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PUBLIC HEARING

before

SENATE LAW, PUBLIC SAFETY AND DEFENSE COMMITTEE

on

(Review of the recent proposal for a rate increase  
by the Public Service Electric and Gas Company.)

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Held:  
August 19, 1981  
Council Chambers  
City Hall  
Paterson, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Frank X. Graves, Chairman  
Senator Frank E. Rodgers, Vice-Chairman  
Senator John P. Caufield  
Senator Walter E. Foran

ALSO:

Stephen S. Robbins, Research Associate  
Office of Legislative Services  
Aide, Senate Law, Public Safety and Defense Committee

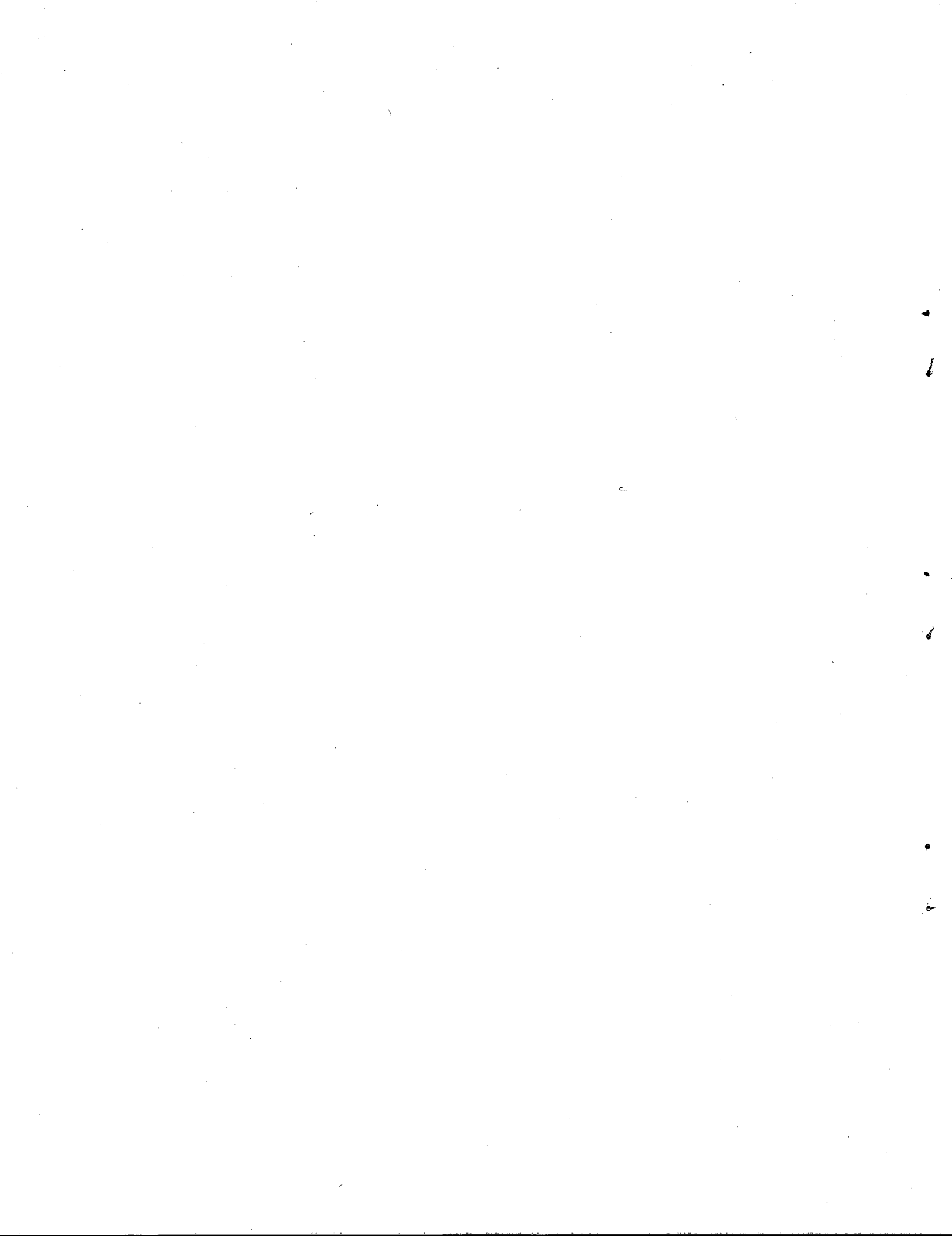
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SENATOR FRANK X. GRAVES, JR. (Chairman): Good morning. We would like to thank the Mayor of the City of Paterson, who is standing in the back of the room, for the use of this chamber today. There are two extremely important issues that the Senate Law and Public Safety Committee is going to consider today. One is the continuation of the hearing on the Public Service Electric and Gas rates. Second is the first public meeting on Senate Bill 3300.

(Senator Graves gives the background of S-3300, which can be found in the transcript of the public meeting on S-3300.)

