

PUBLIC HEARING

before

ASSEMBLY TRANSPORTATION AND COMMUNICATIONS COMMITTEE

on

PUBLIC UTILITY RATES

Held:
August 12, 1976
Assembly Chamber
State House
Trenton, New Jersey

MEMBER OF COMMITTEE PRESENT:

Assemblyman Michael P. Esposito, Chairman

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ASSEMBLYMAN MICHAEL P. ESPOSITO (Chairman): As the Chairman of the Assembly Transportation and Communications Committee, I am going to insist on absolute decorum during the conduct of this hearing. There shall be no outbursts from the gallery. There shall not be any applause for any speakers because we are here to get answers. We are here to get answers in order to put a lifeline rate in effect in the State of New Jersey. I want you all to know, here and now, that I am on your side. I sympathize with your problem. And we are here to gather information. So, I must insist on absolute quiet. Thank you.

As I told you before, the purpose of today's public hearing is to gather information, recommendations, and expert testimony on lifeline rates. Prior to the 1973 oil embargo, the price of electricity was not a matter of concern for most consumers. Production costs were low and consumers reacted to the rate structure and to the relative insignificant budget impact of electricity by increasing purchases of electricity-consuming goods. The industry responded by increasing capacity. In a similar manner, the prices of fuel oil and natural gas were viewed by most consumers as reasonable and these products were avidly purchased.

Since that time, as we are all so noticeably aware, the situation has changed. The energy crisis is, in short, an issue which cuts across all aspects of our lives and it affects us in many ways every day. The committee recognizes that we must all work together, Federal, State, and local governments, business and industry, individuals, young and old, if we are to understand and solve our energy crisis.

The members of the committee have been concerned over the sharp rise in utility rates that has occurred in recent years. More specifically, the committee's attention today is focused upon the high and ever-increasing costs for lighting, heating and refrigeration that cause hardships for the poor as well as needy senior citizens living on fixed incomes. The committee intends to analyze and evaluate the information gathered at this hearing and at a second public hearing scheduled for August 24, 1976, in the Hudson County Administration Building, 595 Newark Avenue, Jersey City, for the purpose of formulating legislation that will provide the poor and senior citizens with economic relief in the payment of their utility bills.

We appreciate that the utility problems we face are complex and that there are no simple solutions. Our purpose here is not to reiterate time and time again that a problem exists. Rather, our goal is to ascertain how we can create a practical, effective and equitable program to insure that all persons are supplied with electricity, natural gas, and fuel oil, at reasonable prices.

These hearings are designed so as to enable the committee to hear expert testimony in an orderly fashion on a wide range of possible solutions. To this end, the committee will investigate the advantages and disadvantages resulting from the implementation of approaches such as a lifeline rate, a utility stamp program, or a rate based upon peak-load pricing.

Today we will follow the usual procedure for a legislative hearing. If a witness has a prepared statement, please make copies available to all members of the committee. Prepared statements need not be read in full. The witness may request that they be made part of the record for consideration by this committee. After each speaker has made his statement, the committee members may ask questions. I request that each question be answered in full, to the best ability of the witness. No questions from the audience will be permitted.

I have a list of those persons who have asked to testify. If there is anyone else who wishes to testify and has not previously indicated that he wants to testify, please come forward and put your full name and the organization that you represent on

the roster. I will ask that as each witness testifies, he take the seat in front here, speak clearly, give his name, position or title, and the name of the organization he represents. We have invited many witnesses who have vast knowledge of the energy field and who will testify at our hearing this morning and this afternoon. We are certain that their expert testimony will be helpful and productive. It will be carefully scrutinized and reviewed by this committee. After evaluation, the committee hopes to formulate legislation that will provide the poor and senior citizens with economic relief in the payment of their utility bills.

The first witness to testify will be Assemblyman Steven Perski, Chairman of the Assembly Taxation Committee. Assemblyman Perski.

A S S E M B L Y M A N S T E V E N P. P E R S K I E: Good morning, Mr. Chairman. I want to thank you very much for your courtesy in affording me the opportunity to make a brief statement. I will speak very briefly. If you have any questions, I will be glad to answer them.

My point in coming here today is to make a statement for the purpose of this record and for the purpose of this discussion, one that might not otherwise be addressed by many of the speakers whom I assume you are going to hear.

The majority, I assume, will address themselves to the desperate need that many, if not most, of the senior citizens in the State of New Jersey face in terms of the staggering burden of utilities cost. I share that concern and I support the concept and the enactment of the enabling legislation that will implement some effective means of providing a subsidy to provide some real measure of relief for the senior citizen community of New Jersey in this critically important area.

But, I appear here today - very frankly - for more than the simple purpose of articulating that support, which I have done and which many other individual members of the Legislature have done on many occasions. I appear to suggest, for the purposes of this committee and for the purposes of the general public who appear here, an avenue - perhaps not the only avenue - for the funding of this particular program that should be considered.

One of the major objections that I have encountered in the articulation of a lifeline concept -- Nobody, of course is opposed to helping that portion of the community - the senior community - but some of the objections have been the cost of the program, in terms of the burden on other utilities consumers.

I suggest that there is an avenue available where a meaningful lifeline program can be instituted to help the senior citizen community in this State, who so desperately need it, without burdening the remaining utilities consumers. And that avenue is an option that has been extended by this Legislature to the people of New Jersey in the form of a referendum proposal that appears on the ballot this November for their approval in the form of a constitutional amendment to authorize the Legislature to establish a system that will generate, we estimate, approximately \$30 million a year when the system is fully operational, which would be, according to the Constitutional amendment, specifically dedicated - specifically dedicated - to the reduction and offsetting of the utilities cost for senior citizens in the State of New Jersey. I refer, of course, to the Constitutional amendment that would authorize the Legislature to establish and provide for and control and regulate a system of casinos, located in Atlantic City.

Now, normally speaking, of course, there would be no connection between that referendum and this hearing. But, I emphasize that the referendum was structured, and is structured, and is constitutionally dedicated to provide that the State's revenues

from the licensing and the taxation of such casinos in Atlantic City would be used for exactly this specific purpose - the subsidy of utilities cost, telephone, gas, electric, and municipal utilities charges for the senior citizen community in the State of New Jersey, who so desperately need this relief.

So, my purpose in appearing here today - and I will close with this remark - is not only to endorse, as I assume you will have others endorse, the concept of a lifeline that I think is critically necessary for so many thousands of our residents, but also to suggest that there is an option available to the citizens of New Jersey to implement a lifeline, or a similar proposal, without burdening the remaining utilities consumers in the State, without increasing the burden to any of the taxpayers in the State, and, at the same time, provide a substantial measure of economic relief for another substantial section of the community and for the entire tourist industry.

I thank you very much, Mr. Chairman, and I appreciate your time. If you have any questions, I would be pleased to respond.

(applause)

ASSEMBLYMAN ESPOSITO: I cautioned you before - no applause after each speaker talks.

Assemblyman Perskie, your recommendation is very, very laudable. I notice you are trying to kill two birds with one stone. You are trying to pass casino gambling in Atlantic City, which I am in favor of also, but I also see that you feel that any monies derived from casino gambling should be dedicated to a lifeline rate to help the senior citizens and the poor of this State.

I think this is a very, very good recommendation because the problem that has been facing me right along is, where is the money going to come from to pay a lifeline rate.

ASSEMBLYMAN PERSKIE: Mr. Chairman, that is why I wanted to appear early, so that during the course of your day, as the question, "Where is the money going to come from?" is asked - we are not trying to kill the two birds with one stone, we are trying to save the two birds with one stone - I hope that the citizens will consider the constitutional dedication of these proceeds for this purpose. It is not just simply a matter of where Steve Perskie, or any other individual legislator, thinks the money from the casinos should go, it is written right into the constitutional language and if the referendum is adopted, it would have to go there. It should go there. Those are the people in the State who need the help.

ASSEMBLYMAN ESPOSITO: Steve, one more question. How much money do you think casino gambling could raise?

ASSEMBLYMAN PERSKIE: Our estimates are - which will be documented during the course of the Fall debate on the referendum - that after the system becomes fully operational, which we would estimate would take a couple of years, between the construction of the new hotels, etc., that the State yield from the licensing and taxation of the casinos would reliably be estimated, based on what governmental authorities get in other areas of the world, in the neighborhood of \$30 million - at least at the outset. And, that money, as I said, would exclusively be used for the purpose of providing subsidies for utilities rates, telephone, gas, electric, and municipal utilities charges for the senior citizens and disabled.

ASSEMBLYMAN ESPOSITO: Thank you, Assemblyman.

ASSEMBLYMAN PERSKIE: Thank you.

Our next witness will be Assemblyman Albanese's Aide, who wants to read a

statement into the record.

Would you please state your name and who you represent?

S H I R L E Y M O S E S: Yes. My name is Shirley Moses. I represent Donald J. Albanese of the 15th District. He has a statement he wishes read into the minutes.

Honorable Chairman and Committee Members: With your permission, I would like to offer the following statement as part of the permanent record of the hearing regarding energy needs.

A very important aspect of energy needs is the problem of energy cost. In this respect, my comments are directed toward energy costs of the consumer, and an approach I believe a viable solution to these soaring costs.

That approach is documented in Assembly Bill No 1830 in your Committee, commonly known as the Lifeline bill. This bill will establish a minimum, basic gas and electric need for survival of residential consumers in New Jersey. Correspondingly, a low, fixed price for this need shall be fixed by law and charged to all qualifying customers. This bill will benefit all segments of residential society in this State, and accordingly will provide relief for our senior citizens at a time when their fixed incomes can be stretched no further.

This concept has been adopted by Vermont, Maine and California which much success. I believe New Jersey should seriously work toward this enactment, and it can become a reality with the bold leadership of your committee. Thank you.

ASSEMBLYMAN ESPOSITO: Thank you Ms. Moses.

Councilperson Marie Villani will be the next speaker. Councilperson Villani is from Newark, New Jersey.

M A R I E V I L L A N I: My name is Councilwoman Marie Villani from the City of Newark. Ladies and gentlemen, I welcome this opportunity to come before you today to state my feelings regarding the much talked about lifeline utility rates which has been a topic of discussion by members of the State Legislature and Public Utilities Commission for almost a year.

