

# THE IMPACT OF RISING ENERGY COSTS ON OLDER AMERICANS

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HEARINGS  
BEFORE THE  
SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE  
NINETY-THIRD CONGRESS  
SECOND SESSION

PART 1—WASHINGTON, D.C.

SEPTEMBER 24, 1974



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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.

(Additional hearings anticipated but not scheduled at time of this printing.)

# CONTENTS

	Page
Opening statement by Senator Lawton Chiles, presiding .....	1
Statement of Senator Frank Church .....	3
Statement of Senator Harrison A. Williams .....	5
Prepared statement of Senator Charles McC. Mathias, Jr. ....	30

## CHRONOLOGICAL LIST OF WITNESSES

Freeman, S. David, project director, The Ford Foundation Energy Policy Project; accompanied by Ms. Katherine Gillman .....	8
Arnett, Alvin, former director, Office of Economic Opportunity .....	15
Bevis, William H., chairman, Florida Public Service Commission .....	20
Friedson, Max, president, Congress of Senior Citizens, Miami, Fla. ....	25
Brickfield, Cyril F., legislative counsel; accompanied by Thomas C. Borzilleri, staff economist; Peter W. Hughes and James W. Hacking, legislative staff; American Association of Retired Persons/National Retired Teachers Association .....	28
Brown, Ronald H., director, Washington Bureau, National Urban League ..	31
Carey, Ralph W., member, board of directors, National Association of Housing and Redevelopment Officials; director, Housing Division, Metropolitan Dade County .....	34
Danstedt, Rudolph T., assistant to the president, National Council of Senior Citizens .....	41
Feldesman, James, counsel to Energy Policy Task Force, Consumer Federation of America .....	47

## APPENDIXES

Appendix 1: Material submitted by Senator Frank Church:	
Item 1. "The Poor and the Energy Crisis" testimony presented by the Idaho Community Action Program Directors Association .....	59
Item 2. Statement of Madelin Koehler, Coeur d'Alene, Idaho .....	61
Item 3. Exchange of letters between Senator Frank Church and FEA Administrator John C. Sawhill .....	62
Item 4. Newspaper articles from the Idaho Statesman, July 15, and September 9, 1974 .....	63
Appendix 2: Statements from Individuals and Organizations:	
Item 1. Statement from the National Retired Teachers Association/American Association of Retired Persons .....	66
Item 2. The Energy Stamp Program Pilot Program Recommendations; prepared by Maudine R. Cooper, National Urban League ..	71
Item 3. Letter from Ronald H. Brown, director, National Urban League; to John C. Sawhill, Administrator, Federal Energy Administration, dated August 6, 1974; replying to a letter from Mr. Sawhill dated July 30, 1974 .....	72
Item 4. Statement submitted by Willard S. Simonds, fuel manager, Florida Power Corp., St. Petersburg, Fla. ....	74
Exhibit A. Florida Power Corp., Schedule of Fuel Contract Price changes .....	77
Exhibit B. Fuel Cost Adjustment as added to bills—figured in cents per kWh .....	78

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TUESDAY, SEPTEMBER 24, 1974

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

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

Present: Senator Lawton Chiles.

Also present: William E. Oriol, staff director; George Cronin, professional staff member; John Guy Miller, minority staff director; Patricia G. Oriol, chief clerk; Gerald Strickler, printing assistant; Yvonne McCoy, assistant chief clerk; and Joan Merrigan, clerk.

## OPENING STATEMENT BY SENATOR LAWTON CHILES, PRESIDING

Senator CHILES. Today and again tomorrow the Senate Special Committee on Aging will examine "The Impact of Rising Energy Costs on Older Americans." The elderly and other low-income persons pay 14 percent of their income for energy, according to a Ford Foundation study not yet published. This compares with 4 percent paid by other income groups. Any increase in price will, therefore, have devastating effects on low-income individuals.

All too often the pat response of the administration to serious social problems has been to let the free market concept run its course. The free market has served us well in most sectors, but it has not headed off rising costs of energy.

Also, when we are talking about a free market and energy, as you well know, we do not really have a free market.

Energy is not like other consumer products. The consumer can choose to buy or not to buy beef, for example. If he chooses not to buy beef, he can choose chicken or fish. But the consumer does not have the same choice with energy. There are no options or choices.

I know there are no options or choices because many Floridians have spelled it out to me time and again, and they've done it graphically.

I would like to read excerpts from some of the hundreds of letters my office has received on the energy situation from Floridians.

A man in Lakewood wrote:

We have cut down on food to meet the electric bill but we cannot cut much more as food prices are high also.

A woman in Holiday, Fla., wrote that:

The rate of increase of everything is a frightening situation to one on a fixed income but the increase of the electricity rate and fuel adjustment added to our

bill is beyond comprehension. One cannot begin to exist without this commodity—food must be kept chilled and cooked; clothes must be washed, we must bathe and heat or cool a home occasionally and one can cut back just so much. When one has worked hard for 42 years and now wants to enjoy just a few luxuries and life in general without the weight or worry, it is unfair to not only have to give up things that make life easier because of soaring electricity prices, but also to have to use one's savings which may be needed for health care in the future.

An elderly man from Lakeland, Fla., stated :

Something is drastically wrong when the electric bill approaches the same total of a house payment bill. What is this State and our country coming to if situations like this cannot be controlled?

A 65-year-old woman from Belleair Bluffs, Fla., stated :

Elderly people on fixed income are panic stricken. At the rate it is going, we will end up like Germany in 1923.

A woman from New Port Richey, Fla., commented :

I am a widow depending on Social Security and I find the electric bill way out of bounds. I need to run the air-conditioning due to high blood pressure and slight heart irregularity, but the fuel adjustment limits this and it is so unfair. Due to this expense I am denied some of the essentials.

A couple from Orlando, Fla., said :

High electrical bills are criminal. This is just one of the high priced commodities affecting senior citizens who have worked hard all our lives for a secure retirement and now find themselves dreading each day, wondering if they will make it.

A social security retiree from Clearwater, Fla., stated :

My only income is slightly over \$5 a day from both Social Security and SSI. With the high electrical rates, need I tell you we must do without the luxuries of a telephone, daily newspapers, church donations, or a steak. The last steak I had was 4 years ago. My clothes are purchased at thrift shops and church bazaars, usually at 25 cents to 50 cents each. We, the poor, just cannot pay any more.

The wife of a disabled husband in Altamonte Springs, Fla., said :

In my case I must use air-conditioning as my husband has had two major heart attacks and his doctor advises that his health requires air-conditioned living quarters. Our income is such that if something isn't done, we will lose everything we have worked for for 30 years.

A man and wife from Avon Park, Fla., stated :

When you see a whole community of retirees who have labored all their lives and saved for their retirement having to give the electric company a third of their paycheck for just the absolute necessities, something is radically wrong with the system of justice. Now they sit in the dark in the evenings with no air-conditioning. I doubt that you will do anything about the situation since the rich of this country just about have it strangled.

A woman from Ocala, Fla., wrote :

People as a whole don't fully understand why our electrical bills should reach such a level that we have to dip into our savings just to pay them, if we are lucky enough to have a savings. Our retired citizens have to hunt for part-time jobs.

A retired couple from Miami, Fla., wrote :

We are just two of thousands of little people that are crying for your help on this fuel oil situation. Thousands of elderly will be forced to live without electricity, as in some cases our light bills are more than we make in a month. We, the little people, are begging you for help. Won't you please help us?

Those are just a few letters my office has received and while many Floridians live in areas where no or very little heat is required in the

winter, there are a good many of our citizens who must heat their homes.

The winter months ahead look bleak for many older Americans. The cost of electricity has risen by 50 percent and the cost of heating oil has doubled. I am not willing to accept what appears to be the past governmental energy policy of praying for mild weather. The issues are too important and the consequences too frightening to allow for anything but competence and well-developed plans and programs.

Last April when we held hearings on this subject I was assured by the Federal Energy Administration that they were doing "contingency planning." The Administration on Aging in March had instructed State units on aging to develop a relationship with State petroleum allocation offices. A recently completed survey that I sent to the State units on aging indicates, however, that there was something less than enthusiastic compliance with the Administration on Aging memorandum.

I realize that the problems we face with the energy crisis are new and difficult, but I am unwilling to tolerate ineptness and inertia in such a vital area of national concern.

Senator Frank Church, chairman of the Special Committee on Aging, and Senator Harrison A. Williams, former chairman, have statements for the record. Without objection, they will be entered.

#### STATEMENT OF SENATOR FRANK CHURCH

Today the Senate Committee on Aging performs a timely task, but one which I wish had not been necessary.

Specifically, the committee wants to know what the Federal Energy Administration—as well as other Federal agencies—are doing to assure that older Americans will not be hard hit by fuel shortages or rising costs of heating fuels this winter.

Our committee has already asked this question before, at hearings and in correspondence.<sup>1</sup> Frankly, the replies have not been reassuring. What we have had instead of clearcut contingency planning has been the resignation of an FEA official responsible for consumer interests and a reorganization which merges two offices which have similar responsibilities.

Reorganizations can be helpful, but often they merely postpone action. And action is what is desperately needed.

The nip in the morning air yesterday—the first day of autumn—should remind each of us that we may not be as fortunate this winter as we were last time around, when temperatures were generally higher than usual.

But even though temperatures didn't go as far down as they could have, prices certainly went up, with dire effects for older persons.

Consider this testimony from a hearing<sup>2</sup> I conducted in Twin Falls, Idaho, in May:

People who have Social Security and Medicare in low-income groups have their problems also. One year ago, the cost of living was much less than today.

For instance, *here fuel oil was 19 cents a gallon, and now it is 36.3 cents a gallon, and they tell us another rise is in progress.* [Emphasis added.]

Heat for the elderly is a must for health's sake. Cost of staples such as flour, sugar, meat, milk, potatoes, fruit, and vegetables are at an all-time high. Costs of electricity, water, sewer, rents, and so on, are going up.

<sup>1</sup> See app. 1, item 3, p. 62.

<sup>2</sup> "Future Directions in Social Security," hearings, pt. 6, May 16, 1974.

That statement was made by Mildred Howard of the Ageless Senior Citizens of Hansen. It seems to me that it sums up the desperate squeeze so many elderly Americans now face, as reported in the recent annual report of the Senate Special Committee on Aging.

Much of the inflationary bite was concentrated in areas which affect them—the elderly—more dramatically. The classic example, of course, was the price of food which surged forward at a near recordbreaking pace of 20.2 percent—in 1973:

*Fuel and utilities increased 11.4 percent, with the bulk of the rise concentrated in the last quarter because of the energy crisis. For the last three months in 1973, fuel and utilities rose at a 7.1 percent level, or 28.4 percent on an annualized basis. [Emphasis added.]*

That was last winter. What of the future?

A few days ago, the Idaho Community Action Program Directors Association issued a statement on "The Poor and the Energy Crisis" That report tells of "people programs" already reduced because of the rising cost of fuel. Their report said:

People are not traveling as much: agencies can no longer help—errands, etc.—as much as before. Where volunteers have been used, there are fewer people being served; and budgets for volunteer mileage are being strained. . . . An agency which counsels people has trouble getting clients to come in. Therefore, less adequate counseling is done by phone. This is especially tough on low-income people.

Another example:

The director of an agency which deals with elderly in Boise, estimates that 60 percent of these people had to turn their heat down, wear sweaters or go without repairs. There are 50 percent more requests for transportation because of fuel costs. The agencies' maintenance costs have doubled.

The association report says that persons interviewed are more concerned about the cost of energy than with shortages. One dealer said that the price of heating fuel will soon go up to 43 cents per gallon, thus fulfilling the prediction made by the elderly witness at the Twin Falls hearing.

Several examples provided by the association are especially poignant:

An elderly couple in their 80's who received \$113 a month Social Security subsisted a large part of the winter on potatoes and oatmeal for some time in order to pay their fuel oil bill.

\* \* \* \* \*

A woman who lives in a small town and supports herself by working in a bar anticipates problems again this winter. She lives in an old hotel and has to use the oven on her stove to supplement the small amount of steam heat the hotel furnishes. Since both gasoline and antifreeze cost so much she plans to drain the radiator and walk to work.

\* \* \* \* \*

An elderly woman living on Supplemental Security Income has medical bills beyond what is covered by Medicare. Because of the high monthly cost of these bills, she is still attempting to pay her fuel oil bill from last winter. Now it is almost October, when heat will be needed again.

The association report, provided to me by the association president, Rick Mabutt, is rich in information; and I ask that it be included in an appendix to the transcript of this hearing.<sup>3</sup> I also ask that a statement made by Madelin Koehler of Coeur d'Alene at a recent hearing

<sup>3</sup> See app. 1, item 1, p. 59.

on FEA policy as it affects low-income Americans also be included in the hearing record.<sup>4</sup> It seems to me that her testimony provides a very moving description of the problems and concern caused by rising energy costs to older persons.

In addition, I am submitting for the record a letter I wrote during the summer to FEA Administrator Sawhill, and his reply.<sup>5</sup> My letter asked whether the FEA had properly staffed and strengthened the Office of Consumer Affairs and Special Impact.

The reply, however, was more concerned with organizational details than with specific proposals that could provide some help this winter.

Another item for the record is an article appearing in the July 15 Idaho Statesman under headline "Operation Heat Removes the Misery of Freezing Winters."<sup>6</sup> It describes an interesting effort to help many low-income elderly make their homes ready for winter. But this pilot project will cover only 450 homes in 6 Idaho counties.

In the face of such need, what has the Federal Energy Administration done to assure that last year's problems will not become worse this winter? Apparently our committee's concern is shared elsewhere.

Sylvia Porter, the noted columnist on economic and consumer issues, had this to say, for example, in a column which appeared in the Idaho Statesman on September 9:

\* \* \* although President Ford has said publicly that the "plight of the low- and middle-income people \* \* \* must be heeded," so far, at least, very little has been done or is being done to meet their desperate needs.

Still to come is a feasible plan to ease the financial nightmare that soaring fuel prices create for those on low or fixed incomes.

The Federal Energy Administration's Special Impact Office, established especially to find solutions to the poor's energy problems, has not developed any long-range plans to deal with the foreseeable difficulties; the office hasn't even compiled much data on the poor's energy needs, according to Ken Bossong, associate with the Center for Science in the Public Interest.

Mrs. Porter's entire article is informative; and I ask that it, too, be added to the hearing record.<sup>7</sup>

I would like to thank Senator Chiles for suggesting that this committee look more deeply into issues relating to the impact of high energy costs and possible shortages upon the elderly.

A start was made in that direction at hearings on transportation this spring.<sup>8</sup> But it seems that those hearings did not galvanize the FEA into action which would enable us to face this winter with more confidence. I am glad that FEA will be on hand to tell us whether this impression is correct. If, however, it is correct, then we on this committee should be even more insistent in demanding action to deal with an urgent problem which will become even more urgent as days shorten and temperatures drop.

#### STATEMENT OF SENATOR HARRISON A. WILLIAMS

Mr. Chairman, I appreciate having the opportunity to appear before this committee for I am deeply concerned about the impact of rising energy costs on the daily lives of older people, and what is being done on the Federal level to protect senior citizens from hardship.

<sup>4</sup> See app. 1, item 2, p. 61.

<sup>5</sup> See app. 1, item 3, p. 62.

<sup>6</sup> See app. 1, item 4, p. 63.

<sup>7</sup> See app. 1, item 4, p. 64.

<sup>8</sup> "Transportation and the Elderly: Problems and Progress," pts. 1-4, Feb. 25, 27-28, and Apr. 9, 1974.



As you know, oil, fuel, and power play an important role in the production of all goods and services, and higher prices of energy are entering into the high cost of production. These higher costs of production ultimately are being passed on to the consumer. The U.S. Department of Commerce reported last week that consumer prices of gasoline and motor oil increased by 38.4 percent between August 1973 and August 1974. Fuel oil and coal increased by 66.3 percent during this period and natural gas and electrical utilities increased by 18 percent. The prices of these items are expected to continue climbing in the near future.

There is a potential shortage of electrical energy power, and currently this country is having difficulty raising capital to expand its electrical power supply. A shortage in this area surely will drive up further the price of electricity. Furthermore, our natural gas supply is uncertain. It has been reported that there will be a natural gas shortage this winter that will be the worst in our history. The alternative fuels for natural gas which are available cost more than natural gas. This means that factories, department stores, services, and electric utilities could be forced to assume higher costs that are certain to be passed on to consumers. Although there should be no natural gas shortages in residential homes this year, there may be a shortage of gas in coming years, especially during seasons of prolonged cold spells.

#### COST INCREASE AFFECT ELDERLY MOST

The impact of high energy costs affect our entire population, but the low-income elderly suffer more than most. Senior citizens as a group are least able to absorb increased costs—either the slow inflationary increases or the soaring increases that occur when there are sudden energy shortages. Every facet of their daily lives is affected.

Many older people who are now paying astronomical monthly fuel costs live in old homes. They are not able to shut out cold temperatures, nor are they able to make the home improvements and repairs necessary to conserve heating fuel. Some resort to wood-burning stoves or fireplaces to supply additional heat. Often the chimneys cannot handle wood fires and pose a serious safety risk for they too are in need of repair. The urban elderly living in apartment houses also must deal with higher energy costs. The increased costs of running elevators, heating and managing their dwelling is passed on to them in the form of higher rents.

Another important area in which high energy costs affect the elderly is transportation. Many people in rural areas and small towns must travel 5 to 20 miles to purchase their groceries and supplies. Those who are able to drive must cope with high gasoline prices. Individuals who relied on friends for rides in the past now are reluctant to ask them for assistance when it costs so much for gasoline. Public transportation has also become more costly. It is clear that older individuals who cannot afford transportation and who are unable to walk to their destination are forced into isolation.

We must also be aware that throughout this country the delivery of essential services designed for the elderly are adversely affected by higher energy costs. Many Federal and local programs call on volunteers to provide transportation for such services as meals-on-wheels,

group meal programs, home-health care, friendly visiting services, and numerous other services which enable individuals to remain independent in their own homes. Volunteers who have difficulty meeting their personal increased costs are forced to forego their volunteer service. Some programs which provide funds for transportation services are having to limit the number of individuals they serve.

I also want to stress that the health of older people is gravely affected by higher energy costs. There are more cases of flu, colds, and bronchial conditions among the elderly during winter months. Individuals suffering from arthritis and many other disabling illnesses are severely affected by cold temperatures.

#### ENERGY COSTS AFFECTS NUTRITIONAL HABITS

Finally, it should be pointed out that the nutritional habits of older people are often tragically impaired by the burden of high energy costs. I do not have to discuss before this committee the stories we all have heard about older people turning to pet food for survival. During inflationary periods, people on limited incomes use money set aside for food to meet pressing bills. As a result, their diets suffer which causes other multifaceted and interlocking problems. Moreover, the cost of food continues to skyrocket which further intensifies these problems.

We cannot overlook the fact that the suffering to older persons caused by increased energy costs is extensive. Senior citizens are least able to do anything to help themselves due to their limited incomes.

Too little is being done on the Federal level to seek immediate solutions to their clear-cut problems. Who is looking at the real impact of high energy costs on the elderly? The Federal Energy Administration was established to focus on this Nation's energy problems. But it has done little for the elderly other than to provide a place where older people may vent their feelings. The same seems to be true of other Federal departments and agencies. We know that business people throughout the country have been expressing deep concern about the effects of high energy costs on their particular business. They have been meeting with Federal officials, and Federal officials have been listening to them and acting in their behalf. The Federal Government also must listen to the desperate needs of the elderly, and act accordingly. It should be quite clear that cooperative efforts among the various agencies of Government will have to be made over the next few months and even years in order to deal with the financial crises created for older people. We are acting to meet the needs of other members of our society. Our senior citizens must not be left out in the cold.

I wish to commend Senator Chiles for conducting these hearings on "The Impact of Rising Energy Costs on Older Americans." The subject is vital and most timely. As winter approaches, many of America's elderly are rightly concerned about how they can buy both food and warmth. Prices have skyrocketed, and little has been done to provide for the basic human needs during this critical period.

During hearings that I conducted in New Jersey last January,<sup>1</sup> Mr. James Pennestri, director of the New Jersey State Office on Aging, predicted that the increased cost of energy would have grave con-

<sup>1</sup>"Adequacy of Federal Response to Housing Needs of Older Americans," Jan. 17, 18, 19, 1974.

sequences on his State's elderly population. The future mentioned by Mr. Pennestri is now the present.

Energy costs have soared to new highs, and time is running out. If the Federal Government does not take positive action to meet this problem, we face significant personal hardship and sacrifice. The present situation makes the shortages of last year look like mere inconveniences.

Joe Davis, a retiree who now belongs to an activist organization called the Gray Panthers, puts this issue in hard-hitting terms:

What really hit the old folks across the board, during the acute energy shortage, real or not, was the new dimension to the already spiraling inflation of rent increases and higher food prices. Already bearing the price rises with a mixture of passive agony and incipient rage, these people were asked to suffer more by turning down their thermostats, and at the same time to pay more for their heating fuel.

In my home State of New Jersey we rely heavily on fuel oil for heating. The price of heating oil has doubled in the last 18 months. To people on fixed or low incomes the choice might very well be: What is more important, food or warmth?

This choice is too harsh for our Nation to tolerate. I am sure that these hearings will suggest corrective action, and that this action will be taken quickly enough to have good effect this winter.

Senator CHILES. On our first panel, we have Mr. S. David Freeman, project director, The Ford Foundation Energy Policy Project and author of the book "Energy: The New Era." He is accompanied by Ms. Katherine Gillman.

Also on that panel is Mr. Alvin Arnett, former Director of the Office of Economic Opportunity; the Honorable William (Bill) H. Bevis, chairman, Florida Public Service Commission; Mr. Cyril F. Brickfield, legislative counsel, American Association of Retired Persons/National Retired Teachers Association; Mr. Ronald H. Brown, director, Washington Bureau, National Urban League; Mr. Ralph W. Carey, member, board of directors, National Association of Housing and Redevelopment Officials; director, Housing Division, Metropolitan Dade County; Mr. James Feldesman, counsel to Energy Policy Task Force, Consumer Federation of America; Mr. Rudolph T. Danstedt, assistant to the president, National Council of Senior Citizens; and Mr. Max Friedson, president of the Congress of Senior Citizens, Miami, Fla.

Mr. Freeman, we will open up our discussion with you. You have been very helpful to our committee and very helpful to the Congress in trying to educate us on some of the energy matters.

**STATEMENT OF S. DAVID FREEMAN, PROJECT DIRECTOR; THE  
FORD FOUNDATION ENERGY POLICY PROJECT; ACCOMPANIED BY  
MS. KATHERINE GILLMAN**

Mr. FREEMAN. I was glad to accept your invitation because the hearings this morning deal with a vital element of our Nation's energy policy.

The Federal Government has not yet formulated a coherent energy policy but most of the concerns such as environment, foreign policy are at least part of the debate. Yet the very serious impact of rising

prices on lower income citizens has received very little attention. Proposals for reform of energy policy from the Executive have stopped short of dealing with the real hardships from soaring energy prices suffered by millions of American people.

The most rapid price increase has been in fuel oil for home heating—where the price has actually doubled in the last 18 months. There are 2 million poor households that use fuel oil alone to keep warm. These families face an energy crisis this winter whether there is an Arab embargo or not. If this winter is severe, many millions of Americans will be left out in the cold in more ways than one if Government continues to turn its back on them.

I, therefore, welcome these hearings and hope they will result in bringing the issue of human welfare into the energy crisis solution package.

I am delighted to have the chance to speak out on a problem that affects human beings in a very adverse way. I will describe some of the facts we have uncovered as to the role of energy in the lives of lower income citizens and suggest some governmental actions that are needed to overcome a real energy crisis that poor people face. Let me add that the opinions I express are personal and not necessarily those of the Energy Policy Project I direct, whose final report entitled "A Time To Choose" will be published next month.

Rising energy prices have a very different meaning to the well-off, the middle class and the poor. Better off Americans can absorb the higher prices by cutting back on luxuries. They are also better able to cut back on their use of energy. For example, as natural gas prices jump up, the rich suburbanite can stop heating his swimming pool. The construction worker who is hit by gasoline price rises of 50 percent in a year can often join a carpool. But an elderly couple just getting by on social security may suffer worse than inconvenience when the price of propane to heat their home doubles. They may not be able to pay for enough fuel to keep warm.

The poor have little leeway in their use of energy. They use less energy than other Americans; they use it almost entirely for the basic essentials—heat and light, water heating, cooking, and refrigeration; and they pay higher prices for what they use. Admonitions to "dial down" to 68 degrees are unhappily ironic to older Americans who stay at home all day in winter to keep warm and are struggling to pay for enough fuel to keep their dwellings above the chill point for them.

According to a survey which the Washington Center for Metropolitan Studies made for the Energy Policy Project, poor people use only about half as much natural gas, electricity, and gasoline per household as the well-to-do. The "poor" as the Washington Center study defines them, have an average family income of \$2,500; 70 percent of the group have incomes below \$3,000. Typically, these families number two to three people, and they include a disproportionate share of the elderly. The lower and upper middle classes average \$8,000 and \$14,000 yearly income, and the well-to-do, \$22,500.

