nature of its impact and what it really has been able to do?

MONTHLY ACCOUNTING REQUIRED

Ms. OLIVAREZ. Yes, sir. Starting in August, each Governor is required to send us, on a monthly basis, the amount of money that they have spent, how they have spent it, how much of it has been in arrears—just exactly the data that we need to find out whether the program was effective or not. Those will not start coming in until August.

Senator DOMENICI. Did you find that the Governors of the respective States were informed or uninformed on this program when you first communicated with them?

Ms. OLIVAREZ. Well, we worked with the Governors conference, and most of them were aware that this was coming down the pike.

Senator DOMENICI. Go ahead. Thank you.

Ms. OLIVAREZ. Back with the crisis intervention program, the agency is very concerned over the fact that there don't seem to be any plans for the future. We ourselves have a very limited amount of money at the regional level for crisis interventions, but it does not even begin to scratch the surface of need.

My concern, Senator, and you know my background is in planning, is that there does not seem to be any planning for preventive measures. Everything that we are involved in is of a remedial nature, and it tends to cost a lot more than the preventive work. We would like to work with other agencies. As the Senator and the chairman said, this is June. It is almost July, and I am not sure that any of us is completely prepared to deal with another crisis like the one we had last winter.

Senator DOMENICI. Well, I might ask you, what prevents this from occurring? We are here to find out what we can do. If you are just sharing your problem with us, we are glad to share it. If you have some thoughts on possible solutions, we would be glad to have them also.

Ms. OLIVAREZ. I think there ought to be some interagency effort. The one thing I discovered in this city is that everybody is very turf conscious, and we are not. We are ready to work with anybody. When you look at our budget, compared to the budgets of other agencies, we have a very limited amount of money but a lot of experience and eagerness to work with others, so we can get involved in some preventive programs rather than remedial programs. Because the agency is a small agency, and this system talks about deficits in the billions and cost overruns of the millions, our agency deals in the hundreds, so we don't carry the clout nor the popularity that is required to be the convener of such a group.

Senator DOMENICI. Perhaps you ought to share with the committee the activities that you are undertaking that you think will have some impact in the area of the elderly poor and energy. Then I will have some questions about various programs. I would note that I share your concern about these interagency relationships.

Ms. OLIVAREZ. I would like to have Mr. Saul talk about the program that we are involved in.

Senator DOMENICI. Please.

Mr. SAUL. Thank you, Senator. CSA's energy program basically is a comprehensive one which includes weatherization, the largest component, and crisis intervention, which involves emergency payments for energy costs. We have been averaging about 12 percent of the funds that up until last winter were being used by local agencies for crisis intervention. We looked at this, not as an income transfer program, but rather a last resort—emergency intervention to prevent families from freezing.

FUNDS TRANSFERRED

Last winter, we authorized our agencies to transfer 40 percent of their weatherization funds into crisis intervention which, in many of the States, they did. In addition to that, we have conservation education and advocacy representation of the poor and one of our concerns is that under the new bill, happily, States will be mandated to change the utility rate structures away from declining block rates, which means there will be proceedings in every State. There already are proceedings in many States looking to redesign the rate structures. We have provided funds to the National Consumer Law Center in Boston to provide backup to our agencies.

One of the activities of our program is for the local agencies, and we have over 900 local energy projects around the country. We expect that by the time the current funds are distributed, it will be over the 1,000 mark, reaching virtually all the counties in the country. One of the activities will be to assure that the interests of low-income persons and low-income elderly are adequately represented at these State hearings which will be looking into new utility rate structures.

Another aspect of the program is the development of low-cost alternate energy sources. So far, we do have a number of small demonstration programs involving low-cost solar applications, greenhouses, solar-heated greenhouses.

Senator DOMENICI. I think I have heard about most of those when you testified before the Energy Committee. Maybe I ought to spend a few minutes questioning you, and then we will hear from the other panelists.

First, it appears to me that current studies would clearly indicate that the need for weatherization services is one of the major problems in the area of energy conservation for the elderly. I need not repeat the statistics and facts that are in your statement but obviously it is a major concern for low-income persons.

I am greatly concerned about what appears to be confusion as to who is going to handle this weatherization program. My understanding is CSA is presently administering the \$82.5 million program that we have approved.

Mr. SAUL. That is right; \$110 million is this fiscal year's total.

Senator DOMENICI. Now one question on the special crisis intervention program. Did OMB release the full \$200 million?

Mr. SAUL. Yes.

Senator DOMENICI. So that is what you are working with, the States and the territories.

Mr. SAUL. Yes.

Senator DOMENICI. Ms. Olivarez, what is your understanding as to where we are going beyond the \$82.5 million program? The administration has a major commitment in their energy program to continue weatherization. It is my understanding that program is currently funded at \$130 million. Who is going to administer it, CSA or FEA? Do you know at this point?

Ms. OLIVAREZ. No, I don't know at this point who is going to administer it.

PROGRAM ADMINISTRATION

Senator DOMENICI. The fact that you are administering a \$82.5 million program has not prompted anyone to call your agency up and talk about who is going to handle the \$130 million program?

Ms. OLIVAREZ. I did have a talk yesterday afternoon about who was going to do it, and how we are going to do it. We have that down; we have not worked out the details.

Senator DOMENICI. With reference to your current weatherization program, are there any changes in the law that you recommend that will make it easier for you to do the job—to get more money into the individual home that needs repairing? Do you have any suggestions for the committee?

Mr. SAUL. With respect to our legislation, it is so broad that it really permits us to do anything. I do think that the Housing and Community Development Subcommittee of the House approved amendments to the national energy bill which did take care of some of the things.

For instance, they changed the eligibility level to 125 percent of the poverty line. They also increased the amount which could be spent per dwelling to \$800 which we feel is more in line with the real need. Our real concern is that if we are going to do something, particularly for the elderly on fixed incomes, in terms of making it possible for them to live without having to be subsidized forever, then we have got to be at the level of weatherization which will substantially reduce energy consumption. We believe that it is possible, but it is going to probably take an average of \$600, \$700, \$800 in the Nation, and some places it is going to be over \$1,000 in the colder areas.

Senator DOMENICI. Is that labor and material?

Mr. SAUL. No; that is material. We believe it is possible, and we will have harder data on this by this time next year. We are undertaking a program to do some very carefully designed selection of dwellings covering 18 building types in 16 different climatic zones with the National Bureau of Standards, which will give us some really hard data on the cost and the savings that are possible, so that we can find out just what that equation is and if it is indeed a feasible thing.

Senator DOMENICI. Are you suggesting that the homes of the poor require more to be spent on them to get maximum insulation than the average American home?

Mr. SAUL. Oh, yes. Not only that, but there is also a lot of rehabilitation work that needs to be done in conjunction with that. We know that a lot of these houses have bad roofs, and it is really not safe to insulate a house, put insulation in the attic if you have a leaking roof. We know there are a lot of these dwellings that are old and have 40-year-old wiring in them. It is really criminal to go in without replacing that wiring and cover that wiring with insulation. So there is a lot of rehabilitation work that we feel needs to be done in conjunction with that, and we don't see ourselves as being the source of—

Senator DOMENICI. Are you doing that now?

Mr. SAUL. What we are doing now largely is not with our energy funds, but our agencies are doing their best to get the Farmers Home Administration section 504 loans and community development block grant money which is available in communities, because there is a clause there that requires the maintenance of housing stock. So it has been possible to get, though not on the scale that is needed. The thing is that there are so many houses that need work, and so far it has been possible frequently to choose the houses that don't need the rehabilitation work and delay doing the houses that do.

The need of the persons in the houses that don't need as much rehabilitation work is just as great, so the projects have been able to choose, but that won't last forever.

PROGRAM ADEQUACY QUESTIONED

Senator DOMENICI. I don't find anything on the books, in terms of funding, that is going to rehabilitate homes in anything like the proportions you are seeking to weatherize. We don't have that kind of major rehabilitation programs going on in this country.

Mr. SAUL. That is true. As far as 504 loans, that is really not a very practical solution to the elderly because a lot of them will not qualify for loans because the fear is that they won't be around long enough to pay the loans off, and it is a rather conservative loan program anyway; so the 504 grant program which we know has been reactivated in recent years has got to be the answer for the elderly.

Senator DOMENICI. Are you familiar with the pending \$250 million youth employment bill that is coming out of conference? It is title II project oriented and basically deals with small projects like weatherizing homes, and CETA will furnish the manpower. Has that been coordinated with your agency?

Mr. SAUL. We are talking to the Labor Department. We have been very busy in recent weeks with the \$200 million, but we have talked with them last week. We have had conversations with them about that program. One of the things our experience has shown with regard to using CETA, which most of the projects do use, is that there is really a need for permanent hiring of supervisors. I met just yesterday with all of the project directors in Massachusetts, for example, and went through some of the things we are considering. They were all very, very concerned that they be permitted to use some of our funds to hire supervisors for the work crews in weatherization because of the turnover and low skill level of many of the CETA workers, and the need

of maintaining adequate quality of workmanship that is really essential. We are taking steps to try and deal with these problems.

Senator DOMENICI. That bill provides for supervisors and they are immune from the wage scales provided.

Let me ask you this. How do you handle the weatherization program that you are administering? Ms. Olivarez has explained that the crisis funding program is administered through the Governors. How do you handle your weatherization program? What is the management scheme?

Mr. SAUL. The grants are made to the States in some cases—about 20 cases—or directly to the local agencies. It depends on our regional offices and their judgment as to the most effective way to run it. There is a State planning process which we are now just starting to use for this cycle of funding. We have asked the States and the local projects and our regions to undertake a planning process which will identify those local agencies, identify the funds going to them, the activities to be undertaken, and particularly the training and technical assistance needs which will be needed to sustain that level and effort. Then our regions will be planning training programs, usually using the more experienced of our grantees to carry the training out.

The program itself, of course, at the local level has a project advisory committee for each local project, and the local outreach at the community action agency or some other agency is doing it. They are the ones that identify the clientele.

Senator DOMENICI. The Energy Conservation and Production Act says that FEA should coordinate the development of its weatherization program regulations with CSA. Is that occurring or has that occurred?

Mr. SAUL. There were a few meetings. We did raise, on several occasions, questions and concerns about the regulations, some of which were addressed, some of which were not. There has been coordination, but it falls somewhat short of the total coordination suggested.

Senator DOMENICI. Let us leave the two of you for a moment and see whether Mr. Bardin would like to make a few opening remarks, and then we will do the same for you, Mr. Simons.

**STATEMENT OF HON. DAVID J. BARDIN, DEPUTY ADMINISTRATOR,
FEDERAL ENERGY ADMINISTRATION; ACCOMPANIED BY HAZEL
ROLLINS, ASSISTANT FOR CONSERVATION**

Mr. BARDIN. Thank you. I am accompanied by Hazel Rollins, our Assistant for Conservation in FEA, and formerly the General Counsel of the Community Services Administration. The coordination which already exists at the key personnel side level in our agencies and this Administration is enhanced by the fact that our Administrator, John O'Leary, as well as the CSA Administrator, Graciela Olivarez, come from the great State of New Mexico and know each other. I think we will be working together to address some of these problems.

I have a prepared statement, Senator, which I ask be included in the record as if read.

Senator DOMENICI. It will be made a part of the record.

[The prepared statement of Mr. Bardin follows:]

PREPARED STATEMENT OF DAVID J. BARDIN

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you today to discuss President Carter's national energy plan and its impact on older Americans. Older Americans have experienced previous transitions in our energy economy. Their perspective can help our country weather the transition which confronts us. However, rising energy prices and overall inflation have made it especially difficult for elderly Americans to meet the expenses of the bare necessities of life.

Senior citizens have lived through much of American history. The elderly remember not only the wood stove and a time of less dependence on fuel powered machines, appliances, and gadgets, but also years of great national sacrifices imposed by two world wars and the great depression. Historically, the elderly of today have had to be frugal. Most are already conscious about energy waste; their energy frugality, though often imposed by a lack of means, is virtually always evident in their lifestyles. Ironically, elderly Americans are more vulnerable to sharply rising energy prices and energy supply disruptions than any other segment of the population.

President Carter's national energy plan will allow us to make a gradual transition to a more energy efficient society. Without this gradual transition it will be necessary to endure dramatic energy supply disruption in the future.

The national energy plan attempts to address our energy problems comprehensively, and in a manner that is fair to all regions, sectors, and groups within our society. The elderly, as a group, experience special problems in the face of rising energy prices. Many older people are more sensitive to the cold and need to maintain reasonably warm temperatures in their homes. The greatest impact on the elderly derives from the fact that their income as a group is substantially lower than that of the general population, and not likely to keep pace with rises in the cost of living. The price, tax, and rebate provisions of President Carter's National Energy Act were designed to protect the purchasing power of consumers in general, and of those on low or fixed incomes in particular.

COMPONENTS OF THE PLAN HAVING THE GREATEST IMPACT ON THE ELDERLY

The oil and gas pricing provisions and the crude oil equalization tax are designed to allow scarce resources to be priced at their true replacement cost, but through a mechanism which is equitable to both producers and consumers. The net effect of these provisions on oil prices is expected to add approximately \$4.5 billion (in real terms) to expenditures on oil products by 1985. As a result of the tax mechanisms we have proposed, these increases will not place a severe burden on consumers, particularly the elderly on low or fixed incomes.

To protect households which use oil to heat their homes, the increased price of distillate oil for use by residential consumers would be rebated penny-for-penny to heating oil distributors, with the proviso that it be rebated in turn to consumers. Thus, the crude oil tax would not result in increased heating oil prices to residential consumers.

However, if the heating oil rebate is not enacted, the tax on crude oil would result in an increase in the cost of home fuels for those households which use oil to heat their homes. The burden would be felt more heavily by low-income households, for which expenditures for home fuels represent a larger portion of income.

Consumers will be protected from direct and indirect impact of our proposed wellhead tax, through the return of the net revenues from such tax in the form of per capita rebates. While consumers would experience increased prices for gasoline due to the wellhead tax and increased prices for many consumer products, the positive benefit of the rebate would generally offset adverse impacts on the elderly.

Price increases for basic necessities such as home fuels and food are regressive, in that they impact more severely on the disposable income of consumers in the lower income brackets. The rebate provisions in the plan are particularly important in terms of maintaining the purchasing power of low-income households.

The natural gas pricing provisions in the plan would protect residential and small commercial users of natural gas from the immediate effects of price increases, since they have far less capability than large nonresidential users to convert to other fuels. Under the proposed pricing policy, the well head cost of the more expensive new supplies of natural gas would initially be allocated to large, nonresidential users. This provision to protect consumers from rapid increases in natural gas prices is particularly important for low-income elderly households.

It is important to note that, were Congress to deregulate the wellhead price of all new gas in the interstate market, the cost of gas to consumers would increase substantially between now and 1985—by about \$70 billion. An increase of this magnitude would be particularly harsh for the elderly.

The provisions for improved utility rate design in the national energy plan would lead to greater efficiencies in the operation of utilities, reducing the need for new capacity and helping to restrain the rise of electricity prices to consumers.

The conservation provisions for residential buildings contained in the President's proposed bill will substantially lower home fuel bills by providing strong incentives and assistance to consumers to insulate and weatherize their homes thus reducing energy waste.

We all know how much household budgets were hurt during the past winter by rising home heating fuel costs. Average bills across the country increased dramatically over the preceding year, reflecting higher energy costs as well as the extreme cold.

Low-income elderly households were particularly hard hit by these increases. Though energy savings achieved from insulation and weatherization would vary by climate and by the initial condition of the residence, we estimate that the average household could improve its energy efficiency by approximately 35 percent of its total energy use.

The national energy plan would establish a residential energy savings program to be conducted through the utilities as a vital element of the total residential energy conservation proposals. The utility program would require the Nation's public utilities to provide a "turnkey" conservation service, including identification, installation, and financing of conservation items through utility bills.

SERVICE REQUIREMENTS LISTED

Our utilities program is designed to make utilities a convenient energy conservation information and service resource. Each gas or electric utility will be required to offer its customers a conservation program which meets several Federal requirements. These include provisions that would require the utility to offer three services no later than January 1, 1980:

- To inspect upon request the residence of each customer and provide energy conservation costs and savings information; while also providing a list of all other businesses in the area who could do the work.
- To arrange to install certain specified conservation measures if desired by the customer (normally through subcontractors).
- To arrange financing for these investments through additions to utility bills, if desired by the customer and provide the customer with a list of all competing qualified lenders in the area.

Owners and renters of one- and two-family residences would be included in this coverage, and would also be eligible for financing and for tax credits. Utilities would be required to provide lists of qualified contractors to their customers as well as lists of alternative lenders.

We have chosen utilities to be a focal point since at present a homeowner faces a bewildering array of information sources, of separate contractors, and of lenders who must each be contacted in trying to put together a complete conservation package. Of course, many homeowners will want to install measures themselves; and they may still purchase services from private contractors and borrow from other lenders. The President's plan preserves this freedom of choice.

All homeowners purchasing and installing conservation materials, whether through the utility program or independently, would be eligible for the residential investment tax credit.

Installment financing through utilities would be particularly helpful to those average older Americans who tend to have less discretionary income to invest up front on home improvements.

Those low-income families who cannot afford to make investments in conservation measures would be eligible for the weatherization assistance program.

The President's plan augments the weatherization program for low-income Americans authorized by title IV of the Energy Conservation and Production Act. Title IV authorizes \$200 million in grants over a 3-year period (fiscal years 1977-79) to pay for materials such as ceiling insulation, storm windows, weatherstripping, and caulking to be used to weatherize low-income homes. The President has proposed expanding title IV to authorize additional grants amounting to \$385 million through fiscal 1980 (\$65 million in 1978, \$120 million in 1979, and \$200 million in 1980).

Labor to install the materials will be supplied by Comprehensive Employment and Training Act (CETA) employees. Arrangements are now being made with the Department of Labor to facilitate the use of CETA labor for this purpose. This does not preclude alternative approaches that a State or local government may choose, such as voluntary labor or other public service workers.

A few words about FEA's weatherization program to date: This program was authorized in August of 1976, and in April of this year Congress appropriated \$27.5 million to FEA to begin implementation. Anticipating this appropriation, FEA issued a set of proposed regulations on April 1. Public hearings were held in 12 cities, including the 10 cities of the FEA regions, and the final set of regulations was published on June 1. States have 90 days to apply for fiscal year 1977 funds, which we expect to disburse by September 30.

The House Committee on Banking, Finance, and Urban Affairs has voted to increase the income eligibility level for this program from 100 percent of the OMB poverty guidelines to 125 percent. We understand the advantages and agree with the desirability of this change if flexibility is provided to the Administrator of the FEA to insure that both the tax credit and weatherization are not provided to the same individual. At 125 percent of poverty guidelines, 14.1 million households would be eligible; at 100 percent, 8.6 million qualify. This increase will mean that 99 percent of the households in the country can take full advantage of either weatherization assistance or the tax credit, as modified by the House Ways and Means Committee.

Approximately 2.5 million homes could be insulated under the program proposed by the administration. We will consider further authorization requests after 1980 based on the program's effectiveness, but we feel that the \$585 million authority we have requested through 1980 is the maximum that can constructively be spent on this program during the next 3 years.

In summary, Mr. Chairman, we believe that the proposals contained in President Carter's National Energy Act, several of which are discussed in this testimony because of their special impact on the elderly, must be viewed as a package. None of our proposals alone will solve the national energy problem but, if enacted, their cumulative effect will be to avoid an energy supply disruption which the elderly especially can ill afford.

Mr. BARDIN. The national energy plan submitted by President Carter notes the special needs of the poor and the elderly. The existing Federal Energy Administration weatherization program must, by statute, particularly benefit the handicapped and the elderly. A welfare reform system, which the administration is currently formulating, will provide protection for low-income people from long-term increases in energy prices. The progressive nature of the national energy plan payment system will also operate as a safeguard. Additionally, President Carter has asked the Department of Health, Education, and Welfare to prepare a redesigned emergency assistance program for prompt submission to the Congress.

Senator DOMENICI. Let me ask if I understand that the same way you do. We should have a price restructuring which should be of some assistance, and then welfare reform will take care of the problem of the

rising cost of energy versus the fixed income of the poor. Is that how you read that statement?

Mr. BARDIN. There is also the problem of the extreme cold weather we had last winter and which we may encounter again. Senator Church, in his opening remarks, alluded to that. The hearings around the country certainly brought home exactly the same point. We had elderly people living on fixed pensions, social security, railroad retirement, and the like, who were literally not buying food because they were meeting those extreme fuel and utility bills. The financial safety net is one of the assignments that President Carter has given the Department of HEW to prepare. We hope it is in place by this winter when the bills come in, rather than after the fact. The one-shot legislation that you discussed with Director Olivarez recognizes this need.

PRICING PROTECTION EVIDENT

The national energy plan's system of pricing natural gas, of pricing crude oil, and the rebate system are a conscious effort on the part of the administration to protect the household consumer generally, and is particularly valuable to the low income and fixed income elderly consumers of fuel and power. The provisions for the rebate system for fuel oil and the holding down and retarding of the increase of fuel prices for the home customer are critical features in the national energy plan.

On the question of utility rate design, I would like to emphasize two points: the flexibility provided in our bill, and the declining block rate that Mr. Saul has mentioned. President Carter's National Energy Act includes many flexible provisions which, in effect, ask the State regulatory commissions to pioneer, adapt, and come up with answers which will achieve a better balance between the cost of rendering the service and the actual utility rates for electric and gas utility rates.

On the declining block rates system—that is to say, the discounts for using more oil—the bill is not flexible. The bill proposes an absolute prohibition of declining per kilowatt hour of electricity rates or the declining per kilowatt foot or therm of natural gas rates and that is an issue which has received much attention.

The reason for the prohibition is that declining block discounts are counterproductive to the national interest by encouraging the use of more, not less, of these scarce and valuable resources. The small user, the elderly and retired user, is not getting the advantage of that discount.

Senator DOMENICI. I don't mean to be abrupt, but I would like to move on to how you are managing the programs, and how you plan to manage the expanded programs that are going to be under your jurisdiction. Let me be fair with you. Just in listening to you and reading a few reports, I have written down a list of the Federal agencies that are or will be involved in various activities aimed at helping the poor and the elderly through the energy crisis. We have FEA, and I understand they are going to be in charge of the major weatherization program in this country; we already have CSA; we are going to have HEW do the major study to find out the impact of energy on the poor; we have the Department of Agriculture through Farmers Home;

and so forth. The Department of Labor has an involvement through CETA. We have \$250 million that we have not talked about yet that is going to the prime sponsors in the various States that are unrelated to local CSA organizations. I don't know that FEA uses these prime sponsors at the present time. So maybe we will end up today with something that will prick all our consciences as to where we go from here.

"TWO DIFFERENT PROGRAMS"

Mr. BARDIN. Let me touch on two programs. One is the weatherization program you raised and the other is the insulation program, whereby the National Energy Act tells utilities to make themselves available to undertake insulation and weatherization for people who are not eligible for grants and who wish that kind of assistance. They are two different programs.

Weatherization, under the Energy Conservation Act, is a grant program. It is a program where the money for materials and supplies is provided by the Federal Government under regulations that FEA has put out. Federal funds are also available for tools and supervision. We are trying to provide the labor through the Department of Labor CETA program. FEA is well advanced in negotiating a memorandum of understanding with the Department of Labor to carry out that phase of the program.

Both CSA and FEA have contributed to the development of the weatherization program. Though I am about as new in this job as Director Olivarez is in hers, I suppose there exists the usual share of friction and the usual opportunities for more intensive coordination.

The program that Congress has authorized and funded for this year includes a \$27½ million appropriation to FEA to implement its part of the weatherization program. The FEA has adopted implementing regulations effective June 1, and we are confident that all the grants will be made promptly. These grants will be made to States with the priority under the statute being the elderly and the handicapped. The local implementing agency will, in most cases, be the community action agency. However, the program is available also for parts of the country which are not covered by CAA or where the CAA does not exercise its right to participate.

Senator DOMENICI. What is the formula for the allocation?

Mr. BARDIN. The formula has been specified in the regulation. Let me ask Ms. Rollins to identify that.

Ms. ROLLINS. Yes. It takes into account, as does CSA's, but not in the same way, and the overall poverty population degree days with cooling and heating make a significant difference. It is interesting to note, having worked in both agencies, that the development of a formula to do the most equitable job is always a most difficult task. In my experience, each year's program needs a new formula.

Senator DOMENICI. What was that?

Ms. ROLLINS. Every year's experience leads to a new program. We had some difficulty in dealing with how to equalize and fairly provide weatherization material to the warmer climates, and the warmer climate of the States would take care of that problem, but not to the overall disadvantage of cold climates.

Senator DOMENICI. How would you like to be a Governor and have four or more sets of regulations from different Federal agencies, all aimed at weatherizing the homes of the poor? How would you like to administer such a program?

Mr. BARDIN. I would not like it, Senator Domenici. I think you put your finger on an important point which is addressed by the National Energy Act. Section 201(b) requires that the Administrator of FEA prepare and develop his regulations under the proposed new expanded program in coordination with HUD, with Farmers Home Administration, and with the Director of the Community Services Administration.

PROGRAMS MUST WORK TOGETHER

One of the tasks before us as the executive branch, carrying out the mandates of Congress, and obviously one of the tasks before you in exercising oversight and acting as our board of directors, as it were, is to make sure that we make these programs work together. I think one of the commitments that we have—

Senator DOMENICI. Isn't what you just read part of the 1975 act?

Mr. BARDIN. That is already a law; yes.

Senator DOMENICI. So what more do we have to do? We have a law saying you are the lead agency for developing these regulations. But within the last hour's testimony, we find that FEA and CSA have not talked to one another about weatherization regulations—they have one set, and you have another.

Ms. ROLLINS. I am prepared to justify it. As regards the allocation formula, that really has no impact on the way the grant is managed on the State or the local level.

Senator DOMENICI. I understand.

Ms. ROLLINS. But as regards the regulations, our regulations do reflect differently than CSA's, but it is a driving force that comes from the legislative language to the extent that there could be compatibility; it exists, and where it does not exist, it is a result of the legislation. CSA has a much more liberal mandate. FEA's legislation contains various constraints; we could not agree on those constraints, and that is a reality that we have to live with.

Senator DOMENICI. Perhaps we ought to look into seeing if we can make that uniform.

Let's get back to the allocation. Did you indicate that there is no reason to have the same allocation formula, nationwide, in our efforts to help poor elderly people weatherize their homes?

Ms. ROLLINS. No, I didn't say that. I simply said there were different allocation formulas and they are driven by different reasons. We, in FEA, made a concerted attempt to try and address all of the States in a way that was equitable, and I am sure CSA can do the same thing. We just came up with a different way to do it. The CSA formula for this year is not the formula they had last year and I would imagine that in the coming years if these are two separate programs, we can reach an area of negotiation on the formulas.

Mr. BARDIN. May I add two points? The National Energy Act proposes to expand the FEA weatherization program by \$385 million over a 3-year period, \$65 million for fiscal year 1978, \$120 million for fiscal year 1979, and \$200 million for fiscal year 1980.

As now written, the FEA legislation applies only to persons under the OMB established poverty guidelines. The House Committee on Banking, in reviewing the National Energy Act, has come up with an amendment to raise this ceiling for eligibility to 125 percent of the OMB poverty guideline. The administration has endorsed that change, which effectively closes the gap between the weatherization grant program for low-income persons and the investment tax credit program for those of us who are fortunate enough not to need it.

The condition of that endorsement is that there be no overlap, no double dipping, and that the Administrator have regulatory authority to make sure the line is drawn effectively.

ACCOUNTABILITY ASSIGNED

In my judgment, the answer to your basic question, Senator Domenici, is that the heads of these agencies are conscientiously working together under an administration that is demanding coordinated Government, but that we are subject to the dictates of legislation. One advantage of assigning a lead agency role, as the President's order has done, is that he has someone accountable for doing the job. That is part of the proposal before you.

I want to point out that the dollar amounts proposed through fiscal year 1980 do represent our judgment of what we can usefully, prudently, and effectively spend on the weatherization program by that date. We should have no illusions that by 1980 we will no longer need the program. It will obviously be necessary to review the success and the accomplishments of the program and it may be necessary to come up with further proposals to the Congress for subsequent years.

Since we are talking about a ceiling on eligibility of 125 percent of the poverty guidelines, we believe that there are over 14 million households in America that would be eligible for this kind of assistance. It is a very big job to get done.

In addition to weatherizing homes, the Carter administration is proposing other weatherization grant programs for schools and hospitals. Our program would offer grants of 40 percent of the cost of weatherization of schools and of hospitals. Since this includes the nonprofit sector of the nursing home function, the impact of the proposals upon the well-being of the elderly in our society is obviously important.

For people who can afford to pay for weatherization, our program affords two basic approaches. One is an investment tax credit and the other is the utility insulation program. The investment tax credit would provide, as originally proposed, up to a maximum of \$410 tax credit for insulation by homeowners in one- or two-family homes.

The utility insulation program has a three-pronged objective:

- (1) To make sure that every homeowner gets information.
- (2) To make sure that the homeowner who wishes it is offered an installation service by the utility or through the utility by a subcontractor; and

- (3) To assure that the homeowner who desires to take advantage of the program has an opportunity to pay for that installation through financing tied to the monthly utility bill.

More specifically, the program will require each utility to get the information out to the homeowners by January 1, 1980, and at that point to have started offering these services.

UTILITY COMPETITION ENCOURAGED

I want to emphasize to you that we are not trying to carve up the insulation market amongst utilities. Quite the contrary, we want competition between the electric utility, the natural gas utility, the fuel oil dealer, and also the independent home improvement insulation contractors. In fact, under the program that is proposed, there will be overlapping offers.

Some Americans, perhaps many Americans, will prefer to do the job themselves and hire contractors of their own choice, and so much more power to them. That will be true of elderly Americans as well as others. Many, however, will prefer to have a one-stop shopping arrangement. Making it mandatory for the utility to offer the householder that choice can be a very great convenience to people who have worked all their lives to pay off the mortgage on the home and are now trying to hold it against rising inflation and rising property taxes, and who need the security and the assurance that a responsible organization in the community is available to them, either for the financing, the insulation services, or both.

I feel this program is of great value to elderly Americans and most others.

Senator DOMENICI. Let me stop you for a minute. I assume you covered the nongrant programs in your written testimony.

Mr. BARDIN. Yes.

Senator DOMENICI. Let me ask you this, sir. What is the basis of certifying competent insulators under the President's nongrant program? Who is going to do the certifying?

Mr. BARDIN. As the normal rule, that is made the responsibility of the utility, subject to the supervision by the State Public Utility Commission Regulations would be issued by the FEA, in consultation with the Federal Trade Commission and other agencies. But the actual oversight of the utility program would be at the local level.

Senator DOMENICI. Are you leaving a number of major utilities out of your program?

Mr. BARDIN. That is right.

Senator DOMENICI. They would be a source of certification wherever they are; is that correct? They would present their customers with a list of certifiable contractors from whom they could pick; is that correct?

LIST OF CONTRACTORS PROVIDED

Mr. BARDIN. There would really be two things, Senator. On the one hand, to the extent that the utility offered insulation services it would have its own subcontractors which might be two or three or five in the community. In addition, the utility would offer a list of independent contractors whose names they would be supplying as a matter of information. If I were running the utility, I would certainly consult with the Better Business Bureau in my community.

As you know, I come from the State of New Jersey. There, the attorney general is responsible for the Consumer Protection Agency. If I were a utility in New Jersey, I would certainly make sure that I had consulted with that agency to come up with as comprehensive a list as I could.

Senator DOMENICI. What is wrong with asking the States to come up with their own certifying policy and include within it the utilities if they don't want to have their own system of certifying insulation contractors?

Mr. BARDIN. We propose to have a general rule that in the normal case will accomplish our objectives. There is absolutely nothing wrong with the State coming up with a better mousetrap, as long as there is a fixed responsibility which insures that the work will get done. In fact, in the National Energy Act the Public Utility Commission for a particular State may say it has a better way of accomplishing the objectives for its community.

Senator DOMENICI. Has FEA done any work with the Department of Labor on their manpower programs that might dovetail with the funds that you will have under your direct control?

Mr. BARDIN. Yes; we have. Director O'Leary and Secretary Marshall have been in communication to develop a very specific inter-agency agreement on that score.

Senator DOMENICI. Where in this overall system do we expect to get an evaluation of the homes that need insulation that are occupied by poor people that will be subject to one of our grant programs? Will we have information on that?

Mr. BARDIN. We will have the State plan mechanism under which the States will undertake that evaluation as called for under the regulation which we put out.

Senator DOMENICI. Let me go to Mr. Simons for a few minutes and then we will return.

Did you have some opening remarks and assessments of your own?

STATEMENT OF HON. LAWRENCE SIMONS, ASSISTANT SECRETARY FOR HOUSING AND FEDERAL HOUSING COMMISSIONER, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT; ACCOMPANIED BY GEORGE O. HIPPS, JR., DIRECTOR, OFFICE OF INSURED AND DIRECT LOAN ORIGINATION

Mr. SIMONS. Mr. Chairman, I am very pleased to appear before you today to discuss portions of the President's national energy plan and sections of the National Energy Act which will affect energy consumption in housing, the operation of several existing HUD programs, and in particular their impact on the elderly citizens of our Nation.

I am accompanied by George O. Hipps, Jr., Director, Office of Insured and Direct Loan Origination.

I would like to submit my prepared statement for the record.

Senator DOMENICI. It will be entered into the record at this point. [The prepared statement of Mr. Simons follows:]

PREPARED STATEMENT OF LAWRENCE B. SIMONS

Mr. Chairman and members of the committee, I am very pleased to appear before you today to discuss portions of the President's national energy plan and sections of the National Energy Act, S. 1469, which will affect energy consumption in housing, the operation of several existing HUD programs and, in particular, their impact on the elderly citizens of our Nation.

I am accompanied today by Mr. George O. Hipps, Jr., Director of the Office of Insured and Direct Loan Origination.

The problems faced by our senior citizens are of great concern to this Department. Information available to us indicates that as many as one-third of our Nation's elderly have incomes below the poverty level.

HUD is extensively involved in providing elderly housing through a number of programs, ranging from construction of publicly owned apartments, specially designed for older residents, to the provision of subsidized mortgages and rent supplements to enable senior citizens to live in newly constructed, privately owned buildings.

In addition, HUD has financed a direct loan program for construction of elderly housing developments, and entered into a series of cooperative agreements with other Federal agencies to provide an adequate level of social services to elderly citizens in need of housing assistance.

We are deeply concerned, then, about the impact of rising energy costs on the housing needs of senior citizens—those living in HUD assisted units and those that rent or own unassisted apartments and homes.

As you know, the overall goal of the President's proposals for energy conservation in the residential sector is to achieve insulation of 90 percent of all American homes and all new buildings by 1985. Approximately 23 percent of our Nation's energy use, the equivalent of 8.3 million barrels of oil per day, occurs in the residential sector.

In turn, three-quarters of this energy is used in space heating and cooling, and in the heating of domestic hot water. We believe that improving the energy efficiency of existing residences alone could save more than 500,000 barrels of oil per day, and that these savings can and should be realized through prudent investment in energy conservation measures.

The national energy plan proposes a number of financial incentives, regulatory changes, and other measures to achieve conservation in homes and commercial buildings. These incentives, coupled with rising fuel costs, should make homeowners and businesses willing and able to insulate buildings and otherwise conserve energy. If the voluntary measures do not succeed, mandatory measures, such as requiring that houses be insulated before they are sold, will have to be considered.

I want to emphasize to you that we believe the national energy plan has been designed to be fair. Taken as a whole, it distributes benefits and burdens equitably among various sectors and income groups in this country. In considering the various measures in the national energy plan and the provisions of the National Energy Act, it is important to bear in mind that each measure should be considered not only on its own, but as part of a complex whole which is designed for all groups and sectors within our society. Many groups will find in the plan provisions which impose at least temporary burdens or sacrifices on them.