At this point, we will turn to our concern with regard to the over \$500 million application for rate increase by Public Service before the Public Utilities Commission. Our committee met in Newark approximately three months ago and took testimony from the President of the Public Service Electric and Gas Company and from the Chairman of the Board of Public Utilities. We have been directed by the Senate President to hold three public hearings throughout the State to give everyone within the State the opportunity, without having to travel to distant areas of the State, to voice their approval or disapproval of a proposed 20 percent increase in his or her electric bill.

Is the Reverend Joseph Parks here? (Not present.) Is a spokesman for Reverend Joseph Parks here? Would you introduce yourself and give your name and address.

R I C H A R D G R A V E S: My name is Richard Graves. I live at 238 19th Avenue in Paterson, New Jersey. I am one of Reverend Parks' associates in TARCO, in a group that has been working in Paterson, trying to bring down some of these high Public Service and Gas bills.

We have been checking on some of these bills. We have found faulty meters. We have found that electric and gas bills have been exorbitantly high here in the City of Paterson. We have had bills that ran as high as \$900 a month for some of the people. There are people that live in apartment buildings - 3-room apartments and 5-room apartments - whose bills have been running as high as \$300, \$400 and \$500 a month. We have started to protest these bills and we staged a rally in May.

Even Reverend Parks, himself, had them come out and check his meter. They said he had a faulty meter and they gave him a refund of one year's service because of the faulty meter he had in his house for at least two years.

I have been away for about a month and I haven't been abreast of what happened at the last two meetings that we had of the Anti-Ripoff. Maybe some of the others can fill in a little bit more.

SENATOR GRAVES: Thank you.

Councilwoman Rauschenbach, would you like to say anything at this time?

M A R I A N R A U S C H E N B A C H: Thank you for this opportunity to speak. I am Councilwoman Rauschenbach of Paterson, New Jersey. I am elected at large. I am a senior citizen, married to another senior citizen. I feel that these kinds of charges on the single-family homes in our city are very hard to live with. Now we are hearing that many of the services that have been provided for us by the federal government are going to be reduced at least 25 percent. And we understand that there will be an additional reduction of 15 percent, which will be the cost of the administration of those block grant funds that I am sure you are all well aware of. We feel social security is being threatened. This disturbs us tremendously. Many of our citizens depend on these meager funds to pay their taxes; and, because of many cuts other places, our tax rates in cities are becoming increasingly higher.

It seems as though everything is crowding in on the senior citizens, particularly the single homeowners who are struggling to stay away from the Medicare bed, the hospital and the nursing home, struggling to stay in their own private environment. This is what they really wish to do. But it becomes increasingly hard to do so.

As senior citizens, we are very careful in our use of electricity. Most of us are very frugal people. We aren't playing our televisions all night long and we aren't playing our stereos. Believe me, the rates are very hard for us to live with.

I would urge you to reconsider any decision to raise them. Thank you.

SENATOR GRAVES: Senator Foran.

SENATOR FORAN: Councilwoman, I too am a senior citizen.

MS. RAUSCHENBACH: I realize that. We have both been in the press for a long time.

SENATOR FORAN: I would like to ask you a very good question. We are sitting here and we have been hearing pretty much all one side of the argument as to how and why electrical rates are going up: OPEC oil, cost of conversion to coal, etc., etc., Three-Mile Island, the high cost of the establishment of nuclear generating stations, etc. Could you give us some idea of your own as to which way we should proceed, whether by doing something with PUC or reorganizing it, checking the dividends paid by these utility people, salaries, etc., etc.? I am at a loss to find out just which way this committee should probably go in making recommendations. We are served in the area I represent by New Jersey Central Power and Light. We have just been told that we have to pick up 23 percent of the cost of the cleanup of Three Mile Island and we had nothing to do with the mistake. It bothers me greatly that these utilities are sitting in a spot in almost a monopolistic way. I am just wondering if you have some ideas that you could impart to this committee as to what you think we could do.

MS. RAUSCHENBACK: Well, in my reading, I find that energy is being created in many different ways across the United States. Many states have entered into energy-producing burning, if you will, of garbage. It seems to me that our planning hasn't been as advanced in New Jersey as has been the planning in some of the other states for just this kind of an emergency.

We also are very close to Pennsylvania where they do have the coal fields. It was my understanding that we were going to be converting to the use of coal. I have seen on the television some reference to that in the State. I feel that would be costly, but in the end I think it would be very worthwhile.

I think what I am really trying to say is that these matters need a lot of time for planning and implementation and that, eventually, the use of these, even with the use of a modern hydro-electric unit at the Falls --- You know that we are planning to harness the power of the Falls and we are going to be using that. That, too, is going to take a little time to get underway. Any of these measures - all of them, I think - should be implemented.

SENATOR FORAN: One more question, Mr. Chairman, if I may.

We have on the books the Casino Revenue Control Fund, by which the Joint Appropriation Committee appropriates a certain amount of money for senior citizens for Lifeline and credit for their utility bills. To your knowledge, are the people in Paterson who are in need getting that \$150 or \$175 credit on their utility bills; or is there a foul-up somewhere along the line due to bureaucratic nonsense?