Yet, 15 percent of a poor family's income goes for these energy items, compared with 4 percent for the well-off. Middle income people use an intermediate amount of energy, and typically spend 6 to 7 percent of their family budgets for it. Energy, like other necessities of life such as food and housing, eats up a considerably larger share of the poor family's income than the more affluent family's.

## AFFLUENT CONSUME MORE ENERGY

Well-off families use, on the average, 50 percent more natural gas, twice as much electricity, and five times as much gasoline as the poor. It is not surprising that the disparity in energy use among income classes is greatest for gasoline, least for natural gas, and in between for electricity. The uses of natural gas are generally the essential ones of heating and cooking; those for electricity include basics plus some of the frills; and gasoline has the widest range of uses, from necessity to luxury.

The poor are more likely than other Americans to live in apartments; they have fewer rooms and windows in their homes, and their rooms and windows are smaller. All these characteristics of poorer homes save fuel. But some other features of the homes of low-income people have the opposite effect. More than half the homes in which poor people live have no insulation at all. This compares with 8 percent for the well-to-do. Similarly, only about 30 percent of low-income homes have storm windows, compared with two-thirds of affluent homes.

These facts help explain why the poor use more fuel per square foot of housing than other income groups, and why the disparity between rich and poor for consumption of home heating energy is not greater. Unfortunately, those who can least afford to waste energy suffer the worst unnecessary heat loss from lack of insulation.

Low-income renters—and half of the poor are tenants—are rarely in a position to demand quality buildings or energy-saving improvements from their landlords. As for homeowners who are poor, it is very difficult for the poor to raise the capital for such money-saving, energy-saving investments as insulation which pays for itself in fuel savings in a few years.

In lighting as well as heating, poor families use less energy than the well-to-do. The Washington Center's survey found that the lower a family's income, the more likely they are to keep only one or two rooms lit in the evening. That level of use leaves very little room for cutting down.

Appliance ownership also reflects income differences, as would be expected. Nearly all households have a stove, a refrigerator, and a television set, which is every man's entertainment in America. For amenities like dishwashers, ownership declines sharply with household income.

Yet it is striking that several appliances that go beyond the bare necessities, such as clothes dryers, color TV's, and air-conditioners, are owned by a fifth to a quarter of poor families. This may reflect, in part, the fact that a large class of the poor; that is, the elderly, once had higher incomes. It also says something about poverty as a relative condition. Many of the poor in America are well off in some ways, including energy use, compared with the poor in the rest of the world.

The greatest energy gap between rich and poor is in the consumption of gasoline for transportation. The poor have many fewer cars than the well-to-do, and those who do have them drive many fewer miles. The poor number 18 percent of all families, own 9 percent of the cars, and use only 5 percent of total gasoline consumption.

Almost half of low-income families have no car. Among the well-to-do, two or more cars per household are the rule; 80 percent are

multicar families. The poor families who own cars drive them, on the average, half as much as other Americans—5,000 miles a year, compared with the national average per car of 10,000 miles a year.

### POOR DO LITTLE PLEASURE DRIVING

This disparity arises because poor people do little pleasure and convenience driving, and in general do not take many long trips. Fewer than a third of heads of families among the poor took auto trips of more than 100 miles in the year of the Washington Center's survey, 1972-73. This compares with 60 percent for the average family, and 85 percent for the well-off. Airplane travel, which is the least energy efficient of all ways of traveling, is uncommon among the poor.

What poor people do use their cars for is to get to work. Most heads of households, rich and poor alike, go to work by car—84 percent of the poor to 91 percent of the well-to-do. And most of these workers, whatever their income level, drive by themselves, without carpooling. There are 1 million poor people who drive 30 miles or more round trip to work each day. This fact should be kept in mind when we talk of adding 15 or 20 cents to the gasoline tax. The main reason they use cars is that they have no other choice; 70 percent of auto commuters report that public transportation is unavailable, either at home, or at work, or both.

Where public transportation is available, the poor are the main customers. A recent study of the bus system in Washington, D.C., showed that the average bus rider makes between \$3,000 and \$6,000 a year and is a "captive rider," with no choice other than the bus. According to the Washington Center Survey, more than one-quarter of the poor would have to give up visiting friends and relatives, or shopping around for better buys in more distant stores, if they could not use public transit. Though most heads of families, even among the poor, drive to work, other family members get to work by bus. The elderly in particular use this energy-efficient means of transport.

One further important finding from the survey is that besides paying a big share of their family income for energy, the poor also pay more per unit of electricity and natural gas than prosperous families. This is because electricity and natural gas prices are structured that way—the more you use, the lower is the unit rate. The poor pay higher prices precisely because they use less.

Taken altogether, Mr. Chairman, these survey results tell us that the poor, prominently including the elderly, are the most frugal users of energy in proportion to their numbers, but pay a great deal for it in proportion to their incomes.

What does this suggest for public policy? First of all, it suggests that government should be sensitive to what horrendously-rising energy prices mean to the poor, and to the near poor as well.

It is just not good enough for oil company presidents, academic economists and energy policymakers to tell us that the so-called free market will eventually sort things out, that higher prices will in time elicit more supplies, and dampen demand. There is the basic question of whether the market is really free. The main competition at the moment seems to be a race to see how fast domestic fuel prices can reach the ever-rising ceilings fixed in Vienna by the oil-producing nations.

## URGENT NEED FOR PRICE CONTROLS

There is an urgent need for price controls on oil and natural gas, and perhaps coal too, to roll back prices to levels that reflect producer costs and a reasonable profit for domestic production. As it is now, the energy producers are enjoying excess profits of billions of dollars at the expense of consumers.

If I might digress a moment, it would seem far more effective if our President and energy policy leaders would practice price controls at home at the same time they preach it to people halfway around the world. It seems to me, if we were very serious about keeping the price of energy under control, we would not be preaching unlimited price increases for domestic producers at home and practicing it.

A little bit of price control on the homefront would perhaps go a long way toward providing a yardstick and a ceiling to which world prices might be rolled back.

At any rate, it would be far more effective to the world and to the American consumer, since 85 percent of our energy is homegrown and only 15 percent is imported.

But even if there were price competition and the excess profits could be eliminated, the Nation still faces high energy prices. I for one believe that energy should be priced on the basis of its real cost to society so that the price will be a signal to industry and individuals to use it more frugally. But that doesn't mean we can ignore the human dimension.

The price system may well be a useful device to allocate scarce energy resources to middle and upper income citizens who have been using energy lavishly. But higher prices bear cruelly on the poor who, as we have seen, use energy for necessities, have little or no opportunity to cut back on their use and don't have the money to pay the higher price without suffering and real hardships.

It is too much to ask of energy policy to solve the problem of the "Other America" who share so little in the fruits of our rich, productive society. That requires more basic measures, such as a negative income tax. But energy policy cannot ignore these problems either because the price increases are very real and the basic reforms to achieve a more equitable distribution of income are not taking place.

What energy policy can do is both to mitigate the impersonal harshness of the market mechanism, and to address constructively problems that the market leaves untouched.

The poor, as it is, waste little energy if they can help it. Yet genuine conservation can aid the poor as well as all classes of consumers. There is no good sense in the poor or anyone else throwing energy and money out the window for lack of insulation, or tossing it in the street from the exhaust pipes of gas-guzzling cars. Wasteful, inefficient appliances are no more reasonable.

## MONEY SAVINGS POLICIES

Governments, beginning with the Federal Government, can adopt policies that work toward real, money-saving conservation for the consumer. Among these policies are:

(1) Making credit easily available, especially to low-income families, to install insulation, weatherstripping, and storm windows in ex-

isting homes. A specific Federal loan fund is needed as well as a program to enable consumers to repay the loan out of savings in their energy bills.

(2) An immediate action program 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.

(3) Upgrading standards for federally insured mortgages, so that new homes are better insulated.

(4) Abolishing utilities promotional rates, which charge lower unit prices for greater volumes of use, unless they are very clearly cost based. These rates both penalize the low-income user, and encourage wasteful consumption.

(5) Making it mandatory to label major appliances, in terms easily understood by consumers, to inform buyers of the energy and dollar costs of operating them.

(6) Increasing the Federal funding for mass transit rather than trimming back spending programs out of a false sense of economy.

(7) Setting performance standards for automobiles which require new cars to meet minimum levels of fuel economy. This, by the way, Mr. Chairman, would have been a very important message that our President could have delivered in Detroit yesterday. The benefits of this policy would take several years to filter down to low-income buyers, who tend to buy used cars. This makes it all the more urgent to enact standards as soon as possible.

These programs to conserve energy would help to alleviate hardships in the years ahead. But they still fall short of meeting the extra burden of soaring energy prices for low-income citizens this winter. Low-income citizens need an energy inflation credit—a cash grant to offset the extra cost of energy needed to keep warm and for other necessities. I therefore suggest that the Government immediately supplement existing programs with a cash allowance of \$10 per month per household for those in the lowest income category of an average family income of \$2,500.

It is not necessary further to unbalance the Federal budget to pay for this kind of emergency aid. It is high time, for many reasons, to remove the tax subsidies which energy producers have long received—depletion allowances, expensing of intangibles, and unwarranted use of the foreign tax credit.

The opportunity is very, very proficient. Energy income, cash flow, and profits are excessive to the tune of billions and billions of dollars. By eliminating these tax subsidies, we could bring the money into the Treasury and the extra revenues from the elimination of these subsidies could more than pay for what is needed to insure that poor people in this country have the minimum necessary to get to work, cook their food, keep the lights on, and stay warm.

Thank you, Mr. Chairman.

Senator CHILES. Mr. Freeman, I want to thank you for a comprehensive and outstanding statement. I am delighted to hear your references to the fact we should concern ourselves with the OPEC nations. I am convinced that we should. I am concerned that we are allowing the OPEC nations to capture all of the dollars of the world and with the effect this is having on other countries.

It does appear, as you have stated, this situation is going to affect many other countries even more drastically than it is affecting us.



However, while we are concerning ourselves with this problem, we are at the same time allowing the domestic oil companies here, and our international companies, to run their prices up and up and up.

#### LITTLE ACTION TAKEN

We have done nothing about an excess profits tax, nothing about requiring any rollback of prices. In fact, it still appears the administration is talking about how you get those prices higher and higher and all I hear Mr. Sawhill say is how quickly we want to get out of controls—what small existing controls we now have on the oil—and he wants to be able to remove those. And yet we have seen what happens when there is no control over the new oil; it has quickly found its way to the world price.

Mr. FREEMAN. I think it is important that the American people know the OPEC nations expressly stated the reason for the last price increase was the exorbitant oil profits of the oil companies. They stated, in a sense, that if the American Government and the other consumer governments were not going to take the excess profits away, they were going to take them away through a price increase. I think it is extremely important that this aspect of the situation be understood.

There was a comment, in the last administration, several years ago, to watch what they do, rather than what they say. I think if we practice some price controls at home, we would be in a far better position to persuade people around the world to bring their prices down to the level we are maintaining domestically.

As it is, we seem to be in a very poor position in preaching to people halfway around the world. Many nations have a far lower per capita income than we do and their only resources is the oil.

Senator CHILES. I think we have, in effect, for the American people transferred the problem so that it is all the fault of the OPEC nations, that this is the reason for all of the increases. While I find it difficult to answer my constituents and say why is it that we are letting a few small nations hold us up like this, why we don't do something about it, the answer that is more difficult, is why are we letting our own oil companies hold us up like this.

We do have the ability to do something about them.

In the case of, say Saudi Arabia, Morocco, Libya, if we tried to cut off food supplies, they can take their dollars, go to the world market and buy food, so it is much more difficult to say what kind of controls we have over them. But here we exercise absolutely no controls and have no power, it seems, to exercise any kind of control over our own oil companies.

If we cannot do that, how in the world can we talk about what we are going to do to some foreign nations.

Mr. FREEMAN. Yes, Mr. Chairman, it is misleading to the American people to suggest we have more power than we have. It might very well be useful to face up to the fact that nations whose only resources is the oil have sovereign control over it. I think the move for self-sufficiency in this country is a very good move. Unfortunately, we had an opportunity to move much more strongly in that direction but the energy crisis was prematurely declared to be over last spring, when we

were on the verge of achieving something approaching independence, not in the 1980's but—when it is very important—in 1974, 1975.

What really is disturbing is that we are not building up stockpiles at the moment. We are 1 year older and roughly in the same position that we were in a year ago, without having learned any lessons.

#### NATIONAL PLAN NEEDED

Senator CHILES. I am convinced the American people right now would be willing to go further in a conservation program if we just had a national plan and said this is the reason we need this conservation program and this is the fair way we are going to do it.

Mr. FREEMAN. The problem was right there in Detroit yesterday when he did not address himself to the fuel economy of the automobile industry, where we can achieve enormous savings over the next years and achieve independence.

Senator CHILES. Yes; there must be a major emphasis on achieving fuel economy in the automobile design process.

Mr. FREEMAN. You just take simple arithmetic for automobiles with 12 miles per gallon and we could cut the average gasoline per car in half simply by adopting a national commitment to doubling the gasoline mileage of each new car. That is the shortest road to this independence.

The other is by a "Drain America First" policy that we have pursued in the last two decades. We may succeed in that and become the first industrialized nation to have completely exhausted its own resources. That is our goal, as matters now stand.

Senator CHILES. That is the rush to offshore oil, to see how quickly we can drain our offshore oil.

We have some more questions but I want to get to the rest of the panel. Mr. Arnett, I am going to call on you next.

I am going to excuse myself and I wish you would give part of your statement for our record. I have three bills pending in committee upstairs that I think I can get out very quickly and this is our last meeting so I will be right back.

#### STATEMENT OF ALVIN ARNETT, FORMER DIRECTOR OF THE OFFICE OF ECONOMIC OPPORTUNITY

Mr. ARNETT. When I was here last spring, my statement was rather brief. It was consistent with the then life expectancy of OEO. Fortunately for poor people and for the elderly, the death notice for the agency was indeed premature.

Just last week, to the Labor and Public Welfare Committee, from the subcommittee, came a 3-year extension of OEO, with a flock of new features, including a new emergency energy conservation services section. If that good fortune continues, emergency programs that were initiated last winter during the energy crisis to ease the plight of the poor and the elderly can now be expanded.

And they will need to be expanded, because there is little question that the poor and the elderly face a winter of very serious hardship. Whether or not there are official national "shortages" of fuel this winter, you can be sure there will be shortages in the fuel tanks, the stoves,

and the furnaces of the poor and the elderly. They will face increases in fuel prices of from 100 to 400 percent, and in some cases even higher.

In Kentucky, where 135,000 occupied dwelling units heat with coal, the price has risen in the past 2 years from \$6 per ton to over \$30 per ton, and in at least one case was reported to be \$52 per ton.

In most areas bottled gas is up at least 300 percent from the cost two winters ago, and the price of heating oil has at least doubled. In addition, the high cost of gasoline will mean that many rural people—particularly the elderly—will be unable to travel to buy food stamps or to get needed medical services, and the volunteers and outreach activities which have been so important to their well-being will be curtailed.

It is quite clear that without subsidies of some sort, and funds available for emergencies in most communities, many poor people and particularly elderly poor people will suffer severe hardship during the coming winter, and will be forced to make cruel choices between necessities.

#### ADDITIONAL SUBSIDIES CREATE PROBLEM

This brings up a serious problem for all those receiving any kind of assistance or supplementary income, eligibility for which is tied to need or income level. Because the costs of fuel have risen most dramatically, the basis for payment of heating costs is in most States woefully out of date. The problem is that any attempt by local authorities to make up for this with extra payments is likely to run the risk of reducing the recipient's eligibility for benefits, or, in the case of welfare, if the extra payment goes beyond what the State has determined under HEW regulations is 100 percent of the need, of reducing the Federal reimbursement to the State.

For example, in Wisconsin, which by most standards is a progressive State, the need for heating fuel for a family of four has been determined to be \$32 per month for 6 months out of the year. This is clearly too little at current prices, and most families are paying more than \$40 per month.

If a family is receiving 100 percent of need, as they are in Milwaukee, where the State and Federal payment equals 82 percent and the local authorities make up 18 percent, then each dollar that might be paid to a family to help them pay their fuel bill—each extra dollar—would reduce by \$1 the Federal reimbursement to the State of Wisconsin.

The result is that the extra dollars do not get paid; and the poor and the elderly either use food money to pay for heat, or don't pay their gas bill and hope the gas won't be shut off. That is why in Milwaukee today there are 2,900 families—poor families—who heat with gas, who currently have their gas shut off because of inability to pay their bill. The temperature night before last in Milwaukee was 28 degrees.

Clearly something must be done about this situation; either the determination of need should be updated to reflect the increase in fuel costs, or supplemental payments for fuel should be exempted from adversely affecting either eligibility or Federal reimbursement.

This is something you may wish to discuss with the representatives of HEW and other agencies at tomorrow's hearing; because the major

resources of the Federal Government—and of State and local governments as well—must be free to respond to these needs.

Last winter, community action agencies across the country, using what little resources OEO could make available, and often taking money from other important programs, responded magnificently to the critical needs of the poor and the elderly with hot lines, emergency fuel supplies, clothing, and carpools. But in most places last winter was mild, and the full effect of rising prices was not felt until near the end of the winter. This year stopgap measures will not suffice.

#### HOME-WINTERIZING PROGRAM

Of the many efforts to help the poor through last winter, the most visible of OEO's undertakings was the winterizing of homes, literally buttoning out the winter cold. In Maine, where we funded Project F.U.E.L.—Fuel for the Underheated Elderly and Low/Income—between 5 and 10 percent of the substandard housing in that State was winterized. The cost of materials to “cap”—that is, insulate the roof, windproof the windows with plastic covering, and “bank” the bottom—averaged \$100 per house. Much of the labor was volunteer. To expand that program nationwide would cost in the neighborhood of \$80 million; that is, to winterize 5 to 10 percent of substandard housing nationally.

Because so many substandard houses need more major repairs than just capping and storm windows to make them weatherproof, and because so many are situated in areas served by the Farmers Home Administration, OEO last year pursued an arrangement with the Farmers Home Administration whereby community action agencies across the country would assist in the packaging and processing of applications for FHA section 504 rehabilitation loans. The committee might wish to inquire tomorrow of agency officials as to the continued use of these loan funds.

Last winter OEO nominated, and Mr. Simon appointed, three representatives of the poor to the Consumer Advisory Committee of the then FEO. OEO committed \$40,000 to supply technical backup to these representatives of the poor. I understand the advisory committee is now inactive. The committee may want to inquire of the agency officials tomorrow as to participation of the poor in the deliberations and rulemaking of the Federal Energy Administration.

A new special emphasis program incorporated in the OEO continuation bill recently reported out of subcommittee to the Labor and Public Welfare Committee—the Headstart, Economic Opportunity and Community Partnership Act of 1974—would greatly expand the role of OEO in energy programing and advocacy. Beyond the present language in that section—emergency energy conservation services—I think it very important for the poor and the elderly that a clearer interagency role for OEO be defined, particularly, given the requirements of section 18 of the FEA Act of 1974 that the FEA consider the impact on the poor of its programs and regulations.

I should like to suggest that the new legislation include a provision for evaluation and comment by OEO of the potential impact on the poor and the elderly of any proposed FEA programs or regulations, prior to their implementation or publication in the Federal Register;

and, in fact, I should like to suggest that these OEO comments be published in the Federal Register along with the proposed program or regulation. Most people are not aware of the special needs and problems of the poor and the elderly, and if publication is to mean anything, those for whom it is intended should have the benefit of this special knowledge.

#### OEO PUBLICATIONS

Finally, in closing my remarks, I should like to make available to the committee copies of three publications distributed by OEO last winter as part of its energy-related activities.<sup>1</sup> *Let Them Freeze in the Dark*, a piece funded in part by the Ford Foundation and OEO; done by the Washington Metropolitan Study Center, a research piece, the final report of which you asked for last spring, is now available for your use.

There is no way that most people in general, poor people and the elderly in particular, can really cope with the complex rules that swirl around energy and the crisis of energy. We attempted last year to help the consumer participate in and respond to the emerging rules. *Coping With the Energy Crisis* was the first shot at that. I would like to say it is a continuing process.

Jim Feldesman who worked on that for us last year, I am sure, will report further on it.

The other, *The Great Energy Crisis of 1973-74*, reports the role played by OEO last winter in an almost ad hoc fashion as it lay on its deathbed. The final report of the premier undertaking, Project F.U.E.L., I think the committee will find information in these four reports that will be quite beneficial to its deliberations and findings here.

Thank you.

Mr. ORIOL [presiding]. Senator Chiles indicated we should continue and he will make every effort to be back as quickly as possible.

My name is Bill Oriol. I am the Committee staff director, George Cronin is the professional staff member who has done the work on this hearing, and John Guy Miller is the minority staff director, and we will continue.

You mentioned that 80 million to apply to make Project F.U.E.L. a national project is a rough estimate?

Mr. ARNETT. That is a straight extrapolation of the Maine undertaking. We winterized roughly 3,000 homes in Maine.

Mr. ORIOL. That was 3,000 in Maine?

Mr. ARNETT. In Maine.

Mr. ORIOL. Do you have any estimate as to the total need for this kind of winterizing nationwide?

Mr. ARNETT. We start with a base of roughly 4 million substandard homes. Last year, we tried to make a count of homes in the temperate zones only and that got us into a great deal of difficulty with people from north Texas.

Mr. ORIOL. Florida?

Mr. ARNETT. North Florida, too, where it gets just as cold as here. In fact, on some of our trips down through north Florida and south Georgia, I saw a great deal of plastic over windows down there.

<sup>1</sup> Retained in committee files.

We are probably talking about in the neighborhood of 2 to 4 million homes but these are all ballpark guesses. The 80 million figure is just exactly that, guestimate, a straight extrapolation.

Mr. ORIOL. Do you have any estimate on fuel savings that Project F.U.E.L. caused to occur in Maine?

#### PROJECT F.U.E.L. ABETS CONSERVATION

Mr. ARNETT. Well, it was an exciting figure. Most importantly, the \$280,000 spent for winterization materials, and that is all that was spent, just on materials, not including labor and all sorts of other undertakings, enabled almost 3,000 disadvantaged families to save 2 to 3 times that amount in fuel bills.

Engineering estimates proved that up to 1 million gallons of fuel and kerosene were conserved by Project F.U.E.L.

Mr. ORIOL. Do you have any idea of what that would be nationally? I guess we would have to do some fast arithmetic.

Senator CHILES, I was about to ask Mr. Arnett about the comment he made that the OEO extension bill reported from a subcommittee of the Labor and Public Welfare Committee included a provision for an energy conservation—emergency energy conservation program—and I was going to ask whether that roughly is Project F.U.E.L. on a broader basis and what is your estimate as to the timetable of possible congressional action.

Could this get out in time to do some good this winter?

Mr. ARNETT. At the rate things are going, I would say it would. This is a hot political issue and no one felt the heat more than me.

We had an indication Wednesday, 2 weeks ago, in fact, it was reported in Evans and Novak a couple of days ago, there are indications of a Presidential signature for an extension for OEO.

The section about which I commented was one that was added into what amounts to a compromise bill extending OEO for 3 years. It is working on the Senate side now.

We will remember last May 29, where we had that resounding vote in the House to continue the community action programs. This one will go beyond that.

It will, this particular section will indeed do F.U.E.L. projects nationwide. It will do even more. One of the things we found was giving us trouble, trouble to the elderly, was that our Meals-on-Wheels programs were being cut back. They could not get fuel on Sunday and we were finding 55-cents-a-gallon gasoline, some places 60-cents-a-gallon gasoline. These meals simply did not go out to the elderly poor last year. The provision in the bill working in the committee now would cover that, all sorts of emergency-related problems.

Senator CHILES [presiding]. Do you have an indication the administration is going to sign that bill?

Mr. ARNETT. The indication is that the administration will sign the bill the House passed, that will transfer these undertakings to HEW. What is working in the Senate now is different from that.

It calls for the President for next July to submit a reorganization plan, if he does want it sent to HEW, and there are indications that that is probably acceptable.

Senator CHILES. Well, then, would you speculate that OEO will be less active this winter than last?

Mr. ARNETT. I would speculate that it would be much more active. Last year, we just did it with spit and string. We used Community Action money. They diverted Community Action money that would have gone to other purposes for energy-related purposes. This year, already \$1 million has been set aside for the purpose.

#### LACK OF FUNDS LIMITS ACTION

We had requests in OEO for Maine-type projects that would have cost us something like \$40 million to do. We only did three of them; that was all of the money we had.

We did New Hampshire, Vermont, and Maine. We did not get down to Florida, we did not do north Texas, we did not do Atlanta and all of these "warmer" places.

In Jacksonville, a very interesting project was developed. They had deposits or I guess tankages, 5-gallon cans of fuel oil and kerosene for emergency purposes.

When the cold struck Jacksonville and the fuel trucks passed folks by, at least the Community Action agencies could respond with emergency fuel.