We recognize that the principle of fairness does require special attention to the needs of the poor, especially the elderly poor. Let me now turn specifically, first, to what we are doing within HUD, and then, to the overall energy plan as it impacts in the residential sector.

In projects under the new section 202 direct loan program and other projects where section 8 housing assistance payments are available, the elderly pay 25 percent of their income for rent, and periodic adjustments in section 8 assistance payments are made to cover increases in project operating costs.

COSTS SUPPLEMENTED BY HUD

As you know, in addition to assisting in the initial financing of public housing developments, the Department supplements the operating costs of these facilities and provides funds for their modernization. Increases in these operating subsidies have helped reduce the impact of rising energy costs for the elderly. With respect to modernization, energy conservation measures are one of the priority categories established by HUD for fund allocation. In addition, we are carefully examining our methods of computing utility allowances for the elderly and other residents of public housing to assure that, while we are attempting through modernization and improved management to reduce operating costs and encourage energy conservation, utility allowances remain sufficient to cover current needs.

Let me turn now to the President's energy plan :

To encourage investment in energy conservation measures, the President has proposed both subsidies and financing programs. Three forms of subsidies are to be offered, all of which should be helpful to the elderly.

First, for any individual or family paying taxes, a tax credit would cover 25 percent of the first \$800 spent and 15 percent of the next \$1,400, for a maximum credit of \$410. Any measures installed after April 20, 1977, and before the end of 1984 would be eligible, providing the home was in existence on April 20, and that it is the taxpayer's principal residence. Eligible conservation measures are identified in the legislation, and the Secretary of the Treasury may qualify other items through regulation.

Second, and this should benefit rentees, owners of residential buildings will be eligible for a 10-percent business energy conservation tax credit which will ease the burden of making energy saving investments. These savings, we would hope, would be passed on to residents of these properties.

Third, the existing low-income weatherization assistance program authorized in the Energy Conservation and Production Act, will be expanded. Grants under this program cover the full cost of specified insulation materials.

These three incentives will be supplemented by several financing programs. One of these, the utility program proposed in title I, part A, subpart 1 of the President's bill, could reach a substantial majority of American households when fully implemented. This program is to be administered by the Federal Energy Administration; however, I would like to briefly address some items in the utility program.

First, the definition of "residential energy conservation measure" contained in section 101 specifies several types of improvements that can be made to increase the efficiency of residential energy use in existing buildings. We believe these specified measures are easy to accomplish, and that the payoff in energy savings will be rapid in comparison to other measures and techniques. The enumeration of these specific items—caulking, weatherstripping, clock thermostats, and the others—establishes a basic set of measures for which utilities must lend or provide financing, although utilities may offer financing for other weatherization measures which they believe are appropriate to their areas.

Let me turn now, just briefly, to the financing program.

Subpart 2 of part A of S. 1469 proposes a financing program to assist residential property owners in carrying out energy conserving measures. These provisions build on existing residential financing authorities, specifically HUD's program of FHA-insured title I property improvement loans and the secondary market operations of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

LENDING AUTHORITY PROVIDED

Section 110 provides authority for public utilities to be considered eligible lenders for purposes of making energy conserving improvement loans with title I insurance. There have been instances in the past when certain public utilities did in fact become approved title I lenders for purposes of making improvement loans. The proposed amendment, however, provides clear authority for wide scale participation by utilities in making the energy conserving loans contemplated in the President's program. The bill provides that utilities must offer their customers financing for specified residential energy conservation improvements to be repaid through monthly utility bills. Since utilities will have the obligation to make loans or arrange financing for these improvements, we expect this expansion of title I to be an important facet of their efforts.

Section 112 directs the Secretary of HUD to establish actuarially sound loan insurance premiums for the energy conservation component of the title I program. This would be based on an actuarial study to be completed by HUD within 2 years of approval of the legislation. Our FHA actuarial staff see no problems in complying with this requirement.

Sections 113 and 114 of the bill propose a major innovation in the way private property improvement lending is conducted and are intended to help assure that funds will be available to homeowners from private lending institutions. The secondary market facilities of the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association could be extended to those consumer loans which finance energy conserving improvements, including both our ex-

panded title I insured loan program and conventional uninsured property improvement loans.

Creation of a secondary market mechanism has the potential of broadening geographic coverage and intensifying the use of the bank and utility financed improvements, including both title I and conventional loans acceptable to permanent investors. The secondary market can open up energy retrofit to a wider variety of lenders and facilitates a flow of credit from areas of surplus to areas in need of funds.

Mr. Chairman, this concludes my prepared remarks. We would be pleased to answer any questions which the committee might have.

Mr. SIMONS. I would just like to make a few comments as to the general nature of the legislation and where HUD fits into it.

In order to implement the use of the utility companies as a lending agency for the retrofitting of homes, we are making the utilities title I lenders which provides a twofold advantage. Title I will provide 90 percent insurance of the loans. It will also introduce truth in lending to the lending operations for the insulation of these homes. We also proscribe exactly what type of retrofitting is eligible under this program, which I think is an important element.

With the FHA insurance, we are now able to provide a secondary financing mechanism to be sure that the capital be brought to bear, as needed, to make this program work. As you must understand, we are contemplating increasing the insulating of homes in a tremendous proportion, I would say as much as two times at the initial outset of the program.

Capital must be channeled through to accomplish this, and the obtaining of FHA insurance and obtaining of mortgage through GNMA will do this.

We are in the secondary market for conventional loans with the Federal Home Loan Mortgage Corporation.

As far as what we are doing and where the involvement of the Department is with the elderly poor, I would like to touch on two programs where we are actively engaged today.

SPECIAL FUNDS CONTEMPLATED

First, of course, is public housing. We have 1,200,000 units of public housing. Many of them are occupied by the elderly poor. We have a continuous modernization program for which this year we will have \$35 million, which makes possible the total of about \$350 million worth of modernization improvements. Under this program, although it is not designed especially for retroinsulating and bringing it up to energy standards, any of the modernization which is done at this time is also considered with a view toward energy to get more efficiency. We consider new windows and other needs which help make these properties energy efficient. We are contemplating in our next budget the possibility of having special funds set aside for the energy retrofitting of public housing. I might add that the House bill introduced an amendment which the administration is supporting, adding \$10 million of modernization funds for the purpose.

Estimating, of course, about \$500 per unit for modernization for energy purposes alone, this could make possible the retrofitting of about 20,000 units.

The other program in which we are actively engaged deals with the elderly poor in our section 202 direct loan program, which this year is funded to the extent of \$750 million. This program is implemented by our section 8 assisted housing program, which brings it down to the levels of income which people can afford. I might say that we are using section 8 on existing 202 program projects which have never had it in order to help these projects meet the energy situation and make them viable for the people living there.

I would be very happy, Mr. Chairman, to answer any questions which you may have.

Senator DOMENICI. Thank you very much, Mr. Simons.

Now let me ask Director Olivarez a couple of general questions.

When we are talking about making grants to poor people, be they old or otherwise, is there any reason why we should not have one national weatherization program doing that with consistent regulations and administered by a single agency, nationally?

Ms. OLIVAREZ. No. In theory that would be great, Senator. Our experience has been that the poor always get lost in the shuffle. Unless there is a special emphasis on reaching the poor, I am afraid that we might lose them in the process.

Senator DOMENICI. What if that was all set aside for the poor and we arrived at a definition of poverty that was, say, 100 percent or 125 percent of the poverty line?

Ms. OLIVAREZ. I prefer that there be 125 percent.

Senator DOMENICI. What if we did that kind of thing and established that the program was only for poor people? Instead of having several programs administered by different departments and agencies—shouldn't there be no one national thrust?

Ms. OLIVAREZ. I don't see why not.

Senator DOMENICI. If indeed CSA is involved in developing the program and you are satisfied with its approach to ascertaining who is poor and who needs it, you would have no objection if that basic program was administered in one place?

COMPETITION "ALL RIGHT"

Ms. OLIVAREZ. I don't think we would, no. My only concern, Senator, is that whenever we talk about serving the poor there is always a concern about duplication and overlapping in the private sector, known as competition, and it seems to me that competition is all right, and may the best person win. Whoever is doing a job ought to win. I don't see any problem with the duplication or the overlapping. I think the poor need all the assistance that they can get.

Senator DOMENICI. I am just wondering, if it is going to be a State-oriented program, whether we ought not present each State with an option that they can take one package or they can go to three or four different programs. I do not wish to appear overly critical at this point. However, we should catch this problem as soon as we can, analyze it, and decide which way we are going to go.

Ms. OLIVAREZ. Yes, our only concern is that the buzz word this year seems to be weatherization, and we want everybody to understand very clearly that what we are talking about is homes of the poor. Insulation

is not the answer all the time, and I will give you an example of the Indians. I mean how do you insulate a hogan, or what do you do with a house that has no walls? What do you do with a house that has no floor? What do you do with a house that has no ceiling?

Insulation is not the only thing when we are talking about weatherization. There are a lot of other things that need to be done to a home, and if the end result is energy conservation, then you know we are going to have to live with the fact that it is either going to cost to weatherize or we are going to have to subsidize people forever, but the alternative is to let them either freeze or starve to death.

Senator DOMENICI. Can I ask a question of Mr. Simons? I believe you talked about getting capital into the hands of those that need to do insulating work. You have described the mechanisms that are presently being used and contemplated in the energy package. We have substantial testimony, in our earlier hearings, that many older people want to insulate their homes but are unable to utilize the equity that they have built up because conventional financing does not favor a 75-year-old person even if there is a \$9,000 equity in his or her home. Are you aware of this and is there something that we can do about it that is not now being done?

Mr. SIMONS. We would hope that the title I program, which can be a second mortgage program and considers the net worth of these people, can be used. It is really the type of loan which is an installment loan—a relatively short period of installment loan. We contemplate a minimum of 5 years for insulating purposes. We are talking about loans on the average of about \$1,000, which is what these loans would most likely run. This is basically installment lending, similar to automobile lending. The title I program is designed for that type of lending and is one which the elderly will find themselves in a much better position to qualify for than a long-term type of loan, which would be a mortgage for which the lenders look at 12 to 30 years as a repayment period. We are talking about a much smaller amount and we feel that at 125 percent of poverty level, you are just about coming up to the level where you will see people being in a position to take advantage of this loan program.

SUBSIDY PROGRAM INTRODUCED

The House has also introduced, as Mr. Bardin mentioned, a loan subsidy program which may have value to some people, but I doubt it very much. It looks to us as if the tax credit savings in an income tax situation will be at least equal to what the loan reduction would be under the loan reduction program. So we feel that we have now closed the gap, as Mr. Bardin said, with the 125 percent for weatherization.

We now come to the level of income where the people are in a position to get credit from the banks, have their own homes, and of course the elderly have substantial equities in them.

Senator DOMENICI. Are you already telling me we have the loan authority?

Mr. SIMONS. It is on the books.

Senator DOMENICI. And the second mortgage approach is there, too?

Mr. SIMONS. Yes.

Senator DOMENICI. Are we using it?

Mr. SIMONS. It is one of the most extensively used programs we have. It is for home improvement. It can be used for modernization of one's own home. It is designed especially for this type of relatively small loan.

Senator DOMENICI. But it is focused on the elderly?

Mr. SIMONS. No; it is a general program.

Senator DOMENICI. Could you get us statistics on whether the elderly are using it now for weatherization?

Mr. SIMONS. It would be very difficult to get those statistics because our information system does not give us statistics or a way to indicate the age of people using the loan or the specific use of the loan.

Senator DOMENICI. Well, I wonder if it would not be appropriate to find a way to get that data. It would appear to me that such information is terribly relevant to determining whether the existing approach is going to work or not.

Mr. SIMONS. I think we have on the books now about \$25 billion worth of these loans, so it is a very extensive program. Also, a lot of similar loans are being done without the title I insurance. Many of the lending institutions are using this type of program without title I insurance to cut down on the monitoring and the servicing costs. It is an installment loan program which has had wide acceptance.

Senator DOMENICI. I understand that. They are typically called home improvement loans; isn't that right?

Mr. SIMONS. Yes.

Senator DOMENICI. Is there some way you can get us information as to whether this approach is working in weatherization or whether there has to be some change in emphasis?

Mr. SIMONS. We will make a real effort to do that for you, Senator.

Senator DOMENICI. We would appreciate that.

[Subsequent to the hearing, the following information was supplied:]

The amount of money lent for items which can be characterized as conservation-related was significant.

With regard to the use of property improvement loans, and particularly for insulation and other weatherization improvements, our records indicate we insured 292,011 loans for \$953,918,847 in calendar year 1976. Of this total, 45.0 percent or 131,402 loans and 37.1 percent or \$353,903,886 were used for conservation-related improvements.

A breakdown is as follows:

Improvement	Loans	Percent	Amount	Percent
Insulation.....	10,804	3.7	\$19,078,376	2.0
Heating.....	27,449	9.4	65,820,399	6.9
Exterior finish.....	51,977	17.8	174,567,147	18.3
Plumbing.....	18,104	6.2	38,156,753	4.0
Roofing.....	23,068	7.9	56,281,211	5.9

Mr. SAUL. One, I think, very important point we have run into in the administration of the special crisis intervention program is eligibility. We found that in two States 125 percent of the poverty line, where an individual is living alone, is \$310 a month, and in two States SSI payments are \$319. At least in Massachusetts it is \$319 a month, which meant that single persons and couples on SSI were not eligible for that program; so we put a special condition on that particular grant to

increase the eligibility to include those single eligible persons and elderly couples who are paying 100 percent of their sustenance, because this hit people who were just over the line.

REGULATIONS TO BE AMENDED

Now we are going to amend our regulations covering our regular programs, which includes weatherization, to the same effect, because California is in the same situation. They cash out food stamps for SSI recipients and that money added to the regular SSI grant carried them over the line. It is very important, I think, in terms of the elderly and in consideration of the eligibility standards, to take a very hard look to make sure that we are not excluding elderly persons whose SSI payments take them just over the line.

Senator DOMENICI. Mr. Bardin, assume that needy families receive \$600 to \$800 worth of services under this program. That in no way affects their ability to participate in other programs—such as food stamps. Are you taking the same steps to avoid disqualifying people?

Mr. BARDIN. Yes, Senator.

Senator DOMENICI. I am going to have to go to another committee hearing. We expect Senator Chiles, but he is tied up also. I personally appreciate your testimony. I don't know that I have permitted you to answer the whole gamut of questions, but I think I have a better feel for these issues, plus we have your written statements. We will give the entire committee your analysis of the situation.

If either the majority or minority staff have questions, I would appreciate your responding at this point.

I appreciate your being here today.

Bill, do you want to ask some questions?

Mr. ORIOL [presiding]. My name is Bill Oriol. I am the staff director of the Senate Committee on Aging.

I would like to ask Mr. Bardin whether you have any new statistical information. At the time of our last hearing we had estimates on the percentage of income used by lower income elderly for fuel bills. That was for the year 1976 and didn't include the cold winter months of 1977. We were told then that perhaps 27 percent of the income of lower income elderly went for fuel bills, but perhaps those extra months in 1977 might bring it up to 50 percent. Do you have any new information on that subject?

Mr. BARDIN. We have some new data which is not yet analyzed, so it would not be helpful to you, Mr. Oriol. We do have another study that does not focus on income levels but is a result of a survey done for us by the Electric Institute, the trade association for the electric utilities and the National Association of Regulatory Commissions—the professional grouping of the State regulatory agencies. They have surveyed most of the utilities in the country and have given us the actual average residential bill. The study does not focus on the elderly and it does not focus on income groups. What they have done is compare typical utility bills for the 3 winter months of this past winter—December, January, and February—with the same 3 months of the previous winter. They have gathered some interesting data, service area by service area, which reflects the increase in fuel use and other factors that would bring the price up so that you see the percentage increase in bills.

CONSERVATION EVIDENT

In a number of areas, while the price of electricity and gas bills went up, there was very little increase in use. Given the extreme cold weather last winter, this suggests that people were strenuously conserving.

Mr. ORIOL: We have had reports of all the people who turned out the lights and turned the heat way down and the bills went up, so there were attempts to conserve and yet the bills went up.

Mr. BARDIN: We will be coming up in a relatively short period of time with the results of that survey, which will probably be helpful, although it does not focus on the specific question you ask.

Mr. ORIOL: We would like to have that when it becomes available.

Mr. BARDIN: Yes.

Mr. ORIOL: I would like to ask about the argument that has been used against the income tax credit for people who insulate. It has been said that there is developing a shortage of insulation materials. Do you have any information on that prospect?

Mr. BARDIN: There is some concern for the short run—the next 18 months. One of the advantages of our program is that it is phased in and allows time for growth. A study prepared for us assessing the capabilities of the insulation industry was completed just yesterday. I would be happy to have a copy sent to you.

The Department of Commerce is conducting a more extensive study and it ought to be ready by the middle or end of next month. We are concerned about the problem. To give you a frame of reference, Mr. Oriol, it takes from 18 months to 2 years for a fiberglass plant to increase production and add a new line of products. Companies estimate it could take as long as 3 years to build new plants. In the case of cellulose, which is cheaper material and used quite extensively in the weatherization program, it takes some 6 to 9 months to add new capacity.

Fiberglass manufacture is dominated by three major producers. Production of cellulose products, which have to be treated with a fire retardant to be usable, is in the hands of well over 200 active manufacturers around the country. I will be happy to provide you with the ICF study that I mentioned, and the Commerce study when it becomes available.

Mr. ORIOL: Thank you very much.

I would like to ask Ms. Olivarez, who at one point was very helpful to our committee working on the Hispanic persons and we remember that and appreciate it—I would like to ask this question. You have said that there was definite concern in the field that this winter there be an emergency assistance mechanism in place. What sort of problems prompted people to describe this need to you?

ALTERNATIVE PLAN DESCRIBED

Ms. OLIVAREZ: Well, I thought about it from the standpoint of having the planning office for the State of New Mexico, where all the planning for the future is done, and try to come up with alternative plans. If something happens, we have a mechanism to put into place. If that does not happen, we have a second plan. Our concern is that

the \$200 million that we have we will be sending out to Governors to take care of the bills for the last winter. We don't know what this coming winter is going to be like, and I just don't think that we can afford to come back next year and put in place another \$200 million program to Governors. We ought to have that money out at the local communities to take care of the needs immediately so that we don't get involved in reimbursing, but rather be there before the shutoff takes place.

Mr. ORIOL. How would you guard against increases in utility rates to take advantage of this emergency assistance?

Ms. OLIVAREZ. Well, I am not sure that I have any idea of how I would do it.

Mr. SAUL. I think our real concern is that last winter, for the first time, we entered into it after several mild winters. This year, for the first time, we are going to have a lot of people going into October already cut off, or with large outstanding bills. Because of the cash flow situation that the fuel dealers are having with the oil—we know of some cases now where in New England they were requiring payment in advance by June 1 for delivery for oil next fall whereas normal practice was payment by September 1.

People are still recovering from last winter and the \$200 million is not going to solve the problem. We know many bills are going to be larger than the \$250 permitted under that program. We know that there are going to be some deferred payment arrangements which people may be able to meet during the summer when their utility bills are low and at the same time carry the deferred payment arrangement for the balance of the unpaid bill; but as soon as their utility bills start going up again they are going to default and there may not be moratoriums next year.

I know the Public Service Commissions' reaction in some States was that the moratorium was a disaster and the result was that April 1 came along and shutoffs were just incredible.

Mr. ORIOL. Do you have any estimates on the actual number of shutoffs?

Mr. SAUL. We will be getting that. The condition of the participation is that the States will be getting to us, starting in August, monthly accounts of the number and the amount of the arrearages, the number of accounts in arrears, and the number of shutoffs, so that we will have in effect sort of an early warning system. We will have accurate data on that, we hope.

We are also meeting with the Edison Institute, the Gas Association, and the oil jobbers—the Coal Dealers Association seems to have died, but we hope to get some coal dealers involved—for a program to get some sample data from meter routes and service areas that we know are heavily low income so that we will have a picture of what is happening to the low-income persons as well.

EMERGENCY ASSISTANCE PLANS

I know that the emergency assistance program work is progressing at HEW. I participated in a meeting there a couple of weeks ago, going over a draft of the amendments they are making to the emergency assistance program. My main concern with that is that it is

to deal with a specific crisis sort of situation rather than what we realize is a chronic situation. It is really not a one-shot problem, it is a chronic problem and I am not sure that the emergency assistance program, which only permits assistance one time in 12 months, is what we are dealing with.

Mr. ORIOL. I think you mentioned new energy sources during your testimony. For our hearing record, could you give us a description of any of the resources which might have special importance for the older person? It is hard to imagine something that would be practical for a low income as a new energy source for elderly persons.

Mr. SAUL. Well, solar is one of them. For example, in Arizona, the university laboratory at Tucson is working with the local community action agency for the installation of solar-heated greenhouses and solar walls. They are two different things to try a demonstration program. The greenhouses will also provide a source of food, but that is one example.

We do have an example of a program in California. We do have solar walls that are going to be tried in Appalachia. We have a Kentucky Housing Development Corp. developing the solar wall in their building program, and we have a number of others. You may have seen the urban New York City program where we have solar hot water.

Mr. ORIOL. Could you give us a description of that and some projections on the investment cost that it would take to put this sort of thing into place?

Mr. SAUL. Certainly.

Mr. ORIOL. Mr. Rust, professional staff for the minority staff—do you have any questions?

Mr. RUST. Just one.

Ms. Olivarez, when we were in Hershey, Pa., on a field hearing on energy in late May, one of the State weatherization officials made a comment that there are differing definitions of poverty and near poverty. In one program the definition is a percentage of mean income and another uses 125 percent of the poverty line. Have you really talked to the people who administer, say, the title XX program where there might be authority to bring some of these definitions into greater uniformity? Such a step would make these programs a little easier to administer on the State level.

Ms. OLIVAREZ. No; we have not done it. I think it would be better if all the Federal agencies were doing it. It would be easier to implement. It is just a matter of experience, I guess. We feel that we have the best statistic as to what to use in order to fund the programs, but we are amenable to adjustment, provided that everybody starts using the same figures.

Mr. RUST. Thank you.

Mr. ORIOL. I think Mr. Bardin has a comment.

NEW DEVICE TESTED

Mr. BARDIN. May I just comment on Mr. Oriol's last question. It seems to me that there is a great asset here of which we should not lose sight. Amongst the new energy technologies vital to our country, there is this simple technology: The Energy Research and Develop-

ment Agency, which will become part of the Department of Energy, now has a demonstration project underway for the public housing of the New York City Housing Authority, a very small simple device about 3 inches tall which attaches to your radiator. It is a type of thermostat, what we call an automatic temperature control device. It is not a computer; it is a very simple mechanical thermal type thermostat that allows you to control the temperature in your own room.

At present, the price for each unit is \$25, but with mass manufacture the price can come down to a fraction of that amount. This kind of device is in use in Europe. It was once offered for use in the United States and we lost sight of it.

You know, and I know, that as we get older, by and large, we need more heat. Our body systems, arthritis and other factors, make us more dependent on warmth. It seems to me that the people in this country who have lived through the century and who have the experience and the perspective of seeing us go through transitions, are going to be more prepared to lead the country toward what we have to do in terms of energy conservation for the rest of the century and into the next. Older people know that it is more comfortable and more convenient to do things the way we have gotten used to, but elderly Americans also know that the world does not come to an end if we conserve. They know the real values of life and I think we ought to be looking to the elderly Americans for a major role in teaching us how to get through the transition.

Elderly people ought to be given a chance to lead, because of their experience and skills. We need to do things to help us accomplish this project and we should enlist the talents and the experience of our older citizens.

Mr. ORIOL. I think our counsel, Mr. Affeldt, has a question.

Mr. AFFELDT. I shall direct this question to the entire panel. During our prior hearings, some of the witnesses pointed out that there are several programs available to assist elderly and other people adversely affected by the energy crisis. However, quite frequently these individuals are unaware of these programs. What steps have you taken to make these programs more readily known to individuals who would be affected? In other words, what type of information and referral activities have your agencies undertaken?

Mr. SAUL. Well, of course the community action agencies generally are in this business. We did, in 1974, publish a manual which did try to outline all of the different types of programs that were available. That was updated and it needs updating again, but that is one of the publications that we got out very quickly. I imagine it is still being used.

Mr. AFFELDT. In this regard, I would like you to rate your efforts concerning how effective they have been, or whether there is need for substantial improvement. Do you think that basically the CAP agencies are doing this job as effectively as they should, or is there a need for rather substantial improvement?

HELPFUL INDEX DISCONTINUED

Mr. SAUL. When the OEO first put out the catalog of domestic Federal assistance, half of that book was an index which was a way of

getting in to find the different programs that were available. That was one of the finest pieces of work I have ever seen, and unhappily the publication of that document was taken away from OEO. That particular feature was dropped and it is now simply a listing of the programs.

I think more could be done to get back to reinstitute the kind of index that was in that first domestic assistance catalog. That is one thing that will cover everybody.

I do think we could probably make some additional material available, again update the work that we have done. I do know that there have been meetings at HEW, I believe, in the past month. They are beginning a clearinghouse for all kinds of information on energy conservation, and they are trying to pull together all the educational consumer type materials. I think that is an effort, but I think it needs to be supported.

Ms. OLIVAREZ. But to answer your question more specifically, it all depends on the director of the local community action agencies. You have directors who are very aggressive and who urge their outreach workers to really go out and beat the bushes and identify those persons. In addition to that, CSA has been in a state of limbo for the last few years and this has caused some concern at both the national office and the field offices. We now are beginning to see a resurgence of optimism so that we expect that these people are going to start re-identifying more than we can handle here with our funds.

At that point it becomes very crucial that the local community action directors can refer people to some of the other programs.

We have not mentioned the Farmers Home Administration, for example, where they do have some loan and grant money that does not qualify for anything else that either HUD might have, or FEA, or ourselves. So, it is a matter now of getting more training done at the local level so that people have the information available to hand out and to start reaching all of those.

Mr. BARDIN. In the low-income weatherization program, the critical outreach is through the States and the CAA's. In general, the FEA has been involved through conferences and publications in trying to get information to the public. The publications include a teacher's kit for a course on home weatherization, a second publication prepared in conjunction with the National Association of Home Builders entitled, "Retrofitting Your Home to Save Energy," another entitled "Retrofitting Homes for Energy Conservation," another for the National Bureau of Standards, "Retrofitting Existing Housing for Energy Conservation and Economic Analysis," and finally one entitled "Making the Most of Your Energy Dollars in Home Heating and Cooling."

The conclusion of the administration is to go further than just skimming the cream, as it were, of the more conservation conscious members of the community who would insulate their homes on their own initiatives and without incentives. We must have an actual concerted drive to approach, on a person-to-person basis, the individual homeowner. That is why the National Energy Act would mandate the utilities in the country the job of getting out there by January 1, 1980, and talking to their customers.

In some cases, two utilities will talk to an individual customer because if I buy electricity from one company and gas from another, they both approach me, even though I happen to be heating with fuel oil. There are some fuel oil dealers who have, on their own, gone into this effort, and God bless them, since the more the merrier.

“SAVINGS . . . PATRIOTISM”

So there might be a third approach by the fuel oil dealer. It is like selling almost anything else in a free country. You have got to get out there to the people in whose interest this energy efficiency program is and explain to them how pocketbook savings on the one hand, patriotism on the other, coalesce. So let's get on with the job.

It is going to take a lot of work by many, many people in America. Mr. ORIOL. Even though we always focus on the elderly because that is the name of our committee, we know that you have many other age groups to worry about. On the older person we have a pretty large network of area agencies on aging throughout the country and of course we had testimony from the Administration on Aging earlier this year. Would you see any benefit in the appropriate agencies getting together with the local area of aging and trying to have some sort of means, perhaps a meeting—how do we get through the winter, that sort of thing—at which all these sources of help could be described? Would that not be one way of reaching a very large part of the target population?

Mr. BARDIN. The answer is affirmative. Let me ask Ms. Rollins to describe what has been done thus far.

Ms. ROLLINS. You and counsel know, some 2 or 3 years ago, the Administration on Aging sponsored the first memorandum of understanding among many agencies in the Federal Government who have some responsibility either for energy policy or programs related to the elderly. I was rather intrigued when you asked counsel if we could mark ourselves in terms of activities. I would suggest to you that that activity, which has now been ongoing for 3 years, has served to provide or make for the conduit of information from the national level to that aging constituency we are all concerned about.

As regards FEA, if I had to mark our response to that memorandum of understanding, I would say that we have done more than our share of the job.

Now to focus on your point. I think that mechanism, as it exists at least at the 10 region levels, would be most obvious, but that needs discussion on combining it.

Mr. ORIOL. There are some very happy marriages of the agencies. I can't get out of my mind an age group in Winterset, Iowa, which started out through a CAP aging program and later added to it, including a title VII meals program. The weatherization effort provided by the CAP members of the senior group using the center—they actually contributed to a fundraising effort which increased the number of homes that could be weatherized that year.

I think that is a very stirring sort of thing.

In addition to agreements and directives and so forth, I was trying to suggest a feeling of commitment, a meeting at which we recognize that the next winter, if it is as bad or worse than the last, will produce, as you said just now, an intensified crisis because people have not gotten over what happened last time.

COMMUNITY EFFORT SOUGHT

So a joint effort of CAP's where they exist, area agencies, FEA, and so forth tried to get a feeling of community effort, community involvement, and getting across this very complicated array of sources of help. This might be a very direct way of reaching a very large part of the population.

Mr. BARDIN. Mr. Oriol, I could not agree with you more. We have to reach out and enlist the talents and the capabilities of human beings and organizations throughout the country for this winter and for winters to come if we are going to get the job done.

Administrator O'Leary has set in motion within FEA a task force planning effort for this coming winter which deals with technical considerations such as fuel supplies and various alternatives. That is something that we can begin to do here in Washington. What you are talking about would ultimately reach millions of Americans, and that is the only way that we are going to avoid drastic shortages and other difficulties. I am convinced that we can provide a very satisfying America for our own children, the grandchildren of the present elderly.

I think we have got to work with them and help them do it, so I would like to pursue that idea further.

Mr. ORIOL. Thank you. Mr. Rust, do you have anything else?

Mr. RUST. No.

Mr. ORIOL. Mr. Affeldt?

Mr. AFFELDT. I have another question.

Weatherization, of course, can provide important job opportunities for older and younger workers, and this, I know, has a great deal of appeal for members of our committee as well as the Appropriations Committee. What actions, if any, have you taken with regard to CETA prime sponsors of the title IX senior community service employment program to promote weatherization activities and at the same time develop job opportunities for low-income older persons?

Do you want to lead off, Mr. Saul?

Mr. SAUL. Yes; our agencies are now negotiating with local prime sponsors. DOL sent a memorandum a couple of months ago to prime sponsors, encouraging the weatherization activities as an eligible job placement. They gave examples from several local projects.

Mr. AFFELDT. May I intervene here for a second?

Mr. SAUL. Sure.

Mr. AFFELDT. Would this be a part of title II of CETA, or title VI?

Mr. SAUL. Both, I believe.

Mr. AFFELDT. Title VI would be the emergency public service jobs and title II would be your public service jobs for areas that have high structural unemployment.

Mr. SAUL. One of our problems—I spoke to North Dakota a couple of times recently and their unemployment rate has gone down, and

we found ourselves in a rather strange position of an antipoverty agency hoping that the unemployment will stay high to trigger the countercyclical measures to make labor available for our programs.

JOB DEVELOPMENT ENCOURAGED

We have also been working in the development of new job definitions. Our Denver region has undertaken a study looking toward the addition to the occupational titles of a new series in energy conservation. I was in Pennsylvania and met with key people in Pennsylvania who have been developing the idea of a conservation corps. We have also looked into, and have recently invited from our grantees, applications for small planning grants for energy conservation-related economic development activities in the hope of encouraging our agencies who are also interested in community economic development to look upon energy conservation in low-income communities as an important opportunity for job and enterprise development.

I know that some of our projects have already spun off former CETA workers into new weatherization businesses. I visited one in Maine and we have funded an insulation manufacturing project in California. Some of our other projects are getting into that now. We feel this is a very important aspect of the program, and it is one of our responsibilities to make sure that the low-income community shares in the economic activity that will be stimulated by energy conservation.

Mr. AFFELDT. Does FEA have anything to add?

Mr. BARDIN. As I mentioned earlier, we are working with the Department of Labor and FEA to implement a formal arrangement between the two departments as to the use of CETA labor. We need to tie the FEA weatherization program with the CETA manpower unemployment program.

Mr. AFFELDT. I would like to direct this question to Hazel Rollins. We held a hearing, I believe, in November 1975. At that hearing I think it was pointed out that the elderly and the poor spent approximately 14 percent of their income on direct energy costs, and other age groups spent approximately 4 percent. During that time, energy costs have risen rather substantially. I was wondering if you have any update for those figures?

Ms. ROLLINS. No; I do not. We do, however, have some studies that have finally been developed and we have the data computerized. The difficulty, of course, is we have not analyzed the data. As soon as that information is available, I would be happy to provide it for the committee.

Mr. ORIOL. Just a final question, Mr. Bardin. Do you have an official position on fuel stamp proposals?

Mr. BARDIN. The administration has not taken an official position on that proposal.

Mr. ORIOL. Phil, do you have any questions?

Mr. CORWIN. No.

Mr. ORIOL. We have no other questions right now, though some may be submitted by mail.

I think Senator Church and Senator Domenici have made it very clear that they want these hearings to have a direct impact on final congressional action on relevant energy proposals, so we really thank

you for your contribution today. It has been helpful for that purpose. Thank you.

Mr. SIMONS. Thank you.

Mr. BARDIN. Thank you.

[Whereupon, at 12 noon, the committee adjourned.]

APPENDICES

Appendix 1

CORRESPONDENCE RELATING TO HEARING

ITEM 1. LETTER TO DAVID J. BARDIN,¹ DEPUTY ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION, FROM SENATOR FRANK CHURCH, DATED JULY 19, 1977

DEAR ADMINISTRATOR BARDIN: Recently you assisted this committee by testifying, on June 28, at a hearing on the impact of energy costs on older Americans. While your statement and responses were most helpful, there were several additional questions which I would have asked had I been able to attend the entire hearing:

(1) Has the FEA consulted with the CSA in developing its weatherization program, and what role does the administration see each agency playing in the future?

(2) How can we prevent the difficulties caused by a short-term crisis—such as this past winter's weather—from being compounded by energy price hikes which often get passed through to consumers, via fuel adjustment clauses?

(3) Does the FEA possess any new information on the percentage of disposable income spent by elderly consumers on fuel during the past winter?

(4) The President's energy plan puts him on the record as being against declining block utility structures and for peak-load pricing. Does the administration support the action of the House Energy and Power Subcommittee to require State utility commissions to at least hold hearings on the feasibility of "lifeline" rates?

Your timely response will assist the Congress in formulating energy legislation which adequately addresses the needs of the elderly.

Sincerely,

FRANK CHURCH,
Chairman.

ITEM 2. LETTER AND ENCLOSURE TO SENATOR FRANK CHURCH, CHAIRMAN, SPECIAL COMMITTEE ON AGING, FROM DAVID J. BARDIN, DEPUTY ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION, DATED AUGUST 15, 1977

DEAR MR. CHAIRMAN: This is in response to your letter dated July 19, 1977, in which you posed four questions related to the impact of energy costs on older Americans. The answers to these questions are presented in the enclosure. I hope this information will be of use.

Sincerely,

DAVID J. BARDIN,
Deputy Administrator.

[Enclosure]

Question (1). Has the FEA consulted with the CSA in developing its weatherization program, and what role does the administration see each agency playing in the future?

¹ See statement, p. 423.

Answer. FEA has consulted with CSA on both the weatherization regulations which were published on June 1, 1977 and on program implementation problems.

President Carter is strongly committed to a low-income housing insulation and weatherization grants program that will not only assist the poor by reducing their fuel bills, but will also result in substantial energy savings. Accordingly, the National Energy Act (NEA) proposes to expand the FEA weatherization program by \$385 million for fiscal years 1978-1980. The program will be administered by the new Department of Energy. It will complement the proposed programs designed to encourage retrofit of residences of middle and upper income persons, specifically, the utility conservation program and the tax incentives for the purchase and installation of retrofit materials.

