

THE IMPACT OF RISING ENERGY COSTS ON OLDER AMERICANS

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

PART 3—WASHINGTON, D.C.

NOVEMBER 7, 1975



Printed for the use of the Special Committee on Aging

U.S. GOVERNMENT PRINTING OFFICE

64-814

WASHINGTON : 1975

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The Impact of Rising Energy Costs on Older Americans:

Part 1. Washington, D.C., September 24, 1974.

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

FRIDAY, NOVEMBER 7, 1975

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

The committee met, pursuant to notice, at 10 a.m. in room 1318, Dirksen Senate Office Building, Hon. Lawton Chiles, presiding.

Present: Senators Chiles, Clark, Bartlett, Beall, and Brock.

Also present: David A. Affeldt, chief counsel; John Guy Miller, minority staff director; Margaret Fayé and Gerald Yee, minority professional members; Patricia Oriol, chief clerk; Eugene Cummings, printing assistant; and Alison Case, assistant clerk.

OPENING STATEMENT BY SENATOR LAWTON CHILES, PRESIDING

Senator CHILES. The Senate Special Committee on Aging will come to order.

Today the Committee on Aging continues its hearing on "The Impact of Rising Energy Costs on Older Americans."

My opening remarks will be brief because several witnesses are scheduled to testify, including administrative spokesmen, practitioners in the field of aging and elderly consumers.

Our fundamental purpose this morning is to update information obtained at hearings last year. The committee will also ask our leadoff panel from the administration whether progress has been made on winterization projects and provision of emergency services for those who may be in dire need.

Specifically, we want to know:

What has been accomplished?

What more needs to be done?

How can the Congress cooperate with the administration to implement these goals?

The chilly evenings at the end of October provide a reminder that winter is very near.

But are we prepared to respond to the projected energy shortages during the winter months?

Our hearings last fall made it abundantly clear that all Americans are affected in one form or another by rising energy costs. But the elderly are among those experiencing the greatest hardship and deprivation.

Their limited incomes may make it difficult—and sometimes hopeless—to absorb rising energy prices. Many simply do not have the sufficient margin between income and outgo to withstand higher fuel, transportation, and electrical costs.

And too often they are left with impossible choices to heat or eat.

As a group, the elderly and other low-income persons typically spend about 14 percent of their income for energy, or nearly 3½ times the percentage amount of other Americans.

Failing health or limited income may create serious barriers for making necessary repairs or purchasing needed insulation to conserve fuel and energy.

WINTERIZATION LEGISLATION

However, the Older Americans Home Repair and Winterization Act, which I have sponsored with Senator Church, would help to respond to these serious problems. I am hopeful that it can be acted upon soon. I am also pleased that the Winterization Assistance Act—recently passed by the House*—incorporates some of the basic provisions in our legislation.

The high cost of energy not only affects the price of electricity, gas, and home fuel; it also has a direct impact on transportation.

In rural and suburban areas in my own State of Florida, many elderly persons must travel several miles to buy food and essential services. However, the sharp jump in gasoline prices has made it virtually prohibitive for thousands to use their cars regularly.

Yet, reasonably priced public transportation is frequently inconvenient, inaccessible, or not available. It is no wonder that large numbers of older Americans live under a form of house arrest, cut off from their families, friends, and service providers.

Our panel of elderly witnesses and practitioners will have more to say about this later.

Quite clearly, the energy problem has not abated. It is very real and immediate. And it may intensify in the months ahead.

With this in mind, the committee will begin its hearing by listening to a panel of administration witnesses: Dr. Arthur Flemming, U.S. Commissioner on Aging; Mrs. Hazel Rollins, Director for the Office of Consumer Affairs and Special Impact at the Federal Energy Administration; and Mr. Angel Rivera, Associate Director of Operations for the Community Services Administration.

Dr. Flemming, we are delighted to have you again as the U.S. Commissioner on Aging, attending our panel, and we will have you lead off today.

STATEMENT OF HON. ARTHUR S. FLEMMING, COMMISSIONER, ADMINISTRATION ON AGING

Dr. FLEMMING: Thank you very much, Mr. Chairman.

I am delighted to appear before you with my associates to discuss this important subject.

I will identify informally some of the steps that we have been taking and some of the issues that have been identified as a result of taking these steps.

*H.R. 8650, Sept. 8, 1975.

Back in January of this year, an interdepartmental working agreement on energy was signed by the following departments and agencies, the Administration on Aging, the Department of Agriculture Extension Service, and Farmers Home Administration; Department of Housing and Urban Development; ACTION; Federal Energy Administration; and the Community Services Administration, formerly OEO.

ADMINISTRATION ON AGING ACTIONS

Since the signing of this agreement, the Administration on Aging has taken the following steps:

1. We have transmitted to State and area agencies on aging policies regarding the use of title III funds in meeting the needs of older persons during the energy crisis.

2. We have informed State and area agencies on aging of the availability of resources for winterization and energy conservation programs through the Community Services Administration (\$16.5 million made available through the fiscal year 1975 appropriations), and have urged them to work with State Economic Opportunity Offices and local community action agencies on plans for the use of these funds in a manner that would provide maximum assistance to older persons.

3. We have transmitted a technical assistance document to State and area agencies on aging related to coordinating Older Americans Act programs with the CSA and other programs and resources for winterization efforts.

4. We have informed State and area agencies of additional resources of \$16.5 million for energy conservation and winterization that have been made available through CSA's emergency energy conservation program.

In order to obtain a better understanding of what was happening as far as the interagency agreement was concerned I decided to hold two public hearings, one in Milwaukee, Wis., and one in Lewiston, Maine, during the month of September 1975.

It is clear that in these two areas some activity is underway with respect to winterization and conservation efforts to help low-income and older persons.

It is also clear that State and area agencies concerned with providing services and assistance to the elderly in the two areas where the hearings were held have a growing recognition of the fact that the pooling of resources from two or more programs can help to meet energy related needs of the older persons more effectively.

In the two areas where we held hearings, State and local agencies administering some Federal programs involved in the interdepartmental working agreement on energy are working closely together to expand winterization and energy conservation efforts.

Some State and local agencies in these two areas are utilizing innovative approaches to energy conservation and winterization that might be effectively used elsewhere.

MAINE LIFELINE PROGRAM

For example, we received testimony relative to what is called the lifeline program under the auspices of the Maine Public Utilities

Commission. This is a 12-month demonstration project, currently underway in six communities in the State of Maine to test the feasibility of reversing the utility rate structure for low income and elderly. Eligibility is set at age 62, with an annual income of no more than \$4,500 for an individual and up to \$5,000 for a couple.

The first 500 kilowatt-hours of electricity per month are provided at \$0.03 per kilowatt-hour, or a total of \$15 per month. This is approximately 5 percent less than the rate charged the general public. The general payment principle for utilities has been, as we all recognize, "The more power used, the less the payment," for the low-income elderly.

Then in the State of Wisconsin, we received testimony to the effect that a change in the disconnect rule in that State requires that utilities must notify a local law enforcement agency if residential service has been disconnected and not restored within 24 hours. A defer-payment agreement has been instituted, whereby a reasonable amount is paid in monthly installments, based on ability to pay, with no finance charges allowed.

Then also in the hearing in Milwaukee, we received testimony relative to a collection and distribution project of firewood, in southeastern Ohio, and in one area of Wisconsin.

OPERATION FIREWOOD

A community action agency that serves three rural counties in southeastern Ohio has developed a program called Operation Firewood, which involves two-person crews of trainees, supplied under the CETA program to chop wood in the Wayne National Forest.

This covers much of the tricounty area, and they stock it for emergency delivery to low-income families. A blanket permit has been obtained to chop wood in the forest. Chopping begins in November and deliveries are made from December through the winter months.

Then through area agencies on aging in northern Wisconsin, they initiated a project last year whereby staff and some volunteers collected and delivered firewood to older persons who still used wood-burning stoves for heating purposes.

After the hearings in Milwaukee, Wis., and Lewiston, Maine, I called a meeting of the interdepartmental task force on energy to discuss some of the testimony that we had received at these hearings, and to explore possible action which could be taken to accelerate the response to the issues raised in the hearings.

FURTHER ACTIONS PLANNED BY AOA

As a result of the hearings, and a result of the consultation with the interdepartmental task force, certain action will be taken by the Administration on Aging.

Another in a series of technical assistance memorandums on energy conservation and winterization will be transmitted to the State and area agencies on aging next week.

Working in cooperation with the Farmers Home Administration, we hope to point out in this memorandum more effectively than has been done up to the present time the role that section 504 can play in the area of home repair.

Also, in the memorandum that we are going to distribute next week, we are going to try to link up more effectively than I think has been done up to the present time, the utilization of title VII funds with the energy issue.

The need for doing this was pointed up at the hearing in Lewiston, Maine. At these hearings the emphasis was on the cost of energy, whether it is energy to be used to heat homes or energy to be used to provide transportation. Consumers described in a vivid way how they would have to make decisions to make expenditures for fuel, as against making expenditures for food. This means, of course, that the interest in the title VII program, providing nutrition programs for older persons, has been heightened to a very considerable degree. The waiting list for participation in the title VII program has increased.

The title VII programs are located oftentimes in churches, and in other institutions within the private sector. They have been providing the space and oftentimes the heat, without reimbursement. As energy costs have gone up, they have found it increasingly difficult to make this kind of a contribution. As a result, we are sending out to the field offices a communication pointing up how more of the title VII funds can be used to cover the cost of heat and also to cover the cost of transportation. Then we are also saying that the necessity of utilizing some of the title VII funds for these purposes underlines the importance of reaching out and tapping other resources for meals for older persons, such as the resources that are available under title XX, and general revenue-sharing funds.

In other words, if the expenditure of title VII funds for heat and for transportation is increased, that would reduce the amount of money available for meals. As a result we are urging the network to tap other sources of funds for meals in order that they can help churches and other bodies to meet the increased energy costs that they are up against.

We are also developing with the Department of Housing and Urban Development technical assistance memorandums designed to stimulate to a greater extent the use of section 115 and section 312 programs to rehabilitate homes.

As a result of the testimony that we listened to in Milwaukee and Lewiston, I am very much impressed with the cooperative relations that have been developed between the community action program agencies under the Community Services Administration, and the area agencies on aging.

In conclusion, Mr. Chairman, we are going to continue to do everything we can, not only to alert the Nation's network on aging, namely the State and area agencies on aging, to the problems, but also to point up the resources that can be tapped, in connection with meeting the needs of older persons in the energy area during the next few months. We feel that this is a matter that should be given a high priority on the part of the State and area agencies.

Personally, I am going to keep in close touch with the operation of the interdepartmental agreement that has been worked out in this area, in order to make sure that we do everything that we can to translate the rhetoric into an agreement and into action.

[The prepared statement of Dr. Flemming follows:]

PREPARED STATEMENT OF ARTHUR S. FLEMMING

I am pleased to appear before you today to discuss an issue of real importance, the energy crisis and its impact on older persons.

Concern about this issue prompted the Administration on Aging and several Federal departments and agencies to enter into an interagency agreement in January 1975 designed to: (1) Promote coordination of existing resources and programs to assist in winterization of older person's homes; (2) adopt strong advocacy roles at the State and local levels related to energy-related needs of older persons; and (3) provide older persons with clear and accurate information about fuel allocations and energy conservation.

INTERAGENCY WORKING AGREEMENT

The Interdepartmental Working Agreement on Energy was signed by the following departments and agencies: Administration on Aging; Department of Agriculture Extension Service and Farmer's Home Administration; Department of Housing and Urban Development; ACTION; Federal Energy Administration; and the Community Services Administration (formerly OEO).

Since the signing of the agreement, the Administration on Aging has taken the following steps:

1. Transmitted to State and area agencies on aging policies regarding the use of title III funds in meeting the needs of the elderly during the energy crisis.

2. Informed State and area agencies on aging of the availability of resources for winterization and energy conservation programs through the Community Services Administration (CSA) (\$16.5 million made available through the fiscal year 1975 appropriation) and urged them to begin working with State Economic Opportunity Offices and local community action agencies on plans for the use of these funds in a manner that would provide maximum assistance to older persons.

3. Transmitted a technical assistance document to State and area agencies on aging related to coordinating Older Americans Act programs with CSA and other programs and resources for winterization efforts.

4. Informed State and area agencies of additional resources for energy conservation and winterization that were made available through CSA's emergency energy conservation program, made possible by a \$16.5 million supplemental appropriation for these purposes to CSA.

I conducted two public field hearings on "The Impact of the Energy Crisis on the Elderly" in Milwaukee, Wis., and Lewiston, Maine, during the month of September 1975.

The hearings brought to light information relative to the operation of the interdepartmental agreement in these four areas:

1. Activity is underway with respect to winterization and conservation efforts to help low-income and elderly persons.

2. There is a growing recognition among State and local agencies concerned with providing services and assistance to the elderly in these two areas that the pooling of resources from two or more programs can help to meet energy-related needs of the elderly more effectively.

3. In these two areas some State and local agencies administering Federal programs involved in the Interdepartmental Working Agreement on Energy are working closely together to expand winterization and energy-conservation efforts to reach the maximum number of older persons in need of such assistance.

4. Some State and local agencies in these two areas are utilizing innovative approaches to energy conservation/winterization that might be effectively used elsewhere.

"Lifeline"—Maine Public Utilities Commission

This is a 12-month demonstration project currently underway in six communities in Maine to test the feasibility of reversing the utility (electricity) rate structure for low-income elderly. Eligibility is set at age 62 with annual income of no more than \$4,500 for an individual and up to \$5,000 for a couple. The first 500 kilowatt hours of electricity per month are provided at \$0.03 per kilowatt hour or a total of \$15 per month. (This is approximately 5 percent less than the rate charged the general public.) The general payment principle for utilities has been "the more power used, the less the payment." Lifeline inverts this principle to that "the less power used, the less the payment" for the low-income elderly.

Liberalization of rules governing utilities payments—Wisconsin

A change in the disconnection rule requires that utilities must notify a local law enforcement agency if residential service has been disconnected and not restored within 24 hours. A deferred payment agreement has been instituted, whereby a reasonable amount is paid in monthly installments based upon ability to pay, with no finance charges allowed.

Firewood collection and distribution projects—Southeastern Ohio, and District III, Wisconsin

A CAP agency that serves three rural counties in southeastern Ohio has developed a program called "Operation Firewood" which involves two-person crews of CETA trainees who chop wood in the Wayne National Forest (covers much of the tri-county area) and stock it for emergency delivery to low-income families. A blanket permit has been obtained to chop wood in the forest. Chopping begins in November and deliveries are made from December throughout the winter months. An area agency on aging in northern Wisconsin initiated a project last year, whereby staff and some volunteers collected and chopped forest wood to deliver to older persons who utilize wood burning stoves for heating purposes.

On October 29 I called a meeting of the Interdepartmental Task Force on Energy to discuss the findings of the hearings and explore possible action that could be taken to respond to the issues raised in the hearings.

Specific actions will be taken as a result of this meeting.

1. A technical assistance memorandum, including communications of other Federal departments and agencies to their State and local counterparts on energy conservation and winterization, will be transmitted to State and area agencies on aging.

2. A technical assistance memorandum on the Farmers Home Administration section 504 home repair program will be transmitted to State and area agencies on aging, with special emphasis on how volunteers can be used to help "package" 504 loan proposals for FHA local offices.

3. A program instruction will be transmitted on the use of title VII funds to help compensate for increased energy costs at nutrition meal sites.

4. A technical assistance memorandum on how the Department of Housing and Urban Development's section 115 and section 312 programs can be used to rehabilitate homes will be transmitted.

CONCLUSION

These efforts should assist State and area agencies on aging to play a meaningful leadership role in the development of action programs for energy conservation and winterization designed to help older persons.

1. Such programs deserve a high priority.

2. Our regional offices and State agencies will monitor developments in this area very closely.

3. I will personally review the reports growing out of these monitoring efforts and will be prepared to take action designed to facilitate a more effective coordination of the available resources.

Senator CHILES. Thank you, Doctor.

We are delighted to have Senator Beall and Senator Bartlett with us now.

Senator Beall, do you have a statement?

STATEMENT BY SENATOR J. GLENN BEALL, JR.

Senator BEALL. Mr. Chairman, I have a brief statement.

Mr. Chairman, today's hearing is designed to shed some light on the plight faced by our Nation's elderly because of increasing fuel costs.

One of the difficult problems we face in designing an energy program is insuring that no one segment of our society is unduly burdened

by the actions taken in Congress. I happen to favor a return to the free-market system as the only effective and feasible way of promoting adequate energy supplies. The days of cheap and abundant energy are over, and this is an issue that we cannot continue to sidestep. Neither can we avoid our obligation to protect consumers, particularly those elderly Americans who live on fixed incomes.

Older persons spend a relatively larger share of their income on direct energy consumption, thus a rapid price increase in fuel oil, natural gas, electricity, and gasoline will accelerate the decline in real income for older persons as compared with other segments of society.

The table which I will submit at the conclusion of my statement shows the energy component of income for the elderly as compared with representative households with high, low, and average incomes. What this chart reveals is that households headed by individuals 65 years of age or older spend over 10 percent of their annual income on three basic fuels—natural gas, electricity, and gasoline—whereas other households with an average income spend only 8 percent. Combine this factor with a 40-percent increase in the retail price of energy and the result is an added burden that must be borne by the elderly. This is particularly true for senior citizens living solely on social security payments. The percentage of income that they spend on direct energy consumption falls between 15 and 19 percent, or about twice that spent by average income households. As long as fuel prices continue to skyrocket, the elderly and the poor will continue to bear a disproportionate share of the cost.

PROPOSALS TO EASE ENERGY RELATED INFLATION

What can be done to alleviate or at least soften the costs of energy related inflation? I believe there exist several positive and equitable ways to approach this situation.

First, in conjunction with a phased decontrol of domestic crude oil, I strongly favor a windfall profits tax, the revenues from which could be used to aid those who spend a proportionately greater than average amount of their income on direct energy consumption.

Second, the Senate passed on October 22 a bill amending the Natural Gas Act to allow for the decontrol of wellhead prices of natural gas. Included in this bill was an amendment, which I supported, maintaining controls of natural gas fields already dedicated to interstate production. This one action alone reduces the cost of decontrolling natural gas by about 20 percent, while simultaneously keeping production incentives intact.

Third, and I think very importantly, the 1975 amendments to the Older Americans Act contain specific provisions for assisting the elderly in areas where energy inflation has imposed a burden. The act, now in conference, provides expanded transportation services for the aged, and establishes an experimental program to provide funding for home repairs and renovation.

Finally, we should investigate the need for eliminating certain discriminatory practices in the pricing of natural gas. I hope that these practices will be explored during this hearing.

Under present rate structures used by most utilities, the per unit price of natural gas declines as additional quantities are purchased. In my own State of Maryland, for instance, low-income households who use only a small quantity of natural gas must pay \$3.20 for the first thousand cubic feet (Mcf), the price dropping to \$1.50/Mcf thereafter. For industrial and commercial users, the price scale slides even faster, from \$3.20 for the first Mcf down to 90 cents, or in some cases, 45 cents for extremely large quantities. The effect of this pricing structure is twofold: First, it increases the cost to those segments of the population with lower incomes, particularly the elderly; and, second, it acts as a disincentive for conservation.

When placed together in a total framework, I believe these actions spell out a reasonable and effective course that Congress can follow. We must address the energy crisis squarely, but in doing so, we must also provide for the equitable and fair treatment of all citizens.

Mr. Chairman, as I said at the outset, I congratulate you for holding this hearing, and I ask unanimous consent that the table I referred to earlier be printed in the hearing record.

Senator CHILES. It will be made a part of the record, and I thank you for your statement.

[The table referred to follows:]

ENERGY CONSUMPTION BY HOUSEHOLD¹ (1975)

	Annual amount consumed (mm Btu)	Cost per mmmcf	Annual cost	As percent of income
Elderly:²				
Natural gas.....	133	\$1.67	\$222	3.0
Electricity.....	78	2.99	233	3.1
Gasoline.....	70	4.45	312	4.2
Total.....	281	2.73	767	10.3
Average income:³				
Natural gas.....	144	1.64	236	1.8
Electricity.....	100	2.80	280	2.2
Gasoline.....	119	4.45	530	4.1
Total.....	363	2.88	1,046	8.1
High income:⁴				
Natural gas.....	185	1.59	294	1.0
Electricity.....	132	2.92	386	1.3
Gasoline.....	180	4.45	801	2.8
Total.....	497	2.98	1,481	5.2
Low income:⁵				
Natural gas.....	125	1.72	215	7.3
Electricity.....	58	3.30	191	6.5
Gasoline.....	34	4.45	151	5.2
Total.....	217	2.57	557	19.0

¹ Sources: Korothy K. Newman and Dawn Day, "The American Energy Consumer," "A Report to the Energy Policy Project of the Ford Foundation," 1974. Office of Senator J. Glenn Beall, Jr.

² Head of household age 65 or over. Mean income, \$7,427.

³ Mean income, \$12,893.

⁴ Mean income, \$28,714.

⁵ Mean income, \$2,930.

Senator CHILES. Senator Bartlett, do you have a statement?

STATEMENT BY SENATOR DEWEY F. BARTLETT

Senator BARTLETT. Mr. Chairman, I thank you for holding these hearings.

I think it is very, very refreshing to obtain the thinking of these people.

I think it is vital in analyzing any issue affecting the elderly, to learn just how harmful inflation is to the programs that they have. I am convinced that we have done a rather poor job of providing a sound dollar. This creates a situation where a person on fixed income not only looks at how much erosion will take place in their standard of living, but also at the rate of inflation that takes place.

It is rather interesting, in looking at the energy matter, as represented by the price of gasoline, to compare it to, say, the price of a car.

I know in 1941, my mother helped me buy a Ford. It was about \$600, a little less, and that cost today would be \$5,000. Whereas, on the other hand, the price for a gallon of gas at that time was 19 cents a gallon, and today it is in the low sixties.

So on one hand, energy went up three times, on the other, the price of a car went up about seven times. So again, we get back to the problem of inflation.

Energy of course plays its part in that, and I am convinced that there have been a lot of people who have been led to believe that by controlling our prices on fuel oil, we will actually effect a lower domestic price, rather than create more of a shortage, and give more leverage to the effects of a rise in prices imposed by the OPEC nations.

Also, I think quite often the emphasis is put on price rather than on availability.

FIREWOOD FOR HEATING PURPOSES

I was particularly interested in your comment on firewood, Dr. Flemming. You talked about the problem of cutting firewood, and I remember hearings recently on Indian housing in Oklahoma. We found out that the majority of the Indians were used to having firewood for heating purposes, but the new housing programs were not permitting them to have open fireplaces. I am very curious as to what your thinking is about having the availability of fireplaces for the purpose of heating, with some of the modern heatolaters and other devices that maximize heating from burning wood.

I am convinced since wood is a reliable resource, that perhaps we should be looking a little more to it as a source of consumer energy.

As a reminder of the importance in this area, we are seeing testimony that showed the contribution coming from the nuclear area as far as energy is concerned, is about the same as the contribution that comes from firewood. So firewood is still a rather significant source of energy. I was glad to see you put this in your report and we hope you might comment further.

Mr. Chairman, thank you very much.

Senator CHILES. Thank you very much, Senator Bartlett.

Ms. Rollins, we will go on to you, and then we will have our questions.

STATEMENT OF HAZEL R. ROLLINS, DIRECTOR, OFFICE OF CONSUMER AFFAIRS AND SPECIAL IMPACT, FEDERAL ENERGY ADMINISTRATION

Ms. ROLLINS. Thank you, Mr. Chairman, members of the committee.

I appreciate the opportunity to appear before you and to discuss with you the concerns of the aged who are faced with problems resulting from inflation, including the rising cost of energy.

Today I would like to discuss the actions taken by the Federal Energy Administration since our last appearance before this committee on September 25, 1974.

We would first like to discuss the study which the Office of Consumer Affairs and Special Impacts—CA/SI—forwarded to you in the past year.

Our office is charged with the responsibility for analyzing energy policies and programs as they relate to the aged and low-income population.

In conjunction with that responsibility CA/SI conducted a review of literature and household energy consumption data which provided many summaries and case studies of the impact of rising energy costs on the low-income and elderly population, but found there existed little hard data on these costs and their likely effects. Since the elderly comprise an increasing population segment and energy costs may rise at rates at or above the general CPI, this lack of information was especially critical. There had been no appropriate study done to determine the extent to which the elderly poor and near-poor would have to curtail other basic needs in order to pay the price of rising energy costs.

Recognizing that a data gap existed and that it would require a massive primary data collection effort to fill this gap on a current and continuing basis, the Federal Energy Administration, Consumer Affairs/Special Impact Office, engaged an outside contractor to conduct a short-term intensive data collection and analysis effort.

The purpose of this study was to assess the primary impacts of rising energy costs on three target audiences: The individual elderly consumer, the institutions, and Federal programs which serve the elderly. Primary impacts are the directly identifiable effects of rising energy costs on income/expenditures, housing, and transportation. To the extent that available data permitted, these effects were assessed on a regional basis.

FINDINGS OF STUDY ON RISING ENERGY COSTS

The major findings of the study are on expenditures, income, housing, and transportation.

First, the elderly poor consume less energy than any other age-income group, including the younger poor, and yet they spend a much higher proportion of their total budget on energy expenditures.

Second, the elderly poor spend most of their budget for items of necessity, such as cooking and heating, rather than items of luxury such as discretionary auto transportation.

Further, we found that home-heating and fuel consumption are significantly affected by climatic conditions, type of fuel, and dramati-

cally rising energy prices. Elderly households spend a much higher portion of their budget on fuel and utilities in the colder areas of the country where energy prices have also been rising the fastest. The climatic effect on percentage of budget spent on fuel and utilities is much stronger on the low-income elderly relative to the higher-income elderly.

More importantly, on a national level, the Consumer Price Index increase for fuel and utilities from 1973 to 1974 was more than double the increase in the overall items for the CPI (21.5 percent versus 10.2 percent). This means that a family which spent a greater portion of their budget for fuel and utility expenditures such as the poor and the elderly on fixed incomes have experienced greater rates of inflation.

Finally, the study states that elderly poor households pay a higher price per unit of electricity and natural gas and consume lesser quantities per household than other income groups.

FEA ACTIONS

In reaction to these findings, FEA has taken the following actions: First, there are more examples of positive programs working that have been successful at the Federal and the State levels and, more importantly, the local level.

The Office of Consumer Affairs has conducted a series of seven regional consumer energy workshops. The purpose of those workshops has been basically for discussion on energy options, and as I mentioned earlier, to discuss and provide a showcase for those programs which have been successful.

One of the seminars held at each of these workshops has been energy programs for the poor and aged.

We held these workshops with panels of four to six people, representing various State, local, and Federal agencies who service the poor.

Attending these seminars and workshops were groups representing grassroots consumers, as well as organizations for the aged, and service organizations, both private and public, which service the aged.

These workshops provide an exchange of information, and we found in some State and local areas, there was replication of successful programs from one government unit to the other.

More importantly, a number of programs were presented to FEA by various workshop participants. These presentations involved suggestions of modifying existing programs or establishment of new programs.

Our office is summarizing the recommendations presented at the seven seminars, and will forward them to this committee sometime late in December.

TASK FORCE ON HUMAN RESOURCES AND ENERGY

I would also like to discuss another mechanism we have discussed here. Last year, after appearing before this committee, the agency Task Force on Human Resources and Energy met. On that task force are 11 representatives of the human resources agencies here in Washington. The purpose of that meeting was to reenforce the idea that

there should be basic coordination and an opportunity to discuss policy options, and to discuss ways of working currently funded programs, so that they might provide energy to the poor and elderly for both the long term and the crisis intervention.

Represented on that task force are the Administration on Aging, the U.S. Department of Housing and Urban Development, the Community Services Administration, the Bureau of Indian Affairs, the U.S. Department of Transportation, and the Department of Labor, as well as FEA.

To date, that task force has been involved in policy development for the utility demonstration program which I shall discuss later. Policy development and procedural guidelines for developing a coal shortage task force was formed by the FEA only last month to deal with coal shortages that the poor and elderly are experiencing, and to deal with problems of natural gas curtailment.

This interagency task force, therefore, is a vehicle for the exchange of ideas and information and discussion of Federal policy, as relates to programs serving the aged.

FEA is also attempting to replicate this interagency task force in the regions.

As stated last year when I appeared before you, we testified we were planning to have regional consumer affairs represented in each of our regional offices.

I am happy to report that we have begun to replicate this interagency task force at the regional levels with the regional CA/SI staff. What these task forces have done at the regional level is to provide for that same exchange of information, at the State and local level, and through meetings with our regional offices in conjunction with regional staff and State and local staff and also agencies which service the aged and the poor. They have managed to meet with over 31 State and local representatives, who service and coordinate these programs, and have discussed energy programs and possibilities for modifying such programs with over 150 area aging representatives.

We will continue this work in an attempt to coordinate information. We see the most important work of this regional effort to be the cataloging of information regarding programs already in action.

What we learned in the workshop was that few people at the State and, more importantly, at the local level, involved in these services, are even aware of various Federal programs that exist. More importantly, awareness of the criteria must be met before application of such programs can be made. So we will be creating a catalog of all existing programs, and identifying these programs on a State-by-State basis.

This information will then be sent to all State energy offices, as well as all local offices, who deal with services to the poor and aged.

I will withhold discussion on low-income weatherization programs, as I suspect there will be questions on that later.

FEA ACTIONS WITH ELECTRICAL UTILITIES

I would like to move directly into discussing our efforts with electric utilities.

The FEA Office of Energy Conservation, in cooperating with several regulatory commissions within the States, has funded nine demonstra-

tion programs* of integrated rate structures and load management techniques.

These demonstrations will assess consumer response to new rate structures, and the effectiveness of load management practices, and in the near future FEA will testify in cases before the North Carolina Utilities Commission and the Connecticut Energy Commission.

I will be happy to provide for the record copies of any of these testimonies or briefs and I am now supplying, with my testimony today, a summary of the regulatory intervention programs** outlining its objectives and rationale in more detail.

In each of the areas, residential customers are selected randomly which represents cross sections of household social-economic characteristics.

The goal of these demonstration efforts is to identify proven efforts of overall efficiency of generation transmission in the use of electricity.

Ultimately, we hope there will be improving efficiency, and more importantly, that there will be restructuring of rates, which will have a twofold result, that of reducing utility bills for the elderly as well as reducing the overall consumption pattern of electricity across the country.

More importantly, FEA's demonstration programs will give us data which will give us some measure of the wide diversity of electrical systems throughout the United States, in ways in which consumers can be responsive to certain signals to reduce electric utility consumption.

FEA is also participating in State regulatory hearings. The FEA office of utility programs is currently participating in several States and local hearings at the request of State commissions.

The purpose of FEA's testimony in these hearings is to advocate structure rate changes to reflect marginal costs, and to provide time of day in pricing, to further advocate the implementation of low-management techniques and controls, and practices which are cost effective in the lowering of electric utility bills.