MS. RAUSCHENBACH: I couldn't really say. But I think the most difficult thing in Paterson is communication. We are dealing with people, many of whom have given up, if you will, reading the paper because it doesn't contain a lot of information of this kind. Then, too, we are dealing with so many people from different lands who don't read fluently in English. I don't think that the message has reached them as to the facts. This should be available to them. I wish it were not so. But I do think if we could have some kind of information going out in one of the distributed checks, this would be the best way to get the word to people. I am not sure that our residents know what is available to them.

SENATOR FORAN: Thank you very much.

SENATOR GRAVES: Thank you, Councilwoman.

Mr. William Pascrell, President of the Board of Education, City of Paterson.

W I L L I A M P A S C R E L L: Senators, there are two aspects of this I would like to briefly discuss this morning. Rather than read through one of them, I would like to submit to the committee a report concerning the cost of energy, in particular electricity, for industrial users in the State of New Jersey and how it has affected the job market in the State of New Jersey. We are talking about residential rates this morning. But I think the question of jobs, Senators, is equally as important. The Northeast is suffering and I would like to submit, if I may, the report and make copies available if necessary.

I think the Senator's question about suggestions is important and I would like to get to that at the end of my brief presentation.

Rather than repeating the same thing over again, I will just say I support conceptually Councilwoman Rauschenbach's thoughts concerning the plight of those on fixed incomes. The usage of electricity is significantly higher in areas enjoying low rates. New Jersey uses less and pays more.

One of the things we are discussing in terms of the rate increases is that we are dealing with a private stockholder-owned organization. I think this is the reason for the question which you asked, which is primarily concerned with the stockholder, not the consumer. This is a dilemma that this committee must address. Inasmuch as the PUC doesn't choose to address that, I think the Legislature should deal with it.

The record is quite clear. From the most recent information that we have, of the 136 leading utilities in this nation, Public Service Electric and Gas, which incidentally is one of the better managed, ranks 125th out of 136. That means very specifically that the residential user that pays his bill monthly to Public Service Electric and Gas is in a situation of economic chaos and I think an inequity exists. 1.5 million customers use per year per customer 5,243 kilowatt hours. 92 percent of the major utility companies in this nation have a higher average kilowatt usage than Public Service Electric and Gas customers and yet pay less. 51 percent or 70 utilities of the 136 leading utilities in this country show double the kilowatt usage per customer of those of Public Service Electric and Gas. The point here is that we are asked to conserve, either individually or as a group. The customers in the State of New Jersey not only those of Public Service Electric and Gas, but customers in Atlantic City, Jersey City and Ramapo, are in the same predicament: the less you use, the more eventually you are going to pay. This is a precarious situation we have gotten ourselves into.

Even though the customers - and most of us here are customers of Public Service Electric and Gas - have the lowest annual usage of electricity, one of the lowest anyway - as I said, we rank 125 out of 136 - we still pay .095 cents per

kilowatt hour, as compared to .025 per kilowatt hour paid by the customers of those other 125 utility companies. These are amazing numbers and they get more amazing. I am not talking about numbers here so much today as the human factor and how the increased cost of electricity is affecting all of our lives, both on a personal level and on an institutional level.

Boards of Education throughout the State of New Jersey and other agencies as well have had to divert operating costs in much needed educational programming into the area of that section of the budget called "other." In that section are mandated costs brought about by the utilities. All the conservation programs in the world have not affected the rising costs. We have been sold a bill of goods about conservation. We have all accepted it and we have worked hard to accomplish it. In fact, we as a nation and as a state, and even as customers of Public Service Electric and Gas, have saved - conserved. The result is: we pay more. There is a reason for this and I think the Senator's articulate question is the key question this morning.

The utility company with the highest kilowatt usage in the United States, which is out in Oregon, I believe, has the lowest rate per kilowatt hour. It seems to me - none of us possess any special wisdom - there is an inequity here.

SENATOR FORAN: I think you will find that is hydroelectric, isn't it?

MR. PASCHELL: We are talking about electricity as well.

SENATOR FORAN: It is hydroelectric generation.

MR. PASCHELL: Yes. The source is hydroelectric power, which brings us back to the point Councilwoman Rauschenbach was making, which I will get to in a few moments.

That is inequitable. In fact, in New Jersey, utility companies door-to-door, so to speak, charge very different rates. It is very difficult to explain to customers on one side of the street that they pay one rate but on the other side of the street because it is in another area customers pay a different rate. The average bill per customer per month, if we divide the total bills for the year by 12, is \$42.36. This is above the national average. So the rates paid by the customers of Public Service Electric and Gas Company are among the highest in the nation. Yet, the usage is among the lowest in the nation.

Now, I will go to some responses to the questions. We have a dilemma in that this privately-owned, stockholder company, Public Service Electric and Gas, has on one hand to deal with the expenses which it has and, on the other hand, it must deal with the money market. Why must it deal with the money market? It must deal with the money market with the high interest rates because it inevitably wants to build more nuclear plants in the State of New Jersey. Those four nuclear plants in the State of New Jersey are going to cost, conservatively, \$4 billion each. It is quite obvious that four additional nuclear plants are not wanted by the public in the State of New Jersey. We are not arguing here the plusses and the minusses of nuclear energy. We are here questioning the continued existence of a private, investor-owned utility that is basically more concerned with its stockholders than its consumers.