CSA's Emergency Energy Conservation Services (EECS) include not only a weatherization program, but other services such as emergency fuel payments, intercession with fuel companies to prevent cut-offs or restore service, advocacy in utility rate proceedings, the purchase of warm clothing and blankets, and consumer education. FEA believes that CSA is the appropriate agency to provide crisis intervention activities for the poor.

Question (2). How can we prevent the difficulties caused by a short-term crisis—such as this past winter's weather—from being compounded by energy price hikes which often get passed through to consumers via fuel adjustment clauses?

Answer. During severe cold weather, increased demands for heating fuel may cause utilities to purchase fuel on short-term contracts and at higher prices. Any measure that reduces demand for fuel that would have to be purchased on an ad hoc basis will help keep the cost of utility bills down. Adequate insulation of buildings as called for by the NEA will substantially reduce such demand. Other measures proposed by the NEA will also encourage conservation by the industrial sector. Enactment of the act would result in a conversion of industrial uses to more abundant fuel, reducing demand and freeing gas and oil for high priority uses such as the heating of homes.

Question (3). Does the FEA possess any new information on the percentage of disposable income spent by elderly consumers on fuel during the past winter?

Answer. Attached is the data FEA possesses on the percentage of disposable income spent by elderly consumers on fuel during 1976.¹ This information has already been provided to your committee. We have no additional cost information specific to elderly consumers.

Question (4). The President's energy plan puts him on the record as being against declining block utility structures and for peak-load pricing. Does the administration support the action of the House Energy and Power Subcommittee to require State utility commissions to at least hold hearings on the feasibility of "lifeline" rates?

Answer. The NEA provides significant flexibility to State utility commissions in the implementation of the provisions of the President's energy plan. The NEA specifically provides to the commissions the ability to establish "lifeline" rates. Requiring State utility commissions to hold hearings on the feasibility of "lifeline" rates would certainly not be inconsistent with the NEA. However, many State public utility commissions have already considered "lifeline" rates. Consequently, we neither support nor discourage such a requirement at this time.

ITEM 3. LETTER TO HON. ARTHUR S. FLEMMING, COMMISSIONER, ADMINISTRATION ON AGING, FROM SENATORS FRANK CHURCH, CHAIRMAN, AND PETE V. DOMENICI, RANKING MINORITY MEMBER, SPECIAL COMMITTEE ON AGING, DATED JUNE 13, 1977

DEAR DR. FLEMMING: As you are aware, this committee has been gathering information about the impact of higher fuel costs on older Americans, particularly in the aftermath of the severe winter of 1976-77. We took note of your timely memorandum to State agencies of April 4, AoA-PI-77-15, notifying those agencies of the availability of resources for helping the elderly meet these extra

¹ See appendix 2, p. 460.

costs. We would appreciate your reply to the following questions concerning the response of State agencies as well as their evaluation of this problem's impact on their clientele:

(1) To what extent did State agencies utilize title III Older Americans Act funds for emergency assistance purposes? Did this diversion of resources have an adverse impact on other agency activities?

(2) To what extent did State agencies work to amend their title XX plans to permit these funds to be used for emergency assistance? Were substantial difficulties encountered by any agency attempting to make such amendments?

(3) To what extent have State agencies involved themselves in the planning process for distribution of CSA emergency assistance funds? Based on that experience, do you have suggestions as to the advisability of establishing an in-place assistance system for possible future energy emergencies? If such an in-place system would be desirable, are there specific elements which you feel are essential to its successful operation?

We are looking forward to receiving your reply on these matters. Your advice and assistance will continue to help us in reducing the adverse impact of rising energy costs on the Nation's elderly.

Sincerely,

FRANK CHURCH,
Chairman.

PETE V. DOMENICI,
Ranking Minority Member.

ITEM 4. LETTER AND ENCLOSURE TO SENATOR FRANK CHURCH, CHAIRMAN, SPECIAL COMMITTEE ON AGING, FROM ARTHUR S. FLEMMING, COMMISSIONER, ADMINISTRATION ON AGING, DATED JULY 16, 1977

DEAR MR. CHAIRMAN: Thank you for your letter of June 13 making note of our memorandum to State agencies (AoA-77-15) regarding the availability of resources to assist older persons in paying the higher fuel and utility bills which resulted from the severe winter of 1976-77. Please accept my apology for the delay in responding to your letter.

The Administration on Aging is encouraged by the interest which the Senate Special Committee on Aging has evidenced concerning the impact of higher fuel and utility costs on older Americans. It is important that we begin to prepare now in order to avoid a duplication of the economic hardships experienced by older persons last winter.

In accordance with your request, we are very happy to provide the committee with our reply to the three attached questions concerning the response of State agencies to the emergency situation created by the severe winter of 1976-1977.

If the Administration on Aging can be of further assistance, please let us know.

Very sincerely and cordially yours,

ARTHUR S. FLEMMING,
Commissioner on Aging.

[Enclosure]

Question (1) To what extent did State agencies utilize title III Older Americans Act funds for emergency assistance purposes? Did this diversion of resources have an adverse impact on other agency activities?

Answer. The Administration on Aging has not received information from all the States on the extent to which they used title III funds to address the crisis situation. We can, however, provide information from three States (New York, Ohio, and Indiana) which were radically affected by the winter of 1976-77.

1. Area agencies in New York State were very successful in acquiring emergency assistance funds from other sources. Therefore, they only utilized an estimated \$3,000 of title III funds for this purpose. This amount does not include the cost of meals and area agency staff time devoted to the crisis, however. The following five counties and one Indian reservation received title III funds: Cayuga, Jefferson, Albany, Washington, St. Lawrence, and the Akwaesasne Reservation.

All normal area agency administrative, planning, and monitoring activities were halted for 3 weeks due to the diversion of staff to help combat the crisis. In

addition, nutrition site eligibility standards and regulations were relaxed for 3 weeks to meet the increased needs brought on by the severe weather.

2. Ohio area agencies utilized an estimated \$100,000 of title III funds with no adverse impact on services.

3. Indiana area agencies utilized an estimated \$75,000 of title III funds, not including the additional costs of extended hours of operation and staff time. They also reported no adverse effect on services.

In all three of the above States, title III funds were used either to assist older persons in meeting outstanding fuel and utility bills through direct emergency allocations, or to identify other resources to meet the increased needs of the elderly during the crisis.

Question (2) To what extent did State agencies work to amend their title XX plans to permit these funds to be used for emergency assistance? Were substantial difficulties encountered by any agency attempting to make such amendments?

Answer. Only two States (Ohio and Mississippi) amended their title XX plans to allow funds to be used for emergency assistance. No difficulties were encountered in their attempt to amend their plans. Five States (Pennsylvania, Illinois, Kentucky, North Dakota, and South Carolina) have elected to include provisions for payment of emergency fuel and utility bills in their 1977-78 proposed plans. This action was taken in response to a program instruction memorandum from the Public Services Administration informing the States of their ability to include this provision in their State plans.

Question (3) To what extent have State agencies involved themselves in the planning process for distribution of CSA emergency assistance funds? Based on that experience, do you have suggestions as to the advisability of establishing an in-place assistance system for possible future energy emergencies? If such an in-place system would be desirable, are there specific elements which you feel are essential to its successful operation?

Answer. The \$200 million allocated by the Community Services Administration to relieve part of the energy cost burden on the poor under the special crisis intervention program of the energy conservation program will be distributed directly to the Governors in each of the States. Priority is to be given to eligible older persons in each State.

We have encouraged State agencies on aging, which are responsible for planning and coordination of programs for older persons, to become involved in decisions for the distribution of these emergency funds.

The Administration on Aging forwarded a followup memorandum on June 27 to the State agencies on aging, informing them about the distribution of special crisis funds available from the Community Services Administration. The State and area agencies in at least three States (New York, Ohio, and Indiana) have been involved in the planning process for distribution of the CSA emergency assistance funds.

ITEM 5. LETTER AND ENCLOSURE TO SENATOR FRANK CHURCH, CHAIRMAN, SPECIAL COMMITTEE ON AGING, FROM MRS. LOU GLASSE, DIRECTOR, NEW YORK STATE OFFICE FOR THE AGING, DATED JUNE 24, 1977

DEAR SENATOR CHURCH: Along with a background paper on the fuel and energy problems faced by older New Yorkers, I am enclosing our analysis of the President's proposed energy plan and its implications for the elderly.

I am sure you realize that the severe winter of 1976-77 bore particularly heavily on New York State's older citizens. The dramatic impact of this past winter forcefully demonstrates the particular plight of older persons in regard to the costs of energy.

It has been shown that older people need to use more energy than younger people. Yet, it is also true that older people actually use less energy than younger people, primarily because of their low incomes and restricted budgets.

This past winter in New York State, older people were faced with a crushing combination of severe weather, energy shortages, and soaring costs. They reduced their energy consumption even further, these forced conservation efforts sometimes resulting in hospitalization for pneumonia or exposure to cold. In other

cases, older people paid utility and fuel bills and were then not able to buy adequate food.

Because the elderly are so heavily burdened by energy problems, we believe that it is particularly appropriate for those concerned with the aging to address their comments to the Nation's energy planners, attempting to ensure that the needs of the elderly are not forgotten.

Thank you for your attention.

Sincerely,

(Mrs.) LOU GLASSE,
Director.

[Enclosure]

FUEL AND ENERGY PROBLEMS FACED BY OLDER NEW YORKERS

Each winter, New York State's older citizens face increasing difficulty in meeting their fuel and energy needs. Much of this difficulty is directly related to the conditions of their housing. High heating consumption resulting from poor insulation and/or deteriorating homes is not uncommon. As a result, elderly persons greatly need some measure of relief from the high cost of fuel and utilities.

BACKGROUND

The winter of 1976-77, one of the coldest in the history of this Nation, has revealed in a dramatic way the desperate situation of our older citizens regarding energy costs. As so often happens, it has taken a crisis to focus attention on a problem which has existed for a long time and which, without immediate attention, will continue to worsen after the crisis has passed.

Several factors contribute to the difficulties faced by the elderly in coping with their energy needs. One of the most significant is the simple fact that older people have usually resided in their homes longer than younger people. According to a 1972 survey conducted for the New York State Office for the Aging,¹ the median length of time an older person had occupied the same home was 17 years. By contrast, the average American family moves once in 5 years. Thus, it is no surprise that the 1970 Census found that 69.2 percent of all older-headed households live in houses that are at least 31 years old.²

Older citizens own older houses than younger people do—houses more likely to need structural repairs or installation of modern insulation, houses more likely to have antiquated, inefficient, or worn out heating systems, and furthermore, houses often likely to be too large for the owner's present needs or too difficult for his or her limited physical and financial resources to maintain.

The other major factor which contributes to the older person's disadvantage in meeting energy needs is the strain of rising costs against his or her relatively shrinking budget.

In 1975, the median annual income for households headed by persons over age 65 was \$5,585, while the median income available to households headed by those under 65 was \$13,532. Older persons are also more likely than younger persons to have incomes which fall below the poverty standard. In 1970, over 20 percent of New York State's elderly existed on incomes below the poverty level, while under 10 percent of those under 65 did so.³

CONTINUED PRICE INCREASES

The continuing, and increasing, problems of the elderly in dealing with the inflation of energy costs can be clearly demonstrated. Over the past few years, the price of fuel and utilities has changed from one of the slowest-growing budget items to the fastest. It is well known that medical care costs have been increasing

¹ New York State Office for the Aging, Statewide Survey of the Status and Needs of the Aging in New York State, 1972.

² U.S. Bureau of the Census, 1970 Census, Subject Report: Housing of Senior Citizens.

³ New York State Office for the Aging, "Status of the Aging: Older New Yorkers in 1976," December 1976, p. 3.

sharply year after year; but increases in the costs of fuel and utilities now surpass even those for health care, as shown below:

CONSUMER PRICE INDEX (1967=100)¹ ANNUAL AVERAGE

	1973	1974	1975	1976	January 1977
All items.....	133.1	147.7	161.2	170.5	175.3
Food.....	141.4	161.7	175.4	180.8	183.4
Rent.....	124.3	130.6	137.3	144.7	149.0
Medical care.....	137.7	150.5	168.6	184.7	194.1
Fuel and utilities.....	126.9	150.2	167.8	182.7	194.8

¹ U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index, monthly.

Although more current figures are not available, several basic components in the fuel and utilities category had already increased sharply from 1970 to 1974:

	Percent
Fuel oil.....	110
Natural gas.....	60
Electricity.....	59

These increases, especially those in oil and gas as will be shown later, significantly affect older persons and further restrain their already limited resources.

Between 1973 and 1976 average social security payments increased about 33 percent, while fuel and utility costs increased 44 percent. Information is not available on the next adjustment to social security payments but it is not likely that it will cover the increase in these costs. In the last year, the price of fuel and utilities has gone up another 11 percent.

Even without continued inflation or periodic benefit increases, it is easy to criticize the basic level of the payments under income support programs. These low levels place the elderly at an immediate disadvantage, and cost of living increases cannot make up that initial disparity. Neither social security nor supplemental security income provides a basic income sufficient for anything but the barest essentials.⁴

As a result, older people's alternatives are limited; either they cannot continue using energy at the same level as before—already inadequate for their physical needs and limited to bare necessities—or they must make up the difference from other items in their budget. The CPI for all items has increased almost 32 percent since 1973. Since an estimated 90 percent of an older person's budget is already consumed by essentials, there is little room to absorb these crippling increases.⁵

AGING CAUSES INCREASED NEEDS

The effects of difficult housing circumstances and increasing costs are further complicated by the fact that older people actually need to use more energy than younger people because of the physical effects of the aging process.

The U.S. Public Health Service reports that nearly 85 percent of the non-institutionalized aged have at least one chronic condition.⁶ About 38 percent of the national population aged 65 or older have arthritis, compared with 9.7 percent for adults under age 65. Nearly 20 percent of the aged have heart conditions, although only 4.7 percent of the adults under age 65 do. Roughly 20 percent of the aged suffer from hypertension, while only 6.9 percent of the adults under age 65 are so afflicted.⁷

Conditions such as arthritis and diabetes restrict movement and impair circulation, and create the need for more heat. Furthermore, chronic heart and circulatory problems may require the use of more heat in the winter and air conditioners in the summer; people with respiratory problems may need humidifiers; people with failing eyesight may need intensive central lighting. In recog-

⁴ New York Office for the Aging, "Status of the Aging," p. 6.

⁵ U.S. Department of Labor, Bureau of Labor Statistics, Three Budgets for a Retired Couple, Autumn 1975, 1976. (Intermediate level budget used here.)

⁶ U.S. Public Health Service, National Health Interview Survey, annual.

⁷ U.S. Public Health Service, Health in the United States, 1975, 1976.

dition of the increased needs of older people, standards set by the New York State Division of Housing and Community Renewal require 14 percent more heat in elderly housing.

But do New York State's elderly use the increased energy their physical condition requires? The answer is "no"; they cannot afford it.

OLDER PEOPLE CONSUME LESS AND PAY MORE

According to a recent investigation by the U.S. Senate Special Committee on Aging,⁸ the average American uses energy only for the most basic of human needs, yet pays about 14 percent of his income for that energy, while a younger family, with more diverse and greater consumption habits, typically pays about 4 percent of its income for energy. According to a study by the Federal Energy Administration:⁹

—The elderly poor consume less energy than other age groups but spend a much higher proportion of their income for the energy-related expenditures.

—The aged poor's energy costs are primarily for everyday necessities—such as cooking and heating—rather than discretionary luxury items.

—The elderly poor pay a higher per unit cost for electricity and natural gas than other income groups.

It must be kept in mind that all of this information describes the situation *before* the current crushing combination of severe weather conditions and price increases caused by fuel shortages. The severity of this winter for New York State's older citizens, in terms of discomfort, further health impairment, irreversible financial drain, and personal deprivation, cannot possibly be evaluated. Unfortunately, this year is a continuation of steadily worsening conditions.

ENERGY USE FOR HOME HEATING BY LOWER INCOME FAMILIES

As illustrated below, 1970 Census information on energy use by lower-income (under \$6,500 per year) households in New York State shows relatively little difference by age in terms of type of fuel used. Older lower-income households are slightly more likely than younger to use gas rather than fuel oil for home heating, while the reverse is true for renters.

HOUSE HEATING FUEL USED BY LOWER INCOME HOUSEHOLDS IN NEW YORK STATE

	Percent of household heads 14 to 64		Percent of household heads 65 and over	
	Owners	Renters	Owners	Renters
Gas.....	42.2	37.9	45.7	31.8
Oil.....	53.1	55.7	50.4	64.0
Electricity.....	1.1	1.8	1.1	1.1
Other.....	2.9	4.7	2.9	3.2

It is interesting that older lower-income homeowners are almost equally divided between the use of gas or fuel oil as a heating source; oil is slightly more common. The dwellings of older low-income renters rely more heavily on fuel oil for heating. Overall, however, age makes little difference in fuel use among those lower-income households.

SPECIAL PROBLEMS OF OLDER HOMEOWNERS

Some 46 percent of all elderly New York State residents are homeowners, which means that they have been especially susceptible to the effects of inflation on the costs of maintaining a home. Home repairs, which can substantially reduce energy waste and needless costs for fuel, are simply beyond the economic reach of many older persons. Insulation offers an effective improvement with a quick return on the investment. Simple furnace or heating system maintenance and checks for safety and efficiency can greatly reduce heating costs. The cost of these necessary repairs is often a burden on older homeowners.

⁸ U.S. Senate Special Committee on Aging, "The Impact of Rising Energy Costs on Older Americans," 1975.

⁹ Summarized by the U.S. Senate Special Committee on Aging, *Developments in Aging: 1975 and January-May 1976*, 1976, p. 140.

Furthermore, the costs of preventive home repair and maintenance are also on the rise. During the period 1970 to 1974, the cost of reshingling a roof increased 69 percent and the cost of repairing a furnace increased 45 percent. Since 1974, these home ownership expenses have increased even further. We can see, therefore, that not only is it increasingly more expensive to simply live in a home, it is also more expensive to maintain or repair the home in spite of the advantages of keeping it "energy efficient."

THE COLD, HARD REALITY

Because the winter of 1976-77 has been so severe, the President has declared nine counties in upstate New York disaster areas.¹⁰ Utility companies both in these counties and in other parts of the State report that average residential gas and electric bills for the year between March 1, 1976, and February 28, 1977, were substantially higher than the year before.

In Buffalo, N.Y. the average residential bill for this period was reported to be \$138 more than the previous year's average. This average can be used to analyze the impact upon older persons.¹¹

The New York State Office for the Aging estimates that there are currently 61,000 older (60+)-headed households in the nine counties that have incomes of less than the lower level budget prepared by the U.S. Bureau of Labor Statistics (about \$5,000 for a retired couple for autumn 1975). Applying the average cost increase, we find that the low-income elderly in these storm-struck areas have had to pay \$8.4 million more for heating and lighting their homes than they paid last year.

Bills in the remainder of the State were reported to have risen at about half the rate of the hardest-hit counties. Therefore, since there are about 516,600 low-income (60+) headed households in the other 53 counties of the State, we estimate that the increase for these people totals \$36.2 million.

Thus, for all low-income older (60+)-headed households in New York State, the increased cost of fuel and utilities for the 1976-77 winter over the past year's level is estimated to be \$44.6 million—a devastating blow for those having no financial cushion with which to absorb the impact.

THE HUMAN COSTS

A few selected examples reported by county offices for the aging in some of the nine disaster counties illustrate the actual effects on individual lives of the circumstances summarized above:

A man over the age of 65 in Cattaraugus County, living alone, has an income of \$3,800. Although he began the winter with his house fully insulated, half of the household closed up, and his thermostat at 60 degrees, his fuel bill tripled over the course of 3 months. He shut off one room after another, and finally left home during the day in an effort to keep warm.

A couple in Cattaraugus County with an income of \$4,680 (entirely social security), have faced utility bills that are double last year's, and amount to two-thirds of their monthly income. They need storm windows, but the income eligibility cutoff for the weatherization program is \$4,625.

An older man from Niagara County turned to the county office for the aging for help because he was unable to buy his food stamps. After paying his utility bill he had \$1.43 left to purchase food for the month.

An 83-year-old widow from Jamestown, in Chautauqua County, lives on an income of \$248.65 per month in combined social security and SSI benefits. She has no savings. Between December 1976 and February 1977 her monthly expenses for basic essentials averaged as follows:

Gas	\$92.00
Electricity	15.00
Wood	25.00
Food	100.00
Telephone	6.50
Total	238.50

¹⁰ Cattaraugus, Chautauqua, Erie, Genesee, Jefferson, Lewis, Niagara, Orleans, and Wyoming Counties.

¹¹ The estimates are based upon increases in the costs of gas and electricity. Comparable information on fuel oil is not available, but it seems reasonable that the situation is similar; therefore, estimates based on gas and electricity are made for the entire population.

During the blizzard her cellar door blew off and her utility appliances, such as the hot-water heater, were damaged.

A 92-year-old widower in Sherman, N.Y. (also in Chautauqua County), has an income of \$255.50 per month from social security, SSI, and renting an apartment in his home. His average monthly expenses between December 1976 and February 1977 were:

Gas	\$186.00
Electricity	13.00
Food	50.00
Telephone	4.65
Taxes and Insurance	30.00
Total	283.65

The man was hospitalized with pneumonia, which he believes was caused by keeping his thermostat at a very low setting.

As pointed out by the director of the Chautauqua County Office for the Aging, older people tend to pay their bills even at the cost of having no money for food. For the rural elderly, even the office for the aging's nutrition program may not be any help in such circumstances, because the nearest site may be 15 to 20 miles away, totally inaccessible in a storm. Older people often have no extra money to pay increased bills and no financial or physical means of dealing with emergencies such as storm damage.

Poor nutrition, exposure to cold because of attempts to conserve, and worry over mounting fuel bills have already done irreparable damage to the health of older New Yorkers—and the crisis continues.

SUMMARY

With each winter older persons experience more and more difficulty in meeting and paying for their energy needs. In spite of the increased energy requirements associated with the normal aging process, older persons consume less energy than they might need to maintain their health. At the same time, they pay more of their income than others do for that energy.

Among low-income older households, gas and oil are the major sources of heating fuel. Older homeowners face the additional problem of increased cost for home maintenance and repair.

The single greatest difficulty faced by older persons is the rapid and substantial increases in the costs of fuel and energy. These increases, and those for other necessities such as food and medical care, strain the limited budget of most older persons.

Not only are levels under income support programs modest to begin with, but overall cost of living increases also do not adequately compensate for the actual increases facing older persons in their purchase of necessities. These factors, combined with the increased energy usage and escalating energy costs of this winter, make it essential that relief from the ever more oppressive cost of energy be provided to older persons. Without such relief, the burden on older persons of increased energy costs will continue to grow.

ITEM 6. LETTER TO LAWRENCE SIMONS,¹ ASSISTANT SECRETARY FOR HOUSING, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, FROM SENATOR FRANK CHURCH, DATED JULY 19, 1977

DEAR MR. SIMONS: On June 28, 1977, you testified at a hearing held by this committee to assess the impact of rising energy costs on older Americans. I was not able to be present during the entire hearing. While your testimony and responses did speak to several of my concerns, I would appreciate a written reply to the following questions which I still have regarding the administration's energy policy and its relationship to the housing needs of the elderly:

(1) What weatherization authority does HUD possess? How do you plan to implement it, and what steps will be taken to assure coordination with FEA and CSA?

¹ See statement, p. 432.

(2) Administration officials have revised the estimate of the percentage of American homes to be insulated by the President's energy plan, by 1985, from 90 down to 60 percent. Should we move back the timetable or should we increase both the penalties and incentives to reach that 90 percent goal by 1985?

How can we help insure that most elderly persons have their dwellings weatherized by that date?

(3) The House Commerce and Energy Subcommittee has voted to require most homes to meet minimum insulation standards by January 1, 1982, in order to be eligible for federally backed mortgages. Does the administration endorse mandatory insulation standards?

The House subcommittee bill exempts low-income homes from this requirement. Do you see a danger that this exemption will cause the homes of low-income persons to decline further?

(4) Many older people want to insulate their homes. But this committee heard testimony in April that older persons are often unable to utilize the equity they have built up in their homes because banks and other lending institutions are reluctant to issue new mortgages to persons over 65.

How can the Federal Government assist older homeowners in utilizing their home equity for rehabilitative and insulation purposes?

Your prompt reply will greatly assist us in assuring that the energy program adopted by the Congress is one which affords equitable and sufficient treatment to the elderly.

Sincerely,

FRANK CHURCH,
Chairman.

ITEM 7. LETTER TO SENATOR FRANK CHURCH, CHAIRMAN, SPECIAL COMMITTEE ON AGING, FROM LAWRENCE SIMONS, ASSISTANT SECRETARY FOR HOUSING, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, DATED SEPTEMBER 14, 1977

DEAR MR. CHAIRMAN: Thank you for your letter of July 19, 1977, in which you requested information on certain aspects of our energy policy not addressed in my testimony and responses.

I trust the following information will be helpful.

(1) HUD operates many programs that are structured to assist in housing rehabilitation and repair. Although the programs have not been created with weatherization as a principal objective, nonetheless, the assistance provided may serve in part to increase the energy efficiency of the homes of low-income persons. The principal authorities under which HUD provides assistance for rehabilitation and repair are as follows:

(a) Community development block grant program (title I, Housing and Community Development Act of 1974, Public Law 93-383).

(b) Loans to assist rehabilitation in urban renewal and code enforcement areas (section 312, Housing Act of 1964, Public Law 88-650).

(c) Mortgage insurance to purchase or rehabilitate housing in older, declining neighborhoods (section 223(e), National Housing Act, Public Law 73-479, as added by section 103(a), Housing and Urban Development Act of 1968, Public Law 90-448).

(d) Federal aid to public housing agencies (PHA's) to finance capital improvements in public housing projects (Housing Act of 1937, Public Law 75-412, as amended by section 7(d) Department of Housing and Urban Development Act of 1965, Public Law 89-174).

(e) Federal insurance of loans to finance home improvements (section 2, title I, National Housing Act, Public Law 73-479, as amended by Housing Act of 1956, Public Law 84-1020).

(f) Federal insurance of loans to finance major home improvements (section 203(d), National Housing Act, as amended by section 102(b), Housing Act of 1961, Public Law 87-70).

(g) Federal loan insurance to facilitate financing of improvements of multi-family rental housing and health care facilities (section 241, National Housing Act, as added by section 307, Housing and Urban Development Act of 1968, Public Law 90-448).

Because the programs of the Federal Energy Administration (FEA) and Community Services Administration (CSA) are structured quite differently than these HUD assistance programs, we believe coordination can most effectively be accomplished by State and local government agencies that receive weatherization program funds. We have consulted actively with FEA in the development of the regulations for their weatherization program, and will continue to do so in the future.

(2) The national energy plan does include a national program designed to bring 90 percent of all residences and many public and other buildings up to minimum levels of energy efficiency by 1985. We believe this objective can be accomplished with enactment of the legislative program for residential energy conservation proposed by the President. We also believe that the program offers elderly homeowners sufficient access to weatherization assistance.

(3) The administration does not endorse the provisions approved by the House Energy and Power Subcommittee that would require most homes to meet minimum insulation standards by January 1, 1982, in order to be eligible for federally backed mortgages. No analysis of such a measure has been performed which would indicate its relative impact on homes owned or occupied by groups of different income levels. The subject provision, however, does not appear in the amended version of the National Energy Act passed by the House of Representatives August 5.

(4) HUD has no programs which specifically provide for the use of home equity by older homeowners to finance rehabilitation or insulation. Our title I program, which will be liberalized upon passage of H.R. 6655 by the Senate-House Conference Committee and subsequent action by Congress, does, in some instances, act as a second mortgage program and thereby may give recognition to this equity.

I trust that this information will be helpful to you in your efforts on behalf of the elderly.

If I can provide any further information, please do not hesitate to contact me.

Sincerely,

LAWRENCE B. SIMONS,
Assistant Secretary.

Appendix 2

ENERGY PRICES AND ENERGY CONSUMPTION BY OLDER AMERICANS: 1973, 1976, AND AN ESTIMATE FOR 1985¹

INTRODUCTION

The FEA Household Energy Expenditure Model (HEEM) developed in the Socioeconomic Impact Division of FEA was used to evaluate the effects of higher energy prices on energy expenditures by the aged. The HEEM model was used to estimate home fuel and gasoline expenditures in 1973, in 1976, and in 1985 for those households headed by persons aged 60 and over. For the purpose of comparison, the same estimates were made for those households headed by persons under 60 years old.

Since the elderly are often on fixed incomes, the HEEM model was used to simulate fixed incomes for the elderly and variable incomes for the nonelderly. For the elderly, incomes were held at 1973 constant dollar levels when 1976 and 1985 energy expenditures were calculated as percentages of disposable incomes. For the nonelderly, incomes were updated to 1976 and 1985 before expenditures were calculated as percentages of disposable incomes.

Estimates of energy expenditures were made separately for four regions, the South, the West, the Northeast, and the North Central, as well as for the entire Nation. For each region, and for the entire Nation, estimates of energy expenditures were shown for households of various income groups. National estimates of household energy expenditures were also shown as percentages of disposable incomes. All estimates are in constant 1973 dollars; and 1985 estimates were made without the assumption of a changing national energy policy.

THE HEEM MODEL

Description

The HEEM model is based on an energy data file for a nationally representative sample of approximately 50,000 U.S. households. The primary data source was the Public Use Sample of the 1970 Census of Population, supplemented by travel information from the Nationwide Personal Transportation Study. The data file contains data on housing, housing characteristics, geographic locations, income levels, demographic characteristics, and energy expenditures. The TRIM microsimulation model was used to age and update the data to 1973.

The HEEM model is designed to provide analysis of the socioeconomic impacts of energy price increases on household energy expenditures generally and on low-income groups in particular. Subsequent to delivery to FEA, the model has been linked to macroeconomic analysis and has been modified for long-run analysis.

Limitations

Since the HEEM model cannot update the distributions of income, employment, demographic characteristics, and housing stocks, the model is better used for short-run analysis. HEEM home fuel expenditure data is not survey data: it is data imputed from renters' energy expenditures as reported in the 1970 Census. HEEM gasoline data is statistically matched data from the 1969 National Personal Transportation Survey. All HEEM data are aged to 1973. Since the information is imputed, matched, and aged, it may not be entirely representative of household energy expenditures. Electricity expenditures may be approximately 9 percent high and may be even more overstated for low-income

¹ Prepared by Dr. Pamela Haddy Kacser and William Bowman, Socioeconomic Impact Division, Office of Economic Impact Analysis, Energy Information and Analysis, Federal Energy Administration. For statement of David J. Bardin, Deputy Administrator, Federal Energy Administration, see p. 423.

groups. Gasoline expenditures by high-income groups may be overestimated by 20 percent. Expenditures for fuel oil may be overstated, and expenditures for natural gas may be 15 percent high. Also, renters not paying their fuel bills have imputed energy expenditures assigned to them; this may be inappropriate. Finally, elasticities and prices may differ by income, age, and region; the HEEM model does not account for these differences.

Results

Table 3 shows national estimates of average annual home fuel and gasoline expenditures for households headed by persons aged 60 and over. Tables 1 and 2 show such estimates for each of four regions. All estimates are in constant 1973 dollars. From these estimates, the following can be noted:

(1) In 1973, annual home fuel¹ expenditures by the average household headed by an elderly person were estimated to have been \$389. By 1976, such expenditures were estimated to have increased to \$444. Projections to 1985 indicated that such expenditures could be \$603; this represents a 55 percent increase in real (constant dollar) expenditures.² The various income groups were also estimated to experience increasing home fuel expenditures.

(2) The elderly are often on relatively fixed incomes. To simulate fixed incomes, HEEM model incomes were held at 1973 constant dollar levels when energy expenditures were calculated as percentages of disposable incomes. For 1973, it was estimated that elderly household heads in the \$10,000-\$14,999 income group spent 3.3 percent of their disposable income on home fuels. By 1976 and 1985, this percentage was estimated to have increased to 4.0 percent and then to 5.4 percent. A similar pattern of increasing percentages holds for the other income groups. It can be seen that higher energy prices can have a significant impact on elderly persons with fixed incomes.

(3) Home fuel expenditures increase across progressively higher income groups. For example, average annual 1976 household home fuel expenditures for elderly household heads were estimated to be \$405 for those with less than \$5,000 income and \$576 for those with greater than \$25,000 income. A similar pattern holds for 1973 and 1985. When such expenditures are expressed as percentages of disposable incomes, however, a reverse effect is noticed. Home fuel expenditures as percentages of disposable incomes are higher for low-income households than for higher income households. For example, these percentages in 1976 were estimated to be 2.4 percent for elderly household heads with incomes of \$20,000-\$24,999, 5.3 percent for elderly household heads with incomes of \$7,500-\$9,999, and 7.0 percent for elderly household heads with incomes less than \$5,000. A similar pattern holds for 1973 and 1985. Higher energy prices are regressive in that they have a greater relative impact on low-income households than on higher income households. And, a relatively large percent of the elderly have relatively low incomes.

(4) In 1973, 1976, and 1985, gasoline expenditures by the average elderly household head were estimated to be \$396, \$447, and \$487 respectively.³ Thus, such expenditures were estimated to increase by 23 percent from 1973 to 1985. The various income groups were also estimated to experience increasing gasoline expenditures.

(5) For elderly household heads in the \$10,000-\$14,999 income group, gasoline expenditures as percentages of disposable incomes in 1973, 1976, and 1985 were estimated to be 4.1 percent, 4.6 percent, and 5.1 percent respectively. A similar pattern of increasing expenditures as a percentage of income holds for the other income groups.

¹ Electricity, natural gas, heating fuel, coal and bottled gas.

² This estimate may not be completely comparable to some other estimates from other FEA models.

³ The 1985 estimate may be too high. The tables should be used comparatively, and too much reliance should not be placed on the absolute numbers.

(6) Elderly household heads in 1973, 1976, and 1985 were estimated to have higher gasoline expenditures across higher income groups. But, low-income groups have higher expenditures as percentages of disposable incomes than do higher income groups.

(7) For households headed by elderly persons in the various regions, similar trends are noted. Home fuel and gasoline expenditures (in total and as a percent of income) increase from 1973 to 1976 to 1985. Higher income groups spend more for energy than do lower income groups. Increased energy expenditures in total are greater for high income groups, but increases as percentages of incomes are more of a burden on low-income groups.

(8) The impact of higher home fuel prices varies across regions due to the higher home fuel needs in some regions. For example, in 1976, it was estimated that the annual regional average home fuel expenditures by elderly household heads was \$583 in the Northeast and only \$333 in the West. No such great differences are noted for gasoline expenditure impacts.

(9) For a national average in 1973 and in 1976 households headed by elderly persons seem to spend slightly more for gasoline than for home fuels. However, for such households with incomes less than \$7,500, more is spent on home fuels than on gasoline. For the South and West regions, such households with incomes less than \$5,000 spend more on home fuels than on gasoline. In the North Central region, elderly household heads with incomes less than \$10,000 spend more on home fuels than on gasoline; and in the Northeast, all elderly household heads spend more on home fuels than on gasoline. Thus, in the cold weather and highly populated regions, high home fuel prices have relatively greater impacts on nearly all of the elderly. In the warmer weather and more rural regions, home fuels are relatively less important, and transportation is relatively more important. For low-income, elderly households, home fuels make up a relatively larger proportion of the budget than does gasoline.

The FEA PIES model forecasts that home fuel prices and quantities will increase to 1985 more rapidly than gasoline prices and quantities. In 1985, for national averages, households with incomes less than \$15,000 could spend more on home fuels than on gasoline while households with incomes greater than \$15,000 could spend more on gasoline than on home fuels. This pattern varies among regions.