First let me say that I am totally in favor of the lifeline rate. I have made my position known publicly in statements to the media, a communication to Mr. Joel Jacobson, Chairman of the PUC, and its membership, and in addresses before numerous senior citizen groups. The elderly represent nearly 20% of our population in Newark.

Secondly, I would like to explain that it is the concept of the lifeline rate which I favor, not a blanket discount for all utility users. This latter proposal is something I consider impractical and unrealistic. I believe the State Legislature and the PUC should endorse a lifeline rate for small-user customers. This is a category in which most of our senior citizens would be included.

I would take this one step further by urging that the lifeline rates be applied to small users within a defined income category so as to exclude high income residents from receiving the discount benefit deserved by the less affluent.

Statistics show that most of our senior citizens use between 350 and 450 kilowatt-hours per month. I think this would be a realistic ceiling up to which discounts could be granted to users within a defined income group. However, I would hope the formula would be flexible enough at the maximum level to allow those persons who are elderly, disabled, or handicapped, and whose income is below poverty level, to enjoy the lifeline rate discount, even if they use up to 500 kilowatt-hours of electricity a month. But, by the same token, I would argue against proposals advocating unlimited useage of electricity. I take this position on the basis of information furnished by the PUC which disputes the commonly-held belief that the elderly, because of the afflictions that accompany old age, spend more time at home and, thus, use more

electricity and gas.

On the contrary, statistics tell us that most of the elderly, forced to live on a modest income, are very conservative in the amount of electricity and gas that they use. Most of us in this room, if we are fortunate enough to have parents, will verify the fact that none of our parents who are living on a modest or fixed income would ever leave a room without jiggling the switch, on and off. They would never think of leaving a television blaring all day. Automatically they shut the t.v. off and shut the electricity off. I find this to be so.

It is my understanding that it would be considered highly impractical to grant discounts on unlimited useage, as the loss would have to borne by commercial users who contribute the major share of the utility company's revenues.

If the PUC were to grant an unlimited discount to residential users, then the loss would have to be made up by industry, a factor which might drive many large businesses out of the State to neighboring states and regions where the cost of maintaining basic services is far less costly.

Presently, Newark is troubled by a impending reevaluation of its 49,000 taxable properties. Unless something is done to change the current property tax structure, this reevaluation will have a devastating effect on the City's homeowners.

Five of my colleagues on the Municipal Council, including myself, have risked going to jail by opposing this court ordered reassessment. I bring this matter up to point out to you that Newark is faced with a dilemma common to many old cities, a diminishing tax base and increasing cost. Businesses, hit with increasing costs, poor services and maintenance, have moved to outlying suburban areas where it is less expensive to conduct an effective operation. As a result, the tax burden has shifted to the homeowners.

Many of the residential property owners, who could afford to, have moved out of Newark. Others have merely abandoned their property, since they would no longer afford to pay the taxes on it. Newark needs its middle class, as do all cities, but it also needs the industrial ratables to help lessen the tax burden of its residents. We cannot afford to lose any more industrial ratables. Industry not only helps strengthen our tax base, it also provides jobs for our citizens.

For this reason, I would not support an unlimited utility discount rate, which might be the key to the Pandora's box. A civilized society must live within certain limitations. I think we should also limit our discounts. Our utility companies must make financial allowances to senior citizens, but in doing so they should not be forced to abolish the incentive presently offered to business and industry, for it is these commercial ratables which pay a substantial portion of our city's tax dollars and, thus, enables us to give a tax break to senior citizens, the disabled, handicapped, and other low income individuals.

In conclusion, I believe our seniors have earned certain benefits and one of them is a discount in utility rates. However, we must be realistic and try not to cut off our nose to spite our face. I believe in a lifeline rate for small users, such as seniors, but, by the same token, our large industrial users should not be denied certain benefits which are made up in the taxes they pay, the very same taxes which enable us to grant tax exemptions to senior citizens.

Ladies and gentlemen, I thank you.

(applause)

ASSEMBLYMAN ESPOSITO: Please, please, no applause. If we continue to have applause -- You see, we have stenographers working here and we can't have any applause because everything has to be put into the record in an orderly fashion.

So, please, no applause because you are not helping the stenographers here. No applause.

Our next witness will be Councilman Guiliano of Newark, New Jersey.

You know, you people are not familiar with the procedures of legislative hearings. The panel here hopes to ask questions of the witnesses. When you applaud you disrupt everything. So, please, no applause. If we continue to have applause then I will have to clear the gallery. No applause. You are not helping us. I told you at the outset of this hearing that I am on your side. I know your problems. I want to help you. The applause is not going to help you. It is going to disrupt the hearing.

Proceed, Councilman Guiliano.

ANTHONY J. GUILIANO: My name is Anthony J. Guiliano, Councilman-at-Large, City of Newark.

Distinguished members of the Transportation and Communications Committee: I speak before you today not to cite facts and figures surrounding the needs of our citizens who are losing their buying power due to the cost of living increases, but to give you some insight into the human side of the problem faced by these people, the elderly and the handicapped, day after day, week in and week out.

Newark residents turn to me and to other members of the Municipal Council of the City of Newark to plead for their lives - "How can we keep our heads above water?" They do not ask, "How can we take a vacation trip?" or "How can we buy a new car?" They do not ask, "Where shall we go out to dinner tonight?" They ask, "How can I pay my rent, my medical bills, and food costs?"

I see the laborer fearful of being laid off, one who has a family of five to support. I see the senior citizen with terror in her eyes and who can barely manage and who wonders, "What is going to happen to me when I can no longer take care of myself and there is no one else to take care of me?" As a matter of fact, we are all becoming senior citizens and that is one thing the good Lord did, make sure we all reach there. You are in the position to ease the burden for these needy citizens by limiting how much they are required to pay for a vital necessity, household utilities. This is not a luxury.

I am not an expert and I do not have all the answers but I must present to you the plight of those who cry for relief. Economists talk about double digit inflation and recession but what do these terms mean for the person who lives in fear of having his electricity turned off for non payment? In the City of Newark alone there are nearly 7,000 senior citizens living in projects. Many of them, this month, were hit with rent increases because their social security payments have gone up. Our Federal Government, which mandated the rent increases as incomes rose, gave with one hand and took away with the other. Why give them the increase in social security at all if they are forced to turn their money over immediately in rent and utility payments?

While some few lucky senior citizens have condominiums in Florida or homes at the Shore, the majority are hurting and they are hurting badly. Harrison Williams, our distinguished New Jersey Senator, recently revealed that the job situation for older people is bordering on near poverty for many of those over 55 years of age.

Here we have people who are anxious to put their skill to use with the dignity of labor, but there is no place for them. On top of that, we saddle them with skyrocketing utility, rent, and food costs. Can society afford to turn our backs on these elderly and handicapped and other poor, and, at the same time, offer huge tax incentives to large corporations. What are our social priorities? We cannot

say to these older citizens, "You have served your purpose and now we abandon you." Instead, we must fashion a plan where those who have contributed to the benefit of succeeding generations can live out their remaining years free from the fear of degradation and poverty.

In April, members of the New Jersey Federation of Senior Citizens came to speak to me about the lifeline rate for electricity and gas. I was pleased to sponsor a motion in the City Council, at their request, urging the State Assembly to pass the bill requiring utilities to provide consumers with energy sufficient for basic human needs, at the lowest rate the utilities charge any consumer.

Since that time, I have had many meetings with the Federation and I have become acutely aware of the problems facing the elderly, especially the poor elderly. The Newark Council, in recent months, asked the Legislature for a moratorium on the reevaluation of our city property to avoid aggravating the situation. An unfair tax burden exists on Newark's middle class. The Legislature granted a six-month delay in this reevaluation.

In conclusion, gentlemen, today I am asking the Legislature to listen to my pleas on behalf of those who cannot bear the burden of ever-increasing utility costs. Thank you, gentlemen, for giving me this time to express my views.

ASSEMBLYMAN ESPOSITO: I would like to ask you a few questions, Councilman.

COUNCILMAN GUILANO: Yes, sir.

ASSEMBLYMAN ESPOSITO: I know you are a Councilman in the largest City of the State - Newark. How many people in Newark are living in projects where their cost of electricity and gas is included in their rent?

COUNCILMAN GUILANO: Well, I know there are at least 7,000 elderly. What percentage there is -- there must be at least 30% in the City of Newark who are living in projects where the rents have been increased, according to their Social Security upgrading.

ASSEMBLYMAN ESPOSITO: Yes, but their rents have been increased because the utility bills have increased, right?

COUNCILMAN GUILANO: Not only because of the cost of the utilities but because of Social Security. When the government feeds them with one hand, they take away with the other. Now they are going to be burdened with the utilities.

ASSEMBLYMAN ESPOSITO: Are their utility bills included in their rent?

COUNCILMAN GUILANO: I believe they are.

ASSEMBLYMAN ESPOSITO: They are?

COUNCILMAN GUILANO: I believe they are.

ASSEMBLYMAN ESPOSITO: You see, now we face a problem with that. It has been argued that lifeline rate reductions would not reach those poor whose utility costs are included in their rent payments because then they would come under commercial rates. You see, we have a problem there.

COUNCILMAN GUILANO: I haven't done any research on that but I will, Assemblyman.

ASSEMBLYMAN ESPOSITO: Where is the money going to come from?

COUNCILMAN GUILANO: Well, as you said before, you are for the gambling and I am too and so are the majority of the Council. We said it when the Lottery started - "Let's get the Lottery going. Let's get the race tracks going. Let's get 'this' going", but everything seems to disappear.

ASSEMBLYMAN ESPOSITO: Then you feel that casino gambling money should be dedicated to lifeline rates for the poor and the senior citizens?

COUNCILMAN GUILANO: The poor, senior citizens, and the handicapped, and for everyone, at a certain percentage, especially the middle class.

ASSEMBLYMAN ESPOSITO: You see, I think your problems in Newark are the same as they are in Jersey City.

COUNCILMAN GUILIANO: I believe so.

ASSEMBLYMAN ESPOSITO: We have a big problem in Jersey City. Most of our senior citizens don't have the senior citizens projects, like other cities have. We have, maybe, about three senior citizen projects in Jersey City. Most of our senior citizens live in flats.