While you were gone, Mr. Chairman, I said an emergency could really be dealt with in two ways: Either straight money subsidy or "in kind." You either put the fuel out there for them or somehow, you subsidize to make up the differences in costs. We have labored over this one for almost a year and we always come back to those same two solutions; somehow you are dealing in money or you are dealing "in kind" and it is almost as simple as that.

Senator CHILES. Mr. Bevis?

Mr. BEVIS. I do appreciate your inviting myself up to make a few comments on the rising energy costs to our older Americans.

Senator CHILES. I am delighted to have you appear as I have heard repeatedly from you and Mr. Mayo, too, and I am sorry he could not appear today.

I know you are all on the firing lines as members of the public service commission, and because of that I really am pleased to hear from you on how that plight is affecting people all over Florida.

#### STATEMENT OF WILLIAM H. BEVIS, CHAIRMAN, FLORIDA PUBLIC SERVICE COMMISSION

Mr. BEVIS. Senator Chiles, I was in a bit of an unusual situation. I am talking of the commission.

We must stand straight up between the consumer on the one hand and the providing of services; between that and the company providing the services and it has been a real struggle, would you believe, this last year.

I would like to say I brought several members of my staff: Mr. Tommy Stevens and Mr. Joe Jenkins is attending another meeting.

We have Mr. Don Weidner from the newly created office, the public counsel for the State of Florida, and, of course, Mr. Max Freidson came up from Miami.

The Florida climate has attracted many retired people to the State and they are continuing to come. The State's population in 1973 was up by 5.5 percent over the previous year to an estimated 7,845,000 persons.

Obviously, all who come to Florida are not retired people, but many of them are and the 65-and-over population is about  $1\frac{1}{4}$  million.

Many of these people are living in substandard insulated motor homes throughout the entire State of Florida and contrary to what a lot of people believe, because they are not insulated too well, they consume a lot of electricity.

We are hearing from many of those retired people—by telephone and letter—every day about what the increased price of electricity is doing to them. Many have described the impact with one word: Devastating. I do not think that is any exaggeration.

The St. Petersburg area has attracted many retired people and that area is served by Florida Power Corp. This month, customers of that utility are paying a fuel adjustment of  $1\frac{1}{2}$  cents per kilowatt-hour and this is due totally to the high price of oil the utility uses to generate electricity.

Unfortunately, this thing slipped up on us and this company operates about 88 to 90 percent of its generation by foreign oil, whereas F.P. & L. generates about 50 percent with foreign oil, 25 percent natural gas, and 25 percent nuclear. This does make a difference in the fuel oil adjustment.

Less than 2 years ago, in December of 1972—that utility was buying oil at \$1.68 per barrel. Today, it is paying \$10 to \$12 a barrel, and the increased price has been reflected by a steadily rising fuel adjustment that has increased from less than half a cent per kilowatt-hour in January of this year to the present  $1\frac{1}{2}$  cents.

To put it in dollars and cents, in January of this year, a customer who used 1,000 kilowatt-hours—and incidentally, that is about the average of an individual in the State of Florida—of a thousand kilowatts monthly, which is the average monthly residential consumption in Florida—paid a base rate of \$20.87 plus a fuel adjustment of \$4.45 for a total of \$25.32. This month, the same customer paid a base rate of \$22.07 plus a fuel adjustment of \$15.05 for a total of \$37.12.

In Jacksonville, which has a city-owned electric system, the fuel adjustment has been 2 cents per kilowatt-hour since early this year and the price of 1,000 kilowatt-hours there is \$38.38—including the fuel adjustment of \$20. The price of electricity there has more than doubled as a result of oil price increases.

What can you say to someone like the woman who called recently and explained that she had come to Florida with her husband to spend their retirement years and who said that her husband has lung trouble and requires air-conditioning day and night? For him, it is not a luxury, it is a necessity.

Of course, I honestly believe that air-conditioning has meant far more to the State of Florida than most people realize. I am an old native Floridian and I can remember not many years ago, when you could see, "come inside, it is 20 degrees cooler," on our theaters. It is not that way any more. It is a necessity of life.



I can well remember putting on a clean outfit in the morning and by 10 o'clock, I needed another outfit. Florida has become a very delightful place with air-conditioning, but unfortunately, it is the culprit because our air-conditioning season in Florida reaches about 9 months. It is a rather expensive necessity of life.

Senator CHILES. I think you can also remember when you could shoot a gun in Florida and not hit anybody because the hotels were open just 6 months out of the year and our tourist season was strictly in the winter and not in the summer and now that season has turned around. We have more people in the summer than we usually do in the winter.

Mr. BEVIS. This is correct and our peak season in Florida, contrary to what it is in this part of the winter, is August and September. We are just now finding—figuring to top the hill and go down because we are getting our bills now for August and September and it should start decreasing as far as September and October but September is a—one of the hottest months.

#### FIXED INCOMES SUFFER FROM RATE INCREASES

This lady who called said the increased price of electricity is taking more and more of their monthly social security check, leaving little for all the other expenses. They have to make this decision about once a month between choosing a loaf of bread or paying the electric bill.

Or what do you say to the widow of 77 in St. Petersburg—and there are thousands like her—who said she had thought until recently that she was financially comfortable, but the rising price of electricity is taking a bigger and bigger bite of her monthly income.

In most instances, we find that these are people who are making efforts to use less electricity in order to reduce their bills.

I know I have used mine less and less this summer, just to cut down on the cost of electricity.

I can tell you that it is small consolation to these people to tell them they might be paying even more if they lived in Baltimore, or Boston, or Cleveland, or New York City. It is hot. They need air-conditioning.

We in Florida are heavily dependent on fuel oil for electric power, and it is small consolation to these people to tell them that if the price of oil came down the price of electricity would also come down.

Few people realize that 55 to 60 percent of the cost of generating electricity is the energy that is used. About a year ago, it was 45 to 48 percent but today, it is 55 to 60 and this is due to the cost of oil they were having to buy overseas.

What is the answer for these older Americans whose dollars are being eroded constantly by rising prices?

I think this is a problem not just in Florida but a national problem that deserves priority attention.

Should we provide the first 400 kilowatt-hours per month at less than cost, as some have suggested?

To that suggestion, others reply that this is an attempt to achieve social objectives through ratemaking

We have Federal food stamp programs and commodity programs for low-income Americans. Perhaps we are reaching the point, as Mr. Arnett said, that we will need a Federal "energy stamp" program to

insure that low-income Americans are assured of at least the minimum energy requirement for their homes.

Energy is a necessity of life. Refrigeration is an example of a necessity, unless we go back to the old iceboxes. No one wants to do that.

I can assure you that the people who are paying the budget-wrecking bills are not cheered by suggestions being heard from Washington that the answer to the problems of the utilities is for State regulatory commissions to grant bigger and faster rate increases.

Would you believe, sir, I was here last week and this suggestion was made and they made several suggestions that the State of Florida is already doing, as for example, a fuel oil adjustment. It has been in our tariff since May 3, 1951. Some of the States do not even have it today. They are talking about automatic pass-ons; they are talking about 13- to 15-percent return of equity.

We granted all of this; we are doing all of this and yet the utilities of the State of Florida are in bad shape, the price of the stocks are way down, they are not able to sell stock. They can borrow on very high interest rates.

#### CAUSES OF RATE INCREASES

The two main things that are causing, at least part of the cause of high utility rates, are high interest and a company like Florida Power paying 13 percent for money and, of course, high energy bills, none of which can anything be done about on a State level, not the Governor, nor the legislature, nor the cabinet, nor the public service commission at that point and we heard last week, pass them as rapidly as you can possibly pass them. We may have an abundance of electricity in Florida if we do this but I am not sure that people are going to use it. It simply would be priced totally out of reach of a world of people in the State of Florida and I am not willing just simply to grant it like they are suggesting.

What of the problems of those on pensions and all the other consumers of low and modest income? I do not have to tell you that a couple trying to live on a modest pension is having an impossible time trying to get along.

The Department of Agriculture tells us that they have to spend \$87.70 a month for food, and that was in January of this year and that was for the low-cost plan.

The maximum social security check for a couple is \$456 a month, according to the Social Security Administration. Of course, many do not receive the maximum when you subtract from that the costs of food, rent, and electricity, it does not leave much.

The plan that the USDA calls the moderate cost plan would be \$113.60—and food costs have risen since January.

What this means is that older Americans who have modest pensions are having difficulty just paying for essentials such as food, rent, and electricity.

Unfortunately, we have in the State of Florida many people living together that are not married because when a spouse passes away, the remaining spouse will get about 80 percent of the total of the two social security benefits and what they will do, they will simply move in together to retain that money and that is not right but we do have this and I am sure that Mr. Friedson can tell you about that because

he is totally aware of this situation in the State of Florida and that is not right.

There is another aspect of this that affects business. Businesses are paying more for electricity just like the homeowners and as this happens, their prices are adjusted accordingly.

We are doing what we can at the State level to keep energy prices within reason but there are forces beyond the control of anyone at the State level that are driving prices higher and higher.

The price of fuel is one thing, and you might be interested to know that one of Florida's electric utilities is now obtaining low-sulfur coal from South Africa to comply with State air pollution standards—would you believe—and this country with 300 years' supply.

The price of that coal is double what the company has been paying, and this has been reflected recently in the fuel adjustment of that company.

They are paying \$37 a ton for low-sulfur coal from Africa. The problem is complex and it is not enough to say that utilities should get bigger and faster rate increases to assure an adequate supply of electricity for the future.

That may well assure an adequate supply of electricity, but it may also be at a price no one can afford.

I would like to read one of the thousands of complaints we have received this year about the increased price of electricity.

This letter said, in part :

Mother and I live in a mobile home because we cannot afford any other type of living. We are both widows. She is 86 and I am 65. How do you think we can continue to exist if the "fuel adjustment" keeps rising at the whim of Florida Power and Light. We are paying \$17.34 extra this month. Isn't there any way this can be looked into?

That is one of the major companies in the State of Florida that is providing electricity.

Senator CHILES. Thank you, Mr. Bevis. I notice that you are saying that people are talking about a minimum price for electricity up to a certain number of kilowatt hours.

Over the years, we started off with a minimum charge for the lowest hours and everybody was charged that and then the more you use the cheaper it got.

Has the public service commission in Florida done anything; have you done anything about whether we should reverse that kind of tendency and charge the lowest rate at the bottom and then let the rate progressively go up, the more you use?

Once we were talking about a minimum charge to a household and that was one thing, but right now when we talk about conservation, I can't see a basis for a system in which the longer I leave my lights on, the cheaper I get the electricity.

Mr. BEVIS. Senator Chiles, we are at the moment studying the rate structure for the entire State of Florida. We have taken several steps recently in this direction. As an example, only a short time ago, we cut out discounts of all things. It was a rule that was put in many years ago and we cut it out just a short time ago.

We are, as I said, studying the rate structure of the entire State and we have gone to a more flat-end rate structure. We have cut out all of the advertising with the exception of that advertising that is beneficial

to the consumer and of course we look at this, each and every time that a company applies to us for a rate increase.

We do not think it would be fair to cut out all advertising. As an example, in the case of the telephone, we feel the consumer benefits when a new direct dialing system goes in so we should not say absolutely no advertising of any description because if it benefits the consumer, we certainly do consider allowing it.

Senator CHILES. Thank you, sir. I would like to call on Mr. Friedson now, because I think it might be good to now hear from the consumers in Florida.

**STATEMENT OF MAX FRIEDSON, PRESIDENT OF THE CONGRESS OF SENIOR CITIZENS, MIAMI, FLA.**

Mr. FRIEDSON, Senator, I am delighted to be here. My age gives me the privilege of telling a little incident that happened to me quite a few years ago. My son and my daughter-in-law asked me to babysit for them for a little while and I did not have enough sense so I did. I would not do it today. I have too much sense for that.

However, this little girl of mine, my granddaughter and I went down to have lunch together and as we came in we were greeted nicely, we sat down to eat and suddenly granddaughter pulls my arm and says, "Grandpa, I have to go," and sort of put me in a dilemma.

I could not go where she goes and she could not go where I go. So a young lady came over and sort of took me by the hand, and took her over to do her chores, and about 5 minutes later she came back and I was beginning to thank her. Suddenly my granddaughter said, "Don't thank her, she had to go, too."

I want you to know I am enjoying this very much, to come here to discuss with you some of the problems that are plaguing the elderly in the State of Florida and the country for that matter.

You have probably given us a good report on some of the problems about the energy crisis and so has Mr. Bevis but this is only the beginning of the problems that are plaguing the elderly, assuming that we can, with a magic wand, solve this problem.

That still would not solve the problem of the elderly in Florida or in the country. We have a problem that I would like to discuss with you about the so-called delivery of services to the elderly. That delivery of service has not changed since Caesar's time.

It is the same way, you give them a grant, there is no monitoring of any grant you give them and before you know it, the money is gone and the services are not any better, no matter how much money you give them.

Most agencies have a budget, a big budget gives a lot of love; a little budget, less; and no budget, no love. We have to change that.

We have to respect the people who they are doing things for, rather than we should be dependent upon them.

We want to be independent, the same as we always have been. We have built America and no one is complaining about the size of the country, the richness of our country, the strength of our country, and we did it and I believe it is high time that maybe we have to reevaluate the whole structure of the so-called delivery of services to the elderly.

## SERVICES UNAVAILABLE

Five minutes after 4, heaven forbid, if someone needs some service, there is no one there. And Saturday and Sunday, you dare not get any assistance from any social service, there is nobody there, and that should change.

It is something that an older person does not know when he will need service, he does not know when the time comes when he will have to call up and ask a service agency for some assistance, or some advice for that matter, and as you know, elderly people depend upon people who really would like to do something.

Take for instance, I am a member of the Division of Aging of the State of Florida, also the manpower commission, and we have all kinds of employment offices open. Each one has the best of space and telephone and a desk with a telephone secretary and nothing done.

It is all the same thing over and over again and I can tell you this, I as an individual, just as any individual person the head of an organization, I went down to the city of Miami and I demanded that we get a share of the revenue sharing and we got it.

We got over 100 people working 4 hours a day in the police department and there is no reason why each agency should not be able to do that as part of their service to the elderly, not only worry about a lunch program, which is a failure, as you all probably know; 9,200 lunches are served in the State of Florida, Senator; 9,200 lunches and the need is for about 300,000 and the result is that all of this is just being wasted.

Many of the dollar bills we are giving, and I am a member of the grants' committee also, there is not enough to go around and the result is that many are suffering today and assuming that you will solve the problem of energy. What about the health delivery service which is so unrealistic?

A person walks into the hospital and they do not ask him what ails him. They ask how much insurance have you got. The insurance companies have failed completely to solve the health problem of the aging. No matter what they advertise, they have failed completely and I repeat this because that will not solve the problem.

The problem will be solved by men like you who understand the problem and people around you, who are part of this structure to help the elderly. We do not need a budget. We operate on a \$2 a year basis and we have enough to cover our own budget that we pay our own rent and we do not need any Federal funds. However, there are some that need it but let's monitor every single Senator and every single Congressman that votes for a grant. He should have somebody in his area to monitor what they are doing with the money and before you know it, you will find that they certainly will do a much better job.

They are wasting our money. For instance, the other day, they invited me to a session of senior citizens seminar on sex. I stayed for a while and listened until finally, I got a little angry. I got up and said, "Doctor"—this is Dr. Levin from Georgia—I said, "if we did not know how, you would not be here."

The result of this is all a bunch of nonsense. Give us something we can really do and I asked him to do this, teach us how to put a fuse in a box, teach us how to fix a washer in our home, give us something constructive so we can keep our homes. That, they will not do.

Again, I was invited to North Carolina University to speak. I am not a college graduate; I am a dropout from public school. I told them this: "You are writing books about elderly people." I said, "Do you ask us what to write? You think you know how. Why don't you come into the nitty-gritty and let's get down to the basics? What is ailing the older Americans?"

As much as I lambasted, I got a standing ovation and I think it is high time we should start reevaluating the whole structure of retirement, the whole structure of the retired Americans.

What happens to all of the business people that are retired? Why don't we use that as a beginning, like SCORE is doing and they are not doing as good a job as I hoped but give us the opportunity, those who have lived and—by the way, I am 75½ years old—those who have lived and gained a lot of experience certainly know as much as the person getting out of school with a little piece of paper.

I would not exchange my experience and my knowledge for any BA degree—whatever they give you in school—and I told them at the University of North Carolina, I said, "If you graduate a student without an internship, you are doing him an injustice, because he does not know it."

So basically, we have to start changing the information and rhetoric that everybody talks about—let George do it—I do not want to do it, so they call him up and send him to George but George should be able to do the job and they do not do that and most of your information is a failure in part, most of it; however, in some areas it is not.

Transportation, you spend millions of dollars in giving us recreational facilities but we cannot get to them. What good is the millions we spend on recreation? So I am advising people let's see if we can do something.

We sent a man to the Moon and he brought back rocks. We certainly ought to be able to put Grandma on the bus but we cannot do that with all of the money we are spending. We cannot put Grandma on the bus and we need people who can understand the problem; the children who are good.

Many children are angry, we are living too long and spending their money so the trouble is they want to commit us to mental institutions; they want to commit us to incompetence and so on and this is wrong. This is absolutely wrong and I think this is another area that we should look into, that we should let a person, no matter how eccentric, he has a right to be eccentric, it is his money and he should be able to spend his money in any way he wants to spend it.

Senator, this is something I want you to understand. We are very much concerned when I walk into a courtroom and I see an older person, never been in court before, suddenly his children are declaring him incompetent. He made the money. The children did not make any money and all of a sudden he is unable to spend his own money. This is absolutely wrong and it should not be the American way and it is being done by lawyers.

In one case, there were three lawyers, and I said to the judge, if there was not any money the three lawyers would not be here. So these things, we have to start changing around the attitude and the thinking of what are we going to do with the older Americans and let me give you a word of caution. In the year 2000, I will not be here but there will be more of us older people in America than younger people with your birth control and your pills and economic structure.

There will be more elderly people than young people, so you better start planning now or I will be up there laughing at you and let you know that I warned you. So this is what—this is a wonderful opportunity to tell the subchairman of the Committee on the Aging—this is the first opportunity to let you know that we, the elderly people, are now in need.

Thank you very much.

Senator CHILES. Thank you very much. We now will hear from Mr. Brickfield.

Mr. BRICKFIELD. Senator, I think Max made a very telling statement and I think that more of these senior citizens' groups, in the local areas, should invite candidates for reelection or candidates for office in the first instance and get commitments from them as to where they stand on elderly issues.

Senator, I have a 30-page statement but I only wish to read 2 parts of it.

Senator CHILES. We are delighted to include your full statement.<sup>1</sup>

**STATEMENT OF CYRIL F. BRICKFIELD, LEGISLATIVE COUNSEL;  
ACCOMPANIED BY THOMAS C. BORZILLERI, STAFF ECONOMIST;  
PETER W. HUGHES AND JAMES W. HACKING, LEGISLATIVE  
STAFF; AMERICAN ASSOCIATION OF RETIRED PERSONS/  
NATIONAL RETIRED TEACHERS ASSOCIATION**

Mr. BRICKFIELD. I want to address myself, Senator, to the specific impact on the aging and then, just as importantly, some of the recommendations that we have to make to help alleviate the problem.

A survey was taken in South Dakota, in some eight counties and the question was: What were the impacts of the energy crisis on the aging? The first and major impact was that low-income aging are experiencing major financial problems because of cost increases for fuel. Some of the poor are finding it necessary to divert money from food budgets and I think this is most important, that people are taking away from their food expenditures in order to pay for fuel.

A second item was that they are less concerned about fuel shortages than they are by skyrocketing prices although both are related. They are spending more for heating purposes because their homes are poorly maintained and poorly insulated and because of their lack of income, they would not be able to finance a change.

I am here today, of course, accompanied by my associates, Mr. James Hacking, Mr. Peter Hughes, and Mr. Tom Borzilleri, and they are all right behind me, if you have questions and I am sure they can help me answer them.

Recently, we came across an incident in Florida, in the city of Jacksonville. It was about rental prices in the Pablo Towers apartment which is a low-cost elderly housing project.

Apparently the owners heat the project with Venezuelan fuel oil and the fuel oil increased from \$2.69 a barrel to \$12 a barrel. This was in April 1974, which is just a few months ago.

<sup>1</sup> See app. 2, p. 66 for statement and enclosures from AARP/NRTA.

## FUEL COST CAUSES RENT INCREASE

As a result of this, the rental on an efficiency apartment increased from \$96 to \$136 a month and a one-bedroom from \$106 to \$151 a month. This is a low-cost elderly housing project and George Will, who writes a column in the Washington Post, set this out, I thought, very clearly.

Further, according to the U.S. News & World Report, there is pointed out that at least five electric power companies have asked their State regulatory commissions to approve rate increases to offset less loss in revenue because consumers were conserving energy. It is little wonder that so many older persons have complained.

In this survey, I just cite two examples: The first one is an elderly lady who gets \$150 a month in social security. She owns her own home. She uses fuel oil. Within a year, a tank of fuel oil rose from \$53 to \$90 a month. This put her over her budget, this \$40 increase, so as a result, she reduced her groceries and her medical bills. She also has taxes that are due the first of May of \$77. She is worried, too, about medicare because medicare, the first day, if you are in the hospital, has been upped from \$72 to \$84 and she wonders where the money will come from there.

The second case is a 76-year-old lady.

Mr. ORIOL [presiding]. That first example, that was \$150 a month?

Mr. BRICKFIELD. She has \$150 a month social security.

Mr. ORIOL. A total income?

Mr. BRICKFIELD. Yes. She pays out \$90 in fuel oil, \$14.60 in utilities.

Mr. ORIOL. What State is that from?

Mr. BRICKFIELD. South Dakota and it comes to \$160 and she is running \$10 over the budget and she has expenses she does not put in.

Mr. ORIOL. The extra \$40 is applied to the cold weather months?

Mr. BRICKFIELD. This is the month of May she is talking about. In South Dakota, I suppose it is relatively not a cold weather month but still cold enough.

The other lady has \$78 a month in social security. She uses propane gas and that has risen from 15 cents to 29 cents per gallon. She says she can no longer afford a telephone which I think is courting disaster if you are an elderly person. She says she is reluctant to ask friends for auto rides because she knows how much gas it is costing them.

Now, because time is short, in order to minimize the impact of high fuel costs on the aged, our associations offer the following recommendations:

First, we suggest that any real income reduction resulting from high fuel prices be offset by social security real benefit increases.

With high fuel prices expected to have an adverse effect on an SDI, thereby increasing demands for an infusion of general revenues, our association suggests that at least some of the revenues from windfall or excessive profits tax be channeled to the system and used to finance the benefit increases we need.

Mr. ORIOL. Would this be across the board?



Mr. BRICKFIELD. This I am not too sure of but we take this basic position that you should not toy around too much with the necessities of life; that is, food, shelter, clothing, medical care.

Now, in order to keep up with inflation, inevitably there has to be increases in social security. There are complaints today that you cannot keep raising the rate of taxes on your wages, nor can you keep raising the ceiling on base pay, so then the question is where will the money come from and the answer, in part, is you have to tax corporate and individual income perhaps in order that those moneys can be paid into the general revenues, so that general revenues can be used to meet social security increases. We are saying that some of this excess profit in the oil industry, the health industry, and other conglomerates are making, that those moneys be taken, and at least in part be channeled toward meeting increased social security benefits through the use of general revenues.

### FLEXIBILITY OF REGULATIONS

Second, if standby fuel allocation and rationing programs are developed as part of short-term strategy against international trade disruptions, we suggest that regulations for such programs be sufficiently flexible to permit consideration of the needs of the aged and waivers in circumstances where health needs are required.

We think if controls go off on natural gas that you will have runaway prices.

I was here yesterday and I was told that Senator Mathias introduced a bill which is a fuel coupon system to help the elderly meet rising inflation by aiding them with their fuel costs consumption needs.

Mr. ORIOL. We are asking Senator Mathias either to come or submit a statement explaining his amendment for the study of the applicability of a fuel stamp program.

Mr. BRICKFIELD. Finally, I thank you for this opportunity to appear.

Mr. ORIOL. I would like to thank you, Mr. Brickfield.

We have several questions, including what importance you think the Administration on Aging might do in this area and also inviting you to give us whatever additional information you get as a result of your survey but I think we better go to the rest of our panel and, then, hopefully, we can have some general discussion because I think some ideas have been expressed that will benefit from that but I just want to note that you have done a fine job of summarizing some major points of your statement.

In fact, we even have a separate statement on HUD policies as it applies to housing for the elderly so all of this is very useful information that we are happy to have.

Mr. BRICKFIELD. Thank you.

Mr. ORIOL. Senator Mathias has submitted a statement. Without objection, the statement will be inserted at this point in the record.

### STATEMENT OF SENATOR CHARLES McC. MATHIAS, JR.

Mr. Chairman, I want to thank you for the opportunity to testify this morning before the Senate Special Committee on Aging. The topic we are discussing here today is indeed an important one in light of the continuing energy crisis in the

United States. As winter approaches, the specter of fuel shortages again rises before us, and those living on fixed incomes are the least prepared to cope with such shortages.