Table 6 shows national estimates of average annual home fuel and gasoline expenditures for households headed by persons aged 59 and younger. Tables 4 and 5 show such estimates for each of four regions. All estimates are in constant 1973 dollars. From these estimates, the following can be noted:

(1) The national estimates indicate that home fuel expenditures by households headed by persons aged 59 or younger are slightly more than home fuel expenditures by elderly household heads. However, for households with incomes less than \$15,000, home fuels are very similar for the young and the old. The regional estimates indicate that nonelderly households generally spend more on home fuels than do elderly households. Both nationally and regionally, it is estimated that younger household heads spend significantly more on gasoline than do elderly household heads. Therefore, younger household heads generally spend more on energy than do older household heads and are, excluding income effects, thereby more affected by higher energy prices. The hardship of higher energy prices on the aged does not seem to come from greatly different expenditure patterns between the elderly and younger households (after controlling for income) but from the fact that so many of the elderly have low incomes. (As was shown above, low income households are relatively hard pressed to cope with higher energy prices.)

(2) Younger household heads often have increasing rather than fixed incomes. To simulate variable incomes, HEEM model income levels were updated to 1976 and to 1985 before energy expenditures were calculated as percentages of disposable incomes. For 1973, it was estimated that younger household heads in the \$10,000-\$14,999 income group spent 3.6 percent of their disposable income on home fuels. By 1976 and 1985, this percentage was estimated to have changed to 3.8 percent and then to 3.2 percent. For these households, gasoline expenditures as percentages of disposable incomes were estimated at 4.4 percent, 4.7 percent, and 3.1 percent in 1973, 1976, and 1985. Unlike elderly households with fixed in-

comes, younger households with variable incomes are better able to meet higher energy expenditures with higher incomes.

(3) The elderly are, therefore, likely to be hard hit by higher energy prices because they are more likely to be on low, fixed incomes.

Finally, the following must be noted:

(1) In making estimates for 1976 and 1985 several assumptions had to be made. Both elderly and nonelderly households were assumed to face equal increases in energy prices. Due to regional migration differences between the elderly and nonelderly, this assumption could affect the estimates. The elderly and nonelderly were assumed to change consumption by the same amounts in response to higher energy prices. Empirical evidence is not yet available to test this assumption. Due to these assumptions, HHEM model estimates are constrained to reflect the same age-energy expenditure patterns in 1976 and 1985 as in 1973. Thus, the points noted above for 1976 and 1985 should not be thought of as conclusions; instead, the points should be thought of as results that could occur if the HHEM model's constraining assumptions are realized.

(2) Due to the severe time constraints for preparation of this analysis, only highlights of the data in tables 1 through 6 are mentioned. However, the data were presented with a fair amount of detail so that the interested reader may be able to discern other expenditure patterns that may be important.

(3) As stated above, the HHEM model does have limitations. For this particular analysis, there is the additional limitation that the age distribution of the population cannot be changed from 1973 to 1985. So, one should be careful in relying on specific number estimates. General trends and patterns are more important than the specific numerical data in this analysis.

Conclusion

Excluding income effects, older Americans are not, on average, more adversely affected by higher energy prices than all other Americans. This is true, even in the colder regions of the country, where all consumers incur higher energy expenses. It is not age, per se, but low income which is the prime determinant of adverse impacts of energy price increases. A much larger proportion of older Americans are below the poverty line than are all other Americans, and more of them are on fixed incomes. Furthermore, in the years to come they will be a larger proportion of America's population.

TABLE 1.—AVERAGE ANNUAL HOUSEHOLD ENERGY EXPENDITURES: 1973, 1976, 1985: HEADS OF HOUSEHOLDS AGED 60 AND OVER; NORTHEAST AND NORTH CENTRAL REGIONS

	1973		1976		1985	
	Home fuels	Gasoline	Home fuels	Gasoline	Home fuels	Gasoline
Northeast:						
Less than \$5,000.....	\$462	\$188	\$533	\$212	\$717	\$231
\$5,000 to \$7,499.....	474	281	545	317	734	345
\$7,500 to \$9,999.....	511	404	588	456	795	497
\$10,000 to \$14,999.....	566	493	647	523	873	569
\$15,000 to \$19,999.....	588	581	672	655	908	714
\$20,000 to \$24,999.....	581	571	659	645	895	702
\$25,000 and over.....	693	591	788	667	1,061	727
Regional average.....	508	393	583	443	786	483
North Central:						
Less than \$5,000.....	514	211	430	238	579	259
\$5,000 to \$7,499.....	404	350	464	395	627	430
\$7,500 to \$9,999.....	419	392	479	443	647	482
\$10,000 to \$14,999.....	421	546	480	617	650	672
\$15,000 to \$19,999.....	426	701	486	791	659	862
\$20,000 to \$24,999.....	481	819	550	924	743	1,007
\$25,000 and over.....	408	902	460	1,018	628	1,109
Regional average.....	397	416	455	470	615	511

Note: All expenditures and incomes are expressed in constant 1973 dollars. Incomes are disposable incomes. Gasoline expenditures apply only to car-owning households.

Source: FEA household energy expenditure model.

TABLE 2.—AVERAGE ANNUAL HOUSEHOLD ENERGY EXPENDITURES: 1973, 1976, 1985; HEADS OF HOUSEHOLDS AGED 60 AND OVER; SOUTH AND WEST REGIONS

	1973		1976		1985	
	Home fuels	Gasoline	Home fuels	Gasoline	Home fuels	Gasoline
South:						
Less than \$5,000.....	\$311	\$196	\$356	\$222	\$488	\$241
\$5,000 to \$7,499.....	399	383	386	432	529	471
\$7,500 to \$9,999.....	363	453	412	511	570	556
\$10,000 to \$14,999.....	378	526	429	594	590	647
\$15,000 to \$19,999.....	404	783	455	883	629	962
\$20,000 to \$24,999.....	390	804	439	907	609	988
\$25,000 and over.....	477	597	538	674	740	734
Regional average.....	335	380	382	429	525	476
West:						
Less than \$5,000.....	269	233	305	263	416	286
\$5,000 to \$7,499.....	297	337	336	380	461	414
\$7,500 to \$9,999.....	288	460	324	519	446	566
\$10,000 to \$14,999.....	332	531	373	599	512	652
\$15,000 to \$19,999.....	333	421	374	474	520	517
\$20,000 to \$24,999.....	400	747	447	843	616	919
\$25,000 and over.....	355	591	395	667	548	727
Regional average.....	295	398	333	449	457	489

Notes: All expenditures and incomes are expressed in constant 1973 dollars. Incomes are disposable incomes. Gasoline expenditures apply only to car-owning households.

Source: FEA household energy expenditure model.

TABLE 3.—AVERAGE ANNUAL HOUSEHOLD ENERGY EXPENDITURES: 1973, 1976, 1985; HEADS OF HOUSEHOLDS AGED 60 AND OVER; NATIONAL ESTIMATES

	1973		1976		1985	
	Home fuels	Gasoline	Home fuels	Gasoline	Home fuels	Gasoline
National expenditures:						
Less than \$5,000.....	\$353	\$206	\$405	\$232	\$550	\$253
\$5,000 to \$7,499.....	385	343	440	387	597	422
\$7,500 to \$9,999.....	409	425	467	479	635	522
\$10,000 to \$14,999.....	439	515	500	581	679	633
\$15,000 to \$19,999.....	449	644	510	726	695	791
\$20,000 to \$24,999.....	481	715	544	807	743	879
\$25,000 and over.....	510	673	576	759	784	827
National average.....	389	396	444	447	603	487
National expenditures as percentages of incomes:						
Less than \$5,000.....	(1)	(1)	(1)	(1)	(1)	(1)
\$5,000 to \$7,499.....	6.1	5.5	7.0	6.2	9.6	6.8
\$7,500 to \$9,999.....	4.7	4.9	5.3	5.5	7.3	6.0
\$10,000 to \$14,999.....	3.3	4.1	4.0	4.6	5.4	5.1
\$15,000 to \$19,999.....	2.6	3.7	2.9	4.1	4.0	4.5
\$20,000 to \$24,999.....	2.1	3.2	2.4	3.6	3.3	3.9
\$25,000 and over.....	(1)	(1)	(1)	(1)	(1)	(1)

(1) Not available.

Notes: All expenditures and incomes are expressed in constant 1973 dollars. Incomes are disposable incomes. Gasoline expenditures apply only to car-owning households. Expenditures as percentages of incomes are calculated by dividing expenditures by midpoints of appropriate income classes. This simulates fixed incomes (in 1973 dollars) over time.

Source: FEA household energy expenditure model.

TABLE 4.—AVERAGE ANNUAL HOUSEHOLD ENERGY EXPENDITURES: 1973, 1976, 1985; HEADS OF HOUSEHOLD AGED 59 AND YOUNGER, NORTHEAST AND NORTH CENTRAL REGIONS

	1973		1976		1985	
	Home fuels	Gasoline	Home fuels	Gasoline	Home fuels	Gasoline
Northeast:						
Less than \$5,000.....	\$455	\$298	\$523	\$337	\$705	\$367
\$5,000 to \$7,499.....	492	349	566	394	765	429
\$7,500 to \$9,999.....	525	453	602	511	814	557
\$10,000 to \$14,999.....	552	525	630	593	853	646
\$15,000 to \$19,999.....	585	673	665	759	902	827
\$20,000 to \$24,999.....	647	641	739	723	1,001	787
\$25,000 and over.....	665	728	754	821	1,026	894
Regional average.....	543	525	622	592	841	645
North Central:						
Less than \$5,000.....	389	351	448	396	605	431
\$5,000 to \$7,499.....	411	417	473	470	639	512
\$7,500 to \$9,999.....	424	501	485	566	655	616
\$10,000 to \$14,999.....	467	557	533	629	720	685
\$15,000 to \$19,999.....	486	764	551	862	747	939
\$20,000 to \$24,999.....	494	824	559	930	756	1,013
\$25,000 and over.....	509	800	575	902	783	983
Regional average.....	448	574	511	648	692	706

Notes: All expenditures and incomes are expressed in constant 1973 dollars. Incomes are disposable incomes. Gasoline expenditures apply only to car-owning households.

Source: FEA household energy expenditures model.

TABLE 5.—AVERAGE ANNUAL HOUSEHOLD ENERGY EXPENDITURES: 1973, 1976, 1985; HEADS OF HOUSEHOLD AGED 59 AND YOUNGER; SOUTH AND WEST REGIONS

	1973		1976		1985	
	Home fuels	Gasoline	Home fuels	Gasoline	Home fuels	Gasoline
South:						
Less than \$5,000.....	\$322	\$324	\$368	\$366	\$504	\$399
\$5,000 to \$7,499.....	344	414	404	467	554	509
\$7,500 to \$9,999.....	376	486	427	548	586	597
\$10,000 to \$14,999.....	496	569	447	642	615	699
\$15,000 to \$19,999.....	425	671	477	757	658	824
\$20,000 to \$24,999.....	465	699	522	789	719	860
\$25,000 and over.....	461	741	517	836	717	910
Regional average.....	375	513	426	579	585	630
West:						
Less than \$5,000.....	267	326	301	367	412	400
\$5,000 to \$7,499.....	282	399	318	450	435	490
\$7,500 to \$9,999.....	298	484	335	546	461	595
\$10,000 to \$14,999.....	347	551	389	622	535	677
\$15,000 to \$19,999.....	386	741	432	836	596	911
\$20,000 to \$24,999.....	368	766	410	865	566	942
\$25,000 and over.....	441	848	495	956	679	1,042
Regional average.....	326	549	366	620	504	675

Notes: All expenditures and incomes are expressed in constant 1973 dollars. Incomes are disposable incomes. Gasoline expenditures apply only to car-owning households.

Source: FEA household energy expenditure model.

TABLE 6.—AVERAGE ANNUAL HOUSEHOLD ENERGY EXPENDITURES: 1973, 1976, 1985; HEADS OF HOUSEHOLD AGED 59 AND YOUNGER; NATIONAL ESTIMATES

	1973		1976		1985	
	Home fuels	Gasoline	Home fuels	Gasoline	Home fuels	Gasoline
National expenditures:						
Less than \$5,000.....	\$351	\$328	\$403	\$370	\$547	\$403
\$5,000 to \$7,499.....	384	401	439	453	597	493
\$7,500 to \$9,999.....	408	483	464	545	633	593
\$10,000 to \$14,999.....	448	552	510	622	694	678
\$15,000 to \$19,999.....	479	715	542	806	739	878
\$20,000 to \$24,999.....	508	736	575	831	783	905
\$25,000 and over.....	530	776	598	876	818	954
National average.....	426	539	485	609	660	663
National expenditures as percentages of incomes:						
Less than \$5,000.....	(1)	(1)	(1)	(1)	(1)	(1)
\$5,000 to \$7,499.....	6.1	6.4	6.6	6.8	5.6	4.6
\$7,500 to \$9,999.....	4.7	5.5	5.0	5.9	4.3	4.0
\$10,000 to \$14,999.....	3.6	4.4	3.8	4.7	3.2	3.1
\$15,000 to \$19,999.....	2.7	4.1	2.9	4.3	2.5	2.9
\$20,000 to \$24,999.....	2.3	3.3	2.4	3.5	2.1	2.4
\$25,000 and over.....	(1)	(1)	(1)	(1)	(1)	(1)

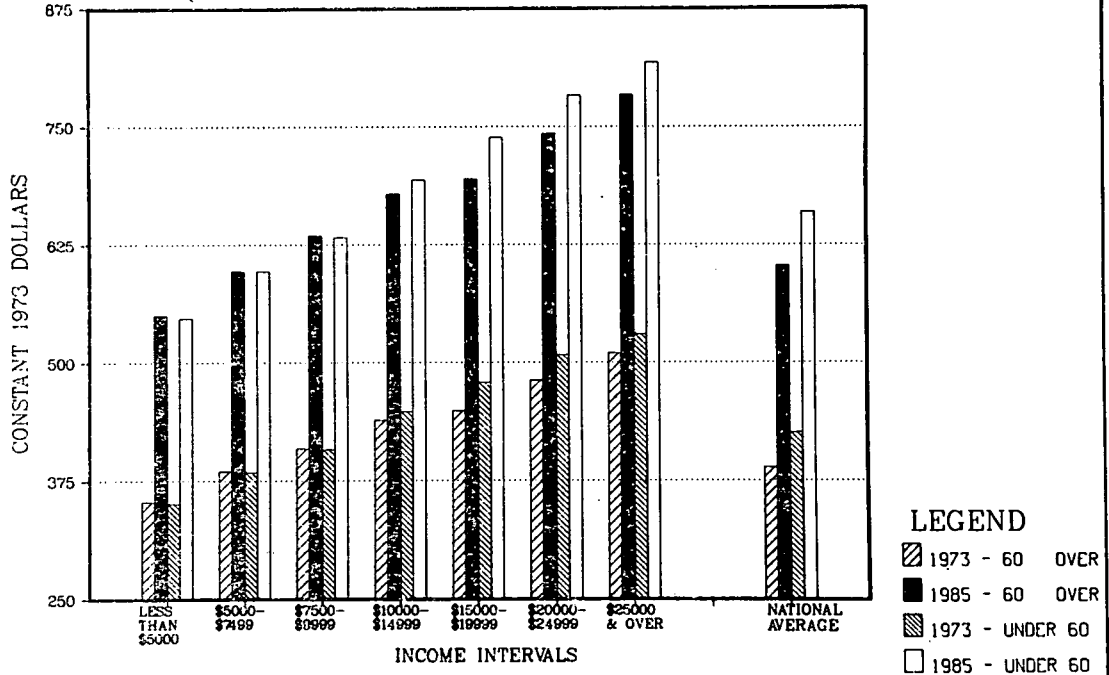
¹ Not available.

Notes: All expenditures and incomes are expressed in constant 1973 dollars. Incomes are disposable incomes. Gasoline expenditures apply only to car-owning households. Incomes were projected to 1976 and 1985 before expenditures were calculated as percentages of incomes. This simulated increasing incomes (in 1973 dollars) over time.

Source: FEA household energy expenditure model.

FIGURE 1

*AVERAGE ANNUAL HOME FUEL EXPENDITURES
FOR HEADS OF HOUSEHOLDS, 1973 AND 1985
(60 and over, and under 60)*



REPRODUCED BY THE BUREAU OF ECONOMIC ANALYSIS - 7/26/77

SOURCE: FEA HOUSEHOLD ENERGY EXPENDITURE MODEL

FIGURE 2

*AVERAGE ANNUAL GASOLINE EXPENDITURES
FOR HEADS OF HOUSEHOLDS, 1973 AND 1985
(60 and over, and under 60)*

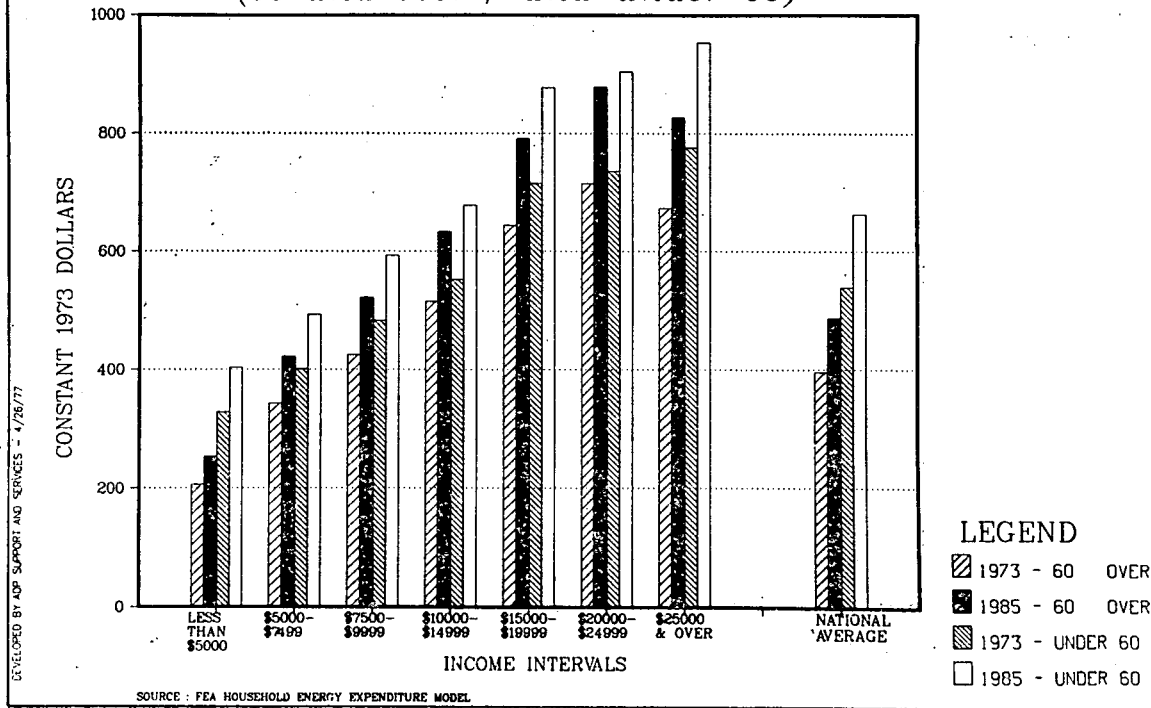
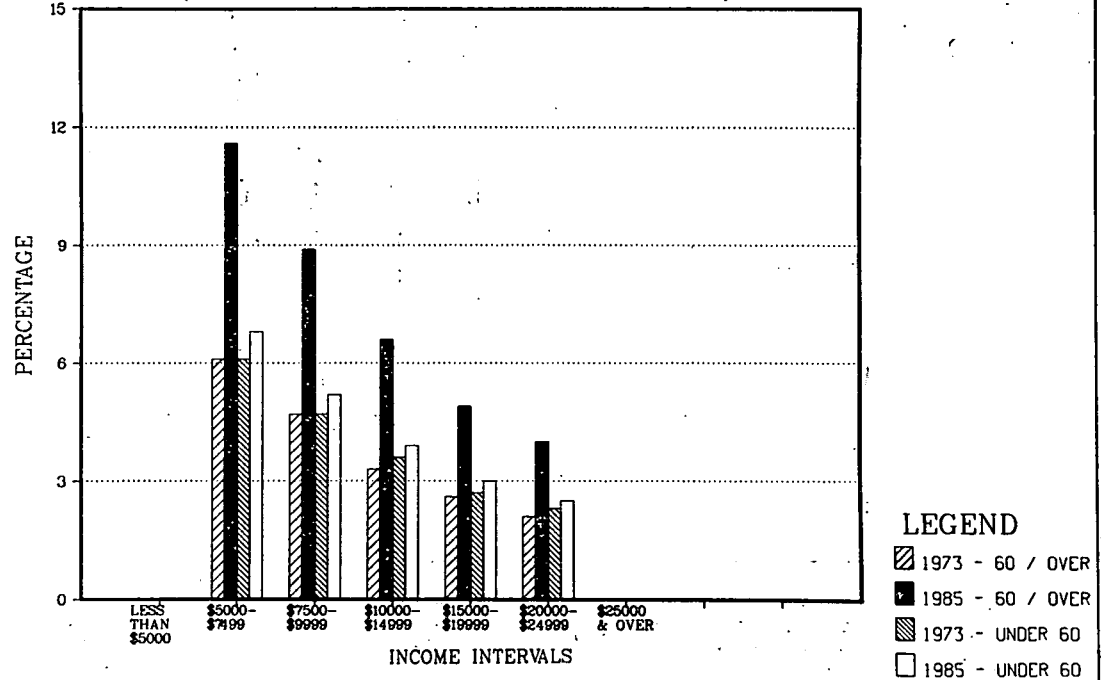


FIGURE 3

*PERCENT OF INCOME SPENT ON HOME FUELS
FOR HEADS OF HOUSEHOLD, 1973 AND 1985.
(60 and over, and under 60)*

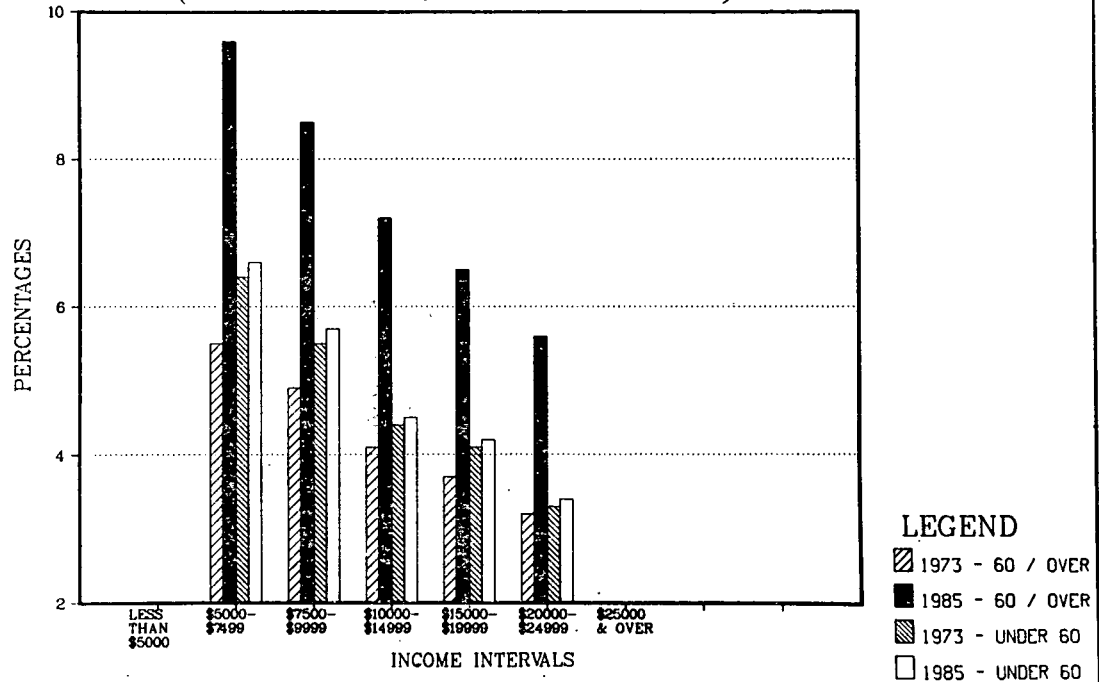


DEVELOPED BY AEP SUPPORT AND SERVICES - 4/6/77

SOURCE: FEA HOUSEHOLD ENERGY EXPENDITURE MODEL

FIGURE 4

PERCENT OF INCOME SPENT ON GASOLINE
FOR HEADS OF HOUSEHOLD, 1973 AND 1985
(60 and over, and under 60)



DEVELOPED BY AEP SUPPORT AND SERVICES - 4/6/77

SOURCE: FEA HOUSEHOLD ENERGY EXPENDITURE MODEL

APPENDIX A

ENERGY AND THE ELDERLY (BACKGROUND DATA)¹

As a proportion of our total population, the older population has more than doubled in this century. In 1976, the over-60 population reached some 15 percent of the total population, and although the period of fastest increase is probably over, both level and proportion of the elderly population will continue to grow through 1985. At this time, by Census middle series projections, the estimated total population will reach 234 million, of which 37.1 million, or 16 percent, will be persons over 60 years of age. Then, as now, there will be a larger proportion of older females than males. Of those over 60 in 1985, 58 percent will be females—a slight percentage increase over 1976.

Not only the proportion of older people in the total population has increased. The older population itself is aging. For example, the number of people 65 to 69 as a proportion of all those over 65 will fall from 36.2 percent in 1975 to 34.1 percent in 1990, while the proportion of those 75 to 79 increases from 17.9 percent in 1975 to 18.7 percent in 1990. This change, however gradual, has implications for the long-run needs of the elderly, particularly regarding health and living arrangements.

The elderly are most numerous in the most heavily populated states—such as New York and California. At the same time, during the decade of the 1960's, there was a notable movement of elderly persons from the Northeast and North Central regions of the United States to States of the South Atlantic, West South Central, and Pacific regions, Florida, Texas, and California all gained in elderly population. This was in spite of the fact that those over 65 move relatively little and data show the elderly to have low migration rates relative to younger groups. If they do migrate, it is apparent that warmer retirement areas or smaller towns are likely to be chosen. This pattern may very well continue. It somewhat reduces average vulnerability to higher energy prices for home heating.

A clear-cut trend is for the elderly to maintain their own households. The past decade has brought a decrease in the proportion of the elderly living with relatives, and in 1975 some 27 percent of those aged 65 and over were living alone in houses or apartments, with less than 5 percent in institutions.

The incomes of the elderly are relatively low when compared to all families. In 1975, the median income of families with heads 65 or older was \$8,057, less than three fifths the median income of \$13,719 for all families. Approximately 9 percent of all families with a head 65 or over had incomes below poverty level, and these poor families represented over 13 percent of all poor families. In general, however, the proportion of all elderly people in our population who are below poverty levels has been falling. In 1959, some 35 percent of the population 65 or over were poor. This figure fell sharply to about 16 percent by 1974.

APPENDIX B

WOULD THE ELDERLY BENEFIT FROM LIFELINE ELECTRICITY RATES?

Consumers generally pay a fixed dollar amount for the first few kilowatt hours of electricity consumed. Additional amounts of electricity are purchased at a price per kilowatt hour that usually declines, in steps or blocks, as quantity increases. This method of pricing electricity is called declining-block pricing.

Recently, the equity of declining block pricing, and its impact on the consumption of electricity have become important issues. In particular, critics have argued that declining-block rate structures:

- (1) Place a heavy burden on low income and elderly families.
- (2) Tend to encourage the waste of energy.

One proposed alternative to declining-block pricing is lifeline rate structures. Lifeline rate structures have small per-unit prices for the first few kilowatt hours of electricity used. This per-unit charge increases, in blocks or steps, as quantity increases. Households using small quantities of electricity, generally under 750 kilowatt hours per month, would, therefore, be better off with this type of rate structure than with the current declining-block rate structure.

One very important question is the actual composition of the group of "small users of electricity." The Socioeconomic Impact Division of FEA initiated a 1975

¹ Source: Bureau of the Census: (1) CPR Series P-25, No. 601, 10/25, table 8, p. 77. (2) CPR Series P-23, No. 59, 5/76.

survey of households' energy consumption. This survey was, in part, a repeat of one undertaken for the Ford Energy Project by the Washington Center for Metropolitan Studies in 1973. These data can be used to determine how many of the elderly would be beneficiaries of lifeline rate structures.

Tabulations of households' monthly electricity consumption by age of the head of the household are presented in table B-1. Under most proposed lifeline rate structures, households consuming less than 750 kilowatt hours of electricity per month would have lower prices; hence, this group would be better off with this type of rate structure than with a declining-block rate structure. Table B-2 shows that approximately 80 percent of all elderly households consume less than 750 kilowatt hours per month.

TABLE B-1.—HOUSEHOLDS' MONTHLY CONSUMPTION OF ELECTRICITY BY AGE, 1975

[Monthly electricity consumption (in kilowatt-hours)]

Age of head	Thousands of households with—	
	Less than 750	750 or more
Less than 24.....	2,290	663
24 to 34.....	6,712	3,970
35 to 44.....	3,892	4,279
45 to 54.....	5,192	4,472
55 to 64.....	6,089	2,353
65 and older.....	7,261	1,562
Total.....	31,436	17,299

Source: FEA household energy consumption survey.

TABLE B-2.—HOUSEHOLDS' CONSUMPTION OF ELECTRICITY: PERCENT OF EACH AGE GROUP CONSUMING LESS THAN OR GREATER THAN 750 KWH PER MONTH

[Monthly electricity consumption (in kilowatt-hours)]

Age of head	Percent of each age group consuming—	
	Less than 750	750 or more
Less than 24.....	77.5	22.5
24 to 34.....	62.8	37.2
35 to 44.....	47.6	53.4
45 to 54.....	53.7	46.2
55 to 64.....	72.1	27.9
64 and older.....	82.3	17.7

Source: FEA household energy consumption survey.

Appendix 3

"THE ENERGY CRUNCH AND THE ELDERLY," INFORMATION SESSION AT HERSHEY, PA., MAY 27, 1977

Present: Senator Heinz.

Also present: William E. Oriol, staff director; Philip S. Corwin, professional staff member; and David A. Rust, minority professional staff member, all of the U.S. Senate Special Committee on Aging.

OPENING STATEMENT OF SENATOR JOHN HEINZ, PRESIDING

Senator HEINZ. Good morning. It is a very special pleasure for me to be with you this morning and to chair this discussion of the effect of rising energy costs and their impact on Pennsylvania's elderly.

Over the last several years this committee, the U.S. Senate Committee on Aging, has held a series of hearings designed to focus attention on the financial difficulties faced by older Americans due to rising energy costs.

The most recent hearings were held in early April, and the committee found that fuel expenses for the elderly had increased by more than 44 percent between 1973 and 1976. The low-income elderly in the Northeast spent fully 30 percent of their total disposable income on fuel in 1976, and the elderly generally, and I am sure you know this better than I, have higher fuel bills than other age groups. That is mainly because of the condition of their housing and their specialized health needs.

Energy costs undoubtedly rose during the recent severe winter we had, particularly here in Pennsylvania during the winters of 1976-77.

A retired worker getting an average monthly social security benefit of \$218, or a couple receiving \$372, finds it much more difficult, if not impossible, to pay a monthly utility bill of \$50, \$75, or even \$100, or more.

Now, although social security benefits rose 30 percent between 1973 and 1976, in that same period the cost of electricity rose 42 percent, natural gas rose 58 percent, and fuel oil rose 83 percent. I think it is clear that action is needed, and needed now.

Although I do not currently serve on the Senate Special Committee on Aging, even though many of you do know that I served on the House Select Committee on Aging, and we had a hearing here in this very location approximately a year ago, the concern that I have for the problems of senior citizens is one that, just because I changed from the House to the Senate, is not going to go away, even at this point if I am not able to serve on the special committee.

In the past few months some of the activities I have been engaged in on behalf of senior citizens include making sure that the supplemental appropriations bill included relief for low-income senior citizens who are struggling to meet the extraordinarily high cost of this last winter's fuel bills. That bill was signed into law on May 4 and includes two components that should be tremendously helpful.

First, it includes \$82 million for weatherization programs and \$200 million for assisting senior citizens in paying fuel bills. Pennsylvania's share of that \$200 million is \$14 million, and it will come from the Federal Community Services Administration to the State. It is my hope that shortly we will be able to find out a bit more about how the State plans to use that \$14 million to assist senior citizens who have extremely severe problems with their fuel bills.

Although last winter is behind us, even if the bills aren't, the Federal, State, and local governments still have to do two things. I think we have to devise the relief plan I mentioned a moment ago to help some of the people who are really behind on their bills and on their debts and, secondly, I think we have to take action now during this warm weather to meet the challenge of next winter. If we don't do something now, we are going to be exactly where we are today with respect to last winter, which is nowhere, and that is unacceptable.

So, one of the things I want to make a commitment to you on today is that if there is no satisfactory action taken in June or July by the Senate or by the House to try and make sure that we are prepared for energy shortages and increases in energy costs for next winter, I will demand that the Senate and the House postpone as long as necessary their August recess so that we work on the problems of people and don't forget and go off and take a junket, or whatever else people do during the August recess.

What I would like to see specifically is consideration to measures designed to assist low-income and older Americans on a permanent basis meet higher fuel costs. And I hope we can talk about some of that today, because unless we do get a very specific plan, nothing is going to change and we will not have an effective and coherent program this coming winter.

In the long run, effective assistance for you and your neighbors must be part of a comprehensive energy package. We have asked each of today's panelists to comment on the proposals that President Carter has made, and I invite all of you to do the same thing during certain periods we are going to set aside for individual people to come up to the microphone and ask questions or make comments. We will have two schedules of "town meetings."

The schedule works something like this. We will have a panel of four witnesses, who will present testimony and answer questions from myself and any members of the Special Committee on Aging staff. Then after that, which might take up to an hour, we will have a period where you can come forward for 10 or 15 minutes. Then we will have our next panel of witnesses, which will be three or four people for 45 minutes, or an hour. Then we will have a half hour or more of your participation.

Unfortunately, I am going to have to leave to catch an airplane to go to see to a coal mining problem in western Pennsylvania and I will have to leave here around 11:15, but the staff will be here and I think would welcome the opportunity to continue until 11:30 or 11:45 with the "town meeting" format, getting your individual comments. Let me apologize to you in advance because I am going to have to leave a little bit before the 12 noon break that is scheduled, and I do apologize to you for that.

Proposals in the energy package which can help older Americans include weatherization of homes, using a combination of tax credits, services provided by local utilities, and direct Federal help for low-income persons, and reform of the utility rate structure to encourage conservation and assure more equitable treatment.

We hope that the final energy plan, as developed by Congress, will include incentives for more public transportation, both urban and rural, with increased attention to the needs of the isolated elderly and the handicapped. I was very pleased to see Secretary Adams take the initiative on that last week. We also hope that there will be incentives which will lead to the development of additional domestic sources of energy in order to supplement the resources that we now have. In addition, I think we are going to have to rely more heavily on coal and nuclear energy, as well as developing new sources of energy such as solar and geothermal.

Some of the President's proposals may require higher taxes. Higher taxes have been proposed not only in the gasoline pump but higher taxes have been proposed for oil in the form of a wellhead tax of up to \$8 or \$9 a barrel, on domestically produced oil, and an equivalent amount has been proposed by the President in terms of higher taxes on natural gas. This will be necessary, according to the President, to insure an adequate supply of energy. I would like to, of course, have comments on that from you.

One of the things that I found all too true is that when Congress gets into the enactment of so-called crash legislation in its enthusiasm or haste to get something accomplished, the needs of particular groups or the special circumstances of particular groups often get ignored.

An example, I think you know all too well, is the enactment of title XX back in 1974 at the end of the session, when in the very last day of the caucus, title XX of the Social Security Act was rushed through. No one took a look at it and it provided for a means test that was subsequently inflicted—and I say that advisedly because I totally disagree with the idea of that means test—on virtually every senior citizen in spite of a lot of effort we have had since to mitigate the effect of that.

That just is one of many examples of what happens when Congress, trying to do the right thing, goes ahead too quickly.