FEA has filed formal testimony with the Minnesota Public Service Commission, and has testified on interstate cases before the New York Public Service Commission, the Colorado Public Utilities Commission, the Wisconsin Public Service Commission, and the Virginia Electric Cost Commission.

We will testify later this month in North Carolina and in Connecticut. I also have provided, with my formal testimony, copies*** of a summary of those intervention programs in which FEA has participated.

STUDIES BY THE OFFICE OF CONSUMER AFFAIRS

Finally, I would like to discuss some studies which the Office of Consumer Affairs, FEA, has conducted over the past year.

Early in December, the Office prepared a winterization analysis. What we did in that analysis was to catalog all existing Federal programs which provided funds which might be used for insulating the home for the poor and elderly.

* See appendix 1, item 1, p. 191.

** Retained in committee files.

*** Retained in committee files.

That document served as a valuable tool to stimulate initial conservation and policy suggestions, the lead to the formalization of winterization legislation that is currently under consideration before Congress.

In January at the request of this committee and in conjunction with HEW, FEA completed a feasibility study of the fuel stamp program, and an analysis of various options for responding to energy price increases last winter, through current income maintenance programs.

The study concluded that the fuel stamp program is not the most feasible option for relieving the burden of increased energy costs on the poor.

Additionally my office has compiled a handbook for use by State energy offices to help them address the problems of the poor and elderly in obtaining fuel supplies, and dealing with immediate crisis where funds are not available for providing these services.

What we have tried to do with that document which is now in draft, is to provide a checklist of organizations which do have available funds and funding capability for emergency crisis intervention.

That document is now under revision, prior to further dissemination, as we feel basic revisions will be needed, since the initial handbook based its thrust on the existence of the Emergency Petroleum Allocation Act. After November 15 we will know where to go on that one.

LIFELINE UTILITY ANALYSIS

Finally, I would like to discuss FEA's effort in the area of lifeline utility analysis.

In an effort to address the problems of the poor, as they relate to utility costs, the Office of Consumers Affairs and Special Impact last year began to study and analyze the potential of lifeline rates, as related to the poor and elderly. FEA's Office of Utility Programs, which has been deeply involved in utility rates structure issues and demonstration projects, also examines lifeline rates.

A paper titled "Lifeline Concepts" was prepared by the Office of Consumer Affairs and Special Impact in January of this year. It has received a wide circulation from the public. It defines lifeline as a concept of utility pricing, which offers the necessity level of power to individual consumers at a low rate, and then permits the price above that level to be set at a rate to recoup the subsidy, and to encourage conservation in high-level users.

We recognize at least potential problems with lifeline rates, and such problems will require thoughtful and systematic systems and specific analysis before lifeline may be implemented.

First, we feel that lifeline may in some areas depart from a valid basis of rate design, namely costs; and, second, lifeline in all areas of the country may not help the customers it is intended to benefit: the poor and aged on fixed incomes. We understand lifeline rates will help the poor and elderly, where they are set in the areas where low volume users live.

Because of substantial interest in lifeline, we believe it is important for each regulatory commission to examine lifeline in their jurisdiction, and to get answers to the following questions. What income

group would benefit, and what income group would necessarily bear the burden of lifeline? What would be the departure from costs-incurred responsibility if these rates were put into effect? And, finally, what conservation would be encouraged, and where would the inefficiencies be subsidized for such a lifeline tariff?

The Office of Utility Programs is receptive to a lifeline proposal, which examines these questions. Obviously, as all rate demonstrators, the funding of a lifeline demonstration should not be interpreted as endorsement of the concept with national application.

Finally, it should be emphasized, the question of relief for the poor, cost-based rates, and encouraging conservation, extend beyond the implementation of lifelines. The lifeline demonstration in the absence of accompanying analysis, with the kinds of questions regarding the low-income population, and cost basis, would be an inadequate study.

The kind of information necessary to adopt or reject lifeline, however, if included in the kind of study outlined, would be very helpful.

We think that lifeline should be demonstrated, and as indicated earlier, the Office of Utility Programs will entertain an application for a lifeline demonstration project which covers social-economic indicators which FEA has outlined.

I would like to further add that no submission for lifeline demonstration has been made to FEA, and we are hopeful from testimony at this hearing and at other public forums, indicating the fact we are open to submission for such a demonstration, will perhaps create some response throughout the country.

DATA COLLECTION EFFORTS

I would like to discuss just one final study which has been instituted in the Office of Consumer Affairs and Special Impact. Earlier when I talked about the study on the aging, I indicated there existed no ongoing data collection effort to help us quantify the impact of proposed energy policies on various income segments.

The Office of Consumer Affairs in conjunction with the data office of FEA, has begun to institute a data collection effort which will provide information on all income groups by age, race, sex, and more importantly, by regional allocation.

This information is now in its initial stages, and we will be happy to report. I hope, next year, that the system is working, and in such fashion that it will allow us in a short turnaround time to analyze the impact of each energy proposal for various income classes.

This concludes my formal testimony. I would be happy to submit to any questions this committee may have.

Senator CHILES. Thank you very much, Ms. Rollins.

[The prepared statement of Ms. Rollins follows:]

PREPARED STATEMENT OF HAZEL R. ROLLINS

I appreciate the opportunity to appear before you this morning to discuss the concerns of the aged who are faced with problems resulting from inflation, including the rising costs of energy. Today I would like to discuss the actions taken by the Federal Energy Administration since our last appearance before this committee on September 25, 1974.

AGING STUDY

FEA's Office of Consumer Affairs/Special Impact (CA/SI) is charged with the responsibility for analyzing energy policies and programs as they relate to the aged and low-income population. In conjunction with that responsibility CA/SI conducted a review of literature and household energy consumption data which provided many summaries and case studies of the impact of rising energy costs on the low-income and elderly population, but found there existed little hard data on these costs and their likely effects on the low-income elderly population. Since the elderly comprise an increasing population segment and energy costs may rise at rates at or above the general CPI, this lack of information was especially critical. There had been no appropriate study done to determine the extent to which the poor and near-poor elderly may have to curtail other basic needs in order to pay the price of rising energy costs.

Recognizing that a data gap existed and that it would require a massive primary data collection effort to fill this gap on a current and continuing basis, the Federal Energy Administration, Consumer Affairs/Special Impact Office engaged an outside contractor to conduct a short-term intensive data collection and analysis effort.

The purpose of this study was to assess the primary impacts of rising energy costs on three target audiences: The individual elderly consumer, the institutions, and Federal programs which serve the elderly. Primary impacts are the directly identifiable effects of rising energy costs on income/expenditures, housing, and transportation. To the extent that available data permitted, these effects were assessed on a regional basis.

The major findings of the study are:

First, the elderly poor consume less energy than any other age-income group, including the younger poor, and yet they spend a much higher proportion of their total budget on energy expenditures.

Second, the elderly poor spend most of their budget for items of necessity, such as cooking and heating, rather than items of luxury such as discretionary auto transportation.

Further, we found that home-heating and fuel consumption are significantly affected by climatic conditions, type of fuel, and dramatically rising energy prices. Further, elderly households spend a much higher portion of their budget on fuel and utilities in the colder areas of the country where energy prices have also been rising the fastest. The climatic effect on percentage of budget spent on fuel and utilities is much stronger on the low-income elderly relative to the higher income elderly.

More importantly, on a national level the Consumer Price Index increase for fuel and utilities from 1973-74 was more than double the increase in the overall items for the CPI (21.5 percent versus 10.2 percent). This means that a family which spent a greater portion of their budget for fuel and utility expenditures such as the poor-elderly on fixed incomes have experienced greater rates of inflation.

Finally, the study states that elderly poor households pay a higher price per unit of electricity and natural gas and consume lesser quantities per household than other income groups.

FEA ACTIONS

As a result of these findings, FEA has taken several actions within the mandate of its legislative authority.

CONSUMER ENERGY WORKSHOPS

This year, the Office of Consumer Affairs/Special Impact conducted seven regional consumer energy workshops. Participants at the workshops included over 1,500 people representing community action agencies, area agencies on aging, environmental groups, grass roots consumer groups, academicians, nonprofit institutions, State and local governments, and private citizens. Each regional workshop was scheduled for 2 days with six individual seminars on various energy topics; which included:

Energy conservation and changing lifestyles; energy pricing and deregulation; energy and the environment; utility programs; nuclear energy policy and solar energy practicalities; and energy programs for the poor and aged.

A panel of four to six persons opened each seminar. Panel selections were made to insure that the varying views concerning each energy topic were discussed during the working session. Each panel was moderated by an FEA program manager. The workshops provided a forum for exchange of information among many Federal, State, and local organizations, as well as discussion of proposed energy policies and programs by audience participants.

The energy programs for the poor and aged seminar focused on current funding sources available for energy programs, information on successful local energy programs, problems of the poor and aged, and energy policies of Federal and State governments. Discussions at this workshop verified the facts and problems identified in the FEA study on the low and moderate income elderly. However, specific recommendations resulting from discussions at these workshops have already produced results in one program at FEA.

Workshop participants recommended the establishment of a mechanism to insure greater coordination of existing Federal resources. Responding to this suggestion, FEA's Office of Consumer Affairs/Special Impact developed regional task forces for coordinating Federal programs to avoid duplication of services at the local level. I will discuss this regional program later in the testimony.

In addition to providing a forum for specific recommendations, the workshops provided a unique opportunity for various agencies and organizations to discuss programs and funding sources available to mitigate the impact of the energy crisis on the poor and aged.

FEA is now summarizing the major recommendations made at the workshops and will submit a copy of its findings to this committee in December.

The Office of Consumer Affairs/Special Impact has also participated in conferences, seminars, and lectures with various consumer groups, to discuss energy policies and programs which affect the aged and has provided technical assistance to State and local organizations in the formulation of energy programs.

INTERAGENCY TASK FORCE ON ENERGY AND HUMAN RESOURCES

FEA's Office of Consumer Affairs/Special Impact established the Interagency Task Force on Energy and Human Resources in 1974. Representatives to the task force were designated by the Department of Health, Education, and Welfare, HEW's Administration on Aging, U.S. Department of Housing and Urban Development, ACTION, Community Services Administration, Bureau of Indian Affairs, U.S. Department of Transportation, U.S. Department of Agriculture, the Department of Labor, and FEA. To date, that task force has been involved in policy development for the weatherization program, utility demonstration programs, the coal shortage prevention program and the natural gas curtailment task force. The interagency task force is the vehicle for the exchange of information and provides for the coordination of existing resources here in Washington, D.C.

WORKING AGREEMENTS

As mentioned earlier FEA has developed a mechanism to coordinate Federal resources to assist the aged. Although there are numerous Federal, State, and local programs which provide services for the aged, local organizations have little information regarding the availability of such services. The Administration on Aging, recognizing this problem, initiated two interagency working agreements for the purpose of coordinating existing Federal services and exchanging and disseminating information about Federal programs. In order to implement the AoA interagency working agreements, FEA has established regional interagency task forces on energy and human resources administered by CA/SI regional staff for the purpose of coordinating existing Federal programs and cataloging State and local services as well.

Although the program is in the initial stage of implementation we have seen positive results. In Regions I and III CA/SI staff, in conjunction with the regional staff of the Administration on Aging and Community Services Administration, has begun statewide meetings with various human services departments including State energy offices to identify existing programs. It is anticipated that through these meetings energy programs and services will be surveyed and analyzed on a State-by-State basis in order to catalog existing funding sources, identify local programs and develop new programs to provide assistance for the aged.

LOW-INCOME WEATHERIZATION PROGRAM

In January of this year the President proposed legislation to Congress for the establishment of a low-income weatherization program for the poor and aged. This program, when authorized by law and funded, will provide grants to State governments to purchase materials to winterize units occupied by low-income persons, with emphasis on elderly and handicapped persons. The legislation provides funding for insulation materials, storm windows, weatherstripping, and caulking as well as other energy saving improvements. This effort has the long range goal of modifying 1½ million low-income and elderly homes by 1978.

The program would be administered by FEA under new legislation and the funds would be provided to a local grantee for the purchase of materials. States would be required to develop a program whereby the necessary manpower to install these materials would be made available. We would encourage the use of Department of Labor programs and community volunteer labor wherever practicable. Currently, a limited version of the program is being operated jointly with the Community Services Administration. That bill has been passed by the House of Representatives and awaits approval by the Senate.

ELECTRIC UTILITY DEMONSTRATION PROJECT

FEA's Office of Energy Conservation and Environment, in cooperation with local regulatory commissions, is funding nine demonstrations of innovative electric rate structures and load management techniques. The demonstrations will assess consumer response to the new rate structures, show the effectiveness of load management practices and technologies, and promote electricity conservation.

The demonstrations are being conducted in Arizona, Arkansas, Connecticut, Los Angeles, Michigan, New Jersey, Ohio, Vermont, and Wisconsin. All of these projects, with the exception of Michigan, will investigate residential responsiveness to rate structure changes and load control technologies. In each of the areas, residential customers will be randomly selected to represent a cross-section of household socio-economic and demand characteristics. The goal of these demonstration efforts is to identify proven methods of increasing the overall efficiency of generation, transmission, and use of electricity.

Ultimately, improving efficiency and restructuring rates will have a twofold impact on reducing the utility bills of the elderly. First, greater utility efficiency minimizes the consumption of scarce fossil fuels, moderates the need for construction of new capacity, and thereby reduces the pressure for rate increases. Second, rate structure reform designed to price electricity differentially, based upon time-of-day or seasonal variations, introduce an element of choice for the elderly. The elderly can significantly reduce their utility bill by adjusting their electricity usage patterns to the lesser rates in the off-peak hours.

The FEA demonstrations can begin to provide a data base that adequately reflects the wide diversity of electrical systems in the United States and residential responsiveness to a variety of operating environments. I am supplying with my formal testimony a copy of a fact sheet summarizing these demonstration projects.*

FEDERAL INTERVENTION IN STATE REGULATORY HEARINGS

FEA's Office of Utilities Programs, is currently in the process of participating in State regulatory hearings for the purpose of articulating national energy policy as it relates to regional and local utilities. All interventions have been at the invitation of the State regulatory commissions. The purpose of FEA testimony is: (1) To advocate structural rate revisions to reflect marginal costs and to embody time-of-day and peak pricing; (2) to advocate the implementation of load management techniques and controls; and (3) to advocate end-use conservation practices which are cost-effective in the light of the higher electricity prices.

The FEA has filed formal briefs with the California Public Utilities Commission and the Minnesota Public Service Commission, and has testified in cases before the New York Public Service Commission, the Colorado Public Utilities Commission, the Wisconsin Public Service Commission, and the Virginia Electricity Costs Commission. In the near future, FEA will testify in cases before the North Carolina Utilities Commission and the Connecticut Energy Commission.

* See appendix 1, item 1, p. 191.

I would be happy to provide for the record copies of any of these testimonies or briefs and am supplying, with my testimony today, a summary* of the regulatory intervention program outlining its objectives and rationale in more detail.

CA/SI STUDIES

Finally, the Office of Consumer Affairs/Special Impact has completed several studies this year which analyze the impact of rising energy prices on the consumer and examine various policy options for relief.

WINTERIZATION ANALYSIS

In December 1974, the CA/SI office completed an analysis of existing winterization programs for low-income consumers. In cooperation with AoA, CSA, and various other agencies, FEA compiled a summary of funding sources available for winterizing the homes of the elderly and low-income population. Included in the study is a cost benefit analysis for installing various winterization materials. This document has proven useful to the regional interagency task forces that are currently involved in the coordination program which I mentioned earlier.

FUEL STAMP EVALUATION

At the request of this congressional committee, HEW, in conjunction with FEA, completed a feasibility study of a fuel stamp program and an analysis of various options for responding to the energy price increases experienced last winter, through current income maintenance programs. The study concluded that the fuel stamp program is not the most feasible option of relieving the burden of increased energy costs on the poor.

STATE ENERGY OFFICE HANDBOOK

Through a contract with a consumer consultant FEA funded a study of the most significant energy problems experienced by low-income consumers during the 1973 embargo and post-embargo period of 1974. That study documents many of the problems experienced by the elderly, including energy supply and payment problems and aid that State energy offices and local community agencies were able to provide the elderly during that period. An important part of the study was the preparation of a handbook for State energy offices which contains a model system for dealing with consumer energy problems. A draft of that handbook was sent to 10 State energy offices for comment, and it was praised by a majority of those offices. The document is currently under revision prior to further dissemination. The revision is needed because a major part of the handbook was based on the existence of the Emergency Petroleum Allocation Act.

LIFELINE ANALYSIS

In an effort to address the question of sharply rising electric utility bills and their particularly harsh impact upon those with fixed incomes such as the elderly and poor, the Office of Consumer Affairs and Special Impact began last year to study the potential of lifeline rates. FEA's Office of Utility Programs which has been deeply involved in structural rate issues, demonstration projects and regulatory proceedings also examined lifeline rates from economic and social points of view. A paper entitled "The Lifeline Rate Concept" was prepared by the Office of Consumer Affairs and Special Impact in January of this year. It defined "lifeline" as a concept for utility pricing which offers necessity level power to individual consumers at a low rate and permits the price above that level to be set to recoup the subsidy and to encourage conservation for high volume users. For example, the first 400 kwhs per month could be priced at 2.5 cents per kwh, or \$10 per month. The price for the next block of electricity would increase to, say 4.0 cents per kilowatt hour.

We recognize at least two potential problems with "lifeline" rate concepts that require thoughtful, system specific analysis before lifeline can be widely implemented. First, lifeline may depart from the valid basis for rate design, namely, cost. Second, lifeline may not help the customers it is intended to benefit, the poor and aged on fixed incomes. Lifeline rates will help the poor and elderly where they are low-volume users of electricity.

* Retained in committee files.

Because of the substantial interest in lifeline throughout the country, we believe that it is important for each regulatory commission to examine lifeline in their jurisdiction to get answers to the following questions:

1. What income groups would benefit and what income groups would necessarily bear heavier burdens?
2. What would be the departure from cost incurrence responsibility if such rates were put into effect?
3. What conservation would be encouraged and what inefficiencies would be subsidized through such tariffs?

As part of its demonstration activity FEA's Office of Utility Programs is receptive to a lifeline proposal which examines these questions. Obviously, as in all of the rate demonstrations, the sponsorship of a lifeline demonstration should not be interpreted as a front-end endorsement of the concept for national application. Finally, it should be emphasized that the question of relief for the poor, cost based rates, and encouraging conservation extend beyond the simple implementation of a lifeline demonstration. A lifeline demonstration in the absence of accompanying analysis of these questions would fail to provide commissioners with the kind of information necessary to adopt or reject lifeline rates. However, lifeline demonstrations in conjunction with this analysis of income relationship to consumption will be useful in obtaining reliable elasticity information and better insights into the revenue implications of innovative rate design.

COMPREHENSIVE HUMAN RESOURCE DATA SYSTEM

The Office of Consumer Affairs and Special Impact in conjunction with the FEA's Office of Data Services is jointly monitoring a contract for the design of a Comprehensive Human Resource Data System (CHRDS).

The purpose of this system is to provide a tool for evaluating the impact of proposed energy programs on a variety of population subgroups including the elderly. These subgroups will be cross-classified by a variety of demographic and economic characteristics, at National, Regional, State and local levels. The data base, together with estimates of income and price of energy resources, will be used for evaluating the direct effects of energy programs and proposed policies on expenditure patterns for consumer subgroups.

This concludes my formal testimony. I would be happy to answer any questions you may have.

Senator CHILES. Our next witness is Mr. Angel Rivera, Associate Director of Operations, Community Services Administration.

STATEMENT OF ANGEL RIVERA, ASSOCIATE DIRECTOR OF OPERATIONS, COMMUNITY SERVICES ADMINISTRATION

Mr. RIVERA. Mr. Chairman, members of the committee, I appreciate the opportunity of appearing before you on behalf of Mr. Gallegos, the Director of the Community Services Administration, to discuss the energy problems of the elderly, and particularly the elderly poor.

My name is Angel Rivera. I am the Associate Director for Operations of the Community Services Administration, and Mr. Gallegos has delegated to me responsibility for the agency's energy programing. I have with me Mr. R. Thomas Rollis, Jr., controller of the agency, and Mr. Richard Saul of my office, whom I have appointed Coordinator of Energy Programing and chairman of the newly created CSA Energy Policy Committee.

As you know, several agencies are involved in a coordinated attack on energy problems facing the Nation and the elderly poor. The lead role in this area is with the Federal Energy Administration which has the responsibility for overall program development and coordina-

tion of executive branch energy conservation programs. There is an interagency agreement for the coordination of all Federal energy programs assisting the aging, which has been signed by FEA, CSA, HEW, DOL, and AG.

WINTERIZATION ASSISTANCE ACT

The President's proposed Winterization Assistance Act of 1975 would establish an energy conservation program to help low-income families, particularly the low-income elderly to insulate and winterize their dwellings. The proposal would authorize the Federal Energy Administration—FEA—to provide grants to the States to assist in carrying out programs providing for winterization of dwellings. In administering this program the FEA intends to consult with other Federal agencies, including the CSA in order to achieve the most effective implementation. In the House-passed legislation, there is a finding that States should be encouraged to make use of existing Community Action Agency efforts where they are effective.

The fiscal year 1976 continuing resolution appropriated \$16.5 million to the CSA which we have allocated to our regional offices for energy related activities including winterization of dwellings. Some of these funds have been retained at CSA headquarters for special purposes such as research and demonstration programs, training and technical assistance and evaluation, and there has been a set-aside of \$1 million for Indians and \$1 million for migratory workers.

TITLE X JOB OPPORTUNITIES PROGRAM

I should like to point out to the committee that last week CSA grantees received \$17 million in EDA title X job opportunities program funds for energy programing, which will in most cases provide labor for the weatherization of homes, with CSA energy funds providing moneys for materials. Because of the way in which the title X funds were allocated there was little opportunity for coordination with CSA energy funding, and some areas were unfortunately not covered. We also understand that AoA received some \$30 million in title X allocations, some of which will go to grantees receiving CSA energy funds.

LIFESAVER UTILITY SHUTOFF PREVENTION POOL

Finally, I should point out that another very important CSA program activity is emergency financial assistance, which was referred to by Mr. Gallegos in his testimony before this committee last September as the lifesaver utility shutoff prevention pool. The program referred to by Mr. Gallegos was in fact funded in Milwaukee, Wis., to the local community action agency, and I have requested that they send the committee a copy of their recently completed final report. That program satisfactorily resolved 1,200 cases of utility shutoff, 40 percent of which involved the elderly.

Mr. Chairman, I appreciate the opportunity you have given me to present this statement, and I will be happy to answer any questions.

AOA FUNDING OF ENERGY PROGRAMS

Senator CHILES. Thank you very much, Mr. Rivera.

I think now, if we could start with our questions, Dr. Flemming, for the hearing record, could you provide us with the information concerning how much of AOA's title III funding has actually been allocated for energy related programs for the elderly, and how much of the title IV research has been set aside for this purpose?

Dr. FLEMMING. Mr. Chairman, the latter part of your request we can comply with very easily.

As far as title III is concerned, we will have to go back to the States and the areas to obtain that information.

In January of this year we did transmit to the network, the State, and area agencies on aging, a memorandum indicating how they could use title III funds for this particular purpose. We have not yet asked for a report back on that. If the committee so desires, we will be happy to do it.

Senator CHILES. If we could have that for our record, I think it would be helpful.

Dr. FLEMMING. Yes; I will be glad to supply it for the record.

[The material referred to follows:]

The State agencies on aging have reported that title III funds were utilized during fiscal year 1975 for the following energy-related activities:

Winterization of homes for older persons.....	\$1, 048, 644
Activities related to assuring that older persons have an adequate fuel supply to heat their homes.....	86, 500
Total	1, 134, 994

No title VII funds were utilized for such activities since title VII funds are restricted to the development and operation of congregate meal programs.

No title IV-B research funds have been utilized for these purposes either. An amount of \$206,100 in model projects funds, authorized under section 308 of the act, however, have been awarded to the following organizations to rehabilitate and winterize older persons' homes:

Project SMILE, CAP Agency, Evansville, Ill.....	\$59, 300
Mid-Columbia Community Action Council, The Dalles, Oreg.....	54, 300
Meridian Charter Township, Department of Government Control, Okemos, Mich.....	42, 500
Colorado Congress of Senior Organizations, Denver, Colo.....	50, 000

Senator CHILES. If the Appropriations Committee would provide additional funding under the Older Americans Act for winterization activity, could you use this money, assuming a funding increase of say \$5 million?

Dr. FLEMMING. The answer is "Yes." We would allocate it so that it could be used in the manner indicated in our program instruction of January 22, 1975, regarding the use of title III funds for this purpose. If you so desire, I would be very happy to insert that program instruction in the record.

Senator CHILES. I think that would be useful. Without objection, we will include that in the record.*

* See appendix 1, item 2, p. 195.

FUEL STAMPS

This perhaps would be a question for the panel as Ms. Rollins has already touched on this, but I would like to hear from the others.

Some authorities have proposed fuel stamps as a means to protect aging persons from rising energy costs. Would you support this approach, or do you believe that some other, more direct, efforts are needed?

Ms. Rollins I think you touched on the study you made. I just wondered if any of the rest of you wanted to comment on it.

Mr. RIVERA. I have no hard data to base any information to give you. At this point, we have an energy committee in CSA now, and our energy committee, by using our 850 community action agencies throughout the country, we will be conducting such a study to try to get the hard facts and the hard data we need to again put ourselves in a position to make a decision.

Senator CHILES. Ms. Rollins, do you have a copy of your statement?

Ms. ROLLINS. Yes, but I would like to point out for the record some of the concepts of fuel stamps.

First of all, from an administrative point of view, we determine it could be costly, as too much money would be spent in operating the program, and creating yet another bureaucracy, and too little to reach the intended beneficiaries.

We also examined the concept of piggybacking the fuel stamp element of the food stamp program, but recognize the food stamp program reaches roughly only 38 percent of the potential recipients, and, therefore, believe this mechanism would not be appropriate.

Further, the current criteria for dealing with food stamp recipients, and for making allocations, does not deal with the variance of climatic differences, and the varying energy costs from region to region, and indeed from State to State, and for that reason, such piggybacking would be inappropriate.

You would need a totally new concept.

Senator CHILES. We are delighted to have Senator Brock with us.

Senator, do you have any statement you would like to make?

Senator BROCK. Not at this time.

Senator BEALL. I would like to ask Ms. Rollins a question. You may gather from my statement that I am interested in regulatory procedures as they relate to rate setting. I noticed that you talked about Federal intervention in the State regulatory process.

You indicated that the FEA was doing this by invitation from the States, and I wonder if many invitations have been forthcoming.

Ms. ROLLINS. Oh, yes, I have collected such a long list of regulatory agencies that it would bore me to death.

As winter progresses, I think the difficulty may be that we will have more invitations than we can adequately cover.

So far we have done in excess of five, and there are two more to be done this month.

LOW-INCOME, LOW-LEVEL USER PAYS MORE

Senator BEALL. Are you suggesting in your testimony before these agencies, that consideration should be given to the point outlined in

my opening statement in regard to natural gas pricing under the present system, the low-income, low-level user is paying a higher rate than the high-density user?

Ms. ROLLINS. Yes, sir.

The type of testimony that the agency has given, always involves itself in looking at the cost basis for setting rates, and to the extent their average costs do support the changes of rates, so that the user who consumes less and now is expending more per unit, would then be expending less per unit for that smaller level of consumption.

Senator BROCK. Have any State regulatory commissions changed their rating policies as a result of the FEA intervention?

Ms. ROLLINS. Well, I would not like to take credit for the FEA having done that, but I would like to point out that in the State of California there has been some policy change and I believe also in the States of Michigan and Wisconsin.

Senator BEALL. On page 4 of your statement, you talked about the lack of information on local and State levels, regarding some of the FEA programs. You said that some efforts are being made to correct this situation.

I am wondering if your agency has provided information to the National Clearing House on Aging at AoA, so that information could be distributed in that manner.

Ms. ROLLINS. Yes, we have. We have been working very closely with Dr. Flemming.

Senator BEALL. Thank you, Mr. Chairman.

Senator CHILES. Senator Brock?

LIFELINE STUDY

Senator BROCK. I just wondered how long that study has been underway, that lifeline study, Dr. Flemming?

Ms. ROLLINS. If I may answer that, the lifeline study is now underway in Maine.

We have been aware of it for about 6 months. They have just implemented the demonstration program. I am told it is 2 months old and there is recent legislation in the State of California establishing a lifeline program. There has also been some interest in the State of Florida. Commissioner Hawkins on the State Utility Commission in Florida is on our advisory committee, and she and her staff have been working very closely with us to analyze the implications of lifeline in the State of Florida.

Dr. FLEMMING. Senator Brock, the chairman of the Public Utilities Commission in Maine appeared as a witness at the hearing I held in Lewiston, Maine. He explained how this was going to operate. It is my understanding that the project has just gotten underway.

Senator BROCK. The reason I asked the question is that I did a good bit of work on utility pricing. There are many complexities to the problem as you begin to evaluate various options and I wondered if you had any clear experience with it.

As I gather, the lifeline concept is only for those over 62.

Dr. FLEMMING. That is correct.

Senator BROCK. It is not across the board.

Dr. FLEMMING. That is right.

Senator BROCK. Most of the proposals I have seen relate to across the board for lifeline.

Dr. FLEMMING. It has an income eligibility provision in it also.

Senator BROCK. Is that at the invitation of the State, or is that a proposal from FEA?

Ms. ROLLINS. It is an invitation by the State. For example, the city of Seattle, which has a public utility, had a proposal to implement lifeline for the elderly with very stringent income standards. It is interesting to note the lifeline concept failed with respect to utilities, but was adopted for waste disposal and water.

Senator BROCK. Of course, I am a little bit prejudiced, but we have our problems in Tennessee. It is a unique opportunity for pilot testing through the TVA. Some of us have been urging this, and without a great deal of success, I must admit.

Part of that is due to the fact that the Senate had not confirmed the third member of the Board, but maybe we will get around to that before too long, and then we can arrive at a decision. I raised the point, because I have discussed this on other occasions.

I think the concept of pricing, as it is presently applied across the State, is just disastrous. I cannot tell you the resentment that occurred in Tennessee when the TVA told our people to cut back and they did. I am sure this has happened in other States, although I do not know about Florida. Because of failing revenues, TVA announced, they had to raise their prices. People are getting less power for the same amount of money, and that did not go over too well. It does seem that we had to be putting an awful lot of effort into alternative pricing mechanisms, and I am not sure that lifeline is the best approach.

I do thank you.

Perhaps we should follow the European pattern which motivates the conservation effort. Perhaps we should have an intensive study of that.

Ms. ROLLINS. With respect to lifeline, in the Office of Consumer Affairs, it has been the one point in which environmentalists and consumers join together, and it sounds like it will work in some selected areas, but you have to reach the people that are intended to be benefited from such a program. From our perspective, we would like to see some demonstration so that there would be hard data available for analysis. So far it has only been speculation. There has been a lifeline rate in effect in Puerto Rico, which has not provided the best analytical view, because the income population is relatively low in Puerto Rico.