As you know, on Tuesday, September 17, I introduced an amendment to S. 3221, the Energy Supply Act of 1974, directing the Administrator of the Federal Energy Administration and the Secretary of the Department of Health, Education, and Welfare to jointly undertake a 60-day study to examine the feasibility of establishing a fuel stamp program. I envision a system similar to the food stamp program, utilizing that existing machinery, operating through local welfare offices. But I think we must go beyond those welfare recipients, and direct attention to those who are on fixed incomes, whether they be on social security, retired military or civil servants, or beneficiaries of other pension programs. This amendment was accepted by the Senate and incorporated into S. 3221.

Let me emphasize how important I think study of this fuel stamp program is. I have written to John Sawhill, Administrator of the Federal Energy Administration, and Caspar Weinberger, Secretary of the Department of Health, Education, and Welfare, to request them to undertake a study to see whether such a fuel stamp program is indeed feasible.

I have recently received letters from my constituents who are becoming increasingly disturbed at the rise in the price of home heating oil. In some parts of Maryland, the price has risen almost 50 percent over last year's cost, and I presume that similar situations exist elsewhere. As we head into another winter, we cannot tolerate even the possibility that some of our citizens could be frozen out of the fuel market because of their inability to meet these drastic price increases.

It is those citizens living on fixed incomes who are bearing the brunt of our inflation, and the rising price of home heating fuels places an additional burden on their shoulders. I do not think it is asking too much for the Federal Government to assist those persons who might be placed in the position of sacrificing food for fuel in the upcoming months. My amendment is simply a first step in examining the feasibility of such a program.

Mr. ORIOL. Mr. Brown, you are next.

#### **STATEMENT OF RONALD H. BROWN, DIRECTOR, WASHINGTON BUREAU, NATIONAL URBAN LEAGUE**

Mr. BROWN. It is, of course, a pleasure to have the opportunity to make comments before this most important special committee. The comments I am going to make this morning are made on behalf of the National Urban League. The league's concern for the plight of the elderly is directed toward an even more vulnerable group, the black elderly, who are indeed in double jeopardy.

I think we probably all agree that the areas of concern for the elderly are similar to those for the rest of American society: A need for decent housing, a livable income, and adequate health care. We recognize however, that interwoven into these three basic areas are other vital concerns such as transportation, recreation, service delivery, and a general awareness of specialized needs referable to the elderly. Without this approach, we cannot hope to address energy-related problems any more realistically than we have dealt with other problems of the elderly in the past.

As a practical matter, we should begin this discussion with a realistic approach to society's view of the elderly. That view has tended historically to cast aside the elderly as antiques and relics, on the one hand, and to elevate others to the level of the tribal chieftain.

A prime example of the former is the mandatory retirement age for some workers, while others far beyond the retirement age, serve as U.S. President, Supreme Court Justices, Congressmen, and so on. Consistent with this double standard is the further tendency to pro-

vide rules and regulations which force the average elderly person to exist in an atmosphere where pride is subrogated by pity, and survival becomes the only goal.

We should also recognize the fact that many of the general problem areas of the elderly in need of specific attention are the same for blacks and whites. But the severity of the problems when viewed from a black perspective needs to be specifically addressed.

The latter point is particularly significant in view of the census data which shows that at birth, the life expectancy for whites is 71.9 years while 65.2 for blacks. However, at age 70, the life expectancy for whites is 12.1 and for blacks 12.4. But ironically at age 80, the life expectancy for whites is 7.1 years and 10.5 for blacks. We find that apparently blacks who have survived the problems of poverty to become senior citizens, now survive longer than whites—perhaps because of their strength. But we know that the black elderly are only marginally surviving. Those who have earned wages from which social security has been deducted are few. Less than one-third of those receiving social security have any other forms of income. The sums received are usually less than full benefits.

#### THE ECONOMICS OF THE ELDERLY

· During the energy crisis, we saw that not only were the poor and unemployed hard hit, but that those on fixed incomes as well were suffering. These groups experienced an overall price increase of 14 percent.

Food, which accounted for a major portion of the expenditures of fixed-income individuals rose considerably from 1960 to 1974. The typical 1960-61 "market basket" which previously cost \$760 now costs \$1,356. Foods which were the base for the low-income consumer, including a large percentage of the elderly, increased far more rapidly in 1973-74 than those items typically enjoyed by middle and upper income persons. For example: Potatoes, 44 percent increase; flour, 58 percent increase; rice, 100 percent increase; dried beans, 103 percent, and so forth. These high prices have forced many people to eat foods not intended for human consumption. As pointed out by the Senate Select Committee on Nutrition and Human Needs, an estimated one-third of the dog and cat food bought in ghetto areas is being consumed by people. It is impossible to determine whether the percentage increase in foods is due to inflation or is directly attributable to the high cost of energy.

The other major expenditure which takes a large part of the earnings of the elderly is housing. Figures show that the black elderly person, earning less than \$5,000, pays 25 percent or more of that income for rent. This figure has also been increased within the last quarter as landlords pass on increased taxes and utilities to the tenant.

The total percentage of the population of Americans 80 years of age and over has risen from 15.3 in 1960 to 19.6 in 1970. The Bureau of the Census estimates that by the year 2000, 21.7 percent of our population will be 80 years of age and older. Breaking down these increases by race, during the 1960's the white population 75 years of age and over increased 36.3 percent, the black population increased 49.3 percent in the same age group. Between 1970 and 1980, this segment of

the population is expected to rise 14.8 and 16.4 percent for whites and blacks, respectively. This coincides with the earlier discussion of the fact that blacks after age 70 have a longer life expectancy than whites. These projections indicate an increase in the population of all persons 75 years of age and over of 20.9 percent.

Of the 20.1 million persons 65 and over, census data showed that as of April 1970, 55 percent lived in urbanized areas. Of this group, about three-fifths, 62 percent, lived in central cities and two-fifths, 38 percent, lived in the urban fringe. Thus, about one-third, 34 percent, of all aged persons lived in central cities. Looking at this figure in accordance with race, statistics show that of the 1.6 million blacks 65 and over about three-fifths, 61 percent, live in urbanized areas. Of this group, 86 percent live in central cities and 14 percent in the urban fringe.

#### RECOMMENDATIONS

Because of our concern for the black elderly, at least 50 percent of whom live in poverty as compared to 23 percent for whites, the National Urban League makes the following recommendations:

One. That decisions of the Federal Energy Administration be accompanied by an ethnic impact statement as well as an economic impact statement.

Two. That decisions of the Federal Energy Administration be accompanied by a social impact statement as well as an economic impact statement.

Three. That emergency plans be drawn up immediately in the event that there are shortfalls in fuel during the winter months, with specific plans which address the various needs of the elderly.

Four. That utility companies be strongly urged to report to social service agencies expected cutoffs for nonpayment during winter months.

Five. That subsidies be provided to combat the problems of inflation/energy through such programs as fuel stamps, direct cash assistance, utility subsidies, and so forth.

Six. That all existing programs designed to benefit the elderly, including social security, be examined for negative impact upon minorities as well as unrealistic regulations.

We have already made some specific recommendations to the Federal Energy Agency. In this regard, I would like to refer to one of those at this time.

We heard Mr. Bevis earlier mention fuel stamps and a number of other individuals have spoken of them.

Back in June of this year, the Washington Bureau of the National Urban League presented a proposal to Mr. Sawhill calling for a fuel stamp program,<sup>1</sup> based primarily on our experience with food stamps. It was almost 2 months later when we had even the courtesy of a reply to that proposal. That was on July 30, almost 2 months after we originally submitted it to FEA.<sup>2</sup>

We responded within 8 days because the response from Mr. Sawhill was to the effect he thought the program sounded like a good one but they did not have the legislative authority to implement it.

<sup>1</sup> See app. 2, item 2, p. 71.

<sup>2</sup> See app. 2, item 3, p. 72.

We responded specifically to that letter and we pointed out sections of the enabling legislation that would allow such procedures under a pilot program.

That letter was sent to Mr. Sawhill on August 6 and we have yet to receive a response, although several phone calls have been made. I think this is symptomatic of the Federal Energy Office's insensitivity to the needs of the elderly, minority groups, and the poor.

The elderly cannot wait until Project Independence becomes a reality. The poor, the elderly, and others on fixed incomes need short-term help now.

Mr. ORIOL. Thank you, Mr. Brown. One of the things that bothers the committee is that we are hearing more and more, as indicated in your statement, that the elderly in winter are going to have to make a choice between eat or heat and this is becoming a catchword that has bothered it. We had a study on black elderly and we called it "Multiple Jeopardy."

One question I would like to ask very quickly about fuel stamps. One of the reports we got on the fuel stamp program was that, as helpful as it is and as essential as it is, quite often there are negative attitudes toward food stamp users in retail markets, even actual discourtesy.

How can you avoid that with a fuel stamp program or do you think it is a built in problem?

Mr. BROWN. I think that is one of the problems and one thing that should be considered is substitution of cash for fuel stamps. I think that is a decision that really needs some study.

What we recommended was a basic subsidy program patterned after the food stamp program, using the coupons printed at the cost of several million dollars in the event of rationing. We would use those same coupons as fuel stamps.

I think the problem you mentioned is one that is most difficult and it might well be that we would go to direct cash assistance.

What we requested is not an across-the-board program but a pilot program in 10 cities. We requested the energy office to set up a task force to look into the best methods of implementing such a pilot program so we were not asking something that would cost a great deal of money and which would take a great deal of staff but we were asking in June for an immediate study so we would be ready for this winter and here we are now late into September.

Mr. ORIOL. For the record, there was frost in this area today.

Mr. BROWN. I would also request that not only our proposal which was submitted in early June be placed in the record but also the correspondence between my office and the office of Mr. Sawhill.<sup>1</sup>

Mr. ORIOL. We are glad to have it and we will go on to Mr. Carey.

**STATEMENT OF RALPH W. CAREY, MEMBER, BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS; DIRECTOR, HOUSING DIVISION, METROPOLITAN DADE COUNTY**

Mr. CAREY. Thank you, Mr. Oriol. Our department is the largest public landlord in the State of Florida having some 30,000 people living in our units.

<sup>1</sup> See app. 2, items 2 and 3, pp. 71 and 72.

I am appearing today on behalf of the National Association of Housing and Redevelopment Officials (NAHRO) of which I am a member of the board of governors. NAHRO is a nonprofit, membership organization, representing housing and community development officials throughout the country. I wish to thank you and the staff for giving us an opportunity to offer testimony.

Public housing is in a severe energy financial crisis. I would like to address this particular issue of the impact of increased cost in the operation of federally assisted public housing programs.

Forty-one percent of the units house elderly and handicapped families and individuals. The public housing program is serving an increasing percentage of elderly residents: In 1952, only about 10 percent of all public housing residents were elderly; this figure had increased to 36 percent by 1968 and 41 percent by 1972. Although there has been some leveling off of this trend in recent years, it is evident that the public housing program has been and will continue to be a major source of housing for the low-income elderly of this country.

Low-income elderly are probably most affected by rising inflation, including energy costs. Most of these persons live on fixed incomes, and the median annual income of elderly public housing residents was only \$2,179 per year as of September 30, 1973.

#### LHA FINANCIAL DILEMMA

While elderly are increasingly turning toward public housing to provide them with decent, safe, and sanitary housing at rents they can afford, the local housing authority that administers this program is experiencing a financial crunch affecting its capability to provide the housing and accompanying services that the elderly require. The major factors underlying the LHA (Local Housing Authority) financial dilemma are (1) a drastically reduced rental income level, affected by national policy, (2) a spiraling rise in operating costs resulting from inflation, and (3) inadequate replacement of the gap between income and expense with Federal assistance.

It was interesting to hear Max Friedson's testimony because he is one of the most vocal spokesmen in our community for the elderly and with 17,000 families waiting for public housing in Miami and Dade County, the people die before they get to the top of the list.

Mr. ORIOL. About how many of those 17,000 are elderly?

Mr. CAREY. 8,000 are elderly. Reduced rental income has been due to changes in the characteristics of tenant population of those living in public housing, including the substantial increase in the number of very low-income elderly persons.

The other major factor contributing to reduced rental income has been the impact of statutory amendments—the so-called Brooke amendments of 1969-71—limiting the amount of rent that a public housing agency could charge to 25 percent of the tenant's adjusted income. A recent report by the surveys and investigative staff of the House Appropriations Committee indicated that local housing authority rental income has been reduced by at least \$173 million annually because of the Brooke amendments.

Rising operating costs have outpaced rental income. Studies by the Urban Institute indicate that inflationary increases are the major cause for the rising costs. A study of 23 large housing authorities in

the period 1965-68 showed that four-fifths of the increase in operating costs was due to inflation. A major component of these costs is the rising expense of energy. The House Appropriations Committee reports that local housing authority utility costs have increased from \$91 million in 1968 to \$143 million in 1972, an increase of about 60 percent.

However, even this tremendous increase appears small when compared to the huge increases that have occurred since the recent energy crisis. Energy cost increases have far outpaced the general increase in inflation, and have become a major contributor to the continuing financial crisis facing housing authorities. NAHRO estimates that the 1973 energy crisis costs may have increased housing authorities utility expenses by \$60 to \$100 million. This increase in 1 year alone is greater than in the previous 4 years from 1968-72.

Inadequate Federal operating assistance to cover the difference between these rising operating costs and reduced rental income has brought about a crisis situation for many housing authorities. Federal operating assistance to LHA's began on a limited basis in 1962 and was generally adequate to "fill the gap" between income and expense until the first Brooke amendment in 1969 resulted in drastic reductions in housing authority rents.

Increases in Federal assistance to compensate for the rent losses mandated under the Brooke amendments came only gradually in the period 1969-72 and were generally well below the revenue loss.

In November 1972, HUD announced an "interim formula" for the allocation of Federal operating subsidies. This formula bases the amount of subsidy upon 1971 operating costs adjusted forward by an inflation factor.

Until 1974, that inflation factor had been 3 percent, which in the years 1972-73 was about 2½ percent below the then rate of inflation. In fiscal year 1974, the inflation factor was increased to 5½ percent, but this is now inadequate to keep pace with the "double digit" inflation in which we find ourselves.

All of these factors have contributed to the growing fiscal status of local housing authorities since 1969.

#### IMPACT OF INCREASED ENERGY COSTS

The single most pressing problem confronting local housing authorities in 1974 is the tremendous increase in operating costs due to inflation. The single factor contributing most to these increases is the higher cost of utilities. Federal operating subsidies totaled \$280 million in the fiscal year ending June 30, 1974: About \$124 million of this, almost 50 percent, was attributable to higher operating costs caused primarily by the general inflationary trends in the economy; and \$55 million of the higher operating expenses was the result of the increased cost of energy. One-half of the entire increase in housing authority operating expenses was due to higher utility costs.

Let me cite a few examples:

The *New York Housing Authority* is the largest in the country. Over 500,000 people live in low-income developments under their jurisdiction. They own and operate 90,000 units of federally assisted public housing. In 1973, their cost for electricity was \$13.5 million. Based on March 1974 rates, the housing authority estimated that the cost for electricity in 1974 would rise to \$19.7 million. Their cost of

electricity per unit month was estimated to be 38 percent higher in 1974.

Since March, further rate increases have caused these figures to rise by an additional 16 percent. The New York City Housing Authority increase in fuel costs is even more dramatic. The cost of heating oil rose from an average of 13 $\frac{1}{3}$  cents per gallon to 39 cents per gallon in 1 year. A 1-cent rise per gallon in fuel oil costs the authority \$1.2 million per year. The New York City Housing Authority estimates that the total cost of utilities in 1974, in their federally assisted housing program alone, will be double that of 1973—from \$24.8 million to \$48.2 million.

The *Boston Housing Authority* houses approximately one-tenth of the population of the city of Boston. In 1973, the cost of fuel oil was \$10.88 per unit month. That is how much it costs each family to heat their apartment.

In fiscal year 1975, which began April 1, they estimate fuel oil expense will be \$32.01 per unit month, an increase of over 200 percent. In 1973, fuel oil accounted for only 10 percent of their routine operating expenses; it is expected to be at least 22 percent in 1975. The total cost of utilities will double in the 2-year fiscal period from \$4.2 million in 1973, to \$8.5 million in 1975.

Similar stories are relative to the housing authorities in Chicago, San Francisco, New Haven, and others.

Mr. ORIOL. I notice in your statement that you give the cost of air-conditioning in Dade County?

Mr. CAREY. I want to make reference to how it affects people in Florida, particularly south Florida.

Everyone thinks that if you live in Miami or south Florida, it is the haven for living in the sun. Well, unfortunately, it has not gone below 90 degrees for the last 6 weeks in Florida and when I left yesterday, it was 92.

Air-conditioning is just as vital to the elderly, particularly the handicapped and sick elderly, in south Florida as heat is to other parts of the country.

Senator CHILES [presiding]. Is not it true also, by virtue of the way we construct our buildings, that they are just built to require air-conditioning?

They are not built the way we used to build them in the 1930's and 1940's, so the breeze could run through and now there is no way you can live in those buildings without having air-conditioning.

Mr. CAREY. You are right. Particularly because trying to hold the cost of public housing down, has caused us to build double and we now have a hallway in the middle of the building and a double-loaded building and the breeze, even if it was blowing, still would not go through the apartment so, consequently, air-conditioning is as vital and necessary in south Florida as the heating conditions are in other parts of the country.

In Dade County, our utility costs are tied to air-conditioning rather than heating. Let me give you a specific example of two different cases of utility increases in our elderly housing units.

In a typical efficiency unit in one of our elderly developments the monthly cost of electricity in August 1970 was \$6.80. In August 1973, this cost had risen to \$19.71.



This past month—August 1974—the cost was \$27.20. This is a 250-percent increase in the 5-year period.

In a one-bedroom elderly unit the monthly cost of electricity was \$8.81 in 1970, \$24.20 in 1973, and \$29.93 in 1974. For that unit, the cost of electricity tripled in the 5-year period.

In Dade County, these huge increases are a problem for both the housing authority and the elderly people who live in public housing.

Senator CHILES. Mr. Carey, if I may interrupt you for just a minute. In your testimony, you mentioned the Federal survey conducted by the Department of Housing and Urban Development. Do you have any information on that?

#### HUD SURVEY UNAVAILABLE

Mr. CAREY. I was particularly interested in that survey because it would cause us to be able to adjust our budget. Unfortunately, we have been unable to have that survey released to the local agency. We do not know what the effect of that survey is.

We were told it was made to provide additional information for operating subsidies for this year but as of this date, our organization has been unable to get that.

Senator CHILES. We would also be very interested in trying to get the results of this survey.

Mr. CAREY. It would be very helpful, Senator.

Senator CHILES. I want to take this opportunity to apologize for the fact I will have to run out again.

We appreciate very much all of you coming and we found this kind of discussion very helpful in providing valuable information.

Tomorrow we will hear from the Government and hopefully find out what kind of contingency plans we are going to have for this winter and hope they will be better than praying for a mild winter. Again I want to thank you all for coming to provide this testimony for us.

Mr. CAREY. Thank you, Senator. The impact of the increased electricity cost is not only on the agencies but it has a direct effect on the elderly and their income.

Let me take a very brief moment to explain. In public housing units throughout the country, the housing authorities do not pay the entire cost of these utilities.

There is an allowance given to each family based upon the size of the unit that they occupy and if a tenant exceeds that allowance, they are obligated to pay the excess costs. Of course, these costs are in excess of the 25 percent of income that they are already paying to live in these accommodations and in August, the average cost, additional costs to every elderly resident in Dade County, was \$12.42 per month.

This excess charge is in addition to the 25 percent of adjusted income he pays for rent. Although we increase the allowances to compensate for these increased utility rates, a hardship will still continue for both our elderly tenants and the housing authority.

The recently enacted Housing and Community Development Act of 1974 can begin the process of providing some relief from the financial crisis now confronting housing authorities. Particularly significant

are the rental and occupancy provisions and the operating subsidy authorizations.

The 1974 act establishes a minimum rent for public housing residents; authorizes higher admission limits in public housing; eliminates continued occupancy limits; adjusts the definition of income; adjusts the definition of elderly or handicapped family to include two or more elderly, disabled, or handicapped individuals living together or one or more such individuals living with another person who is determined to be a person essential to their care or well-being; requires the establishment of tenant selection criteria designed to obtain a cross section of income within public housing; provides for annual contributions for operating subsidies that HUD determines are required to assure the low-income character of the projects and to achieve and maintain adequate operating services and reserve funds; and authorizes \$500 million for operating subsidies in fiscal year 1975 and \$560 million in fiscal year 1976.

NAHRO believes that these provisions can lay the foundation for beginning to alleviate the financial crisis of the past, and these provisions should be quickly implemented. However, it will require time, perhaps as long as 2 years, for these reforms to reflect increased income for local housing authorities; and it is not possible to accurately project the level of income increase that may result.

An item of key importance is that the recently passed HUD appropriation bill for fiscal year 1975 sets a floor of \$450 million for the payment of operating subsidies to local housing authorities; the HUD budget projection is \$400 million. It is unclear at this point, whether the \$450 million floor on operating assistance will be adequate to absorb utility increases in fiscal 1975, or whether the fully authorized level of \$500 million will be required. Nor is it possible to estimate what the impact of future increases of utility and energy costs may be, but they will certainly have an impact on operating subsidy requirements. It is NAHRO's best judgment that a level of at least \$500 million in operating subsidy is needed for fiscal year 1975.

#### RECOMMENDATIONS TO COUNTER THE ENERGY CRISIS

Even with increased income through reform in the 1974 act, NAHRO believes that there will continue to be a financial crisis in public housing unless steps are taken to reduce the cost of utilities. As I have stated before, inflation has caused over 80 percent of the increase in operating costs—and utility costs are the main component in these increases.

The first essential step is to assess accurately the dimensions of the total problem. NAHRO has presented a few examples of individual housing authorities, but we do not have the resources to do a total analysis.

In testifying before the House Appropriations Committee in April, HUD Assistant Secretary for Housing Management H. R. Crawford stated that HUD was conducting a field study of rising utility costs in housing authorities. The results of this study should be released so that the total dimension of the problem can be assessed.

For the short run, steps must be taken to provide adequate funding to local housing authorities to offset utility costs. For fiscal year 1975, this could well mean the fully authorized \$500 million. For the future,

HUD has proposed a new "performance-oriented" funding system for operating subsidies, which provides a more realistic method of adjusting subsidy to inflation with a separate calculation of actual utility costs.

NAHRO believes that any new funding system that is implemented must provide a more realistic inflation factor, and reflect as a separate item, actual costs of utilities.

They are staged in over a 2-year period of time, when the impact of these revised rental occupancies will begin to be felt. In the meantime, the costs will rise.

Mr. ORIOL [presiding]. Do you believe it has to take 2 years?

#### CURRENT POLICY ELIMINATES MOST NEEDED

Mr. CAREY. One of the concerns we have at the local level is that the money is not coming directly from the Federal Government. The money is coming from increased rental and occupancy policies. We have to raise rents over a gradual period of time and we have to select higher rent-paying families. This is sort of in conflict. We are passing up those that need housing most directly and most urgently to survive economically.

I think this is a policy that needs to be looked into further because we are passing on the waiting list, the poorest of the poorer, to get an economic mix and that is why the 2-year period is in there.

Let me finalize this report and recommend some short steps that could be taken to achieve and alleviate some of the problems.

For the short run, steps must be taken to provide adequate funding to local housing authorities to offset utility costs. For fiscal year 1975, this could well mean the fully authorized \$500 million. For the future, HUD has proposed a new "performance-oriented" funding system for operating subsidies, which provides a more realistic method of adjusting subsidy to inflation with a separate calculation of actual utility costs.

NAHRO believes that any new funding system that is implemented must provide a more realistic inflation factor, and reflect as a separate item, the actual costs of utilities.

The impact is really unknown at this point. We would stress the whole \$500 million be acquired.

Additionally, State regulatory agencies should approve special utility rate structures for housing authorities, recognizing their particular social responsibilities, and their statutory status as public bodies operating on a large-scale basis.

I was interested in Mr. Bevis' testimony because I was looking to sue the Florida Power & Light Co.<sup>1</sup> and the county commission recommended we talk to Mr. Bevis and perhaps this afternoon, we will have a little opportunity to talk to that question.

Greater attention must also be directed to the unequal distribution of energy costs, particularly fuel oil. Those areas located near oil-producing fields obtain higher ratios of lower-priced domestic oil. There are also some areas of the country where hydroelectric power is abundant. In order to equalize these differences a uniform system

<sup>1</sup> See app. 2, item 4, p. 74.

could be established which would assure that oil is allocated evenly and fairly to alleviate hardships and excessive costs for different regions of the country.

In the long run, a successful solution to rising utility costs can only be brought about by both more effective conservation of our existing resources, and the development of new, less-costly sources of energy.

HUD has a modernization program that would modernize their units to make them more efficient energy users.