One of the things that the Senate Special Committee on Aging is very dedicated to accomplishing and the purpose of this meeting today is to be sure that when we have an energy program going through the Congress we don't ignore the special circumstances of any group, but particularly our senior citizens. That is the purpose of this meeting today and that is why I am very pleased to be here and very pleased to see such a fine turnout.

We will begin with the testimony from four scheduled witnesses and then proceed to our town meeting format.

The witnesses this morning are the Honorable Frank Beal, secretary of welfare for the State of Pennsylvania; Mr. William Harral, director of the Governor's Energy Council; Mr. James L. Shultz, director of operations, Pennsylvania Consumer Advocate's Office; and Terry Ferrar, director, Center for Environmental Policy, Pennsylvania State University.

Gentlemen, before you start, I would appreciate it, inasmuch as we have a lengthy witness list, if you would do the very best you can to summarize your statement. We have a little less time than indicated on the program and we want to allow, as I mentioned to the audience, enough time for participation.

I do appreciate your being here, and thank you in advance for your help.

STATEMENT OF FRANK BEAL, SECRETARY, PENNSYLVANIA DEPARTMENT OF PUBLIC WELFARE

Secretary BEAL. Thank you very much, Senator Heinz.

We welcome you and we welcome the staff of the Senate Special Committee on Aging to this fourth Pennsylvania Conference on the Aging. We are very pleased to see representatives from the Senate Special Committee here. As you know, there was a move in the Senate early this session to abolish the Senate Special Committee on Aging—a move that, because of pressure of many of the senior citizens and senior citizens' groups of this country, failed. We are pleased that that committee, which is an effective voice for the needs of the elderly in the United States, continues to be an effective committee of the Senate.

Although the winter of 1977 is technically over, for thousands of Pennsylvanians who are still struggling to meet their unpaid fuel bills, the crisis remains.

With the weather we are enjoying, it is very easy for most of us to look back at the winter months as a time of inconvenience, but for hundreds of thousands of our fellow citizens it wasn't only an inconvenience, it was a question of survival. The record-breaking cold weather, the fuel shortage, the skyrocketing prices of fuel are not just a matter of history to the families who are still facing the threat of utility cutoffs.

We have all read in the newspapers accounts of older persons who have actually died of exposure in their homes because of unpaid fuel bills and cutoffs of service. While steps have been taken to assure that that won't happen again, the underlying cause of the problem hasn't been resolved.

According to our public utility commission, about 800,000 gas and electric consumers in Pennsylvania are still behind in their bills. Some of them are so far behind they may never catch up. While we don't know exactly how many older persons are in that group, there is little doubt that it is the low-income family that has been severely affected and a large portion of older people living on small pensions and fixed incomes fall into that category. Nearly 300,000 older persons in Pennsylvania live below the poverty level. About 75,000 older persons live in inadequate housing, which is difficult and expensive to heat.

Despite these figures, it would be arbitrary, I think, to isolate the elderly who are affected by the energy crisis from other low-income families. The hardships that are caused by skyrocketing fuel bills are borne by all families living in poverty. The infant who depends on public assistance is as much at risk as the older person.

In our State today about 237,000 families, more than 1 million Pennsylvanians, live below the poverty level. Many of these people are the working poor, families headed by a man or woman who works full or part time but can't earn enough to support his or her family.

More than 800,000 persons depend on public assistance; 455,000 of them are children. For all of these families, the low-income elderly, the working poor, the

family on assistance, the question often becomes one of choice between paying the utility bill or buying food.

I think Pennsylvania can be proud of its record in working to meet the needs of its elderly population. I think we now have in place one of the best area agency systems in the Nation. Our budget for elderly programs has increased from \$600,000 in 1971 to more than \$60 million today, a 1,000 percent increase.

Our services are making it possible for the elderly more and more to live in their homes and continue in the mainstream of community life.

Our weatherization program is moving and is helping some, but all too few, low-income families winterize their homes.

Now we have a new threat, the skyrocketing cost of fuel which cannot be paid for from what is all too often inadequate income. It is the elderly and low-income families who are the real victims of 7 years of unchecked inflation and 3 years of recurring recession. The cost of food, shelter, fuel, and health have climbed precipitously.

Although there have been some increases in social security and cash assistance, the incomes of the elderly and the poor have been outdistanced by soaring prices. This recession and this inflation has had a serious impact on the ability of the State to meet its obligation toward the poor and we turn more and more toward the Federal Government to help us out.

Today in Pennsylvania we have a budget crisis. We are required to balance the budget in Pennsylvania. The decreased revenues, with inflationary costs for hospital and other care, for the large number of people that the recession has placed in our public assistance program, prevent the Commonwealth from dealing with the energy crisis alone, this crisis that is faced by the poor and elderly in this State.

In Pennsylvania nearly three-fourths of our elderly persons own their homes. Most of them are free from mortgages. In the early 1970's, when steadily rising property taxes threatened to cause many people to lose their homes—and that is a continued problem today—Pennsylvania enacted the Property Tax Assistance Act to provide tax rebates to eligible renters and homeowners. This assistance has made it possible for many thousands of older persons to continue to live in their own homes and to remain independent members of their community.

The skyrocketing cost of fuel today is presenting a similar problem to many older people. If the fuel crisis reaches a level which makes it impossible for the senior citizen living on a fixed income to continue to purchase fuel, his or her ability to maintain a home or even an apartment can be threatened.

The emergency grant program which has been enacted by Congress, under which Senator Heinz said this State will receive \$14 million, will provide some immediate help to some needy families, but it isn't a long-range solution to the energy crisis for the poor.

Pennsylvania will use a two-pronged approach in allocating this \$14 million to needy families. First, a grant of up to \$250 will be made directly to fuel suppliers or utilities for the payment of delinquent bills for eligible families who face the immediate threat of cutoff. Second, to provide some relief to those families who have used their scarce resources to pay their bills, a rebate will be paid directly to the family.

The \$14 million allocation to our State may at first glance seem large, but it would provide the \$250 grant to only 56,000 families, and we estimate as many as 675,000 families may be eligible for some kind of aid.

While we applaud the Congress for the passage of this grant program, I believe that as a State and as a Nation we have to seek farther ranging solutions to this energy problem. I urge the committee and the Senate and the Congress to consider the following:

First, a Federal program to insure that low-income and elderly persons are protected from the most severe effects of the energy crisis. States simply do not have the resources to accomplish this nor do the States have the power to deal with problems of regulation in fuel supply and distribution when crossing State lines is involved.

One option, of course, is a fuel stamp program similar to the food stamp program, but hopefully free of some of its bureaucratic jumble.

Second, utility rates should be revised so that those people who use the least amount of energy pay less than those who consume large amounts of energy.

Current rate practices, which provide lower rates for high consumption penalize the poor and the elderly and encourage the waste of energy on the part of high users. Should we air-condition executive offices at low rates and charge our elderly people high rates just so that they can survive in the winter?

Third, I think consideration should be given to the enactment of standby legislation so that in the time of declared national emergency, such as we had last winter, community resources can be quickly mobilized to assist needy people. For example, funds allocated by law or regulation to one program of low priority could at local discretion be moved to the higher priority need of basic survival of people in distress. If our Federal laws and regulations could be more flexible, States and other providers could channel surplus funds or funds from low-priority programs to meet such desperate needs as fuel during times of crisis.

Fourth, we ask that the Federal Government consider strengthening the weatherization program so we can insulate the homes of more low-income people. Senator Heinz said the inadequate housing of the poor is often the most difficult to keep warm.

Fifth, we encourage the development of programs to insure that people who want to work can find jobs. There is now progress in this area and we hope that it will be quick and that thousands of Americans who are now unemployed will be working in useful jobs at decent wages when the next winter comes. We hope this will happen with the least bureaucracy buildup as possible.

Sixth, we encourage the development of Federal welfare programs which will establish and provide an adequate income to needy people. This program should be uniformly administered throughout the country and should help eliminate the unnecessary wasteful administrative procedures.

Next, we call for the establishment of a Federal SSI payment that would at least bring our elderly, blind, and disabled citizens up to the poverty level. The present level of Federal SSI payments provides an incomes of nearly \$1,000 per year below the official U.S. poverty level. SSI was intended to put a floor under the income of our poorest citizens. It appears that it was the basement floor. How can the richest Nation in the world justify an income program for its elderly citizens which doesn't even bring them close to its own established policy level?

The energy crisis and its effect on the elderly and poor people of this country cannot be separated from the welfare crisis, from the health of our economy, from the income problems of our poor and elderly citizens.

In this country's struggle to develop an energy program, we must insure that it addresses the needs of the poor and the elderly, not just the problems of oil and gas companies and electricity and gas producers and distributors.

While we are all called upon and have been called upon by the President, and others, to make sacrifices, it too often happens that it is those who have the least who are called upon to sacrifice the most. Our effort must be to develop a fair, long-range solution to prevent serious injury to our most vulnerable citizens.

Thank you. [Applause.]

Senator HEINZ. Mr. Secretary, Thank you. Will you be able to stay until the end of this meeting?

Secretary BEAL. Most certainly, Senator.

Senator HEINZ. Thank you very much.

Let me ask our next witness, William Harral, director of the Governor's energy Council, if he will proceed. I would like to ask you, if you can, to do your very best to summarize your statement. We guarantee that the entire transcript of the whole testimony will appear in the record.

STATEMENT OF WILLIAM HARRAL, DIRECTOR, GOVERNOR'S ENERGY COUNCIL

Mr. HARRAL. Thank you, Senator.

Senator Heinz, members of the staff of the Special Committee on the Aging, ladies and gentlemen, thank you for the opportunity to appear before you. I congratulate you and this organization on your efforts to bring an important aspect of the energy picture to focus.

The Governor's Energy Council, of which I am executive director, is the agency in Pennsylvania State government directed to coordinate energy programs and to develop energy policies for the Commonwealth of Pennsylvania. Later I will touch briefly on some of these programs and policies.

You will hear later in the program from Dr. Ferrar of Penn State. He will provide data and conclusions which will emphasize something most of us know, or at least feel. That is that the elderly and those on fixed income generally use less energy than others and use it largely for necessity. They spend a largest proportion of their income on energy they use, pay a higher per unit price because of declining block rates, and generally cannot afford many of the out-of-pocket costs of materials and devices to conserve it. What is more, this situation is aggravated in the Northeastern section of the United States.

These days the first question asked of individuals in positions such as mine is: What will the Carter plan do to the people or industry or to a certain group of citizens? What will the impact be?

As far as program specifics are concerned, I think it would be a disservice to all for me to come out with definitive statements on the basis of the information now available. In general terms and on the surface, I do not see a great deal, or at least not as much as we had hoped, to assist directly the group represented here. It could accentuate some of the problems for the aged. If it is any consolation at all—of course, it is not—they are far from being alone, and it is a recognized point in the Carter plan that this country is in energy trouble, which I certainly believe. The era of cheap energy in this Nation is at an end, which I certainly believe. We are all going to have to review our spending priorities, which I believe.

The trouble with that, of course, is that these platitudes are the persons on fixed incomes and have little, if any, options in the adjustment of their spending priorities.

The taxation system proposed in the Carter program will create a significant if not unbearable burden on this country if it were not for the rebate system as advocated in the President's plan. This would put back into the economy much of the money taken out by the various taxes. It appears to me that the rebate system should be protected and a greater emphasis of its use be placed on most seriously affected customers. The elderly certainly would be included as a major element in that audience.

I think, however, that before the energy program is accepted, we need much greater detail in analysis of the mechanisms, the implementation, the economic effects of the taxing and rebating system, not only on the Nation as a whole but on States, regions, and categories of consumers. This work is going on, but we must act quickly.

The President has prodded us into this process. We must prod ourselves through it with the greatest haste consistent with prudence.

I think also significant in the President's plan is the impact on inflation, which is of particular concern to the aged. A recent study from the White House itself predicted that without the gasoline tax, the plan would boost inflation by three-tenths to four-tenths of a percentage point annually in 1978 and 1979, and by one-tenth to three-tenths a percentage point by 1980 and 1981. Of course, that is an element to be decided by Congress, taking effect in 1979 at the earliest and, if at all. There would be an additional two-tenths of a percent to three-tenths of a percent rise in the inflation rate.

These are, of course, percentages attributable to the energy plan alone and they are somewhat higher than the estimates contained in the original April 29 summary of the President's plan.

I would hope that you are not interpreting these remarks as a blanket condemnation of the Carter program. We support it in general and most of its elements specifically, and we congratulate the administration on its initiative. We are raising them merely to reemphasize our main point, and that is that the energy tax rebate system demands a great deal of attention.

Briefly, I would like to touch on some State policies and programs as they do or may relate to the aged.

I think Governor Shapp's position opposing natural gas deregulation is widely known. He and I, acting in his behalf, have appeared virtually alone in many national meetings with Governors and other State energy officers, emphasizing the reasons for this position. Of course, one of the main reasons is our concern over the effect of deregulation of natural gas on the consumers.

Three years ago, Governor Shapp presented to Congress a detailed plan for energy stamps similar to the food stamp program. The lack of progress in that area, I think, has been quite notable.

Senator Heinz and Secretary Beal addressed briefly the fuel aid program. I believe in Pennsylvania we have a system for the effective distribution of this and I know the plan is now being evolved.

Also the weatherization program has been mentioned. Under the administration of our Department of Community Affairs, 31 separate funding sources have been assembled, to winterize the homes of low-income people. Pennsylvania's program in this regard is a national leader.

I would like to quote from a letter Governor Shapp sent to President Carter several weeks ago on this subject:

"We have demonstrated with our winterization program in Pennsylvania during the past 2 years that for an average cost of \$275 per home, we can achieve great savings in heating bills while also saving enormous quantities of various types of fuel. The payback features are enormous.

"So far 13,000 homes in Pennsylvania have been insulated under this program. In many cases fireproofed reconstituted wastepaper has been used for insulating purposes. This represents additional savings in materials.

"Expansion of this program in Pennsylvania and nationally should be limited solely by the speed with which manpower can be trained in the time it takes to increase productive capacity to manufacture the insulating materials and storm windows and to install same."

What he is saying is it should not be limited at all by the public funds available.

"The fuel savings on insulated buildings and the rate of return on investment dollars saved is so great that no limitations on the size and scope of the program should be considered."

That is the end of the letter from Governor Shapp.

During the question period, I think if there are any questions on this, you might want to refer them, Senator, to Jim Jurnak, who is the leading administrator of the program, who is sitting in the first row there.

In other areas of conservation, the energy council has been embarking on a number of extremely ambitious and far-reaching programs, primarily federally funded, I might add.

I shall attach to my written testimony details on these, many of which are directed to the residential consumer.

The main point I want to mention here is that payback periods are all important and are generally under estimated by the general public. In other words, investment in home energy conservation improvements with a system of consumer protection, which I think is necessary, can save more fuel than is generally realized. Of course, this saves on fuel bills.

Our programs include information dissemination systems to pass this important word on. We feel that coupled with a financing mechanism, home energy conservation improvements cannot only help our national energy picture but can effectively impact on rising costs.

Yesterday I presented to the PUC our suggestions for this financing mechanism in Pennsylvania. We suggested an alternative to the often mentioned Rosenberg plan suggested at the Federal administrative level. Our alternative method of reducing finance cost would be for the State to establish an independent nonprofit financing agency which could obtain the necessary finances at a lower cost on the tax-exempt public market. This organization would then directly offer loans to homeowners to make conservation improvements. Homeowners could make repayments to the agency through electric utilities billing mechanisms because it reaches almost every resident. We suggest very strongly that the Pennsylvania Utility Commission should take the lead in investigating what steps must be taken to establish an agency of this nature. I shall attach, if I may, a copy of my testimony to the PUC to my written testimony.

Senator HEINZ. Without objection, of course.

Mr. HARRAL. I would like to make one additional point, and that is the importance of increasing energy supply and reliability. I think this is often overlooked by consumer groups. Other than the obvious, this can also impact on prices. The Commonwealth, through the council, has many important programs in this field in all the energy resource areas.

Our coal policy and program is our leader including gasification, methane development, large scale anthracite mining, and environmentally acceptable coal production. We lifted the ban on drilling for gas in Lake Erie, based on the

Canadian experience of about 1000 wells over a 50-year time span without an environmentally damaging incident. We support off-shore development with reasonable environmental safeguards. We are supporting and have helped prepare a State energy facility siting law. We have a residential solar hot water heating program which we are about to kick off with Federal housing and urban development moneys to individual property owners. We are into charcoal and small hydroelectric and coal conversions.

These are just some examples, but increased and more varied energy production must be addressed as being a key element in the energy marketplace.

I, too, must offer an apology. There is only one appointment that would take precedence over remaining with a group such as this, and this is a meeting of my bosses at 10 o'clock in Harrisburg. The energy council, of which I am executive director, is holding its monthly meeting and I must excuse myself to attend that. However, Dr. Ferrar, who is on the platform at my far right, is a continuing consultant from Penn State to the Governor's Energy Council and he knows more about many of these programs than I do myself.

With the Chair's permission, I would like to ask that Dr. Ferrar be allowed to answer questions in my stead.

Senator HEINZ. Very well. Do you feel that you will be held accountable for anything he says? [Laughter.]

Mr. HARRAL. I will take the Fifth.

Senator HEINZ. I understand you do have a pressing engagement in Harrisburg. It is going to be quite a drive to get there at 55 miles per hour. Good luck to you.

Thank you very much.

Mr. HARRAL. We now have a secret air transit system that goes 150 miles per hour. Nobody knows about it yet. [Laughter.]

Thank you for the opportunity of letting me appear.

Senator HEINZ. Is your deputy going to be able to stay?

Mr. HARRAL. Yes. Dr. Ferrar, who is not my deputy—he is a continuing consultant, but he will be here, yes.

Senator HEINZ. I meant Mr. Jurnak.

Mr. HARRAL. Mr. Jurnak will also be staying, yes.

Senator HEINZ. Thank you.

Our next witness is Mr. James G. Shultz. Mr. Shultz is director of operations, Pennsylvania Office of Consumer Advocate.

STATEMENT OF JAMES G. SCHULTZ, DIRECTOR OF OPERATIONS, PENNSYLVANIA CONSUMER ADVOCATE'S OFFICE; ACCOMPANIED BY TED FREDMAN, JACK LEHMAN, AND GARY KLEIMAN

Mr. SHULTZ. Thank you, Senator Heinz; thank you, staff; and thank you, Committee on Aging.

My name is Jim Shultz. I am representing the Pennsylvania Office of Consumer Advocate, which is an agency created by the Pennsylvania General Assembly in July of last year, but which came into operational existence in December 1976. Therefore, we are still in sort of our infancy stages. Some of you, therefore, don't know very much about our office.

Our legislative mandate is to represent low, moderate, and fixed-income residential consumers before the Pennsylvania Public Utility Commission and Federal regulatory agencies on utility and energy issues.

Therefore, rather than citing facts and statistics and leave that up to other people, I would like to present today very quickly our suggestions on some possible Federal actions, many of which relate to proposals in the Carter administration energy package.

At the same time, if I could, if this is permitted by the Senator and the staff, I would like to give up a portion of my time to some gentlemen who work as volunteers in the Office of Consumer Advocate.

Early in the formative stages of our agency, Mark Widoff and I decided that we needed to have some type of mechanism within the office to handle consumer complaints that we received throughout the Commonwealth. We in turn were able to get the Harrisburg Council on Aging to help us in this regard. We now have a system whereby approximately 18 to 20 volunteers, mostly senior citizens, come into our office on a regular basis all throughout the week and handle telephone calls and letters all over the Commonwealth from people who have individual problems with utility and energy problems.

At the conclusion of my very brief statement, I would like to introduce some gentlemen who would give you a little bit of an understanding.

Senator HEINZ. I looked over their statements and, without objection, they will be made a part of the record. For reasons of time, they won't be able to make a statement. I am hoping though that we can introduce them and when we get to the town meeting portion that they will be also available to answer any questions from the audience, as you and the others.

Mr. SHULTZ. I understand the time constraints.

I believe that the Carter administration energy proposal has, I believe, if nothing else brought the attention of the country to the severity of the energy crisis in this country.

There are various aspects of the Carter proposal that will have long-range implications such as development of nonconventional sources of energy, development of our coal resources, and so forth. I believe all of us, including myself, and I know for a fact you, are concerned about what immediate changes, what immediate actions are going to be taken and what immediate changes are going to occur in your life as a result of the Carter energy plan and Congress' reaction to it.

I would like to highlight very quickly three areas which I believe are of immediate importance that need immediate attention by the U.S. Congress so far as they relate to the Carter energy proposal.

The first has already been mentioned, and that is the question of rate structure reform.

I believe an area of immediate assistance to low-income and elderly persons would be to restructure the present charges that utility companies charge you on your bills.

Typically utility rate structures provide a lower rate per kilowatt hour for increasingly higher consumption levels. This promotional rate structure rewards intensive customers of electricity and places a burden on customers of small quantities, often low-income persons and the elderly. For example, here in Pennsylvania electric rates are structured to charge 4¢ per kilowatt hour for the first 100 kilowatt hours, but only 1.5¢ per kilowatt hour for amounts over 400 kilowatts.

While a number of alternative rate structures are possible, the Carter plan would require State public utility commissions to phase out or eliminate promotional rates and shift rates to peak-hour consumption.

Rate structure reform is a national issue. It cannot be dealt with solely by the State of Pennsylvania, as is being done right now by the Public Utility Commission. The reason for that is that so long as other portions of the country, particularly the sunbelt, who are not right now in terms of individual States reforming their rate structure, industry and commercial enterprises will look to the south in their promotional rates and move south, we can't afford that in Pennsylvania. Thus, with Pennsylvania reforms, industry and commerce possibly will be moving to the south. All States, therefore, must be required, as the Carter Plan proposes, to eliminate promotional electric rates.

I don't want to say very much about weatherization, but that is a second very important element. Jim Jurnak, who is the chief administrator for the Department of Community Affairs weatherization program, is here and will be making a presentation. I do not want to get into it at length.

I will say that the Governor's statement, the Governor's letter which Bill Harral read, in terms of the need for increased funding for weatherization is absolutely necessary. There is no other reason for holding down this program other than the need for increased funding. I think it has proven its worth and is a very successful program here in Pennsylvania.

The third area I want to address very briefly is the question of emergency financial assistance.

If this Nation experiences future supply disruptions or cold winters as we just went through, or another oil embargo, sharp increases in the cost of energy will result, and their increases are particularly harmful to low-income and fixed-income people. The Carter administration is supposing to develop an emergency assistance program.

The Community Services Administration's \$200 million program, very frankly, was simply too little, too late. We hope that Congress and the administration will have an emergency financial assistance program established prior to the next heating season.

My final comment in terms of specific actions that either the State government or the Federal Government can take is that I do not believe that in this society today with all the computer technology that we have, and so forth, and multi-million-dollar utility companies that operate in this State and other States in this country, that there is any excuse for cutoffs of elderly people.

Very frankly, utility companies, with the multi-million-dollar structures that they have, do not need to have the money from those people, those elderly people who are not able to pay their bills. It is not crucial to those companies to turn off the electric or the heat to those customers who are unable to pay their bills. It simply is not a financial situation that has to occur. It is not a necessity for the utility companies to turn off the electric and heat for people over 65 years of age. They do not need that money. Therefore, I would suggest that either at the State level or at the Federal level that action be taken to not permit utility companies to turn off electric or heat to customers over a certain age. [Applause.]

My final comment is that I think that, unfortunately, in today's society, elderly people have been forced into a position which I believe is a very unfortunate situation for this country to witness. That is, that you, as elderly people, must now be forced into deciding between necessities. We have a situation where energy costs are rising and you must now be faced with the choice of heat or eat, or heat or clothes, or heat or medicine. I don't believe in today's society in this country that we should be placing you in that position.

I, therefore, hope that some of the suggestions that I have made today and that other witnesses have made so far, and will make in the next few hours, will be enacted by the Congress so that you will not have to be forced in the later stages of your life, be forced into making decisions between necessities.

Thank you very much. [Applause.]

Senator HEINZ. Will you introduce the gentlemen who are with you?

Mr. SHULTZ. Sitting in the front row, first I would like to introduce Mr. Ted Freedman. Ted was instrumental in assisting in the establishment of this volunteer effort. He made the initial contacts with the Harrisburg Council on Aging.

I would also like to introduce Mr. Jack Lehman, who has been instrumental in, very frankly, coming into our office above and beyond the call of duty and assisting some people in the last couple months.

Finally, I would like to introduce Gary Kleiman, who is a high school student, who also comes in above and beyond the call of duty to help us on a volunteer basis and assists with the information center.

Senator HEINZ. I am pleased you brought them along and introduced them because I think it is important to the people here that they know who their consumer advocates are. I thank you for bringing them with you to the hearing.

[The following material was submitted by Mr. Shultz for inclusion in the record:]

PREPARED STATEMENT OF JAMES G. SHULTZ

I am here today representing the Pennsylvania Office of Consumer Advocate, an agency created by the Pennsylvania General Assembly in July 1976, but which came into operational existence in December 1976.

Our legislative mandate is to represent low, moderate, and fixed-income residential consumers before the Pennsylvania Public Utility Commission and Federal regulatory agencies on utility and energy issues.

Accordingly, my comments today will not be a presentation of facts and statistics on the energy crunch and the elderly—information which you have already heard. Rather, this Office of Consumer Advocate wishes to make the following presentation:

First, I'd like to present recommendations for Federal action. I think the facts and statistics demonstrate that the elderly are being hurt economically, socially and psychologically by the energy crisis. The issue today is what the Federal and State Governments are going to do about this condition. I will present both short and long-term suggestions, with some of them having a relationship to the proposed Carter administration's energy program.

Second, with me today are Mr. Ted Freedman and Mr. Jack Lehman, who are volunteers manning the citizen's complaint center in the Office of Consumer Advocate. These gentlemen, as well as about a dozen other volunteers, most senior citizens, answer telephone calls and correspondence on utility problems from consumers throughout the Commonwealth. At the conclusion of my statement, I'd like them to tell you, in their own words, about some of the individual and

family crises they have encountered as a result of attempting to resolve utility problems while working in the Consumer Complaint Center.

Finally, I'd also like to introduce Mr. Gary Kleiman, a senior at Susquehanna Area High School, who has been working in the afternoons as a volunteer in the Office of Consumer Advocate. Gary will present the office's concluding statement on the issue of the energy crisis and its impact on the elderly.

Overall, the impact of the Carter energy plan on various segments of our society and economy is still being analyzed by the experts. The Pennsylvania Office of Consumer Advocate has been consistently supporting the need for a national energy plan. While Congress may debate, approve, discard, or modify parts of this plan, the Carter administration is to be commended for presenting a comprehensive energy package and for raising the importance of the energy situation to war-time proportions.

There are various aspects of the Carter plan that will have long-range benefits for consumers (i.e., nonconventional sources of energy, development of our coal resources, etc.). Most people are more interested in what immediate changes they can expect if the Carter energy plan is adopted. I would like to highlight several of the elements of the Carter energy package which may offer some immediate assistance to residential consumers.

RATE STRUCTURE REFORM

One area in which the Pennsylvania Office of Consumer Advocate is particularly encouraged is this Carter proposal on utility rate reform. An area of immediate assistance to low-income and elderly persons and an area that would encourage energy conservation would be a restructuring of utility rates.

The typical utility rate structure provides a lower rate per kilowatt hour for increasingly higher consumption levels. This promotional rate structure rewards intensive consumers of electricity and places a burden on consumers of small quantities, often low-income persons and the elderly. For example, here in Pennsylvania electric rates are structured to charge 4 cents per kilowatt hour for the first 100 kilowatt hours, but only 1.5 cents per kilowatt hour for amounts over 400 kilowatts.

While a number of alternative rate structures are possible, the Carter plan would require State public utility commissions to phase out or eliminate promotional rates and shift rates to peak-hour consumption.

Rate structure reform is a national issue, for while the State of Pennsylvania may be restructuring its utility rates, States in the sunbelt are not following suit. Thus, while Pennsylvania reforms, industry and commerce move to those States offering cheap energy. All States, therefore, must be required, as the Carter plan proposes, to eliminate promotional electric rates.

WEATHERIZATION

Pennsylvania has one of the most successful weatherization programs in the country. The Carter administration proposes significant increases in Federal funds for this program, which we strongly support and encourage possible congressional increases to the Carter administration request.

The weatherization program, which I'm sure will be addressed in greater detail by the representative from the Pennsylvania Department of Community Affairs, which administers the State program, uses various Federal and State funding sources to insulate and make homes of poor and elderly people more energy efficient.

The costs for this program are totally borne by the Federal and Commonwealth governments. The homeowners are not required to expend any of their funds.

Reports have indicated that significant reductions in energy consumption occur in homes weatherized under the Office of Consumer Advocate program, which, of course, result in lower monthly bills. However, the present program has limited funding, thus limiting the numbers of homes improved. Also, the present program is governed by strict income guidelines, which need to be modified to allow more people to take advantage of the program.

Even if the weatherization program's income limits are modified, a large segment of our population, including the elderly, should have access to low-interest loans to make their homes more energy efficient. Thus, the Pennsylvania Office of Consumer Advocate is on record strongly endorsing the Reuss and Brooke bills, which would provide their low-interest loans for energy conservation changes to homes.

EMERGENCY FINANCIAL ASSISTANCE

If the Nation experiences future supply disruptions or cold winters as we just went through, or another oil embargo, sharp increases in the cost of energy will result, and their increases are particularly harmful to low-income and fixed-income people. The Carter administration is proposing to develop an emergency assistance program.

The Community Services Administration \$200 million program was simply too little, too late. We hope that Congress and the administration will have an emergency financial assistance program established prior to the next heating season.

These, then, are some of the elements of a national energy policy which the Pennsylvania Office of Consumer Advocate supports. We think that would offer some immediate relief to elderly people seriously affected by the energy crisis.

At this point, I'd like to turn our office's presentation over to Mr. Freedman and Mr. Lehman, and then, to Mr. Kleiman.

[The prepared statement of Mr. Freedman follows:]

PREPARED STATEMENT OF TED FREEDMAN

The Consumer Advocate Office under the direction of Mark Widoff has had in operation for the past 2 months a citizens' complaint center. They have received in that time over 200 complaints concerning various utilities. A survey of these complaints indicates about 20 percent have been from senior citizens or persons that are disabled or on fixed-incomes. A few examples that come to mind are a couple on social security in Annville who, through some technical error, had been paying commercial instead of domestic rates on electric for over 20 years and through the auspices of our office we got them a \$532 refund.

There is another case where a woman was on income of \$330 per month and couldn't possibly pay her utility bills and we got extended payments for her that she could live with. On another case of fixed income the person didn't know that there was such a thing as extended payments, we were able to get them extended payments. Some of the other problems that seem to come up are the fact that the utility bills are not itemized as they are supposed to be and we have been able to get explanations for a number of people. There was a gentleman on a fixed income who is in our same building who had a P.P. & L. steam bill that he couldn't possibly have met and through our offices we were able to get him an extension and at reduced payments, he came in and thanked us personally.

We didn't win them all; in some cases the utilities refused to go along on extended payments, insisting on payment in full. We referred these people to other agencies that might be of help to them financially. We steered some of them to SSI; some of them to the legal aid; some of them to the crisis center. Our principal purpose was to help in some way. One problem that cropped up often was the fact that the social security checks arrived 1 or 2 days late and then the utility payment has to be 1 or 2 days later and they have to pay a penalty. This seems to be a pretty widespread sort of thing and it could be eliminated with some kind of special attention to senior citizen requirements.

If I recall correctly, the number of people over 65 in the State of Pennsylvania is around 16 percent and this number is growing. Its gotten to the point now where the energy costs are almost as much as the rent or mortgage payments; in fact we are told that some banks are now looking at the utility costs as part of the reason for accepting or rejecting mortgages. We frankly feel that we are coming to an end of an era in the perspective on utility bills. The small user, which is the aging and the ones on fixed-income, is paying a disproportionately high rate for the amount of energy that they use as against the big industrial users.

I am going to read an excerpt from a letter from Tellman Chiropractic Clinic in Reading, Pa.

"I see so many people here in the office who are living on social security and fixed incomes. They just can't afford these high fuel and electric bills. This too is falling on deaf ears. What does it take to make you people stand up and pay attention to what we are saying? This greed and profit gouging must stop."

This letter is signed by Dr. Richard M. Tellam.

[The prepared statement of Jack Lehman follows:]

PREPARED STATEMENT OF JACK LEHMAN

In anticipation of the opportunity to address this committee, I decided to review several of the cases I have investigated to seek a common denominator that cites the plight of those on fixed incomes. All complaints are interlaced with the fact that no one seems concerned and all avenues of recourse are closed.

In reading some brief excerpts from letters we have received, it becomes apparent that there is a tragic need for constructive and corrective measures.

I would like to cite some examples of utility problems elderly citizens have presented to our complaint center.

I would also like to relate the following incidents, which did not involve elderly or fixed-income people, but are problems plaguing many of our senior citizens:

"Dear Mr. Lehman: On February 2 the main water line in front of our home froze up. Waited patiently until the middle of March to ask anyone for help. We naturally thought the Marion Heights Water Co. would take care of the problem.

"After many false promises to repair the water line, we chose to seek help from other agencies.

"We spoke with representatives from our borough council, the health department, the PUC, Environmental Resources, but much to our distress no help was in sight.

"Then after watching a news broadcast on the Channel 16 news, we decided to contact Madeline Fitzgerald.

"She in return got us in contact with you.

"After 90 days without water I was about to give up on ever getting help—then you came along. How can I ever thank you enough for your kindness and speedy help through this distressing time?

"If it wasn't for your concern we probably would still be without water.

"As of May 4, the water main was replaced and we now have water once again.

"I hope we get to meet each other that I might thank you in person.

"Thanks again, Diane Pupchock."

WATER RESTORED TO 2 HEIGHTS FAMILIES

(By George V. Hornberger, News item staff writer)

MARION HEIGHTS.—Water service has finally been restored to two Marion Heights families who had been without it ever since the "deep freeze" in January and February. But it took the intervention of the Office of Consumer Advocate, Pennsylvania Department of Justice, to turn the trick.

The families who had been without normal water supply for more than 90 days are those of Mr. and Mrs. George Pupchock, 505 Clermont Street, and Mr. and Mrs. Anthony Moleski, Jr., 558 Clermont Street. Separated by a stretch of vacant lots, the two homes stand at opposite ends of the 500 block of Clermont Street.

"We were living out of jugs all that time," was the way Mrs. Pupchock put it today as she described conditions under which she, her husband, and their 2-year-old daughter had existed for more than 3 months. "We were just fortunate that our parents live in the area so that we had places to take baths, wash our clothing, and get water." The Moleski family, which also includes a daughter, about 4, managed the same way, plus hooking up a hose connection with a nearby trailer court at times.

Mrs. Pupchock said she and her family were without water service from February 2 until May 4 and the Moleski family even longer, from January 26 until the latter part of last week, May 12 or 13.

Ted Freedman, of the public relations division of the Office of Consumer Advocate, said the Marion Heights situation was investigated by and basically resolved through the efforts of Jack Lehman. He said the investigation was requested by the offices of both Senator Franklin L. Kury and Representative Edward W. Helfrick.

Mrs. Pupchock said she and Mrs. Moleski tried every possible source of help after their water line froze up, contacting not only the area legislators but also

the water company itself, the Public Utility Commission, the Department of Environmental Resources, the State Health Department.

Freedman said the investigation undertaken by Lehman prompted a personal visit to Marion Heights by Francis Bifano, president of Lomma Enterprises, owner of the Marion Heights Water Co.

Mrs. Pupchock said the water company president visited her home on April 23 to discover for himself that no water was coming into the home, as she had previously reported to him by telephone. "On May 2 they started to dig," she said, "and, checking the water main section by section as they went along, they had to dig up practically the entire block."

As the result of some welding done on the line, Mrs. Pupchock said there was a trickle of water into her home from about the middle of March, but only during the evening hours. She said it was enough to make the flushing of toilets possible.