PEAK PRICING

Senator BROCK. Will you discuss peak pricing, and what studies you have done in regard to that?

Ms. ROLLINS. Of the demonstration projects in FEA, I will provide you with additional copies* of that information, there are several peak pricing demonstrations. One is in Vermont. I think a careful examination of the summary will help you, but we find that there has been acceptability of the concept and we want to take a closer look

* See appendix 1, Item 1, p. 191.

to insure that the customers who should be responding to the signal, are responding, and that they are not being adversely affected.

We are interested in the two-worker family, who cannot be in the home when the peak pricing is in effect. I think it is a restructuring of ingrained habits to make the response to the signal; you can pay less if you use less electricity in the peak hours.

Senator BROCK. That would seem to benefit the elderly in many instances because they are at home much more. It would be more of a question of education for them so they could benefit.

Ms. ROLLINS. We were very pleased in FEA when the Vermont study did get some local TV coverage, and I think some 400 families were experimenting with peak usage in New England, and we think the data from that will be very meaningful.

Senator BROCK. I think the chairman is eminently correct, that the aged are in a position to utilize the demand ratio more.

Lifeline is somewhat difficult on an economic basis, and I am not sure it will work.

The particular advantage for the elderly people is that they are in position to take advantage of the situation if they are given the information. I might suggest to you that if you want to run some definitive tests, we have some possibility of that in our State which I would like you to try.

Dr. FLEMMING. When you do go throughout the country and listen to older persons talk about this situation, you know that they feel they are being treated in an inequitable manner.

Senator BROCK. And they are.

Dr. FLEMMING. There is no doubt about it. It seems to me that we have got to come up with an approach that will correct this basic inequity, and as far as we are concerned, we will encourage those who are a part of the aging network to do everything they can in their respective areas of the State to get behind the programs designed to correct this inequity. I think this calls for action programs.

Senator BROCK. They will find the response here, because some of us feel very strongly about that.

I might add that in Tennessee, although that State is not unique, we do have a number of other problems. The older people are massively disadvantaged by the combination of inflation and energy, much more so than any other single population group. We are in a situation where we simply cannot add insulation to our homes because of the cost of it.

You have nowhere to turn. Property taxes, as so many of our elderly people in Tennessee know, are very high. It just seems like everywhere they go it is getting worse.

UP AGAINST "A TOUGH SITUATION"

Dr. FLEMMING. Senator Brock, if you consider the testimony we received in Lewiston, Maine, 91 percent of the persons 65 or over in that particular area are eligible for services under title XX. That indicates the level of annual income that prevails there. They are faced with mounting costs for heating along with other increased costs for essentials as a result of inflation. They are up against a very tough situation.

The testimony indicated that successful winterization might cut their heating bill by \$110 or \$120 during the course of the winter. Some people might not think that is a large sum of money, but it is a very large sum of money as far as they are concerned. Many, as indicated earlier, are faced with the alternative of having adequate heat or having adequate food.

WHO SHOULD OPERATE ENERGY PROGRAMS?

Senator CHILES. Ms. Rollins, has the Consumer Affairs Special Advisory Committee to the FEA made any recommendations as to what agency should operate the program for the poor and elderly.

Ms. ROLLINS. Yes; they have on two occasions. One was unanimous, and the other had one dissenting vote. The committee has advocated that the program be administered by the Community Services Administration.

I would like to follow this up from my perspective. After working with the interagency task force, on what we thought was a fine piece of draft legislation, we managed to work with several agencies which might have had an interest in that legislation, by simply saying it is not really so important what agency gets the authority, simply that the legislation be passed.

I think we have lost sight of some important functions, in both FEA and the CSA, over the question of who should operate the program. I would like to point out that CSA programs, while they are extensive, do not reach the entire population of the poor and elderly as they cover about 80 percent. CSA has a fine program for crisis intervention and outreach and energy. They are providing funding and technical assistance to people who have energy problems that relate to price and supply that no other Federal energy agency has the capability of delivering. FEA has no program or grant making authority in this area.

I would like to see a discussion with CSA, on the mechanism for delivering the crisis intervention programs rather than winterization programs. Together we can coordinate resources which help people to solve their problems. I hope we do not lose sight of the mandate of FEA or the mandate of CSA as we begin to deliberate on this question of who operates such programs.

Senator CHILES. Thank you.

EMERGENCY ENERGY CONSERVATION SERVICES

Mr. Rivera, since the committee's hearings last September, the CSA has new regulations authorizing the emergency conservation program.

We understand you received some \$33 million.

Would you describe how this has been used?

Mr. RIVERA. Yes; I can.

Congress added new section 222(a)(12)* to the Community Services Act which gives broad authority for a wide range of energy-related programs.

CSA published instruction 6143-1** in July—now being revised—

*See appendix 1, item 3, p. 197.

**See appendix 1, item 4, p. 198.

no major substantive changes—one planned addition: Specific identification of the elderly, infants, and sick persons for priority consideration in the carrying out of programs at the local level.

The first appropriation under new section: Fiscal year 1975 Second Supplemental, \$16.5 million—all obligated by September 30 pursuant to allocation formula that weighted distribution of funds to coldest States.

We estimate that more than 75 percent of CAA's are now engaged with energy programing with these funds—more will be as new funds are available.

Major long-range emphasis of this programing is weatherization of dwellings. The poor, especially older poor, live in older houses that not only need insulation but usually have serious problems of infiltration. For instance in Tioga County, N.Y., a survey of 100 rural poor houses found 62 with broken windows. A 75-year-old lady in southwest Colorado was living in a house with 17 broken windows. Snow was in the house. She had retreated with a space heater to one room with no broken windows.

The next appropriation of \$16.5 million under continuing resolution has been in part allocated to the regions. We hope to have it obligated by the end of the month.

WEATHERIZATION PROGRAM STANDARDS

Senator CHILES. With regard to your winterization program, what kind of quality control and program standards have you established, how did you arrive at that?

Mr. RIVERA. We have, and I will give it to the committee, we have our standards, and guidelines available to you.

We arrived at this—

Senator CHILES. If you would submit those, we will include them in the record.

[Program standards referred to follow:]

WEATHERIZATION PROGRAM STANDARDS

We have developed standards based on studies by the National Bureau of Standards,* particularly the study entitled "Retrofitting of Existing Housing for Energy Conservation, An Economic Analysis," which is the basis for our recently published "Community Planning Guide to Weatherization."

This guide will be used by all of our grantees and shows the most cost effective use of available funds for weatherization through a balanced application of techniques. It also shows the optimal level of weatherization for any given house, based on local climate and cost of fuel.

Through the use of this guide and its companion "Building Weatherization Plan" we will soon be receiving hard data on the actual costs of weatherizing up to 30,000 low-income houses.

National Bureau of Standards definition of optimal level:

"The point at which total savings exceeds total cost by the greatest amount." This represents a 20 percent annual return on the investment in weatherization, and represents a level that is much higher than previously thought adequate—often twice as much.

Mr. RIVERA. Again, they are available, the best information I can give you is that we took into consideration formulating our guidelines and formulating the distribution of money, we took into consideration

*Documents retained in committee files.

first of all the fact we have over 850 community action agencies throughout the country, and as Ms. Rollins pointed out, we cover about 80 percent or so of the poor areas of our country.

The point I would like to make is that given the fact that elderly are almost invariably poor by the nature of getting old, we feel that there should be a very sincere commitment to the elderly of our country. I think that we have a mechanism in the background in experiencing the problems of the elderly, and that we can probably best enhance anything of the Office of Aging. Dr. Flemming, and our director, Mr. Gallegos, signed an interagency agreement that includes in it a portion dealing with winterization and the effect of cold weather and energy on the elderly poor, and the elderly near poor.

REACHING POOR OUTSIDE CAA AREAS

Senator CHILES. How does your agency plan to reach the poor in areas not served by a Community Action Agency?

Mr. RIVERA. Eighty-three percent of the Nation's poor are served by CAA's.

A recent survey of regions on non-CAP area coverage by energy programs revealed that except for areas in the south and southwest which received very small allocations from the first appropriation of \$16.5 million, in Oregon which also received a relatively small amount of energy funds, all non-CAP areas are being covered by adjacent CAA's, State Economic Opportunity Offices, or other agencies identified within those areas.

A copy of the survey is available.

PROVIDING LABOR

Senator CHILES. Most of the funds for winterization, as I understand, are funds for materials.

Many elderly people are not able to put those materials up themselves.

What have you done to provide labor under those circumstances?

Mr. RIVERA. We are trying to have most of our weatherization funds go to materials. We have encouraged grantees to seek CETA positions and many have been successful. As I mentioned, of the \$64 million received by CSA grantees in EDA title X funds, at least \$17 million is for energy programs, for weatherization work crews.

We have consulted with the Manpower Administration at DOL to have CETA prime sponsors notified that energy programs should be given priority.

Where grantees have tried to get labor through some other program but have not been able to, we will see that funds can be provided for labor costs.

Our experience has been that purely volunteer labor is not satisfactory. An organized volunteer effort, such as the JayCees project mainstream, can be very helpful; but we are talking about a very big job that needs adequate manpower that can be trained.

This is an ideal program for manpower training—80 million houses in this country need weatherization. As a national policy to conserve energy as well as money we are going to have to see that these houses

are made more energy efficient. This is labor intensive work—it makes economic sense. Conservative estimates of the Bureau of Standards are that the investment in weatherization at the optimal level represents a 20-percent annual return. There is at least 10 years of work for thousands of people.

Dr. FLEMMING. Mr. Chairman, the Department of Labor is one of the signatories to the interdepartmental agreement on older persons and the energy crisis. After signing the agreement they did transmit a field memorandum to all of their assistant regional directors for manpower encouraging support of home repair and winterization projects through job training and public service employment programs. In addition to that they transmitted a letter to their national contractors, under the title IX program, and urged them to become involved in winterization programs.

COST OF WINTERIZING 8 MILLION HOMES?

Senator CHILES. Mr. Rivera, assuming we have about 8 million households of the poor, and about 25 percent of that, or about 2 million households would be the elderly poor, what kind of cost figure could you give me of what it would take to adequately winterize these homes?

Mr. RIVERA. The cost of weatherization depends on climate—and the optimal level of weatherization depends on a combination of climate and fuel costs.

The National Bureau of Standards definition of "optimal level" is "The point at which total savings exceeds total cost by the greatest amount." This represents a 20 percent return on the investment in weatherization, and represents a level that is much higher than previously thought adequate—often twice as much.

We believe the poor and the elderly are entitled to a good job—the optimal job. They need it most and it can mean a 50 percent savings in energy needed to heat a house.

The National Bureau of Standards selected a sample house of 1,200 square feet in Indianapolis, Ind., which had no serious infiltration problems, no broken windows, no holes in the roof, and already some insulation in the attic. The cost for weatherization of that house to the optimal level was \$1,200. That included expensive storm windows and labor costs for insulating. Our program would use less expensive storm windows and labor would generally be supplied by another source. The size of many of our houses may well be smaller. But we will have infiltration problems.

Based on the Bureau of Standards figures we are probably talking about an average of \$500 per house, not including labor. Pennsylvania, this year, is projecting an average cost of \$350 per house. Some of these will not be weatherized to the optimal level.

If we take the \$500 figure we are talking \$1 billion for 2 million houses. If we take the \$350 figure—which is low—we are talking \$700 million.

Remember that for all poor people we are talking about 8 million houses.

Remember that this is for weatherization only and doesn't include emergency financial assistance, or transportation, or anything else.

CSA INFORMATION EFFORTS

Senator CHILES. What information is available through the Community Services Administration concerning the energy crisis and its impact on the elderly?

Mr. RIVERA. As I mentioned before, we had set up an energy policy committee in CSA, which involves the client participation.

We have professional staff from headquarters and regional participation with the purpose to prepare a data-gathering mechanism, so that sometime in the next few weeks, you will have available to your committee some of the information that we will have already gathered, but we do not yet have all the hard facts.

Price increases were not as dramatic as the previous winter but are still important. They vary from area to area.

Information received only last week from a sampling of CAA's in different parts of the country (California, Rhode Island, Florida, and Wisconsin) show: Fuel oil, up as much as 10 percent; natural gas, up as much as 30 percent; electricity, up as much as 30 percent; bottled gas, up as much as 32 percent; and firewood, up as much as 30 percent. All these samplings are for the past year.

CSA is now putting into place a reporting system built on a network of 850 CAA's that will provide factual data on a quarterly basis of energy costs in low-income neighborhoods and its impact on poor.

Senator BROCK. Your \$250, does that include labor, or is that materials only?

Mr. RIVERA. The \$250 should be for 90-percent materials, 10-percent labor.

Ms. ROLLINS. I would like to comment on that.

We have been working with the State of Pennsylvania now for over a year, as they have had a winterization program funded by the State Department of Community Affairs.

The figure that they produced, approximately \$250 to \$270, does in fact include labor. In Pennsylvania, that State has contracted through its housing authority for the labor, and so they are dealing with contract labor, under prevailing wage rates.

What FEA has proposed in our legislation (already adopted by the House but not yet adopted by the Senate) is that only 10 percent may be expended for funds other than material costs. Programs now available through the Department of Labor and other community volunteers, such as the aged organizations should provide the labor, so that that cost would not be borne by the American taxpayer. The idea is that as much as possible should be put into material costs while administrative costs should be kept to a minimum of 10 percent.

In drafting regulations which FEA would promulgate, and should the legislation finally be voted into FEA, the States would have an option to pay for the labor. These labor costs would have to come out of the State budgetary funds and would not come out of the federally allocated funds.

Senator BROCK. First of all, in the sense that our weather is not quite so severe, although it gets pretty close to it in our mountains, our homes are poorly insulated to begin with, and in our Appalachian region there are an awful lot of tar paper shacks.

It just seems to me that if we could make quantities of these materials available to the communities at no charge, I think we have enough volunteer labor to do the job.

Mr. RIVERA. Senator, we do not know that there have been enough volunteers. From some people who feel that there is—the labor part—maybe something we cannot deal with is that 10 percent. It may be necessary, for example, to hire a professional in the CETA type of program, and if we get volunteers we may not get volunteers that can handle the material well. However, the mandate to our CAP agencies—we are more interested in materials to insulate homes as well.

Senator BROCK. Who purchases the materials?

Mr. RIVERA. The materials will be purchased by the local community action agencies, and they each have a panel. Our community action agencies, I believe, are very responsible mechanisms, only because they represent the total community that they are serving.

We have private sector people and public sector people, so my point is, their responsibility is to purchase materials, and it is their duty to seek volunteer help also. Only when they have failed they can come into our offices at headquarters and ask for a way to pay, because they cannot find any volunteer labor to serve the community.

Our main concern would be materials to insulate the homes.

If we cannot find the volunteers, we must still insulate the homes. The 90-10 may or may not hold. That is our energy policy, and it remains to be seen whether it will or will not work. I run the regional offices across the country, and my responsibility is to see that our energy policy is held as close to that 90-10 as absolutely possible.

Ms. ROLLINS. May I answer on the other side of that?

Senator CHILES. Go ahead.

Ms. ROLLINS. I would like to say that in the legislation that is now on the Hill, FEA would be contracting to the State and then the State would subcontract to an agency, which in fact could be a CAP or any other agency which meets the criteria for accomplishing the program successfully; 90 percent of the funding would go into purchasing materials.

CSA ENERGY CONSERVATION PROGRAMS

Senator CHILES. In his testimony last year, Mr. Gallegos outlined several programs to be instituted as energy conservation programs for the poor, the fuel program, lifesaver, and utility cutoff prevention, with CSA planned funds.

For the record, if you would, give us a status report on those programs.*

I want to thank you all very much for your testimony.

Dr. FLEMMING. Thank you.

Senator CHILES. Our next panel will be the consumers and practitioners panel, made up of Blanche Applebee, North Jay, Maine; Robert Ross, Northfork, W. Va.; Ollie Randall, member, board of directors, National Council on the Aging; Joyce G. Poulsen, executive director, Southeastern Wisconsin Area Agency on Aging, district 2-B; Glen J. Soukup, executive director, Nebraska Commission on Aging.

* See appendix 1, item 2., p. 195.

I understand Miss Randall has another appointment, she will not be able to give her testimony here today.

Miss Randall, we are delighted to have your prepared statement, and we will put it in the record, and we look forward to hearing from you personally at some other time.

MISS RANDALL. I am sorry I have to go.

[The prepared statement of Miss Randall follows:]

PREPARED STATEMENT OF OLLIE A. RANDALL

I am Ollie Randall, I am a member of the board of directors of the National Council on the Aging and member of the advisory committee of the Federal Energy Administration. The charge to this committee is to determine the effects of the energy crisis on the poor, the elderly, and the handicapped. These are the people most vulnerable to the adverse consequences of the inflationary trends and the energy crisis. I am, however, speaking as an individual as I am not officially representing either organization and my few remarks may be redundant since you have a full report from Ms. Rollins.

As a result of my service on the FEA committee, my observation would be that up to the present time the major, if not the total, thrust of FEA has been industrially oriented, with too little consideration of people who are deprived by the shortages, the high prices, and the general lack of community participation or Federal help for any program to ease the crisis.

The truth of the matter is that while everyone is affected by what is happening, the greatest difficulties and the greatest deprivations in having appropriate and adequate sources of energy for warmth this winter—right now in 1975, not 1985—are being experienced by those least able to deal with it in a way which will assure personal comfort.

I am filing with you the National Council on the Aging's Public Policy Statement* as of September 1975 and want to indicate that we wish to do anything possible to keep you informed of any data or evidence of the character of developments, either favorable or unfavorable, which are related to this crisis in the availability of adequate means to provide essential heat to this group—the elderly, the poor, and the handicapped people.

The educational program to alert people to the necessity for conservation has at least created an awareness of the situation nationwide. However, there has been as yet too little help to provide information as to practical methods within the capacity of the poor, elderly, and handicapped to adjust effectively to the crisis.

Older people are having a great deal of difficulty for many reasons and in many aspects of daily living. They need much more assistance in learning about means of conservation by winterization, especially in suburban and rural areas—even in Florida as was reported at our last meeting. They are faced with rising prices for transportation or to the lack of it—particularly if they depend on volunteer programs of transportation, since the volunteers themselves cannot afford the gasoline for their work. They are affected by the difficulties that institutions, nursing homes, homes for the aged, and even hospitals now face in providing adequate heat. They cannot secure or use coal in many places even where it is available. Natural gas seems harder to come by. They cannot use solar energy without equipment to capture this. They are, as I myself have been, in Rhode Island, often faced with reduced voltage at higher prices in rural areas, so that motors for furnaces fail to work—with this reduction by the utilities company being made without any warning to consumers.

There is far too little—indeed if any—help through either local community agencies, or through housing programs centers for the elderly, or the State and regional office to help the poor, elderly, and handicapped understand what is necessary in the construction or in rehabilitation of housing to reduce the adverse effects of the crisis. Having recently attended a New England meeting on housing—an area very definitely affected as is obvious to anyone familiar with it—I was shocked that the Director of HUD and members of that organization who participated failed to mention, let alone discuss, this crucial matter of energy. A closer affiliation between at least the two agencies as well as the others, as you have already heard, seems as desirable and important.

*See p. 171.

[The policy statement referred to above follows:]

**PUBLIC POLICY STATEMENT OF THE NATIONAL COUNCIL ON THE AGING, INC.
ENERGY AND THE ELDERLY**

A limited supply of electricity, natural gas, fuel and motor oil at inflated prices is potentially damaging to older people themselves, as well as to the institutions and programs which serve them. As the price of energy continues to rise, increasing numbers of older people living on fixed incomes will be forced to decide between heat or food. Cost-of-living increases in social security and supplemental security income benefits are quickly eroded by inflation in this area alone. Already inadequate public and private transportation becomes either too expensive or nonexistent. The loss of volunteer drivers due to the lack, or high cost, of gasoline can cripple many programs geared to serve older Americans, including homemaker-home health aide projects, escort services, meal deliveries, and senior centers. Reduced heat in the home aggravates arthritis and many other chronic conditions that affect the elderly. The benefits of programs, including those authorized under the Older Americans Act, are reduced because appropriations do not include increased costs for lighting, heating, cooking, and transportation.

To avoid and/or alleviate these present or potential problems, NCOA recommends the following:

1. The development and implementation of a national energy policy should assure that all citizens are equitably treated and particularly that the elderly and other vulnerable groups are not adversely affected.

2. The use of any gasoline allocation formula should include extra supplies to agencies who operate elderly transportation services and unrestricted access for volunteer agency drivers.

3. Any fuel allocation and/or rationing, if developed, should take into consideration the special needs of the elderly.

4. Government program regulations which restrict reimbursement of drivers should be changed periodically to reflect the higher price of gasoline.

5. The appropriations for service programs dependent on energy resources should be increased to account for inflation's impact on the cost of energy.

6. The Federal government should institute a program of low-cost loans for housing insulation.

7. Comprehensive consumer information on energy conservation and rights should be developed for the elderly and effectively distributed to them.

Senator CHILES. Ms. Applebee, Senator Muskie had hoped to be here today, and he asked me to express his regrets that he will not be here in person to introduce you.

He has also submitted a statement which we will put in the record at this time.

STATEMENT BY SENATOR EDMUND S. MUSKIE

Senator MUSKIE. Mr. Chairman, I would like to express my regret that other commitments keep me from being here in person to introduce Miss Blanche Applebee of North Jay, Maine, to today's hearing of the Special Committee on Aging on the impact of rising energy costs on older Americans.

Miss Applebee, who is a consumer of services under the handyman program of Maine's Project Independence, funded under the CETA program and a component of Maine's Project Fuel—will contribute to the hearing record her personal experience with energy problems of the elderly who are trying to maintain their homes and independent lives. She has valuable experience with a program which provides vital, individualized services. And I am sure her testimony will be of value to this committee.

Mr. Chairman, we, in Maine, are proud of our assistance to the elderly in coping with the energy crisis, but much remains to be done. And we are proud of persons like Miss Applebee who speak so favorably of Maine's effort. We must learn from her experience and the experience of others to more broadly assist our elderly citizens in overcoming the impact of the energy crisis on their lives.

Today, we are continuing the hearings initiated last year by Senator Chiles to examine the impact on the elderly of rising energy costs, and to find ways in which government can alleviate that impact.

ENERGY CRISIS NOT SHORT-TERM

It is clear by now that the energy crisis is not a short-term crisis, but a basic economic change to which our society must adapt.

Energy will cost more in the future than it has in the past, and the likelihood of any immediate turnabout in that situation is very slight. This economic shift came about with such speed that our society and our institutions have been unprepared to deal with it, and have not yet made the many needed adjustments to cope with its repercussions.

This hearing proposes to examine the specific ways in which Federal programs can be developed or adapted to minimize the worst manifestations of the immediate economic impact on the one sector of our population least able to protect itself against economic calamity: the elderly, especially, the lower income elderly.

PROJECT FUEL

Last September, during the first of these hearings, I made reference to an innovative and successful program which had been developed in Maine with the cooperation of State and Federal officials working in the State. This is Project Fuel, through which 5 to 10 percent of the substandard housing in Maine was insulated and protected against the worst ravages of our long Maine winter. Project Fuel is being continued, and the testimony of Miss Blanche Applebee will amply document the contribution it has made to Maine residents. I would like simply to cite a letter I received from a widow in Leeds, Maine, which speaks more forcefully than I can, of the impact that such a simple and effective program can have on the life of an elderly citizen:

"I am 72 years old and a widow, and I live in a mobile home in Leeds.

"I just want to thank you all for the task force program we have. It sure has been a blessing to me. Last fall I bought materials and the men skirted my trailer.

"Then this fall they bought insulation and insulated under the trailer. It made it so much warmer.

"This fall they came and I got a loan from the bank and got the material and they built me a nice (6 x 6) door well which I needed badly as every time there was a storm I couldn't open the door. I just can't praise this program enough. I sincerely hope they don't take this program from us."

When the President presented his energy conservation plan last year, a model based on the Project Fuel plan was adopted for application nationwide. I hope we will hear from the administration witnesses

that similar efforts have been undertaken to help save fuel and, equally importantly, provide relief to hard-pressed low-income Americans around the Nation.

LIFELINE PILOT PROJECT

The State of Maine has taken other action, including, most recently, the initiation of the pilot project "Lifeline," through which low-income elderly in seven Maine communities will receive the first 500-kilowatt hours of electricity each month at a flat 3¢ per kilowatt hour. The older citizens lifeline electrical service law, which set up the project, seems to me to have great potential as a demonstration of the way in which essential services can be provided to the elderly poor at reasonable rate reductions without substantial impact on other sectors of the population. I hope the demonstration will be a success and will lead to the program's expansion.

There are other ways in which Government can work to ease the transition from an economy in which energy was cheap and plentiful to one in which energy will take a larger proportion of the family budget.

We can develop programs to provide low-cost credit for insulation purchases and installation.

We can upgrade existing public housing projects whose fuel conservation qualities were predicated on continued low-cost energy.

We can establish and enforce strict Federal conservation standards for federally insured mortgages.

And when we consider "fuel adjustment" clauses to help the public utilities cope with higher fuel costs, we can also consider "fuel cost" adjustments in eligibility levels and cost-of-living adjusters for benefit programs:

None of these suggestions is without its costs.

What we must do, clearly, is attempt to balance the direct revenue costs to the Government against both the indirect costs of fuel wasted by badly-insulated homes and increased medical costs for disabilities exacerbated by inadequate heating, as well as against the intangible costs to us all as a people when a portion of our population is forced to make the painful choice between freezing or starving for several months of each year.

We cannot, by neglect or oversight, see our elderly poor become the shock troops who absorb the most crushing blows dealt by the upward shift in energy prices that is taking place in our society today.

I hope that from these hearings we will develop the kinds of innovative and imaginative programs that are needed to cushion this economic shock.

Senator CHILES. Senator Muskie indicated that you were a consumers' services advocate under the handicapped portion of the CETA program, a component of Maine's Project Fuel, and that you will contribute to the hearing record your personal experience with energy problems of the elderly, who are trying to maintain their homes and independent lives.

He also noted that you have valuable experience with a program which provides vital and individualized services, and we are delighted to have you here.

I am going to ask you, if you will, and I believe we will start with you, if you would just try to brief your statements for us, and then we will have a little more time for questions, and if you have a full statement, we would be delighted to put it in the record.

STATEMENT OF BLANCHE APPLEBEE, NORTH JAY, MAINE

Ms. APPLEBEE. I would like to start with my favorite story about elderly people.

A friend of mine went to her second grandson's Christmas party. She was a grandmother, and he introduced her in this fashion.

He said, "This is my grandmother, and she is 62 years old, and she is still alive."

Now, that goes for me.

Senator CHILES. I want to tell you, I am now a grandfather, and I was a little shook up about that happening, but I find that to be a happy state now.

Ms. APPLEBEE. Mr. Chairman, members of the committee, I am a female elderly householder.

HANDYMAN PROJECT

I am also a consumer of the services of the handyman component of the Comprehensive Employment and Training Agency—CETA to you.

These handyman services are made available to me by the Bureau of Maine's Elderly and by Project Independence, which is a Federal program that operates in our area.

So much for the official version.

In plain language, I am an old lady who owns a house; and I have just got myself a glorified hired man—hired man is what we call them up in Maine. We don't call them handyman.

I have been asked to tell you about my personal experience with the handyman service. That is the other side of the coin as I have been hearing how they are operated.

Now, you will hear about what happens when they get down to grassroots. In fact, I hope that this very minute, my handyman is winterizing my house in order to cut down on my fuel costs. I want to say this winterization project started in the State of Maine, during the first year of the energy crisis. At that time it was, and it still is, Project Fuel.

This program proved conclusively that winterizing a house results in a substantial reduction in the cost of fuel, not only oil, but all fuels.

So, that is our handyman's priority right now. Later on he will go back to his regular handyman services, and when he does, that is when he will be my hired man. But there is a catch in it. I have to share him with all the other elderly homeowners because they want to stay in their homes as long as they can, just as I do, and at the present time, this is impossible without a handyman service.

If we lost our handyman services, we would have to give up our homes, and when we do that, we become a burden on society in one way or another, and I assure you there are plenty of ways.

I do not think our society needs any more burdens especially when all a person sometimes needs is a little help here and there enabling him to take care of himself very well, if allowed, or if it were possible, to stay in his own home. It is for this reason, that I would like to say to you, Mr. Chairman, and to the committee, that elderly homeowners in my State appreciate very much what you are doing to help us cope with this last thing that has landed in our laps—the energy crisis.

We do thank you, and we also thank you for your interest in the handyman program, because that is so essential to us. We appreciate that.

“MY OWN PERSONAL ENERGY CRISIS”

Well, let's get on to my experience with the handyman services. I think I'll start off with a crisis, because when you are an elderly female householder, life is just one crisis after another. Besides I want to tell you about my own personal energy crisis.

It began on a January morning when the thermometer read 40 degrees below zero and I nearly froze to death.

I woke up to find my house as cold as a barn. The furnace was pumping away at the rate of about \$5 a minute. The livingroom window had dropped down about 6 inches from the top. I tugged and I shoved, and I said a few well-chosen words, none of which worked, and I didn't expect it would.

So, it was back to the old electrical tape. In case you do not know, electrical tape is the female householder's one and only visible means of support.

In fact, one woman I know is trying to figure out a way she can use it to make her husband stick close to home in the evenings. Her husband, Jed, is pushing 80, but boys will be boys.

I taped the window up as best I could. Then I started hunting for somebody to fix the thing.

Finally, one man did condescend to tell me he would come and look at the job.

He would not promise anything, understand, but he would come, and he would look at it, and bless his heart, he did.

He figured it would take about a day and a half at the most, and he could do it, but the one problem was, well, he had this awful bad back, and he had to get his wife back and forth to work.

All in all, he just couldn't see his way clear to help me out. Nobody could see his way clear to help me out, so come August, I was still hunting.

The gap was still gapping, winter was right around the corner, but, so was the handyman.

That is when he first set foot on my doorstep.

The first thing he did was to fix that window. He put it in its place for good, and I do mean good.

I could have kissed him, but I figured if I did, he would never come back, so I didn't.

The next thing he did, was to look my house over to see what he could do to fix things, so I would get through the energy crisis this winter, without going into bankruptcy or freezing to death—or both!

Right now, all of my doors are fixed so that they shut on four sides instead of one or two. My cellar window frames are reset, and the north side of my house is banked.

He also fixed my combination storm windows. Those are the ones I bought, because the salesman—and he was a salesman—assured me that I could change those things from summer to winter, and vice versa.

He said to me, "All you have to do is * * *." Well I never got beyond the "is," so some of the windows were halfway up and some were halfway down, and they were all off the track. But not any more. The handyman fixed them.

He insulated the roofs, and he insulated attic floors. He put plastic over storm windows, and he repaired broken storm doors and windows and put them back on. Practically everybody had one or two broken panes of glass.

My neighbor told me she never was so happy in all her born days, as she was when she could finally yank her husband's old night shirt out of the front window, where it had been plugging up the hole where the glass broke. A very important job that the handyman does in our area is to check chimneys and stovepipes and repair them so that they will be safe enough to use with stoves which burn wood.