COUNCILMAN GUILIANO: Which is good.

ASSEMBLYMAN ESPOSITO: No. They are flats that are not insulated and sometimes they have to go to space heaters. Sometimes they burn gas on gas. They go above the low figure of 300 Kilowatt-hours. So, they wouldn't benefit by this type of a lifeline rate.

COUNCILMAN GUILIANO: No, they wouldn't. Well, the worst thing that ever happened was the high-rise.

ASSEMBLYMAN ESPOSITO: Thank you, Councilman.

COUNCILMAN GUILIANO: Thank you.

ASSEMBLYMAN ESPOSITO: Our next witness will be Edward A. McCool, representing the Department of Community Affairs. He is the Deputy Director of the New Jersey Division of Aging. Mr. McCool.

E D W A R D A. M C C O O L: Mr. Chairman, my name is Edward McCool. I am Deputy Director for the New Jersey Division on Aging in the Department of Community Affairs.

Before I begin - and I will keep my remarks brief because it is extremely hot in here, as we all know - I was wondering if it might be possible for the Chairman and the Committee to exercise some officers to obtain a few additional chairs for the people in the back. Having stood back there myself, I know there are several people in serious need of some seats.

ASSEMBLYMAN ESPOSITO: I don't think they have the chairs - the additional chairs.

MR. MC COOL: All right. I would just like to ask, for my own point of information, has the Utilities Commission decided that there shall be some form of assistance, relief, or what have you, for the elderly, or for people below a certain income?

ASSEMBLYMAN ESPOSITO: I think it was the intention of the Utilities Commissioner - the Chairman of the Commission - to come up with a lifeline rate by regulation. I think the two commissioners are not in agreement and they have not come up with the regulation.

MR. MC COOL: Okay. All I would like to do is, on behalf of the Division, indicate that we are in favor of, and do endorse the concept of a lifeline, the concept of some type of system whereby we can guarantee, as best as practical, that no one will have their vital utilities cut off because of non-payment.

I would further like to extend - to the extent that you would like to use them - the talents and services of the Division on Aging, in whatever way you would see it best used, and the knowledge we have from the State's perspective. I know that some of the problems that have come up in whatever system is adopted - if there is one - are, how do we certify people; how do we determine who is eligible; how does the actual day-to-day operation of this begin and what agencies will we use; who is going to pay for it? We do have a large amount of knowledge of the existing delivery systems and service areas already in place that affects the lives of the senior citizens of the State and we feel that perhaps some of our information might be most useful to you in this area. That is all I have to say.

ASSEMBLYMAN ESPOSITO: Mr. McCool, as I said - and I am going to say this over and over again - our Committee wants answers and one of the answers we would like is where the money is going to come from. You see, this is what is bothering us. I think we can put a lifeline rate program in effect in the State of New Jersey, but where is the money going to come from? Do you have any ideas, suggestions, recommendations -?

MR. MC COOL: No, I don't. I didn't come prepared with a concrete suggestion as to where the dollars are going to flow from.

I find that in the time I have worked for government, once government makes up its mind it is going to do something, it gets done. It finds a way of doing it. It may not always be the most equitable method in the beginning and it may require reform later on as it is done, but I would like to see the determination made that there is going to be some type of structure to provide some type of assistance, that structure implemented and in place and some area of support started, whether it is to spread out the additional cost among all existing consumers or what have you - at least get it started.

We don't know what other things need to be changed until we have something already working. We don't have anything right now.

ASSEMBLYMAN ESPOSITO: Mr. McCool, the only way we can be guided is by statistics. Do you have any statistics of how many people are faced with non-payment of gas and electric bills?

MR. MC COOL: I would think the utility companies would have information.

ASSEMBLYMAN ESPOSITO: Your Department hasn't done anything along those lines?

MR. MC COOL: I said I think the utility companies would be better able to provide you with the statistics since they are the ones who cut the service.

ASSEMBLYMAN ESPOSITO: And you don't know how serious the problem is, do you?

MR. MC COOL: Well, that is the other thing - I think the presence of all these people is one indication of how serious the problem is to them. The second thing is, if one person dies or a hundred persons die, I don't know - what do we mean when we get into the numbers game? I think we are all aware of the fact that heat, electricity, and gas are not luxuries. I think we are all aware of the fact that we have a common commitment to try and guarantee as much as we can that nobody is going to lose those items.

ASSEMBLYMAN ESPOSITO: Mr. McCool, are there any on-going programs in your Department, now, to try to help these people?

MR. MC COOL: Last winter we allocated approximately \$4,000 to 9 counties, which we determined to have the highest ratio of elderly citizens and homeowners. We gave them this money to use to subsidize fuel payments, where necessary, and to provide for emergency short-term repair for heating units. Unfortunately, there is not an awful lot of State funds that we have to administer for this area and there is not an awful lot coming from the Federal Government for this area.

ASSEMBLYMAN ESPOSITO: You say most of this was done with Federal money?

MR. MC COOL: No. These were State funds that I just mentioned. The Federal monies go to the Community Services Administration, primarily through the Community Action agencies. We use State funds to compliment that effort through the county offices on aging.

ASSEMBLYMAN ESPOSITO: Another thing is to control a program such as this. How do you select these people who are eligible for this type of relief? How do you select them? Do you have guidelines, or what?

MR. MC COOL: Do you mean for our effort?

ASSEMBLYMAN ESPOSITO: For your effort, yes.

MR. MC COOL: It was not by income; it was for senior citizens. We relied on

the expertise of the county offices to determine this. Certainly, priority should be given to the lower-income senior citizen.

ASSEMBLYMAN ESPOSITO: Do you check with the welfare department of that county or what?

MR. MC COOL: No. I am not completely familiar with this in every case. In most cases the county office would ask the individual requesting assistance for some statement of income.

ASSEMBLYMAN ESPOSITO: Have you any idea of the percentage of senior citizens who are below the poverty line?

MR. MC COOL: Well, we estimate there are roughly about--

ASSEMBLYMAN ESPOSITO: You see, the only way we can legislate is by the information you give us. I hope and pray that in the future - we have a staff man here who is working on lifeline rates - you will supply him with information. We will gladly accept it.

MR. MC COOL: That is why I am here.

ASSEMBLYMAN ESPOSITO: Yes, but I mean even in the future. We want statistics too.

MR. MC COOL: Okay. My number is 4833 if your staff man wants to write it down.

ASSEMBLYMAN ESPOSITO: All right. Thank you, Mr. McCool.

I would now like to introduce the President of the Senate, who has graced us with his presence here this morning and he will be the next speaker. Senator Matthew Feldman, President of the Senate from Bergen County.

S E N A T O R M A T T H E W F E L D M A N: Thank you, Mr. Chairman. Assemblyman Esposito, Chairman of the Assembly Transportation and Communications Committee, deserves a second "thank you" because he has been working hard all week and he knows that the problem before us today is something that we have to look at with priority. We must secure low cost power, not temporarily but for life. And so, Mr. Chairman, I want to commend you for Chairing this meeting today and for the activity you have certainly exercised on behalf of this type of power.

I am pleased to have the opportunity to contribute to your much needed review and discussion of energy conservation. As the principal sponsor of Senate Bill No. 1447, which would establish a lifeline billing program for utility costs, to reduce the burden on the poor and the elderly for life-sustaining gas and electricity, it is indicative that I, as you, share more than a passing interest in this area.

Ever since the Arab oil embargo in 1973, utility prices have risen dramatically. Between 1973 and 1974 alone, fuel costs rose a staggering 89.5%. It seems that we are deluged monthly by utility companies seeking still larger rate increases. The human impact of these increases have been critical, and at times somber, for it has hit hardest at those least able to pay - namely, the poor and elderly. Every legislator has been confronted by constituents living on fixed incomes - and many people in this Chamber today live on fixed incomes - whose gas and electric bills have doubled and tripled despite their enormous efforts to reduce consumption.

Over the last three years, the so-called lifeline concept of billing consumers of utilities has arisen. It has taken many different shapes, but a common thread of every proposal is that it is unconscionable for us to allow any member of our society to be unable to purchase at least a minimum amount of life-sustaining gas and electricity. The other concern that we have is, the present utility rate structure, by charging lower rates for larger users, encourages even more consumption at precisely the same time we should be conserving energy.

As you know, in April of this year, I introduced S-1447 because I believed it was a highly commendable proposal and because the PUC had not, and still has not, acted favorably on its proposal to adopt a lifeline pricing mechanism.

Senator Bill 1447 would require the PUC to designate a minimum amount of gas and electricity that is absolutely necessary to sustain the energy needs of the average residential user. The PUC would then require each public utility to charge a lifeline rate for those energy needs which would be at a rate that would not exceed the lowest rate per kilowatt-hour at which electricity or gas is sold to any customer. However, the PUC could reduce the rate even lower for special classes of users.

Since the need for electricity is so prominent throughout our nation, any rate increase can have a pervasive impact on the American economy and can severely affect the lives of the poor and elderly.

Most utilities structure their rates in such a way that the more you use, the lower the price. For example, the first 100 kilowatts might cost 5¢ per kilowatt and the next 100 kilowatts cost 4¢ per kilowatt. While such a structure was undoubtedly desirable during the energy-plentiful 1950's and 1960's, it is inappropriate and, may I add, immoral in the 1970's.

A lifeline rate structure would make a minimal amount of gas and electricity available to everyone at a reasonable price. As the consumption increased, the rate would increase at a graduated level. Marketplace economics would dictate that as the use increases, the customer would conserve energy because the cost would increase. Under such a structure, the higher income user would subsidize the lifeline rate being offered to the small, and nearly always, low-income user.

Interestingly enough, a Rand Study back in 1970 of the Los Angeles area utility customers documented the fact that under the present rate structure, lower income customers were actually subsidizing higher income users. A user of 100KWH per month - who had an income of under \$5,000 - was paying 5.1¢ per KWH, while the user of 584 KWH - who had an income of over \$15,000 - was paying 3.1¢ per KWH, a 26% difference. Similar results were found in Boston where a user of 100 KWH paid an average of 5.6¢ per KWH, whereas a user of 300 KWH paid an average of 3.9¢ per KWH, and a user of 1,700 KWH paid an average of 1.9¢ per KWH.