"We never had water pressure like we have now," Mrs. Pupchock revealed. "It's wonderful!" She went on to explain, however, that there was still another factor involved. The Pupchocks reside in a new ranch style home they built only about a year ago. After the main had been restored early this month, a water company representative discovered that the stop valve on the line leading into the home had never been turned on fully.

Although delighted over the fact that she and her family now have water service, Mrs. Pupchock considers it somewhat ironical that both of the affected families have received from the Marion Heights Water Co. bills for January, February, and March. She said she called the company to object to the billing for the period during which there was no water service and was informed that she would be given a 33 percent discount.

Has she paid the bill?

"No, we haven't paid it yet, even though we've also received a pastdue notice and also a pink slip which is supposed to mean that they'll turn our water off if we don't pay.

"Wouldn't it be funny if they turned our water off after all this?" she asked, and, as an afterthought, answered her own question. "No, I guess it wouldn't be so funny."

[The prepared statement of Mr. Kleiman follows:]

PREPARED STATEMENT OF GARY KLEIMAN

It may seem a bit out of place or unusual for a 17-year-old high school senior to address himself on behalf of his office to the topic "The Energy Crunch and the Elderly," but I have a definite message to convey in this, the concluding statement of the Pennsylvania Office of Consumer Advocate.

I have been associated with the Pennsylvania Office of Consumer Advocate for approximately 4 months, in primarily the capacity of a research and legislative assistant. I have had much contact with the elderly during that 4-month period: I handled many complaints and requests involving the elderly before the inception of our citizen complaint center, I have been doing research on the effect of the energy crisis on the elderly, today's topic, and I presently have everyday experiences with the elderly men and women who compose the backbone of our consumer complaint center.

We must recognize that the elderly are not a special interest group exerting undue pressure. It is inevitable that everyone in America will eventually become elderly, and this is why it is totally baffling to the Pennsylvania Office of Consumer Advocate why strong measures alleviating the effect of the energy crunch on the elderly are not being taken by the Federal Government, the base from which all such actions must flow. The energy crunch and its effect on the elderly is only a smaller illustration of how, on a much larger scale, the elderly are being greatly dislocated, both socially and economically. The Office of Consumer Advocate sees positively no reason why the elderly—most prone to illness, significantly immobile, and with a high percentage under the poverty line merely eking out an existence—must have to do without absolute necessities such as heat and electricity. And this is a main characteristic of the elderly: they desire only necessities, they don't ask for luxuries. The elderly years should be years of security and peacefulness to look forward to, not a period of uncertainty and suffering to fear. Again, the Pennsylvania Office of Consumer Advocate implores the Congress to immediately enact strong and vital legislation substantially easing the burden of the devastating energy crunch on the elderly. Thank you.

[The hearing continued as follows:]

Senator HEINZ. Our fourth and final witness on this panel is Mr. Terry Ferrar, director, Center for Environmental Policy, Pennsylvania State University.

Let me say that as soon as he finishes his testimony, there are some questions I would like to ask the people here and then it will be your turn to ask them any questions. So, you may want to start thinking up questions to direct to our witnesses. We will have a little audience participation, in other words.

STATEMENT OF TERRY FERRAR, DIRECTOR, CENTER FOR ENVIRONMENTAL POLICY,
PENNSYLVANIA STATE UNIVERSITY

Mr. FERRAR. Thank you, Senator. In the interest of time, I have drastically cut my prepared talk and I am only going to make one or two small points here today, so it won't take long.

Senator HEINZ. Without objection, your full statement will be made a part of the record.

Mr. FERRAR. Thank you, Senator.

It is an honor to appear before this very prestigious group today and I would like to just present a couple of my remarks.

For nearly a half century this country has experienced the longest, most continuous periods of inflation in its history. One of the primary results of rising prices has been the arbitrary redistribution of income within our society. While the Federal Government has attempted to offset this income redistribution with a variety of programs, these programs have only been, at best, partially effective.

Certain groups of our population, especially the elderly on fixed-incomes, have carried an unfair share of this burden.

In my testimony I have quite a bit in the way of statistical evidence to back this up. However, I will not bore you with it in this oral presentation.

For the last 5 years, with the accentuation of our energy problems and the associated rapid increase in energy crisis, this group has been subjected to even greater economic hardships.

The quandary of low-income people becomes even more critical when we realize that this group no longer faces trade-offs between necessities and luxury or deferrable items, but rather between necessities and necessities. In other words this group must confront such choices as to eat or heat.

Again, much of the documentation will not be presented here but it is contained in the written testimony.

Comparing the rate of price increases between 1973 and 1974 of just fuel and utility bills from the Consumer Price Index we see that five cities experiencing the most impact in the United States, the top five, are in the Northeast, ranging from 31.6 percent increase in Boston to 22.7 percent in Philadelphia. Again, tabular information is contained.

It should also be recognized that these increases far out-distance the average Consumer Price Index increase of 10.2. We are talking 31 and 22 compared to 10. We are talking of doubling. These energy impacts are, indeed, a very significant part of the consumption bundle.

From 1973 to 1976, the percentage increase in average annual expenditures by the elderly on home fuel for the northeast was 47 percent. A further study of these statistics reveals that the elderly in the northeast spent a higher percentage of their disposable income in home fuels than any other region in the country. Again, this is a northeastern problem and a Pennsylvania problem.

For instance, those elderly with income less than \$5,000 spent 27.3 percent of their disposable income on home fuel, almost 12 percent more than their counterparts in the West.

Unfortunately, I must also report that the situation over the past year has deteriorated even further than these statistics have indicated. The future looks even more foreboding.

Very simply, it appears that while the energy crisis will continue an upward trend of the last half decade, the real income of our elderly citizens will decline at even a more startling rate.

President Carter's national energy program, while I am very happy to have it, does little to assist this group of citizens and will probably accentuate the problem for the elderly. In terms of accelerating conservation measures through the use of tax credits for home improvements, this incentive will simply not be effective for the low-income elderly because of financial constraints.

Although the weatherization program, which was mentioned here on several occasions, is an excellent vehicle for assisting low-income groups, we must rec-

ognize that it does have a long time lag, a time to get implemented, before significant changes can be realized for the citizens.

The President's program also purports policies to raise the price of energy to encourage conservation. In general, I support this, but it must be recognized that this will result in increases in prices not only for direct energy expenditures, but also for other goods and services that rely on energy as a primary input into their production. Moreover, the program does not directly propose measures for offsetting these disparities.

In summary for this particular section of my talk, the impact of the energy crisis for the elderly has been severe and the situation will continue to rapidly deteriorate. Unless the Federal Government initiates policies to mitigate the severe impacts imposed on the elderly by increasing energy prices, this group will confront even greater economic hardships.

Now, I have a couple comments here before I conclude.

Fundamentally, there are two alternatives the Federal Government can pursue:

No. 1, encourage individual State public utility commissions to indirectly counteract rising prices through altered rate structures. This is the lifeline concept that was mentioned earlier.

The second fundamental method is to implement a system of direct subsidies to the elderly.

Let me add a comment here. Pursuant to alternative No. 1, that is, the lifeline concept, social concern regarding the impact of increasingly higher utility rates upon low-income consumers has prompted a concept of a necessary level of consumption in order to sustain an adequate quality of life.

In response to this argument, several State and Federal bills have been proposed which would initiate this lifeline structure. By definition, this structure would discount the consumption of electricity reasoned to be necessary to the health and welfare of the citizens.

Although the actual lifeline rate varies among proposals, the objective is to establish a level sufficient to cover the minimum necessary energy requirement. That is the target.

In addition, however, these proposals provide that the utility revenues lost by this necessary lowering of the rates will be recovered by increasing rates for residential consumption in levels beyond the lifeline rate and increasing commercial and industrial rates.

Now, that is the stinger, and I would like to just dwell on that for a second.

There are a number of studies which I cite in here. I am only going to cite one, in the interest of time.

A study by the National Economic Research Associates demonstrates that between 25 and 50 percent of those households in Pennsylvania—these are statistics relevant to this State—25 to 50 percent of those households in Pennsylvania with an income below \$4,000 will derive no benefits from a lifeline level that has been proposed, a 500 kilowatt threshold lifeline rate. The 25 percent to 50 percent of the people we are trying to get to with this program are simply not going to benefit from it.

In addition, since lifeline rates would result in utility revenue losses to other customers, that is, because the other rates are going to be higher, it is entirely possible that many of the low-income, high-use consumers would face even higher electric bills. This is a double-edged sword. We are not getting to the people we want to get to, to begin with. Secondly, there are many low-income, high-use energy consumers that are going to have to sustain higher cost electric power with this kind of a proposal.

In essence, it appears to me that the restructuring of electrical rates in terms of lifeline considerations will not be the most effective method of targeting benefits to the people we are attempting to assist, that is, the low-income and the elderly.

My recommendation—and I have one last paragraph here. My recommendation to the committee is that immediate legislative action on income support programs to the elderly to mitigate this devastating situation is needed, and needed now. Income assistance programs have the advantages of being quick, direct and effective. Several implementation procedures are available to Congress should they want to follow this proposal. Many have been mentioned here today, which are such things as fuel stamps or direct grants.

Again, I have cut this talk considerably. Thank you for the opportunity to appear before you.

[The prepared statement of Dr. Ferrar follows:]

PREPARED STATEMENT OF TERRY FERRAR

It is an honor to appear today before the Senate Special Committee on Aging under the chairmanship of Senator Heinz.

For nearly a half century this country has experienced the longest, most continuous period of inflation in its history. One of the primary results of rising prices has been the arbitrary redistribution of income. While the Federal Government has attempted to offset this income redistribution with a variety of programs, these programs have only been partially effective. Certain groups of our population, especially elderly fixed-income groups have carried an unfair share of this burden. Over the past 5 years, with the accentuation of our energy problems and the associated rapid increase in energy prices, this group has been subjected to even greater economic hardships.

The quandry of elderly, fixed-income people becomes even more critical when we realize that this group no longer faces trade-offs between "necessity and luxury" items, but rather between "necessities and necessities." In other words, this group must confront such choices as whether to "eat or heat." The conclusion reached in a study by the Washington Center for Metropolitan Studies highlights this dilemma for both the poor and elderly, and I quote:

"... the poor (including the elderly) uses much less energy than others and use it largely for necessities. They spend a larger proportion of their income on the energy they use, pay a higher per unit price, and cannot afford the out-of-pocket costs of equipment for conserving it."

Since many studies and previous testimony presented before this committee have examined the plight of the group, I will not attempt to repeat the details of this serious situation. However, I would like to take this opportunity to illustrate how the problems of the elderly in general are accentuated in Pennsylvania and the Northeastern United States. In essence, I hope to demonstrate that, while most other portions of the Nation are beginning to recognize the economic dislocation caused by rising energy prices and determine how such problems should be resolved, the problem for the Northeast and Pennsylvania already exists in full force and the time of policy decisions and actions is now.

In order to evaluate the impact of rising energy prices on the elderly, three factors must be considered. First, what has been the change in energy prices. Second, how has the level of income for the elderly changed. Third, how do the elderly react to changing energy prices with respect to resulting quantity changes.

Income levels for the elderly are primarily related to the level of social security payments. While in current dollars these payments have increased significantly, after accounting for the general inflation rate, these increases have not kept pace with inflation and, most importantly, they have fallen far behind energy price increases. Moreover, when compared to the general population, the elderly are less able to be responsive to price changes primarily because of health and financial (i.e., initial capital required to implement conservation measures) considerations as well as because the amount of energy consumed is used almost exclusively for necessity rather than for discretionary activities.

Therefore, given that income levels of the elderly have declined in real terms and their consumption habits are not responsive to price changes, the impact of rising energy prices has been at the direct expense of other essential or necessity items. While statistics on this past winter's experience are not yet complete, we can review previous years to provide an appraisal of the seriousness of this situation.

Comparing the rate of price increases between 1973 and 1974 for just fuel and utility bills from the Consumer Price Index (CPI), we see that the five cities experiencing the most severe impact in the U.S. are all in the Northeast; ranging from a 31.6 percent increase in Boston to a 22.7 percent increase in Philadelphia. It should also be recognized that these increases far outdistance the average CPI increase of 10.2 percent.

From 1973 to 1976, the percentage increase in average annual expenditures (of disposable income) by the elderly on home fuel for the Northeast was more than 47 percent. A further study of these statistics reveals that the elderly in the Northeast spent a higher percentage of their disposable income on home fuels than any other region in the country. For example, those elderly with incomes less than \$5,000 spent 27.3 percent of their disposable income in 1976 on home

fuels (for those with incomes under \$2,000 the percentage was 50.7) or almost 12 percent more than their counterparts in the West.

Unfortunately, I must also report that the situation over the past year has deteriorated even further than these statistics indicate, and the future looks even more foreboding. Very simply, it appears that while energy prices will continue the upward trend of the last half decade the real incomes of our elderly citizens will decline at an even more startling rate.

President Carter's national energy program does little to assist this group and will probably accentuate the problem for the elderly. In terms of accelerating conservation measures through the use of tax credits for home improvements, this incentive will not be effective for the low-income elderly because of financial constraints. Although the weatherization program is an excellent vehicle for assisting low-income groups, the fact is there is a long time lag before significant changes can be realized. The program also purports policies to raise the price of energy to encourage conservation. This will result in an increase in not only direct energy expenditures, but also in most other goods and services. Moreover, the program does not directly propose measures for offsetting such disparities.

In summary, the impact of the energy crisis for the elderly has been severe, and the situation will continue to rapidly deteriorate. Unless the Federal Government initiates policies to mitigate the severe impacts imposed on the elderly by increasing energy prices, his group will confront greater economic hardships.

Fundamentally, there are two alternatives the Federal Government can pursue: (1) encourage individual State public utility commissions to indirectly counteract rising prices through altered rate structures, or (2) implement a system of direct subsidies to the elderly. Pursuant to alternative No. 1, social concern regarding the impact of increasingly higher utility rates upon low-income consumers has prompted the suggestion that natural gas and electricity are necessities of life and, as such, some minimum quantity should be made available to consumers at a minimum charge. In response to this argument, several State and Federal bills have been proposed that would establish a lifeline rate structure. By definition, this structure provides a discount to the consumption of electricity reasoned to be necessary to the health and welfare of the citizen. Although the actual lifeline level varies among proposals, the objective is to establish a level sufficient to cover some minimum necessary energy requirement. In addition, these proposals provide that the utility revenues lost as a result of lowering rates for lifeline use may be recovered by increasing rates for residential consumption beyond the lifeline level and/or increasing commercial and industrial rates.

Numerous empirical studies have been conducted to determine what proportion of low-income and elderly households will actually benefit from lifeline rates, how much these persons will be helped, and how more affluent customers will be affected by these proposals. Specifically, these investigations have attempted to assess the relationships between electric consumption and household income. Although these studies demonstrate some degree of correlation between income and electricity use, none provide conclusive evidence that would support a lifeline proposal.

A major study completed in 1974 by Pacific Gas and Electric Co. employed income and housing data gathered in the 1970 census to examine whether low-income households consume less electricity than higher income households. The results indicated that on the average low-income customers did consume less energy, however, income was not a statistically significant influence on electric use. These results are supported by a study conducted for the Philadelphia Electric Co., in March 1976 which demonstrated that only 37 percent of poverty households and 16 percent of nonpoverty households were low electric users (i.e., consumed less than 3,000 kwh per year). Further, 6 percent of the poverty households and 22 percent of nonpoverty households were high electric consumers (i.e., consumed more than 8,500 kwh per year). It should be noted that these results are rather conservative since those households having electric heat or electric hot water heat were omitted from the sample. Moreover, a study by the National Economic Research Associates claims that between 25 and 50 percent of those households in Pennsylvania with income below \$4,000 will derive no benefits from a lifeline level of 500 kwh per month.

In addition, since lifeline rates would result in utility revenue losses to other consumers, it is entirely possible that low-income, high-use customers would face even higher utility bills than under current rate designs. In essence, it ap-

pears that restructuring electrical rates in terms of lifeline considerations will not be the most efficient method of targeting benefits to low-income and elderly households. Therefore, it is my belief that attempting to provide welfare benefits by modifying the price system in a way that distorts marginal cost pricing of service is an inefficient and ineffective approach to accomplishing the specified objectives. As welfare instruments, general economic theory suggests that direct subsidies for the elderly population are superior to mutating price systems.

It is my recommendation to the committee that immediate legislative action focus on income support programs to the elderly to mitigate the devastating impacts of rising energy prices. Income assistance programs have the advantages of being quick, direct, and effective. Several implementation procedures are available to Congress should this recommendation be accepted including the use of fuel stamps or direct grants. I further urge that consideration be given to establishing State or regional-specific programs that are responsive to the diverse impacts of the energy crisis, since many of these impacts are inherently geographic and climatic specific.

In conclusion, although the final program format should be responsive to the market situation while adjusting for such variables as fuel type, housing characteristics, household size and income, regional climatic differences are also of paramount importance. Finally, I want to emphasize again that congressional action is needed to offset the impacts of the energy crisis on the elderly and now is the time for such initiatives.

Thank you.

Senator HEINZ. Mr. Ferrar, thank you very much.

Before I ask you a few questions on behalf of the committee, let me just take note of a suggestion box that is here, courtesy of the Governor's conference on Aging. You see something behind me that looks like something you drop coins into at Christmas time. That is a suggestion box and the suggestions are going to be shared with the Senate Special Committee on Aging. Therefore, if as we proceed through the town meeting portion and you don't get a chance either to make a suggestion or to ask a question, take the response sheet that is like this [indicating]—we have received a couple of them already this morning—and lay out your thought or suggestion or comment and put it in the box or get it to some member of the staff afterwards so that we have your thoughts, even if we don't have time to hear from every single person.

Just like the audience, I have a tremendous number of questions that I would like to address to our distinguished panel of witnesses here today.

I would like to start with Mr. Beal, just to get a couple of facts very clear on the record.

In your testimony, Mr. Secretary, you mentioned that there were some 675,000 families eligible for weatherization aid; is that correct?

Secretary BEAL. Not for weatherization, Senator Heinz, but we believe about 675,000 families in Pennsylvania—and this is just an estimate, based on hearings before our Public Utility Commission—would be eligible for participation in the \$14 million fuel payment program.

The funds, the \$14 million we have, those are people who either are behind, way behind in paying their bills at the present time, or persons who have paid those bills but only at an extraordinary sacrifice in some other aspect of their cost of living. There are somewhere between 600,000 and 800,000 families in that situation.

Senator HEINZ. In Pennsylvania alone?

Secretary BEAL. Yes, sir.

Senator HEINZ. The characteristics that they have, are these necessarily all elderly families?

Secretary BEAL. No sir, they are not. They are many of our low-income elderly. As I mentioned, there are nearly a quarter of a million elderly in Pennsylvania in poverty and I believe most of them, if not all, are in this difficulty.

There are 800,000 Pennsylvanians and 350,000 families who are on public assistance.

There are another quarter of a million families in the State who are not on public assistance but who are at or reasonably close to the poverty level, and they all face this situation.

Senator HEINZ. There is an argument in Washington, D.C., as to whether the weatherization program should be administered by the Community Services Administration or the Federal Energy Administration, soon to be the Cabinet-level

Department of Energy. From your experience, would you care to comment on that as to whether you think it is best administered through CSA or from one of the Federal energy-related agencies?

Secretary BEAL. Well, I think from the Pennsylvania perspective, at least, the program has been well administered in this State and I think enthusiastically supported and helped at the Federal level by the present structure. There is always a danger when time is short and when need is great in changing a bureaucracy around.

I am not sure I speak for the Department of Community Affairs here but I think any time you go through something like that, you lose 6 months while everyone tries to figure who is running things, who is on top, and so forth and so on. This is a time of crisis. This is a program of desperate urgency for hundreds of thousands of people in this Commonwealth, and I would like to see as few boxes shoveled around as possible, and let's get on with the job.

Senator HEINZ. How does the State of Pennsylvania plan to distribute the \$14 million that they will receive in crisis intervention funds?

Secretary BEAL. We are, Senator, working on our final regulations now.

Our first problem has been to determine how many people are involved. Some people, as the law permits, who are in eminent danger of losing their service, can receive up to \$250 to meet the urgent need, which will be paid on their behalf to the utility companies directly. Other persons who are less far behind in their bills, but who have made sacrifices to keep current, are entitled to payments as well.

We are developing our final regulations on that and I hope they will be published very soon.

Senator HEINZ. Have you encountered any difficulties involving your regulations because of delay on the part of the Federal Government in issuing their regulations?

Secretary BEAL. Yes, sir. I am not even sure that the final Federal regulations are out yet. We are trying to work within the framework of what we believe is the intent of the law and the likely outcome of the regulations.

I think that this poses, Senator, one of the problems of trying to solve this problem by a patchwork annualized basis. This plan, I think, was first proposed by Senator Muskie, and others, in the Senate in January. It got through the Senate and went to a House committee where it was knocked out, I believe. The \$200 million was knocked out. It was restored on the floor of the House of Representatives after overwhelming public concern about it and, finally, I don't think was signed by the President until May to deal with the crisis which, in the minds of the public, is not as pressing as it was.

Now, if it takes that long to get help for people in the midst of the worst winter this country has had in its history, I just don't think that is the way to do it.

Senator HEINZ. You are absolutely right.

What I am trying to establish on the record is just how slow this is. Have you received either the \$14 million or the final regulations yet? I think the answer to that is "No."

Secretary BEAL. The answer is "No."

Senator HEINZ. When have you been told that you will receive either the money or the final regulations?

Secretary BEAL. Mr. Jurnak, I think, can give you more specifics on that.

Mr. JURNAK. Senator, the Department of Community Affairs will actually receive the funds in Pennsylvania. Then the Department of Welfare will administer the distribution of those funds. Our understanding at this time is that the funds have not been allocated out to the Community Services Administration, from the office manager of the budget. I believe the President signed the appropriation bill, the final appropriation bill, on May 4, or something around there, and that the Community Services Administration has still not received authorization to spend those funds from the office manager of the budget.

As a result, the rules and the finalization of those rules has not been completed.

Senator HEINZ. Do you have any reason to believe that OMB is going to hold up those funds indefinitely?

Mr. JURNAK. We have not received any information in that regard at this point.

Senator HEINZ. That is something I think the Special Committee will be very interested in checking into immediately on our return to Washington. We don't want those funds held up. It has gone slowly enough as it is.

Mr. JURNAK. As far as we know, Senator, the funds will be released, presumably, when OMB goes through whatever their process is to allocate the funds.

Senator HEINZ. As of right now, you have no date from the Federal Government as to when that money might be available? It could be June, it could be July, it could be August, or it could be never.

Mr. JURNAK. The only date we have at this point, from my understanding of the Federal officials, is the money must be expended by the 31st of August.

Senator HEINZ. If they give it to you on September 1, we are really in trouble.

Mr. JURNAK. Exactly.

Senator HEINZ. Thank you very much.

I would like to turn for a moment to the weatherization program.

My understanding of the weatherization program is that the grants made available are only made available for materials. That leaves out labor costs, is that correct?

Mr. JURNAK. That is correct.

Senator, I am going to be addressing those issues in the next panel.

Senator HEINZ. You are?

Mr. JURNAK. Yes.

Senator HEINZ. Good.

There is an issue I do want to cover though because it is relevant here, and that is: Is the State of Pennsylvania making any effort to encourage the use of CETA, the people employed under CETA to install weatherization in the homes of low-income people, particularly our low-income elderly? Maybe you better answer this question right now.

Mr. JURNAK. Yes, sir. The provision of labor in the weatherization program at this time is almost exclusively through the various titles of the Comprehensive Employment and Training Act. There will be, starting in June and July, a tremendous increase in the number of workers available to the local operators because of the increases, especially in title VI, the public service employment part of the Comprehensive Employment and Training Act.

In addition, we have had some funds available through the Economic Development Administration, title X. We will be implementing within the next month some funding through the Department of Welfare title XX program to pay for labor in some cases.

Senator HEINZ. Thank you.

I would like to discuss with the panel the rebate mechanism on the energy taxes that have been proposed by President Carter. A study done by the minority staff of the Senate Budget Committee has indicated that the cost of the Carter energy program in terms of additional taxes would be quite substantial and might total some \$70 billion per year in additional costs and taxes by 1985.

That would include the following kind of assessments:

On gasoline tax, a 35¢ a gallon tax by 1985, which would be a total of \$35 billion in additional taxes.

From the wellhead tax on crude oil, which would include a \$6 per barrel tax on the old oil and a \$3 per barrel tax on the new oil, all taxes to be imposed by 1980, some \$16 billion in additional taxes.

From the tax on natural gas to industrial users, assuming an 85¢ per thousand cubic feet, some \$2.9 billion.

From the natural gas tax to utility users, some \$11.5 billion.

From the fuel oil tax on industrial users, some \$2.7 billion.

From the fuel oil tax to utility users, assuming a 1985 tax rate of \$1.50 per barrel, \$1 billion.

That totaled approximately some \$70 billion per year by 1985.

Now, we are talking, therefore, about a tremendous amount of additional taxes. I was wondering what kind of a rebate mechanism that the State of Pennsylvania feels would be fair to all of our citizens and particularly our senior citizens? Have any of you given that some serious thought?

Mr. FERRAR. Senator, I would respond to that. I would not want to say that I am an expert in that particular field, but I have been involved with the Office of Technology Assessment, looking at the President's program relative to the taxes.

At the outset I think it is important to appreciate that taxes on business are, indeed, going to be reflected in prices. These are going to be viewed as cost of business. They are going to come through the price mechanism to the pocketbook to the grocery store to the clothing store, and anywhere else where they

are going to impact. They are not going to be extracted from some slush fund that business has. This is going to affect us as citizens. So, there is a lot of money there. There is going to be a price impact.

Studies that have been done by the Chase Manhattan econometrics organization have indicated that that price impact is not, in any sense, going to double the rate of inflation, or something that drastic but it will, indeed, have a percentage point or less impact on inflation over the longer run.

Indeed, we are going to pay those taxes through the marketplace.

In terms of a rebate system, I guess I can just wager a few comments on that.

It seems to me that as prices do rise, we are going to have the redistribution of income that I mentioned in my presentation even more accentuated. The elderly, the poor, and certain other groups in our society are, indeed, going to be impacted disproportionately compared to other citizens, especially the middle age citizens in the thirties and forties. They are not nearly going to have the impact of the elderly.

So, in terms of rebate in the perspective of this particular conference, it would seem to me that a rebate system directed toward those impacted groups would certainly be desirable. As I cited in my presentation, Pennsylvania is, indeed, a very high ranking State with respect to this problem.

Senator HEINZ. Mr. Ferrar, my understanding of the President's proposal is that the only thing he is proposing to rebate is the gasoline tax, is that correct?

Mr. FERRAR. I do not disagree with that. I hesitate to confirm that though. I believe that is correct.

Senator HEINZ. Secretary Beal.

Secretary BEAL. I do not know, Senator.

Mr. SHULTZ. That is my understanding.

Senator HEINZ. Mr. Shultz, you say that is your understanding?

Mr. SHULTZ. That is my understanding.

Senator HEINZ. That clearly means we have, as I think Mr. Ferrar pointed out, a serious problem. If we end up with \$70 billion in additional tax costs but only \$35 billion of that in the form of gasoline taxes, if that is enacted—and let me tell you that this particular Senator is very negative on the gasoline tax. I don't see how we are ever going to be fair to Americans. There is not going to be enough money to make people whole again. My general feeling is that no matter how hard you try, it is always the people with the least advantage in our society who get left out. They have the least clout down in Washington.

I am very concerned about the tax bill, and it doesn't include all the pass alongs that are additional costs and profits that take place. If somebody raises the price on the wellhead, every distributor down the road takes a markup, and \$9 and \$6 at the wellhead is likely to end up \$18 or \$12 as it comes to you from your friendly utility company on delivery of heating oil, or whoever it may be. So, I think this is an area where tremendously careful thought is going to have to be brought to bear if we implement a tremendous increase in taxes. I certainly welcome comments from anybody here when we get to the town meeting portion. But it is not going to be rebatable because it won't be in the hands of the Federal Government to rebate. A lot of it will be someplace else.

Mr. SHULTZ. Senator, I would just like to respond about one point.

I believe that one of the situations that the Office of Consumer Advocate has been faced with is the calls of desperation from people on the fixed incomes and low incomes. Those calls are saying to us that they have now had—they are now receiving, particularly this past winter, combined utility bills for heat, electric, telephone, and so forth in excess of their social security payments.

What I guess I am saying is that I don't believe our financial support mechanism system—probably Secretary Beal could speak to this better. I think he mentioned that the SSI payments are a \$1,000 below the poverty level. I don't believe that our present financial mechanisms are keeping pace with increasing costs, particularly those costs that are necessary costs, such as utility prices.

Senator HEINZ. I think that is a very helpful comment, Mr. Shultz.

As a consumer advocate, I would appreciate your views on each of the elements that I mentioned. Do you think that the gasoline tax is a good idea?

Mr. SHULTZ. Senator, I think that is a very difficult thing for me, being a non-economic expert, to address myself to.

Senator HEINZ. I will give you a suggestion, and the suggestion is "No."
[Applause.]

Mr. SHULTZ. I take it that that is your position?

Senator HEINZ. That is my position. It does not represent necessarily the views of the Senate Special Committee on Aging or any of the other sponsors. It may or it may not. It is certainly my personal view.

Let me ask you about the wellhead tax on crude oil. Do you agree as a consumer advocate with that tax?

Mr. SHULTZ. Yes, I do.

Senator HEINZ. Do you agree with the increase in the tax on natural gas to industrial users?

Mr. SHULTZ. Yes.

Senator HEINZ. Do you agree with the additional tax on natural gas to utility users?

Mr. SHULTZ. To utility users? How are you defining utility users?

Senator HEINZ. Somebody who uses natural gas to generate electricity.

Mr. SHULTZ. To generate electricity?

Senator HEINZ. Yes.

Mr. SHULTZ. You are talking about the distributors?

Senator HEINZ. No, I am talking about electric utilities.

Mr. SHULTZ. That is a very, very difficult question. It is a very complex question. No. 1, I would suggest it is not open right now for a "Yes" answer. It is a very difficult question.

Senator HEINZ. Do you agree with the \$3 per barrel tax on fuel oil to industrial users?

Mr. SHULTZ. Yes.

Senator HEINZ. Do you agree with the \$1.50 a barrel tax on fuel oil to utility users?

Mr. SHULTZ. Again, that is a very difficult question. I think that is a very complex question.

Senator HEINZ. I recognize that, but it is important to get your views.

Secretary Beal, do you have any comment on those additional taxes?

Secretary BEAL. I think the poorest use of natural gas in the world is for the generation of electricity, Senator. I believe the poorest use of our limited supply of natural gas in the world is to use it in generating a base load or other electricity. I would think that if the tax means to discourage that, it would be appropriate.

Senator HEINZ. Why shouldn't we just ban the use of natural gas for utility use in generating electricity, rather than try and tax the consumer, who must ultimately bear the cost of that tax through the utility?

Secretary BEAL. That might be wise if there is a power to do that. I don't know if there is a legal power to do that.

Senator HEINZ. There is.

Secretary BEAL. If there is, then that might be a more effective way of approaching the problem than taxing it.

Senator HEINZ. Mr. Ferrar, do you have any additional comments?

Mr. FERRAR. Just a couple.

In term of your question about banning natural gas, I believe the argument against that would be more of an air pollution related argument that might be more pertinent to California than to Pennsylvania. But I believe there are these other sections of the country that would probably argue against, and certain sections of our society—those people more concerned about air pollution may argue against the banning of the use of natural gas in certain isolated circumstances.

In terms of taxes in general, it is not popular to be pro-energy industries, but I think indeed to put a wedge of tax between the price we pay as citizens and they receive as revenues is a kind of dangerous thing to do. I believe they do have to have a solid revenue flow in order to make the costly investments they have to make.

I understand that there are monopoly interests here that we have to be very careful on and I believe very deeply we have to keep anti-trust laws in force, and we have to watch these industries very carefully. But to put a tax wedge between what we pay and what they receive I think is a dangerous, long-run policy that we should handle very carefully.

Senator HEINZ. I would like to turn now to the question of utility rates. Mr. Ferrar's testimony was very comprehensive on that, and some helpful comments were made by other witnesses.

Mr. Ferrar, I believe, to summarize your statement, you said you didn't feel that lifeline rates were the most effective way to help poor people and senior

citizens, and you cited some reasons for that. President Carter, instead of life-line rates, has proposed peak-hour rate adjustments. What are your feelings about that?

Mr. FERRAR. I support that completely. I think that is a necessary way to go. Peak-hour rate adjustments will permit the utilities to smooth out their load curves which means that they can then rely on coal and nuclear facilities rather than to resort to peaking facilities. Peaking facilities are normally filled by natural gas and fuel oils. So, this is an excellent policy.

Senator HEINZ. Now, you did say that an income support mechanism would be the best way of protecting senior citizens and other low-income people against energy price increases. You mentioned fuel tax as one alternative and direct grants as another. I don't recall, but maybe I am in error, that you mentioned adjustments to the already existing income support mechanisms of social security and SSI.

Now, I think we all recognize that the cost-of-living adjustments under social security do not adequately reflect the cost increases that senior citizens incur. They don't recognize and they haven't recognized even in the 5.9 percent that is scheduled for the end of July for this year, the tremendous increases in energy cost. They don't apply this. They don't recognize the increasing medical costs that the inflation and health care has brought on senior citizens, as another for instance.

What would be your views as to creating a special cost-of-living index for senior citizens, not the one we now have which is an average cost-of-living index—and not only creating one that really reflects the so-called market basket of senior citizens, which is much higher in terms of the proportion of energy costs, housing costs, health care costs than the average citizen but was also revised much more frequently than one a year. How would you feel as to that?

Let me ask you about that first, and then I would like to have Mr. Shultz and Mr. Ferrar comment briefly.

Secretary BEAL. I think that that would be an appropriate approach to the problem. Social security and SSI benefits are readjusted once a year, based on a national average which, as you point out, does not reflect the special requirements of the elderly, blind, and disabled persons who are served by the social security and SSI programs. I think that market basket of goods and services is unique to that group or the mix of services and end goods would be a much more fair system than the present one.

As to more frequent adjustments, I would certainly concur in that. I believe our military pension program, at least used to have—I don't know if it has today—a 6-month adjustment around the cost of living, and so on. I think something like that would be fair.

I would also point out the nearly 1 million other Pennsylvanians who depend on some form of public income maintenance, who also have special needs. In Pennsylvania today, the persons in our public assistance program are living on less than 80 percent of our own minimum standard of health and decency, including some 450,000 children. We need a national income maintenance policy for all poor people in this country or all marginally poor people in this country, whether they be elderly or not, in order to give them some dignity.

A constant patchwork of programs to meet some special need, we have 100 of them now. What we look for is a single program that will meet the minimum needs of people in a responsible way, that at least has as its minimum the poverty level. Believe it or not, there are 1 million Pennsylvanians who are not even at the poverty level.

Mr. SHULTZ. Senator, the Office of Consumer Advocate, Federal Energy Administration, I believe, in the Ford administration, was recommending such a concept as you are talking about. We support that concept.

We also support the concept of adjustments more than once a year.

In reference to the peak load pricing, we are testifying at the present time before the Public Utility Commission in support of peak load pricing.

Senator HEINZ. Thank you.

Mr. FERRAR. I have just a brief comment, Senator.

I do feel it is important to recognize the problems of the elderly and other special groups in our society as problems of income assistance as opposed to energy problems. I think it is important that we operate within our income assistance designs on our country as opposed to confusing the issue by adjusting rates and other kinds of energy related activities.

I would support the concept of putting this into a more conventional structure. Senator HEINZ. One last question, Dr. Ferrar, that I would like to address to you in particular, but either of the other witnesses might comment on it.

President Carter's energy proposal includes a call for private utility companies to offer low cost loans to homeowners in order to help them insulate their homes and, thus, conserve energy. Do you endorse that approach and if you do endorse that approach, what controls would you install to insure quality of installation and controls over possible fraud or overpricing?