"HE PERFORMED A MIRACLE"

And then after all this, he performed a miracle. He fixed my unfixable sink door. Unfixable, because everybody said the only way to do it was to buy a new sink.

I don't know whether you people have priced new sinks lately, but I did, and I decided it would have to stay unfixable.

Now, I know perfectly well a sink door off its hinges is not an energy crisis, and I probably should not be bringing it up. But it is a handyman crisis, and that is the point I want to make.

Whether or not you believe it, you will, if you live long enough and you own a house.

We elderly householders just cannot find anybody to do anything for us. Not for love, not even for money.

Of course, time was when love might have—but we won't go into that. My sink door did not start off as a catastrophe.

Sure, it fell flat on the floor when I went to open it, but I didn't worry. I had a guarantee. All I had to do was call up the plumber who sold it to me; he would come and fix it; it wouldn't cost me anything; and everything would be lovely.

Well, so I taped the door back onto the sink, and called the plumber. I was informed in no uncertain terms that guarantees have no connection whatsoever with sink doors that fall off their hinges. I don't know why I was surprised. I have found out many times that guarantees have no connection in any way with anything you buy. I was also informed that plumbers do not fix sink doors, they definitely do not. Plumbers just plumb.

And as time went on and on, I was informed that carpenters do not fix sink doors. Garage mechanics do not fix doors, nobody fixes sink doors. But a handyman does, and he did.

Now, one final word from the voice of experience. It is my firm conviction that any service done for the elderly is only as good as the person who performs it.

Our handyman service has been outstanding, because we were lucky enough to get an outstanding person to do it. But "outstanding" is, after all, just a word, and in this context, a little difficult to define precisely.

So I think I will tell you a true incident that may make it a little more meaningful.

It happened during my teaching days. I had been ill for several weeks. When I came back, we had a new music teacher, so I asked the janitor how people felt about this person. "Oh," he said, "everybody likes her. She fit right in good, very good." Then he became really enthusiastic. "I tell you exactly what she is like. She's just like in the family way."

Our handyman is just like one of the family, too.

Thank you.

Senator CHILES. Thank you very much for your testimony. You have certainly very vividly and graphically described to us what the service has meant to you.

I hope we have his name for the record. I think you gave it to us—Orland Seamon—at the start. You better look out. We are liable to try to get your handyman down here to run the U.S. Senate. It sounds like he does an outstanding job.

Ms. APPLEBEE. I am sorry. We cannot spare him. You will have to struggle along on your own.

Senator CHILES. Senator Jennings Randolph, a member of our committee, is not able to be with us today. He has submitted a statement for the record, and without objection it will be entered into the record.

STATEMENT BY SENATOR JENNINGS RANDOLPH

Senator RANDOLPH. I sincerely regret that I am unable to participate in the hearing today, due to my previous commitment outside the city.

I did, however, have an opportunity to meet and visit with Mr. Robert Ross yesterday.

I am deeply concerned over the critical problems associated with the energy costs for the elderly.

I commend the able chairman, Senator Chiles, for holding these important hearings.

Senator CHILES. We will now hear from Mr. Robert Ross of Northfork, W. Va.

STATEMENT OF ROBERT ROSS, NORTHFORK, W. VA.

Mr. Ross. Mr. Chairman, I appreciate the opportunity to be here today to tell you of our problems of buying coal and the high cost of coal.

My name is Robert Ross, and I am the chairman of the Advisory Council on Senior Citizens in our county.

It is a coal community, and it is one of the greatest coal mining counties in the country.

We feel that we should be privileged of purchasing coal at the mines like we used to do, so I have some interest, and my discussion here will tell you some of the things that we are being confronted with.

Most of the coal companies will not sell to outsiders, only to working miners.

That is, if you are not employed with the company, if you are not an employee of the company, they will not sell you coal.

I said this is most oil companies. Working miners using oil, gas, or electricity cannot purchase coal.

If retired miners, or widows, do not burn coal for heating purposes, and use gas, electricity or oil, they cannot buy coal.

The Olga Coal Co. will not sell to outsiders. Employees pay \$31.50 a ton, plus transportation which could run from \$4 to \$10.

In Bluefield, W. Va., a lady told me the cheapest price she could find was \$80 a ton delivered.

In Caretta, it is \$31.50 a ton, plus transportation, but only employees can purchase it.

In Marytown, anyone can purchase it for \$60 a ton, delivered.

In Gary, now this is the United States Steel operations, for employees only, it is \$20 a ton plus \$4 for hauling, which amounts to \$24.

Nowadays they operate out of the Hazzard Contracting Co. in Gary, and it charges \$48 per ton delivered to anyone.

In Wyoming County, for employees only, it is \$30 plus hauling.

The maximum aid for dependent children welfare grant is \$254. For an average family of five, the average food stamp purchase price is \$50.

COAL IS \$50 TO \$80 A TON

In Mayberry, W. Va.: Mrs. Patricia Hairston pays from \$50 to \$80 a ton per month; Mrs. Martha Green and five children have an income of only \$280 a month; Mrs. Faye Jennings, with seven children in school, pays \$50 to \$80 a ton, and uses 10 to 12 tons a winter. Mrs. Estella Clator, and four children, with a monthly income of \$164, pays \$50 to \$80 a ton; Rev. H. L. Robinson pays \$80 a load, using 2 tons a month; Mrs. Rosetta E. Christian says she needs help—she can't pay this high price of coal; Mrs. Genella Hopson just can't make it—after paying \$50 and more for a ton, she has to pay for lights and food; Mrs. Alberta Evans is a minister's widow living on a small social security pension pays \$50 to \$60 when she can afford it; Mrs. Sarah L. Long is a widow whose husband was a miner but not at the time of his death so she is not eligible for purchasing the coal at the reduced rate; Mrs. Beatrice Hart is a widow of a miner and pays \$20 plus hauling, when she can afford to buy it; Mrs. Helen Hale is another widow who is not eligible for reduced rates and she has to try to pay \$40 to \$50 a ton.

I have brought along with me 13 signed statements from people in McDowell County and I would like to submit them for the record.

Senator CHILES. Without objection, they will be inserted in the record.*

Mr. Ross. Mr. Chairman, I appreciate this opportunity to bring our situation to the attention of the committee.

* See appendix 2, item 7, p. 220.

Thank you.

Senator CHILES. Mr. Ross, you bring to us in a very telling manner the plight that some of these people find as a result of the high costs.

Many times we see the statistics, but I think your testimony brings it home to us on how this energy crisis really affects people's lives.

Mr. Ross. Thank you.

Senator CHILES. We will now hear from Ms. Joyce G. Poulsen, executive director, Southeastern Wisconsin Area Agency on Aging, district 2-B.

**STATEMENT OF JOYCE G. POULSEN, EXECUTIVE DIRECTOR,
SOUTHEASTERN WISCONSIN AREA AGENCY ON AGING, DISTRICT
2-B**

Ms. POULSEN. Thank you, Senator Chiles and members of the committee.

I am presenting to you today the testimony I gave in Wisconsin regarding the energy problem of older people, and this was given on September 23.

I am appearing before you today to relate past experience of one area agency on aging and local groups and agencies in meeting the energy crisis of older Americans.

Early in the fall of 1974, the Southeastern Wisconsin Area Agency on Aging was approached by the director of the Wisconsin Information Service in our city with the intent of sponsoring a crisis-line and service network to meet the emergency fuel and winterization needs of older persons. Investigation of the resources available in the local community seemed to be woefully inadequate. Fuel companies were approached for the first time and made aware of the impending problem. Groups which could not meet emergency food donation needs came to realize that older persons may need to draw upon those resources when it became a matter of a choice of heating their homes or purchasing groceries. There was no central agency geared up to deal with budget referral or financial counseling for older people. Finally, it appeared that the person who might benefit the most from funds available to meet emergency fuel needs were those who "fell between the cracks" as far as income level was concerned; those who were not at the present recipients of supplemental security income.

"ENERGY COLD LINE"

When the commitment was made to establishing a fund to actually pay for emergency fuel needs, local groups were contacted to contribute to that fund. We involved the mayor of the city of Waukesha, as well as the presidents of the Rotary and Kiwanis clubs, the Waukesha Pastor's Association and two private agencies. The area agency on aging pioneered in the State in setting aside from its title III Older Americans Act funds a small dollar amount to serve as seed money to generate local funding. We saw it clearly as a necessary gap-filling service. A contract was signed with a local church board to administer these funds. Manpower was provided for screening and intake through

the Salvation Army and through a local coalition of church members called the Ministry to the Mature. Publicity was released through the local press, radio, and TV stations, and flyers distributed throughout the community. The service was dubbed "Energy Cold Line," and was incorporated as a part of the regular service of the information and referral agency. All older persons who called that agency were told of the fund available to meet emergency fuel needs. Many more requests were made of the service than the limited amount of dollars could supply. Some examples of those who were able to benefit from the service were:

A 67-year-old widow living alone who received \$194 monthly from social security and paid \$95 per month rent. She was provided with funds to pay 2 back months' gas and electricity bills.

A 60-year-old man requested assistance in paying a sizable fuel bill from a local company. He lived with his wife (who was employed) and his 87-year-old mother-in-law and two sons of high school age. The family had been trying to get by, but with a total monthly income of \$450 and a sizable mortgage, this was impossible. After meeting the emergency fuel need, this family was referred to a private agency for budget counseling, and the mother-in-law was signed up for SSI.

An 81-year-old woman who had heard of the service from a neighbor called the information and referral service to request assistance in paying a past utility bill. A son living with her, who was receiving disability benefits, and herself "never left the house." Staff from the screening agency visited her to arrange to have her bill paid, as well as to provide some emergency clothing items for the family. One of these items was shoes for both persons, which were reluctantly accepted on the basis that "we don't go out much, so we don't really need shoes." The referral agency has continued to keep in contact with this family and are, 1 year later, encouraging the 81-year-old woman to become part of a socialization group of older persons that meet at the agency.

As you can see by the above examples, winterization and energy-related needs may cover a wide territory. The area agency and its board of directors felt that even though Energy Cold Line met even a small need in one small geographic area during the winter of 1974-75 that the mechanism provided did serve a broad purpose and a variety of need. In the current funding year, a special fund has been set aside from title III Older Americans Act moneys to continue this pilot program on an extended basis. Each county in the six-county geographic area has available to it, through the area agency on aging, a small seed fund. County Commissions on Aging, if they so elect to take advantage of the seed money, must generate an equal matching amount from local resources, and designate a local group or agency to administer these funds, receive applications for the service, and make referrals to appropriate sources. At this point, five of the six counties have elected to take this program into their communities in the winter of 1975-76.

The Southeastern Wisconsin Area Agency on Aging has demonstrated that coordination efforts and pooling of local resources, both financial and manpower, can meet the winterization and energy-related needs of older adults. This year it will be drawing upon, as

will all Wisconsin Area Agencies on Aging, Federal, State, and local resources to continue to meet that need. We hope to be able to serve as a mechanism for funneling the small amount of Federal and local dollars to provide service to our older citizens, at the grassroots level. The network has been established. What we now need are the resources to activate that network.

Mr. Chairman, at this time I would like to submit for the record a statement of Viola Coffee of Lake Geneva, Wis.

Thank you.

Senator CHILES. Thank you very much, Ms. Poulsen.

The statement will be included in the record of the hearing.*

Senator CHILES. Our next witness is Mr. Glen J. Soukup, executive director, Nebraska Commission on Aging.

STATEMENT OF GLEN J. SOUKUP, EXECUTIVE DIRECTOR, NEBRASKA COMMISSION ON AGING

Mr. SOUKUP. Thank you, I am delighted to be here.

Gentlemen, I am speaking on behalf of Nebraska's older citizens, who are very concerned about the energy crisis. They're concerned that their energy be available, safe, that it be clean, and above all, that it be affordable.

But let me tell you just a little about Nebraska. Only the retirement mecca of Florida has a higher population density of elderly than the Midwestern States, and Nebraska's problems typify, and sometimes even exaggerate, those of our midwestern counterparts.

Our population is unevenly distributed. Over half of our people live within 50 miles of the Missouri River, many in metropolitan areas. The rest reside primarily in sparsely populated rural areas. The availability of services for the poor and elderly also tends to be rather lopsided. Greater distances increase the importance and expense of transportation and limit the availability of services. Many counties are without even a full-time welfare office or doctor.

Extremes of weather are common in Nebraska. Frequently summer temperatures rise above 100°. Winters are brutal. It is not uncommon to see weeks of below-zero temperatures in December, January, and February. And with these temperatures comes the wind; 20, 30, 40 miles per hour.

We all know the cost of all energy is going up and up. It appears that the cost of electricity is going to increase almost 200 percent over a 2-year period. Propane is the most commonly used fuel in rural areas. Monthly fuel bills in excess of \$100 are not unusual. Not only has the cost skyrocketed; most dealers demand payment upon delivery. For example, we've discovered that in the town of Crofton, in the northeastern part of the State, seniors have actually taken out bank loans in the winter to pay for their propane. Liens have been placed against their homes as security. This is a deplorable situation.

We all know the difficulty the elderly have in trying to cope with the ordinary necessities of life on their limited incomes. What we are concerned with here is not just coping. Because of the isolation of the elderly, because of the severity of the winters, and because of the high

*See appendix 2, item 2, p. 216.

cost of fuel, our very real concern must be with literal, physical survival.

WEATHERIZATION PROGRAM

What's being done to help these people? Throughout the State, community action agencies have installed insulation, weatherstripping, caulking, storm doors and windows, and performed minor repairs in 612 low-income households, at a cost of \$155,000. About 500 of these homes belong to seniors.

The weatherization program is funded by the Community Services Administration through the Technical Assistance Agency and the Department of Labor through the CETA program. The Commission on Aging, the Petroleum Allocation Office, and public welfare departments have cooperated in the project.

The weatherization effort has been aided by a local utility's unique aerial infrared photography scanning project designed to identify poorly insulated buildings. In addition to making these infrared photographs available to consumers, the SENGAS Co. shared its thermal scanning maps with the local community action agency. Armed with these infrared aerial photos, called thermograms,* outreach workers could clearly identify houses that needed attention. Census information on the areas of highest elderly population used in conjunction with the thermograms took the guesswork out of pinpointing those elderly households in need of weatherization. The public information support of several agencies rounded out the effort, which is presently swamped with weatherization requests.

LOUP: LANCASTER ORGANIZATION FOR PROGRAMS

The activities of LOUP,** the Lancaster Organization for Utility Programs, have been equally successful. Sponsored by local service organizations, and funded through the Community Services Administration, LOUP works with public welfare, the CAP agency, churches, and utilities to pay power bills and deposits, thereby preventing untimely shut-offs. (Some seniors, unaware of this source of help, have not eaten to save money to prevent having utilities disconnected.)

The Petroleum Allocation Office is setting aside emergency allocations of energy to meet critical emergencies as they occur.

A rural CAP agency is working with local governments to deliver firewood gathered from city tree maintenance to the homes of low-income seniors with wood-burning stoves.

Working with the Nebraska Office of Petroleum Allocation and the FFA, University of Nebraska engineering students have analyzed the electrical, heating, and air-conditioning efficiency of 75 businesses. Their analysis showed that a possible savings of 25 percent could be achieved resulting in a potential savings of \$140,000 yearly. The cost of the study was \$10,000.

These projects, and others like them, have been satisfying and encouraging. They've also been pitifully inadequate to meet the immensity of the problem we're facing. Because of shortage of funds, only a very low portion of those needing help have been served. Gentle-

* See appendix 2, item 3, p. 218.

** See appendix 2, item 4, p. 218.

men, I see no reason to subject you to horror stories about freezing weather and power shortages. We've weatherized 500 elderly households—that leaves over 40,000 to go. Today is November 10 and Nebraskans have already seen snow on the ground. It will be another long, cold winter.

Our experience with the thermogram project and weatherization has convinced us that, with sufficient funding, we could effect a 30- to 50-percent energy savings in at least 40 percent of Nebraska's homes.

Using census data in combination with a statewide thermal scan, we can pinpoint the elderly households that need insulation. We could effectively cut the energy costs of many low-income seniors by as much as 50 percent with such a program. We could have \$7 to \$9 million worth of energy in one winter alone, summer savings would also be realized.

What are we waiting for? Money. We have the experience. We know how to work with thermograms. We believe that community and State resources could be effectively mobilized. For example, there is hope that National Guard training flights could be used to develop a statewide thermal scan. But it all takes money, and that's what we don't have.

"WASTED ENERGY IS WASTED FOREVER"

And yet, the most frustrating aspect of this situation is that the elderly are losing untold amounts of money in wasted energy each winter. Wasted energy is wasted forever. Now is the time to act.

In our public information efforts we've emphasized that insulation can pay for itself in a very short time, and is one of the wisest investments a homeowner can make today. Certainly this same assumption is true for State and Federal Governments. We believe Nebraska's problems are typical of the Midwestern States with the highest percentage of elderly. If the Federal Government is interested in finding out what can be done to ease the impact of energy costs on the elderly through the use of thermograms and weatherization, Nebraska might be a good place to find out. Our calculations indicate that a pilot program that would provide a statewide thermal scan and weatherization of all low-income elderly households needing insulation would cost \$15 million. With an anticipated \$7 to \$9 million savings, such a program would pay for itself in two winters. Measured in human terms, the savings are incalculable.

While weatherization can help older people cut their energy consumption, unit costs for energy continue to rise. Conservation efforts are only one side of the coin, as long as these unit costs continue to rise, seniors will continue to make painful choices between such necessities as heat, medical expenses, housing, and adequate nutrition. Weatherization can only buy us time.

For most, fuel costs represent a frustrating fixed expense. Beyond shoving rolls of newspaper into cracks and turning down the heat, there are very few opportunities for an older person on a fixed income to affect his own energy costs. The existing marketing structure does not reward conservation, but rather encourages consumption. The largest user pays the cheapest unit rate, while smaller consumers pay the top price. This type of pricing makes good business sense for products whose supply is limited only by consumer demand, but in the

case of our limited supplies of energy and fuel, this type of pricing is senseless. Often households have found that their conservation efforts are rewarded with higher per unit energy costs because the utilities claim that the decreased demand has resulted in higher per unit expenses. In short, you're damned if you do and you're damned if you don't.

RESIDENTIAL ENERGY CUSTOMERS CARRYING THE LOAD

Because the small residential energy customer, particularly the older customer, hasn't had the political leverage to influence the existing energy marketing supply system to his own ends, he has wound up carrying the burden. He pays the highest unit costs. His rates subsidize the consumptive habits of the large industrial and commercial users. Often the base rate includes construction work in progress, so an older person winds up shouldering the burden of future demand costs—for generating facilities he may never use.

If the marketing structure of the power companies were changed to reflect the costs of serving older people, there would be no need for energy subsidy payments, energy stamps, or an administrative bureaucracy. It's not the con-men and fast-talking bunco artists who are perpetrating the greatest ripoff of the elderly, but rather the legal, Government-sanctioned monopolies of the power companies. The rate structure must be reformed to provide economic incentives to conserve energy as a matter of national policy.

Block rates which provide reduced prices for large users should be replaced by a flattened rate structure. By recognizing that energy costs do affect energy use, conservation, rather than consumption, will be rewarded.

PEAKLOAD PRICING

Peakload pricing, in which higher rates are charged for electricity used during high-demand periods, would also provide the elderly with a means of affecting their energy costs. Under the present predominant rate structures, offpeak users pay an undue portion of service expansion costs. There is no economic justification to penalize those customers who use electricity primarily or exclusively in offpeak periods. Peakload pricing would also help to flatten a utility's demand curve, and thereby lower its requirements for new generating capacity.

LIFELINE RATES SHOULD BE ENCOURAGED

The development of lifeline service rates, which would provide a minimum amount of electricity at a low price for the poor and elderly to meet essential needs, should be encouraged. The rate charged for this basic service is generally an approximation of the utility's average revenue requirement per kilowatt hour—the actual cost of the electricity to the power company. Under the lifelines structure, the consumer would have a price incentive to keep their energy usage as close to the lifeline amount as possible, thereby rewarding, rather than penalizing, his conservation efforts.

Since the incremental cost of producing additional units of power are higher than existing costs, we urge that new customers of power

companies pay their fair share of the additional generating capacity they require. Presently, the burden falls upon all power subscribers, forcing the older customer, who often has older electrical equipment depreciated by the utility, to cover the costs of supplying service to the new customer. This is just another unfair expense borne by the customer.

The fuel-adjustment clause, which allows utilities to raise rates carte blanche without public input or prior knowledge, has dire potential for abuse. Certainly, public input and involvement in matters of public power should be encouraged, rather than subverted.

In short, every effort should be made to insure that the rates paid by the smallest users reflect the actual costs of service, and not the lobbying power of the largest power users.

ALTERNATIVE POWER SUPPLIES

Finally, we need to be aggressive in our search for alternative power supplies. Nebraskans are a hardy breed, and many old farmers who have retired to the city remember using the cold winter winds to generate power. We need to encourage the inventive use of wind and solar power. These clean, infinite, energy sources hold the promise of a new era of energy independence. And independent living for the elderly is our guiding goal.

Thank you.

Senator CHILES. Thank you, very much.

Mr. SOUKUP. I have a couple of attachments that I thought I would mention briefly: A chart* showing that the midwestern States have the highest per capita percentage of elderly, except for Florida.

I thought the committee would be interested in that, and also a table** showing what savings we have realized.

Senator CHILES. We will be delighted to include those in the record.

Mr. SOUKUP. Fine. I have concluded my statement, and, again, I can say the savings will be substantial if we do something.

Senator CHILES. Thank you, very much.

PRIORITY FOR ENERGY-RELATED PROBLEMS?

A question for Ms. Poulsen. As you know, the Congress has approved the Older Americans amendments which designate priorities such as the homemaker program, legal counsel, and residential repair, for funding under title III of the Older Americans Act.

This measure is now in conference committee, and probably will be acted on soon.

Would you support the designation of a fifth priority: services to assist elderly persons with energy-related problems?

Mr. SOUKUP. I would definitely support an inclusion of the fifth category.

We, on the State level, feel that the less strings attached, it is better as far as these categories are concerned, and, therefore, the more categories we have, the more latitude we give to the local area agencies on aging, and using their funds as their local people best determine what their actual needs are.

*See appendix 2, item 5, p. 219.

**See appendix 2, item 6, p. 220.

Ms. POULSEN. As you probably know, the area agencies, at least in my State, objected to categorizing allotments, partially on the grounds the money now is being used, essentially in those categories at such sufficient levels, so we do not want to be tied down at local levels to specific categories.

However, I do have to say I am in the process now of conducting 23 public hearings throughout my area, during the month of November, and the energy problem has come up to a much larger extent than it has last year, so it is a problem that is just being compounded, and if this is the way it goes, then I certainly would see this as an additional category.

Senator CHILES. Thank you.

RESEARCH ON ENERGY PROGRAMS

Title IV, research program has provided Federal funds to develop solutions for the everyday problems confronting the elderly.

Do you think greater attention should be devoted to energy programs for older Americans under title IV?

Ms. POULSEN. I do. That is a good mechanism for determining what the service delivery system can be, and which will best meet the needs of all older persons.

Senator CHILES. Do you agree with that?

Mr. SOUKUP. I agree 100 percent. I, of course, have very little care, out of where we get money to address problems from the Federal level, but certainly research and demonstration projects I believe can prove many of the things we can do to help the elderly with their energy-related problems.

THERMOGRAPH PROJECT

I guess a private company was the most innovative with this thermograph project—SENGAS, which indeed has viewed to the present time 50,000 homes to see what kind of insulation their home needs.

Senator CHILES. How do they do that, from an aerial photograph?

Mr. SOUKUP. A photograph at night with infrared film.

Senator CHILES. So they are able to take large tracts at one time, they do not have to take a picture of everybody's house?

Mr. SOUKUP. Of course, it is not individual houses.

They did the entire city of Lincoln, and the rest of Lancaster County, and some of the smaller cities, and they figured the cost was 10 cents per house.

Senator CHILES. Now, how does someone in Lincoln know that their house is leaking, or is not insulated, or does it just show the city of Lincoln?

Mr. SOUKUP. SENGAS has the picture filed, and you can go down and look at the thermograph of your particular house.

Senator CHILES. You can find your house?

Mr. SOUKUP. Yes.

Senator CHILES. That is very interesting, and they did that as a public service, the gas company?

Mr. SOUKUP. Yes, they did.

Senator CHILES. I bet they generated some good publicity.

Mr. SOUKUP. Publicity, a lot of good will, and one of the smartest things they ever did.

Senator CHILES. Do you know of any other States that decided to follow up on that?

Mr. SOUKUP. I do not believe it has been done at all elsewhere.

We, of course, are interested in doing it on a statewide basis.

Senator CHILES. They have not done this on a statewide basis?

Mr. SOUKUP. No. SENGAS has not done the entire State. We have the Air National Guard based in Lincoln, that is a photography unit, that we have been trying to persuade to help us by using their equipment to do the entire State.

I think I mentioned that in here. We sure would like to try some kind of demonstration to see what kind of savings we could realize.

Senator CHILES. You do not have any idea whether this could be a capability of our ERTS satellites, to take this type of infrared photograph?

Mr. SOUKUP. It would take somebody with a lot more technical knowledge than mine.

I think not, because it requires, or at least the last one required low-level flying.

Ms. APPLEBEE. Mr. Chairman, may I ask a question?

Senator CHILES. Certainly.

Ms. APPLEBEE. Who did do that?

Mr. SOUKUP. SENGAS, a public utility company in the State of Nebraska.

Ms. APPLEBEE. Thank you.

WINTERIZATION SERVICES

Senator CHILES. Mr. Ross, would a winterization program in your judgment be helpful for many of the elderly of West Virginia, the elderly citizens in your area?

Mr. Ross. Yes, sir, very much. You know, the houses were first company-owned houses, and most are 75 to 100 years old. For the last 10 years, I would say, the company has been selling them, and they are now mostly privately owned.

When the company found out that they had to comply with the Health Department regulations they began to sell them to anyone that could afford to purchase their own home.

Yes, sir, that would be most helpful to the people in West Virginia.

Senator CHILES. In your county, are any services being made available now for winterization, or help in winterizing the homes?

Mr. Ross. We have a Community Agency Council serving on a very small scale, and also the Department of Welfare. They will give from \$300 to \$500 if they have SSI, but it is just a very small thing, it is not a broad enough program for you to realize too much.

Senator CHILES. It is not available for the broad number of citizens?

Mr. Ross. No, sir, Mr. Chairman, I would like to make this statement, since we live in the heart of the coalfields, and heretofore, we could purchase coal right there from the mines, but the problem now is that the operators refuse to sell us coal, and the only people that can purchase coal at the mine are those employed, and to the

people on lower income. That is a hardship, because then you get away from the old custom, which you are used to, and you have to go through oil and electricity, and you insulate, and your building is not properly insulated for that kind of heat, why, then it is a problem.

Senator CHILES. You do not know what reasons the companies give—or do they have different reasons—for not selling coal at the mine any more?

Mr. Ross. Well, now, this is just my personal opinion.

At one time the mines were owned by local people. They were right there close to us, and we could talk with them, and they could see the conditions. They would be more ready to remedy the conditions, but now the mines are owned by big corporations such as U.S. Steel, East Gas and Fuel, and a few more large companies. They live in some other cities and out of the State, and they have managers, and they are most concerned about the production and the profit. They do not seem to be concerned about the local people at all.

Senator CHILES. The bottom line?

Mr. Ross. Yes, sir.

SHOULD THE HANDYMAN PROGRAM BE ESTABLISHED NATIONALLY?

Senator CHILES. Well, we thank you very much for your testimony.

Ms. Applebee, would you recommend the handyman program, that it be established on a national basis?

Ms. APPLEBEE. Definitely.

I think it would solve more problems for people like us than you can imagine. We hear so much about cheating and chiseling those on welfare, and I know that it is very prevalent.

Maybe I am wrong, but I think the older people as a general class of people do not want welfare. In the State of Maine, we say they do not want to be beholden to anybody. They want to be independent, they want to have a life of dignity, and anything that helps them to stay in their own homes where they belong helps them to keep their independence. As long as you stay in your own home you are still a member of the community, and this is important to older people. The handyman services gives us someone we can depend on.

When a pane of glass breaks during the night, you could freeze unless you get it fixed. I am very much in favor of the handyman program, because maintaining a house is really a problem. And now we have this energy crisis. We needed this handyman program for a long time.

Senator CHILES. I am trying to understand a little bit how the program works.

Through the agency, the handyman is made available.

What do you do about paying the handyman, is that all furnished, or is it based on income?

Ms. APPLEBEE. Right now we get our handyman from the CETA program, and we do not pay him.

We pay for the materials; and that is all. But there is another side to the program; it is one program where many, many people are able to pay and would be glad to.

Senator CHILES. In many instances, I think what you are describing is the problem of getting someone that will come, and someone that will provide adequate and decent services, and many times people could pay for either all or a portion of that service.

Ms. APPLEBEE. Yes, we could, and we would be so glad to do it.

That is why it is one program that might be less of a financial drain, because there are so many people that would give anything to have their roof painted. I am definitely in favor of it.

Senator CHILES. Thank you all very much for your testimony.

I think the panel has been an interesting one and certainly your testimony adds to the record that we are trying to make, a continuing record to shed a little light so that perhaps we can get a little heat for some of our elderly citizens.

Thank you very much. We stand adjourned.

[Whereupon, the committee was adjourned at 12:30 p.m.]

APPENDIXES

Appendix 1

MATERIAL SUPPLIED BY ADMINISTRATION WITNESSES

ITEM 1. ELECTRIC RATE DEMONSTRATION PROGRAM, RATE STRUCTURES, AND LOAD MANAGEMENT TECHNOLOGIES; SUBMITTED BY HAZEL R. ROLLINS,* DIRECTOR, OFFICE OF CONSUMER AFFAIRS AND SPECIAL IMPACT, FEDERAL ENERGY ADMINISTRATION

[From the Office of Energy Conservation and Environment]

ELECTRIC RATE DEMONSTRATION PROGRAM

BACKGROUND

Electric utilities alone account for roughly 26 percent of the Nation's total consumption of fossil fuels. There are substantial energy inefficiencies in this sector, not only in the generation of electricity, but also in its transmission, local distribution and end use. The electric utilities are also experiencing a serious financial crisis resulting from rising costs of generator fuels and deteriorating load factors (average load/peak load). The load factor problem is particularly important because capital requirements are determined by peak loads, whereas revenues are derived from total load. This situation forces utilities to retain older, inefficient generators to meet peak loads, or to acquire relatively inexpensive new peaking generators—typically simple cycle turbines that inefficiently burn scarce fossil fuels.

The Federal Energy Administration is committed to solving this complex problem. On the one hand, we must insure the capability of utilities to supply adequate electricity to the Nation at reasonable prices. On the other hand, we must conserve energy by minimizing the inefficiencies and wastages that occur, not only in the use of generator fuels, but also in the ultimate use of electricity itself. Although in some limited respects these two objectives may conflict, we believe that this is not generally the case and that energy conservation need not complicate, but can actually enhance, the financial situation of utilities.