There are alternatives. Those alternatives are not new. One of them, of course, is utilization of the natural gas reserves and deposits all along the eastern coast. The geophysicists have told us time and time again - and this information is available to the PUC as well - that there are gas deposits. All the research seems to point to that. It seems to me that we should tap into those deposits rather than charge the customers of Public Service Electric and Gas for the building of nuclear plants which are not needed at this particular time, plus they are just too expensive.

Why should we foot the bill? Why should all of us foot the bill?

We have a less expensive alternative; that is to build a gas line into the Northeast. We do not have that many gas lines from the fields of the Midwest and the South. Perhaps we ought to consider that possibility, which would be far cheaper than developing nuclear plants in the State of New Jersey. But it also brings out an important point about planning. We are now in the position with regard to electricity that we were a few months ago with water, and in a few more years we will be with refuse, all because of a lack of planning.

An increase in the rates that are charged residential users in the State of New Jersey is not going to solve the essential problems facing energy users in this State or energy providers. It just is not going to do that. An increase, even if it were granted, of 20, 30 or 40 percent in the rate is not going to solve anything because you know on that side of the table as well as we do on this side of the rail that it will only be a short period of time before they will be back asking for another increase. Until we solve the basic problems, we are not going to solve the problem of energy and jobs or rates in this State.

Nuclear energy is an awfully expensive way to boil water in the State of New Jersey. And that is what it comes down to, ladies and gentlemen; that is the fact of the matter. We simply have to look to TVA, which has been banged from pillar to post. But, yet, that publicly-owned agency has lower rates than Public Service Electric and Gas Company. In fact, it stands as a model which the PUC and which the Legislature should look at in terms of deciding philosophically and strategically what direction we should be going in. PUC has the responsibility to protect the consumer. That is its prime responsibility, to protect the consumer of the State of New Jersey. If it chooses not to do that, we simply have to look across the Hudson River where consumer organizations pushed ConEdison to buy cheaper energy from Canada. The day is coming when we are going to have to do that in the State of New Jersey.

In the Board of Education in the City of Paterson, our utility costs have increased and have in many, many ways caused us to make exceptions in the educational programs. In fact, much of every cent we get through State aid to education, particularly the equalization money, is going into paying our utility bills. While that is a difficult thing to swallow, the most difficult thing to swallow will be to watch what will happen if this winter is a severe winter and our senior citizens who live on fixed incomes have to face up to it.

Senators, I have a paper. If you want a further presentation, I will submit one. I know your time is running out. I will be more than happy to answer any questions.

SENATOR GRAVES: Thank you, Mr. Pascrell.

Mr. Zoppo, Past President of the New Jersey Federation of Senior Citizens.

EUGENE ZOPPO: My name is Eugene Zoppo.

I am really not a newcomer, neither is the organization that I am privileged to represent for the past five years. We are used to fighting utility companies in the State of New Jersey. I don't mean fighting with boxing gloves, but fighting on the legislative front in a public hearing such as this.

As a matter of fact, when I read in the newspaper that there was going to be a public hearing here, I read the comments of our esteemed chairman. He said in his opinion that this was an unconscionable - I think this is the word he used - rate increase that Public Service is asking for. I can't agree more fully with that statement.

There is nothing wrong in the State of New Jersey that we can't cope with if the Legislature wants. For instance, we have a Board of Public Utilities - it was Public Utility Commission; it has now been changed to Public Utility Board - which was set up to regulate the kind of increase that utility companies get. Because utilities are sort of monopolistic, there has to be a regulatory body in every state in the union. That is the purpose of the Public Utility Board. But it seems to me we ought to examine just exactly what the charges are that the Public Utility Board approves that are incorporated in the rate structure and the rate, itself. These are important factors. For instance, if Public Service decides to acquire a building or real estate that is going to be operational in the year 2000 or in the year 1990, that happens to be in our rate structure. Some of us might not live that long, but we are now paying in the rate structure for something that may be operational in the year 2000.

If construction of more facilities to generate electric power is necessary for the industrial users - and this is what it comes down to because the industrial users are the ones who need great amounts of power, not the residential users - then the stockholders and the investors in the public utility companies say, "Let the public pay for it. Let the rent payer pay for it. Let the consumer pay for it." So, for construction work in progress, we are paying the bill.

An argument could be made that when Public Service sells its buildings that we have to share in that because we helped pay for them. This is wrong. These are what I would categorize as improper charges.

The question of customer charge -- they put in the meter and then they have to service that meter. We asked the question, "What do you mean by servicing the meter?" Well, that's the guy that comes around and reads the meter every month. You have to pay for that. You know, if I had a refrigerator and something was wrong with my refrigerator and I called the company to come and fix my refrigerator, I initiated the action and I would have to pay for it. But in this case, I have a meter and Public Service reads it for their own billing, then I have to pay for it.