Mr. FERRAR. This is a very important problem. I do endorse some approach to assisting the citizens.

The problem with working through the utilities is that they are not a loan company. They are not a conventional financial concern, and they have administrative problems in dealing with this. However, if this is the only way we can reach out to these citizens, then let's have that. If there are other mechanisms, such as the ones that Mr. Harrel mentioned earlier, then I think they deserve equal attention. In concept, I endorse it. In terms of the administrative structure, I just don't understand it enough to say anything conclusive.

Senator HEINZ. I think that is something we will have to look at much more carefully because it is somewhat of a conflict of interest for the public utilities to try and show you how to use less energy. It may be possible and I don't want to write the idea off completely, because I agree with you that this is a natural way of reaching people—about the only way of reaching everybody—but it will not be easy to fashion programs.

Let me at this point ask anybody who has a question for our witnesses to please come forward and state your question.

Frank, you are going to be on later.

Mr. BRADLEY. This is very important and pertinent to what was said.

Senator HEINZ. Very well. Come up to the microphone.

I happen to have known this particular gentleman. Some of you might too. His name is Frank Bradley. He is from the Senior Action Alliance in Philadelphia. Frank is a very bashful, shy individual and every time I have seen him he has great difficulty expressing himself. [Laughter.]

Occasionally 2-year-olds don't understand what he is saying but the rest of us have always found him to be very effective.

Mr. Bradley, it is very good to have you here.

Mr. BRADLEY. I appreciate your apologies for my deficiencies, Mr. Heinz. [Laughter.]

I have a question, not only a question but I think a statement and a request to Mr. Beal. That is No. 1. It is for him to make a request to the Governor to get SSI moved up from its position of 11th in the United States to the position of No. 1. We were 21st up until about a year ago. Since then it has moved up. Let's make the final leap and just lead the rest of the country. [Applause.]

Senator HEINZ. Mr. Bradley, shall we let Mr. Beal respond to that?

Secretary BEAL. Mr. Bradley, I very much personally support—and I am sure the Governor does too—an increase in the public assistance grant and an increase in Pennsylvania's SSI supplementation. As you know, we increased the Pennsylvania supplementation about 50 percent, effective January 1, 1976. It has been a long time. I think we have an obligation. You have an obligation to work with the General Assembly to bring that to their attention, and I support it.

Mr. BRADLEY. If you would send that in a letter to the Action Alliance, we will use it as propaganda to get the thing going.

Secretary BEAL. OK.

Mr. BRADLEY. My second request of Secretary Beal: The Action Alliance now has before the Pennsylvania Legislature a bill to exempt the senior citizens from increases in taxes as of July 1, 1976. We would like Mr. Beal to contact the Governor and he himself to get behind that bill because it is a necessity.

Let me give you one illustration, and this applies to the 1,270,000 senior citizens in the State of Pennsylvania. This one illustration was called into our office and applies to 234,000 senior citizens in the city of Philadelphia. That went as follows: "Mr. Bradley, my name is Mrs. Dougherty. This is what happened. I paid \$400 a year taxes. My assessment has just been increased by 50 percent, which makes my taxes now \$600. Now my taxes have been increased by the city over and above the assessment to 30 percent. That is \$780 per year, \$20 short of those taxes being doubled."

By this time the woman was almost incoherent in her tears. She said, "Mr. Bradley, I am not going to be able to pay those taxes. I am going to be sold out by the sheriff."

My mind went back when I was 21 in 1929, when people were being sold out because they didn't have \$50 per year taxes, which would be what she would have on her home at that time. We did things to stop sheriff sales and to stop evictions.

I don't want to see that picture occur again in the United States, and that is one of the reasons we have got this bill before the legislature in Harrisburg. I would ask Mr. Beal to back it because in his position, he knows the conditions that exist among senior citizens.

Secretary BEAL. Mr. Bradley, the Department of Public Welfare has asked formally to comment on all legislation that is submitted that affects the elderly in Pennsylvania. There have been, as you know, perhaps a dozen or more bills of this kind submitted during this session. I think we have commented favorably on all of them, certainly the principle that you recommend.

Mr. BRADLEY. You can understand, as well as I can understand, the importance of a forum such as this to bring attention not only to yourself, but the fact that we did bring it to you, and to the rest of the citizens of the State of Pennsylvania.

Thank you very much.

Senator HEINZ. Mr. Bradley, thank you very much.

Mr. COOMBS. My name is William Coombs, and I am a convener of the Pennsylvania Capital Network of the Gray Panthers.

What I am concerned about today is the concern I think that everyone in the audience is particularly concerned about.

The most offensive part of our utility bills are those known as fuel adjustments, which often are as much today as were our total bills previously. Provisions for auditing—and I stress the word "auditing"—this cost has until now fell on deaf legislative ears in Pennsylvania. The need is now to settle whether or not this charge is proper and whether or not abuses have occurred in these charges.

Now then, I have been a staunch advocate for the PUC for many years and worked very hard to get the passage of that legislation. However, I am deeply disturbed to see that, as of this moment, no one in the Public Utility Commission has given us any serious consideration whatsoever in auditing the public utilities in this Commonwealth.

Now, it may not be that the fuel adjustment charges are proper, but I have been reading throughout the country that fuel adjustments have been misused to a great extent by the companies using them for purposes other than the fuel adjustment purposes.

Now, since we haven't gotten any help at all from the State on this particular matter, I would first like to address the State and ask them again to please make an audit of these charges, so for once and for all we can be satisfied that what we are paying in fuel adjustments is something that is real and rational and not something pulled out of the air.

Do you wish to address that, and then I have a second part to this.

Mr. SHULTZ. In October of 1976, the General Assembly passed two PUC related bills, Acts 215 and 216. At the end of this calendar year, at the end of 1977, the PUC under those laws are required to audit the fuel adjustment charge of every single utility company in Pennsylvania. So, your request for an annual audit has been heard by the General Assembly. The fact is we simply haven't gotten to the end of the calendar year to have those annual audits performed.

Every month the utility companies must submit their financial records to the Audit Division of the PUC. I will say that as of right now, because of limited staff, the PUC, as I understand it, has only been able to spot audit. They are only financial in nature and they do not go into all the aspects of the fuel adjustment charge because of having to be done every month.

But I can say to you that Act 215 of 1976 does require the PUC to do an annual audit of the fuel adjustment charge.

I think that as a result of the investigations in the House and Senate in 1975 and 1976, you also saw actions taken by the House. The Mines and Energy Conservation Committee did initiate the investigation into coal contracts between the utility companies and coal distributors. That was action also taken by the General Assembly.

I do believe that the General Assembly should be commended for some of the actions they have taken in terms of the fuel adjustment charge.

I don't believe, however, that we have done enough. My own personal opinion is that the fuel adjustment charge as such should be rolled in and should be part of the bill and should not be an itemized listing on your bill because, as it stands right now, it is an unregulated charge. The only thing that is now happening in those monthly audits at the end of the year—I believe that at this point the fuel adjustment charge as an unregulated charge should no longer be unregulated and should be rolled into the bill and should be part of the regulatory process when the company comes for a rate increase request.

Mr. COOMBS. Thank you very much. However, I do think that once the audit is made, I am quite sure there will be rebates to us because of the payments we have made over the years. I am quite confident that that fuel adjustment is not a proper charge and I am sure the audits will bring back some of the money we need now. I am sure that myself, along with any others, because of that fuel adjustment, every time the bill comes, you have to run over to the bank and borrow \$100, or more, just to pay the fuel adjustments. This is an imposition on us older people and I want to see it stopped.

The other part of the question is that since most of the public utility companies are spread out throughout the country, I think then it goes beyond the mere State that the utility is in. Then I think it becomes a national problem.

Senator HEINZ. It does. I will respond to you in a minute but I want to ask Mr. Ferrar a question that you brought up.

Mr. Ferrar, do you believe that the fuel adjustment cost is a sound procedure or do you believe that it is preferable to have fuel cost increases included in the rate basis of public utilities?

Mr. FERRAR. In concept I support the fuel adjustment cost as it presently is billed. I do not think rolling it into the rate base is a correct way to go. I do agree completely, however, that auditing of these companies is indeed necessary, as it is in many walks of life. I think we have to get those fuel adjustment costs into the bill as soon as possible. The rate base process is very slow.

Senator HEINZ. Would it be more or less costly to consumers to have the fuel adjustment clause included in the rate base?

Mr. FERRAR. It would definitely lag. The fuel adjustment would lag if you put it into the rate base a significant amount of time.

I guess my major concern there is not that it would be more or less costly but, indeed, could result in more shortages of power. I think high prices are bad but I think blackouts are even worse. This is something that is an ongoing cost and operational cost that the utilities have to pay. I think capital cost, cost of major capital facilities should be what the rate base is composed of.

Senator HEINZ. Secretary Beal, do you agree with that statement?

Secretary BEAL. I don't believe any cost should have no control over it in what is essentially a monopolistic industry. As I think has been pointed out, that cost is exempt from the regulatory process and it is now becoming an ever increasing part of the public utility bill. I think if that were a part of the regulated cost, there would be more pressure on the utilities to see the most competitive sources of supply.

Senator HEINZ. I take it that you disagree?

Secretary BEAL. Yes, sir.

Senator HEINZ. You think it should be part of the rate base?

Secretary BEAL. Yes, sir. These gentlemen, Senator, are the experts on public utility matters.

Senator HEINZ. Looking over what is included in the fuel adjustment cost, do you feel the Public Utility Commission is doing an inadequate job auditing?

Secretary BEAL. I cannot comment on that.

Senator HEINZ. Mr. Shultz, could you give us a "Yes" or "No" answer to that?

Mr. SHULTZ. I believe that at the present time the law is sufficient and I believe they are doing an adequate job. They are beefing up the staff to do monthly audits and they are preparing to get ready for those annual audits, as required by law. I think in terms of what they are required by law to do, they are doing an adequate job.

Senator HEINZ. You do disagree with Mr. —

Mr. SHULTZ. I do disagree.

Senator HEINZ. It just turns out that in any group, even from more or less the same organization, there is disagreement.

I think most of us feel that fuel adjustment costs are very aptly named. In some of the recent testimony we took, they are called invisible inflation. They sneak up on you. You don't see them coming, and the next thing you know they have got you right by the utility bill.

I notice there are a large number of people lining up.

Mr. COOMBS. Let me just conclude, Senator.

In my judgment and in the judgments of many others, we feel it is a rip-off. And the fact that the PUC is only now beginning to make audits does not make up for the fact that for years we have been ripped off with fuel adjustment and no audits have been made during those years.

What I am saying today is that we want Federal participation in order to insure that there will be auditing and there will be no rip-offs.

Senator HEINZ. Thank you.

Before we proceed any further, we are getting into a time bind. We have a lot of audience participation and, secondly, we also have another panel to hear from.

What I would like to do is take one more person for a question, ask the rest of you to temporarily sit down, if you don't mind, and then at the end we will get back to those of you who still have questions. In fairness to the witnesses who have traveled a distance, along with you, I would like to take the witnesses.

UNIDENTIFIED SPEAKER. We object.

Senator HEINZ. What is that?

UNIDENTIFIED SPEAKER. We object.

Senator HEINZ. Well, I appreciate that but that is the way it is going to be. You will have a chance to speak and you will have a chance to speak in the order in which you are now standing. I am going to ask a member of the committee to take your names so we can call you back in the order in which you are standing, which I think is fair.

UNIDENTIFIED SPEAKER. Let's put it to a vote.

Senator HEINZ. I am going to ask this lady to come forward, address her question. We are going to take your name.

UNIDENTIFIED SPEAKER. It isn't even her turn.

Senator HEINZ. Well, I am sorry. She was standing in front. I am sorry about that.

UNIDENTIFIED SPEAKER. Mine is a very short question. When you talk about the elderly on fixed income, are you talking about all of us who have worked practically all of our lives and who have paid taxes and haven't been on relief or food stamps, or are you talking about those that are below the median income?

Senator HEINZ. I am talking about people who are on fixed incomes, whether or not they are below the median income.

UNIDENTIFIED SPEAKER. Whether or not they are below. I wanted to know that. That clears it up for many of us here. Thank you.

Senator HEINZ. Now, let me ask you this. Are there any of you that do have questions of the State witnesses at this point?

UNIDENTIFIED SPEAKER. Yes.

Senator HEINZ. Before I release the State witnesses, then, I will ask you to come forward. Try to make your questions brief because we are getting behind on time. This is a very difficult meeting to manage because we have so many varying people coming in and going out. I appreciate your cooperation and interest in helping to make it as concise as possible.

UNIDENTIFIED SPEAKER. My question is specifically addressed to Mr. Harral's statement earlier today regarding the weatherization program. Now, I am not sure whether Mr. Jurnak or Mr. Ferrar can answer my question but I am very curious as to how much the total budget for the State of Pennsylvania's winterization program was at the time the State of Pennsylvania succeeded in weatherizing 13,000 homes. And may I also have a breakdown, please, on how many of those 13,000 homes belong to elderly and how many of them belonged to the nonelderly?

Senator HEINZ. Mr. Jurnak will be a member of our next panel. I think he will be in a position to answer questions.

Do you have some questions for Secretary Beal?

Mr. BURT. Senator Heinz, I am agreeing with you when you mention about the Carter tax on gasoline. In other words, if you are a person and you have

sufficient moneys, you can drive around just as much as you want and you are not worried about how much it is going to cost you. Take the average person. It is quite a factor to him. In other words, what the Carter administration is saying and what Mr. Carter is saying is that if you have the money, cheerio, use all the gas you want.

Senator HEINZ. I couldn't agree with you more. I think the basic problem with the energy program, which in concept I support—I support the concept of conservation and I support the shift to coal and new energy, but I totally object to the principle that the rich will be able to avoid conservation just simply by paying the taxes. An extra 5¢ or 10¢ or 35¢ a gallon won't mean that much to somebody who is driving a luxury car already.

Mr. BURR. I don't necessarily draw the line between the rich and the poor, you know. We don't want to draw lines like that. We should draw lines between those that can afford it and those that can't afford it.

Senator HEINZ. That is right. Will you just state your name for the record.

Mr. BURR. My name is Paul Burt. I am from the Governor's Council and I am from Upper Darby.

Senator HEINZ. Thank you very much.

Mr. BURR. This is to the State. This is in reference to the public utility. We went over all about the amount of moneys being held by the utility companies in reference to the usage of extra money, if it is needed. What I would like to say is this. It seems generally that as far as the Public Utility Commission is concerned—and I say this with respect, if I may—very rare is there anything presented by utility companies—and I mean all types of utility companies—I mean, they might let it go for awhile and let the people feel good, but eventually the public will pay for it.

Thank you.

Senator HEINZ. Thank you very much.

The people from the State have been very, very patient. They have been here 2 hours. At this point, I am going to thank them. I think we all appreciate your having been here, Secretary Beal, Mr. Ferrar, Mr. Shultz. I think you have been very candid and you have been invaluable to me. I think your testimony and your answers to questions from the people in the audience will be very useful to us in the Congress in trying to frame energy policies that are truly fair and take into account the problems of senior citizens. Let me on behalf of the Special Committee on Aging thank you for your participation.

At this time I will call our next panel of witnesses, which will include people from the State to answer questions.

Let me, therefore, at this time call Mr. Arthur Gardner, who I understand is being substituted by Mr. James Jurnak, director, State Weatherization Programs, Department of Community Affairs. He will be accompanied, I understand, by Bertha Bell.

Also, I understand that Sara Jones will be here, accompanied by Bess Hunter Jackson, and that Mr. John Kaus of Allegheny County will be a member of our panel.

Would you like to make a statement?

Mrs. MAYER. I would certainly like to direct a question to Mr. Shultz. I was treated unfairly.

Senator HEINZ. Well, I apologize to you for that.

Mrs. MAYER. Senator Heinz and the panel, my name is Elizabeth Mayer and I am from Philadelphia. I want to talk about the gas bills in Philadelphia and direct my question to Mr. Shultz. Everyone who makes a purchase—retail, wholesale purchases, and any other field—gets a bill itemized to the item purchased as to the item purchased and the item price, not so with Philadelphia gas company bills. There is no way to check the accuracy of gas bills received by the individual household. If one tries to question the gas company office, one is told they have the authority to make a monthly charge for their special costs, which differ monthly. There is no way to tell the consumer exactly how they arrived at the final amount of each monthly bill and how a consumer may check the accuracy of the bill. Cannot the gas company be mandated to print the rent amount charged for gas and the amount they are allowed to charge by the government for their special costs on each bill?

Also, what is the discount the company is supposed to allow senior citizens?

Mr. SHULTZ. The thing that people from Philadelphia should understand is that the Philadelphia Gas Works only services the city of Philadelphia. Under

current State law those facilities that only service within the municipality are governed by that municipality. The questions of itemization on your bill and understanding your bill better must be addressed by the municipal governing body; therefore, the council and the mayor of Philadelphia. The Public Utility Commission has no control whatsoever over the Philadelphia Gas Works.

Mrs. MAYER. I am glad to know that. Thank you.

Senator HEINZ. Thank you very much. I appreciate your question. It is a good one.

At this time I would like to ask our next witness, Mr. Jurnak, who is accompanied by Bertha Bell, to please give us their testimony and comments.

STATEMENT OF JAMES JURNAK, DIRECTOR, STATE WEATHERIZATION PROGRAMS, PENNSYLVANIA DEPARTMENT OF COMMUNITY AFFAIRS; ACCOMPANIED BY BERTHA BELL

Mr. JURNAK. Thank you, Senator. Mrs. Bell is with me today. Mrs. Bell is one of the people who was served by the weatherization program prior to this winter. We asked her to come today to talk a little bit about the dramatic decrease in the bills that were evidenced even with the severe winter.

Very briefly, I will tell a little bit about the weatherization program in Pennsylvania. It is the largest in the country. We have been in the business basically since late 1973 and early 1974, starting out with State funds.

On that question that was raised about the money, to date there has been \$3.8 million in CSA funds—Community Service Administration funds—and about \$1.5 million in State or renewal moneys that have been put in the weatherization project. Those are essentially material funds.

In addition to that, of course, there are various other funding sources relating to labor and local contributions, and so on. We have had a tremendous tie-in with a number of the local agencies on aging regarding the program.

We currently have 51 grantees providing direct services in almost all of the 67 counties. I say "almost all" in that in one county we have a program that serves only one municipality within the county and not the remainder of the county.

Basically, the program provides three services: Stopping infiltration, exchange of air between the inside and outside of the house with caulking, weather stripping, and the like; adding attic insulation; and adding storm windows. These three measures will increase the thermo efficiency of the house by roughly 25 percent to 30 percent on an average.

The direct benefits of the weatherization program go beyond saving precious fuel, and I sort of interject this point that we really don't have an energy crisis. We have a fuel shortage crisis.

Savings are also apparent in the money saved. If you save fuel, you obviously will save the money you have to pay for fuel. In addition to that, you increase the comfort level in your homes by cutting down on drafts. This also provides employment and training opportunities for unemployed persons, in some cases, some of our unemployed skilled craftsmen around the State and business activity related to the purchase of necessary materials and related services.

At present, there are 30 discreet funding sources within the program, as Mr. Herral mentioned earlier.

We expect a massive increase over the next several years, in accordance with the President's energy message of April 20, which specifically referenced the current weatherization program.

At the end of 1976, we had completed about 10,000 homes. We are at about 14,000 now. We expect to do about 18,000 homes in 1977.

We will be asked under the current funding for materials—and I will get back to that point—to do about 35,000 homes in 1978 and about 50,000 to 55,000 homes in 1979 and 1980. That obviously, is going to require a tremendous amount of work on the part of our local agencies to get their productivity and efficiency up. I think we can meet that challenge, but we are definitely going to need help.

The issue was raised earlier—and I had mentioned it in the prepared statement—about CSA versus FEA funding. For those of you who are not familiar with it, it is the Community Services Administration on the one hand and the Federal Energy Administration on the other hand. Presumably, the Federal Energy Administration will become part of the Department of Energy, when the Congress passes that legislation into law.

At the present time, the authorization in the fall is supposed to move through the Federal Energy Administration at substantial increased levels. However,

under Federal Energy Administration rules that were recently published, this will cause us considerably larger problems than we currently have. We operate under different rules for eligibility than many other programs, such as title XX, for example, and some of the other service programs.

Right now we are working at a criteria that is 125 percent of poverty. That was administratively defined by the Community Services Administration because the legislation says to serve the poor and the near poor, and the Federal agency decided that near poor meant 125 percent. For a single person in Pennsylvania, that is roughly \$3,700 a year in income. Under title XX services in Pennsylvania, people are eligible for those services with up to about \$5,600 or so in income on an annual basis.

The Federal Energy Administration reduced that eligibility requirement back to the national poverty criteria, which for a single person would be about something around \$3,000 a year, thereby increasing that gap between the eligibility for the program and eligibility under title XX.

We have suggested in testimony before the Federal Energy Administration and in testimony before other committees in the Congress that administratively the Community Services Administration increase that eligibility criteria to the State level of title XX and that the Energy Conservation and Production Act of 1970 be amended to include title XX eligibility rather than the OMB poverty criteria, whichever is higher. In some States it may be higher.

Now, while the Energy Conservation and Production Act, which is the authorizing legislation for the FEA bill, has a specific emphasis on the elderly, it has been our experience in Pennsylvania that a large percentage of the services are already provided to this group. I have no specific breakdown available to me. The information doesn't come to me this way but we are estimating that probably 75 percent, at a minimum, of people served are elderly in the program we have in the State.

This is for several reasons. People on social security, supplemental income, and the like are almost automatically eligible. That makes certification simpler. Many of the elderly are homeowners. This is a very difficult process and I applaud the FEA's, at least, attempt to deal with the issue. It is a very difficult process to deal with renters in this program. The benefits from the funds in the way the legislation is written and the intent of Congress and our regulations, and so on, is clearly to benefit the low-income individual and we run into a severe problem when we deal with renters. As a result, most of the homes done are those that are occupied by owners or, in many, many cases people who meet both the income criteria and homeownership criteria are elderly.

As we grow larger, we find a number of ancillary issues and activities that must be specifically addressed.

First, many of the local programs find clients who are simply outside the current delivery system. We have encouraged our people, of course, to refer clients they find in this situation to the food stamp program, to area agencies on aging, to the welfare department, or whoever is the appropriate party for various other services that they might be eligible for, but that is a growing problem.

Second, and perhaps more significantly, many senior citizens live in homes that greatly exceed their space needs. In many cases, the person has lived there for a long period of time, has raised a family and is now living in the house by paying only utility and tax bills. While we firmly believe in the principle of senior citizens living in their own homes whenever possible, some unified action must be taken to assist them to overcome what is essentially an over-housing situation. Single senior citizens simply cannot afford to support themselves and a large house in today's economy.

We have seen, for example, too many cases of one person living in a 13- or 14-room house that requires substantial improvements for thermal efficiency. For example, I had one case in Scranton, Pa., where they called me up and said, "Look, we have one woman living in a house with 14 rooms and there are 47 windows." What do you do with that, you know? We put the windows on, but it is a tremendous expense for that person to live in that kind of house and really only using three or four of the rooms at any one time.

I hope this committee can look into this situation and suggest potential legislation that will provide the means to resolve this type of problem. We hope to work with the Commissioner on Aging in Pennsylvania and the local AAA's to develop specific programs that will allow senior citizens to maintain their homes and life-styles, possibly by sharing the house and its attendant maintenance costs with others.

Finally, many of the homes of the elderly are in need of substantial rehabilitation. Our current program simply does not permit more than thermal efficiency improvements. Some areas have integrated our program with housing rehabilitation efforts through Community Development or Farmers Home Administration efforts. Still others have combined activities with local chore services programs to provide minimal home improvement work.

In total, however, these efforts are too scattered to provide the comprehensive approach needed throughout the Commonwealth. I believe a large scale, mandated program for home improvements for the elderly should be developed that will complement the current weatherization efforts and provide a much broader base of service for senior citizens and other eligible people in the State.

I will stop my comments at this point and, presumably, we will have some questions later and perhaps Mrs. Bell has something to add.

Senator HEINZ. Mrs. Bell, do you have anything you would like to share with the Committee?

STATEMENT OF BERTHA BELL, SHIPPENSBURG, PA.

Mrs. BELL. I think maybe you can see me better if I stand up.

Senator HEINZ. I understand your home was winterized.

Mrs. BELL. That is right.

Senator HEINZ. Can you give us your experience with that? Did it work out well? Did it save on your heating bills? Was it a success?

Mrs. BELL. Yes. It worked out very well. From 1975 to 1976, I would say I used over 10,000 gallons of oil, about 10,060 gallons of oil. After they winterized it, they put insulation in the floor upstairs, sealed the windows. I had wooden floors, and they put glass windows in, and they caulked all the doors. It was really wonderful what they did to my home.

Last year the oil man couldn't realize how I wasn't using any more oil than I did last year, and he came several times. He said, "Well, your bills aren't any higher." So, I finally told him I had my house winterized by the old age group in Carlisle. Last year I used 9,027 gallons, and it was a colder winter.

Senator HEINZ. It was a much colder winter.

Mrs. BELL. And we have a young baby in our home and we had to use more fuel.

Senator HEINZ. I think that is a real testimony to the success of the program.

Mrs. BELL. It has really been a help to me, and I will have to tell you older people that I don't owe the man a penny on my oil bill. Maybe I would have if it hadn't been winterized. I would still be paying my last year's oil bill, but I don't owe anything. I am really truly thankful that they winterized it.

Senator HEINZ. Mrs. Bell, your testimony is terrific because I think it just hits the nail right on the head. It is going to be in the record of this hearing and the Congressional Record for every single Member of Congress to see, and I think you are very eloquent on just stating exactly what it means in human individual terms.

Thank you.

Mrs. BELL. Thank you.

Senator HEINZ. I would like to call on Sara Jones, who is accompanied by Bess Hunter Jackson. Mrs. Jones is from Harrisburg, Pa. Mrs. Jackson is the director of the Uptown Senior Citizens Center. She is no stranger to me.

I do have to say before we start that I am going to have to turn the hearing over to Mr. Oriol of the committee staff. I regret that I have an airplane to catch from Harrisburg at 12:15. I am going to have to run, not walk, to get there.

I want to say what a fine group of questions we have had, what a fine group of witnesses we do have. I want to apologize to the witnesses that I won't be able to be here personally for your testimony. Also Ruth Tucker and Frank Bradley will be testifying afterwards. I want to thank them especially for having changed their plans to be here today, but we will have a full record, a full transcript of everything said and it will not only be available to me but to all of my colleagues in the Senate.

Thank you all very much. We appreciate the fine attendance and fine interest in this hearing. It has been very helpful. [Applause.]

Mr. ORIOL (presiding). Please proceed, Mrs. Jones.

STATEMENT OF SARA JONES, HARRISBURG, PA.; ACCOMPANIED BY BESS HUNTER JACKSON, DIRECTOR, UPTOWN SENIOR CITIZENS CENTER

Mrs. JONES. To the panel and all of the senior citizens that are here this morning, I want to ask a question first before it leaves my mind. The \$47,000 that went back to the Federal Government, why was that not given to the people that needed it and we probably would not have had the bills to pay that we are paying now on electricity and things. That went back to the Federal Government last year. I heard someone say that there was \$47,000 that went back, or millions, or something went back to the Government.

UNIDENTIFIED SPEAKER. Somebody made a mistake when they printed that paper.

Mrs. JONES. Well, that was one of the things I was worrying about because we could have used that money—if it went back to the Federal Government.

I want to say that our electric light bills and our gas bills and our oil bills have doubled from last year up until the present time. I have proof in my package here of some of the bills that some of the poor people have received.

As far as weatherizing, we haven't had that much in Harrisburg, I don't believe, because I have a home that needs it.

This gentleman spoke of people living in large homes. Well, if they struggled to buy that home, they can't afford to give it away. You can't sell it for nothing at all. I have a pretty large house myself and I was offered less than \$2,000 for my home, which had \$4,350 worth of work put on it in 1973, and this is one thing that I can't understand.

Our taxes are really rising and our property value has gone down to nothing. You can't even sell the property. I couldn't afford to sell it for less than \$2,000 and live.

I only lived on my social security until I had to go to work because it wouldn't meet my demands, and I know that plenty of others—in fact, we have a lady from our center up there that has gone to the hospital with pneumonia because she couldn't afford heat to stay warm. She is in the Polyclinic Hospital right now.

These are the kinds of things that have brought the poor people on their knees, pleading and begging for some help from somewhere. It doesn't matter to me where it comes from, just so we get the help we need. To have money appropriated for one thing and going for another doesn't make much sense to me. The Federal Government has set aside money for people and they give orders of where it should go, and sometimes it doesn't go to the right place, because we need it for one thing and sometimes it is sent to another.

For instance, medicine has gone so high. I bought a bottle of pills. I have a heart condition, so they say. I went to the drug store to get a bottle of pills that cost me \$12, which is a very small amount of pills. These are the problems that the poor have and we have to buy and pay fuel bills, and things like that, and we can't afford medicine. I don't know what you are trying to do, drive us out, perish us out, or kill us by taking pills of some kind or another, but there is one thing certain. There needs to be a change somewhere down the line.

We are paying more for our fuel than the people who have air conditioning, heat by electricity, and the poor have to pay for part of that.

I was in a hearing back in March, I believe it was, or the first of April, in Harrisburg, and the man said that if you use less than 200 kilowatts—of course, he mentioned that by eggs, which I didn't understand and I asked him why he mentioned it by eggs. It was because he thought we were too dumb to understand, I guess. I don't know what else.

Anyway, he said that if you use less than 200 kilowatts, it costs you 5¢ a kilowatt. And people that use electricity for their homes altogether will start at 4¢ a kilowatt and on down. The higher they use, it costs less. And why do the poor have to pay for the rich to have the enjoyment of all the cool air in the summertime and all of the extra heat that we can't afford in the wintertime?

These are some of the problems that somebody has omitted looking into, and we are the people who elect these people in offices, and they will increase their salary and cut down on hours, but we ought to have—and I don't understand why we have to suffer so much, because we have fought for this country.

I have worked all my life, paid income taxes ever since it has been started, and now I receive social security of \$212, which just reached that amount this year. It isn't fair to the poor. We have to live as long as God lets us live on this earth,

but it seems they are trying to knock us out somehow. I don't know how or what they mean by it.

We are finding it hard to fight this battle. Of course, you hear these people talk about all the money that is provided. I don't know where it goes. And above the poverty level—I happen to be, I guess, 2¢ above it. I cannot get stamps and there are plenty of others that don't get it because we own a home. We can't eat that house. If we burn it, we won't have nowhere to sleep.

These are the problems that we are up against, and I would like some answers. Of who to talk to that will make a difference in what we are doing.

Some of our people at the center—you are not supposed to take anything home when they furnish the food. Well, it is better to take it home and eat it for their dinner in the afternoon or the evening than to throw it in the trash can because you can't eat it. A lot of them cut a slice of bread in two and puts a little piece of meat in it for their dinner. Coffee has gone so high. They used to drink coffee but now they are going to have to drink cold water, I guess, because the electricity is going to be cut off, and a lot of the other things we need is going to be cut off.

These are the problems that the senior citizens are having around the country and in the State of Pennsylvania.

And I would like to ask why is it that the poor have to pay more for their kilowatts than the rich because it is the rich that uses all this electricity for their homes and their coolness in the summertime. We can't afford a fan hardly. We have to take paper sometimes and make a fan to try and keep cool in the summertime, but they have their pool. They can go swimming in the cool pool. They have their cool homes to sleep and rest, and we have nothing. We can't afford enough water sometimes to take a bath, the way the water bills are going up.

All of these things have gone up and it makes it terribly hard for the poor. I know you rich people don't know anything about it but it is a shame that some of you that have all these opportunities weren't knocked out sometime to live a poor life just for a few months. You couldn't stand it very long because you couldn't take it.

And these are some of the things that these people out here would like to know. When they ask questions, they are usually cut off because the fellow that is up here talking gives more talk than is necessary and doesn't allow us an opportunity to tell you what we want and what we need.

I want to thank you for this opportunity because we are desperately in need. [Applause.]

Mr. ORIOL. Mrs. Jones, I agree. These things shouldn't be omitted, and you made sure that they weren't. We are really grateful to you for doing that. I think that you have helped everyone understand some of the direct impact of what everybody else has been talking about.

I don't think you mentioned what you told me last night about the impact of property taxes, and that is part of trying to live in the house that you described.

Mrs. JONES. I didn't know I was supposed to talk about that.

I bought the house I am living in now in 1956, and I bought it from the owner. They were living in it and she told me, she said, "Mrs. Jones, I am paying \$62 a year for taxes." Well, my tax now is \$390, and I can't afford it. I get \$212 now at the present time in social security. To pay \$390 for taxes—and I still have a lot of other bills to pay. How can I make such demand on what I have got? How am I to pay it? I am 80 some years old and I have to work to meet that demand. I am working 5 hours a day, 5 days a week to try to make ends meet. I don't understand why we have to raise the tax on a house that is not valued at more than \$2,000. If they keep on, I will have to be paying \$2,000 for taxes instead of paying anything else.

Mr. ORIOL. Are you eligible for the State tax relief program?

Mrs. JONES. They won't give it to me. I don't know whether I am eligible for it or not. If you have to live any longer, I don't know where I am going to get it.

Mr. ORIOL. You also mentioned one of the people at the Center who apparently developed pneumonia because of the winter.

Mrs. JONES. Yes, sir. She is in the hospital right now with pneumonia because of no heat. She couldn't afford it. She owns a house and she rented the house out because she was sick and lived with her neighbors. The lady that was renting the house wasn't able to pay the rent so she couldn't afford to pay the tax. The house-

is up for sale for tax, I understand. I am not sure, but I understand it. She is in the hospital with pneumonia because she was so cold. The lady that she was staying with told me that she had five quilts on her bed trying to stay warm to keep from getting pneumonia, and she still has it. She is in the hospital now.

Mr. ORIOL. Mrs. Jones, I hope you will stay right there because we may well have additional discussion.

I think I better make a few things clear. We have checked with the people running this conference and they have assured us that we can go beyond 12 o'clock, although that is the time indicated in the program. We are anxious that no one goes away from here feeling that you were not given an opportunity to talk. So, we will stay to hear from you.

My name is Bill Oriol, and I am the staff director of the Senate Committee on Aging. I send you greetings from our chairman, Senator Frank Church, who couldn't be here.

Dave Rust is a professional staff member for the Republican members of our committee.

Phil Corwin is with the majority professional staff.

I think, as you have noticed today, that there is no sharp difference between Republicans and Democrats about the problems we are talking about.

I would also like to thank Senator Heinz for agreeing to conduct this hearing. We certainly admire the work of the House Committee on Aging on which he served before coming to the Senate. I think it is another indication of the general concern that people feel about the issues we are talking about. This hearing, perhaps, can help us realize that this is related action on a crisis, and we appreciate the very direct message we are getting from the people of Pennsylvania today, and we really thank you.

Now, Mrs. Jones is accompanied by Bess Hunter Jackson, who has no prepared statement but is a friend of Mrs. Jones.

I would like to ask Mrs. Jackson whether the increased fuel cost has an effect on the operation of your center.

Mrs. JACKSON. At the present time it doesn't affect us. We pay a general fee, and general rental fee. At this time it has not gone up. However, it has one advantage for us because it has sent us more participants. The people cannot sit at home in the cold and they do come to the center.

The reason I haven't too much to say is because I am here as Sara Jones' backup person. She told me the only backup she needs from me is to sit behind her, and that is what I am going to do.

Mr. ORIOL. Have you found many people not eligible for medicaid or SSI because they own homes?

Mrs. JACKSON. Yes. That is quite true. We have found that one person has 5 cents over the requirement.

Mr. ORIOL. Five cents?

Mrs. JACKSON. Five cents; that is right. And she can't get the benefits that she needs.

We have a social worker in our center and they have tried and tried. There is no way for us to cut the 5 cents off because it comes in through Federal funds. We don't know what we are going to do about that. We will ask the Senate committee to please take that back to Washington and see if you can help us.