PROGRAM

The FEA's Office of Energy Conservation and Environment has undertaken nine electric rate demonstration projects, in cooperation with local regulatory commissions, to assess consumer response to innovative rate structures, to validate load management practices and technologies, and to promote electricity conservation. These projects support FEA's utility implementation activity. The projects include experimental peak pricing, lifeline and inverted rate structures, rates approximating long-run incremental costs (LRIC), various load control technologies (storage heaters and ripple systems), and conservation activities. The projects are supported by FEA, State and local regulatory agencies, and individual utility systems.

*See statement, p. 147.

The first such project was funded in October 1974 through the Vermont Public Service Board. Additional proposals were then solicited in January 1975, and of the 34 responses, 8 were selected for funding.

The 9 demonstrations, funded for a total of \$2 million throughout fiscal year 1975 and fiscal year 1976 are summarized below:

(1) The Arizona Solar Research Commission, with the participation of the Arizona Public Service Company, will investigate the feasibility of electric rates that vary during the day and between the summer and winter, and devices and communication systems that help the consumer and the utility to manage electric use during times of peak demand.

(2) The Arkansas Public Service Commission, with the participation of the Arkansas Power and Light Company, will analyze changes in electricity use by 1,000 customers in response to time-of-day rates for the summer peak period, an increased summer/winter rate differential, and increased unit costs of electricity for large consumers.

(3) The Connecticut Public Utilities Commission, with the participation of the Connecticut Light and Power Company, will conduct a field test of the response of 200 residential customers to rate schedules that change during the course of the day and that approximate LRIC-based rates.

(4) The Los Angeles Department of Water and Power plans to collect data on changes in the amount of electricity used under a variety of experimental rate schedules by residential, commercial, and industrial customers of one of the largest municipally owned electric utilities.

(5) The Michigan Public Service Commission, with the participation of the Detroit Edison Company, will disseminate energy conservation literature to small industrial customers, provide technical assistance to these customers for implementing energy management programs, and measure the impact on their electric energy use.

(6) The New Jersey Department of Public Utilities, with the participation of Jersey Central Power and Light, will measure the reaction of approximately 1,000 residential customers to a time-of-day rate structure and will conduct a pilot demonstration of electricity demand control technology.

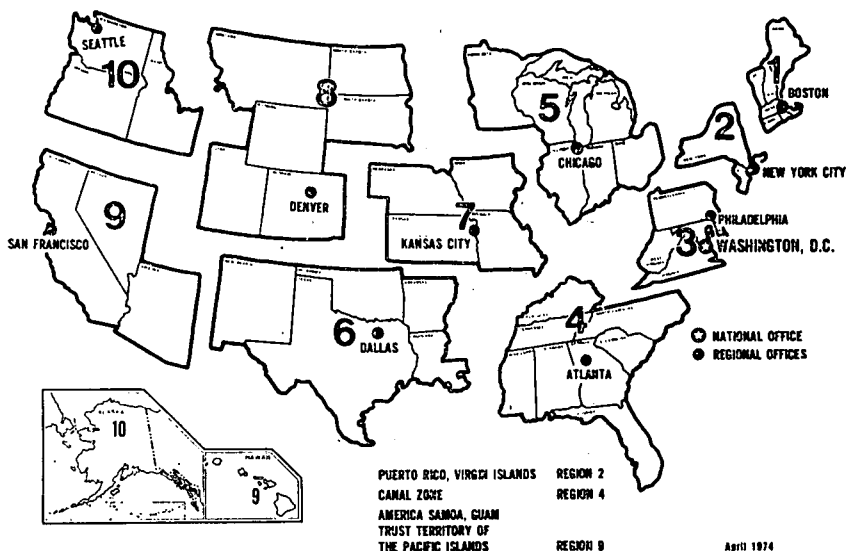
(7) The Public Utility Commission of Ohio, with the participation of the Dayton Power and Light Company, Toledo Edison Company, and Buckeye Power Company, proposes to investigate changes in customers' use patterns that would result from the implementation of new rate schedules and electricity demand-deferring technology—for example, utility-controlled, selectively interruptible, electric water and space heaters.

(8) The Vermont Public Service Board, with the participation of the Green Mountain Power Company, is testing general customer acceptance and the load and financial management effectiveness of a broad range of rate designs, load control systems, and signalling devices, which will assist customers in reducing their peak period electric use.

(9) The Wisconsin Public Service Commission, with the cooperation of the Wisconsin Public Service Corporation, will evaluate the response of residential customers with different levels of electric energy use to a time-of-day rate structure.

For further information, contact the FEA Regional Office in your area (see page 193 for addresses), or the Assistant Administrator for Energy Conservation and Environment, Federal Energy Administration, Washington, D.C. 20461.

FEDERAL ENERGY ADMINISTRATION - REGIONS



Federal Energy Administration, 150 Causeway St., Room 700, Boston, Mass. 02114.

Federal Energy Administration, 26 Federal Plaza, Room 3206, New York, N.Y. 10007.

Federal Energy Administration, 1421 Cherry St., Room 1001, Philadelphia, Pa. 19102.

Federal Energy Administration, 1655 Peachtree St., NE., Eighth Floor, Atlanta, Ga. 30309.

Federal Energy Administration, 175 West Jackson Blvd., Third Floor, Chicago, Ill. 60604.

Federal Energy Administration, P.O.

Box 35228, 2626 Mockingbird Lane West, Dallas, Tex. 75235.

Federal Energy Administration, P.O. Box 2208, 112 East 12th St., Kansas City, Mo. 64142.

Federal Energy Administration, P.O. Box 26247—Belmar Branch, 1075 South Yukon St., Lakewood, Colo. 80226.

Federal Energy Administration, 111 Pine St., Third Floor, San Francisco, Calif. 94111.

Federal Energy Administration, 1992 Federal Bldg., 915 Second Ave., Seattle, Wash. 98174.

CONSERVATION AND ENVIRONMENT RATE DEMONSTRATION PROGRAM—EXPERIMENTAL RATE STRUCTURES AND LOAD MANAGEMENT TECHNOLOGIES

	Rates/load management technology	Customer class
Wisconsin.....	Time-of-day, LRIC, future embedded costs, 7 test groups.	Residential.
Connecticut.....	Peakload pricing.....	Do.
Vermont.....	Peakload pricing, storage heaters, inverted rate, peak kilowatt demand rate, 3-part rate, contract rate, interruptible rate.	Do.
Arizona.....	Off-peak rates, ice storage system, solar energy assisted heat pump.	Do.
City of Los Angeles.....	"3 types expense tariffs".....	Do.
	Flat rates.....	Large customers.
Arkansas.....	Time-of-day, peakload pricing.....	Do.
	Increased summer/winter differential, flattened rate structures, time-of-day.	Residential, commercial, industrial (all rates).
Ohio.....	Time-of-day, radio control of space conditioning.	Residential.
New Jersey.....	Peakload pricing.....	Do.
Michigan.....	Energy management program to measure savings achieved at system peak times.	Industrial.

ITEM 2. LETTER FROM ARTHUR S. FLEMMING,* COMMISSIONER, ADMINISTRATION ON AGING; TO ALL STATE AND AREA AGENCIES OUTLINING PLANS UNDER TITLES III AND VII OF THE OLDER AMERICANS ACT OF 1965, AS AMENDED; DATED JANUARY 22, 1975

PROGRAM INSTRUCTION—AOA-75-20

To: State and area agencies administering plans under titles III and VII of the Older Americans Act of 1965, as amended.
 Subject: Policies regarding the use of title III funds in meeting the needs of the elderly during the energy crisis.

INTRODUCTION

The purpose of this memorandum is to transmit to State agencies policies for utilizing title III funds in developing and implementing action programs for dealing with the needs and problems of older persons during the energy crisis.

I. BACKGROUND

The problems associated with the current energy crisis have directly affected the lives of millions of persons. The high demand for and resulting shortage of energy resources have placed severe hardships on many segments of the population. Added to these problems are the rising costs of fuel and other energy resources. Older persons, especially those with low or fixed incomes, have been severely affected by the energy crisis. Thus, program instruction 75-11 directed State agencies to develop a plan of action in their fiscal year 1975 State plans for alleviating the effects of the energy crisis on older persons, and outlined various activities for State and area agencies to undertake as part of their plan of action.

Information memorandum 75-16 also outlined a number of Federal, State, and local public and private resources which could be used to support energy-related activities, along with suggested actions to be taken by State and area agencies to utilize these resources. The information memorandum further indicated that State and area agencies could use title III funds as an additional resource to support many of the suggested activities, and that the Administration on Aging would issue policies guiding the use of these funds. Recently, you received information memorandum 75-35 which transmitted the multilateral interagency working agreement on energy. This agreement also suggests ways in which title III funds might support the energy efforts of State and area agencies on aging.

Following is a list of the major activities related to energy which State and area agencies may be considering, and the policies governing the use of title III funds to support these efforts. This is not intended to be an exclusive listing. If State and area agencies develop efforts not mentioned here and have questions about using title III funds, they should contact their respective regional offices for guidance.

II. USE OF TITLE III AND MODEL PROJECT FUNDS FOR ENERGY-RELATED ACTIVITIES

Purchase of Materials and Services for Insulation and Winterization, Including Fuel

1. General

In determining how title III funds will be put to use, State agencies should weigh the costs of the alternatives against the numbers of older persons who might benefit from a particular effort.

In the past, we have considered winterization, insulation and fuel support to constitute financial assistance activities which are outside the scope of the title III program. The authorization now granted to use title III funds for these purposes is predicated on the view that many older persons confront an emergency situation which dictates intervention of the type which can be most immediately helpful. State agencies should see this authority as an exception to general policy in order to assure an immediate response.

*See statement, p. 138.

2. *Insulation and winterization*

One of the activities which program instruction 75-11 directed State agencies to undertake relative to the energy crisis was the development of a program, utilizing existing public and private resources, to assist in the insulation and winterization of older persons' homes. This activity should be an integral part of a State's energy program, especially those States located in cold-weather areas.

Title III funds may be used to purchase materials and services for the insulation and winterization of homes. In such cases, State agencies shall adhere to the following policies:

A maximum of \$600 may be expended per dwelling. The \$600 maximum shall include the costs for purchase of the necessary labor to perform the work. Experience seems to indicate that winterization of homes has ranged between \$40 per dwelling and \$550 per dwelling.

Grants or contracts may not be awarded directly to elderly individuals. State agencies or area agencies may enter into contract or other arrangements only with service contractors. (Notwithstanding this requirement, this is generally the most advantageous course of action as materials purchased in bulk and through a central purchasing agent can usually be obtained at a lower cost than if purchased by individuals. The consumer protection element is also a significant factor in that the State and area agency are better positioned to monitor such contractors.)

Title III funds may be used to insulate or winterize rental units. State and area agencies choosing to initiate such an effort must obtain binding agreements from owners that the costs of winterizing or insulating a rental unit will be deducted from the older person's rent. A rent relief provision should be accompanied by provisions designed to protect other consumer interests of the older person; for example, assurance of tenancy for a minimum period of time, thus protecting the older person from arbitrary eviction. In targeting title III resources for this effort, State and area agencies should take into account duration of tenancy and give priority to those older persons with longer tenancy periods.

Any winterization or insulation activity should be developed in consultation with representatives of labor and local officials concerned with the enforcement of building and health codes.

3. *Purchase of heating fuel*

Heating fuel costs have risen substantially, Elderly persons, especially those with low or fixed incomes, are severely affected by these rising costs. To help alleviate the effects of these problems, title III funds may be used for fuel support subject to the following:

1. Fuel commodities delivered to the home (e.g. oil, coal, kerosene).—As a general rule, grants or contracts may not be awarded directly to older persons. State and area agencies should develop fuel support program arrangements with fuel providers or with State allocation offices to meet older persons' needs.

Exception.—Situations may arise which call for direct or immediate intervention; for example, when an individual older person unexpectedly faces a shortage or lack of fuel because of financial problems, loss of supplier or other factors. In such emergencies, State and area agencies may make financial assistance available directly to the older person to forestall a more serious crisis. Before using title III funds to directly assist the older person, State and area agencies should first look into other means of resolving the problem, making arrangements with the local social services agency or the emergency assistance office (if any), or the local civil defense office which may be authorized to grant immediate financial assistance or supply the necessary fuel. Direct financial support with title III funds is to be regarded as a one-time emergency assistance measure. In these situations State and area agencies should follow through with the appropriate agencies to see that the older person is assured of a continuing supply of fuel.

In addition, State and area agencies should consider building provisions covering emergency situations into their agreements with fuel providers or State allocation offices.

2. Public utilities (natural gas, electricity).—As a general rule, State and area agencies are not permitted to use title III funds to pay the utility bills of older persons.

Exception.—When a cut off of utilities is imminent or occurs because an older person cannot meet the financial burden, State and area agencies may intervene by using title III funds to reinstate the account and thus the services. Such

assistance should be granted in this manner when dictated by emergency circumstances.

In this regard, State and area agencies should consider instituting a cut off preventing program whereby they would be notified before any termination in services took place.

4. Establishing hotlines and crisis centers for disseminating information

State and area agencies may be considering the establishment of hotlines and crisis centers. Such centers should be equipped to handle emergency energy-related problems directly and immediately and to provide older persons with information about fuel allocations, energy conservation and energy costs so that older persons may take appropriate energy conservation measures to offset increased energy costs. Such activities should be incorporated into the State and area agency Information and Referral system. Title III funds may be used for implementing these additional activities.

III. FUNDING PROCEDURES AND OTHER SOURCES OF FUNDS

State and area agencies should work in collaboration if they contemplate earmarking fiscal year 1975 title III funds for energy-related activities. If an area agency has received approval of its area plan in fiscal year 1975 and received fiscal year 1975 funds to implement the plan, the area agency must submit a revision of its budget to the State agency for approval in order to allocate any of its funds to energy programs.

Special requests from area agencies for supplemental funds to support energy shall be incorporated into the existing approved area plan if approved by the State agency.

State and area agencies should not view the limited funds available under title III as a deterrent to taking action to combat the energy crisis. Rather, they should seek out the resources of other Federal programs and available State and local funds, along with the manpower and energies of State and local consumer voluntary organizations so that the various energy-related activities can be successfully implemented with the greatest possible impact.

Inquiries.—State agencies should address inquiries to Regional Program Directors on Aging.

FYI copy.—Area agencies on aging who should address inquiries to State Agencies on Aging.

ARTHUR S. FLEMMING,
Commissioner on Aging.

ITEM 3. NEW SECTION 222(a)(12) OF THE COMMUNITY SERVICES ACT
RELATING TO EMERGENCY ENERGY CONSERVATION SERVICES;
SUBMITTED BY ANGEL RIVERA,* ASSOCIATE DIRECTOR OF OPERA-
TIONS, COMMUNITY SERVICES ADMINISTRATION

EMERGENCY ENERGY CONSERVATION SERVICES

PUBLIC LAW 93-644, 93D CONGRESS, H.R. 14449, JANUARY 4, 1975

“(d) (1) Section 222(a) of the Economic Opportunity Act of 1964 is amended by inserting after paragraph (11) the following:

“(12) a program to be known as ‘Emergency Energy Conservation Services’ 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 Director is authorized to provide financial and other assistance for programs and activities, including, but not limited to, an energy conservation and education program; winterization of old or substandard dwellings, improved space conditioning, and insulation; emergency loans, grants and revolving funds to install energy conservation technologies and to deal with increased housing expenses relating to the energy crisis; alternative fuel supplies, special fuel voucher or stamp programs;

* See statement, p. 157.

alternative transportation activities designed to save fuel and assure continued access to training, education, and employment; appropriate outreach efforts; furnishing personnel to act as coordinators, providing legal or technical assistance or otherwise representing the interests of the poor in efforts relating to the energy crisis; nutrition, health, and other supportive services in emergency cases; and evaluation of programs and activities under this paragraph. Such assistance may be provided as a supplement to any other assistance extended under the provisions of this Act or under other provisions of Federal law. The Director after consultation with the Administrator of the Federal Energy Office and appropriate Federal departments and agencies shall establish procedures and take other appropriate action necessary to insure that the effects of the energy crisis on low-income persons, the elderly, and the near poor are taken into account in the formulation and administration of programs relating to the energy crisis."

ITEM 4. COMMUNITY SERVICES ADMINISTRATION INSTRUCTION 6143-1; SUBMITTED BY ANGEL RIVERA,* ASSOCIATE DIRECTOR OF OPERATIONS, COMMUNITY SERVICES ADMINISTRATION

EMERGENCY ENERGY CONSERVATION PROGRAM—CSA INSTRUCTION, 6143-1

Effective date: July 28, 1975.

Applicability: This Instruction is applicable to grantees funded under Title II and Title VII of the Community Services Act of 1974.

References:

- (1) Section 222(a) (12) of the Community Services Act of 1974.
- (2) OEO Instruction 6710-1, Applying for a CAP Grant.
- (3) OEO Instruction 6710-1, CH6, Simplification of OEO Grant Refunding Process.
- (4) OEO Instruction 6710-1, CH5, Consolidation of Checkpoint Forms 46, 76, and 77.
- (5) OEO Instruction 6802-2, Non-Federal Share Criteria.
- (6) OEO Instruction 6802-3, Non-Federal Share Requirements for Title II, Sections 221, 222(a) and 231 Programs.
- (7) OEO Instruction 7850-1a, Standards for Evaluating CSA-Administered Programs and Projects.

1. PURPOSE

The purpose of this Instruction is to (1) inform eligible grantees of a new provision in the CSA legislation which provides for funding of energy conservation programs; and (2) provide funding guidance to prospective grantees.

2. INTRODUCTION

Section 222(a) of the Community Services Act of 1974 includes a new subsection 12 that authorizes:

"A program to be known as Emergency Energy Conservation Services 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." (Emphasis added)

This Instruction discusses the purposes of the program, conditions of the program, funding policies, programs eligible for funding, application submission offices and required application documents.

3. PURPOSES OF THE SPECIAL EMPHASIS PROGRAM

The major assumption underlying this program is that the problems of the low-income created by the energy crisis have severely limited their ability to maintain minimum living conditions and in some cases, to survive. While the long-range goal is to conserve energy and lessen the impact of the high cost of fuel for poor people, particularly through programs to increase the thermal

* See statement, p. 157.

efficiency of their dwellings, there are or will be in many communities emergency cases calling for programs of crisis intervention to restore utility service or prevent cutoff, provide emergency fuel deliveries or support other activities to assist those suffering serious hardships which endanger their health, especially if there are future increases in energy prices.

4. ELIGIBLE PARTICIPANTS

Low-income individuals and families, including the elderly and near poor are eligible to participate in programs funded under this Section of the Act. For this program, the near poor are those persons in families or unrelated individuals whose incomes are between 100% and 125% of the poverty thresholds as established in CSA's current Poverty Guidelines.

5. ELIGIBLE APPLICANTS

CAAs, SEOOs, non-profit CDCs and other public and/or private non-profit organizations and agencies that meet CSA eligibility criteria may apply.

6. PROGRAMS ELIGIBLE FOR FUNDING

Major emphases of programs eligible for funding include:

a. *Winterizing*.—Making home repairs and retrofitting dwellings to minimize heat loss and improve thermal efficiency. Components include first, repairing of broken windows, patching of roofs and walls, and caulking of cracks and joints to reduce or prevent infiltration; second, insulating of attic, floors, walls, weather stripping of doors and windows, and foundation banking; third, the lessening of infiltration problems may necessitate such measures as replacement of heating sources, replacement of furnace filters, minor adjustments and repair of heating systems or replacement of dangerous heating sources to assure that health hazards are not created due to malfunctioning heating sources. Such costs should be supported by funds from other sources, such as FmHA 504 loans or HUD funds, in any case where costs for minimum corrective action would require expenditures in excess of the maximum amounts as specified in page 4 paragraph 2.

b. *Emergency assistance*.—Intervention to prevent hardship or endangerment to health due to utility shut-off or lack of fuel. Components may include grants, loans, or payment guarantees; mediation with utility company or fuel supplier and financial counseling; and maintenance of emergency fuel supplies, warm clothing, and blankets.

c. Other support activities as authorized by Section 222(a) (12), e.g., technical assistance, assessment studies, alternate energy supplies, outreach activities, demonstration of innovative and new techniques and solutions.

7. PROGRAM POLICY

a. *Winterization*

The Office of Operations, CSA Headquarters, will issue a *Community Action Guide to Winterizing* which, in addition to reviewing techniques and available materials, will provide indicators for optimal combinations of energy conservation techniques for different climatic conditions and fuel costs, based on studies of the National Bureau of Standards.

Funded projects shall provide either in the proposal or in accordance with a Special Condition that in the case of winterization programs each in administering agency shall on the basis of these indicators establish program standards including an optimal combination of energy conservation techniques to be attained by the program. The standards shall include a requirement that adequate repairs to stop infiltration shall be made in conjunction with the insulation of any building, and shall establish a model of *optimal winterization standards* for a dwelling of 1,200 square feet of ground floor space. Where the administering agency is other than the grantee, the grantee may require that the standards be subject to its approval.

For each building to be winterized there shall be a *Building Winterization Plan* described on a standard form to be supplied by CSA. For each building the Plan will include a description of the building, a description of the existing level of insulation, a description of the optimal combination of energy conservation techniques to be achieved, a description of the amount of work accomplished to-

ward the optimal level in the first program year, and the amount of work which will remain to be accomplished in succeeding program years. The Plan will also include a description of the need for an itemized cost of repairs to be made to prevent infiltration.

b. Program Advisory Committees

Funded projects shall provide that each administering agency shall establish a Project Advisory Committee, made up of at least 51% 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.

In the case of winterization programs the Project Advisory Committee shall establish policies for the selection and approval of dwellings to be winterized, and shall approve the program standards described in subparagraph a., including optimal winterization standards.

In view of the limitations on funding under current appropriations, in any case where a Building Winterization Plan calls for expenditures during the first program year of more than two hundred and fifty dollars on any building in a program funded in Federal Region IV, VI, or IX, or more than three hundred and fifty dollars in a program funded in Region I, II, III, V, VII, VIII, or X, the expenditure must be justified in writing and approved by the Project Advisory Committee. Documentation of such justification and approval shall be made available to CSA upon request.

c. Planning and assessment of need

A major goal of all funded programs will be a more accurate assessment of the impact on the poor of energy shortages and price increases, and the development of a local planning capability involving major community resources to deal with both emergencies and long range implications of energy cost and availability. An important part of the impact assessment will be participation by all grantees in a program of information retrieval. (See Paragraph 10.c.)

8. FUNDING

a. Source

H.R. 5899 is the appropriation source for the Emergency Energy Conservation Program of Fiscal Year 1975.

b. Funding offices

CSA Regional Offices will receive grant applications for programs local in nature. CSA, Washington, D.C., will receive grant proposals that are national or demonstration in character. Grants will be made on a one-time basis out of FY 1975 funds with priority consideration to CAAs, SEOOs, and CDCs.

c. Non-Federal share

The non-Federal share requirement is waived for demonstration and direct financial assistance programs.

The non-Federal share required for programs funded with FY 1975 funds shall be 20%; for programs funded with FY 1976 funds it shall be 30% except in the case of CAAs with 221 and 222(a) funding of less than \$300,000 per annum where it shall be 25%.

9. APPLICATION REQUIREMENTS

a. Documents required

Applications shall include at a minimum the following:

- (1) OEO Forms 394 and 419. (Required for all applications.)
- (2) CAP Forms 25 and 25a should be on file with the grantee.
- (3) CAP Forms 5 and 84. (Required for uncapped areas except for CDC's funded under Title VII.)
- (4) Narrative Proposal. (See section b. below).
- (5) Evaluation component. (See section 10.)
- (6) OEO Form 301 and CAP Form 3. (For new grantees only.)

b. Contents of narrative proposal

The narrative proposal should include a brief narrative of each energy project in terms of:

- (1) Description of problem addressed and the number affected.

(2) Past efforts in this project area and capacity to expand those efforts.

(3) Given your local community priorities, why this proposed solution is both feasible and most relevant.

(4) Non-CSA resource opportunities available for this project; maximum coordination should be sought from other agencies, such as FmHA 504 and 515; CETA; AOA; RSVP; the Emergency Assistance for Families AFDC in HEW. Mobilization of State and local resources is critical to the success of this program in achieving its goals of conservation and the avoidance of hardship.

(5) Projected results for each project effort with a unit cost estimate. (See paragraph 7.)

(6) Evaluation design based on the performance standards and appropriate criteria. (See paragraph 10.)

10. ADDITIONAL REQUIREMENTS

a. Administrative costs

In the case of winterization programs at least ninety percent of the funds provided under Section 222(a) (12) shall be expended for materials.

b. Evaluation

It is anticipated that the evaluation of energy programs will be two-fold in nature. The first will be self-evaluation by the funded grantees; the design should be included in the proposal. The design should include program goals and provisions for data collection sufficient to assess progress toward those goals. The effectiveness standards (CSA Instruction 7850-1a) should be useful in developing evaluation criteria and instruments.

The second will be a Regional and national effort involving coordination with the Federal Energy Administration, the National Bureau of Standards and other appropriate agencies.

c. Information

The regional and national evaluation effort will be based on data collected on the Energy Data Form which will be sent to grantees once they are funded.

BERT A. GALLEGOS,
Director.

ITEM 5. LETTER AND ENCLOSURES FROM ANGEL RIVERA,* TO SENATOR LAWTON CHILES, DATED JANUARY 28, 1976

DEAR SENATOR CHILES. Thank you for your letter of November 11, 1975. Please excuse the delay in this reply. I deeply appreciated the opportunity of participating in the Committee on Aging's hearing on "The Impact of Rising Energy Costs on Older Americans."

With regard to the questions in your letter, I am pleased to provide the following information. Please be aware that answers to some of your questions are not available at this time; however, I shall be happy to furnish additional information as these programs become operational, and as our data retrieval system is put into place.

1. How much of the total funds for the emergency energy conservation program has been used for the winterization of homes? How much has been spent on research and demonstration?

Answer: Of the first \$16.5 million under the fiscal year 1975 second supplemental appropriation, all but approximately \$80,000 was put out into the fields for operational programs, and of that amount approximately 78 percent has gone into the weatherization program. The remaining \$80,000 was divided about equally between a planning grant for a National Center for Appropriate Technology and a demonstration grant to apply special conservation measures and provide solar hot water equipment to a five-story tenement building on the lower East Side of New York City. Of the second \$16.5 million received under the fiscal year 1976 continuing resolution, \$12.4 million has gone out to operate programs in the field, with again about 75 to 78 percent going to weatherization programs. \$4.1 million of the continuing resolution funds has been retained in headquarters to be divided between program support, special programs for native Americans and migratory farm workers, and research and demonstration programs. Approximately

* See statement, p. 157.

\$1.225 million has been reserved for the latter category, and proposals are presently being reviewed by headquarters staff.

2. What proportion of funding for the emergency energy conservation program has been allocated to rural areas? What proportion has been allocated for elderly persons (individuals aged 60 or older)?

Answer: No particular amount of the energy funding has been allocated to rural areas. However, 80 percent of the community action agencies are now involved in energy programming, and probably a majority of the weatherization activity is being carried on in rural areas. This is partly because many of the technical and legal problems involved in weatherization of rental units and multi-family dwellings in urban areas have not yet been solved. There has been no specific allocation for elderly persons; but we know that much of the activity is being directed toward such persons, since they are more often than not those in the most dire circumstances. In our revised instructions for this program, soon to be adapted, we plan to include the following: "In carrying out energy activities, grantees shall take into account the special needs of the elderly, infants and sick persons." In both of these areas, we expect to have additional hard data by the end of January 1976.

3. I understand the CSA recently received approval from the Department of Commerce for 231 projects creating 15,000 jobs under Title X of the Public Works and Economic Development Act. Do you have a breakdown concerning how many elderly persons will be employed in those 15,000 jobs?

Answer: We do not have a breakdown concerning how many elderly persons will be employed in the title X jobs. However, we will be establishing a reporting system for these programs, and I have forwarded a copy of your letter to our manpower team so that your question can be considered in the design of this system.

4. In his testimony last year, Mr. Gallegos outlined several programs (e.g. Institute on Energy Conservation and the Poor, Alaska rural fuel program, and Life-Saver Utility Shut-Off Prevention Pool) which CSA planned to fund. Could you give us a status report on those programs?

Answer: The Agency did, in fact, proceed with the programs outlined by Mr. Gallegos in his testimony last year. The Institute on Energy Conservation and the Poor, although short-lived, and since replaced by an Energy Policy Committee which advises the Associate Director for Operations under whom all energy matters are placed, did have two publications issued under its name.

The first was a report on possible coal shortages and their effect on the poor. The second is a pamphlet called "Save Energy: Save Money!" one of the Agency's most useful and popular publications; 500,000 copies have already been printed.

The Alaska rural fuel program was funded in December 1974, with a grant of \$100,000. Of this amount, \$25,000 went to interest-free emergency fuel loans to Alaskan villages. \$75,000 went to a bulk fuel tank construction program, for loans to villages to provide for needed fuel storage tanks, and for product loans for the filling of these tanks. I am enclosing a copy of a CSA region X evaluation report on these programs.

The life-saver utility shut-off pool was funded to the Milwaukee Community Action Agency with a grant of \$100,000 which was matched by a contribution of \$50,000 from the County of Milwaukee. The program satisfactorily resolved some 1,200 cases of utility shut-off which involved families approximately 40 percent of which included elderly persons. Actual payments were made in 400 of these cases, the balance being resolved on the basis of negotiation and financial counselling. The program is being continued this year in Milwaukee as a major part of its energy program. On a national basis, the approximately 25 percent of operational funds not going into weatherization are largely going into emergency assistance programs based on the Milwaukee experience.

I am also enclosing a copy of a report on several utility and fuel assistance programs, including Milwaukee.

I appreciate the opportunity of supplying you with this information, and again, please excuse the delay in this reply.

Very truly yours,

ANGEL F. RIVERA.

[Enclosures.]

COMMUNITY SERVICES ADMINISTRATION, REGION X EVALUATION REPORT, ALASKA
RURAL ENERGY PROGRAM, RURAL ALASKA COMMUNITY ACTION PROGRAM, INC.

(Field visit conducted April 14-15, 1975)

BACKGROUND AND SUMMARY

RurAL Alaska Community Action Program, Inc. (RurAL CAP), the statewide CAA in Alaska, has the largest grant for energy programs in region X, \$100,000. Of the total, \$75,000 is earmarked as seed money for bulk fuel tank construction in remote villages. The balance, \$25,000, is to be used for short-term emergency fuel loans and emergency fuel purchases.

State support for this project has been outstanding. The State, through a contract with RurAL CAP, is contributing \$24,161 to the project. The State funds pay all program overhead, including the program director's salary and travel. One hundred percent of the Federal funds are thus devoted to project loans.

The grant is for 1 year, through December 31, 1975, but it is unlikely that all funds for fuel tanks will be expended this year. The shipping construction season (May to September) is too short. It is probable, therefore, that the grant will have to be extended to permit completion of projects in the 1976 construction season.