Now, I can't see where the Public Utility Board is any different in the State of New Jersey than it is in other states of this union. I am a subscriber to "Powerline." It is an environmental action foundation which deals with energy in the entire country. The headline reads, "The Fall of the Declining Blocks." I just want to read what the Public Utility Board did in the State of Montana. The Public Utility Board in the State of Montana did 2 things to aid small users. You know a smaller user has been characterized as a person who may use 500 kilowatt hours of electric power in a given month. This was the principle in the preamble to our Lifeline Bill that we introduced five years ago. We got it passed into law - I am referring to 1830. It passed the Senate and passed the House. It was signed by the Governor of the State of New Jersey, but it was never implemented. It was changed. As a compromise measure, Senator Doyle who had gotten into trouble in Ocean County, introduced a bill and inside of two weeks, we had what is now known as the lifeline utility rate - lifeline credit - that is \$150 and you made reference to it a little while ago. That was a compromise. As a matter of fact, it was a political decision because I never saw the Legislature move so rapidly in getting things done. The elections were coming up and they figured, "Let's get this through. We will get some credit." We got a \$100 credit, \$125, \$150. Next year in October, it is estimated it will rise to \$175.

SENATOR GRAVES: I think we were more convinced by you than we were by the elections.

MR. ZOPPO: That was some relief. We weren't in the position to say, "No,

we don't want it. But we wanted true rate reform. Not having been able to achieve rate reform, we took the compromise because we couldn't deny the benefit to many residential users in this very room who now apply for lifeline credit and receive the lifeline credit in the State of New Jersey.

In answer to another one of your questions, Senator, I say to you that in the City of Paterson, because of the community agencies that are in existence here, we reach out to those people who want to apply for that benefit and there are many in the City of Paterson receiving that benefit. I am glad to say that.

I want to say that another thing that can be done if you want to give some relief is to do exactly what some other states have done. They put a freeze on the first 300 of electric power of the block. In the State of Washington, they eliminated the customer's charge and they put a freeze on 400 to 600 block rates.

What I am saying to this committee is that you ought to examine very carefully the charges that go into the rate structure because there are some charges that are clearly improper. If those charges were eliminated, our tax bill at the end of the month will go down. That is one way of giving relief. Thank you.

SENATOR GRAVES: Thank you, Mr. Zoppo.

Mr. Bill Maloney.

W I L L I A M M A L O N E Y, J R.: My name is William Maloney, Jr. I am the Executive Director of the United States Energy Research Institute.

To put it bluntly, 90 percent of everything you have heard to this date is half-truths, lies and misdirections. That is a fact. Of 20 years of research ---

SENATOR GRAVES: From the witnesses who have testified here?

MR. MALONEY: Including some of your witnesses.

SENATOR GRAVES: Or from Public Service?

MR. MALONEY: Public Service particularly.

Your problem lies not in how the rates are being given to the public. Your problem lies in how the rates are constructed and how the rates are conceived. The biggest problems in utility rates are two things, the first being how the company maintains its monopoly and how the company operates its business. It is a monopoly simply because in 1911 the Legislature of the State of New Jersey adopted Title 48. This is legalized economic slavery. It is the only business in the world that is guaranteed a profit. They have stated - the Legislature and the Governor - that a utility, because of the fact that the State does not want to go to the trouble of maintaining a utility-type service, that a private entity would install this service and then be guaranteed a monopoly. It is the responsibility of the Legislature to destroy Title 48. It is the responsibility of the Legislature to take over the transmission lines as they do the highways in the State of New Jersey and make the utilities totally competitive. Then the people could have something like Hydro-Quebec in Canada. Hydro-Quebec is a hydroelectric generating plant of 10,500 megawatts. It will sell electricity in New Jersey at 1 1/2 cents a kilowatt hour. A new plant is designed to go off the coast of New Jersey with 40,000 megawatts and will sell power at a production cost of 2 mills or 2/10ths of a cent per kilowatt hour.

The problem lies in legislating the utilities out of their monopolies. You will never in any way, shape or form reduce the rates until the utilities lose their monopolies because you cannot regulate without guaranteeing them a profit. If you guarantee them a profit, you have guaranteed them a reason for extortion.

Some of the questions the Senator asked about the lifeline, etc. - I

happen to know the individuals who receive the lifeline. The electrical lifeline is a great idea. It is, in a way, a useless operation in the sense that you are turning around and paying Public Service under extortionary conditions because the higher they raise the rates, the less the lifeline is worth. The result is that you only have two choices: reduce Public Service's cost and make the lifeline better, or raise the lifeline, by which you are going to hurt the casinos. I happened to be talking to Mr. Gardner of the Hotel and Casino Association yesterday and they just got rapped with a 44 percent increase just because there happened to be a casino there. Somebody says, "Here we have a nice golden goose. Let's rape them." That is what has actually occurred. Atlantic City decided to do that.

SENATOR GRAVES: Okay, Mr. Maloney.

MR. MALONEY: Just one more thing and I will close. When it comes down to your heat assistance program, I know of an individual who applied in November of 1979 and didn't receive the heat assistance until April of 1980. During that time, the cost of oil went from 92 cents a gallon to \$1.27 a gallon. If the State had purchased oil in bulk and had turned around and hired the deliverers to deliver that oil in bulk, they would have bought the oil at about 70 cents a gallon in a bulk buy and have been able to pay 20 cents a gallon to the people delivering the oil and everybody, even in, say, July of 1981, could have had oil at 90 cents a gallon.