We have many, many sad cases in our center. This energy crunch is really—well, it is killing some of them. When I say killing them, I don't mean that they are dying physically but they are dying mentally. The pressures that are on them, they can hardly stand.

As Mrs. Jones said, we have people who take one slice of bread—that is all they are allowed—and cut it in half and make a small sandwich so that they are able to eat an evening meal. I know that to some of you that sounds strange, but it is true.

And I would also like this committee to take back to Washington and ask someone why is it on our nutrition program we have to throw our food away that the people can't eat in the center. I think you know that there is a ruling that nothing can be brought in and nothing can be taken out, and I stand there with tears in my eyes watching our nutritionist throw food into the trash can, and they will not let those people carry this food home. That is one of the questions we would like you to take back.

Mr. ORIOL. We certainly will. Before you leave that point may I ask whether that is a title VII group meals program?

Mrs. JACKSON. That is right.

Mr. ORIOL. We certainly will look into that.

Mrs. JACKSON. It is criminal, in a sense. But I would like to say for the senior citizens of the Uptown Center, we expect a miracle. This is something that we say daily, and I would like to say it here. We expect a miracle. We, the senior citizens of this country, will accept a miracle. We know that those of you who can help us will certainly work miracles for us.

Thank you. [Applause.]

Mr. ORIOL. Mr. Jurnak, do you have some comments?

Mr. JURNAK. Just to reinforce what has been said, in regards to the energy conservation programs, under the current rules proposed by the Federal Energy Administration, which includes the income criteria established by Congress in the Energy Conservation and Production Act, a two-person household in Pennsylvania that has sole support from supplemental security income is going to be \$13 a year over the income criteria for service in that program, which is one of the reasons that we urge the adoption of legislation that accepts the State title XX eligibility criteria. It seems to me that the 25¢ a week is a somewhat outrageous disqualification criteria for a two-person household in this State.

Mr. ORIOL. We will get into a discussion of that but I think we better hear from Mr. Kaus, who is Allegheny County's energy information officer.

I should mention that Senator Heinz was especially interested in your testimony. I believe I am right. The Senator is from Allegheny County.

STATEMENT OF JOHN KAUS, ENERGY OFFICER FOR ALLEGHENY COUNTY

Mr. KAUS. That is right.

I, too, traveled some distance to be here today, as many of you have. My name is John Kaus and I am Allegheny County's energy information officer from Pittsburgh. I am here today on behalf of County Commissioner Jim Flaherty. I am sure if Mr. Flaherty were here today, he would insist on yielding his time to the audience. I will do that after making one brief observation.

The devastation of this past winter has resulted in a lack of understanding by our elderly, especially those on fixed incomes, in regard to how to conserve energy. Let's tell it like it is. It is too late to try for conservation practices for someone who is on a fixed income and receives a utility bill that is higher than their monthly social security payments. We must begin now with programs to educate our elderly on how to conserve. We must also develop programs and projects that will assist them financially in their conservation efforts.

In closing, I must close with a warning to State and Federal officials.

Right now we are being faced with the warmth of summer, but we cannot let this warmth lull us into a sense of security because every one of us knows that within a few short months the green of summer will turn into the brown of fall and then the bleakness of winter is going to be here again. If we do not act now in an all out effort to assist our elderly in preparing for the winter of 1978, then we will be failing in our duties as a society.

Thank you. [Applause.]

[The prepared statement of Mr. Kaus follows:]

PREPARED STATEMENT OF JOHN KAUS

The energy crisis of January 1977 demonstrated once again the devastating effects brought about by a failure to recognize potential crises and to prepare adequately to meet these situations in an organized manner. Surely, it is obvious to all that the energy crisis is not a unique situation which will not reoccur. Rather, it is a very real fact of life in the latter part of the 20th century and failure to develop plans to mitigate its effects will continue to cause great physical and economic losses.

Allegheny County in recent evaluations of the energy crisis discovered that one group more than any other in our country suffered the most—the elderly.

The devastation of this past winter has resulted in a lack of understanding by our elderly, especially those on fixed incomes, in regard to how to conserve energy. It is too late to try for conservation practices for someone who is on a fixed income and receives a utility bill that is higher than their monthly social security payments. We must begin now with programs to educate our elderly on how to conserve. We must also develop programs and projects that will assist them in their conservation efforts.

Allegheny County is not satisfied to sit and wait for the winter of 1978. As an elected official, I have a responsibility to provide for the safety and well being of the citizens of our county. As early as February of this year Allegheny County proposed to the U.S. Department of Housing and Urban Development that we develop an energy crisis alert system. This proposal received top priority ranking by HUD and was subsequently funded.

Briefly, the county proposes to work with energy provisions to develop a system for determining in advance when an energy shortage will develop, using long-range weather forecasts, known energy consumption patterns, and other statistical data. In cooperation with energy consumers, Allegheny County will seek to develop an energy crisis alert system patterned on the county health department's successful air pollution alert system. Under this system, energy providers and consumers will respond to several phases of energy shortage in a well-coordinated, uniform method of curtailment.

Priority of energy utilization, developed in full awareness of the economic and social needs of county residents in a concerned, rather than in a crisis atmosphere, will tend to equalize the hardship and thereby minimize its impact during periods of maximum energy curtailment.

Allegheny County recently joined forces with Americans for Energy Independence (AEI), a national organization comprised of scientific, academic, professional, conservation, government, labor, business, and industrial leaders. The goal of Americans for Energy Independence is to stimulate policies and actions which will move the United States rapidly down the road toward reasonable energy self-sufficiency by the early 1980's.

Americans for Energy Independence efforts in Allegheny County through Project Pacesetter, a countywide energy conservation and development program, will serve as a prototype for other communities throughout the Nation.

Allegheny County stands ready to cooperate fully in all efforts to develop a national energy program. However, we would be remiss if we neglected to take independent action to insure that Allegheny County residents, particularly the elderly, will be adequately protected if the winters of subsequent years prove to be as severe as the winter of 1977.

I recently instructed the Allegheny County Departments of Planning, and Adult Services to conduct a survey of the elderly in our county in an attempt to reverse the most frequent problems they experienced this past winter.

The first problem area is that utility bills have now risen to astronomical levels. Most elderly people are on fixed incomes and the utility bills which sometimes are higher than their monthly social security payments are too burdensome on the elderly.

The second problem area is that many elderly residents live in old homes which are often larger than the residents need and in most cases, are currently in the state of disrepair, and are energy inefficient due to a lack of insulation, deteriorated caulking, improper window locations, inefficient furnaces and stoves, etc.

The third problem is that there is definite lack of understanding on the part of the elderly as to how to conserve gas and electricity. A lot of gas and electricity used by the elderly is, in fact, wasted, without their knowing it.

Using the above as a basis for the problems, I would suggest that the following program remedies be undertaken.

(1) Local government in conjunction with the utility companies, should run a public education program on how to conserve energy.

(2) A winterization program must be developed that deals with all energy problems of the elderly in a manner that is economically feasible for elderly persons. The present winterization efforts run by the Federal Energy Administration in most counties and cities provide only basic insulation and storm window services.

The program should be expanded to deal with inefficient heating units and means of getting the elderly out of units which are no longer economical for them to remain in.

We should be building new homes and rehabilitating the old ones into energy efficient homes or apartments. Then relocation assistance should be provided, placing the elderly in the new and returning their old energy inefficient units to the market where they can be purchased by a family who can afford to make it energy efficient. Some means to do this would be a grant program for the elderly financed by such sources as the Pennsylvania State Lottery or expand Federal housing for the elderly.

The problem may also be dealt with by supplying tax credits to businesses and industries who make energy provisions for the elderly at cost or gratis.

We are now being faced with the warmth of summer, but we can not let this warmth lull us into a sense of security because everyone knows that within a few short months the green of summer will turn into the brown of fall and then the bleakness of winter will once again be upon us. If we do not act now in an all-out effort to assist our elderly in preparing for the winter of 1978 then we will be failing in our duties as a society.

[End of prepared statement.]

Mr. ORIOL. I have taken a quick look at your testimony. It seems that your project is intended to provide as much advance information as possible about severe winters.

Mr. KAUS. Yes. Allegheny County has received a grant from the Federal Government to develop a program. The name of the program is energy alert system. We have been picked to head this program. It is a pilot program. If it is successful, it will be put into operation throughout the United States. What we are trying to do is take a look at long-range weather forecasting, consumption patterns by the utility companies and the users. What we want to do is make some projections in early September and October to the school district, to industry, to business and to consumers on when they should start conserving energy so that when we do get to January and February we will be able to keep our schools open, be able to keep our people working, and will be able to have enough energy to heat our homes.

You will probably be hearing more about the program a little later in the year.

Mr. CORWIN. Mr. Kaus, I wonder if you would just describe briefly what the Project Pacesetter is?

Mr. KAUS. This is another program that was initiated in Allegheny County last year. Project Pacesetter is a countywide program of energy conservation and development. We have broken the county down into four districts creating task forces. These task forces are made up of citizens just like yourself. What we do is meet once a week, trade ideas on how to conserve energy, and talk about ways on how to develop more energy.

Surprisingly enough, we have talked to the experts for the past 6 months who haven't had any answers. We are getting most of our answers from citizens like yourself, and they make a lot of sense.

Mr. RUST. Mr. Jurnak, two questions, very briefly. One may be a little outside your jurisdiction. If it is, let me know. The first one pertains to your statement where you suggest we have a mandated program of home improvements for the elderly that are a much more comprehensive and more extensive winterization and weatherization program than we have had.

Mr. JURNAK. That is right.

Mr. RUST. How would you approach it? Do you have any idea how many homes would be affected in Pennsylvania and what the cost factors will be?

Mr. JURNAK. The number is staggering. If we just look at the number of homes in Pennsylvania that require thermal efficiency improvement regardless of any income criteria, or anything else, we are talking in the neighborhood of about 3 million units, with an average cost to have the work done with materials, labor, and whatever, of something in the neighborhood of \$1,000 a house.

In terms of the elderly and limited-income people, we know from census data that there is something in the neighborhood of 300,000 low-income homeowners in Pennsylvania.

There are probably at least that equivalent amount when we talk of the renters.

So, I think the 675,000 households that Secretary Real referred to as eligible for the emergency assistance program pretty accurately also reflects the number of people who would be eligible as owners or renters for energy conservation weatherization type activity and other kinds of home improvements.

In terms of cost, I would think that bringing this number of units up to even minimal code standards would probably require an investment of something in the neighborhood of \$4,000 or \$5,000 per unit. We get into plumbing, electrical work, roof repairs, and things of this sort, and other health and safety things. So, it is a fairly staggering amount of money.

In terms of how it should be operated, I think we have, for the most part—it is not true in all counties, of course, but for the most part we have various kinds of existing organizations, such as county redevelopment authorities or city

redevelopment authorities, that are already doing this to some extent, but mostly on a fairly concentrated basis within some neighborhoods.

The real problem is in the rural areas of the state. You don't have the mechanisms. You don't have the financing mechanisms. You don't have the people to do the work and you have a tremendous number of substandard housing. You must remember that Pennsylvania has the largest rural population in the country and that we have a tremendous number of homes out there that do not meet any code standards, among other things because there are no codes. There is nobody out there to enforce codes.

We are doing some work now with the CETA program, looking at possibly getting that together to provide some labor resources, clearly some way that would increase the efficiency and productivity of Farmer's Home Administration loan and home grant program. Under the 504 loan and grant program of the Farmer's Home Administration, people over the age of 62 are eligible for a grant of up to, I believe, \$5,000 for various kinds of home rehabilitation activities, if they fall below certain income criteria. Many of the elderly who live on social security, and the like, would fall into those criteria.

Mr. RUSR. You mentioned the fact that Secretary Real mentioned 600,000 or 800,000, or something in that area, of people who, coming through the last winter, sustained very heavy bills. Do you have any idea how far that \$14 million will go in terms of how many people?

Mr. JURNAK. I believe the Secretary said that if all grants were made at the maximum of \$250, that we would be talking in the neighborhood of 55,000 or 56,000 households that could be helped. So, this would be about one out of six.

The question, of course, is that it gets very complicated. If we simply deal with people who have a back gas or electric bills, which is PUC regulated, it doesn't even cover, of course, all of the gas and electric companies; witness the situation there in Philadelphia. You have a number of rural electric cooperatives, for example, not governed by the PUC, and other municipal utilities not governed by the PUC. You know, you are talking about a relatively limited number. In addition, you are only talking about half, or so, of the homes in Pennsylvania that are heated with gas or electricity. The other half are heated with coal and oil. The mechanisms for trying to deal with that one becomes even more difficult.

Furthermore, you have situations where people did without something else to pay that bill. In some cases you have a landlord who realizes what the problem was and put off collecting some or all of the rent from some period of time so the utility bill could be paid. Does that person suffer because he is not a utility that doesn't receive payment? You have all those kinds of equity situations.

I would say that unless something is done, we are probably facing at a minimum something in the neighborhood of 40,000 or 50,000 cutoffs of the utilities, and that doesn't count the coal and the oil and propane and the rest of those people.

Mr. RUSR. We have been asked to announce that those of you who need to pick up news stories, they are available at the press desk.

Mrs. JONES. I would like to say something about what he had said. He spoke about the rural communities being in need. The city people, the poor that are in the city of Harrisburg, is deeper in need because the homes that we have bought are 50 and 75 and 100 years old, and when we bought them we had to pay so much for them that we couldn't pay and keep them up and keep them properly fixed. So, we are in a worse condition than people that are in the rural areas. That is one problem that we have. The people in the city have no work. The city goes to the people that live out in the country. They come into Harrisburg and do their work and go back to the country. Our city tax, county tax, State tax, and all these taxes come in on people who are in the city to keep the city up for the people making the money and going out to the country, living in the country with new homes.

Our homes are anywhere from 75 to 150 years old and we are not able to fix them up because they were wore out before we bought them. We had to buy them because we couldn't go out and buy the country homes. We had to buy older homes, and these are some of the problems that we have.

And since they have tore out so much of the city, it makes it much colder and it makes us have to buy much more oil because most of us burn oil in the city. They don't use coal very much, and it makes it much worse for the people in the city than for the people in the country because they have wood, and things like

that, that they can burn and we have to buy oil all the time. These are some of the problems that the city people in Harrisburg are having. I know from experience.

The home that I bought, they tell me, is 90 years old. If you look at the people that use them—I remember a gentleman said he lived in the same area that I am living in and he had moved out some 20 years ago. He was talking about when he was coming back through there, I believe it was the first of last year, he was surprised how the area had went down. I asked the man, "Have you looked in the mirror lately?" He said, "What do you mean?" I said, "Do you look in the mirror?" He said, "Yes, I do it every morning." I said, "Well, do you look like you did when you left there 20 years ago? What do you expect the house to look like?" These are some of the problems that we have in the city.

Mr. JURNAK. She is raising a very good point. The difficulty is really twofold.

One, of course, is having houses brought to the condition where they are safe and sanitary and habitable, and so on.

The other problem—and I suspect from my experience is a very serious problem for the elderly particularly—is just routine maintenance.

Now, we have in many areas where the local area agencies on aging are sponsoring various kinds of chore services programs that provide some of that, but it is just not capable of meeting the current demands.

You know, I don't know how many houses there are in the city of Harrisburg, but I suspect that it is in the neighborhood of 15,000 or 20,000 units within the city limits. It is probably 100,000 units in the metropolitan area. My guess is that a very substantial number of them in the city need simple things that people can't take care of themselves and some kind of activity aimed at preventive type work would be a great improvement and prevent some of the kind of decline that she has mentioned.

Mr. ORIOL. If time permitted, I would ask for some thoughts on how your kind of program can work closely with area agencies on aging—

Mr. JURNAK. We already are.

Mr. ORIOL. To help some more of what you are achieving.

We are going to have to move on. I think we have had very good testimony from everybody, but I have to admit that there is special prejudice to Mrs. Bell, and then Mrs. Jones really gave us a lot to think about.

Thank you very much, and I will just move on to the next panel.

Senator Heinz, when we were completing discussions of this hearing, especially asked that we hear from Frank Bradley, who addressed us briefly before. He also asked that Mrs. Ruth Tucker, who has many—I know she has about four different titles listed in the program for this meeting. Is she still here? She may have had to go because of time.

UNIDENTIFIED SPEAKER. Pardon me. I am one of the ones that was standing in line at the last session and I have a question that is pertinent to him and I was wondering if I could ask it.

Mr. ORIOL. While Frank Bradley is coming up, why don't you ask the question. Is Ruth Tucker still here? She can come up.

[No response.]

Mr. ORIOL. Will you give your name, please.

Ms. WILLIAMS. I am Jean Williams. I am director of New Opportunities for the Aging in Allegheny County. Many of our service agencies support the concept of utilizing the existing income support system, the social security and the SSI, but I suggest that in the process of revision that consideration—revision of these income systems, that consideration be given that the disruption of the present benefits does not occur, that disruption being in the form of persons not remaining eligible for food stamps, drug discounts, or an increase in rent, which is a usual or common problem.

It appears if one receives 5 percent financial increase, there seems to follow a 10 percent to 20 percent decrease of benefits.

Now, what I am concerned about is that I am the director of an AAA program and we are presently submitting a proposal requesting for manpower for CETA for the chore service, and we are attempting to do maintenance.

I just talked to these gentlemen from Allegheny County and we now are thinking seriously of incorporating the fuel or the housing maintenance. I am wondering if there is any way that you may be able to incorporate these two existing resources such as the manpower and your program into an overall kind of

approach, so that it can be automatically incorporated and it wouldn't have to be two separate proposals.

Mr. JURNAK. Well, the answer to the first part of that question is that the way the current weatherization program works, and to a great extent the way many chore type programs that I am familiar with work, is a blending of resources. The funds that we receive for the weatherization program here in the State and, consequently, put out to the various communities is essentially materials money. Under the current rules, at least, we can pay for some transportation costs and equipment, and so on, but essentially it is materials money. We cannot pay for the labor costs.

We need a CETA program or some other manpower resource.

In Allegheny County, we are getting a fairly substantial commitment from the county now for the program. Beginning the first of July, there will be a very substantial weatherization program in Allegheny County.

Regarding the chore service type activities, that is, in my view, another kind of program. I think it is a valuable program. It provides a valuable service. You do tend to have a problem occasionally in managing them when you put the two together in terms of the goals getting mixed up, and neither get accomplished.

That is simply an organizational issue, I think, and we have had some very successful operations that do in fact do both kinds of services.

I would suggest that for Allegheny County activities, you contact the Allegheny County Redevelopment Authority, which is doing the work in Allegheny, and discuss the issue directly with them. I know that there is a substantial commitment on the part of the commissioners and the redevelopment authority, both in terms of funds and manpower and the rest of it.

Those kinds of things are very important. The AAA's are the people who have the money for chore service type activities. Presumably, the Allegheny County Area Agency on Aging would be the body that you would have to talk to on that one.

Mr. ORIOL. I would like to make a request. As you get deeper into this and you encounter more problems or are able to work them out, if you would let us know how you are doing it, we would be very interested because we are going to make use of every bit of help we can.

For your benefit and for anybody else who wants it, send this to the U.S. Senate Special Committee on Aging. It is Room G-233, Dirksen Office Building, Washington, D.C. 20510.

Now, Frank Bradley has waited a long time, as has everybody else.

The last time I saw you was a rather busy and active time in Washington when you were still fighting the eligibility fight—the means test fight for title XX.

STATEMENT OF FRANK BRADLEY, ACTION ALLIANCE OF PHILADELPHIA

Mr. BRADLEY. Well, I have nothing prepared and I only had about a day's notice that there was going to be a meeting here today and I was asked to testify.

During the course of the testimony, a lot of memories were brought back to mind and I think I will be able to make a statement that would probably be a lucid one on the basis of the experiences that I have had.

The first thing that I want to do on the question of the means test—and I am rather glad that Senator Heinz is not here. We would like to praise him publicly for the job that he did for us on the means test. The first bill that was put into the House of Representatives was put in by Senator Heinz, and from that the emotion of the Senate was so aroused at what was being done in Pennsylvania, and I think on the initiative of the government of Pennsylvania on the means test, that that bill was passed by a vote of 383 to 0. So, we want to say that we are grateful for that.

Of course, in doing that, his was the first bill in. From that first bill, there were other things added to it. He was in a minority spot at that particular time but he initiated the procedure. So, I would like to express the gratitude of Action Alliance for Senior Citizens.

Now, I am not a professional. I live on my income from a pension from Westinghouse, where I worked for close to 50 years, from 1926 to 1971, and what I get in social security. I have often asked myself what motivates me and try and

question myself as to who I am and where I am going and what makes me do the things that I do. And I think I have finally located myself.

I remember living back in 1918. In 1918, I lived in a house that had no central heat. What we had in there—and 1917 and 1918 was a tough winter. The pipes had frozen in the house. To get any water at all, you had to go down the street where a broken pipe was burst and put a pot under that and bring enough water back into the house to use from that whatever we had to use.

The toilets, of course, were outside. There was no electricity.

What we did was, they put gas in the gas meters and you put in a quarter to get that gas. When it run out, what we did was, we had a bed in that particular room and the three kids would get into bed to keep warm.

My mother then worked and she worked in the municipal court. She made \$54 a month and we paid \$28 of that out for rent, and we had the other \$34 to live on for four of us for the rest of the month.

Where my father was at that particular time, I don't know. But that is neither here nor there, but she carried the load of supporting that family. She wouldn't let us be put in a home.

One of the things that sort of soured me toward religious groups—and I since see that they are right on the ball as far as fighting these things—at a time when we had nothing to eat in the house, and I mean nothing to eat, my mother went to our clergyman and asked him to do something about the children. He said, "Go to any charitable organization." I became a little bit embittered about that. So, you can understand where I am coming from.

Now, another illustration is the truant officer came to my house one day and said, "Why aren't you in school?" I said, "Well, my feet are frostbitten and if they weren't frostbitten, it wouldn't make any difference because I don't have any shoes to wear."

So, I think that in my thinking, I think there are two things: One, there is pity, empathy, real sympathy for those people that have to live in those conditions today. Two, I never want to go back to those conditions myself, and I will do anything necessary to keep myself from going back into those conditions. I can understand people that get desperate now 50 years later, or nearly 60 years later.

One of our members brought it back to mind very vividly to me when she described, she said, "Well, what we do in this real cold weather is we live in the kitchen and we put a blanket up over the door to keep the cold out, throw a piece of carpet at the bottom of the door to keep it out, and the insulation that you get would be newspapers in the window that is broke." This was the same kind of insulation that we had to keep the wind out and keep it at least that much warmer.

So, I know where I am coming from. I know what I am frightened of. I know I will go to real desperate situations with the little vigor I have left in me to try and protect me from that in the future.

On the question of insulation, I know how important insulation is. I owned a duplex apartment and we had the upstairs apartment in the summertime. It was almost uninhabitable because of the fact that the heat was so great that the people weren't able to stay in there. I had it insulated and it was just as good as the downstairs floor after that. The people were comfortable.

I have had about four places insulated and I think from a business viewpoint alone, not the saving of energy but a person that is living on social security or a pension, but from a commercial viewpoint, from a landlord's viewpoint, it is a good commercial investment to have houses insulated in any way they can.

Now, on the question of the cost of utilities. We made a fight to bring down the price of utilities against the Philadelphia Electric Co. During that fight we learned an awful lot about the operation of the electric companies. It seems to me that with the definition, the definition that was given by Milton Freeman of what the duties of a corporation happen to be—he is recognized as the apostle of the capitalistic system in this country. And he said that the sole duty of a corporation is to maximize profits. In that case, the only kind of a relief we are going to get from the types of situations that exist throughout the United States, as far as the utility companies are concerned, is what the government is going to be able to give us.

What we have done, of course, in Action Alliance can be emulated by other senior citizens' organizations throughout the country, but in the final action what we tried to do is get our people to recognize their political power. There are 23

million of us in these United States, and I know there are an awful lot of Presidential candidates in the past that wanted to get that kind of a vote, those 23 million votes. In the city of Philadelphia, there are 234,000 of us, and we do talk about the political power of those people. They can use that political power, and we want to do that. We want to use that political power to let politicians know and people that sit in high places that the only protection that we are going to get from utility companies are what the government can bring on them because they pay no attention to anything but the maxim that I have just talked about as far as Milton Freeman was concerned.

What we did learn, we did learn in the fight of the Philadelphia Electric Co. that, No. 1, that we do pay for the electric bills of the rich. In Philadelphia, the utility company—and I think my memory serves me correctly, not the utilities, but the industrial users of electricity use about 59 percent of the electricity. The population, the ordinary rank-and-file citizens use about 38 percent. Yet, we were paying at that time 5.2¢ per kilowatt hour and those in industry were paying 2.4¢ per kilowatt hour. If they had paid their correct amount, there wouldn't have been any necessity to get the increase that they asked for by the Philadelphia Electric Co.

Now, we also found out that as far as the Philadelphia Co. is concerned, there is an understanding. And that understanding among the utilities goes from one side of the country to another. I will call your memory back to 1975 when the electric company was applying for their increase. They said that because the people were patriotic, because the people were patriotic and conserved energy, the consumption of electricity went down. Therefore, the profits of the company were not as great as they were before and the profits of the company should go up. Therefore, the need for an increase in the price of electricity.

Well, there was so much of an outcry against that—and every utility company from Maine to California used the same excuse, but there was so much of an outcry against that particular type of reasoning that they changed their reason for a demand and came back with other reasons. And the records are there for you to look at.

Now, another thing on the cost of the fuel cost. We found out that in the fuel costs that seven members—and you will find that this duplicates itself in every utility company across the United States. On the board of directors of the Philadelphia Electric Co. there were 7 bankers out of the 11. Those seven bankers—some of them were presidents of their bank. We charted out just what they owned as far as fuel was concerned and fuel stocks were concerned. And each one of them had hundreds of thousands of shares in fuel companies. We got that information. If the Senate committee wishes to call on us, we still have that and we will give you that kind of information. We still have it in our files.

Naturally, the Public Utilities Commission in 1972, without a hearing, granted them the right to impose fuel costs as they needed. In other words, gave them a blanket OK to go ahead, and they really went ahead. People can't afford to pay those kinds of prices.

And I think we need a real investigation, and I mean a real investigation, to get to the heart of the matter to find out what is going on there.

Another interesting experience we had as far as the Philadelphia Electric Co. was concerned is that they were advertising. And I think we have something of the same sort going on with the oil companies today, who do have a monopoly also, as the Philadelphia Electric Co. does in the city of Philadelphia. They were advertising too. We thought that this was a violation and we went to the Securities and Exchange Commission. What the Securities and Exchange Commission told us at that meeting was that: Yes, they might—they might make an investigation. If they do make the investigation, we will not be informed as to what is going on about the investigation nor will we be apprised of the results of that investigation. So, the places that we went to were not so good as far as relief was concerned, relief for the people.

I would like you to take that under consideration, take it back to the Senate and do the kind of job that you can do. That job can be done if you want to do it. It is these things that can be used, as far as the evidence is concerned, that can be used against the utility companies.

Of course, we pointed out at that time that what this was was the actual base of inflation, because not only were we paying the bills for industry in our cents per kilowatt hour but also everywhere that we went, we were charged an increase for those goods upon which the cost of electricity was added.

Even the city of Philadelphia, according to the information they gave us, their bill was \$1 million higher because of that one increase in electricity than it was previously, which meant taxes had to go up for that. So, I wish that that would be investigated.

Now, as far as inflation is concerned, inflation is at the base of all of the problems we have in this country today. Every problem that the senior citizen has is an economic problem. Their economic needs have to be met. I pointed out to Secretary Beal that while they did improve in Pennsylvania from the 21st spot on social security implementation, they are now up to 11th, and that is something that we didn't have years ago and it is an improvement, but the State of Pennsylvania still has that black mark on it.

And I am talking about human needs. The reason that we have country, the reason that we have an industry, the reason that we have banks is to work for the needs of the population, and they always claim that our system here in the United States, the free enterprise system, could give more to the people than any other system in the world. Well, I think it is the greatest country in the world but it doesn't do that to the senior citizens. I think that that is a black mark on our flag because there are other nations that give a much greater proportion of their national gross income than we do in the United States, as far as the senior citizens are concerned.

Of course, in education for people that are not senior citizens, this is beginning to fall by the wayside. We are closing schools. The free enterprise system now, if we look from ocean to ocean, we have got it polluted. The ground is being torn up throughout the Nation and things are getting bad as far as our environment itself is concerned. Our hope has to be that people who have the power to put legislation into effect for the benefit of our senior citizens, and all of our citizens, are the people that sit in power in the halls of Washington and State government throughout the United States today.

The situation is growing desperate. You know, there was an article on Johnny Carson's program a couple of weeks ago. It said the price of dog food has gone up, and also said that is very important because one out of every four senior citizens partakes of dog food.

We had a nun who came here in Philadelphia and made a speech and I think her resources must have been good. She said that if you want to find out how many senior citizens live in any neighborhood, go into your neighborhood grocery mart and look at the dog food and the cat food section and if it seems to you to be more than extraordinary, or more than enough to meet the canine population, and so forth, in your neighborhood, you can be sure that that neighborhood is populated with more senior citizens than is usual for a neighborhood. Now, while these things might sound like horror stories—and they are horror stories—they are actual facts and they exist and something should be done about it.

Now, Action Alliance of Senior Citizens has been able to do some remarkable things.

As I pointed out, we had gone along on a lifeline concept, and some of the lifeline concept goes into existence. You pay so much for the first 500 kilowatt hours and if you live electrically under those kilowatt hours, then the increase doesn't apply. I think that should go greater. So, we are fighting for a situation to improve the lifeline procedure.

We had a generic drugs bill passed. That bill is now in operation but we also know in five other States in the United States that they had generic drug bills passed. But the pill companies—I know the investigations that you have made about the pill companies and what you have found out about them—but the pill companies have been able to manipulate things so that the prices of generic drugs, which were about one-tenth the price of brand name drugs previously, have now caught up and the prescriptions are about the same price. So, in Pennsylvania now what the senior citizens' groups have to do is make sure that those prices are regulated so that we don't have the same situation here in Philadelphia.

Now, when we are asking for the things we are asking for, we want you to keep in mind that we are talking about senior citizens in whom the insurance companies have invested a lot of money, which is almost a bet, that our road to eternity is only going to be for 7 years, from the age 65 to age 72. That is the actuarial figures that have been given us by the insurance companies. So, we are in a great hurry, you know. Each year we live about 15 percent of our lifetime. So, what has to be done can't go through the ordinary channels of

Congress, but they have to be speeded up, because we don't have the time to wait. We only have about seven or eight winters to go through, and I think that has to be taken into consideration and something has to be done immediately if there is going to be any relief for our senior citizens.

That is so much as far as my memory is concerned. It wasn't a prepared statement. If you have any questions to ask me, I will be glad to answer them.

Mr. ORIOL. Thank you, Mr. Bradley. You gave us a lot to think about. We seem to be running out of everything, including time. That goes not only on what we should do before the next winter, but on so many other fronts as well. I just have a few fast questions.

You have indicated that you had a successful fight for the application of the lifeline approach. There was some question earlier today about whether the lifeline has significant benefits. There was also some support for the peak hour method of utility setting.

I wonder if you would comment about both of those approaches and which, in your opinion, most directly helps the older consumer.

Mr. BRADLEY. Well, I think most of all, a direct lowering of the rate would help the senior citizens.

As far as the peak hours are concerned, it is more likely one of the things that missed their minds at a particular time, but it would be something if the lifeline rate were guaranteed, because there we would have it. It is not guaranteed against sidewalk meter reading. As I characterized it, it is like having a handful of shot covered with ink, throwing it at the map and where it lands at that particular time, the bill is increased maybe to five times what the regular bill was. That has to be watched.

And people that fight on their own just fight for themselves and can't do anything about that kind of a situation. Action Alliance can because we bring pressure to bear. Those that we are able to bring pressure to bear for—and we don't know all of them—in most instances do get their bills rectified.

Now, there was a question, too, of shutoffs in the city of Philadelphia. Our last year's president was with me at the time we were before Federal court. At that Federal court it was testified to by a Mr. Hubbard—and I think my memory is correct, and I only have my memory to guide me—that there were 19,000 shutoffs of gas in the city of Philadelphia the preceding year to his testimony. So, it is an acute situation.

I would say that gas is the last thing to be cut off in an emergency because I have seen during the depression the houses in the poor neighborhood that I lived in in the southwestern portion of Philadelphia where the lights really went out and sometimes you would see candles or oil lamps, but they had to have gas for cooking when they were able to have gas. I don't want to see that come back, but that kind of a situation can exist. Gas should be the last thing shut off.

I think on a comparison of the 19,000 that you will probably have, there will probably be a few more as far as electricity shutoffs are concerned. I would prefer that the lifeline be the guiding motive.

Mr. ORIOL. Do you have any recommendations on fuel adjustment clauses? We have had a difference of opinion on that too.

Mr. BRADLEY. Well, as I told you, in the State of Pennsylvania, utilities have a free hand, as far as their fuel adjustment clauses are concerned. It went into operation in 1972, I think, when they were given that free hand without a hearing, and we also protested.

I was around when the Public Utilities Commission was put into operation. That was in about 1937, and I remember Governor Pinchot making a speech at that time, and what he said at that time—and I haven't been able to find this fact out yet. In all of our hearings, I haven't heard it said by the company. At that time he said that the electric which costs us 4¢ per kilowatt hour delivered to our homes only cost the electric company one twenty-eighth of 1¢ to do that. Now, I know that the figures have changed since that time, but I do know from knowing a little bit about the manufacturing process in the Westinghouse Co., I know that the Westinghouse Co. in the plant that I worked in, their annual turnout for producing electricity was 17 megawatts per year. In 4 years, they increased that to 68 megawatts per year, with less labor cost in it than it was previously.

So, their cost of obtaining equipment, even under inflation, I don't think would be that much greater. There are ways that they can cut down. We could give a whole breakdown of what the costs are to the electric company.

They have one thing that used to burn me up, and that is trended costs. What are trended costs? The company could have—I remember the depression and companies going broke from selling stock on this same basis. Philadelphia Electric Co. could buy something 10 years ago for \$100,000 and then by trended costs, which would be inflationary costs up to a particular date that—and my time limits may not be correct. They would add what it would cost to build that same building under the inflationary costs today and then ask that their rates be based on that trended cost. And there are other things too that they used.

The Philadelphia Electric Co., when it goes before the Public Utility Commission, doesn't come there only with their own experts. They hire other engineering experts from outside. And when you go in there, literally there are tons of documents on the various tables, you know, waiting to be read. Those things go on interminably. Not only that, but while they are giving testimony for this year's increase, the same engineering company is compiling documents to justify an increase for the next year.

I am reporting to you on the basis of a 69-year-old memory. I think it is good on the general points in my testimony. I would be willing to bet up to 10¢, you know, that they are correct.

That is the answer to your question. I think the lifeline concept would be the best.

Mr. ORIOL. I will just ask you to stay there a few more minutes in case Mr. Rust or Mr. Corwin have any additional questions.

Let me ask whether anyone else would like to take the microphone now for comments, questions, or whatever?

[No response.]

Mr. ORIOL. I know it is customary to thank people for being patient but I would like to thank you for being so interested and sitting and hearing everything that was said.

If there are no questions, thank you again, very much.

Mr. BRADLEY. Thank you for the hearing.

Mr. ORIOL. We are delighted that Senator Heinz suggested that you, as an informed consumer, should be in the wrap-up panel.

Mr. BRADLEY. I thank Senator Heinz for that.

A suggestion has been made to me—and I think it was a good suggestion—and that is when the Governor's Conference on Aging meets next year that you try to have a session of the various things that concern senior citizens, have sort of a forum.

Mr. ORIOL. Thank you very much.

We will certainly follow up on any recommendations made and we will attempt to keep the Senate informed on the urgent subject which was discussed here today.

Thank you very much. [Applause.]

[The session was concluded at 12:30 p.m.]