I submit to you, respectfully and rather strongly, that this rate structure is unfair, inequitable and wasteful of our scarce energy resources.

I would respectfully suggest that the committee review the lifeline proposal as a mechanism with great potential for conserving energy. I believe the lifeline will conserve energy while at the same time offer relief to consumers who are overwhelmed by spiraling fuel costs and be a first step toward a more equitable rate structure.

I commend you for calling this hearing, as I commend the people who are here and who are showing a very strong interest in this very difficult problem.

ASSEMBLYMAN ESPOSITO: Thank you, Senator Feldman, for your expert testimony. I assure you that your statement and your bill will be thoroughly scrutinized by this committee. Thank you.

The next speaker is Doctor Shepard Bartnoff, President of the Jersey Central Power and Light Company. Doctor Bartnoff.

S H E P A R D B A R T N O F F: Assemblyman Esposito, my name is Shepard Bartnoff. I am President of Jersey Central Power and Light Company, a subsidiary of General Public Utilities Corporation. My business address is Madison Avenue at Punchbowl Road, Morristown, New Jersey.

I appreciate the invitation to appear before your committee. I am a little

bit honored. I notice, here at the witness seat, that I am sitting in the seat of my own Assemblyman, Assemblyman Al Burstein, and I hope I can bring to the deliberations of your committee the wisdom and competence that he brings to the deliberations of the Assembly.

My own educational background consists of a Bachelor of Arts Degree in Mathematics from Syracuse University, a Master of Arts Degree in Physics from Syracuse University, and a Doctor of Philosophy Degree in Physics from Massachusetts Institute of Technology.

My employment background consists of successive positions as Instructor, Assistant Professor, Associate Professor, and Executive Officer in the Physics Department of Tufts University from 1949 to 1955.

In 1955 I entered private industry when I joined the Westinghouse Atomic Power Division, working on the design of nuclear reactors and reactor systems. Later, I was manager of in-house sponsored research and development and then reliability manager of the Westinghouse Advanced Reactor Division. I am also a registered professional engineer.

I joined General Public Utilities Corporation in 1968 as a nuclear fuels manager and later was manager of engineering and then director of environmental affairs. I was elected President of Jersey Central Power and Light in September of 1972.

Today I have two purposes in making a statement. First, I would like to put the issues involved in this hearing in the context of the overall goal of our company, which we believe is to render safe, adequate, and reliable electric service to our customers at the lowest possible cost consistent with a fair return to our investors - which, incidentally, is also one of our costs - and with the distribution of our charges allocated among customer classes on a cost of service basis.

Second, I would like to explore with you some of the ways we believe it would be permissible for Jersey Central, under the terms of our charter, to provide assistance to the needy. And, Assemblyman, this is a problem to which we are very sensitive. We are aware of the problems of those customers in our service territory who are in need, who are at the poverty level, who are handicapped, who are on fixed incomes.

To begin with, I would like to point out that for the average family, the cost of electric service is less than 2% of family income - it is 1.92% - and for Jersey Central customers this is even lower, about 1.71%. This is despite the fact that our customers, in our territory, consume more than the average amount per family of electric energy as compared to the entire nation.

However, we realize that averages do not tell the story facing many families in New Jersey who live below the poverty level. Many have fixed incomes. Many are unemployed. Energy prices, in general, have risen dramatically. Oil has gone up 95% for residential heating from January of 1973 to June of 1975 in New Jersey. And Jersey Central uses oil to produce power. Our electric costs have risen. One saving grace for Jersey Central is our Oyster Creek Nuclear Station and the power we receive from the Three Mile Island nuclear station in Pennsylvania, a station where we own 25%. If we had to purchase additional power from neighboring utilities, our average total charges to customers in 1975 would have been substantially higher than they were. Natural gas energy costs have also risen close to 50% over the same period, and further substantial increases are anticipated.

Now, at the same time the cost of living has gone up, benefits haven't gone up proportionately. New Jersey's Social Security benefits for the retired wage earner only increased 16% from December 1972 to December 1974. There has been a slight further increase since, but as the Councilman from Newark pointed out, some

of this has been taken away through other costs that have been tied to Social Security. Public assistance for a household of four increased only 10% from January 1973 to June 1975. And, for the same period, the consumer price index for the New York-New Jersey area rose 25%.

What this means is that many people are feeling the pinch and most of all those on fixed incomes or those who are living below or near the poverty level. The only public assistance program that kept pace in allowances for the period we have been talking about was the Food Stamp Program, which went up 85% in allowances for a household of four.

Now, there have been a number of methods proposed for alleviating the cost price squeeze for the needy. The approaches which have been put forward as at least partial solutions to this problem are - for utility customers - the adoption of lifeline rates, that we have heard discussed at some length today, and the use of energy stamps, which is a proposal I have not heard discussed as yet this morning. The most widely publicized program is the lifeline rate proposal. Under this concept, the first several hundred kilowatt-hours consumed monthly by each residential customer are provided at a low, uniform charge per kilowatt-hour. This would serve, it supporters claim, to meet the needs of the customer who has only the basic "no frills" appliances and who does not have electric space heating, water heating, cooking, or air conditioning. Lifeline thus assures the residential customer that he can get, at a low, fixed rate, his minimum necessary electric requirements.

The revenues lost by lower rates would be recovered by increased rates for high use customers who consume beyond the lifeline level. This is a proposal that was just discussed by my own representative in the State Senate, Senate President Matt Feldman. Incidentally, this presents us with a basic problem at Jersey Central since we strongly believe that no class of customer should be given special consideration on rates when it throws an additional burden on other customers.

However, lifeline rates are easy to understand. They can be placed in effect with little delay and they call for no new tax revenues. Lifeline rates also are said to encourage conservation and to help the poor and elderly. However, there are some drawbacks to the program. Lifeline rate reductions would not reach those poor whose utility costs are included in their rent payments, a point, Assemblyman Esposito, which you made when you were questioning one of the previous witnesses. Also, a significant additional group of poor customers are, in fact, not small users of electricity, while many affluent customers are small users. There is really no direct relation between income and electrical consumption.

For example, an electric water heater alone will consume at least 500 kilowatt-hours per month and in our charter territory the poor are as likely to have electric water heating as the more affluent. Farmers who are far from affluent may account for high electric use. The poor often turn to electric space heating to supplement poor heating systems in their current homes - those homes, Assemblyman, that you mentioned are in your own territory around Jersey City.

These are just some of the problems faced in identifying and assisting the needy person through a lifeline system. Now, we are not opposed, necessarily, to lifeline rates, though we do feel that we should point out to this committee, for its deliberation, what the drawbacks are. We truly believe that there are many, many cases where the imposition of a lifeline rate structure would have accomplished the purposes to which we feel the people who have spoken here so far this morning are very legitimately addressing themselves to - that main purpose being

assistance to those who need assistance. We are not convinced that a lifeline rate structure would accomplish this purpose. We have extensive data on customer usage and anything that we can supply you, or the staff of your committee, with, from our own files, we would be happy to make available to the committee for its use.

I would like to discuss another proposal. Perhaps the most promising proposal which is now receiving increased consideration as a means of assisting the poor and the needy in coping with the energy crisis is a system of energy stamps. Two experimental energy stamp programs have already been conducted, one in Colorado and one in Pennsylvania.

In the Pennsylvania experiment, those eligible for food stamps were also eligible for energy stamps. Books containing \$75 worth of stamps were distributed for \$25 each to low-income families and this was done through a community action committee. These stamps were used to pay energy bills, that meant either fuel utility - electric or gas - or fuel oil bills.

The advantage of energy stamps are many. First, since the eligibility standards parallel existing food stamp standards, the cost of administering the program should be low. Second, the poor are identified directly and assisted directly instead of relying on electrical use as a basis of measurement. Where utility costs are included in rent, energy stamps can be used as a portion of the rent payment. Also, since energy stamps can be used to pay gas or fuel oil bills, as well as electrical bills, they do not discriminate against the poor and needy who happen to use electricity for cooking or hot water or space heating. In addition, they present a much more meaningful savings in total amount compared to proposed lifeline rate savings.

Another advantage of the energy stamp program is that it fits into a current social service program already being administered by the government. The utilities should not be a social agency and in this case they would not be. In addition to the ethical considerations, I can tell you, first-hand, as President of a major utility in New Jersey, that utilities neither have access to the necessary information nor do they have the staff and the competence to develop and administer social programs.

Theoretically, an energy stamp program is feasible at the state level. Energy stamps, like lifeline rates, are not without some drawbacks, however. There is a problem that receipt of energy stamps would tend to diminish food stamps and possibly other assistance - the type of thing the Councilman from Newark spoke about when he talked about the government giving with one hand and taking with another. This would require special care by the Legislature so that in the legislative remedies that would encompass the energy stamp program, there would not be such a diminution.

Also, tax revenues are required to pay for the stamps. But if the State were to conclude, and your committee were to propose in the Legislature, that an energy stamp program was feasible and desirable, it would require additional taxes. We have heard this morning some proposals on the cost coming from the taxation of a possible hypothetical establishment of gambling casinos in one part of the State. We believe that the cost of such a program could also be met by a special tax on energy suppliers. But, here we would caution that such a tax should be imposed on all energy suppliers, including the electric utilities, but also including gas suppliers and, above all, suppliers of fuel oil which furnish a major portion of the home heating energy source for the residents of the State. These suppliers are not, as are the gas and the electric utilities, currently under State regulation, but this should not inhibit the Legislature, if it so chooses, from providing for taxation of these sources - and this should be, I think, since all of the forms of energy, including fuel oil, enter into

the total cost of energy that the customer must bear.

Another lesser drawback to an energy stamp program is that although the stamps can be offered to the poor and elderly, there is no assurance they will be taken. The food stamp program, our experience has shown, has had only 50% of those eligible apply for stamps. Participation, then, does not necessarily include everyone. Nevertheless, the opportunity would be there for people who really need help to get assistance in coping with the rising costs of energy.