SENATOR GRAVES: Thank you. I think we are talking to an expert when we are talking to you.

Marilee Jackson, did you want to make some comments?

MARILEE JACKSON: Good morning. I am Marilee Jackson, Councilwoman for the City of Paterson, First Ward. I was listening to Mr. Maloney's testimony in particular and Mr. Maloney and I have met on several occasions with Mr. Parks who has been active in demonstrating against the rate hikes by Public Service.

As you know, in the City of Paterson, we have a lot of obstacles to face in terms of financial responsibility. With our increase in taxes and what has been happening in the city and all over the country, with the increase in utility rates, our citizens are going to be terribly, terribly hurt by this increase. I did understand Mr. Maloney's remarks about the Energy Assistance Act and, as you know, last winter was one of the most devastating winters that we have had and we had a lot of people calling us trying to find out how they could get this energy assistance. Unfortunately, so many people needed that assistance, the office that was opened all of a sudden remained closed because they couldn't handle the number of people who needed that kind of assistance. Now, here we are again talking about raising the cost of utilities. It is impossible for the people who live in the City of Paterson. For our senior citizens who are faced with an increase in taxes, an increase in energy costs would also hurt them too. We are constantly being met at City Council every Tuesday or every other Tuesday with complaints from our senior citizens and people from the low income level who cannot afford the increases.

One instance that comes to my mind is the fact that last year a whole block on North 4th Street had their utilities cut off because they just could not afford to pay the high cost. This is going to happen again this year. We're not going to be able to winterize or weatherize the homes in order to save energy, but, yet, they still have to keep warm. I don't know what can be done to be effective in protesting the increase because I understand that the whole setup is so that the utility companies can make a profit and, if profits are the most important thing, then I'm sure that this might be an effort in futility. I would just like to know that you are concerned about how people are going to be able to pay these bills.

One of the comments that Reverend Parks made to me was, if, in fact, there was a difference in the cost of a person's utilities, depending on where he lives. For instance, if a person lives in Paterson, does he actually pay more for utilities than a person who Fairlawn or some other suburban community? That is a question that he still has and he is probing into that and I think we need to look into that because some of the utility costs in Paterson are extremely high. To increase it would be devastating to our city and there is no way that the residents who are on low income or even middle income can pay that increase.

I ask for your consideration and certainly our legislators should look very closely at any kind of increase that the utility companies are asking for. Thank you.

SENATOR GRAVES: Thank you, Councilwoman. Elsie Seabert?

ELSIE SEABERT: I am Elsie Seabert, Second Street, Clifton. Do you recall back in February we had a big rally in Clifton? Well, in September, we're going to have another one and we would like all of you senators to come and speak to the people because 13¢ of every dollar that we pay for utilities goes for taxes. Do the people realize that? Already, I've paid over \$100 in taxes on my utility bills. What is it going to be this winter.

Now in April of 1980, the Assembly introduced a bill, number 1558, where they said that the utilities could only increase their rates 5%. Why don't they

push that through? Just think what that would mean to us if it only went up 5%. Now, I see where Public Service is going to ask for another increase. Where is this going to end. I'm going to ask you, Senators, to get this bill pushed and passed that the telephone company, Public Service cannot raise their rates no more than 5%. That is going to mean a lot to us. So, would you please see what you can do for us and we would ask you to please come in September. We expect over 1,000 people there. We have over 10,000 people that signed a petition to eliminate this franchise tax. So, please look into it, will you? Thank you.

SENATOR GRAVES: Mr. Tom Kearney, New Jersey Federation of Senior Citizens?

T H O M A S K E A R N E Y: I am Tom Kearney, Executive Vice-President of the New Jersey Federation of Senior Citizens. I'm from Bellville, New Jersey. I'm like a bad penny; I'm always turning up at these hearings. I have been coming to these since 1975, when Public Service asked for the highest increase in the history of the state, \$444 million. That, again, was nothing more than a rate increase for construction work already in progress. Through our efforts, that was reduced down to \$136 million, which they received. That was the beginning of our quest for a Lifeline Program, which, as Mr. Zoppo said, was passed by the Legislature and put into law, but never implemented. I don't know why because it would have restructured the rates and made them more equitable. Why should the people of the State of New Jersey, the residential people of the State of New Jersey, pay close to 8¢ a kilowatt/hour for electricity when the industrial users are only paying approximately 3¢.

There is only one way to go if you want to equalize the cost for everybody. In 1978, I believe, Public Service published figures that showed that it cost, on a year-round basis, 3.81¢ to produce one kilowatt/hour of electricity. If that was the cost of one kilowatt/hour of electricity for everybody, why didn't they charge everybody that. Why should we be paying close to three times as much as the industrial user who is the one demanding the electricity, who demands the peak load, and who demands nuclear facilities. We don't. The residential user does not. We are at zero capacity. In fact, Mr. Robert Smith, in his annual report last year, said that because we reduced our consumption by 3%, they would have to go to the Board of Public Utilities to make up the loss. So, what good is conservation?