Research in these areas must be accelerated, and HUD has already undertaken some efforts in this regard. HUD is supporting the development of a multiple-integrated utility system in a federally assisted housing project in New Jersey. Both HUD and the Department of Commerce are developing proposals for introducing energy conservation features into the design of new buildings. The Aerospace Corporation, under a grant from the National Science Foundation, is attempting to develop and implement energy conservation techniques in four public housing agencies in Los Angeles, Chicago, Atlanta, and Hartford, Conn. Increased emphasis should be given to these efforts, as well as to consumer-oriented efforts to conserve energy supplies.

Mr. Chairman, I appreciate this opportunity to present testimony on behalf of the membership of NAHRO.

Mr. ORIOLE. Thank you, Mr. Carey. We are specially interested in your comments on the recent housing act signed into law because this committee and especially the chairman of the Housing Committee, Senator Williams, had a great deal to do with some of those provisions and I would like to continue to talk about it but we better press on.

Mr. Danstedt is next.

#### **STATEMENT OF RUDOLPH T. DANSTEDT, ASSISTANT TO THE PRESIDENT, NATIONAL COUNCIL OF SENIOR CITIZENS**

Mr. DANSTEDT. One advantage of being at the end is you do have an opportunity to listen to a lot of wise and creative ideas. I might start out by saying I, like Max, am also a senior citizen so I, together with out fellow senior citizens, have had to live through this and I remember living through the energy crisis and it was a pretty painful business for many of us older people, in terms of getting into line for gas. One constructive thing did come out of it and that is we got the 55-mile-per-hour speed limit which meant for the first time, a lot of us older people were again in the mainstream.

We were not surrounded and bucked around by the machismos who were always trying to push us along so something good did come out of that gasoline shortage.

As far as the rest of the situation is concerned, I also have some case illustrations which I could submit but I think some good ones have already been laid before you which I think is sufficient.

I think that the thing that strikes me and I think strikes a lot of older people is what has happened generally to our income over the last couple of years.

It is almost hard to believe that back in 1972 when the 20-percent social security increase went through, backed up by the previous 15 percent and 10 percent, things looked pretty bright.

## SOCIAL SECURITY GAINS NULLIFIED

We looked as though we were beginning to take at least a modest step toward setting some kind of decent standard of living for elderly persons as recommended at the 1971 White House Conference, but we lost all of that 20 percent we got in the fall of 1972. To all practical purposes in terms of effective income, the average older person is now back where he was in 1971 when the White House Conference was held and, in addition to his social security, if he has some private pensions, he is worse off, because most of the private pension programs do not contain any cost-of living adjustments.

I could go on and demonstrate what these income losses have meant to older people but we are too well aware of this.

I would like to move toward two or three recommendations that would seem to make some sense.

I might say first that I think I have some reservations with respect to some kind of special grant for fuel, particularly if it will be tied with an income and means test.

I think we have been trying to get away from this kind of thing as far as older people are concerned. I would hope that our approach in this direction might be, first, to do something about establishing a cost-of-living index for older people that had a fuel and energy component in it, so we do not apply the cost-of-living formula we now use for the low-income elderly, without taking into account the fact of the fuel costs which are not adequately reflected in the present formula we have right now.

Second, I would hope we could find some way of adjusting for the continuously rising cost of living on a more frequent basis than we do now. I think we have to do it at least semiannually. Now it is done on an annual basis, this adjustment ought to be done not only with respect to social security but also with respect to supplementary income.

I think a device of that sort, if the adjustment does reflect the increase in cost of energy, it would make these funds available to people automatically in connection with SSI and automatically in connection with the social security program and if the adjustment was made at least semiannually, for at least the next 2 or 3 years ahead, the average older person would at least be at the level he is now, rather than continually going down since 1974.

Third, I think we have got to give some consideration—I know we had written some legislation several years ago with respect to providing rate cuts in electricity and gas, as far as the public utilities are concerned. I think, as I recall, at one point we were talking about a 50-percent reduction. This is primarily for the low-income elderly.

Mr. ORIOL. Also for the electric and telephone services. Do you know how many States have attempted that?

Mr. DANSTEDT. I do not think there has been too much progress made unhappily because you are up against the public utility commissions and they have rather rigid positions but a lot of interest is being shown in this, in the possibility of at least holding the rates if not cutting them back because now, you know, these increases are beginning to have an impact on the middle-income elderly.

At one point, the impact was primarily on the low-income elderly, but now it is beginning to move up to the people in the levels of \$6,000, \$7,000, \$8,000 a year, in terms of income so that is an area where we think some attention needs to be paid. Unhappily, at this particular point, it has to be done on a State-by-State basis but we hope we can see movement toward at least holding the rates and not finding some way of cutting them back.

This would be for elderly households and we would not want to see any income tests tied in at this particular point because we think that there will be some elderly households where the persons are very well fixed but rather let that pass as we do under social security and medicare, without getting ourselves involved with some sort of income program.

#### APPREHENSIVE OF FUTURE

I find a lot of concern, particularly in the Northeast, as to what the future will bring in terms of the energy supplies, not only in terms of cost of fuel oil, cost of gas and electricity, but in terms of whether there may be actually some blackouts come this fall and winter, there may be a very serious shortage of fuel oil; there may be a serious shortage of gas and all of the rest of that and I think we feel a lot of concern about this kind of situation.

I do not know if we have any wise answers on it. I think we do feel, as that situation develops, we have to find some way of preserving our resources of electricity, of gas, and oil, and fuel oil, for households and somehow move some of these resources away—although it is an easy thing to say but I am sure a difficult thing to carry through—away from the industries and public utilities, forcing them to use some other kind of fuels and resources because however you put it, there is a tremendously limited supply of gas and fuel oil available.

We feel, as we move along, there has got to be some reservations for households because rightly or wrongly, the American public has moved toward heating their homes with electricity and fuel gas and fuel oil.

I do not think we have any particular wisdom on how we are going to move away from the others. We certainly had hoped as we ran into this gas situation, we would begin to see some impetus in terms of doing something about the mass transportation system but there is not much evidence in that direction.

I think we would argue we may well be at the point where we ought to be looking on mass transportation as a social utility without cost or at a very minimum charge.

I do not think these are any great innovative suggestions to make at this point but they do represent some of our points of view.

Thank you.

Mr. ORIOL. Thank you, Mr. Danstedt, and we have read your entire statement and we appreciate your summarizing it. It will be included in the record.<sup>1</sup> I would like to make the same invitation to the National Council of Senior Citizens that we made to Mr. Brickfield.

You did not have time to give the examples you already have but as Mr. Friedson said, the best way to make a point is with the concrete example of what has happened to people.

<sup>1</sup> See p. 44.

You expressed some reservations about a fuel staff or similar cash grant program because of means test and what we should do instead, perhaps, is to have a revised cost-of-living index on which the social security are paid and this committee is keenly interested in that but the legislative prospects, it looks as if this whole winter will pass before something like that might be possible.

In the interim, do you think that an emergency fuel stamp program or grant program for people who need it most might be passed?

Mr. DANSTEDT. The difficulties of legislative action, I recognize that but we would support that kind of an approach, but we are not too happy about it.

Mr. ORIOL. I think the emphasis might be an emergency one-shot thing. Your statement also makes it clear that the National Council of Senior Citizens will do all in its power to help fight inflation.

Within the past few weeks, the HEW Secretary had said even medicare might not escape budgetary cuts. What is your reaction to that study?

Mr. DANSTEDT. You know what it is. We would be against it.

Mr. ORIOL. That was just a precedent. I cannot imagine the Secretary saying this.

Mr. DANSTEDT. We have been constantly against any downward adjustments in medicare.

[The prepared statement of Rudolph T. Danstedt follows:]

#### PREPARED STATEMENT OF RUDOLPH T. DANSTEDT

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.

The National Council of Senior Citizens is a nonprofit, nonpartisan organization of 3,500 older people's clubs in all States. We are the country's largest organization of senior citizen clubs. Our objective is a better life for all Americans young and old alike, and we want to be sure that the better life for the elderly is in harmony with the total national interest. We are therefore vitally concerned with the impact of rising energy costs on older Americans.

In the winter of this year there was a deep and disturbing concern among the elderly as to whether they would be able to get heating oil and enough gasoline to go shopping for food, visit the doctor and perform other essential errands. Many are the stories of harrowing, demeaning experiences in getting a couple of dollars worth of gasoline. We are not arguing that the lot of the elderly was any worse than that of the nonelderly—only that it was too often a rough experience that was particularly hard for older people to handle.

We were deeply worried that if regulations on fuel allocations and gas rationing were instituted—and the elderly generally favored rationing—these procedures would not be sufficiently flexible so as to permit due consideration of the needs of the elderly and recognize health or other special needs.

We survived this unhappy and distressing period from which came one dividend—the imposition of the 55-mile-per-hour speed limit. For a time at least, the cautious older driver was back in the mainstream and not surrounded and pushed along by the impatient younger pedal pushers.

By the time of our national convention in early June, fuel shortage was apparently no longer a problem, but was replaced by the precipitate rise in the costs of electricity, gas, fuel oil and gasoline, causing us to initiate for the first time at one of our conventions, a panel on "containing the costs of goods and services." At our 1973 legislative convention, we had a panel on "the cost of living" which viewed with alarm the developing trends in that year, but as might be expected, expressed no concern about utility rates.

This 1974 convention found the cost of utilities and fuel at the top of its agenda and adopted a resolution which was approved by the convention. The preamble to this resolution reads as follows:

"The cost of living has risen at an unprecedented rate over the past 4 years. Older persons living on fixed incomes can no longer afford the cost of basic

goods and services, not to mention occasional minimal improvements in their standard of living. They cannot afford to maintain their own homes, to have adequate health care, or to eat meat for dinner. Consumer products are high cost and often low quality. Only recognition of policy at Federal, State, and local levels of granting special economic privileges to persons over 60, to pension retirees and to the handicapped can 'guarantee them a decent standard of living and protect them from undue hardship caused by the rising cost of living.'

The convention advocated for the first time a freeze of current rates of telephone, gas and electricity and the availability to every elderly person of free, accessible, comfortable public transportation to all areas within his or her community.

Although the cost of heating oil, electricity and gas has been a constant concern of the low-income elderly, for whom we have advocated rate reductions of at least 50 percent, the galloping rise in the cost of these necessities was now having a significant impact on middle-income older persons.

May we note parenthetically that the National Council of Senior Citizens' legal research and services for the elderly in 1971 put out a "Handbook of Model State Statutes," which provides several model bills directed toward securing a 50 percent rate reduction for elderly subscribers to gas, electric and telephone services. A model statute is also proposed for eliminating for the elderly who are poor public utility cash deposit requirements.

To appreciate fully the psychological, physical, and fiscal distress a double digit inflation is causing the elderly, the older person's situation has to be viewed within both a budgetary and time framework.

#### BUDGETS DRASTICALLY AFFECTED

While utility, fuel and gasoline costs represent perhaps 10-12 percent of an average elderly couple's budget—about half of this budget is for food and shelter (the increase in these heating, lighting, and transportation costs have been so sudden and substantial—in the order of 50 percent—that they threatened to—and often did knock the bottom out of tightly and carefully planned budgets). With respect to gas and electricity particularly, these were largely unanticipated additional expenditures.

Scarcely 2 years ago, the situation for the average retirees seemed somewhat promising. They had just been granted a 20 percent increase in social security benefits, which, coupled with earlier increases of 15 percent and 10 percent, compensated not only for the rise in the cost of living up to then, but also afforded a significant increase in the level of benefits. For the low-income elderly, the Supplementary Security Income program instituted for the first time a minimum floor of income.

It seemed in the fall of 1972 that we had taken an important step toward achieving what the 1971 White House Conference on Aging recommended as a minimum standard of income adequacy for the elderly—the BLS Intermediate Budget (\$4,500 a year in the spring of 1970) for an elderly couple.

It is incredible that 20 percent rise in the CPI since 1972 has canceled out the 1972 20 percent increase. All the 11 percent subsequent cost of living increase has done is to hold the social security recipient, in terms of purchasing power, at the level he was in 1971 before the 20 percent increase.

Against this serious decline in the older person's effective income from social security—for those who have private pension incomes which rarely provide cost of living adjustments, the decline is even worse—we in the National Council of Senior Citizens are supporting legislative efforts being mounted in several States to reduce or at least hold the line on so-called regulated utility rates.

We also posit two recommendations which would enable the elderly to at least keep up with the rising costs of goods and services:

*First.—Consumer Price Index for the Elderly.* In order to have more adequate and pertinent information on the spending patterns, including energy related costs of older people, we recommend that legislation be enacted which would require the Secretary of Labor to develop and maintain a special Aging Consumer Price Index.

*Second.—Semiannual Cost of Living Adjustment.* We recommend that because the 1-year cost of living benefit formula is failing to keep up with the increase in the cost of living, that adjustments be made on a semiannual basis and further, that a 1 percent cushion, similar to that provided for Civil Service annuities be instituted.

Although we have numerous letters complaining about utility rates and cost of fuel oil, we don't have any evidence of a predicted drop—related to gas short-



age—in volunteer services on the part of seniors. It is a good guess, though, that with gas at 55 cents to 60 cents a gallon—volunteers who have been doing outreach services are cutting back some.

We have had many complaints about the cost of chartering buses for short tours and daily excursions with rates up at least 30–40 percent. We need hardly underline how important such activities are to building a spirit of group feeling among seniors and to the morale of older people.

#### IMPROVEMENT IN MASS TRANSPORTATION ESSENTIAL

We had hoped that one good byproduct of the Arab monopoly on oil would be a renewed and energetic emphasis on the reorganization and expansion of our mass transportation system, including the provision of operating subsidies for mass transit systems as incentive for expanding public transportation generally, with particular attention to the needs of older persons, most of whom are dependent upon public transportation. Since less than half of the elderly over 65 are licensed drivers, cannot afford the luxury of a private car or the high premiums for car insurance imposed on the elderly, adequate and inexpensive public transportation is an essential need.

So far our hopes for significant development in public transportation have not been realized.

Helping older people to keep up with the cost of living, including keeping a lid on the cost of electricity and gas, are priority items on the agenda of the National Council of Senior Citizens.

However, costs are not the only item that concerns seniors in the area of our energy supply.

In the Northeast, particularly, there is considerable apprehension as to what the fall may bring with respect to electricity blackouts or brownouts, shortage in supply of gas and fuel oil. A mild winter brought us through last year, but there is no meteorological guarantee that this fall and winter may so favor us.

We, in the National Council of Senior Citizens, claim no expertness in the area of energy policy formulation, but we do hold that we cannot go on depending exclusively as we do on terminal supplies of gas and oil, a substantial part of which are under the control of foreign monopolies.

Rightly or wrongly, the average American home has become so dependent on electricity, natural gas and oil that these energy sources must be reserved for family households at reasonable rates. This would require the rapid conversion of industrial and electric utility operations from oil and gas to other fuels.

Since we will be compelled to cut down on the use of gasoline—apart from the development of smaller, more efficient cars—the time has come to organize and develop public transportation as a social utility on a par with water supply, police and fire and so essential to the welfare of everybody that it is offered at the best—free, or at no more than a nominal charge.

Seniors got kicked around during the gas shortage period and then as energy costs spiraled and their effective income from social security and private pensions, because of double digit inflation, shrank, seniors found their standard of living 50–75 percent of the level of their working years—disastrously declining, in contrast to individuals still in the work force, who were receiving regular salary adjustments. Seniors found their private pensions provided no cost of living increase, while the cost of living adjustments in social security lagged substantially behind increases in the cost of living.

As always, older Americans stand ready to do their share in fighting what President Ford has described as the No. 1 domestic enemy—inflation. However, from the vantage point of day-to-day contact with thousands of elderly groups throughout the country, the National Council of Senior Citizens questions whether older Americans can be expected to do more than they are already doing in this period of general belt-tightening. The spiraling costs of daily necessities and dwindling work opportunities, have created a hardship so great that we must now look for ways of relieving the elderly of an undue share of the burden of inflation.

MR. ORIOL. Mr. Feldesman, I saw you shaking your head “no.” Maybe you would like to start off with what you were shaking your head “no” about?

**STATEMENT OF JAMES FELDESMAN, COUNSEL TO ENERGY POLICY  
TASK FORCE, CONSUMER FEDERATION OF AMERICA**

Mr. FELDESMAN. I can start off by telling you what I was shaking my head "no" about and then very briefly summarize the testimony you have already received.

I think it would be a real mistake to go into any kind of stamp program and that is what I was shaking my head "no" about.

My experience with the food stamp program has been that it is very complicated and I doubt that fuel oil dealers, gasoline dealers, and others could readily assimilate that kind of additional transaction.

It also seems to me that, given the nature of this administration and the legislative process for enactment of a fuel stamp program, all we would probably wind up with would be the attaching of a work provision, similar to the one which is attached to food stamps and have people running around to employment offices before buying any stamps.

I propose instead a cash fuel adjustment provision for all people receiving cash benefits, either directly from the Federal Government or from the State, through welfare, which could be computed on a regional or local basis.

You could look at the cost of fuel through data, on the amount of money that the needy typically spend on fuel, and through a statistical exercise compute the cash adjustment. Considering that public utilities commissions manage to work out a similar adjustment for electrical utility bills, it would seem that we could apply the same principle to cash for the needy. I think you would get a program that is better and more workable than stamps.

**IMPENDING DISASTER**

The crux of my remarks is twofold: First, it seems to us, based on our experience of developing a booklet which Mr. Arnett's office funded, and in looking around the problems the poor people generally experienced last winter as a result of the energy crisis, that we may be heading into some impending disaster next year or at least this winter.

There is every reason to believe that there will be literally thousands of people who simply cannot afford to pay for home heating costs or alternatively will have to set thermostats unreasonably low.

The data to substantiate that, I believe, exists in the experiences of a number of OEO funded community action agency projects that were aimed at providing emergency relief to people in the form of grants or loans. While it is not generally available at the Federal level, although OEO has made some attempts at obtaining that data, it could be easily attained. I think it will show that we are faced with something that could be rightfully termed a calamity.

Second, I want to assert to the committee that there is no leadership in the Federal Government with respect to the effects of fuel problems on low-income people or the elderly.

The only agency that did anything worthwhile last winter was the Office of Economic Opportunity. In preparing the OEO handbook, we went around to the other agencies and found a shocking lack of

recognition of the problems and a shocking lack of imagination about using Federal assistance programs to deal with the problems.

The only other agency to do anything was Health, Education, and Welfare and that was at the prompting of Mr. Arnett.

OEO ostensibly was delegated the responsibility for coordinating the administration's efforts in helping low-income people through the energy crisis but as of now, we know the President of the United States not only wants the agency killed but cannot even remember its initials.

Apart from OEO, the Federal Government, like the departed President, apparently feels that the crisis has passed and it can get on to its regular business.

OEO remains the only agency with funds and concerns, and unless there is congressional action, it is ticketed to go out of business.

I might say there is a special impact on the Consumers Affairs Office of the Federal Energy Administration and one would hope that it might be chartered to provide interagency leadership, but so far, there is very little indication to that effect.

#### FEA LACKING LEADERSHIP

I would hope that issue or such leadership would be broached tomorrow with FEA representatives testifying before the committee. Last year, for example, Mr. Sawhill, in testifying before the Senate Select Committee on Nutrition and Human Needs, indicated he would favor an emergency additional appropriation for OEO to run supplemental energy-related projects of the kind that operated last winter.

Somehow, his feelings were not transmitted to the President when he held his first press conference. The impression is that FEA has no leadership whatsoever in this area.

I would like to close with some suggestions:

First, I think, as I mentioned earlier, a quick but accurate study of the likely effects of the pending winter and high costs of energy could be made by going back and looking at a number of community action agency projects that were undertaken last winter.

I think you will find a shocking number of individuals who needed emergency grants or loans—which they will probably never be able to repay—in order just to pay for the cost of fuel and just to get fuel deliveries. I think the number would run into the thousands and that it should be projected on a nationwide basis. For this administration, which cannot see the needs of the poor, that kind of data needs to be obtained.

As I think you are aware, there is a shocking lack of explicit data. We all have thousands upon thousands of anecdotes but that does not seem to be very effective in obtaining action from this administration. Good data is available from the reports filed with OEO and the programs themselves and I would like to see that data obtained by the FEA. I would like to see FEA directed to make such a study and spend some of its consultant money so that something worthwhile might be accomplished.

Mr. ORIOL. What data is this?

Mr. FELDESMAN. A number of CAA programs ran energy programs. These programs provided emergency grants and low-interest loans, or guaranteed payments to fuel dealers.

Most of these programs kept some form of information about the numbers of people they dealt with. The listing of those projects can be obtained from OEO. Those projects were also encouraged to file information with OEO and many did.

Mr. ORIOL. May I ask, Mr. Arnett: Was a request from FEA made to OEO for this information when you were a Director?

Mr. ARNETT. The only time that that information was requested was the day after I appeared before this subcommittee when we alarmed some folks about fuel trucks passing the elderly by; that is, passing them by if they did not have a 100-gallon tank, I think was the minimum, or if they did not have enough cash for COD.

There was never a request made after that. The Federal Energy Office of Special Impact, as a matter of fact, was tooled up something like 10 days after that in reaction to that exposure.

Tomorrow, you will have, as I understand, the Director of that office, a woman who has shown a great deal of interest in this area, which warms me, because there was a decided cold when I was there, so tomorrow you will hear from Mr. Gallegos, too.

These data are available. I did not take them home with me.

Mr. ORIOL. We are also going to hear from Mr. Sawhill tomorrow.

Mr. ARNETT. Very good.

#### COMBINED TASK FORCE TO SURVEY PROBLEMS

Mr. FELDESMAN. I also think, as I previously suggested, that the Special Impact Office/Consumer Affairs Office should be chartered to convene something resembling a task force, on an interagency basis, with all of the human resources agencies on that task force to really look at the problems of the upcoming winter and year from the standpoint of each of these agencies. I think that charter should include a query on what new legislation is needed that would help each of those agencies deal with energy-related problems.

You will find that these are Federal assistance programs which might be useful. For example, there are programs that the Department of Agriculture and HUD administer which provide low-interest loans, but are full of technical tests. It may be that some of those technical tests can be avoided, either by some kind of administrative action or alternatively, by legislation, and it would seem that to get such legislation would be relatively simple. If only someone would tell the Congress what the problems are and propose some solutions to the problems.

Last, I would say that it seems to me that more hearings like this need to be conducted by the Congress. The organization I am representing—the Consumer Federation of America—as well as other groups have made the mistake of fighting the administration only on highly technical points; such as whether or not price increases were justified, on what basis they were justified, or excess profits, and so forth. The public understands very little of them completely. And in testifying, Mr. Sawhill and others from FEA can make a very good case for price increases, at least a good case while they are there, and it is very hard to tie them down.

I think what we need is the kind of focus that this committee is exercising, which is whether a large number of people in this country

can afford to pay for fuel. And if they cannot, what are we going to do about it?

Mr. ORIOL. Thank you for that very excellent summing up. Just a quick question: What time limits would you set for the quick study you mentioned?

Mr. FELDESMAN. I think obviously you try to do it before we reach the heart of this winter and I would think in going over to OEO, making calls, and getting some Federal officials out in the field for some more notable projects, which are well known to OEO—Bridgeport, Conn.; Lexington, Ky.—to get some people out there, to talk to those who manage the programs, to really glean not only the data but a feel for the problem. It could be done in a very expeditious manner.

It would take 1 to 2 months to come back and give the administration a pretty good capability to project into this winter.

Mr. ORIOL. Do you agree with that?

Mr. ARNETT. I do; even shorter, possibly.

Mr. ORIOL. So that would be a good initial step?

Mr. ARNETT. It is one of the problems we had last year, that we did not have a base or a benchmark from which to work. The data was arranged in such a manner that it was just simply not usable. Now, we can take a step after a year's experience, to some nice hard figures that go to your problems of lunches, how many lunches had to be cut back, how many trips were not made, how many visits to the doctor were not made due to lack of gasoline. That is all.

Mr. FELDESMAN. I might also add one thing. There is a rather horrendous side to all of this and that is, as you know, that a number of people were insulating their homes with flammable products. In Appalachia people not using coal regularly began to use coal as a heating supplement in fireplaces which were wood-burning and since coal gives off very intense heat a number of homes burned or were nearly burned.

I think an FEA study should try to ascertain such things as how many people burned to death as a result of the fuel crisis. We do not know, but I suspect there were a number of such occurrences and somebody ought to try to find out what they were.

Mr. ORIOL. We will certainly treat that suggestion very carefully. Your prepared statement will be inserted in the record.

[The statement follows:]

#### PREPARED STATEMENT OF JAMES L. FELDESMAN

Mr. Chairman and Members of the Special Committee: I am pleased to be here today to represent the Consumer Federation of America (CFA) and to present the views of CFA concerning the problems that rising energy costs will cause for older and low-income Americans.