All funds for short-term loans will be expended this year.

Public relations opportunities from this project are extensive—the unusual nature of the work program, the glamor of Alaska, the extraordinary weather conditions, all make for public relations opportunities which should be exploited.

Because of its unusual nature, the regional director asked for an early evaluation of the project, 4 months into the work program. The report follows.

THE WORK PROGRAM

\$25,000 emergency fuel loan program

The work program of this project calls for "at least" 15 interest-free emergency fuel loans to villages, in the maximum amount of \$1,500.

The money will be spent, but not on quite that many loans. After three loans of \$1,500 had been made, the ceiling was doubled to \$3,000 because experience showed most villages needed more than \$1,500.

As of April 15, when the CSA field visit was made, a total of \$23,000 was committed to 11 loans. Mary Stachelrodt, energy project coordinator, said the balance will be committed during this season. Loans range from \$3,000 to \$400.

Increase in the loan ceiling was approved by the RurAL CAP board of directors and the CSA regional office.

In addition to villages where loans were made, discussions were held with another 15 or 20 villages. The effect was to create new awareness of the need for fuel planning in the bush. Some of the villages decided to ask for tank construction loans instead of emergency supply loans.

RurAL CAP has taken a businesslike attitude in making these loans. Each village is required to sign a loan agreement (see attachment) which specifies repayment within the next 3 or 4 months. Philip J. Smith, executive director of RurAL CAP, said funds repaid will be used for the tank construction program, deemed of greater long-term benefit to rural Alaskans. This recycling of the emergency loan money was not contemplated in the original grant. RurAL CAP should request an appropriate program amendment.

Kay Moor, the RurAL CAP controller, said the organization has never been in the collection business before, but she anticipates no difficulty in getting the loans repaid. One village, Pilot Station, has already done so.

\$75,000 bulk fuel tank construction program

This project is intended to highlight the need for more adequate, more reliable and, ultimately, less expensive fuel supplies in the remote Alaskan bush. The work program calls on RurAL CAP to make "at least 15" seed money loans for tank construction, and to have the construction completed by the end of the building season this year, September 1975.

This the grantee will be unable to do. Mrs. Stachelrodt has reduced her goal to five villages. Loans will average \$15,000 each, although there is considerable variation. "It is impossible to do 15 in one year," she said. "It takes time and

education for the villages to understand the need for bulk storage, and to be willing to accept the responsibility for the very large loans that this program requires. One year for this program is not enough."

Mrs. Stachelrodt travels widely in the bush to promote the bulk storage program, and is attempting to get commitments from five villages for this year. Any commitments later than April 30 are too late for this year. Tanks must be built in Seattle and shipped to Alaska by sea.

Despite her diligence—and there is general agreement that she is both diligent and effective—it appears unlikely that even five projects can be wrapped up this year. The shipping-construction season is too short. At the time of the evaluation visit, in mid-April, no final arrangements for any of the loans has been made.

RurAL CAP intends to make loans both for tanks and for "product," as fuel oil and gasoline are called. Use of these funds for "product" was not anticipated by CSA; the work program says that the goal is to "use OEO funds as 'seed money' to install bulk storage facilities in at least 15 communities. . . ." RurAL CAP considers loans for "product" an essential part of a fuel package, and within the meaning of the grant. The interpretation was not discussed with the CSA regional office, she said.

In actual fact, more of the money is being committed to "product" than to tank construction. To date, plans call for product loans totalling \$39,000 and tank loans totalling \$27,500.

George Kent, marketing manager for Standard Oil of California in Alaska, said loans for "product" are needed more than for tank construction. The reason is that lending institutions are more willing to make tank loans, where there is collateral (the new tanks) than product loans, where there is none.

The work program lists eight specific activities which must be carried out to accomplish the tank construction program. These, and their status, are as follows:

1. *Determine which villages lack adequate fuel storage.*—Each RurAL CAP regional office—there are 12 strategically located around the State—has been asked to collect basic fuel information. A standard form has been developed by Mrs. Stachelrodt for this purpose (see attachment).

2. *Study and coordinate other efforts to provide fuel storage.*—RurAL CAP's energy coordinator works closely with the Alaska Native Industries Cooperative Association (ANICA), a major supplier of food and fuel in the bush, supplementing ANICA's efforts and making sure there is no duplication. ANICA plays a key role in efforts to improve fuel supply because of its established credit record and consequent ability to borrow in behalf of villages for both construction and product. Until recently, relationships between RurAL CAP and ANICA were poor, but Mrs. Stachelrodt has healed the breach. Larry Echols, ANICA Anchorage representative, said he works closely with her and has found her access to village leaders in the bush valuable to ANICA in fuel planning and programs.

Standard Oil's marketing manager in Alaska agreed; Standard is the major fuel supplier in rural Alaska.

3. *Research bulk storage methods.*—No systematic research has been done, but considerable information has been compiled in planning individual projects.

4. *Coordinate preparation of a document outlining options for villages.*—Meaning of this statement is unclear to everyone concerned. Nothing has been done on this item.

5. *Study financing methods.*—Again, there has been no systematic research, but considerable practical information has been collected in the course of project development. There is marked reluctance among villages to commit funds they are receiving from land claims to tankage projects, although many villages have the financial capacity.

6. *Determine optimum OEO role in financing.*—No estimate has been made of the overall cost of bulk storage construction in rural Alaska, though it could run into many millions of dollars. RurAL CAP is asking each village to estimate its requirements, and a cost estimate can be developed from that survey eventually. There has apparently been little contact with banks so far. Mrs. Stachelrodt said that commercial interest rates are too high for villages to pay, but it would appear that at least some villages could use the banks if no other credit sources are available.

7. *Recommend investment to Rural CAP Board.*—This is scheduled for the third quarter of the grant. Meanwhile, the Rural CAP board of directors and the CSA regional office have been kept well informed on the program through a series of excellent written reports by Mrs Stachelrodt.

8. *Collect the short-term loans and reinvest the money.*—This is scheduled for the third and fourth quarters. The loan collection system is in place.

Establish Rural CAP as center of energy information and assistance

Mrs. Stachelrodt is fulfilling this third major component of the grant. She views her main function as educational, and therefore attends meetings in remote areas frequently, describing the program and urging villages to look on fuel planning as an ongoing and basic responsibility.

She works closely with the State energy office, Standard Oil, and ANICA, all of which praise her cooperation and skill as a catalyst.

She and other Rural CAP officials were instrumental in introduction of a bill in the State legislature which would establish a \$2 million revolving loan fund for projects. Phil Smith, Rural CAP executive director, said he doubts the measure will pass this session, but that its introduction is evidence of growing awareness of the problem by State leaders.

Rural CAP is also involved in efforts to improve fuel planning by public institutions which serve the bush. Several sources said that the Bureau of Indian Affairs, State-operated schools, and Alaska State Housing Authority are among the major fuel consumers who have been negligent in fuel planning. Several instances were cited in which these agencies built houses or schools in remote areas without providing additional storage capacity, thus disrupting the already fragile supply system.

Mrs. Stachelrodt is also working with ANICA and Standard Oil on a training program in fuel handling and safety practices. Originally proposed for Holy Cross in western Alaska, a less expensive site on the Kenai Peninsula is now under consideration.

RECOMMENDATIONS

1. The grant should be extended if necessary to complete the tankage program.
2. A work program amendment should be requested to insure propriety of "recycling" short-term loans into the tankage program.
3. A work program amendment should be requested to legitimize use of tank program funds for product loans.
4. This report should be sent to BIA, ASHA, and other State agencies to call to their attention the need for better rural fuel planning in Alaska.
5. CSA's public affairs officer should establish close liaison with this project's director to make sure that the many opportunities for favorable news reports are exploited.

[Attachments]

RURAL ALASKA COMMUNITY ACTION PROGRAM, INC.—LOAN AGREEMENT

Rural Alaska Community Action Program, Inc. (Rural CAP) agrees to loan to _____, _____, Alaska, a sum not to exceed three thousand dollars (\$3,000) upon the following terms and conditions:

- (1) Rural CAP will advance moneys as required by _____, not to exceed \$3,000 in accumulative total.
- (2) In consideration of this loan, _____ agrees to use the funds advanced solely for the purchase of fuel to ease the fuel shortage this winter in the community.
- (3) _____ will repay the principal amount of the loan, without interest, no later than _____, 1975.
- (4) This agreement is made pursuant to the authorization by the Rural CAP Executive Committee.

Dated this _____ day of _____, 1975.

Approved by GORDON JACKSON, *Chairman, Rural CAP Executive Committee.*

RURAL ALASKA COMMUNITY ACTION PROGRAM, INC.
By: MARY M. STACHELRODT, *Energy Planner/Co-ordinator.*
By: _____

RURAL CAP ENERGY INFORMATION SHEET

(To be verified by Village Council or Village Corporation)

Name of community _____
 Population _____
 Number of families _____
 Sources of fuel (local distributor, store, etc.) : _____

 Total capacity of tanks, if any: fuel _____
 gasoline _____ (other) propane _____
 Name of transportation-barge service company or commercial carrier for fuel
 delivery _____
 Has your community experienced a fuel shortage problem in the past? _____
 If so, what were the reasons for a shortage? (bad transportation, no money, no
 storage, etc.) _____

 Does the community have adequate fuel storage capacity? _____
 If not, estimate total monthly need _____
 Total annual need _____
 Is your community interested in setting up bulk storage tanks? _____
 As a business? _____
 Through what entity: village corporation, council, store, (ANICA)? _____

 Present cost per gallon: heating fuel _____
 gasoline _____ other (propane, etc.) _____
 Additional comments: _____

(Signature of village council or village corporation official)

RURAL ALASKA COMMUNITY ACTION PROGRAM, INC.,
Anchorage, Alaska, April 24, 1975.

CHARLES HODGES, M/S 111,
Community Services Administration /X,
Arcade Plaza Buildings, Seattle, Wash.

DEAR CHUCK: Kay Moor has told me that you have requested a set of criteria that will be considered prior to RurAL CAP making a loan for bulk storage facilities under our CSA energy grant authorization. The criteria as set forth in Mary Stachelrodt's March 12 letter to you are still in effect, having been ratified by the RurAL CAP executive committee at our meeting in Juneau on March 25. In case you may have misplaced the letter, I will repeat them for you here:

1. A community may not presently have any bulk storage at all if they are to be considered for a loan from RurAL CAP.
2. The community must be recognized as a regional priority for bulk storage. The executive director or the board from the region must indicate to our organization the priority of the village in question.
3. A village must be a "high risk area," meaning that other alternatives for financing would be difficult to obtain.
4. The village must have a history of repeated fuel shortage problems which can be mitigated by the presence of bulk storage facilities.
5. The village receiving assistance from RurAL CAP should be geographically spread throughout the State.
6. In order to truly demonstrate the feasibility of this plan, we are hoping to select different entities to deal with (e.g. ANICA, a local cooperative, village corporation, village council, etc.)
7. Finally, of course, the recipient must give evidence of being able to repay the loan.

We hope these criteria meet with your approval. As initially applied, the board has given tentative approval to bulk storage loans for the communities of Venetie in the Upper Yukon area, Nigolski on the Aleutian Chain, Fortuna Ledge (Marshall) on the Lower Yukon, and Akhiok on Kodiak Island. I expect the final decision will be made at the board of directors' meeting in South Naknek on May 8-9.

On a related topic, our administration of the grant and our experiences with regional and local personnel (as well as other organizations) have indicated the advisability of charging a small (4 percent) interest rate on these loans. *As this question is not formally addressed in our approved grant program, please accept this letter as a formal request to your office for authorization to charge interest on these bulk storage loans.*

I am pleased to report that a bill providing for a revolving loan fund for small communities to meet their energy needs has been introduced in the State senate. This event has come about after no small amount of coordination and cooperation with the Alaska Energy Office (as the attached letter to our board from Bill McConkey suggests). Quite frankly, I assess the possibility of the passage of this bill to be rather minimal during this session; however, the mere fact of introduction indicates a much higher level of awareness of the problem as well as the beginnings of a real legislative commitment to do something about it. Mr. McConkey has stated that one of the major goals of the Alaska Energy Office is to eliminate the rural fuel problem within the next 5 years. I believe that this legislation is a good first step in the right direction.

Give us a call if you wish to have more information on this or any related matters.

Sincerely,

PHILIP J. SMITH,
Executive Director.

ALASKA ENERGY OFFICE,
Anchorage, Alaska, April 14, 1975.

BOARD OF DIRECTORS,
*Rural Alaska Community Action Program, Inc.,
Anchorage, Alaska.*

GENTLEMEN: The Alaska State Energy Office during the past few weeks has been faced with several problems concerning the rural area. Also, as we look ahead to programs that will perhaps eliminate similar problems in the future, the magnitude of this task becomes apparent.

The program we have made has been greatly assisted by your organization, and, in particular, I would like to express my thanks to Mary Stachelrodt, your energy planner, for her efforts and cooperation. Our two offices have worked closely on the development of a rural energy program, including a legislative proposal, and she has provided a great deal of assistance to my staff.

Sincerely,

WILLIAM C. MCCONKEY,
Director.

BOASBERG, HEWES, KLORES & KASS,
*Attorneys at Law,
Washington, D.C., June 12, 1975.*

Memorandum to: Richard Saul, Community Services Administration.

From: James L. Feldesman.

Subject: Visits to CSA Experimental Energy Projects in Fresno, Calif.; the State of Colorado; and Milwaukee, Wis.

INTRODUCTION

The current grant from CSA to the Paul Douglas Consumer Research Center of the Consumer Federation of America provides for several visits to experimental energy projects which have received CSA support. The purpose of the visits is severalfold: (1) To acquire a complete working knowledge of the project, including how it is administered, its processes and relevant statistics; (2) to ascertain the particular strengths of each project; (3) to find out the project's weaknesses and how project staff as well as how those associated with the project would overcome them; and (4) to learn about legal and other problems which might impede the development of other CSA energy-related projects.

The visits are not full-scale evaluations and should not be confused with such efforts. Instead, they are brief—1- or 2-day—trips, during which project staff and others in the community who have worked on or with the project are interviewed about the project's goals, how it is administered, problems encountered, and how the project could be improved.

GENERAL FINDINGS AND IMPRESSIONS

Prior to the visits reported in this memorandum, we had visited Bethlehem, Pa., to review an energy stamp project the CAA in Bethlehem had instituted. Although that visit is described in a separate report, it is useful to recount some impressions, since the Bethlehem trip provided a number of insights which were extremely helpful during the Fresno, Colorado, and Milwaukee trips.

Bethlehem has an energy stamp program, under which low-income people who pay for space-heat are eligible for \$50 worth of stamps which are accepted by all local utilities and virtually all fuel dealers. The project bears some resemblance to food stamps since people pay for the \$50 worth of stamps by giving \$25 to the project and receiving stamps worth \$75.

Stamps are provided in denominations of \$5 each. Through arrangements with the local bank, each stamp is, in fact, a certified check, and energy suppliers can, therefore, simply negotiate them as they would any certified check. When bought, checks are signed by the purchaser in a procedure similar to the purchase of traveller's checks. When negotiated, they must be endorsed by the same person who bought them. To avoid forgeries, the paper for the checks is a special issue, coming from left-over Disney World coupon books.

The Bethlehem project was an impressive one. A relatively foolproof system of energy stamps was established under which suppliers could participate with virtually no risk and no difficulty. More importantly, the project: (1) expanded the visibility of the CAA; (2) enlarged a sensitivity and concern for the CAA's constituency because officials of local utilities, fuel suppliers and the major bank were all involved in the program and enthusiastic supporters of it; (3) for reasons not entirely clear, provided help which was very well received in the entire community avoiding the stigma which typically attaches to welfare or food stamps, helping the credibility of the CAA in the process; and (4) achieved one of the outstanding examples of "community action" I have ever seen by obtaining large chunks of donated man-hours by banks, utilities and volunteer agencies, thereby minimizing direct costs and tapping existing community resources.

There were also some problems. Because of the local nature of the project, it clearly is not something which can be easily packaged and duplicated or expanded. While it can, of course, be replicated by other CAA's, it could not be, for example, easily assimilated by a State agency. There are several reasons for this. First, each participant was separately certified—a terribly cumbersome process. Second, bookkeeping on checks could be incredibly complex on a larger scale. Forgery is a possibility, particularly since left-over Disney World books are not generally available. Third, the kind of local interest and support probably could not be achieved with a prepackaged or wide-scale program. It would instead require an effort in community involvement similar to Bethlehem's. Fourth, the social stigma associated with other assistance might accompany this loss of community identification. Fifth, there were legal problems which could arise and did not, particularly over whether the \$50 worth of stamps counts as income for other forms of Federal aid. Finally, and perhaps most significantly, a great deal of volunteer time would probably have to be directly compensated if the project lost its community context.

Notwithstanding these problems, Bethlehem obviously was an impressive project. The visits to Fresno, Colorado, and Milwaukee were made during one trip, with the strengths and weaknesses of Bethlehem in mind. What was almost astonishing is that each of the projects generally revealed the very same things as Bethlehem—strong community involvement, reduced costs, lack of stigma, enhanced CAA image, uniqueness to the community, etc. In short, while CSA seems to have funded four impressive energy projects, it appears also to have established programs which could only be duplicated by other CAA's willing to undertake steps to achieve community involvement. Otherwise, a loss of quality, increased costs, and administrative headaches would be likely to occur. With this as a general observation, the remainder of this memorandum is devoted to the specific projects visited.

SITE VISITS

Fresno—May 12

1. *Overview.*—The program initiated by the Fresno County Economic Opportunities Commission (FCEOC) is a multi-county program, spanning six essentially rural counties in California's San Joaquin Valley. Programs are adminis-

tered through each county's CAA, of which three are now public agencies, two are private, and one—Fresno—is private, but has by city resolution, been made the Fresno social services agency. Each CAA in turn has arranged for "sub-agencies" to actually process applications. Sub-agencies vary. In Fresno, for example, a branch office of the State employment security agency was a sub-agency.

Information about the Fresno program was acquired through interviews with William Edson, the project director, his administrative assistant, the executive director of FCEOC (Joe Williams), two officials of Pacific Gas & Electric Co., the major local utility, and two officials (one the head) of the employment security branch in Fresno, which performed sub-agency functions.

2. *Types of programs.*—There are two types of programs within the overall project: (1) a shutoff prevention program, under which eligible families receive either \$50 or \$100 to pay their space-heating or cooling bills, and (2) a gasoline program for "farmworkers," under which \$10 is available to assist persons to obtain farm employment. Fresno's total budget was \$100,000 of which \$86,000 was provided to these programs in the form of funds for direct payments. Twenty-five percent of the \$86,000 or \$21,500 was assigned to the gasoline program, and the remainder to shutoff prevention.

3. *Shutoff prevention—Descriptions.*—Eligibility is based on the "poverty guidelines." Persons apply through sub-agencies, which certify that the applicant meets those guidelines and that the applicant has either received a shut-off notice or has, in fact, had his space-heating supply curtailed. Persons are only eligible for one payment.

Each sub-agency receives a certain amount of "vouchers" per month, which in fact are allotments of \$50. When sub-agencies run out of vouchers, they can refer applicants to other subs which still have vouchers, or in certain emergencies (this happened during the first month of operation), with permission from the project director, draw down on next month's supply.

Applicants with payment balances under \$75 are entitled to \$50; those with \$75 or over, get \$100. People owing more than these amounts must pay the difference on their own. Those owing less will get the full amount, enabling them to establish a credit balance with their supplier. The rationale for the \$50 or \$100 payment amounts was that utilities require two-thirds payment to prevent shutoffs and since according to utility data, \$60 was the average amount owing on utility shutoffs, \$50 would be an ideal figure. In fact, the amounts are basically guesswork and there is some flexibility. For example, people owing \$76 will usually receive only \$50, rather than \$100.

When the applicant is certified, the sub-agency sends a record to Fresno. Records usually arrive in 1 or 2 days. Fresno then logs in the information, recording the vouchers, and then notifies the utility or fuel supplier that they are prepared to pay the applicant's bill. Utilities by pre-arrangement will, on such notification, cancel shutoff orders or turn on service. Fuel suppliers, which served only a small amount of applicants (most eligible persons use gas or electricity), are dealt with on an ad hoc basis. Payments are accumulated and made in total at the end of the week to the utility or supplier. Since the program began in April, about 400 people have been assisted.

Even though payments are not made immediately to utilities and suppliers, but instead paid on an aggregate basis, the project has secured excellent cooperation from both utilities and fuel suppliers. The only problems with utilities and fuel dealers have arisen because of clerical foul-ups.

4. *Gasoline program—Description.*—Eligibility for the gasoline program also hinges on low-income status. In addition, the person must also be a "farmworker." Eligible persons receive two \$5 authorizations (which look something like checks) from the sub-agency which can be redeemed at certain designated gas stations. Each authorization designates the stations to be used, which the applicant selects from an approved list. No change is given by a station if the bill is less than the authorization. Instead, the applicant receives a credit.

The rationale for this program is that applicants can find or get to work with a full tank plus of gasoline, if they can get aid to pay for it. This program has been undersubscribed and several sub-agencies have requested and been given permission to convert gasoline allotments into vouchers for shutoff prevention. Somewhat incredibly, FCEOC figures 60,000 people are eligible for the program.

5. *Strengths.*—As with the Bethlehem project, FCEOC's energy efforts amount to a triumph for community action. FCEOC's estimates that sub-agency and CAA

personnel working on the project represent an equivalent of 20 full-time staff. In the budget, only \$6,875 is available for staff and about \$7,200 remains for direct and indirect costs—well under a 20-person staff effort, even though funding is for only 3 months. In addition, FCEOC staff feel their credibility and scope of community contacts have been enhanced by the project. The staff of the utilities with whom FCEOC has worked are clearly impressed with the project, for example, and FCEOC has also had meetings and dealings with very high-level utility executives, who represent a potent community force. The utility and FCEOC are planning to follow up the project with some analyses, and as a consequence, the cooperation apparently will extend beyond mere payments. FCEOC is also undertaking a survey for the California PUC which the project has apparently equipped it to do.

In the course of the project, FCEOC and cooperating CAA's have also found that "new" people are applying for subsidies; i.e., persons previously not on any form of public assistance. Although no figures have been kept, many have been referred for food stamps, AFDC or SSI. Again, as with Bethlehem, apparently less stigma attaches to the program than to others considered to be "welfare."

As contrasted with the Bethlehem program, Fresno's use of direct payments to utilities appears to have several advantages over stamps, particularly the prevention of any possibility of forgeries and exchanges. Furthermore, Fresno's policy of paying only those who are without heat or likely to be without heat is certainly a good screening mechanism.

All in all, Fresno put a high proportion of funds into needy hands, got good related results, and on balance, must be viewed as quite successful—at least so far.

6. Problems and Weaknesses.—Despite this favorable review, the project has problems and deficiencies worth noting. Like Bethlehem, easy replication by non-CAA's is out. It would cost too much and be an administrative nightmare to, say, centralize payments to utilities and fuel suppliers on a State-wide basis. Even CAA's in populous districts could experience administrative difficulties.

Apart from these Bethlehem-like problems, there are others distinct to Fresno. The system of issuing vouchers to sub-agencies, but actually making payment from a central office, appears to have the potential of an administrative nightmare. It has been revised once and were it not for an obvious able and conscientious administrative assistant, I suspect it could have gotten out of hand again. While recognizing the desirability of lump-sum payments, it would seem that checks payable to a particular utility issued by a sub-agency might be simpler and better; particularly, if the project expands.

There are also questions about payment amounts. Fifty or one hundred dollars is a good deal of money, in contrast to Bethlehem which provides only \$50. Furthermore, there are problems with the \$50-\$100 formula. Theoretically, at \$74.97 of debts, you get \$50, while at \$75, you get \$100. While we were told that there is flexibility and discretion in such a situation, it is still the formula.

The concept of shutoff prevention also needs further consideration. Why, for example, should funds be given to a needy family which hasn't managed its energy bill rather than to a needy family which has? Doesn't this practice have the potential for creating an incentive not to pay energy costs and instead seek relief from the program? What is needed to respond to this concern is data, and it is in this general area that the project is lacking—now. Figures on how many people are turned away; on the typical profile of applicants, etc. are lacking. On this criticism, it is noteworthy that the project will begin to acquire such data and in the longer run may, through its PUC survey, provide much needed information about low-income energy use not only to the PUC, but to CSA as well.

One of my major concerns was the gas program. Issuing vouchers and arranging with stations to take them when only a one-time payment of \$10 is involved seems cumbersome and administratively expensive. Since the gas program has not attracted as much interest as its space-heat counterpart, serious consideration about whether it should be extended needs to be given. I suspect that what is needed is a transportation project. By the way, the gasoline authorizations have no cross-signature process so they can be negotiated by anyone at a designated spot. This too may have been a problem. In its new program, Fresno intends to require two signatures.

I am also concerned about the process of certifying eligibility. Fresno complicated matters by giving discretion to sub-agencies to set added priorities (like family size). The sub-agency we visited operated on a first-come, first-serve basis, but information on others was lacking. It seems to me that future projects should treat people on a first-come, first-serve basis; and automatically accept people eligible for AFDC, food stamps and SSI while certifying those not receiving such assistance solely on the basis of whether they meet poverty criteria.

As far as legal issues are concerned, in Fresno, the question of whether program-assistance constitutes income for AFDC, SSI or food stamp programs has not been met directly. What has apparently occurred is that officials administering such programs have adopted a "what they don't know won't hurt them" attitude. Ultimately, the problem must be faced.

7. *Additional comment.*—The director of the Fresno project is full of good ideas, two of which should be watched closely. First, he is working with the local utility to develop some means of capitalizing the cost of shutting off service. The utility estimates a cost of \$25 per shutoff. Assuming shutoffs were in fact eliminated, there might be some way to capture the \$25 savings for the low-income population. Perhaps, for example, the savings could be used for a prevention fund, under which the fund would equal the cost of shutoffs, but service would continue. As this idea is developed further, Fresno may seek financial assistance from CSA for experiments. I hope funding will be possible.

The second idea is to use funds which escheat to the State. Unclaimed payments in excess of bills or deposits escheat to the State. This amount is then credited back to the utility and used to lower rates, but it is so small as to have no rate effect. It may be possible to instead provide a shutoff prevention fund.

While both these ideas may come to CSA in the form of proposals for experimental projects, they are good enough for further study apart from Fresno. Perhaps, they could be on the agenda of the Consumer Energy Center.

Denver—May 14

1. *Overview.*—The Denver program is administered by the Colorado Office of Human Resources, which was formed by an executive order of the Governor in October 1973. The office is the successor agency to the State Economic Opportunity Office which was formally closed prior to October 1973, and now performs the functions of an SEOO. Four county social service directors who administer their county's program were invited to come to Denver to meet with us and discuss the program. Their reports along with those of SEOO officials form the basis of information provided on this project.

The energy program in Colorado is operational in nine counties. Arrangements for the program were made through county commissions, and as mentioned above, the program was administered by county social services departments. Because there were no funds for additional staff under the program, the heads of county social service agencies decided not to initiate a stamp program which they felt would demand added staff. Instead, assistance is paid out either directive to individuals or to their energy supplier. Eligibility is that required for food stamps. To receive funds under the energy program, a person must be eligible for food stamps but does not necessarily have to be a recipient under the food stamp program. Funding for the project was \$100,000, which was divided among the nine counties on the basis of each county's number of food stamp recipients. This worked out to approximately \$150 per recipient.

Individuals eligible for the program could receive the lowest of either 60 percent of their total fuel bill or \$30 for January; \$45 for February; \$45 for March and \$30 for April. People had to apply each month. Accordingly, an individual family could receive as much as \$150 under the program.

In providing aid, each county was given a priority listing of eligible people, under which older people received the highest priority and individuals or small families received the lowest. The rationale described to us in support of the priority list was somewhat elusive. Reasons included a desire to exclude "hippies," the fact that the list reflected the Federal Government's priorities, and the feeling that in a pinch older people cannot supplement their incomes while younger people can. In fact, there was no need to institute such priorities since the program did not run short of funds and instead will accrue an unexpended balance of as much as \$12,000 to \$18,000.

2. *Additional Information.*—The project director has some good ideas for the \$18,000 which may be left over. He is going to institute a winterization program, under which an average of \$100 per household would be made available from the left-over money, to be supplemented by a combination of FmHA loans and CETA employees. The program will be administered by counties. He has already arranged for the institution of a winterization program in one county and plans to have the program going in as many as five more. Three of the counties to be covered by the program will have participated in the assistance program. Two counties will be new.

3. *Strengths.*—As with the other programs visited, Colorado's energy project appears to be a strong endorsement in favor of the CSA/CAA network. An SEOO was able to initiate a project in nine counties in which no administrative costs were incurred. Although the full sum of money was not expended, all funds, in fact, were available to recipients, and over 80 percent will be paid out in the form of direct assistance. The program was praised by the county coordinators we met with, stressing its simplicity and flexibility. They liked the program because it did not require additional eligibility criteria and gave them a good deal of discretion in giving money to people they felt were needy. By using the existing social services system, and by using pre-existing eligibility criteria, the program was able to eliminate overhead costs, get at a needy population and expeditiously provide funds to those in need.

All of the social services directors we interviewed also reported the same phenomenon which exists in other CSA energy programs; the stigma which attaches to welfare and food stamps (stigma particularly acute in rural Colorado) simply never arose in the CSA energy program. Speculating on the reasons for this, the directors indicated that perhaps the use of cash rather than stamps was the principal factor. However, since in some counties, payments were made directly to vendors rather than to individuals, this reason probably is not the real one. Once again, however, the phenomenon exists.

4. *Problems and Weaknesses.*—Although running a program through existing social services system has advantages of cost and simplicity, it has disadvantages as well. The major disadvantage is that since the social services agency certifies for SSI, welfare and food stamps, it must deal with the question of whether direct payments are income or resources to those programs. What was eventually worked out was as follows. First, welfare payments were not reduced. Secondly, food stamps were reduced, although by projecting payments over an annual period, the impact was minimized. Lastly, the State took the position that as long as payments went directly to the recipient, and they were not regular, they could be disregarded for SSI purposes. Although the project was, therefore, able to get around SSI and welfare, and substantially reduce the impact on food stamp recipients, the problem of automatically adjusting food stamp allotments was significant, causing a great deal of paper work. All the directors strongly urged some means of avoiding this and having the payments completely disregarded.

The eligibility priority system also possesses some problems—at least for me. It really has no supportable rationale. Instead, it only appears to give county officials a basis to refuse to provide funds to "hippies." The program has no appeal mechanism and there is a serious question in my mind as to whether CSA should make a program like this vulnerable to legal challenge. This is not to say, however, that there will not be problems in Colorado if CSA mandates funds to hippies. The best approach that I can recommend is to serve all eligibles on a first-come, first-serve basis.