In conclusion, the problems the poor, the needy, the handicapped and the elderly have in coping with rising energy costs are just part of a bigger problem. All of us have had difficulty in dealing with rising costs of food, shelter, transportation, and clothing - of every facet of life. Although in the long run it is probably more desirable to supplement the income of low income groups through unemployment, social security, and public assistance programs and allow them to decide how they will spend that additional income, in the current energy crisis, of all the alternatives under consideration, the energy stamp program appears to me to be the most effective support to the needy in our society.

As a final remark, I wish to reiterate what I said earlier, that we as a company are aware of the difficulties that some of the residents in our service territory have. We think the work of your committee in persuing these hardships and in looking for solutions is a most laudable endeavor. We pledge to you our cooperation in the work of your committee and our cooperation in any solution, be it a lifeline rate, be it an energy stamp program, be it whatever you, as legislators, decide is the most effective, the most just, the most equitable, and the best for the entire State of New Jersey, and the one which can best alleaviate the problems of those of our citizens who need this help. Thank you.

ASSEMBLYMAN ESPOSITO: Dr. Bartnoff, I have listened intently to your suggestion regarding an energy stamp program. You then tell me there is a drawback to the energy stamp program - most of the people would not be eligible, almost 50%.

DR. BARTNOFF: No, I didn't say that, sir. I believe what I said was, some, since this is a voluntary program, do not volunteer to participate. But, the opportunity is there. It is not a question of eligibility. The eligibility is there 100%.

ASSEMBLYMAN ESPOSITO: But, what concerns me is this: I know the senior citizens of this State. They are proud people. They don't want any assistance which is like a food stamp program or an energy stamp program. They are not that type of people.

(applause)

No applause, please.

DR. BARTINOFF: I understand, Assemblyman. I see this. I know our people are proud. I have had discussions with some of our old retirees and pensioners and I know this. I think, though, that it is incumbent upon us all, who perhaps are more affluent, to make it understood that an energy stamp program, or a food stamp program, is a right to which these people are entitled, the same as they are entitled to Social Security, and whether the dollars come here from an energy stamp program or whether they come from imposing taxes on another segment of the population, it still remains that the cost of the program is borne by the rest of society. And, in a lifeline program, which would be supported by taxation, it is not immediately apparent that it comes not from charity but from a legitimate claim, by those who require it, upon the resources of society. It is not as apparent that it comes from that society as it is apparent when it is given directly through an energy stamp program. However, the source of the funding still is the same and we, I think, must emphasize in anything we do, that

an energy stamp is not a charitable distribution but a right to which the recipients are entitled. It has the advantage of going directly to those who need it the most and not the disadvantage which a lifeline rate - as I have heard it proposed - would encounter, namely that it would benefit many who do not need the benefit and it would fail to benefit many of those who do need it.

ASSEMBLYMAN ESPOSITO: You formed a committee and recommend that such a program could be met by a special tax on energy suppliers. Do you have an idea of how much money could be raised by this special tax?

DR. BARTNOFF: It isn't an idea of how much money could be raised. I think that what should be raised by this tax, distributed amongst the suppliers - I would suggest - in measure to which those suppliers furnish energy, should be whatever is needed to cover the cost of the program to the recipients of the benefits.

Now, I don't have, at the top of my head, numbers in thousands or hundreds of thousands of dollars that this would require. I could, however, request those people in our company who have made studies of this to supplement my testimony this morning by some suggestions as to dollar amounts that might be required and supply them to the staff of your committee if you so desire. Would you like this information, sir?

ASSEMBLYMAN ESPOSITO: Yes, I would like this information supplied to the committee.

DR. BARTNOFF: I will make sure that this is done.

ASSEMBLYMAN ESPOSITO: You say the lifeline rate can be put into effect without delay. You made such a statement.

DR. BARTNOFF: Well, I'd amend that statement by saying--

ASSEMBLYMAN ESPOSITO: By adoption of an energy stamp program?

DR. BARTNOFF: No, the lifeline rate, which is, of course, separate from the energy stamp program, could be put into effect without additional legislation, by action of the Public Utilities Commission, which is ultimately responsible for the rate structure of the utilities it regulates.

ASSEMBLYMAN ESPOSITO: I thought it was the attempt of the Commissioner to do it by regulation, but I think he has been stymied.

DR. BARTNOFF: Well, I do know that there are, currently, hearings underway by the Public Utilities Commission in which all of the utilities of the State, including ours, are participating to supply information to the Commission of the very nature your committee is studying.

ASSEMBLYMAN ESPOSITO: Have you considered raising the cost per kilowatt-hour of high users of electricity in industry? And, what effect do you see this will have?

DR. BARTNOFF: Okay. Let me digress from answering that immediately by saying that under our latest rate structure, we now have for the bulk of our residential customers - those without all electric homes and electric heat - a flat rate structure. We have a structure which at any one time of year, charges the same per kilowatt-hour no matter whether it is a big user or a small user. There is a flat service charge, you might say, of five dollars and some cents, plus so much per kilowatt-hour for usage, no matter what the usage is.

Now, with our industrial customers, we were asked at the last revision of our rate structure, by the Public Utilities Commission, to propose several rate structures which dealt in different levels with a shifting from the very, very low usage customer - I won't say low income, it is not necessarily low income - to the industrial sector, and to the remainder of the residential sector. We provided these rates. The Public Utilities Commission, in its wisdom, choose to use the rate structure which was not too far different in its distribution from what had been done up to that point.

As to our own feelings, I feel that this becomes a social problem, in a way, because in putting additional cost on the industrial user, we are not really removing them from the citizens - the residential user. This only gets passed on in the cost of the product and the consumer is the same consumer who is the consumer of electric power. I am afraid this might even be passed on with the usual mark-up for a profit margin which is based upon an initial cost.

We do encounter some dangers. We already have in the State of New Jersey, for industrial customers, a rate structure which is not competitive with other states and an industry which depends upon a basic cost to compete with other industries, either in allied or in the same field, who feel that this is a cost burden. We already have evidence of some major industries who, although they have not moved out of New Jersey, have chosen to expand their activities in other states rather than in New Jersey.

This, then, is a social problem and it is a problem which, I feel, cannot be met by addressing itself to any one small section, geographically. Certainly, our own service territory is too small a section to be considered. The State of New Jersey may be too small a section. I really believe that this is a problem that must be met on a national level because any one geographical area is too small to meet this problem adequately.

ASSEMBLYMAN ESPOSITO: Dr. Bartnoff, I refuse to believe what you just said. If we were to pass the cost to the high users, wouldn't they pass that cost on to the consumer? You tell me they might move out of the State.

DR. BARTNOFF: If we run across a manufacturer - a large industrial concern - who depends, for his remaining in business, upon income from the sale of his product and enough of a margin over basic cost to pay those who invest in his production facilities, and who now finds his costs are raised -- if he cannot compete, he cannot stay in business. He must raise the price of his product. The answer for him is either move someplace else or cease doing business. He has no other alternative.

ASSEMBLYMAN ESPOSITO: Well, ultimately, wouldn't he pass it on to the consumer - the cost?

DR. BARTNOFF: Ultimately, I see no other way in which this cost can be covered. We see this in our own company. The price of oil goes up. The only way we can continue to provide our product to our customers is to increase the price to the customers to compensate for the increase in the cost to us.

ASSEMBLYMAN ESPOSITO: What do you think about putting the burden of the cost onto the residential customer?

DR. BARTNOFF: This, of course, is an alternative. Now, as I pointed out, the high-user is not necessarily the high-income customer.

ASSEMBLYMAN ESPOSITO: I agree with you.

DR. BARTNOFF: You have low income families with large families, living in a home with poor insulation, and they are pretty high users.

This is an alternative. The ultimate cost is going to be spread over the users anyway. The answers that your committee has to come up with are, to what extent can this be done, how much of a cost burden would be shifted, and do we really want this kind of cost burden placed upon high, residential, users of electricity?

ASSEMBLYMAN ESPOSITO: I interrupted you and I said I agree with you because I feel there are a lot of low-income people who are high users, due to the fact that they live in homes that are not insulated. What percentage of the poor and elderly depend upon electric water heaters?

DR. BARTNOFF: I can't answer that question with any precision for two reasons,

one, although we have a good idea - and I can find out these numbers for your committee - as to the customers we have in our service territory who do depend for electricity on water heating, we do not have a good measure of the economic status of these customers. You see, we cannot - we feel we should not - probe into the private matters of our customers with questions on family income and so forth. We have made some surveys where we have asked for a general range of income with the customer being told that this is a question they can answer or not answer as they see fit because it is a private matter. We have some correlation. I can't give them to you now but I will make sure your committee is provided with such information as we have.

I believe that one of the other utilities in this State - Public Service Electric and Gas - has made more thorough studies of this matter and our results would probably not be much different from theirs. They will be testifying on this same subject, I believe, later today.

ASSEMBLYMAN ESPOSITO: What are the advantages and disadvantages of using income or age tests to determine those persons who require economic relief in the payment of their fuel bills?

DR. BARTNOFF: I think the biggest advantage here is in using a needs test. If the need is an income need, let that be the test. I think age, per se, is not necessarily a criteria for assistance. Age can be accompanied - and often is in many cases - by a fixed income status and the income doesn't change as the cost of living goes up and, therefore, we find many elderly people, senior citizens, retired individuals, who do need assistance. And the percentage, the fraction of citizens needing assistance in this senior age category, may, indeed - I would guess, without having any personal knowledge of statistics - be, probably, larger than that fraction in the general population.

But, there are senior citizens who do not need assistance and, therefore, I would not look on age, Assemblyman, as the primary criterion. I would look on need as the primary criterion.

We already heard, today, testimony from a young man from one of the State Agencies, who volunteered the assistance of that Agency in the determination of this need.

ASSEMBLYMAN ESPOSITO: Dr. Bartnoff, one other question I would like to ask you. In regard to the homes of the poor and elderly, what percentage of such homes are poorly insulated, do you know? Do you have any statistics?

DR. BARTNOFF: I do not know. I do know that in our company, in those days when we were promoting the use of electricity, which we haven't been doing for several years now, and when we were encouraging all electric homes, we had a program which involved a certification of an all-electric home as having suitable insulation standards. But, this was for electric homes only. I believe that you will find those homes are suitably insulated but we no longer have that control since we no longer encourage this type of structure and I would not even vouch for new all-electric homes that are now being built.