As I am sure you are aware, CFA is a confederation of 185 consumer and consumer-oriented organizations, located throughout the Nation. In the past 2 years, CFA has engaged in a number of undertakings to aid its constituency to cope with the "energy crisis." CFA has established an energy policy task force to review all aspects of energy legislation, regulations, and programs at the Federal level, and to represent the views and concerns of consumers with respect to such matters. The chairman of this task force is Lee White, a former Chairman of the Federal Power Commission. In addition, CFA's tax-exempt affiliate, the Paul Douglas Consumer Research Center, has performed several projects for the Federal Government, aimed at assisting community and consumer groups and others in dealing with the problems emanating from the energy shortages this past winter and the outrageous prices now being charged consumers for space-

heating and other such needs for which costs are controlled by the price of petroleum products. Under a grant from the Office of Economic Opportunity, a booklet entitled, "Coping with the Energy Crisis," was produced. "Coping" details community efforts which have been, and can be, initiated to aid low-income and other people in paying for heating costs, insulating their homes and receiving supplies to which they are entitled.

It contains an easy-to-understand explanation of the regulations of the Federal Energy Administration. As a result of a new grant from OEO, we will be able to update "coping" for the coming winter. The OEO grant has also provided an opportunity for us to conduct a number of seminars around the country for community and consumer group representatives, as well as for officials of Federal agencies. In addition, the grant provides for a seminar for both Senate and congressional staff members—a seminar we hope to undertake in the near future.

The Paul Douglas Center is also the recipient of a contract from the Federal Energy Administration under which the way State offices of petroleum allocation deal with consumer problems and complaints will be examined. The Center will prepare a handbook describing how these offices can and should deal with such problems and complaints. Explicitly to be included in this handbook will be the relationships of State offices to social welfare agencies and to consumer and community groups. Methods for State offices to make financial assistance available to persons and ensure that adequate heating is maintained for all persons will also be discussed as will a mechanism for consumers to file their grievances and complaints.

A principal focus of the efforts of many consumer groups including those of our energy policy task force on the energy situation has been the policies and programs of the Federal Energy Administration, particularly FEA's pricing policies.

#### EFFECT ON LOW-INCOME AMERICANS

While I want to endorse the many justified criticisms made by these groups, it seems to me that there is another major area of concern which the Congress must address itself to in assessing how well the administration and the Nation have handled the energy situation during this past year, and the way it will be handled this coming winter. This area of concern is the effects of the situation upon low-income Americans. Or to be blunt about it, whether without additional financial assistance, low-income people will be able to afford adequate heating transportation to employment or vital services, or other needs affected by the high cost of petroleum products. We believe, for example, that without an emergency program of aid to the poor, there is an excellent chance that many persons in colder areas of this Nation will simply be unable to heat their homes or apartments—or, at least, heat them at satisfactory levels.

Let me share some of CFA's experiences which lead to this belief. Last Winter, in preparing "Coping," we discovered that there was only one Federal agency which responded meaningfully in aiding low-income Americans who were having problems in paying for or obtaining fuel for space-heating. This agency was the Office of Economic Opportunity, which through special grants to such efforts as Project FUEL in Maine, and the ongoing efforts of its local Community Action Agencies, provided funds for winterization of homes and relief for people in emergency situations, who otherwise would not have been able to obtain space-heating. OEO established a working group of leading CAA and other officials to identify problems, and in each of its regions appointed an energy coordinator to work with CAA's in developing energy programs.

Not only were these efforts imaginative and utilitarian, they suggest a crisis of immense proportions for low-income people in paying for heating and other fuel-related costs. For example, in Bridgeport, the local CAA assisted numerous families by providing them emergency loans or grants to pay for fuel or guaranteeing payment to fuel distributors. Project FUEL in Maine was able to winterize several thousand homes and in the process found that the cost of such winterization was recouped at least twofold in savings on heating bills. In Lexington, Ky., the local CAA, which also ran an energy project, discovered that many poor people were using coal for additional space-heating, but were burning it in wood fireplaces not equipped to handle coal and thus creating a fire hazard. Other data from CAA programs revealed that many poor families were using paper or other flammable products for emergency insulation. How many fires were caused last winter as a result of such use of coal or inflammable materials is unknown. To add to this list of frightening occurrences a project in Utah for older people found that many families were burning furniture in order to provide them-

selves with adequate heat. And, in what seems to be a pervasive pattern since it was reported by almost all community and consumer groups which undertook projects this past winter, many, many low-income people were forced to turn their thermostats down to unreasonably low levels and abandon rooms too expensive to keep heated. Finally, in Jacksonville, Fla. (and Kansas) we were informed that distributional patterns to low-income people had been altered by the crisis so that no one was producing bottled kerosene which was used by a predominant number of poor people for space-heating. In the case of Jacksonville, the CAA became a bulk fuel purchaser and bottled kerosene itself. What happened in other areas with similar problems can only be guessed at—and one would have to guess the worst.

That was the previous winter when fuel prices reached their dizzying heights around mid-January. This winter (and fall) these heights have already been arrived at. In the meantime, with the exception of the efforts of OEO, the record of this administration in identifying the full extent of the problems for low-income people and proposing solutions for them has been an appalling one. The Department of Health, Education, and Welfare, for example, has taken no steps since last winter when it meekly sent a letter to States indicating that it would be willing to receive State plans increasing welfare benefits, and allowed welfare recipients to receive a portion of grants in the form of a check made out jointly to the recipients and their fuel dealer. At least, HEW did something. Other agencies' efforts either during the past Winter or preparatory to the new one have been notably lacking.

#### NO PLANS FOR FUTURE

Thus, we are now approaching a winter which is not only likely to be colder than the previous one, but also will certainly be more costly. In the face of this prospect the Federal Government has no program for aiding low-income people. Indeed, it even lacks a plan to aid people who use coal for space-heating when and if the coal strike takes place. Instead, what is proposed is a termination of the OEO and consequently the termination of the only worthwhile and useful Federal effort to be undertaken to ease the burdens of the fuel crisis on low-income people. If the plans of this administration are successful, there will be no continuation of Project FUEL, no continuation of the efforts of Bridgeport and other CAA's in providing emergency benefits and assistance, no continuation of the efforts of numerous other State and local OEO-sponsored efforts to aid low-income and older Americans in coping with the crisis.

What we believe is needed, at minimum, is the following: First, a quick but comprehensive study by the Federal Government of the OEO and other projects which operated this past winter for low-income people and the best estimate possible as to the extent of crises and emergencies that are likely to confront the poor during the upcoming winter. We say "quick" because there is simply no time to do a thorough and detailed study before the cold weather sets in. Second, a continuation and expansion of the funding for the Office of Economic Opportunity should be immediately acted upon by the Congress to provide increased funding for the kinds of programs which it operated last winter. The bill to extend the Economic Opportunity Act which last week received a favorable vote by the Employment, Manpower and Poverty Subcommittee is a first step in this direction. Third, the Special Impact/Consumer Affairs Office of FEA should be chartered by the Congress to convene a task force from all of the human resource agencies and directed to develop a plan involving each of these agencies to meet the problems of low-income people before the Winter fully sets in. The group should be not only authorized, but encouraged to come forward with new legislation to provide needed relief. Lastly, Congress should undertake its own study of the problem. The hearings today are really an initial step. There should be a larger round of hearings, perhaps on a regional basis, to try as quickly and accurately as possible to get a fix on the dimension of the fuel problems that are likely to confront low-income people this year.

The impressions we have obtained through our experiences at least demand the kinds of action I have proposed here today. Hopefully, the dire effects these impressions lead us to believe will occur are exaggerated. But, unless an examination of the situation is undertaken, and preparations are made to deal with it, we will learn if our impressions are accurate at a point when it will be too late to save our low-income population from a major crisis which prompt and humanitarian action may now be able to prevent.

Mr. ORIOL. Before I open to sound some general themes, I wonder if Mr. Miller has any questions at this point?

Mr. MILLER. I have a question from the standpoint of confirming the impression I think I have gathered from almost all of the witnesses.

Mention has just been made about the problems of transportation and of gasoline but is it not true that you all have given primary emphasis to the energy problem as it relates to fuel and heat and power in the homes. Am I correct in that, Rudy?

Mr. DANSTEDT. This is about what has come out so far. I expressed concern about gasoline and as a side issue, it might not be great from a statistical point but it has an impact on older groups because bus rentals have gone up about 50 percent in the last year.

Once you could rent a bus, carrying 50 people, per day, for \$350, it is something like \$475 for a relatively short trip of 100 or 125 miles, and that I think has an impact.

Mr. MILLER. I think I detected that medicare is the thrust of your concern, Mr. Brown?

#### PUBLIC TRANSPORTATION ONLY ALTERNATIVE

Mr. BROWN. I think we are equally concerned with gasoline and in providing some type of transportation subsidy for the elderly. Generally, the only alternatives offered are public transportation. Any analysis done of public transportation systems indicates that those areas where minorities live are the worst served by public transportation.

Therefore, they cannot avail themselves of the option of public transportation. I think we would be extremely concerned about making the application broad, not only applying to home heating fuel but also to gasoline.

Mr. MILLER. Your comment was anticipating my next question about the alternatives to the individual use of gasoline and your point, that was so well taken, of the need for development of mass transportation.

I think every member of this committee is aware it is a very serious problem.

Mr. BROWN. If I might, I would just like to offer some clarifications about stamp proposals and I think, as most of you know, certainly Mr. Danstedt, who I think appeared the same day as the National Urban League on the issue of National Health Insurance knows we are not in love with the food stamp program nor would we be in love with an energy stamp program.

We would be consistent in opposing a means test, as we did in National Health Insurance but I think we are faced with offering plans for systematic changes which we support and will continue to support, and in offering plans for very short-term emergency solutions, I would agree there are an awful lot of problems with food stamps as there would be with energy stamps and we would prefer direct cash assistance.

My own analysis is that in the short term little change would be required to get the kind of systematic changes we need instituted as a means of doing something for people now, even in the next couple of months. Therefore, politically, it might be easier to deal with a repli-



cation of an existing program, like food stamps, than it would be to institute the broader, more far-reaching changes.

I think if we had our choice, we would go the way Mr. Danstedt and Mr. Feldesman would and we would go for something broader and deeper, that would affect not only energy but costs of living in general.

Mr. ORIOL. I was fascinated with the use of gas stamps.

Mr. BROWN. I think \$8 million was the cost of printing those ration coupons and we would like to see them put to some kind of use.

Mr. ORIOL. They have not been shredded or anything like that?

Mr. BROWN. The latest report from the FEA indicated that they were being stored in some undisclosed location.

#### AREA AGENCY RESPONSIBILITIES

Mr. BRICKFIELD. You asked the question and you did not require an answer back. It was, "What can AoA do in this area?" I have been thinking maybe one of the areas would come under title III, the community services programs, where area agencies on aging are developing. The AAA responsibility is to find out what services, social services, et cetera, are available in communities and then try to coordinate them and act as a catalyst and get the services going. Maybe AAA could put more emphasis on the needs for transportation because each area agency has to come up with a plan.

Maybe the AAA could do more in the area of nutrition and maybe, too, in home health services. This is something that they could really emphasize.

In addition, you know, Commissioner Flemming is very proud of the fact that his agency, while small, is nonetheless a coordinator of all of the services across the structure of the Federal Government.

He indicates he participates in the affairs of housing, in the affairs of labor, et cetera, and he sits, I think, as a chairman of one of the subcommittees of the Domestic Council and here I am making an observation on what Mr. Feldesman said that he would like to see some sort of a committee created or advisory council created to meet on the energy crisis.

Maybe in large part, it is already in existence in one of the subcommittees or a combination of the subcommittees of this Domestic Council.

Now, I think Commissioner Flemming would be in a position of influence, to help meet the needs of the elderly by getting the support of the various departments of government in connection with matters under their jurisdiction which could help alleviate the elderly needs in the area of fuel.

Mr. DANSTEDT. At least. I know the Domestic Council is being phased out. I would certainly support your idea of keeping Dr. Flemming busy doing something in this area.

Mr. BRICKFIELD. Still and all, you can create and create. The important thing here is it is at the White House level.

Mr. ORIOL. I was going to ask whether Domestic Council ever called on OEO or other agencies to your knowledge to talk about coordinated action, when you had the demonstration program?

Mr. ARNETT. I do not know about the other agencies but I can say "no" about OEO.

Mr. BRICKFIELD. Still the mechanism is there, and it is high level, and if it is not active, it should be reactivated.

Mr. ORIOL. By the way, Mr. Carey, I do not know if you know Mr. Sykes of HUD or if he has anything to say about severe problems being encountered in the housing industry?

Mr. SYKES. Not at this point. I believe tomorrow we will.

Mr. ORIOL. Did anyone here want to respond right off to anything anyone else has said at this point?

Mr. FRIEDSON. I just wanted to ask this, this is only one of the problems, this is only one problem. Many problems face the elderly, and I am hoping that we do not sort of sidetrack ourselves on that one problem.

This gentleman here was talking about fires. How many nursing homes have burned down and how many people died there, which is also a part of our living. The snakepits we have all over the country, they should be eliminated, and for instance, I recommend the hospitals should use another section for nursing care rather than send them into a snakepit, which they do not want to go to in the first place.

I am so delighted, at least we got a good start and let's get involved. This is one of the many problems that are facing us and we together here have brought up a lot of good points that we should all get behind. I certainly will when I get back to Miami because I have written down most of the thoughts and I am sure I will do everything I can to help and this is what I am hoping.

#### FUTURE BLEAK

Mr. DANSTEDT. I think most of our emphasis has been on the problem of costs but the concern that certainly has been existing on any energy policy with respect to the future ahead, the monopoly that is held on oil by foreign countries, the limited supply of oil and gas, which even under the best circumstances, I think is only good for another 30 or 35 years, something like that. Therefore, you know, the attention that needs to be paid, as things tighten up, to make sure that such supplies of gas and oil as we have are made available to at least families and we somehow find some way of getting the relatively wasteful use that is being made of some of the resources by some industries and some public utilities, when there are some substitutes or substitute methods available.

At least I know it is not a bright future that we are facing so I think that though most of us will not be around when the crunch is here, maybe it will come sooner than we think.

I do not think anybody is guaranteeing that we will have adequate gasoline, gas supplies, and fuel supplies this winter.

Mr. FELDESMAN. The FEA is guaranteeing it.

Mr. MILLER. Rudy, your point relates a little bit to my question about the gasoline for automobiles, et cetera.

Here in Washington, we had a precipitous drop in temperature, from the seventies down to freezing. I suspect the people in this area are beginning to think about the high cost of fuel oil and gas but is there not a problem with newspaper stories which say that the shortage in gasoline is over and that prices are being cut by some independ-

ent gasoline operators? People seem to equate gasoline with the energy crisis.

Mr. BRICKFIELD. I come back to what Mr. Friedson is talking about. We do have these area agencies on aging, I think some 600 are authorized. There are about 400 in being, something like that, and they are usually at the county level of the several cities and their directive is to develop plans for the elderly and they also call for advice to other councils, each agency, which is made up of elderly representatives.

I think you have to go back to the basics—namely, an advocacy program at the local level—whereby you bang on the table and you make a lot of noise in order to get the relief that you seek at the local level.

I think if our problems now are in the fuel shortages and energy crisis areas and transportation help and heating of the homes and insulation loans, things of that nature, I think a lot could be done.

It is not the whole answer but much could be done by advocacy of a very local level, pressing the powers that be in the municipalities and in the other political subdivisions.

Mr. MILLER. All right.

#### ACTIVE ADVISORY COUNCILS

Mr. FRIEDSON. May I add to Bill's comment? The advisory councils in most cases, we would like to change their thinking, to put in them activists, to put in leadership of those that are working with the elderly—not social agents—but activists like myself, and there are thousands like me over the country who understand the problem, who have lived through the problem and not just put in them, the recipients, the consumer.

What happens is the consumer gets over there and sits around the table and worries about his own. When will I get the next food stamp? or whatever it may be and people like us do not worry about the food stamps and we can help and that is what I am trying to change over in the State of Florida.

Mr. BRICKFIELD. The people appointed to these advisory councils are appointed by the local mayor or the local county executive, whichever it is, and if he is appointing duds, it is up to the senior citizens' groups to complain about it and get the people they want appointed.

Mr. FRIEDSON. That is right. That is what we are doing.

Mr. ORIOL. I think this panel has given us a lot of good material for questioning tomorrow, as well as good ideas on possible courses of action and just to sum up briefly, we have had several levels of suggestions or comments made, in which Mr. Friedson found that one of the reasons, perhaps the primary reason for the rising cost of fuel lies within this country, rather than in the oil-producing countries, and he and Senator Chiles had a sharp discussion of that.

We have—Mr. Arnett and others have talked about the need for a winterization program and that was described as a fuel conservation program—a subject that should interest us and that perhaps should interest us and that perhaps should have a very high priority but the time is running out for that kind of action, and as Mr. Feldesman said, perhaps the first step should be to get the data that is available as a result of pilot programs.

On the matter of fuel stamp or cash grant, we have heard pros and cons on that and the possibility that an adjustment of the cost-of-living index or revision might be the most direct way of helping on that but meantime, what about this winter, so we do have a great deal to think about.

One thought about that, the Supplemental Security Income program can serve as a vehicle for emergency grants but as we know about SSI, it does not serve many of the people who need it most.

As we also know, the Social Security Administration requires about 3 months leadtime to work things into their computers, so we are running out of time there, too.

So as I say, we do have a great deal to talk about tomorrow and a great deal to think about and I think this group has shown us the need for even more urgent action than we realize.

Thank you.

[Whereupon, at 1 p.m., the committee recessed, to reconvene at 10 a.m. on Wednesday, September 25, 1974.]

# APPENDIXES

## Appendix 1

### MATERIAL SUBMITTED BY SENATOR FRANK CHURCH

#### ITEM 1. "THE POOR AND THE ENERGY CRISIS," TESTIMONY PRESENTED BY LEONARD HARBISON, THE IDAHO COMMUNITY ACTION PROGRAM DIRECTORS ASSOCIATION

The testimony I shall give consists of two parts—the results of an energy survey conducted by El-Ads in late August and early September; the second part consists of some personal stories of problems experienced by low-income people. These were gathered by our county advocates, who have personal contact with a lot of low-income and marginal income people.

#### SURVEY

Questionnaires were sent to 125 elected officials, public agencies and other community decisionmakers in the three counties, Ada, Elmore, and Owyhee. We received 26 of the questionnaires back.

We asked regarding specific energy related problems: Reduced allocations of home heating fuel; reduced or curtailed service of heat or utilities; reduced frequency of customer service; deposit, payment or credit problems resulting in decreased service; reduced travel for educational, medical, dental, nutrition and welfare services due to high gas cost; and comments on above.

We also asked if an agency or jurisdiction has reduced or diminished services because of scarcity or high costs.

#### RESULTS

The results were as follows: Number statistics were completely inconclusive, apparently we do not take the energy crisis seriously enough to keep accurate data. However, there were enough rough estimates to show that there is need, especially as to deposit, payment or credit problems, and reduced travel for health care and nutrition services. These are mainly agency people who have numbers.

The following is a summary of the comments on the questionnaires:

Responses were received from six public officials. One small town mayor said his town extended credit for water service and may have to limit public works. Boise City has enough gas for the bus system but there are more riders from low-income housing projects. The rest has heard nothing from their constituents.

Agencies in general say that low-income people and elderly are suffering most from the energy shortage and high prices. Low-income have great trouble paying utility deposits (\$20-\$80 mentioned) or the high prices of either automobile gasoline or fuel to heat their homes.

They agree that the energy crisis has had an effect on people programs. People are not traveling as much—agencies can no longer help, errands, etc., as much as before. Where volunteers have been used there are less people being served, and budgets for volunteer mileage are being strained. Not many agencies are reducing the number of miles traveled by employees or persons being served, although Mountain Home Air Force Base has almost totally stopped using their vehicles for group activities to Boise and elsewhere.

An agency which counsels people has trouble getting clients to come in, therefore less adequate counseling is done by phone. This is especially tough on low-income people.

Fish, a Christian organization which depends almost entirely on volunteers, has reduced services to extreme emergencies. They urge people to use buses except in cases of health emergencies or handicapped people.

The director of an agency which deals with elderly in Boise, estimates that 60 percent of these people had to turn their heat down, wear sweaters or go without repairs. There are 50 percent more requests for transportation because of fuel costs. The agencies maintenance costs have doubled.

We received a fairly lengthy reply from Lynda Smithman, director of Information and Referral Service, Inc. They have no statistics relating directly to energy, but they did a number of general observations which summarize not only their own involvement with energy-related problems, but also all of the responses we received.

"The rising costs of home heating fuel and other utilities compound the other problems experienced by low-income citizens. Requests for financial assistance with food, medical services, and housing are indirectly related to higher utilities costs because the low-income person has less money after paying for higher utilities. In some cases where a low-income person does not directly pay for utilities the cost is passed on through higher rental costs.

"Rising transportation costs also create hardship for low-income persons and reduces the amount of money available for other basic needs. This is particularly a problem for the working low-income who are not eligible for most financial assistance programs.

"Deposit, credit and payment problems continue to exist for the low-income.

"Families moving into Boise during the fall of 1973 experienced difficulty locating home heating fuel dealers willing to provide services. Information and Referral Services received inquiries about this problem from all income levels.

"Transportation provided by individual volunteers and voluntary organizations have been significantly reduced as a result of the higher costs of gasoline incurred by the volunteer. Volunteer transportation is provided to the aged, poor and disabled. Reduction of volunteer transportation has created barriers for the low-income in receiving educational, medical, dental and welfare services.

"Information and Referral Service, Inc. has not had to reduce or eliminate services but finds budget increases are quickly absorbed by inflated costs rather than such increases providing for expansion of services."

The advocates in the three counties served by El-Ads talked to a number of people in their areas, low-income and otherwise, regarding problems and concerns relating to energy. Obviously, an energy shortage effects everyone, but it hurts low-income and elderly people more than middle and upper-middle income people.

Without exception, the people talked to were both concerned and worried about the energy situation and especially about the coming winter. With inflation being rampant as it is, people are more concerned about the cost of energy than shortages. To many people on the street the energy "shortage" translates into costs they often cannot afford. It seems to come down not so much to getting fuel and power, but fuel and power that they can afford to buy.

A fuel dealer in one county said he experienced shortages last winter and the price of heating fuel will soon go up to 43 cents per gallon from the 39 cents it cost last winter.

A woman and man who both work part-time and who are from the same county said that they had difficulty since they could not afford to fill up with heating fuel before the shortage and had problems getting it afterwards.

A woman who lives in a small town and supports herself by working in a bar anticipates problems again this winter. She lives in an old hotel and has to use the oven on her stove to supplement the small amount of steam heat the hotel furnishes. Since both gasoline and antifreeze cost so much she plans to drain the radiator and walk to work.

A woman and her college age son who live on \$220 per month have gas heat, and although they have a chance to move to better quarters for less money, she is afraid the oil heat will cost more and that she might not be able to get oil.

A man employed as a part-time truck driver who does not have very good credit, could get oil last winter only by paying cash on delivery. Since they had only a 50 gallon drum they often ran out. Once they ran out on a Friday and waited till Monday for a refill with the temperature down to 13° above zero.

An elderly couple in their 80's who received \$113 per month Social Security subsisted a large part of the winter on potatoes and oatmeal for some time in order to pay their fuel oil bill.

A small-town couple with five children had only a small income from the woman's part-time job, since the man was a farm worker unemployed during the

winter. Their gas bill was \$80 per month so they shut the heat off in all rooms except the living room and the kitchen. They slept on the floor and their 2-month-old infant contracted pneumonia and the illness cost them a total of \$3,000 in doctor and hospital bills.

A migrant couple with five children decided to stay in a small labor camp for the winter. The man worked only part-time so they could not afford heating oil. The only heat they had was three times a day from the cooking stove when meals were prepared.

A family of four living in a three bedroom house have an income (child support and social security) between low and low-middle. The house was heated with an oil furnace, and in midwinter 1973 it cost \$65-\$80 per month for fuel oil. Although the furnace could be converted to gas, funds were not available. At the present cost of heating oil (39 cents per gallon) it will cost \$100-\$130 per month to heat the home this winter. One of the teenage children required surgery and as a result, the family owes \$3,000 in medical expenses. Because of the restrictions and eligibility criteria, this family is unable to take advantage of the Food Stamp program.

An elderly woman living on Supplemental Security Income has medical bills beyond what is covered by Medicare. Because of the high monthly cost of these bills she is still attempting to pay her fuel oil bill from last winter. Now it is almost October when heat will be needed again.

These cases are recorded as given by the people concerned and they are not so isolated as they may seem. They are probably fairly typical of what the elderly and low-income put up with in this time of energy crisis. The problem might be summarized as caring and cost. The cost of energy is becoming and pretty much is, prohibitive for the poor. The question becomes a moral one—do the rest of us care enough and love enough to seek the means to share the energy there is with those who are unable to afford it themselves.

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## ITEM 2. STATEMENT OF MADELIN KOEHLER, COEUR D'ALENE, IDAHO

My name is Madelin Koehler, I am a resident of Coeur d'Alene, Idaho, and I am here representing senior citizens of that area.