The major problem of this program was not in its administration, but whether the amount of funds available represented a fair apportionment. Fortunately, Colorado had a mild winter and, as a result, it was able to serve all applicants. If the program were expanded into all the counties of the State, or if the winter were more severe, or, if as is expected, natural gas prices rise (most people in Colorado use natural gas), the amount of funds in the grant can be more than justified. Nonetheless, I am still concerned that \$50 in Bethlehem and as much as \$150 in Colorado is hard to justify. I might also add that the climate in Colorado varies significantly from county to county so that \$150 in one county as compared to another may also be unfair.

5. *Additional Comment.*—The Colorado program suggests that any statewide effort probably will be best off if it utilizes existing social service agencies and eligibility criteria. Such utilization enabled Colorado to successfully implement its program and, in more populous areas, it would seem that such features are essential. This, of course, means applicants must go to the same welfare office that they go to for other assistance. While it has some drawbacks, it also has major administrative advantages which must be carefully considered.

Milwaukee

1. *Overview.*—The project administered by the Milwaukee CAP agency is simply outstanding. Milwaukee's project is a shutoff prevention effort, and was begun after a local public housing tenants union and the local NWRO disclosed that there were over 2,000 welfare families whose electricity service was in "shutoff" status. The CAA estimated that at least another 1,000 low-income people were in a similar situation, not including those persons who use fuel oil. Milwaukee's program operated on a \$50,000 budget, including \$10,000 from the State; \$47,000 went into direct payments and the rest was assigned to overhead and administration. The project was scheduled to operate over a 3-month period.

Information on the project was provided by the CAA director, and three persons who were responsible for the energy program.

2. *Program Description.*—The program provides aid through a system of revolving loans.

People are eligible if their space-heat service has been shut off or is in immediate danger of being shut off. Only people who meet poverty criteria and who are not receiving welfare may apply. The program does not merely give money to people, but instead tries first to solve the problem by means other than financial aid. Accordingly, the project staff has become expert in PUC requirements. They have also developed a sense for dealing with the utilities and fuel companies so that they can help people to negotiate payment plans even when such plans are not technically required to be accepted. Upon receiving a call, therefore, the project's first step is to give advice, and if the advice does not work or if shutoff is imminent, the CAA then intervenes directly. If financial assistance is necessary, it will be given.

Most of the dealings the project has are with the local gas utility which serves about 75 percent of the project's clientele. About 20 percent of the clientele uses oil, 5 percent electricity and there are some scattered coal users.

Under the loan program, people who use gas or electricity are entitled up to \$150 to help them pay arrearages. If they are users of fuel oil or coal, the project will provide enough funds for 150 gallons of fuel oil or for one ton of coal. The project has an additional feature, under which \$200 was made available for home repairs.

Each eligible applicant receiving any loan was individually certified by a project staff person who visited the home.

The CAA has had a good deal of problems with fuel oil dealers. Dealers are apparently violating every conceivable FEA regulation relating to individual consumer rights. They are not accepting new regular customers, are requiring large deposits, are eliminating credit and are servicing only regular customers on an emergency basis. What the CAP has done is to locate a few home heating oil suppliers who will cooperate with the program and it works with those suppliers in obtaining assistance.

3. *Strengths.*—The program demonstrates the same attributes witnessed in other CSA energy efforts. Most of the funds have gone directly to the recipients, the program has avoided the stigma attached to food stamps (they feel it is because assistance technically is a loan and because it is not the welfare department which is administering it), and it has extended the contacts and credibility of CAA as a result of dealings with utilities and other community personages. Particularly impressive about the Milwaukee program is the way in which staff have mastered the legal and administrative aspects of the local energy problem. They are working with the local legal services program to clarify some PUC regulations, coordinating with the State Energy Office to develop a set of standards on

fuel oil dealer service, and have developed the expertise to provide assistance in lieu of direct payments. Their new grant application would not only extend the present program, but also provide funds for winterization and perhaps put the CAP in the fuel oil business.

4. *Weaknesses.*—The program has been operated with an overworked staff and has not been able to obtain the kind of data that might have been useful in demonstrating the full extent of need in the Milwaukee area. The new grant will provide for such data gathering capacity and, given the sensitivity of this CAA to the subtlety of the energy issue, funds for such a capacity will hopefully be forthcoming. The decision to exclude welfare recipients also is a weakness of the program since such recipients are obviously among those in severe need of help. The decision was made because the CAP felt it would be swamped by such applicants. Its new grant would include welfare recipients but the CAP remains concerned about whether it can serve such persons adequately. Once again, it appears that the priority of service bears little resemblance to actual need and simply was an administrative expedient, which upon close scrutiny cannot be justified.

As far as the question of food stamps and SSI, the CAP has gotten around problems by avoiding the issue and by no one challenging anyone on it. They have gotten around any welfare problems by simply not taking people receiving welfare. I am also bothered by the practice of calling "loans" "grants" for the purpose of CSA audits. My best judgment is that if the transactions are loans in legal fact, the Government is a successor in interest, regardless of what they are termed for CSA audit purposes.

CONCLUSION

It seems to be that there are a number of lessons to be drawn from the CSA energy projects I have visited. First and foremost, it is clear that each of the projects has been successful; each, more or less, in several similar respects:

- (1) Maximization of direct aid;
- (2) Enhancement of the image and visibility of the sponsoring agency;
- (3) Development and utilization of volunteers from all sectors of the community; and
- (4) Avoidance of social stigma attaching to recipients.

While there are certainly problems in each project, they have paled in the wake of this overall success. In fact, the major weakness in each of the projects is perhaps their major strength; their local or community nature, which is not a major reason for their success, but means, unfortunately, that easy replication or packaging of the projects is probably not feasible. While new projects can draw on the experiences of those I visited, each will have to tailor their approach to local conditions. Moreover, expansion of the approaches used in the projects I visited to, say, a statewide basis in a populous State appears impracticable.

It must also be understood that none of the projects visited would have been as successful if their actual costs had not have been absorbed by a host of volunteers. If volunteer time is added into the cost of the projects (with the exception of Milwaukee), cost becomes rather heavy.

There are also issues raised by the projects which need addressing as a matter of CSA policy. There is obviously an acute need for financial assistance in addition to longer range program efforts such as winterization. People are experiencing difficulty in paying energy costs and it is no answer to say that in several years, after their homes are winterized, they will be able to afford heat. Funds are needed right now and this means that CSA must allow CAA's to divert funds toward direct aid. As a related matter, some generally accepted means for disregarding CAA assistance for AFDC, SSI and food stamps needs to be developed.

Another area for national CSA consideration is the question of the proper apportionment of energy funds. Warmer climates such as Fresno, and sparsely populated States such as Colorado, have received proportionally more funds than colder areas and areas with heavier concentrations of population. There clearly needs to be a careful development of apportionment criteria so that CSA energy dollars can be directly related to climatic and population needs. This is not to say, however, that with CSA's limited amount of energy funds this process can now take place with a high degree of precision or fairness, since there are not enough funds to provide minimal assistance to all CAA's interested

in energy projects. The way I would approach the issue is to invest in additional experiments so that resources can be marshalled and more information obtained. In the process, I would pay careful attention to needs by climate, population and type of fuel used (among other factors) so that when (and if) CSA gets more energy funds, criteria for fair apportionment can be easily developed.

The question of assisting persons whose landlords supply heat is another major issue. So far, Milwaukee is the only energy project I know of which is even thinking of providing assistance to rental units in which the landlord rather than the tenant provides heat. Unless some means of giving assistance to such facilities is developed, concentrated populations in big cities will simply not be reached by CSA's energy program. Such a failure of service cannot be tolerated for a very long period of time.

Finally, from CSA's standpoint, there is a tremendous need for data. As we discussed in our meeting on the Consumer Energy Center, there is a woeful ignorance on the national level concerning the problems now being experienced by the poor in meeting energy needs. Each of the energy projects visited has addressed a situation so dire that it is criminal that no means now exists to provide national policymakers and regulators with relevant information on the economic and legal problems the poor are now experiencing. It seems essential, accordingly, for a Consumer Energy Center to be initiated as soon as possible.

Appendix 2

MATERIAL SUPPLIED BY OTHER WITNESSES

ITEM 1. ADDITIONAL COMMENTS OF JOYCE POULSEN,* EXECUTIVE DIRECTOR, SOUTHEASTERN WISCONSIN AREA AGENCY ON AGING, DISTRICT 2-B, DATED NOVEMBER 21, 1975

The testimony given by myself before the Senate Special Committee on Aging on November 7, 1975, reflects the experience of developing a service delivery system to meet winterization emergency fuel needs for older persons. I wish to add to that testimony the current winter experience in Wisconsin, with particular reference to Area Agency on Aging activities.

Community Service Administration funds have been made available primarily for winterization programs for all low-income (including elderly) homes. The funds are to be utilized for the costs of materials involved in winterizing homes. Manpower required for those programs are inadequate for the job, although temporary Manpower funding is being utilized. Available funding in Wisconsin this year will provide for winterizing approximately one out of ten homes and the Community Action Program staffs suggest that they could use about four times as much money as is available. The Wisconsin Office of Emergency Energy Assistance is channeling funds for emergency fuel needs for all low-income (including elderly) persons through offices of County Emergency Government. Since these offices are not equipped with the necessary staff to follow through on referrals, persons are then referred to County Social Service Departments, private agencies and Area Agencies on Aging. I wish to point out here that time is the crucial element. When referrals only generate referrals, there is no meeting of "emergency need".

Area Agencies on Aging, in their role of coordinators of service for over age 60 persons continue to use a combination of techniques to meet immediate and long-range needs in the fuel crisis of the present. The program in Northern Wisconsin, mentioned by Dr. Flemming in his testimony of December 9th, whereby firewood is gathered and distributed to older households continues. Area Agency Directors and Community Action Program Directors have coordinated efforts at the Regional and State level for the best utilization of winterization and emergency fuel funds to benefit older adults. Working relationships have been established by Area Agencies and Community Action Agencies, sometimes including a formal letter of agreement. Information and Referral Agencies throughout the state are used to accept and channel calls for emergency fuel funds. Meetings have been called by Area Agencies to include representatives of local units of Emergency Government, County social services, Community Action agencies and independent fuel suppliers to establish a co-operative system for use of all funds allocated for fuel assistance. A program similar to ENERGY COLD LINE has been established by at least one other Area Agency on Aging, and just this day has responded to its first emergency fuel need as well as setting into motion the attending social services required to meet the older person's human needs.

The network has been established—and is working.

ITEM 2. STATEMENT OF VIOLA COFFEE, ELDERLY CONSUMER PANEL, LAKE GENEVA, WIS.; SUBMITTED BY JOYCE POULSEN*

My name is Mrs. Viola Coffee. I am 69 years old. My husband and I have lived in rural Wisconsin for 20 years now. My husband just retired because of a disability, but we won't be receiving those disability benefits until sometime

* See statement, p. 179.

in March because we are told that it takes that long to take care of all the paperwork necessary.

We have a small home near Lake Geneva, Wis., in Walworth County. It isn't completely paid for, and each month our mortgage takes quite a chunk out of our income, which up until now has been my husband's weekly earnings. We just applied for supplemental security income, and have been told that the two of us would receive about \$262 per month.

My husband and I are particularly not looking forward to winter this year. At a time when we will be living on a reduced income, we find that prices for everything are going higher and higher. Food costs twice as much as it did 2 years ago. Our electricity bills have increased this past year because of an added \$17.26 surtax. When the companies decide how that will be spent, they say that we will get some of that money back. I think that some of us will be dead and gone before we ever see that money, and meanwhile we could be spending it on necessary things such as food. We live in an area where there are small independent telephone companies, and the rate is higher than you would probably have to pay in the city. Since we are farther from doctors and hospitals and clinics, it is especially important that we have a phone so that if either my husband or I become ill, we can get some kind of medical attention.

Last year we paid about \$50 a month for gas heat for our house. We are told that this might cost us half again as much this winter. We are unable to do some of the things to help insulate our home to decrease our fuel costs ourselves, because of my husband's disability. If furnace repair would be necessary, we could not afford the cost. If we needed repairs to our storms or added insulation to our house we could not find anyone in our nearby area to do the work for us. Most of my neighbors have the same problem. Most of them aren't able to have storm windows put on the second story of their houses because they can't find anybody to climb the ladder for them.

As you can see, my husband not being able to work and the fact of inflation in general will be hitting us hard this winter. Another cost to us right now are prescription drugs for myself which generally come to about \$30 a month. All of these things seem to come first before our food budget. Right now we are fortunate in being able to take advantage of the Federal nutrition program and have a hot nutritious noon meal served to us at one of the churches near by. We donate toward the cost of that meal as much as our budget can afford. The problem is that because of limited funds for that program, we are only able to go to the meal site 1 day a week. If we could go at least 5 days per week, it would certainly stretch our income much farther. Our transportation costs have been cut in the last year because there is a senior citizens bus that can take us to doctors offices, to the nutrition program, and to places where we can buy food and clothing at discount prices.

We were lucky not to have anyone in our county either freeze to death because of a fuel shut off, or starve to death because of lack of money to buy food within the past year. I do know that some of my friends existed for days on just breakfast cereal before their social security check arrived. We all know that the problem of stretching our money for both fuel and food will be much more serious this winter. My friends and neighbors are very proud, and would really be desperate before they would go looking for "welfare." The Walworth County Commission on Aging, of which I am a member, has been working with the area agency on aging to set up a crisis-line service for emergency fuel needs during the next few months. A small amount of money has been donated for buying fuel through area agency funds and through the estate of one of our local citizens. However, it is an amount that will only scratch the surface in meeting the needs of *all* the older people in my area.

My question is: What is the Federal and the State government going to do about the cost of living and utility costs for the older citizens of this State? I believe that we older citizens can get together to make those needs known to our governmental officials. We are gaining a voice so that our needs are being made known throughout this country. We need some commitment on the part of our government to respond to our voices and to prevent tragedy in the lives of our older citizens *right now, in this coming winter*. We talked about this same crisis last winter, but money did not seem to be forthcoming. Let's stop talking about it, and provide some funds to meet this problem now.

ITEM 3. HOME WEATHERIZATION POTENTIAL RESOURCES; SUBMITTED BY GLEN J. SOUKUP,* EXECUTIVE DIRECTOR, NEBRASKA COMMISSION ON AGING

Presently no funds have been available from the Federal Energy Administration for weatherization in Nebraska. FEA funds come into Nebraska through the Nebraska Office of Petroleum Allocation. Its director, George Dworak, has been very helpful and has tried to obtain funds for at least a portion of the state. If Congress makes more weatherization funds available, it may be possible to obtain some through FEA.

The National Guard has been approached and asked to help obtain more thermograms** through their airplanes, photographic equipment and skilled crews. So far it has not been possible to arrive at an agreement since they are concerned about implications as a precedent. It is hopeful that they may see a possibility of extending their help in the future.

HUD has a new program under Title I of the Housing and Community Development Act of 1974 that can be applied to weatherization. So far the needs for this money and competition among grant applicants has been severe. It is hoped that soon some of it may be obtained for use in weatherization.

ITEM 4. ACTIVITIES OF THE LANCASTER ORGANIZATION OF UTILITY PROGRAMS (LOUP); SUBMITTED BY GLEN J. SOUKUP,* EXECUTIVE DIRECTOR, NEBRASKA COMMISSION ON AGING

Lancaster Organization for Utility Programs was formed in 1972 and incorporated in 1973 as a nonprofit corporation in Lancaster County. It was organized by several people who had been trying to resolve difficulties low-income people were having with the utility companies. Among the founders were Ruth Aigner of LAP and Reverend Sandall, a minister.

LOUP has a 15-person board of directors. Most of those directors represent local agencies. A few are low-income people. They provide counseling, referrals, pay deposits, and overdue bills. Each payment is supposed to be repaid when the recipient is able. There is presently no staff. While they hope to hire someone with CETA funds, their contacts are provided by the board members in the course of their regular jobs.

There are several restrictions on their help. They will not:

1. Provide payments when welfare or someone else will.
2. Pay a bill of more than \$100.
3. Make a second payment if no attempt has been made to repay the first payment.

They have been operating on private donations of \$500 to \$800 annually. They are supposed to receive a grant for \$3,000 from LAP this year. Only about 10 percent of the payments are repaid by recipients.

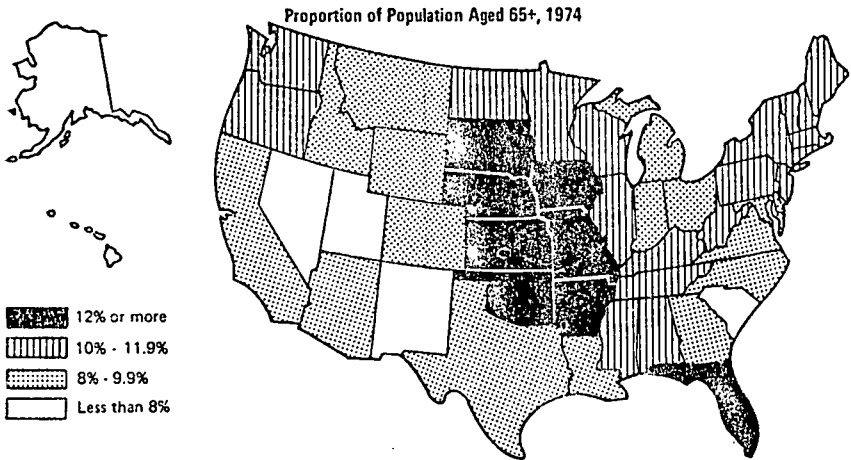
They have been receiving about 10 requests for help each week. They provide counseling to all. Many times the recipients will then be able to resolve the problems themselves through arrangements with the utility companies. About 40 percent of the time LOUP will provide some needed funds.

Recipients of aid must be elderly, have children at home, or be disabled. Less than 10 percent of their aid recipients are seniors. Most seniors have developed the self-discipline and knowledge necessary to avoid a recurring need of this type. They usually need help only if they have recently had unusual problems such as illness.

* See statement, p. 181.

** Article and illustrations from "The Older Nebraskan's Voice" retained in committee files.

ITEM 5. PROPORTION OF POPULATION AGED 65 PLUS, 1974, MID-WESTERN STATES; SUBMITTED BY GLEN J. SOUKUP,* EXECUTIVE DIRECTOR, NEBRASKA COMMISSION ON AGING



State	Number (thousands)	Percent of total population	Rank ¹	Percent increase, 1970-74
Massachusetts.....	661	11.4	² 12	4.4
Michigan.....	798	8.8	² 39	6.5
Minnesota.....	432	11.0	² 17	6.1
Mississippi.....	246	10.6	² 21	11.3
Missouri.....	591	12.4	² 4	5.9
Montana.....	73	9.9	29	7.4
Nebraska.....	191	12.4	² 4	4.4
Nevada.....	41	7.2	49	32.3
New Hampshire.....	86	10.6	² 21	10.3
New Jersey.....	749	10.2	² 24	7.9
New Mexico.....	86	7.7	47	22.9
New York.....	1,998	11.0	² 17	2.4
North Carolina.....	473	8.8	² 39	14.8
North Dakota.....	72	11.3	14	9.1
Ohio.....	1,050	9.8	² 30	6.1
Oklahoma.....	328	12.1	8	9.7
Oregon.....	251	11.1	² 15	11.1
Pennsylvania.....	1,348	11.4	² 12	6.4
Rhode Island.....	111	11.8	9	6.7
South Carolina.....	219	7.9	46	15.3
South Dakota.....	84	12.3	7	5.0
Tennessee.....	429	10.4	23	12.3
Texas.....	1,120	9.3	36	13.4
Utah.....	88	7.5	48	14.3
Vermont.....	51	10.9	19	8.5
Virginia.....	410	8.4	² 42	12.6
Washington.....	354	10.2	² 24	10.6
West Virginia.....	206	11.5	11	6.2
Wisconsin.....	505	11.1	² 15	7.2
Wyoming.....	32	8.9	38	6.7
American Samoa.....	1	3.4	² 53	0
Guam.....	2	2.1	56	20.0
Puerto Rico.....	198	6.6	50	11.8
Trust territories.....	4	3.7	52	15.2
Virgin Islands.....	3	3.4	² 53	37.5

¹ States are ranked in order of decreasing percentages (highest percentage is rank 1, lowest is 51).

² Tied in ranking. States with identical percentages receive identical rank number with following rank number(s) skipped to allow for number in tie.

* See statement, p. 181.

ITEM 6. UTILIZATION AND INVESTMENT RETURN ON ENERGY RELATED PROGRAMS; SUBMITTED BY GLEN J. SOUKUP,* EXECUTIVE DIRECTOR, NEBRASKA COMMISSION ON AGING

Nebraska program	Present activity as percentage of need	Estimated annual savings per dollar spent
Public information.....	5	\$5
Weatherization.....	1	1
Thermograms.....	10	15
Lighting and thermal analysis.....	1	5
Utility payment aids.....	15	3
Wood cutting.....	2	2

Note.—Supplementary information on projected savings under proposed projects will be forthcoming.

ITEM 7. STATEMENTS FROM PEOPLE IN MAYBERRY, W. VA.; SUBMITTED BY ROBERT ROSS, NORTHFORK, W. VA.**

TO WHOM IT MAY CONCERN: I am a retired miner and I need coal to heat my home and I used 9 tons of coal last winter at \$55 a ton. Now the coal has gone up. I will appreciate anything that any one could or would do to help us get coal at a more reasonable price.

So please consider us.

Yours truly,

JAMES WILLIAMS AND FAMILY.

TO WHOM IT MAY CONCERN: Dear Sir: I am writing concerning the problem we are having in McDowell County of getting coal for home use.

A lot of families of this area are having trouble getting coal orders and those of us fortunate enough to get orders have to pay extreme prices.

My husband is in the service and my son and I live here alone.

I hope this letter along with others will get some results in having the matter of high coal prices looked into due to the fact that most families in this area use six to eight tons of coal per winter.

Thank you.

ALBERTEEN JONES.

TO WHOM IT MAY CONCERN: I am a retired miner and my wife and I live on social security. We are paying, including the cost of hauling coal, \$80 per load. We are interested in whatever aid is available so long as it assists us in some way. We will consume at least two loads per month this winter.

H. L. ROBINSON.

TO WHOM IT MAY CONCERN: Due to the fact that I am a widow, I am unable to meet the high prices of coal and electricity. I am drawing social security and black lung benefits but during the winter with all the other family expenses I am not able to meet these high prices.

The interest of what can be done of these high prices is of great concern to me.

Mrs. ROSETTE E. CHRISTIAN.

*See statement, p. 181.

** See statement, p. 177.

TO WHOM IT MAY CONCERN: I think the price of coal is outrageous, especially for the people who are on welfare. They only get a check once a month. After all the other bills are paid, they just cannot afford the price of coal.

For instance, 2 tons of coal costs from \$50 to \$80. Now that is just too much for 2 tons. As for myself, I cannot afford it.

PATRICIA HAIRSTON.

I am a member of the senior citizens and I receive only a small pension check. It will take five or six loads of coal to run me through the winter. It will depend mainly on how cold the winter is and how long it will last. Coal in our area costs between \$50 and \$60 per load. And it is really a problem to buy enough. I am a widow.

ALBERTA EVANS.

TO WHOM IT MAY CONCERN: I am a widow. Last winter I paid \$10.80 for coal and this winter the cost is \$20.36 a ton and when you have to pay someone to bring it, it costs more. My social security has been cut down and the cost of living is just so high. Our monthly checks remain the same amount and it is hard to meet the costs.

BEATRICE HART.

TO WHOM IT MAY CONCERN: I am one of many miners' wives who are using coal for heating our homes. We are caught in the surge of the high cost of coal which is \$40 to \$50 a ton. Please help us. Our hands are tied. As you know, we are poor and do not have that kind of money. We cannot afford it. Why must it be so high here in the coal field? Please consider our plea.

Thank you.

HELEN HALE.

We are very glad Mr. Ross was selected to represent us in Washington. We agree that the price of coal is sky high and we cannot afford to pay those prices. We cannot understand why the prices must be so high because there is no shortage of coal. Coal is our source of heat.

Mrs. SARAH LONG.

TO WHOM IT MAY CONCERN: I am complaining about my low income. I am not getting enough to pay for my coal which is about \$50 a ton. I expect to use 1½ tons each month. I do not have an electric stove for my kitchen therefore I have to use coal there also. My water bill is also very high and I had to pay a penalty when I missed payment on it due to the high cost of coal.

I have five children and myself to feed and I must do all this with only \$280 a month. So I am complaining to you in hopes of getting some help from the high cost of coal.

MARTHA GREENE.

TO WHOM IT MAY CONCERN: I have a family of 10. I am a widow living on social security. I was denied Union coal because my husband was not drawing a pension check while he lived. It is very difficult to keep seven children in school, feed them, buy clothes, and buy coal that is priced from \$50 to \$80 in our area. During the winter I will need 10 to 12 tons of coal.

FAYE B. JENNINGS.

TO WHOM IT MAY CONCERN: I am writing concerning the cost of coal here in West Virginia. Coal prices range from \$50 to \$80 a ton. When you consider the widows with families on welfare, it is hard to make ends meet especially when you have to pay a lot for school needs.

There are a lot of things a person can do without but once it gets cold you must have heat. Take for instance, a mother with four children and on welfare getting only \$164 a month. She has to pay for her electricity, rent, water, furni-

ture, and maybe then she has to buy shoes for the kids or whatever they need. She must also pay \$50 for a ton of coal. By the time all these things are paid for she just does not have any money left until the next month when she will get another check. The coal may not last the whole month and you start to worry about where you are going to get another \$50 to buy more coal. The truth is, coal is just too high. So would you please try to help these people.

Thank you.

Mrs. ESTELLA CLAYTOR.

DEAR MR. ROSS: I bought coal last week. I had to pay \$50 for 2 tons. It looked more like 1½ tons. I am a widow. I get a check once a month. By the time I pay the light bill, the water bill, and the grocery bill, and also warm the rooms very lightly, I just do not have any more left to buy more coal which runs out before the month is over. The cost of coal is just too high.

Mrs. GENELLA HOPSON.

Appendix 3

MATERIAL SUBMITTED BY ORGANIZATIONS

ITEM 1. LETTER AND STATEMENT FROM CYRIL F. BRICKFIELD, COUNSEL, NATIONAL RETIRED TEACHERS ASSOCIATION AND THE AMERICAN ASSOCIATION OF RETIRED PERSONS

DEAR SENATOR CHILES: I have enclosed herewith a copy of our Associations' statement on National Energy Policy and the Impact of Rising Energy Prices on the Aged.

I ask that a copy of this statement be included in the record of the hearings which you will be conducting on November 7th.

The Joint Economic Committee, in its mid-year review of the economy, indicated that the combination of energy and food price increases thus far this year threatens a repetition of the 1973-1974 experience, which resulted in large income transfers to domestic agricultural and energy sectors and to foreign energy producers. Since the beginning of this year, the fuel's component of the Consumer Price Index has risen at a 16 percent annual rate and the Wholesale Price Index for petroleum products at an 18 percent rate. Obviously, if energy price controls are not maintained in some form, we expect further large energy price increases as domestic prices rise to the artificial OPEC level and a consequent erosion of fixed income purchasing power. It will be increasingly difficult for the aged, especially the aged poor and aged homeowners, to make ends meet.

The aged poor already consume less energy than any other age/income group, including the non-aged poor, and yet spend a much higher porportion of their total budget on energy. Moreover, higher energy prices, coupled with increasing property taxes and maintenance costs could force additional numbers of fixed-income, aged homeowners to give up their homes.

The study that was done by Applied Management Sciences for the Federal Energy Administration found that home heating makes up a large portion of aged household consumption of direct energy sources and that this activity is affected by the size and structure of the household and its insulating characteristics. Significant numbers of aged-occupied housing units are inadequate.

Our Associations wish to commend you and Senators Church and Williams for introducing S. 1277, the Older Americans Home Repair and Winterization Act. The bill's home repairs assistance program would help some aged homeowners to maintain their homes and simultaneously provide employment opportunities for other older persons. The winterization program would temper the impact of seemingly inexorably rising fuel costs on the budgets of at least some aged households.

Sincerely,

CYRIL F. BRICKFIELD.

[Enclosure.]

STATEMENT OF THE NATIONAL RETIRED TEACHERS ASSOCIATION AND THE AMERICAN ASSOCIATION OF RETIRED PERSONS

I. IN GENERAL

As advocates for the aged, our associations cannot ignore what is happening in the economy nor what can be expected to happen if the administration's energy program is implemented. Inflation and recession remain the primary threat to the economic security of the aged and they are seriously jeopardizing the programs upon which millions of them are dependent for income security, health care protection and other basic needs.

To date, the Federal Government has failed to formulate a coherent energy policy. While such factors as environmental impact, foreign policy and the rates of inflation and unemployment have been part of the general debate, the very serious impact of rising prices on lower and fixed income persons has received only modest attention from the Congress and little, if any, from the administration. Energy policy proposals emanating from the administration have ignored the real hardships that will be encountered by the aged if the still higher prices its proposed policies imply become a reality.

II. INFLATION AND RECESSION AND THE AGED

To facilitate its energy and tax relief policies while still keeping the 1976 Federal budget deficit to a minimum, the administration's budget was full of proposals to limit or curtail expenditures for programs upon which the aged depend. The most important was the 5-percent cap on cost-of-living increases on social security and other income support programs.

The administration attempted to justify these cutbacks on the grounds that too much Federal spending would cause a "demand-pull" type of inflation—the type of inflation which results from too much public and private spending in an economy producing at or near capacity. Moreover, the administration cited the dramatic increases in recent years in spending for income security programs and argued that if the trend continued, income support would consume an ever-larger percentage of the budget.

Our associations agree that inflation is a very serious threat. But with a 8-percent unemployment rate, weak private spending and substantial excess capacity in the economy, the threat of a demand-pull type of inflation in the near future seems remote. If there is a new inflationary surge, and we think one is beginning, it will be primarily the result of foreign and domestic energy price increases, food shortages, inflationary expectations on the part of the management and workers, and the power possessed by some domestic industries (such as steel, aluminum, and automobiles) to boost prices to levels unjustified on the basis of market conditions.

With respect to the argument that income support will consume an ever-increasing slice of the budget pie, we would point out that the increased Federal spending that has occurred was necessary to reduce the percentage of the aged living in poverty from over 28 percent in 1966 to 15.7 percent last year.¹ The proportion of the budget devoted to income security should stabilize in the future.

The aged, who are less able than other groups to offset inflation's erosion of purchasing power through increased income from other sources such as active employment, are dependent upon automatic cost-of-living adjustments to maintain the purchasing power of recent real benefit increases. If an arbitrary ceiling were imposed and the inflation rate exceeded the ceiling, the number of aged in the subpoverty group would once again begin to rise—thus reversing the progress that has been made.

This administration would resort to budget cuts and spending limits which would affect primarily older persons to restrain a type of inflation the threat of which is remote compared with other types, and would embark simultaneously upon an energy program that would be highly inflationary and would produce substantial unemployment consequences. Not only are the administration's policies ill-conceived, but it has demonstrated repeatedly its willingness to sacrifice the interests of the elderly, the poor, consumers, and workers in order to accommodate the interests of oil companies, big corporations, and the high income.