You see, we have no inspectors who inspect insulation. This is outside our realm of -- I won't say competence, we have competent people -- but outside our realm of assigned responsibility by the Public Utilities Commission.

ASSEMBLYMAN ESPOSITO: Dr. Bartnoff, do you have any suggestions on how to conserve energy and reduce the cost to the customers by properly insulating homes?

I have here an article which was in the Star Ledger on August 12th - "Ross Wants Utility Financing For Home Insulation." Did you read that?

DR. BARTNOFF: I have seen that article and I am aware of, again, the Public Utilities Commission's investigation into the overall problem in this case. I do believe that there is a lot to be gained by proper insulation of homes, not so much in terms of use of electricity - although some in the use of electricity as well. I say this for the use of electricity because we encounter many homes which are not heated electrically, although where, because of difficulty in maintaining proper temperature, there is an augmentation of the heating system through electric space heaters. This uses a lot of electric energy.

I think there is a lot to be gained. What I question here is this: Here we are an electric utility. Home heating is a very, very small portion of our --

ASSEMBLYMAN ESPOSITO: Dr. Bartnoff I don't want to cut you off but (addressing audience) we must have absolute quiet because she (indicating stenographer) has trouble hearing the witness. Now, you are going to disrupt this hearing and we are not going to get the information we seek and we are not going to be able to help you. So, please, please cooperate. I am begging you. Please go along with me.

MEMBER OF AUDIENCE: Mr. Chairman, I respectfully ask for your consideration, consideration for the many senior citizens that are in this Chamber today, who have come a long way. Many of them have been up since six o'clock this morning. They deserve the right to listen to the testimony that is going to be presented by the five speakers from the New Jersey Federation of Senior Citizens. I ask you to alleviate this uncomfortable condition that these senior citizens are going through.

(applause)

ASSEMBLYMAN ESPOSITO: It is the intent of this committee to hear everyone. We intend to hold another public hearing in Jersey City and if we need a third hearing, we are going to have it. It is very, very important that we listen to the testimony of the experts. I assure you --

(interruption from audience)

I assure you that you will be called next.

(interruption from audience)

Dr. Bartnoff, I don't want to cut you off but we will invite you to another hearing.

DR. BARTNOFF: I will be very happy to come whenever that hearing is.

ASSEMBLYMAN ESPOSITO: Thank you, Dr. Bartnoff.

Who represents the Federation of Senior Citizens?

(interruption from audience)

This is the last time -- If you do not stop, I am going to adjourn the hearing and you are going to defeat the purpose you came down here for. You came down here for relief and we intend to help you. I told you that five times already now. So, if you continue to applaud and if you continue to disrupt this hearing, I am going to adjourn it. So, please, please cooperate.

THOMAS CARNEY: My name is Tom Carney. I reside at 12 Montclair Avenue, Montclair. I am the Chairman of the North Jersey Federation's Task force on Utilities. Today we are here to present to you a rate reform structure known as lifeline. Through our testimony we will urge you to adopt this concept and authorize its implementation as a first step in fostering an equitable and sane power policy in our State.

As you are aware, there is lifeline legislation before this committee at present. However, we want to make clear that the lifeline reform concept can take many concrete forms insofar as discount levels and per energy unit prices. Do not be misled to think that the concept can take only the shape of the present bills. Terms are

negotiable, but the concept of lifeline reform should be their framework.

We are determined to convey to you our belief that every household in the State of New Jersey is entitled to a livable amount of gas and electricity at a low fixed cost. Basic energy necessities of modern life, such as lighting, heating, refrigeration, cooking, and cooling, should be available to all as a right, not as a market-variable luxury.

Thus, the lifeline concept mandates that every residential customer be afforded a quantity of electric and gas at a fixed low price established either through this legislature and/or its extension, the Public Utilities Commission.

A program implemented according to the lifeline concept applies to all residential consumers, but will benefit only those who follow a conservation policy and stay within the affected range of consumption of energy units per month.

As we will show, it will best benefit the low-income person whose ratio of savings to income will be much higher than those who are better off financially.

We, as seniors, living on low, fixed incomes in a state which has the second highest energy costs in the nation are among those most oppressed as captive consumers of New Jersey's energy providers. Like other low-income persons, we can adjust to market fluctuations in food prices by eating less or eating cheaper. But we cannot avoid the need to purchase survival quantities of electricity and gas. We cannot switch to "Grandma's wood-burning stove" to cut our power costs. We can't trade in the refrigerator for an ice box because the ice man no longer cometh. Lifeline guarantees affordable survival power quantities to us and to all New Jersey's consumers.

In fact, we, and our supporters, believe that lifeline can be the foundation for a sound State Energy Program since it will, one, stabilize residential utility rates; two, more equitably distribute energy costs; and, three, promote conservation by all consumers.

I want to underline the last of these major reasons for promoting a lifeline program. If a lifeline program were established and publicized, residential users would become more aware of their monthly consumption and, if the cost of energy is higher for usage beyond the lifeline amount, then consumers will have an incentive to conserve. With wide distribution of information that after the lifeline amount the price goes up, consumers would consciously attempt to reduce usage to stay within the lifeline amount.

Similarly, slightly higher costs for large non-residential users would move them to conserve, perhaps for the first time.

So, the lifeline rate concept will have a beneficial effect on the conservation of energy. This will help lower usage and slow the demand to build ever more costly new nuclear power plants.

Thus, our proposal for relief to residential consumers can be stated briefly. We would propose that residential consumers be able to use up to the prevailing average usage in a service area, at a low cost per unit. We propose that the charge for this service be a low rate that the Public Utilities Commission would set under mandate from you, its parent body.

We propose further that the revenue lost to the utilities be recovered by charging large residential users and commercial and industrial users a small additional charge.

For those consumers with electric hot water heaters and/or electric space heating, we would propose that they not be penalized by a lifeline program. These consumers installed electric facilities because they were told they could get electricity at a lower rate. We would propose that either the present rate schedule for those consumers be maintained or that the lifeline program be augmented to include these

residential users at an equitable cost. As they are protected now, they can be protected under lifeline.

ASSEMBLYMAN ESPOSITO: One question I would like to ask you is, do you believe that a lifeline rate will help the poor, the senior citizens, and all residential low users?

MR. CARNEY: I certainly do.

ASSEMBLYMAN ESPOSITO: Now, do you think it is fair for a residential low user, who can afford to pay, to be put into the same category?

MR. CARNEY: Yes, I certainly do. I think we need an energy policy whereby everybody in this State is entitled to a basic amount of electricity at a reasonable cost. That is why the Public Utilities Commission was created.

ASSEMBLYMAN ESPOSITO: Now, how would you determine a low user - up to so many kilowatt-hours?

MR. CARNEY: They have the figures themselves. We have brought no figures with us. But, in the Public Service area it is something like 471 hours per month.

In the Jersey Central Power and Light area, it was over 600 hours.

ASSEMBLYMAN ESPOSITO: But, would it be fair to the senior citizens or the poor who consume over 471 kilowatt-hours?

MR. CARNEY: Yes, they would get a break on it.

ASSEMBLYMAN ESPOSITO: But, once he is above that 471 kilowatts--

MR. CARNEY: Then he pays.

ASSEMBLYMAN ESPOSITO: He pays?

MR. CARNEY: He has to pay a higher rate. That's right.

ASSEMBLYMAN ESPOSITO: But, do you think it is fair to make him pay the higher rate if he lives in a home that is not insulated? Are you really helping him?

MR. CARNEY: I think we are because his bills would be much, much lower. He cannot continue to go on with these escalating rates.

ASSEMBLYMAN ESPOSITO: Don't you feel that there might be other alternatives whereby we could help them?

MR. CARNEY: No. We don't want any welfare program. We don't want energy stamps. I don't think that is the way to go because within a lifeline concept, the utilities would lose no money.

ASSEMBLYMAN ESPOSITO: What about the person who uses less than 40 Kilowatt-hours and who has a second home down the Shore?

MR. CARNEY: What's wrong with that if he has worked hard enough for it? I know that is Joel Jacobson's hangup. I know that. But, as far as I am concerned, every person who owns a home in this State is entitled to the same fair treatment. We are talking about holding down the rising cost of utilities. We have no control over it. The Public Utilities Commission can do more than they are doing because of the law under which they work, which guarantees the utility - they have to guarantee them a fair return on their invested equity. What do they guarantee us? Nothing - only high utility costs. And, these costs are only for one purpose - nuclear construction.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Carney.

We will now hear the next speaker from the New Jersey Federation of Senior Citizens.

I am made to understand that there will be five speakers from the Federation and we are supposed to allow them three minutes each. Please stay within the required time.

ANTHONY GOTTBERG: Well, I promise not to take any more than the President

of the utility company did.

My name is Anthony Gottberg. I reside at 67 Highwood Drive, Dumont, New Jersey. I am President of the Senior Citizens Clubs of Bergen County and I am the Secretary of the Federation. My purpose is to state some of the reasons why lifeline is the best program to provide relief to over-burdened residential energy consumers.

The North Jersey Federation of Senior Citizens, a coalition of 210 senior groups, a member of the New Jersey Citizen Action Alliance, has led the fight for lifeline. We are convinced that this program is the best program to give consumers relief and, at the same time, provide a stimulus to conserve energy. Let me take the point about conserving power first.

Lifeline would set up a fixed amount of electricity and gas to be available at a low cost. Residential usage above the lifeline amount would be charged a higher rate. This creates an incentive for the consumer to limit his usage. In turn, this helps lower the demand for energy, which then helps reduce the demand for new power facilities. Today, the utility companies and government tell us we ought to reduce our use of power. If we are going to get serious about this, then we have to create an incentive. As legislators, you know that one of the biggest incentives you can create is a monetary one. Offer people reduced charges for holding their energy usage down, and they will have a real interest in self-discipline. By the way, industry could also participate and save up to 20% of energy cost that is wasted because of low cost. You have buildings in the metropolitan area that keep everything on for 24 hours a day. This is absolutely unnecessary between the hours of eight P.M. and eight A.M. You have buildings in the City of New York that have no means of cutting off the electricity and no switches - a complete waste of electric power.