Our greatest concern in regard to energy shortages is the factors that are involved in establishing the economics affecting our livelihood and lifestyle. It is a well known fact that a sizeable number of people of advanced age are subsisting on incredibly low incomes such as Social Security and other retirement benefits. The cost of owning and operating a vehicle is already beyond their economic means, and it is difficult to see how many of our elderly are able to exist on the funds available to them. Fortunately, the senior citizens program in our area is providing certain services which are most helpful. For example, a minibus and some volunteer services are available to provide transportation for senior citizens to hot meals three times each week and for medical attention and shopping. If the energy shortage or the high price of fuels curtails or forbids the use of these facilities many senior citizens will be placed in the embarrassing position of depending on the charity and goodwill of their neighbors.

It cannot be overemphasized that all of us, in spite of our advanced age, have as much pride as any other individual or individuals, and in many cases we have a great deal more pride than some individuals. To deny these people the ability to communicate with other areas within the community and to perform worthwhile and needed functions, as many of them are, cannot help but be a severe blow to the pride and dignity of people who have over a long period of time made a continuing contribution to the community and our country.

It is essential, regardless of the so-called energy shortage or lack of available gasoline supplies to operate transportation facilities, that these factors do not curtail the ability of these people to function in a manner which allows them to maintain their pride and dignity by continuing to contribute to the community and to maintain a lifestyle that is not embarrassing, depreciating or dependent upon the charity and control of individuals who may be complete strangers to them.

Many of the senior citizens (because of their advancing age) have infirmities such as fading eyesight and loss of hearing in varying degrees, which deprives them of the ability to drive, and thus transport themselves, and they must, therefore, depend on facilities that are provided by organizations such as the senior citizens services and other programs providing transportation facilities specifically dedicated to the individuals referred to in this testimony.

It is, therefore, essential that every effort be expended to guarantee that these people, who have contributed so much for so long in making this state and this country the great place that is, shall have transportation available which allows them to maintain a lifestyle commensurate with their pride and dignity.

Any kind of system which assigns priorities or quotas so far as energy fuels are concerned would be ill advised if it does not give high priority and consideration to guarantee that the transportation facilities of senior citizens will continue to function.

The Retired Senior Volunteer Program has already proven beyond a question of a doubt that a tremendous storehouse of talent, experience and wisdom is available in our older Americans, and it would be a travesty of justice to permit this great wealth to lie dormant and stagnate simply because we neglect to provide transportation for the people who possess this wealth and are most eager to share it.

Thank you, Mr. Chairman, for this opportunity to speak.

### ITEM 3. EXCHANGE OF LETTERS BETWEEN SENATOR FRANK CHURCH AND FEA ADMINISTRATOR JOHN C. SAWHILL

JUNE 10, 1974.

HON. JOHN C. SAWHILL,  
*Administrator, Federal Energy Administration,  
Washington, D.C.*

DEAR DR. SAWHILL: I was unable to attend the hearing of the Committee on Interior and Insular Affairs which considered your nomination as Administrator of the Federal Energy Administration. As a member of the committee and as Chairman of the Special Committee on Aging, I am concerned about the economic impact of our present energy policy on low-income Americans, including many older persons. Since I was unable to attend the hearing, I would appreciate it if you would respond to the following questions:

1. In your testimony before the Special Committee on Aging in April, you stated that the Special Impact Office was in the process of developing a plan to meet the special needs of the poor and elderly. What is the status of this contingency plan as it affects the coming winter and the high cost of heating fuel?

2. During the April hearing, the Special Impact Office was singled out as having important responsibilities to insure that the needs of the elderly were considered during this period of shortages and high prices. In the new Federal Energy Administration, where will the Special Impact Office rank in the bureaucratic structure?

3. The issue of increased cost of fuel and power has become the primary concern of people on fixed incomes. What role do you see the Federal Energy Administration assuming to assure that groups such as the poor and elderly do not carry a disproportionate share of the burden?

I look forward to your response to these questions and wish the best of luck in your new position.

Sincerely,

FRANK CHURCH, *Chairman.*

JULY 31, 1974.

HON. JOHN C. SAWHILL,  
*Administrator, Federal Energy Administration,  
Washington, D.C.*

DEAR DR. SAWHILL: A recent story in the New York Times has raised questions in my mind as to your planned staffing of the Office of Consumer Affairs of the Federal Energy Administration.

The Federal Energy Act, it seems to me, presupposes a close and supportive relationship between the Administrator of the FEA and a broad, substantive and representative segment of U.S. consumer groups. In this regard I wish to reaffirm my support for a strong and effective FEA Office of Consumer Affairs. For those reasons, I wish to raise the following questions:

—What steps has the FEA taken to assure that the Office of Consumer Affairs is able to represent in an effective fashion the interests of consumers, particularly elderly consumers?

—Do you believe that the Office of Consumer Affairs is fulfilling its responsibilities as envisioned by the Congress when it enacted the Federal Energy Act?



In addition, I am hopeful that you can provide a prompt response to the questions in my letter of June 10, 1974.

Thanks again and best wishes.

Sincerely,

FRANK CHURCH, *Chairman.*

FEDERAL ENERGY ADMINISTRATION,  
*Washington, D.C., August 22, 1974.*

Hon. FRANK CHURCH,  
*Chairman, Special Committee on Aging,  
U.S. Senate, Washington, D.C.*

DEAR SENATOR CHURCH: In your letters of June 10 and July 31 you expressed concern as to FEA's commitment to properly staff and strengthen the Office of Consumer Affairs and Special Impact. Let me assure you that under my direction FEA has moved to strengthen the functions of the Offices through a merger which is part of our current reorganization and effort to provide consumers, the poor, the aged, and the handicapped with stronger representation within FEA.

I have consolidated the Office of Consumer Affairs and Special Impact to eliminate duplication of efforts and provide a stronger technical support base. The new Office will initially consist of a staff of 24 persons and will include 10 Regional Officers.

I have further directed that the Office of Consumer Affairs and Special Impact become a part of the Intergovernmental, Regional and Special Programs Division of FEA. This will place the Office under the supervision of William Geimer, a highly viable, Level V appointee, who reports directly to me.

I have also expanded and clarified the mission of the Office to include the following:

1. Review and analyze the impact and potential impact of FEA policies, programs and energy-related problems on the consumer, the poor, the handicapped, and the elderly.

2. Advise the Administrator on the results of such reviews and analysis so that he may consider those factors in the development of FEA policies and programs.

3. Provide information on FEA policies and programs to Federal, State, and local agencies, and private organizations representing consumer and special impact concerns.

4. Review the policies and programs of other Federal Agencies with potential for alleviating the energy-related problems of consumers, the poor, the handicapped, and the elderly.

5. Recommend new or modified Federal policies and programs to alleviate the adverse effects of energy problems on consumers, the poor, the handicapped, and the elderly and assist in the development and implementation of new programs.

6. Review the policies and programs at state and local levels with potential for alleviating the energy-related problems of the consumer, the poor, the handicapped, and the elderly.

7. Recommend new or modified state and local level programs to alleviate the adverse effects of energy problems on consumers, the poor, the handicapped, and the elderly and assist in the development and implementation of new programs.

I share your expressed concern in this matter, and I have attempted to clarify our intentions. I hope that in the future we will be able to continue to cooperate toward the achievement of our common goals.

Thank you.

Sincerely,

JOHN C. SAWHILL, *Administrator.*

#### ITEM 4. NEWSPAPER ARTICLES FROM THE IDAHO STATESMAN

[From the Idaho Statesman, July 15, 1974]

##### OPERATION HEAT REMOVES MISERY OF FREEZING WINTERS

(By Ruth Russel, Statesman Staff Writer)

Emmett.—Soaring fuel costs coupled with fixed incomes and poorly insulated homes could mean a miserably cold winter for some families this year.

In a six-county area of Idaho, however, the pilot project is under way this summer to avert the misery and to help in the national effort to save energy.

Approximately 450 homes will be improved "before the snow flies," says Leonard Harbison, executive director of Western Idaho Community Action Program, Inc., based in Emmett.

WICAP is administering a pilot project called HEAT for Home Emergency Action Today. Funded through the Office of Economic Opportunity with a \$70,000 grant, HEAT is the second such project under way in the nation. Maine residents initiated their own home improvement project last winter.

The federal money is providing the wherewithall to insulate the homes of persons unable to get the job done themselves.

On the local level in each of the six counties the grant will be matched by at least 20 per cent, said Harbison, in labor and donations.

The counties include Adams, Gem, Boise, Valley, Payette and Washington, according to project coordinator Curt Monson, who commutes to Emmett and nearby communities from Boise.

A 1973 graduate in sociology from Boise State University, Monson said, "We designed the HEAT project in conjunction with Gov. Cecil Andrus' project for low income youth providing them job opportunity during the summer months."

He says about 27 of the young people are now involved in the project, helping as well as learning.

HEAT began operating in the third week of June and Monson says he hopes the project will be completed this fall.

Monson said cases where a home is not owned by the occupants provide problems unless the landlord will agree to the improvements and agree not to raise the rent.

"We have battled for four years here in Gem County for a project such as this one," says Harbison. "And we're happy to have a breakthrough.

"In many ways," he says, "the project is like the old farm building bees where the community helped the community."

Monson said a check with home heating fuel companies will be made after completion of home improvements to determine the savings in fuel.

"The most we will spend on a house is \$50," said Monson. "And for every \$1 put in this project I think we'll save \$2 in fuel."

Plans are under way to make fuel oil available through the project to low income families this winter in instances of dire need.

The funding for that fuel will come out of the HEAT project. But, Monson said project workers would much rather spend the money to winterize the homes now than supplement the fuel bill later.

Plans also are under way to increase the supply of firewood to low income families whose sole source of household heat is the old wood-burning stove.

The project's home winterizing methods include attic insulation, black plastic around foundations to keep the wind out, weather stripping, wall board, and reuseable storm windows.

Several firms are helping, said Monson, by either donating equipment and materials or providing a discount on purchase of items.

Boise Cascade in Emmett has donated \$300 worth of one inch by two inch boards which are being used for storm window frames.

Another firm in Weiser, Copeland Lumber Supply, has loaned equipment used to blow insulation into attics where many houses have the most heat loss, said Monson.

"We will be helping people to keep from freezing to death this winter and following winters," he said, "especially those whose fixed incomes cannot bear the increasing costs of heating fuels."

[From the Idaho Statesman, Sept. 9, 1974]

#### HIGH FUEL COSTS HIT POOR IN U.S. HARDEST

(BY COLUMNIST SYLVIA PORTER)

If you are among the 29 million U.S. households with an income of less than \$8,000 a year, you pay a much higher proportion of your earnings for basic utilities than your more affluent fellow Americans—and thus, you face financial disaster if fuel prices soar as threatened this winter. To indicate what might happen, consider last winter's brutal squeeze:

In Maine, where the mercury often falls below zero, the average cost of heating a home rocketed from \$400 to \$800 a year—burdensome for everyone, but particularly for the 20 per cent of Maine's population officially characterized as impoverished.

In South Dakota, the price of propane jumped from 15 cents per gallon in January, 1973, to 29 cents one year later. In New England, No. 2 heating oil rose from 20 to 40 cents a gallon.

While gas and oil prices doubled, coal prices multiplied as much as five times in some areas. In Kentucky, where many of the rural poor rely on coal stoves, the cost of this traditionally cheap fuel has gone from \$8 to \$40 a ton in one year—and if there is a major coal miners' strike in November, as some energy experts fear, additional increases are inevitable.

As for natural gas, the Federal Power Commission estimates demand will be so great later in 1974 that most factories and power plants will either have to cut back their orders or accept curtailed deliveries—meaning industries will be competing on an unprecedented scale with utilities for the product and driving up prices to average individual consumers.

The poor get hit from all sides. In addition to using a higher proportion of their incomes for fuel, they are hit hardest by rising prices because their homes are so inadequately insulated. And while they use less heat and electricity than higher income families, they pay more for what they buy, for the simple reason that in many instances, utility rates decline with rising usage.

The average low-income family spends about 7½ per cent more per unit of gas and electricity than the well-off, according to Dorothy Newman, senior associate at the Washington Center for Metropolitan Studies.

What's more, although President Ford has said publicly that the "plight of low and middle income people . . . must be heeded," so far at least, very little has been done or is being done to meet their desperate needs.

Still to come is a feasible plan to ease the financial nightmare that soaring fuel prices create for those on low or fixed incomes.

The Federal Energy Administration's Special Impact Office, established especially to find solutions to the poor's energy problems, has not developed any long-range plans to deal with foreseeable difficulties; the office hasn't even compiled much data on the poor's energy needs, according to Ken Bossong, associate with the Center for Science in the Public Interest.

Despite congressional studies emphasizing the need for changes in the FEA's fuel allocation regulations, the Special Impact Office hasn't suggested any changes.

The Special Impact Office has sponsored one program: Operation Harvest '74, a booklet for migrant workers listing truck stops where they might get fuel if regular stations were closed—but providing no mechanism to insure that migrants could buy the fuel.

The United Farm Workers and other migrant workers groups label the project "ridiculous."

And the Special Impact Office won't be able to do much on policy or programs with its very small budget and limited staff, none of whom has direct access to Energy Czar John Sawhill.

Meanwhile, other preparations by state and federal government agencies for dealing with this winter's crisis have been limited primarily to concern about supply.

What will happen to the Office of Economic Opportunity—which did by far the most successful job in helping the poor get through last winter's fuel crisis—is still up in the air, although Congress did give the OEO a temporary reprieve from Nixon's planned guillotine.

And even in the midst of the Arab oil embargo, only 28 states took advantage of the Emergency Assistance Program under the Social Security law, which provides federal-state matching funds to supplement the incomes of poor families for increased fuel costs.

For the poor, there is no guesswork about the next energy crisis: It is clearly in the making as the hours of daylight shorten and temperatures start to drop.

## Appendix 2

### STATEMENTS FROM INDIVIDUALS AND ORGANIZATIONS

#### ITEM 1. STATEMENT FROM THE NATIONAL RETIRED TEACHERS ASSOCIATION/AMERICAN ASSOCIATION OF RETIRED PERSONS

Mr. Chairman: I am Cyril F. Brickfield, legislative counsel of the National Retired Teachers Association and the American Association of Retired Persons, affiliated organizations representing the collective interests of over 7,200,000 older Americans.

With me today are Thomas C. Borzilleri, our staff economist, Peter W. Hughes and James Hacking, both members of the legislative staff.

We wish to express to the committee our appreciation for this opportunity to comment upon this country's energy problems and the cruel choices confronting the aged as a result of these problems.

#### I. OIL INDUSTRY AND PRODUCTION STRUCTURE: IDEAL FOR SUPPLY MANIPULATION AND HIGH PRICE AND HIGH PROFIT PERPETUATION

Barring a new Middle Eastern political convulsion, indications are that there will be no fuel shortage this winter. The problem confronting consumers in general and aged consumers in particular is high prices.

With demand for gasoline less than anticipated, a huge surplus is apparently building up in the United States. Despite this, however, and price reductions by independent retailers, the major oil companies are apparently trying to "hold the line" on prices. In an industry such as oil, the major producers should be uniquely able to accomplish just that.

Industry spokesmen have argued that high prices are essential to provide the retained earnings which are, in turn, necessary to finance the domestic exploration and investment upon which is contingent an increase in the supply of fuel and a decrease in the vulnerability of this country to international trade disruptions. Implicit in this is the argument that low price and the high cost of realizing potential domestic energy resources,<sup>1</sup> have forced the industry to rely increasingly on foreign production to satisfy domestic demands.<sup>2</sup>

Our associations are not persuaded by this rationale for high prices and profits. We do not see that they will automatically produce increased supply. Indeed, the evidence is to the contrary. An 8-month General Accounting Office study of the December 1973 decision of former Treasury Secretary, George P. Shultz, to permit a \$1 per barrel crude oil price increase to stimulate production found no evidence of any such increase. Moreover, we wonder how Mobil Oil's use of profits in an attempt to purchase Montgomery Ward can be justified under this industry rationale?

In the United States, the mechanism relied upon to assure an adequate supply of a given commodity at a just and reasonable price is competition between sellers.<sup>3</sup> Yet, considering that the oil industry is dominated by a handful of producers and that such practices as joint lease acquisitions, banking interlocks, joint ownership of pipelines, joint production and international joint ventures seem to be the rule rather than the exception, the industry is anything but competitive. Indeed the 1973 Federal Trade Commission's staff study concluded that:

"These major firms, which consistently appear to cooperate rather than compete in all phases of their operation, have behaved in a similar fashion as would a classical monopolist: they have attempted to increase profits by restricting output."

<sup>1</sup> For a conservative estimate of domestic energy resource potentials, see table 2, p. 70.

<sup>2</sup> For some indication of the increasing U.S. reliance on foreign imports, see table 1, p. 70.

<sup>3</sup> In a comparative situation, a producer can charge no more than the cost to produce (plus a reasonable rate of return), or he would find his sales ultimately falling to zero.

In this context, what we know about the institutional arrangements in the production of domestic oil should also be considered. At a minimum, we know that production is controlled to maintain price. We know that company output is determined by state allocation boards, such as the Texas Railroad Commission, on the basis of a maximum output which is provided essentially by the companies themselves and that this physical maximum varies from time to time. We do not know how accurate the maximum efficient recovery rate (MER) is nor do we know to what extent, if any, economic considerations, such as price expectations, influence its value. What we do know, however, is that the industry structure and the institutional arrangement in the production of domestic crude oil provides all the elements necessary to effect conscious supply control and this we expect will be the industry response to the current abundance of fuel. It is price that is supposed to be the variable, not quantity.

Our associations firmly believe that the oil industry is uniquely structured to maximize price and profits. If domestic oil resources are not being developed, it is not because it is not profitable to do so, it is because it is more profitable to develop the resources of foreign countries.

Given the evidence of energy company interdependence and non-competition, the barriers to new entry into the industry, the control of crude oil production by state allocation boards for the purpose of preventing price declines, the determination of the MER by oil company geologists, the probabilities that this rate is influenced by many economic factors, and the control of the oil companies over natural gas, nuclear fuel and coal, our associations strongly believe that supply control and excessive prices have prevailed in the past and are likely to prevail in the future to the detriment of consumers.

## II. FEDERAL GOVERNMENT POLICIES TO SUPPRESS DEMAND AND ASSURE ADEQUATE SUPPLY AND REASONABLE PRICE

Since excessive market power concentrations in the oil industry promote artificially high prices, our associations believe that attempts should be made to restore a reasonable degree of competition through antitrust action and government competition. While increased federal regulation is an alternative, and perhaps a necessary one in the short run, it is hardly a desirable long-term solution. Over time, government regulatory agencies seem to come, all too often, to advocate the interests of the various industries they were intended to regulate. Indeed, such an allegation has already been made against the Federal Energy Administration.

We also believe that the energy policy objectives enumerated in the fiscal 1975 budget analysis published by the Brookings Institution as part of its "Setting National Priorities" series,<sup>4</sup> deserve serious consideration. First, to protect against international trade disruptions, stockpiling (which implies elimination of import tariffs and quotas), the availability of government-owned energy resources for emergencies, the development of standby measures such as fuel allocation and coupon rationing schemes and the financial support of alternative modes of urban mass transportation should be explored. Such short-run policies should be accompanied simultaneously by attempts to achieve, in the long run, full or partial self-sufficiency through policies designed to increase supply and reduce demand. These are the aims of Project Independence and urban mass transit support. Moreover, to reinforce these short and long-term policies, any tax advantage that encourages foreign rather than domestic petroleum investment should be eliminated.

Second, to protect against the exhaustion of finite fossil fuel resources, such current tax advantages as percentage depletion and the expensing of intangible drilling costs should be eliminated since these policies encourage exhaustion of the most vulnerable resources. The conservation objective should be reinforced by vigorous encouragement of energy research development programs in nuclear fusion and geothermal and solar energy.

Third, to protect the environment, there should be resort to taxes and other user charges so that producers and consumers are forced to pay the true social costs of energy consumption. If, for example, strip mining were allowed, only on condition that producers dispose of wastes and repair the landscape, the incidental costs would be reflected in increased price and decreased demand.

<sup>4</sup> B. Blechman, E. Gramlich, R. Hartman, "Setting National Priorities: The 1975 Budget," 133-65 (The Brookings Institution, 1974).

The final objective of federal policy should be the assurance of a proper distribution of income between producers and consumers. Given the massive shift of purchasing power from consumers to the oil companies that has occurred and is reflected in enormous oil profits, a tax should be imposed that would divert windfall profits either to the federal treasury or back to consumers, provided, however, that such a tax is structured in a manner that does not adversely affect incentives to expand production or restrict demand.

### III. SPECIFIC IMPACTS ON THE AGED

At this point in time, definitive data as to the nature and magnitude of the effects on the aged of last winter's fuel shortage and subsequent high prices is not available. Nevertheless, our membership correspondence and news media reports have provided us with some idea of the dimensions of the direct and indirect economic effects of these developments. For example, on the basis of a personal interview survey of low-income elderly individuals in South Dakota, it was found that, among other things:

1. The low-income aged are experiencing major financial problems because of cost increases for fuel and some of the poor are finding it necessary to divert money from food budgets.

2. They are less concerned about fuel shortages than they are about skyrocketing prices.

3. They are spending more for heating purposes because their homes are poorly maintained and insulated; and

4. Because of their lack of income, they would not be able to finance a change from oil to other fuel supplies even if alternative fuel supplies were available.

Exhibit 3 in appendix C indicates what happened to rental prices at the Pablo Towers Apartments, a low-cost elderly housing project operated by Beaches Christian Services Corp., Inc., in Jacksonville Beach, Fla., when the price of Venezuelan fuel oil increased from \$2.69 to approximately \$12 per barrel as of April 19, 1974. The basic rental for an efficiency increased from \$96 to \$136 per month while that for a one-bedroom increased from \$106.88 to \$151.

The continuing stream of news media accounts tends to confirm the reports reaching us through other sources. Only last Saturday, George F. Wills' column in the Washington Post contained the following paragraph:

"Consider the plight of many retired people in St. Petersburg, Fla. Primarily because of fuel costs, since January the average monthly electricity bill was increased 50 percent from \$25 to \$37. For a retired couple trying to live on Social Security . . . the \$12 lost doesn't come out of . . . 'luxuries' . . . , it comes out of their food budgets. That's why today you see elderly people filling their shopping carts with potatoes and oatmeal. . . ."

According to the May 13, 1974 issue of U.S. News & World Report, a government survey found that at least 15 electric power companies had asked their state regulatory commissions to approve rate increases to offset losses in revenue because consumers were conserving energy. It is little wonder that so many older persons have complained that despite their cooperation with pleas to reduce consumption, the result has been increases in their electric bills.<sup>5</sup>

Prompted by such reports, the response of our associations has been twofold: First, we attempted to project reasonable estimates of the macro- and micro-economic effects of fuel shortages and high prices on the aged. Second, we undertook a survey of association officers in an attempt to determine what the impact of high fuel prices and shortages has been on this group of older persons. Admittedly, the survey is not a scientific one and the group surveyed does not purport to be a representative sampling of the aged. However, in view of the lack of data, the results of this survey may be helpful. As soon as the tabulation process is completed, we will offer the results to the committee.

Our efforts to reasonably estimate the impact of last winter's shortage and subsequent high prices on the aged led us to the following conclusions. First, we estimated an increase of from 1 to 2 percent in what would otherwise be the general rate of inflation caused by an increase in the price of consumer fuel and an increase in the price of other goods consumers purchase because of increased production costs. Second, we estimate an increase of from 1 to 2 percent in what would otherwise be the unemployment rate among the aged, caused by reductions in real output. Third, we estimate a reduction in the rate

<sup>5</sup> See table 3, p. 70.

of growth of the tax revenues flowing into the Social Security trust funds, thus aggravating the financial problems of the OASDI system.

We also projected that, as a result of high fuel prices, the elderly will experience a reduction in real income and a reduction in fuel consumption. This latter consequence will, in turn, result in decreased mobility, cooler homes and potentially adverse health effects.

We would add at this point, that because of the prevalence of chronic diseases, such as arthritis and diabetes among the aged, their demand for heat is likely to be less elastic than that of the nonaged. If they are less able to reduce consumption, they are less able to avoid the impact of higher fuel prices on their incomes than the population at large.

One further consequence for the aged that could result from higher costs would be a deterioration in their general health resulting from a widespread shift from natural gas or oil to coal. The American Public Health Association (APHA) has stated that long-term conversion to coal will lead to "an increase of 20 to 40 percent in both morbidity and mortality due to respiratory and cardiovascular disease." A recent study by the APHA attributed to power plant electricity generation some 23 percent of the "excess" (more than would occur in pure air) attacks from respiratory diseases (emphysema, bronchitis and upper emphysema) in high risk populations.

#### IV. RECOMMENDATIONS TO MINIMIZE THE IMPACT OF HIGH FUEL PRICES ON THE AGED

In order to minimize the impact of high fuel costs on the aged, our associations offer the following recommendations. First, we suggest that any real income reduction resulting from high fuel prices be offset by Social Security real benefit increases. With high fuel prices expected to have an adverse revenue effect on OASDI, thereby increasing demands for an infusion of general revenues, our associations suggest that at least some of the revenues from a windfall oil company profits tax could be channelled to the system and used to finance the benefit increases we suggest. This would be in accord with the objective of modifying the massive shift in purchasing power from consumers to the oil companies that has occurred.