In your rate base today, you have \$250 million for construction work in progress. You have another item in there, allowance for funds used during construction, which is nothing more than the interest on the money they borrow for construction work in progress. You are paying the statutory rate of 48% or 46% in federal taxes, in their rate base. Yet, they collected, I believe, last year or the year before, \$115 million and paid to the federal government \$12 million. This is a loan of \$100 million. You have construction work in progress, which should not be in the rate base at all. Prior commissions in Washington would not allow any utility to charge any consumer for any facility that did not go on line and produce.

You have a bill right in your own Legislature introduced by Senator Yates, S-306, that would take out of the rate base anything that is not used or useful, such as the phantom taxes, construction work in progress, allowance for funds used during construction, and all the other things in there that you and I are paying for, but getting no return for whatsoever. Thank you.

SENATOR GRAVES: Thank you, sir. The fact that this Committee is sitting

again in connection with this particular item shows our extreme deep concern in the astronomical cost rises that are being passed on to our constituency. Our concern is that, though our rights are limited as to whether we can find proper solutions or not, at least within our ability is the right to legislate. Senator Foran just said that that is the pertinent point to it. What we are going to try and do from the information--we've heard from the senior citizens, from Mr. Maloney, who seems to have some in-depth knowledge and expertise in structures and the way electricity is generated, from Reverend Parks' group, elected officials, all of them have the same concern, where will this end and what will we have to give up and what will we have to sacrifice. It is sad when we find that the average home is giving up the warmth of a new coat or possibly the furthering of the education of one of their children just to meet their astronomical bills in this particular category.

I want to make public to you today a telegram that I sent to the President of Public Service. This telegram was sent to them and it said, "By no stretch of the imagination have we concluded our in-depth study of the rate structure proposed by the Public Service Electric and Gas Company. My advice to you is to immediately withdraw your application based upon the information that has been made available. There is no justification for your application to increase our rates. One, it is unconscionable that you would ask for more than a 17% return to the stockholders or your corporation, who now enjoy more than a 13% return at the expense of the user. Two, there is no doubt in my mind that you have not enjoyed the best prices available in oil and by your admission, you are now paying 15% less than you were paying before our inquiry was initiated. Three, the salaries of your executive officers are unconscionable. Four, why have you or the PUC passed on millions and millions of dollars each year in your rate structure to the users rather than the shareholders for change of plans in your future development? What other business enjoys such a sweetheart arrangement? I also feel that the legislators will cap utility taxes which will diminish your reapplying for any structural change in these rates."

Basically, the concern of each of us in this particular case and me as Chairman and home Senator--Senator Foran was supposed to have this meeting in his district. His deep concern because most of his area is not necessarily served by Public Service and he wanted the hearings to be generated in North Jersey so that he could give his input. Senator Caufield, Senator Rodgers represent municipalities and structures of government that are serviced by Public Service. Our concern is deeper than what any of you may possibly realize and some of us have translated this concern into the attitude of the management of Public Service themselves who seem to be willing to stop at no one's personal sacrifice in order to gain structures pleasing to their stockholders, rather than what they're supposed to be, a service utility for our constituency.

Is there any other one group that has not been able to be identified that wanted to speak. Go ahead, sir. I also want to make known to you that the Public Advocate's office is here and is monitoring the hearing. Would you introduce yourself, sir?

T H E O D O R E   K Y L E S ,   S R . : I am State Commissioner Theodore E. Kyles, Sr., Chairman of the Board of Directors of the Paterson Task Force for Community Action. I didn't come here today to talk about the 20% raise per month in my bill, but I did come here to speak about the facts that exist today.

Many of the poverty stricken people, not only in Paterson, but in the State of New Jersey have now reached a point where they either have to eat or heat, one or the other. There is no getting away from it and then you get somebody like Public Service who can raise rates whenever they feel like it. This is what it looks like to us. They go after \$10 million, hoping to get \$1 million and they get that \$1 million. This is the way it looks to us. They can spend money, as much as they want to, since they are guaranteed an income. They have a guaranteed income in the state, according to state law. So, consequently, they can spend, spend, spend, and who pays for it? The people of the State of New Jersey pay for it. The people who are the recipients of the service of this utility company pay for it. I know I went away on vacation for one week. My Public Service bill went up \$20.00 even though I was only home for three weeks. It was \$20.00 over the previous month. Now, if this happens to me, think about the other people who cannot afford it. These are people who, as Senator Graves said, not only have to forfeit some clothing, but will have to forego some heat, some food and nourishment. I want to thank you for the attitude that you have taken on behalf of the poor people of the community and I wish you every success and if there is anything that we can do, call upon us. Thank you.

SENATOR GRAVES: Thank you, sir. Yes, sir? Would you introduce yourself, sir?