III. INFLATION AND RECESSION AND THE INCOME MAINTENANCE SYSTEMS

If our associations are concerned with the impact of inflation and recession on the aged individual, we are equally concerned about their impact upon the financial viability of the income maintenance programs such as social security upon which the aged are so dependent. With the \$46 billion OASDI trust funds sufficient to continue benefit payments for only 9 months in the absence of a continuing influx of payroll and self-employment tax revenues, and with social security cash benefit levels subject to automatic increases that are directly related to the cost of living, the performance of the economy is of critical importance.

¹ See table I, p. 230.

Workers who are unemployed are not paying social security taxes. High rates of inflation trigger automatic benefit increases which, in turn, must be financed by contributions from a diminished number of active workers.

Any extended continuation of high rates of inflation and unemployment, coupled with a zero or negative population replacement rate is, as the 1975 Report of the OASDI Trustees indicates,² a serious threat to the financial solvency of the system.

Since the projections of the revenue needs of the social security system are based on assumptions that are dynamic with respect to demographic changes and future rates of inflation, we are concerned when we see the high rates of inflation which the administration is contemplating over the long term, partly because of its energy program. The future of the social security system (or of any other primary retirement system) is critically dependent upon the maintenance of a reasonably low rate of inflation and a reasonably high rate of employment.

In view of the sensitivity of the system to economic performance and the number of beneficiaries who are dependent on it (OASDI pays approximately \$5 billion each month to 30 million persons) we are not about to remain silent while the administration proposes and proceeds to implement an energy program that will destabilize the economy further and aggravate, over the long term, the economic problems of our constituency and the income maintenance structure on which they are dependent.

IV. MACRO AND MICRO EFFECTS OF HIGHER ENERGY PRICES

According to the Joint Economic Committee, soaring energy prices in 1974 resulted in a \$30 billion direct redistribution of income from domestic consumers to domestic and foreign energy producers. Over one-half of this enormous sum is estimated to have gone to domestic producers and an additional amount has been paid to U.S. companies for imports of foreign oil or oil products.³ This report concluded that, as a result of this transfer, about one fourth to one third of the 12 percent 1974 increase in the Consumer Price Index (CPI) was attributable to the higher energy prices.⁴

The Congressional Research Service, in a later report,⁵ found that the combined increase in both domestic and foreign energy prices last year cost consumers directly \$42 billion.⁶ Of this sum, \$21.6 billion was attributable to: (1) Various legislated and administered price increases for domestic oil amounting to \$10.1 billion; (2) unregulated natural gas price increases in intrastate gas markets, costing users about \$5.6 billion; and (3) increased domestic coal prices, costing users \$5.9 billion.⁷

This report concluded that direct energy price increases accounted for 25 percent of last year's rate of inflation, and when combined with the secondary or "ripple" effects, could have accounted for 35-50 percent.⁸

Certainly, our associations have no doubt that sudden and exorbitant increases in energy prices have resulted in an enormous transfer of purchasing power from consumers to domestic and foreign energy producers and have contributed substantially to last year's inflation that left the domestic consumer with significantly reduced real disposable income.⁹ We therefore agree with the

² The 1975 OASDI Trustees' Report indicates that the short-range deficit, which is largely the result of unexpectedly high rates of inflation and unemployment will require additional financing for the system equal to 1.3 percent of taxable payroll.

³ Joint Economic Committee, "Achieving Price Stability Through Economic Growth," H. Rept. No. 93-0000, 93d Cong., 2d sess. 104 (Dec. 23, 1974) (hereinafter referred to as J. Econ. Com. Rept.)

⁴ *Id.*

⁵ See Lawrence Kumins, Congressional Research Service, Library of Congress, "Administration's Energy Tax Proposals and Related Measures" (Jan. 23, 1975) (hereinafter referred to as CRS Rept.)

⁶ According to the Bureau of Mines, U.S. energy costs increased by over \$33 billion in 1974: \$17 billion for imported oil, \$11 billion for domestic oil, \$1 billion for domestic natural gas, and \$4 billion for domestic coal. See staff report of the Committee on Interior and Insular Affairs, "Economic Analysis of President Ford's Energy Program," 94th Cong., 1st sess., Serial No. 94-4 (92-94) at p. 7 (1975) (hereinafter referred to as S. Interior and Insular Affairs Committee staff rept.).

⁷ CRS Rept. at 1-2.

⁸ CRS Rept. at 1-2.

⁹ See table II, p. 230.

general consensus that, in order to reduce our reliance on foreign imported oil and our vulnerability to international trade disruptions, a comprehensive energy policy must be formulated that will, with the least inflation and unemployment consequences, reduce demand for energy, promote conservation and stabilization of energy prices, and still provide the incentives necessary to encourage the efficient development of the energy potential of this country. These are the macro effects which a comprehensive national policy should be designed to achieve. But any policy that has the potential to achieve these ends should also take into account the micro effects—one of which is the potential impact of a particular policy on those who have limited ability to pay still higher energy prices. Certainly, this group includes a substantial percentage of the aged.

With the macro objectives, the administration's energy program is said to be in accord. Our associations expect, however, that the actual consequences of the administration's proposals to deregulate "old" domestic oil and "new" interstate natural gas would be: (1) Accelerated inflation, (2) continued and deepening recession, (3) increased portions of consumer budgets devoted to energy, (4) another massive shift of wealth of consumers to the energy industry, and (5) permanent energy prices at levels wholly unjustified by the supply response.¹⁰ We have seen too many reports on the projected inflation and unemployment consequences of the administration's energy proposals to be able to agree that decontrol to achieve higher prices will achieve the macro effects for which a comprehensive national policy should aim.¹¹ Moreover, the administration's program is founded upon the premise that the oil and natural gas industries are workably competitive. We have seen too much evidence of the noncompetitive nature of the industry structure to be able to agree with the correctness of that premise.

V. RATIONALE FOR THE ADMINISTRATION'S ENERGY PROPOSAL

The theory of the administration's program is that high energy prices will discourage consumption and simultaneously attract the investment necessary to increase the supply of domestic fuel. Not only are our associations opposed to the structure of the program, but we are unpersuaded by both aspects of its rationale.

Testimony given before the Senate Committee on Interior and Insular Affairs seriously questions the justifiability of the degree of decrease in energy demand that the administration assumes will result from a surge in energy prices.¹² That committee's staff analysis indicates that, in response to the 1974 price increases, fossil fuel demand dropped only 2.4 percent from 1973 levels. It may be that the reduction that did occur may have been less a direct consequence of high prices and more the result of gasoline shortages, voluntary conservation, the inflation that those high prices generated and consequences of inflation such as higher taxes, reduced disposable income and the current recession. In any event, the reduction in demand that was achieved last year hardly seems worth the shock to the domestic economy that the doubling and quadrupling of domestic and foreign crude oil prices produced.¹³

Not only is the validity of the energy demand elasticity assumption upon which the administration's program is predicted questionable, but in view of the current recession, the inflation that the program would generate, and the additional shock to the economy that would occur, this is hardly the appropriate time to test the validity of the theory of reasonable negative energy demand elasticity.

Furthermore, a reasonable domestic supply response to higher prices is also questionable. While our associations believe that it is important to provide the price and profit incentives necessary to expand domestic production of oil and gas, we also believe that excessive concentrations of market power in these in-

¹⁰ See, for example, CRS Rept. at 5; S. Interior and Insular Affairs Committee staff rept. at 5; Congressional Budget Office, "Inflation and Unemployment: A Report on the Economy," 69-80 (June 30, 1975); and L. Kumins and J. Gravelle, "Analysis of Senate Finance Committee Deregulation Windfall Profits Tax," Congressional Research Service *Nomic Recovery and Energy Sufficiency*, 2 (February 1975).

¹¹ See, for example, CRS Rept. at 5; S. Interior and Insular Affairs Committee staff rept. at 5; Congressional Budget Office, "Inflation and Unemployment: A Report on the Economy," 69-80 (June 30, 1975); and L. Kumins and J. Gravelle, "Analysis of Senate Finance Committee Deregulation Windfall Profits Tax," Congressional Research Service (Library of Congress) (Aug. 5, 1975).

¹² S. Interior and Insular Affairs staff rept. at 17.

¹³ *Id.* at 9.

terrelated industries may produce high prices and profits without any reasonable supply response in the absence of policies designed to restore workable competition to these industries.

With imported "new" domestic and "old" domestic oil selling in the marketplace at \$12, \$11, and \$5.25 per barrel, respectively, and with oil industry prices at record levels, we do not believe that immediate higher prices are justified or necessary as a stimulus to increased domestic production. Moreover, with constraints in the capital goods markets, higher prices for domestic oil will add nothing to the supply incentives but will add inflationary pressure within the economy.

VI. THE IMPACT OF HIGHER ENERGY PRICES ON THE AGED

Direct energy consumption includes the use of natural gas, fuel oil, electricity and gasoline. These various energy sources are essential to the conduct of everyday activities such as home heating, cooking, appliance operation, lighting, and transportation. However, the volume and intensity of any of these activities per family unit are closely related to factors such as income age, household size, prices, climate, health status, and environmental conditions.

Certainly, age and income are the most important factors to be taken into account in assessing the potential impact upon the aged of an energy policy that is predicated on higher prices. The final report (AMS Report) prepared by Applied Management Sciences for the Consumer Affairs/Special Impact Office of the Federal Energy Administration,¹⁴ found that the dollar amount spent on direct energy uses varies directly with family income. With respect to aged family units, the report found that upper middle income aged units spend dramatically more on direct energy use than lower middle income units. Moreover, that report found that the aged poor consume less energy than any other age-income group, including the nonaged poor, and yet spent a much higher proportion of their total budget on energy expenditures.

This finding is supported by the study that was done by the staff of the Senate Interior and Insular Affairs Committee. By examining table III, page 231, which is reproduced from that staff report, the disproportion between added energy cost and ability to pay is clear. The poor must find extra cash to pay for a third as much energy as the high income, even their income is only one tenth as large.

While our associations are not suggesting that all the aged are poor, we point out that 45.3 percent of them had total money income of under \$4,000 in 1973. Moreover, as of that time, 15.7 percent of the aged were below the defined level of poverty compared with 11 percent for the total population.

The AMS report also found that the number of persons in a household influences household energy expenditure patterns and that these patterns are closely related to age and income. As age increases, the number of single person aged family units (widows and widowers) also increases—and so does the incidence of poverty.

Another important finding contained in the AMS report was the substantial variation in consumption rates for particular energy sources by aged family units at different income levels. Less variation among aged units in natural gas consumption relative to other energy sources indicates the degree to which natural gas must be classified as a necessity (because it is used for such essential functions as home heating, cooking, and water heating). Consumption of this energy source is relatively inelastic and can be reduced only marginally no matter how high the price.

While electricity consumption showed greater variation depending on family unit income, this variation was found to be less than that with respect to the use of gasoline. The report states

"A low-income elderly household spends a significantly higher portion of its budget on fuel and utilities than an elderly household on a higher income level, but the same lower income household spends a much lower budget portion on transportation. This indicates not only the steady necessity of fuel and utilities but also that the low-income elderly are severely limited in their mobility.

"In general, the elderly own fewer cars and drive fewer miles than any other

¹⁴ Applied Management Sciences. "A Study of the Effects of Rising Energy Prices on the Low and Moderate Income Elderly," prepared for the Consumer Affairs/Special Impact Office of the Federal Energy Administration (March 1975) (hereinafter referred to as AMS Rept.).

age group. This is evidenced by the fact that persons 65 and over drive about 40 percent less in one year than persons 45 to 54. The elderly, though, use public transportation more than any other age group."¹⁵

The AMS findings that home heating makes up a large portion of household consumption of direct energy sources and that this activity is affected by the size and structure of the household unit and its insulating characteristics, which, in turn, are related to the socio-economic conditions of the elderly household were not surprising to us. Significant numbers of the aged-occupied units are inadequate; moreover, annual expenditures by aged households for home improvements and home maintenance tend to be less than those for the general population. Also, home heating and fuel consumption are obviously affected by such factors as climate, the types of fuel relied upon for home heating purposes in various parts of the country, and the differential in prices for these various types of energy. Since the primary energy source for home heating in the Northeast section of the country is fuel oil, and since much of this is imported and sells at prices significantly higher than other energy sources, a much higher level of energy expenditures by aged households in the Northeast for home heating purposes logically follows.

The health status of the aged is another factor which influences the extent of energy consumption and is, in turn, affected by energy prices. According to the AMS report, 85 percent of noninstitutionalized persons aged 65 or over have at least one chronic disease which imposes upon the individual a greater financial burden for medical care and often limits mobility and individual tolerance for both heat and cold. The ability of older persons to afford health-related costs is, in the case of lower income units, reduced by higher prices for all commodities including energy. Indeed, even aged individuals who are institutionalized experience the effect of rising energy prices either through increases in hospital and nursing home charges and/or through a reduction in the quality of service received.

Taken together, these survey results indicate to us that lower income family units, which class includes a disproportionately large number of the elderly, although the most scrupulous users of energy pay a great deal for it in proportion to their incomes.

In terms of public policy, these findings suggest to us that the government must be sensitive to what will be the impact of still higher energy prices for the poor, near-poor, and fixed income. It is not enough for the administration, energy industry advocates, and some economists to tell us that an energy market free of Federal involvement will eventually sort things out and that higher prices will, in time, elicit more supplies and restrain demand. The evidence of concentration over uncommitted reserves, joint ventures, interties, banking interlocks, and verticle integration in the energy industry persuades us that the energy market is not free because it is not workably competitive. We believe that if the administration's decontrol policies were enacted, all domestic energy prices would be pegged either directly or on a Btu equivalent basis to the artificial prices established by OPEC cartel flat—prices that are about to be increased again. It is ironic that while denouncing the artificial pricing practices of OPEC, the administration is anxious to pursue a policy that would permit domestic energy producers to charge those same prices—prices that are unjustified on the basis of costs of production and reasonable rates of return on investment and by prevailing market conditions.

Although the pricing system could be a useful device to allocate scarce energy resources to middle and upper income citizens who have been using them wastefully, higher prices would bear harshly on the poor and those on fixed-income who, as should be evident, use energy for necessities, have little or no opportunity to cut back on their use and do not have the ability to pay still higher prices without suffering real hardship. National energy policy cannot ignore the human condition and should attempt to mitigate the impersonal hardships of the market mechanism and address constructively those problems which the market leaves untouched.

VII. REASONABLE POLICIES TO REDUCE ENERGY DEMAND, STIMULATE DOMESTIC ENERGY PRODUCTION, AND MITIGATE HARDSHIPS

In order to decrease domestic demand for foreign oil and undermine the OPEC cartel, our associations concluded that a reasonable policy to achieve a gradual

¹⁵ AMS Rept. at 6.3.

reduction in energy demand without generating adverse inflation and unemployment effects should include: (1) A "white market" gasoline rationing system or a rebatable gasoline tax; (2) an import quota with respect to foreign oil; (3) a phased-in graduated excise tax (at the time of purchase) on new and used automobiles and pleasure craft (based on vehicle weight and horsepower); and (4) a standby mandatory fuel allocation system. Although the Energy Conservation and Conversion Act (H.R. 6860), which included the rebatable gasoline tax, quotas, and graduated excise tax when it emerged from the House Committee on Ways and Means, was emasculated on the House floor, the bill had our support. Its objectives were correct, and the method of achieving those objectives would have avoided the hardships which energy rationing of all energy products through higher prices would produce.

The automobile accounts for 50 percent of fuel consumption in the transportation sector, which itself consumes 25 percent of all energy; a reduction in gasoline consumption therefore, would do more to reduce petroleum consumption, and would do it with less consumer and economic hardship, than reduction in the consumption of any other petroleum product. The elasticity of demand for gasoline is relatively greater than that for other types of energy. Since the aged poor spend significantly higher portions of their budgets on heating fuels and utilities than higher income households, but lower portions on transportation, a reduction in gasoline use would impact the least upon the group that has already reduced its energy consumption nearly to the minimum. However, in order to assure that any reduction in energy demand is realized in terms of decreased imports, rather than decreased domestic production, an import quota phased in over a period of years is a necessary adjunct to a white-market rationing system of a rebatable gasoline tax.

With respect to the automobile, a steeply graduated excise tax based on weight and horsepower in excess of minimum prescribed levels still seems desirable. In addition, vehicle engine efficiency should be monitored and mileage standards prescribed. A choice must be made between less size, comfort, and "extras" in the automobile, or less heat in the homes.

In order to meet any emergency shortage of petroleum, a standby, mandatory fuel allocation program must always be available and ready for immediate implementation. The goal of such a system should be to distribute resources geographically among various sectors of the economy in order to assure that all share the shortage in a reasonably equitable manner.

In selecting a combination of options to reduce energy demand, the Congress must, of course, take into account a number of moderating factors. First, in considering a desired level of reduction in imports of foreign petroleum, the impact of any such reduction on the available supply of fuel and the rates of inflation and unemployment must be taken into account. Second, the impacts of any excise tax on automobiles and any rationing system or rebatable gasoline tax on the depressed condition of the automotive industry must be considered. It seems to us desirable to phase in demand reduction policies over a period of time to allow stimulative fiscal and monetary policies a reasonable opportunity to take effect and revive the economy. That process is already underway.

As a means of stimulating domestic production, our associations do not believe that another dramatic increase in prices through the deregulation of old domestic oil and new interstate natural gas is the best answer. Instead, we believe that efforts should be made to promote competition and facilitate entry into the oil and gas markets. We have heretofore expressed support for legislation to break up the vertical integration existing in these industries, to prevent joint ventures by the major petroleum producers in the offshore areas, and to prevent control over multiple energy sources by individual companies. Concomitantly, we have urged the establishment of an independent, public corporation to explore for and develop oil and natural gas reserves in the Federal domain to stimulate competition and to provide a much-needed yardstick with which to measure profits, costs, and production techniques. Furthermore, we believe it necessary for the Department of the Interior to substitute a "royalty bidding" policy for its present "bonus leasing" procedures which tend to preclude entry into the Federal offshore production areas by small producers. Finally, the Congress must prohibit the practice of extending offshore leases beyond 5 years after lease sales without requiring production and must assure that forfeiture is strictly enforced.

With respect to natural gas, our associations have already expressed their support for the Natural Gas Production and Conservation Act (S. 692). We feel that it will provide adequate price incentives to elicit the natural gas supply in-

crements necessary to eliminate the current shortage while simultaneously continuing price ceiling regulation with respect to major producers to prevent oligopolistic pricing practices. With respect to small independent producers of on-shore natural gas, however, price ceiling regulation would be eliminated to give them a greater market share and thereby encourage competition.

The failure of higher prices for domestic oil and gas to elicit a reasonable supply response in the past, indicates to us an absence of workable competition and excessive market power in the hands of a few corporate entities. In a market dominated by a few producers, where cooperation rather than competition prevails, the principles that operate in competitive markets do not apply. It is precisely the absence of workable competition that undermines the administration's high price-increased supply rationale for its energy program. In an oil-gas oligopoly, higher prices for gas are likely to be used to justify even higher prices for oil, coal and other energy products—thus accelerating the current inflation and generating disastrous consequences for the poor and fixed income aged and the income support programs upon which they depend. Although major producers and the administration apparently agree that the artificial prices established for OPEC oil should be used as the basis for "new" domestic gas and "old" domestic oil, we believe that fuel prices should be determined on the basis of costs of production and reasonable rates of return on investment. The ability of the domestic oil and gas industry to increase the price of that portion of oil and gas that is not under price ceiling regulation to the artificial levels established by the OPEC cartel is additional indication of industry noncompetitiveness.

To reinforce the conservation objectives of energy policy, the Federal Government should adopt policies under which credit at low-interest rates would be readily available to families, especially low-income families, for the purpose of installing insulation, weather stripping, and storm windows in existing homes. A program is also necessary to add insulation and storm windows in public housing where the Federal Government's past neglect is causing low-income citizens to pay unnecessarily high energy bills. Additional means of energy conservation could include: (1) Adjustment of utility rate structures so that rates per kilowatt hour would vary directly with consumption levels rather than inversely; (2) establishing standards for appliances and requiring proper labeling to inform buyers of energy and dollar costs of operation; and (3) increasing the Federal spending for mass transit.

TABLE I.—PERSONS BELOW THE LOW-INCOME LEVEL, 1959-75

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1960	1959
Total (all persons).....	11.6	11.1	11.9	12.5	12.6	12.1	12.8	14.2	14.7	17.3	19.0	22.2	22.4
65 years and over.....	15.7	16.3	18.6	21.6	24.6	NA	25.0	29.5	28.5	NA	NA	NA	NA

Source: Bureau of Census (Department of Commerce), Current Population Reports: Consumer Income, series P-6C, No. 99, 18 (table 15) (July 1975).

TABLE II.—ANNUAL RATES OF CHANGE FOR SELECTED MEASURES OF INCOME AND EARNINGS¹

	1965-69	1970	1971	1972	1973	1974	1973: IV	1974: I	1974: II	1974: III	1974: IV
Real disposable income.....	4.0	3.1	4.5	6.9	3.8 ²	-3.0	0.7	-7.9	-4.4	-0.4	NA
Real per capita disposable income.....	2.8	2.0	3.5	6.0	3.1 ²	-3.7	0	-8.5	-5.0	-1.1	NA
Real adjusted hourly earnings, private non-farm.....	2.9	0	3.2	3.1	-1.1	-3.4	-2.7	-6.6	-1.4	-2.8	-2.8
Real adjusted weekly earnings, private non-farm.....	.7	-1.6	3.7	3.7	-2.0	-4.6	-4.0	-8.1	-2.7	-1.1	-6.3
Real spendable weekly earnings ³	-.4	-1.2	4.4	4.4	-3.4	-5.3	-4.6	-8.4	-3.6	-2.2	-6.9
Real compensation per manhour, total private.....	2.9	1.1	2.8	3.5	-2.0	-2.0	-1.3	-4.5	-1.6	-2.5	-2.8

¹ Percent changes for annual data are based on 4 quarter changes, from 4th quarter to 4th quarter; percent changes for quarterly data are based on quarterly averages expressed at compound annual rates.

² Percent changes from 3d quarter, 1973 to 3d quarter, 1974, the most recent quarter for which data were available at press time.

³ Earnings expressed in 1967 dollars for a worker with 3 dependents.

Source: Bureau of Labor Statistics, Department of Labor, and Bureau of Economic Analysis, Department of Commerce.

TABLE III.—INCREASED ENERGY COSTS FOR HOUSEHOLDS BY INCOME: DIRECT AND INDIRECT ENERGY PURCHASES

Category	Income ¹ (1974 dollars)	Cost increase for direct energy purchases ²	Cost increase for indirect energy purchases ³	Total increase
Poor.....	\$3,050	\$124	\$212	\$336
Lower middle income.....	9,770	176	329	505
Upper middle income.....	17,000	242	506	748
Well off.....	29,900	287	657	944

¹ Income adjusted by the ratio of consumer price indexes: December 1971 to December 1972=1.221.

² Purchases of fuels and electricity for households; energy costs assumed to increase by 60 cents per million Btu.

³ Purchases of all products (food, automobiles, housing appliances, petrochemicals, services) dependent on energy dollar-for-dollar passthrough of 60 cents per million Btu is assumed without any increase due to "ripple" effect.

Source: Staff, Senate Committee on Interior and Insular Affairs, "Economic Analysis of President Ford's Energy Program, 94th Cong., 1st sess., serial No. 94-4 (92-94) at 12 (1975).

ITEM 2. STATEMENT AND ENCLOSURE FROM RUDOLPH T. DANSTEDT, ASSISTANT TO THE PRESIDENT, NATIONAL COUNCIL OF SENIOR CITIZENS, INC.

Mr. Chairman, members of the Senate Special Committee on Aging: My name is Rudolph T. Danstedt. I am assistant to the president of the National Council of Senior Citizens.

Over a year ago, we testified before the Senate Special Committee on Aging on the subject of the impact of the rising energy costs on older Americans, noting the serious impact of the phenomenal rise in the cost of heating oil, gas, and electricity on the well-being of older people.

We are pleased that the Senate Special Committee on Aging is again reviewing the situation to ascertain what action has been taken on some of the glowing promises made by several Federal agencies back in September, 1974.

If there has been progress, we are not aware of it. We are deeply concerned that again we are moving into a period of cold weather without any significant program to assist older people in meeting the burden fuel costs are placing upon them.

We are asking to have included as part of the record a presentation made by Walter H. Cross, vice president of Massachusetts Association of Older Americans, Inc., an affiliate of the National Council of Senior Citizens, to a meeting of White House Domestic Council, held in Portland, Maine, this year.

[Enclosure.]

STATEMENT OF WALTER CROSS, VICE PRESIDENT, MASSACHUSETTS ASSOCIATION OF OLDER AMERICANS, INC.

ENERGY PROBLEMS OF HOMEOWNER SENIOR CITIZENS

The energy crisis is much like the weather—everyone talks about it, but few are doing much about it.

It is unlikely that we will be able to get any immediate relief from anything requiring a whole new technology such as solar power, oil from shale, or reduced automobile fuel consumption.

A simple analysis shows one place where the demand for energy is great, and where the technology is available to save up to 40 percent of the energy used in that area.

That is the field of home heating and cooling for which the technology is simple—insulation.

Based on a 1,400-square-foot home—it is estimated that by insulating the attic of a house on Cape Cod, Mass. with 6 inch fiberglass added to minimal insulation, a savings of \$80 of a home heated with oil and \$52 saved of a home heated with gas, annually.

If this 6 inch insulation was added to attics without any insulation, the savings would amount to \$131 and \$85.

If this house was located in Portland, Maine, fiberglass insulation added on to minimal insulation would save approximately \$101 on oil heat, \$66 on gas heat, and installed in attics without insulation \$177 on oil fuel and \$117 on gas.

Add to these savings those that can be obtained by winterizing windows and a savings of somewhere in the vicinity of 40 percent of the total energy usage and fuel cost can be obtained.

The cost of adding on to minimal a 6 inch insulation at retail is about \$8.50 per 40 square feet. An estimated 900 square feet would cost about \$191. To insulate the same attic that has zero insulation at today's retail price of \$9.20 per 40 square feet would cost \$207. Volume purchasing of insulation could considerably reduce this cost.

While aluminum storm windows can cost from \$20 to \$30 for an average size—a sheet of Plaskolite or other plastic material taped to the inside of house windows can produce the same fuel saving at a minimal cost. So by insulating attics and windows in a 1,400-square-foot home, we come up with an estimated retail cost of material of \$225 to \$450 depending upon the type of material used on the windows to save 40 percent of energy and fuel costs.

Now, we come to the plight of the low-income elderly homeowner especially in relation to energy cost.

With housing taking an increased share of the very limited fixed income of elderly in New England (often 40 percent and more) it is certainly one of the most critical areas needing massive assistance.

Some 65 percent of the elderly live in their own homes and an estimated 30 percent of this group are existing from day-to-day with incomes inadequate to maintain even a minimum standard of living.

Here are two examples of the desperate situations of seniors living in their own homes:

Mrs. R. K., 77 years old of Cambridge, Mass.:

Income:	
Rental 1st floor-----	\$100.00
Rental 2d floor-----	140.00
Social security-----	145.37
Total -----	<u>385.37</u>
House expenses:	
\$6,000 mortgage—monthly payments-----	69.67
Taxes—monthly payments-----	29.50
House insurance—monthly payments-----	13.00
Oil fuel, two and three floors—monthly payments-----	72.00
Gas, hot water—monthly payments-----	13.00
Water—monthly payments-----	5.00
Electricity—monthly average-----	15.00
Total -----	<u>207.50</u>
Income -----	385.37
House expenses-----	207.50
Balance -----	<u>167.87</u>

This leaves Mrs. R. K. with \$167.87 for living expenses per month. Nothing for home maintenance. This lady lives in an old single house converted into 2 apartments rented on the first and second floor and her own small apartment on the third floor. The rent is higher on the second floor apartment because she supplies the heat. Her home expense is 55 percent of her total income. A 40 percent saving on oil by winterizing this home would create a saving of \$29 per month.

Thomas Warren, Roslindale, Mass.:

Mrs. Warren suffered severe stroke 2 years ago and resides in a nursing home. Mr. Warren had a less severe stroke, and is living alone at home, taking weekly therapy.

Warren's income:	
Social security-----	\$273.20
SSI -----	15.76
Total income-----	<u>288.96</u>

House expenses:	
Oil fuel for heating house.....	\$60. 30
Tax on house.....	50. 30
Electricity including hot water.....	44. 00
Water	10. 00
Liability fire insurance.....	12. 50
Gas	7. 00
Total	<u>184. 10</u>
Income	288. 96
House expenses.....	<u>184. 10</u>
Balance	104. 86

Winterization of this house could possibly save up to \$24 per month on the most expensive item of this home, which is oil fuel.

This man is paying 63 percent of his income for house expenses on a home that he worked a lifetime to possess. The remaining money for other living expenses including food is a paltry \$104.86. He is extremely bitter against a social system that permits the elderly to suffer such appalling indignities without available governmental assistance programs.

Did you ever hear a 67-year-old man cry? I have and it is really devastating.

A winterization program for the low-income elderly must be provided by the Government on a grant basis. Increasing property taxes, home repairs, winterization with increasing costs for fuel and other items are increasing each year. No lending source is generally or readily available to older persons and even if available, repayment would be impossible.

The Community Service Act of 1974 among other programs included a comprehensive emergency energy conservation program which provides such services as winterization of housing administered by the Community Service's Administration. Funds for this program fiscal year 1976 were included in a supplemental appropriations amounting to \$16.5 million.

An appropriations package for fiscal year 1976 was near completion and includes at least \$16.5 million and may be more for winterization.

If this act includes furnishing the material at no charge to eligible senior applicants and if the planned program of Community Action agencies to obtain and train labor through the CETA (Comprehensive Employment Training Act) program, even though \$16.5 million is inadequate, it will initiate a desperately needed program.

Also, information has been received that additional legislation has been proposed to provide winterization funds to be administered by FEA (Federal Energy Administration) in the amount of \$55 million annually for three years. It was entitled the Weatherization Assistance Act with instructions to use existing CAA efforts where effective and not to duplicate CSA programs.

The current status of this legislation is that it has been voted on and passed by the House of Representatives, but has not as yet been voted on by the Senate. Hopefully, the Senate will vote favorably on this legislation.

It is to be hoped that all of the winterization of low-income elderly homes legislation will not only provide substantial funding but will also be administered on a grant basis.

While I do not have detailed operational information on this legislation it should be administered by furnishing material on a grant basis with labor supplied free of charge through Community Action Agencies (CAA), local Councils on Aging or other appropriate agencies dealing with the elderly. As a matter of fact it could accomplish two purposes by employing low-income seniors who are in need of additional income.

Such programs will not only conserve energy, but will help the low-income elderly to drastically reduce their fuel costs with the commensurate advantages of additional money available to spend on other necessities.

In the final analysis the weatherization of houses will help thousands of senior citizens to stay in homes that they have paid for during a lifetime of work.

It will help to avoid the traumatic experience of moving from familiar and endearing surroundings in the final third of their lives.