Now, let us turn to how best provide relief to hard-pressed consumers, especially families with low incomes and seniors on fixed income. Today, a large majority of consumers are having difficulty making income match expenses for essentials. Many consumers currently employed in low-paying jobs are having just as much difficulty making ends meet as that group you have called the poor and the elderly. Lifeline provides an opportunity to help all residential consumers, especially those at, or just barely above, the poverty level.

The point I would like to make is, seniors, young couples with growing families, minority groups, and all others living on low incomes, cannot live under a system that forces them to pay ever-increasing living costs for their health, rent, food, as well as the ever-rising gas and electric bills. Lifeline will do a much better job of reaching the poor and the elderly than any other program that we have heard of.

The New Jersey Department of Institutions and Agencies told us recently that approximately 70% of the elderly who are eligible for food stamps are not participating in the program. One of the principal reasons for this low participation is the fact that seniors have an aversion to welfare programs and to means tests. It is simply too degrading and as a result, seniors are suffering.

The fact is, even if you do succeed in forcing another means test program on us, it won't do what you expect it to do. We may not be utility experts and we may not be financial wizards, but we are experts in the kind of programs that will really benefit that large number of seniors in our State.

If you pass legislation that is supposed to benefit the elderly and put a means test on it, large numbers of needy elderly won't sign up. Will any of you sit there and tell us we ought to swallow our pride? I am telling you that the reality is that argue all you will, any plan entailing means-tests just will not work.

I have two particular instances I would like to cite for you. One is about a person that I only met a week ago and I do not even know his name. Just in an off-hand manner, he started talking about his troubles. He spends his full week down at the lunch program getting the 60¢ lunches. That is the meal that he eats for the day. In an off-hand manner he said, "You know, I spend \$100 a month on drugs." How is a person spending that much money on drugs going to live on Social Security and very little else? The man had a disability and could not possibly work and he was over 65. He had Social Security. I don't think he had a pension. How is he going to pay his rent and buy food also? If it weren't for that 60¢ food program, the man would be dead.

When we talk about seniors not wanting welfare, I have a friend in Hackensack who, when I talked about helping her because her income after all expenses are taken out is about \$7.00 a week, said to me, "I hope, Mr. Gottberg, that you are not talking about welfare." That is the attitude of people of our age. We have gone through too much over the years and we do not intend to end our lives as welfare recipients.

There will be other people, and they said so here today, that will tell you that you ought to go with a plan known as "peak load pricing." The idea is that if you use electricity during periods of high demand it will cost you more than usage during low demand times. Just stop and think about that plan and what it will do to us who are seniors. We are simply not able to be active early in the morning nor late at night, when electric charges would be lowest. For health reasons, many seniors would be hurt by this program because they are not--

ASSEMBLYMAN ESPOSITO: Mr. Gottberg--

MR. GOTTBERG: Yes, sir?

ASSEMBLYMAN ESPOSITO: It was agreed that there would be five people representing the Federation of Senior Citizens and they would be allowed three minutes each. Now, please make your statement short.

MR. GOTTBERG: I am finishing up my statement now.

ASSEMBLYMAN ESPOSITO: Please.

MR. GOTTBERG: I wish you would have made that statement before, when the first speaker spoke. We would have been all through and out of here by this time.

ASSEMBLYMAN ESPOSITO: It was agreed, with your people.

MR. GOTTBERG: For health reasons, many seniors would be hurt by this program because they are not able to be active at those times when electricity would be cheaper. If you take that program, you are trying to force us to change our life style. Don't ask us to do our wash at midnight, don't dabble in social engineering.

Let me sum it up by saying simply that when you weigh the pros and cons of the various programs that could lower our energy bills, you have to see that lifeline is the way to go. We know you are sympathetic to our problems. You have said so. Do the right thing for us and your other constituents. I beg of you to move for lifeline now. Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Gottberg, there are a couple of questions I would like to ask you. What percentage of senior citizens rent, and would lifeline help them?

MR. GOTTBERG: I would say that most seniors in our area, in Bergen County, are tenants instead of homeowners. The great majority of them rent an apartment. We would expect that some of this lifeline would, most certainly, help the seniors who rent their dwelling. There aren't that many senior citizen housing developments in Bergen County. They have them in two or three towns. There may be some in others. But, we do not, in our particular area - which I know something about - have too many senior citizen dwellings. They are slightly better off than the others, of course, but

their rent is also predicated upon the cost of electricity and the cost of operating the particular housing that they are living in.

ASSEMBLYMAN ESPOSITO: Would you say there are about 80% that rent?

MR. GOTTBURG: I would say that would be at least the figure. Eighty percent, or better, of the people in the area I know most about - and that is Bergen County - rent and do not own their own home. I would say there are some 130 thousand people who are seniors in Bergen County. I can say definitely that there are some 21 thousand homeowners out of that figure.

ASSEMBLYMAN ESPOSITO: In terms of dollars, how much would the lifeline program help the senior citizens?

MR. GOTTBURG: I would hope that it would be anywhere from \$5.00 to \$10.00 per month.

ASSEMBLYMAN ESPOSITO: I hope it would be that much - \$5.00 to \$10.00 per month.

MR. GOTTBURG: Well, the figure, of course, would be predicated upon what the Assembly does with the bill and what would happen, finally, as far as the total amount of kilowatts are concerned - whether it be 300 or 500 kilowatts.

ASSEMBLYMAN ESPOSITO: Your last spokesman for the senior citizen group said that he felt the man who owned a second house and who didn't need help to pay his utility bills should also benefit by a lifeline rate. Now, I personally believe -- why should government intervene in cases where people have no difficulty in paying their utility bills?

MR. GOTTBURG: Well, that, of course, was, possibly, a personal opinion of the man to whom you addressed that question. If you asked that question of me, I would say that anyone having a second home should not be under the umbrella of low prices.

ASSEMBLYMAN ESPOSITO: What about a fellow who owns a second home?

MR. GOTTBURG: I am saying that a man who owns a second home, in my estimation, should not be able to avail himself of this.

ASSEMBLYMAN ESPOSITO: What about the wealthy man who lives in a home? He has a well insulated home. He has his energy cost down to a minimum. Should he benefit?

MR. GOTTBURG: What you are doing now is talking about 10% of people who are possibly wealthy and not using up to 400 Kilowatts. I rather doubt that there are that many. But, the main problem -- the problem is one that is with us and it has to be handled one way or the other. I think that the method we are proposing - the lifeline method - is the best.

Now, if you can -- I don't know the percentages, but it seems to me that there is a good deal of nit picking going on when they try and say, "Well, there are 5%", or they don't mention any percentage, they just say, "Some senior citizens have money." But, the great majority - I would say probably everyone here - does not have that money. The average person lives on his income. He lives on his Social Security and probably a small pension, or his bank account, and he is taking not only the interest on his bank account, but he is probably using - from what I gather - the main amount.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Gottberg.

MR. GOTTBURG: Thank you.

ASSEMBLYMAN ESPOSITO: The next spokesman for the Federation of Senior Citizens, John Lamb.

We intend to recess at 1:00. I want to put on one more speaker after this group so I am begging you and I am urging you to please limit your remarks to one or two minutes - please.

MR. LAMB: I will try to do it.

ASSEMBLYMAN ESPOSITO: Because we only have 15 minutes.

MR. LAMB: I've only got a few pages.

ASSEMBLYMAN ESPOSITO: All right.

J O H N L A M B: Mr. Chairman, my name is John J. Lamb and I reside at 146 Knickerbocker Avenue, Hillsdale, Bergen County. At the outset, I would like to inform the Chairman that the current legislation under consideration provides that benefits under lifeline will be restricted to the principal residence. A person who has more than one residence could only get the benefits at the principal residence.

Now, I want to provide this committee with the results of our surveys about electrical usage by seniors. The utility companies and the Public Utilities Commission have stated in other hearings that the elderly may use more than the average amount of electricity. The following is offered to argue against that idea and in support of a lifeline program aimed at the average consumer.

In January, 1976, the Federation took a mail survey of seniors in urban, suburban, and rural areas. Two sets of requests were sent out. The first requested 400 senior residents from throughout the eight-county region of the Federation to send three months' bills to the Federation office. We received 334 responses. The average usage for retirees responding was 340 Kilowatt-hours per month.

The second mailing was to 100 different retirees, the majority of whom were suburbanite. Responses numbered 73 and the average monthly usage was 247 Kilowatt-hours monthly.

Instances of greater usage were found in the rural areas and in some scattered instances in the urban areas. Although the majority of those who had all-electric homes were in the suburbs, the overall usage average in the suburbs was below the average of the first urban and rural survey.

We tried to be representative in the samplings. They indicate that while the lifeline proposal as submitted by the Federation will aid the vast majority of retirees, special consideration should be given to the problems of the senior who is not living in a multi-fuel residence - that is, a residence in which gas, oil, or coal is the principal fuel source, with electricity as a supplemental source.

Some of the Federation seniors who own all-electric homes have indicated, however, that their preliminary surveys of their own residences lead them to believe that they are not doing badly in comparison to the costs accrued by those who use various fuels. I live in an all-electric home. It is recognized that electricity is a premium fuel. Ten to fifteen years ago, when the utility companies were soliciting electricity customers, we were assured that the cost of heating would be approximately 10% more than gas or oil. We found such to be the case at that time and accepted. However, in an all-electric home, electricity is not a luxury but a necessity. Therefore, it is imperative that care be taken in legislation so these people will not end up being penalized.

In November, 1975, the Retirees Chapter of the United Auto Workers #906 made a survey of employees at the Ford Motor Company Mahwah Plant. Employees sent utility bills to the union office for study. The committee that undertook this effort considered over 1,000 utility bills. The results supported the Federation's position that lifeline will benefit both the retiree and the working man. The average bills did not exceed 400 kilowatt-hours per month from either working persons or retirees. Only four bills showed an average usage of over 450 kilowatt-hours per month. Of these, only two showed an average usage of over 500 kilowatt-hours per month.

Recently, Commissioner Joel Jacobson, President of the Public Utilities Commission, undertook his own informal survey in a few selected geographical areas to

measure the impact of his variation of lifeline on different lifeline groups. His conclusion supports the contention that lifeline will benefit the majority of low-income consumers.