A L L A N G O L D B E R G: My name is Allan Goldberg and I am represent a group from Trenton called the Trenton Solidarity Committee and these are middle income people, younger working people, who are also feeling the pinch. I was going to make a longer presentation, but I know you want to get on to this other legislation. The points I would like to make, in this present rate case, the construction of the Hope Creek Generating Facility is central and I would like the state Legislature to scrutinize this construction program very carefully in three ways. One, is it needed? Joel Jacobson, in the summer of 1978 was quoted by the New Jersey magazine as saying, "the only planning done now is based on utility forecasts." They tried in the Master Plan, the Department of Energy recommended that certificates of necessity be required, filled out by the utility, before they can start any new construction program and New Jersey is one of the few states that not require utilities to have certificates of necessity. So, we have a \$5 billion construction program taking place on the basis of the utility's word and the state is not overseeing it. The only one that is partially overseeing it is the Board and I personally have confidence in the Board's ability. Incidentally, when the company first projected the cost of this facility in 1977, the construction cost per kilowatt was \$1200. Now, it is up to \$2500 per kilowatt for a total of \$5 billion and some people say that they have seen figures of \$6 billion.

Is this being economically built? Does anybody know? Is there a firm completion date and, as I said before, is this the most economical way to generate? I personally have no confidence in the Board's credibility or their fairness in balancing the interests of the public with those of the investor or the utility owners. The most recent, obscene example of the Board's way of setting rates in this state is the legalized energy adjustment charge or rather the fuel adjustment charge in which the company, their final position was \$145 million. The administrative law judge recommended \$70 million and the Board gave the company \$160 million. The Board gave the utility more than they asked for, more than double the administrative

law judge's recommendation.

I would just like to touch on some other aspects of this rate case where the utility is asking for \$194 million because of an increase in their rate base, which is their capitalization. This increase in rate base includes excess capacity of 30%. Federal guidelines recommend 15 to 20% excess capacity. The company, last year, had 30%. I don't know what the figures are for this year.

Mr. Kearney mentioned the fact of the land held for future use, which is also a factor in the rate base, as well as construction in progress, which is an accounting gimmick to pay for this construction when nobody in the state knows whether it is needed or not.

\$161 million of that \$500 million increase is for an increase in the return on equity from the present 13 3/4% to 17%. Last week's Business Week of 8-17-81 averaged 16 utilities. The 12 months ending June 30, 1981, the average return on equity for those 16 utilities was 13.3%. That's less than what the utility is allowed to make now and they in for an increase of up to 17% and if the utility isn't making what it is allowed to make now, it is because it is inefficient.

I would speak in favor Senator Yates bill #306 and also Assemblyman Dalton's A-1716, which I don't know whether it has been introduced in the Senate or not. It's based on the useful principal. If that principal was legislated it would knock out other rate base excess capacity and all of these other abuses that I and previous speakers have talked about and that is a very important principle that has to be established in the state legislatively. It is based on court decisions but it is not legislated and as a longer term solution to what's happening in the State of New Jersey, I think the whole state has to be looked at together. Jersey Central Power and Light is bankrupt. The Board hired an accounting firm, Arthur Young, to present several strategic options. I think the way to go in this state is, let Jersey Central Power and Light go bankrupt, let the investors pay for that managerial mistake, let there be a public power authority established on the former Jersey Central Power and Light territory and this will give some competition to Public Service for whatever municipalities that want to break out of Public Service's territory. There would be a public power authority established in New Jersey that would allow that. This is similar to what is happening in New York where you have a mix of public utilities and municipal utilities. That's the way, I think, that this state has to go. Thank you.

SENATOR GRAVES: All right. Thank you. We will take a five minute break and then come back.

(At which time a recess was had)

SENATOR GRAVES: Will the Senators please come back in? Sir, you have a brief statement you wanted to make in connection with the Public Service rate increase? Introduce yourself and we will add it on to that.

SAMUEL SCOZZARO: My name is Sam Scozzaro. I live on Nottingham Way in Trenton New Jersey. I am Chairman of the Utility Task Force for the Federation of Senior Citizens. Due to the fact that I am intruding on your time, I'm not going to go through this whole thing. The Board of Public Utilities, their responsibility is rate making. Now, when the Board of Public Utilities grants the authority to the utility company to charge me for the construction of utility plants that are not

going to come on line from six to twelve years from now, when they give that authority, that is not rate making. That is taxing. That is an authority they do not have and I question the legality of that.

The other thing is, when Mr. Goldberg was up here, he spoke to you about various things. We had the Public Service hearing where we were cross-examined by one of the experts, Mr. Hart, and in the cross-examination, we were taken to task because of the service charge of \$4.26 in the Public Service area, in the electric area and \$5.50 in the gas. In other words, you get a \$10.00, whether or not you have used a kilowatt of electricity or a therm of gas. Now, in the cross-examination, we found that this service charge was based on what they call a zero intercept methodology and in cross-examining we found that there were costs based on non-existent things such as zero KV transformers, zero poles, zero wires, and so forth, which is not cost justified. Now, in challenging that, we found out that this zero methodology was not a real thing. It did not deal with real things. It was a concept and on the basis of a concept, they charge us, they come up with a rate, charge us in the initial rate of \$4.26 for non-existent utilities.

So, we ask that the residential customer charge be addressed and be abolished and that the true customer service charge, such as meter reading and billing and so forth, should be collected through the kilowatt/hour and therm cost. I will limit myself to that and I will forward this to you. As a matter of fact, I will give it to you right now. Thank you.

SENATOR GRAVES: Thank you, sir.

(HEARING CONCLUDED)