Second, if stand-by fuel allocation and rationing programs are developed as part of a short-term strategy against international trade disruptions, we suggest that regulations for such programs be sufficiently flexible to permit consideration of the needs of the aged and waivers in circumstances where health needs require. Regulations should clearly spell out a simple procedure whereby persons with special needs can apply for increased allocations and rations of fuel, with reasonable appeal procedures.

Third, in order to assist the aged in lowering their demand for high cost fuel oil for home heating purposes without jeopardizing general health, we suggest that the Department of Housing and Urban Development be authorized to provide low-cost loans for housing insulation and that the Department develop special energy conserving designs for HUD-assisted housing.

Fourth, since the 21 million persons who suffer from respiratory and cardiovascular disease include large numbers of the elderly, the potentially serious impact on their health must be considered before federal policy further relaxes environmental controls to permit greater use of coal.

Fifth, we urge that consumer interests be given paramount consideration before federal policy permits the deregulation of natural gas. We fear that deregulation will mean only higher prices for consumers—prices that would be far in excess of the cost of production and a reasonable rate of return.

Sixth, we understand that some 20 states have a "coupon system" whereby families with incomes below a certain level can obtain from the Welfare Department, one coupon entitling them to a free 30-day fuel allotment; we think such relief measures should be encouraged.

Finally, in recognition of the excessive concentrations of market power in the petroleum industry, the impossibility of any immediate restoration of competition, and, consequently, the need for interim federal regulation, we suggest that the Federal Energy Administration provide adequate staff for its Consumer Office and Consumer Advisory Committee to provide public information on the needs for energy conservation and on undesirable conservation practices, and to inform consumers of their rights and procedures for obtaining these rights. We believe that information and staff cooperation should be readily available to consumer groups and state authorities involved in effecting conservation and gen-

eral energy planning on the state level. Such consumer emphasis will serve to counterbalance any tendency on the part of the FEA to become a petroleum industry advocate.

Our associations are aware that the agency or department that is to have primary control over federal energy policy objectives and regulation has not been finally settled. The Federal Energy Administration and the Departments of Treasury and Interior are all contenders. But no matter where power comes to rest within the executive branch, our associations insist that a direct avenue be provided for the advocacy of consumer interests. An agency, department or departmental subdivision, staffed by industry personnel, cannot be expected to develop policy and exercise regulatory powers solely in the public interest.

TABLE 1.—CRUDE OIL DEMAND AND PRODUCTION

Recent figures on U.S. crude oil demand, and the sources by which this demand was met.

U.S. Demand and Source of Supply <sup>1</sup>

[Millions of barrels per day]

	Crude oil demand	Domestic crude production	Crude oil imports
1968.....	9.95	8.65	1.29
1969.....	10.19	8.78	1.41
1970.....	10.50	9.18	1.32
1971.....	10.71	9.03	1.68
1972.....	11.72	9.50	2.22
1973.....	12.01	8.77	3.24

<sup>1</sup> Source: American Petroleum Institute; the 1973 estimates were released January 6, 1974, and are preliminary.

TABLE 2.—U.S. ENERGY POTENTIAL,<sup>1</sup> AS OF JANUARY 1972

	Resources	Proven reserves
Coal (billion tons).....	3,200	200-390
Oil (billion barrels).....	2,900	52
Natural gas (trillion cubic feet).....	6,600	290
Shale oil (billion barrels).....	160-600	20

<sup>1</sup> Source: Energy Resources of the United States, P. K. Theobald, S. P. Schweinfurth, D. C. Duncan, U.S. Geological Survey, Washington, 1972.

<sup>2</sup> Prices had not yet increased.

### HOW ELECTRIC BILLS ARE RISING

TABLE 3.—Percentage increase in electric bills for a residence using 500 kWh per month between February 1973 and February 1974

Rise in typical bills:	Percent
New York.....	47.5
Long Beach.....	36.3
Los Angeles.....	27.7
Boston.....	24.9
Atlanta.....	17.0
San Francisco.....	16.4
Washington.....	16.1
Philadelphia.....	13.1
Houston.....	6.7
Chicago.....	5.3

Source: Federal Power Commission.



## ITEM 2. THE ENERGY STAMP PROGRAM PILOT PROGRAM RECOMMENDATIONS; PREPARED BY MAUDINE R. COOPER, NATIONAL URBAN LEAGUE

### INTRODUCTION

During the energy crisis as well as other periods of commodity shortages in American history, public policy has found it acceptable that the poor and persons on fixed incomes should suffer disproportionately. Such persons spend unacceptably high portions of their meager incomes on food, clothing, shelter, and now energy. In some cases they are forced to do without these basic necessities. This fact is even true in times of plenty. Nevertheless, this complex pattern is an integrally accepted part of the way in which this country functions.

The plight of the poor has been documented, studied, and restudied. The same conclusions have always been reached—that the poor suffer the most in depressions, recessions, and even when the economy is running smoothly.

There is no all encompassing plan contemplated within the near or distant future to change or even effectively challenge this inequity. Past efforts had begun to dent the complex problem when the energy crisis struck. That crisis, compounded by inflation, dramatized the fact that massive efforts were needed in order to provide solutions to the plight and problems of the poor.

What we propose here does not represent a metamorphosis in this traditional pattern of poverty. We wish it were. What is recommended is merely a simple method of ameliorating that pattern for some persons at the bottom of the economic ladder through the implementation of an Energy Stamp Pilot Distribution Program (ESP) patterned after the already existing food stamp program of the Department of Agriculture.

### PROGRAM OBJECTIVES

ESP shall have the overall objectives of providing an opportunity for poor and needy families to purchase gasoline in the retail market, at the prevailing prices.

It has become increasingly apparent that the gasoline energy market will operate without price controls and the oil industry will not be subjected to a price roll back. Within this context, the poor cannot wait until prices and the economy stabilize, or inflation is halted, or new energy resources developed, or Project Independence becomes a reality. All of these expectations are long range. The Energy Stamp Program is a short-range program designed to provide immediate help to some during the pilot program stages and medium-range help to others upon nationwide implementation.

### WHO WOULD PARTICIPATE

The Energy Stamp Program would consist of voluntary participation by families certified as needy by state and local welfare agencies, as well as other low-income households having less than specified levels of income and liquid assets established for such family size.

### PROGRAM COST

The purpose of the pilot program will be to determine what the cost of implementing the program would be if carried out on a nationwide basis. We recognize that the Federal government is already engaged in a number of income support programs—medicare, medicaid, food stamps, social security, housing allowances—but the government is also engaged in a number of industrial or rich folks programs called “subsidies”—milk support, oil depletion allowances, and even revenue sharing as a form of state and local governmental subsidy.

The coupons already printed by the U.S. Treasury Department at a cost of approximately \$8 million, could easily be adopted for this program at little cost. These coupons are presently being stored in governmental facilities with no plans for usage. For a nominal fee, such coupons could be placed in books and issued to families in \$2, \$5, or \$10 blocks.

Although food stamps are issued without regard to expiration dates, it is believed that because each state is allotted, under a mandatory allocation program, only a specific number of gallons of gasoline each month and the amount is subject to fluctuation, expiration dates of 30 to 60 days from issuance should be mandated.

One of the arguments to be anticipated against this program is based upon the fact that the coupons which have already been printed will be accepted by the dollar bill change machines. This is an insufficient reason for not instituting this pilot program. Rather than deny the program an opportunity to provide immediate relief to those at the bottom of the economic barrel because of a technical defect in machinery, an opportunity should be provided for those scientific minds who have taken us to the bottom of the ocean and around the planet Mars, to develop a plan to sensitize the machine, or desensitize the coupons. In the meantime, during the pilot period of this program, a few people will view the machine as an opportunity to make a few dollars.

#### URBAN LEAGUE RECOMMENDATIONS

(1) That a task force be established consisting of persons who have worked with the Department of Agriculture Food Stamp Program; the Department of Health, Education and Welfare Public Assistance Program; Members of Welfare Organizations; Members of the Federal Energy Administration Consumer Affairs Office, Gasoline Rationing Office, Gasoline Allocation Office; National Community and Consumer Organizations; and other persons with an interest in the implementation of this kind of program.

(2) That this task force identify a minimum of ten cities which will serve as pilot cities for the Energy Stamp Program.

(3) That guidelines and regulations be drawn up by this task force for approval and implementation by the Administrator of the Federal Energy Administration.

(4) That the period of time for the pilot be no more than one year, or for a specified time determined by the Task Force.

(5) That much of the experience and problems of the existing Food Stamp Program serve as a polestar for the implementation of this program.

(6) That the task force consider the following: (a) the feasibility of a type of public transportation fare subsidy for the poor, i.e., tokens purchased at varying prices based upon standards similar to the suggested energy stamp program or the food stamp program; (b) the feasibility of a home heating fuel oil assistance program to provide financial aid to the poor, i.e., when heating bills exceeded a certain percentage of income.

#### ITEM 3. LETTER FROM RONALD H. BROWN, DIRECTOR, NATIONAL URBAN LEAGUE; TO JOHN C. SAWHILL, ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION, DATED AUGUST 6, 1974; REPLYING TO A LETTER FROM MR. SAWHILL, DATED JULY 30, 1974

Dear Mr. SAWHILL: In response to your letter of July 30, 1974, the Washington Bureau of the National Urban League is encouraged by the fact that you were at last able to respond to our letter of June 7, 1974, and that you apparently found no fault with the concept and goals of the proposal. We are of course discouraged by your seemingly negative response to our suggestion of FEA's involvement in laying the ground work for implementation of the energy stamp pilot program.

First, in response to what you view as a problem in implementing the program, I suggest that you reexamine the initial letter and recommendation. In that letter, we recommend that the Federal Energy Administration take the initiative in implementing the program—not the sole responsibility for program administration. Frankly, the reason for suggesting that the task force consist of various governmental personnel is that we are uncertain which agency should take primary responsibility. Furthermore, although we are not experts in the food stamp program, we are aware of the benefits of such a program to the poor in this country as well as some of the problems and pitfalls. Using the food stamp program as a pattern for the energy stamp program may ultimately result in some form of congressional action, but in the interim, the calling together of a task force does not imply program implementation without adequate consideration.

As to the absence of staff support within the legislation, you are correct in that there is no explicit language which supports an energy stamp program. However, the language gives the Administration the responsibility for "maintenance of fair and reasonable consumer prices" (Public Law 93-275, section 2(a), Federal Energy Administration Act of 1974, Declaration of Purpose).

Recognizing that fair and reasonable are subjective terms, we think that the energy crisis/inflation has had such a devastating effect upon the poor, and minorities which make up a large percentage of the poor, that present gasoline prices are neither fair nor reasonable. The stamp program would therefore provide some relief for the segment of society negatively impacted by the high cost of fuel.

In further examining your comments, it is suggested that you examine section 5(b) of the FEA Act which states that the administrator shall:

"(5) promote stability in energy prices to the consumer . . .

"(6) assure that energy programs are designed and implemented in a fair and efficient manner so as to minimize hardship and inequity . . .

"(10) work with business, labor, consumer and other interests and obtain their cooperation."

The suggested energy stamp program is consistent with these legislative provisions. In further support of this program, provision ten (10) above is particularly important when read along with section 7(d) of the Act:

"The Administrator may utilize, with their consent, the services, personnel, equipment, and facilities of Federal, State, regional, and local public agencies and instrumentalities, *with or without reimbursement therefor* (emphasis added), and may transfer funds made available pursuant to this Act, to Federal, State, regional, and local public agencies and instrumentalities, as reimbursement for utilization of such services, personnel, equipment, and facilities."

The legislation is replete with language which, as a minimum, would authorize FEA to bring together this task force.

We think furthermore, that a precedent has already been set within the Agency in the implementation of Project Independence. Although we recognize that Project Independence did have presidential support, there was no legislative mandate for an independence effort. Despite this, FEA garnered a large part of its resources and that of other public and private agencies to assist in this effort. It is therefore submitted that Agency support—your support—is all that is required to begin to look at the energy stamp program.

Finally, your statement regarding the subsidy to the petroleum industry is to say the least nonpersuasive. First, the American taxpayer is already subsidizing the petroleum industry through a number of tax incentives which are the subject of a great deal of debate among congressmen and even within your own agency. Secondly, the "subsidy" which the stamp program would provide is not to the industry, but to the poor. If such a program were patterned after the food stamp program, the station owner would receive stamps in exchange for gasoline and later redeem the stamps at a bank for cash. If then by "subsidy" you mean that the industry would receive additional business from persons who normally would not be unable to buy gasoline then, you are using a very broad definition of the term.

The absence of congressional appropriations is a step far beyond this initial phase of task force organization. To therefore summarily dismiss the recommendation without an inquiry of other agencies as to the feasibility of organizing such a task force is to fail to address your legislative mandate to minimize hardships and inequities.

Yours very truly,

RONALD H. BROWN, *Director*.

DEAR MR. BROWN: I have read with interest your recommendation for a pilot program for using gas rationing coupons as energy stamps.

The immediate problems we would have in implementing such a program are twofold: First, the FEA reorganization pursuant to the Federal Energy Administration Act does not provide for the staffing required to administer such a program. Second, such a program would involve subsidies to the petroleum industry, to be credited to their account in the amount of stamps redeemed by the Government. Our present funding from Congress has no funds budgeted for such a program.

Therefore, before we can address this proposal, either administratively or financially, we would need the requisite congressional authority. I note that you

have sent copies of your proposal to Congress, and we will be very interested in their reaction.

Thank you again for your ideas in this area of mutual concern, namely the protection of the consumer and petroleum pricing policy.

We are also delighted to have Maudine Cooper of your staff on our Consumer Advisory Committee.

Sincerely,

JOHN C. SAWHILL, *Administrator.*

#### ITEM 4. STATEMENT SUBMITTED BY WILLARD S. SIMONDS, FUEL MANAGER, FLORIDA POWER CORP., ST. PETERSBURG, FLA.

Gentlemen: I am Willard S. Simonds, fuel manager, Florida Power Corp., St. Petersburg, Fla. We are Florida's second largest electric utility, serving 600,000 customers in a 25,000 square mile portion of the central, western, and northern parts of the State. Our customers include a disproportionately high percentage of older Americans and I therefore particularly appreciate the opportunity to submit these remarks in the record for this hearing.

I think it is safe to say that as a class, the customers of the East Coast electric utilities have been hit harder by the after-effects of the Arab oil embargo of last October and the attendant wild escalation of world oil prices than any other class of customers in the country. Residential, commercial, and industrial electric bills have nearly doubled—more than doubled in some cases—since January 1973. The financial condition of the utilities themselves have been seriously weakened by these imported residual cost increases.

The effect upon my company's customers, especially older Americans, is fairly typical of the overall situation. Some of the utilities have been hit harder, some not quite so hard.

Like most of Florida's electric utilities, and in fact most of the electric utilities along the East Coast of the United States, we are heavily dependent upon imported residual oil as our fuel. (Imported residual fuel oil represents about 80 percent of our total fuel requirements.) Most of the balance of our fuel supply is natural gas, and because of terms peculiar to our supply contracts, the delivered cost of this gas tracks, very closely, the cost of our residual oil. On January 1, 1973 residual oil cost us \$2.53 per barrel. Today the price is \$9.80—an increase of 287 percent in 20 months. In the same time, gas has increased from \$2.16 per equivalent barrel to \$9.11 per equivalent barrel, an increase of 321 percent. A history of these price changes is attached as exhibit A,<sup>1</sup> which also includes the history of our fuel adjustment which we have been forced to add to the bills of each of our customers. Both of these tabulations are shown graphically in exhibit B.<sup>2</sup>

The following tabulation shows that in the 20 months since January 1, 1973, Florida Power Corp.'s fuel expense (for residual and natural gas) has increased by nearly \$94 million.

[All figures in thousands]

	1973, 12 months	1974, 8 months	20 months total
Residual (barrels).....	17,752	11,001	28,753
Actual cost.....	\$55,569	\$96,178	\$151,747
Cost at Jan. 1, 1973, price.....	44,913	27,833	72,746
Increase.....	\$10,656	\$68,345	\$79,001
Natural gas (equivalent barrels).....	2,928	1,528	4,456
Actual cost.....	\$10,077	\$14,347	\$24,424
Cost at Jan. 1, 1973, price.....	6,324	3,301	9,625
Increase.....	\$3,753	\$11,046	\$14,799
Total increase (residual and gas).....	\$14,409	\$79,391	\$93,800

<sup>1</sup> See p. 77.

<sup>2</sup> See p. 78.

To express our financial situation another way . . . in January 1973 fuel cost was 32 percent of total operating expense; in August 1974 it was 61 percent.

Like most electric utilities, we have a "fuel adjustment" clause in all of our rates which escalates prices to our consumers directly as a result of rising fuel costs.

Because he must use a great deal of air conditioning and may use electric energy for heat, the average Florida consumer uses some 40 percent more electricity than the national average. This is not simply a matter of luxury. In our 32-county service area, a heavy portion of the population is retired persons. In Pinellas County, the most populace county we serve, fully one-third of the people receive social security payments. Many of these senior citizens have heart, respiratory or other health problems that mandate air conditioning and other therapeutic uses of electricity. The average customer uses about 1,000 kilowatt hours a month on a year-round basis.

In August of this year that average customer paid a bill of \$36.76 of which \$14.70—nearly 40 percent—was fuel adjustment. Stated another way, in a little over one year his electric bill has increased 66 percent due to fuel cost increases alone. This is the heaviest single component of inflation in the Consumer Price Index for our State. With these figures, it would be possible to make all sorts of startling comparisons. I would like to make just one.

In June of this year, the average individual drawing social security retirement benefits received the second of two statutory increases raising his income from that source from last year's \$161 to \$181—a total of \$20 per month. If he uses the average amount of electricity, the fuel adjustment charge will take more than two-thirds of an increase which Congress expected would help him eat, pay the rent, buy clothing and other necessities of life. Even if he uses a minimal amount of power—500 kilowatt hours in an average month—the fuel adjustment is \$7.50. That is more than one-third of that \$20 increase. This fuel cost increase then strikes hardest and most cruelly at those who can least afford it—the older American. This tragic impact is not confined to a tiny minority of our customers—as I said—one-third of the people in Pinellas County, which is the heart of our service area, receive social security benefits.

The same thing prevails when it comes to our commercial customers from whom our senior citizen customers must purchase the necessities of life. An average supermarket in St. Petersburg uses about 95,000 kilowatt hours a month. In July 1974, the basic charge for this power was \$1,617. The August fuel adjustment charge was an additional \$1,430—nearly doubling his bill. This cost increase must be passed on to the consumer in the form of still higher prices.

Even the little corner barber shop using 1,500 kilowatt hours pays a \$22 fuel adjustment on top of his regular \$60 base bill.

These increases have to take the form of higher bills to the individual consumer who pays these costs—in addition to what it is costing him for electric power at home.

These illustrations of hardship are not hypothetical but are reports on actual Florida Power Corp. customers—real people and businesses who were only too glad to discuss the impact of the monthly electric bill on their various operations—particularly when even their best efforts at conservation cannot offset the increasing cost of fuel.

There is no doubt that the soaring cost of fuel oil and natural gas which we use to fire our boilers is having a tremendous adverse effect on the economic life of the individual customers and communities served by Florida Power. This effect—depending upon the circumstances—can be anything from concern to catastrophe. No one escapes the fuel cost impact entirely.

There can also be no doubt whatsoever that these constantly increasing costs of imported fuel oil are a major contributor to our runaway inflation.

On August 7, 1974, Mr. A. H. Hines, Jr., the president of my company, with several other utility chief executives testified before the Senate Committee on Interior and Insular Affairs on this subject. They presented much the same story I have given you and made numerous suggestions which either the Congress or the executive branch of the Government might do. Many of their suggestions were practical and could be accomplished. But most of them were long range—the results would be years away.

But there is one decision now being considered by the executive branch which would immediately benefit the Florida consumer in general and older Americans in particular.

The Federal Energy Administration has pending a rulemaking proceeding (allocation of old oil) which would do something practical and which will have an immediate beneficial effect on the aged utility customer on a fixed income. Alternative 3 or 4 to the proposed regulation (39 Fed. Reg. 31653-4) would give relief from the high cost of imported fuel oil being paid by the consumers of electricity along the East Coast of the United States—and that is practically 100 percent of the population of 16 states plus the District of Columbia. Naturally the amount of relief would be greatest where the hurt has been greatest—New England, New York, New Jersey, the District of Columbia, and Florida.

The cost of imported residual to my company is presently \$9.80 per barrel. We estimate that our net fuel cost could drop as much as \$4 per barrel if the Federal Energy Administration adopts alternative 3 or 4. Because we use about 1.5 million barrels per month, this would mean a cost saving of up to \$6 million per month which would be passed directly to Florida consumers. It would decrease our fuel surcharge by as much as 40 percent.

The impact of cost reductions of this magnitude in our service area is hard to overstate. We believe that this action—adoption of Alternatives No. 3 or 4 by the FEA—would do more to dampen the inflationary spiral than any other single decision—government or private. Far from merely decreasing inflation, it would in fact be strongly deflationary. We recognize, of course, that these consumer cost reductions are not created out of thin air. We estimate that the effect of such FEA action would be to drive down the price of new domestic oil, leading to a reduction of income for domestic oil producers. However, in light of the fact that even the controlled price of 60 percent of the domestic oil is over twice the free market price of only two years ago, and recognizing the enormous number of individuals and companies that would benefit by a cushioning of the recent exponential fuel price increases, the equities appear to point clearly to benefit the national consumer interest.

We believe that Congress has already mandated such equitable consumer relief in the Emergency Petroleum Allocation Act of 1973 (Public Law 93-159), which requires FEA to provide "equitable distribution of crude oil, residual fuel oil, and refined petroleum products at equitable prices among all regions and areas of the United States . . ." (Section 4(b)(1)(F)).

The effect of the skyrocketing fuel costs on the company has been devastating. While that is not the subject of this hearing, the financial health of our company is essential to our ability to continue to provide adequate and reliable electric service to all of our customers.

In conclusion, our company is keenly aware of the burden that escalating fuel prices has placed on our customers. Because of the earlier choices of our suppliers—the major oil companies—we have no present fuel alternative to imported residual oil to fire our boilers. Since the price of this imported source is set by the foreign oil producer's cartel, we have been forced to pass along to our customers the full brunt of the exponential increases of the last year. We believe that the most fair and equitable way of reallocating this burden—which is presently being borne disproportionately by East Coast customers—is to spread the access to the lower cost domestic fuel proportionately to all consumers. The proposed FEA plans outlined earlier would ensure that this enormous economic benefit does not go at random because of accidents of geography. Allocation of old oil would be immediately deflationary to the older Americans we serve, and indeed to all Florida and other East Coast consumers. We strongly urge the attention of this committee to these ameliorative plans.

EXHIBIT A  
FLORIDA POWER CORP. SCHEDULE OF FUEL CONTRACT PRICE CHANGES

Date of change	Residual oil, Exxon	No. 2 oil, Gulf Oil		Libyan crude oil, dollars/barrel	Gas	
		Cents/gallon	Dollars/barrel		Cents/M <sup>3</sup> Btu	Equivalent dollars/barrel
Dec. 31, 1972	1.68	12.02	5.04	2.96	34.20	2.16
Jan. 1, 1973	2.53	12.02	5.04	3.896	41.60	2.59
Jan. 3, 1973	2.56					
Feb. 1, 1973					45.80	2.85
Mar. 3, 1973	2.60				46.50	2.89
Mar. 24, 1973	2.75					
Apr. 1, 1973				4.065	46.90	2.92
May 1, 1973	2.70			3.960	47.60	2.96
June 1, 1973				4.091	48.00	2.98
July 1, 1973	2.86			4.191		
Aug. 5, 1973	3.07			4.296		
Sept. 6, 1973	3.17				58.16	3.62
Oct. 1, 1973						
Oct. 3, 1973	3.45					
Oct. 15, 1973				5.37		
Nov. 1, 1973	4.96					
Nov. 5, 1973					73.10	4.54
Nov. 20, 1973	5.19				94.40	5.85
Jan. 1, 1974		13.77	5.78			
Jan. 4, 1974		18.75	7.87			
Jan. 11, 1974	8.92				123.50	7.67
Feb. 11, 1974	9.41					
Feb. 22, 1974				(1)	164.60	10.23
Mar. 1, 1974		25.15	10.56	(1)		
Mar. 20, 1974		23.60	9.91	(1)		
Apr. 1, 1974				(1)	160.20	9.98
Apr. 17, 1974				(1)	161.80	10.08
Apr. 25, 1974				(1)	146.60	9.11
May 3, 1974				(1)		
May 25, 1974	9.80			(1)		
June 1, 1974		24.47	10.28	(1)		
Aug. 31, 1974		24.97	10.49	(1)		

<sup>1</sup> None available.

*Fuel Cost Adjustment as added to all Bills—figures in cents per kWh.*

November 1973	0.320
December	0.345
January 1974	0.445
February	0.565
March	0.640
April	0.940
May	1.210
June	1.330
July	1.450
August	1.470
September	1.505
October	1.560

EXHIBIT B

FLORIDA POWER CORPORATION