The results of those surveys confirm that lifeline is the best overall program to aid all, the working man, the poor, and the seniors. If this committee is concerned about those on low incomes who might be penalized by higher electric bills because they use more than the lifeline amount, due to an unusual circumstance, we would suggest that you consider subsequent legislation to provide relief to that small group of people so affected. If a lifeline program sets the reduced charge quota at, or near, the average residential usage in a service area, we are convinced that those few needy consumers so affected can be assisted by a companion program.

Lifeline is the best basic program for relief. Enact a lifeline program that will give us the help we need with our energy bills. Energy stamp programs are not realistic in view of the previous speakers.

Although I have testified as a member of the North Jersey Federation of Senior Citizens, the lifeline concept under A-1830 would benefit all residents of New Jersey and they appreciate the opportunity to make this plea for the lifeline rate. I thank you.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Lamb.

I have to honor my commitments. Mr. Jacobs will be the next speaker because you have gone for 25 minutes already. Mr. Jacobs. Mr. Lloyd J. Jacobs is the Chairman of the Statewide Coalition Against Utility Rate Increase. Mr. Jacobs.

L L O Y D J. J A C O B S: Thank you very much, Mr. Chairman. I am happy to be here today. I am particularly happy with the fact that this committee is finally holding hearings on the subject of energy.

There is presently an urgent need, in the State of New Jersey, for the Legislature to take positive and effective action to relieve consumers of the over-burdening cost of energy. I feel that by concentrating merely on the poor, low income, or senior citizens, we are making a mistake. We are being very short-sighted. These people need relief and are probably on the top of the list. But, what we must do, in addition to this, is look at the source of the problem. I, at times, feel that we are bailing out the boat - a sinking boat - without looking at the source of the problem.

The source of the problem here is tremendously high cost for gas and electricity in this State which is affecting everyone, including the middle class, including small businesses. The poor are the poor because at one time they could have been middle class and were ignored. There are many families today - many individuals with large families - and many small businesses that are hanging by a shoestring and if we continue to ignore them, we are going to find them in that class of poor people and we are going to find the taxpayers in this State with increased welfare cost to take care of them.

In addition to trying to protect our senior citizen, low income families, and the poor, let's also try to keep those who are in the middle class in the middle class and let's try to keep those successful businesses in business. We can only do that by looking at the total problem.

We have all seen fancy advertising, dazzling statistics, and press releases by giant utility companies and certain regulatory agencies who would have us all believing that the high cost of gas and electric are the result of problems at the national level and solely beyond our control - problems such as the high cost of fuel and raw materials. While this type of information, which is being fed to all of

us, is true, to a partial extent, it is primarily window dressing by the utility companies for the purpose of distorting the issues and misleading consumers and legislators. The fact of the matter is - and this is the bottom line to all that we must face - the State of New Jersey has the highest statewide rate for gas and electric in the country. And, if the cost of raw materials and federal problems were the cause of this, we must ask ourselves, "Why aren't other states experiencing the same problem?" We have a very big problem here in New Jersey and it rests, in large part, with us to resolve.

Another fact of the matter is, in spite of all the statistics, the Public Service Electric and Gas Company's profits and dividends have been rising steadily since January of 1976, during a time when many - old people and others - were saying that they were experiencing very severe problems because of the high cost of fuel and raw materials.

I bring this up, Mr. Chairman, to say that this is the proof of the pudding. The problems are not there. The problems are elsewhere. Where are the problems? There has been a lack of real control and regulation in this State of utility companies. We have listened to them. We have looked at their statistics. And we have listened to the dreadful things that would happen if we didn't do what they said should be done.

We have the results: The highest rates in the country and utility companies whose profits are rising while people are going on welfare rolls because of the utility bills, for one reason.

What is the answer? The answer is, extreme concern, in-depth investigation, and action by this Legislature. The lifeline proposal is a good place to start. But, I want to emphasize that it is only a start. This is progressive legislation. In spite of all the dancing and the fancy footwork, a relatively simple fundamental of economics is that if you want people to buy in quantity, you reduce the cost the more they buy. If you don't want people to buy in quantity, you increase the cost as they purchase more.

We are presently, Mr. Chairman, working under the former system, where the more you use, the less you pay. And, with that present system, there is no way that you nor I, nor anyone else, are going to meet the national as well as the statewide commitment to conserve.

The present system discriminates against the poor and it rewards the rich. It penalizes those who conserve and provides discounts to those who use and waste energy.

The Legislature must change this and it will change this through instituting, as a start, the lifeline bill, which will guarantee a minimum life-sustaining quantity of energy at a minimum cost. And, by quantity, we are not only talking about 500 kilowatt-hours, or 300, we can be talking of between 500 kilowatt-hours and 800. And it can be a graduated rate, not just a low rate for 300 kilowatt-hours and below, but a graduated rate, which is geared truly to providing individuals and industries with an incentive to conserve.

The opponents of the lifeline proposal, Mr. Chairman, you will recall from what you heard earlier today - and you will hear this for the remainder of your hearing - point out a number of problems. I want to say, at the outset, when they point out problems, this is not to say that the lifeline bill is not good because I know of no proposal that does not have problems. We have one that has been in existence for years and it has created severe problems. Lifeline is not the answer to everything, but it certainly would give us a better system than we have today.

It is a system that has been used in a number of states and it is gaining overwhelming momentum, nationwide.

Some of the testimony here today said that there should be no special consideration, and this is why the lifeline bill is not good. Mr. Chairman, you and I know, and we all know, that at the present time there is special consideration being given to large industrial users, consideration which inhibits our pursuing a national as well as statewide goal of conservation.

Another problem they say we will have is that industry will move out. Industry is not going to move out. People are already moving out. People are already moving from homes into low income dwellings because they can't afford the costs. The U.S. Census of Manufacturers reports that electricity cost amounts to a mere eighty-five hundredths of one percent of the total non-tax expenses of American industry.

A representative of a utility company indicated earlier that for consumers utility bills represent approximately 2%. So, the impact on consumers will be much greater than on industry.

They have also indicated that the cost will be passed on and I think we all know the cost will not be passed on. Industry, which has the greatest capability of conserving, will be the first to do it because they are in a competitive situation with industries in this State and other states. They can do it. People cannot conserve the way industry can and they need this incentive.

Let me give you an example of what can be done by way of conservation. Ohio State University, with an initial investment of \$30 thousand, retrofitted a medical building which reduced their natural gas consumption, Mr. Chairman, by 78%. It reduced their electric consumption by 43%. And it paid for itself in fuel savings in six months. The University now is netting more than \$60 thousand a year as a result. This is progress. This is conservation. And the end result is less expense for everybody, including the students who have had to pay for this through tuition in the past.

The lifeline rate, I would say, does not and will not affect the utilities overall revenue. It only changes the amount collected from particular classes. Why then do utility companies oppose it? Like any profit-making business, they are dependent upon growth and profit. The more they sell, the more they make. The more they build, the more they make. This is why they are opposed to lifeline.

You will recall that one of the representatives, earlier, did not, once, mention conservation, in spite of tremendous amounts of money that are spent on advertising that conservation is what they want.

The lifeline bill will provide that true incentive, again for conservation, and at the same time it will provide individuals in this State with lower utility rates.

In conclusion, let me say that electricity no longer is a luxury, but it is a necessity of life - more than that, it is a basic human right, Mr. Chairman. This right to a basic amount of electricity, at the lowest rate, is a right which this Body must guarantee to every consumer in this State. Rate reform, such as lifeline, will provide this guarantee. It behooves the Legislature, therefore, to rise above the tremendous pressure it will receive from giant utility companies and large industries across this State and rally behind the consumers in this State and pass progressive legislation, such as the lifeline bill, in the interest of human welfare and energy conservation. Thank you very much.

ASSEMBLYMAN ESPOSITO: Mr. Jacobs, I would like to ask you a couple of questions.

If a customer can purchase, let us say, about 800 kilowatt-hours a month at a lower price than he now pays because of the establishment of a lifeline rate, what incentive would there be to conserve? I don't see any incentive to conserve.

MR. JACOBS: This is correct, Mr. Chairman, if this individual is presently using 800 kilowatt-hours. The 800 kilowatt-hours, for many, is a very minimum rate. The State of California has has a variance of 500 kilowatt-hours. My average is well above 800. For other users it is well above 800. If you are using, for example, 1200 or 1500 kilowatt-hours, the incentive, then, would be -- For you, the minimum rate would be that 800 kilowatt-hours, so you would have incentive to conserve.

Now, this is not to say that you need a variable of 500 to 800. If you find through your investigation, and through your use of consultants, that a flat rate is best, this will be better than what we have. But, the whole idea is, the more you use, the more you pay. And this should apply for everybody. This is fair and everybody knows, at the outset, that this is what they are confronted with.

ASSEMBLYMAN ESPOSITO: Wouldn't you benefit even if it went above 800 kilowatt-hours? You would still benefit.

MR. JACOBS: Excuse me?

ASSEMBLYMAN ESPOSITO: You would benefit if you go above 800 kilowatt-hours.

MR. JACOBS: Yes, we would benefit, but we would all have that incentive, for economic reasons, to bring our consumption down to that 800 kilowatt-hour level.

And, Mr. Chairman, I don't think any of us, right now, are talking about just having two rates - one below 500 kilowatt-hours and one above 500 kilowatt-hours. You may find that a flat rate for all users would be the most equitable way. You may find that a graduated rate - so much below 500 and so much between 500 and 1,000, etc.- is the best way to go.

ASSEMBLYMAN ESPOSITO: One other question I would like to ask you about is the burden of implementing a lifeline program. Would you shift it to the large users? Did you say that?

MR. JACOBS: Yes, Mr. Chairman, some of it would be. I say to you that the cost that would be saved, in effect, by the lifeline rate -- all of it is not going to be passed on. You are going to find, immediately - by industry, for example - that instead of leaving lights on all night, they will shut them off. They will start doing what Ohio State University did. So, you are automatically going to start to get into conservation. Your use of energy is going to fall. The small amount of extra cost that is left over - part of it will be borne by industry, through somewhat higher rates. But, it won't all be borne by them.

A basic fundamental problem we have in the State of New Jersey - and lifeline is not the cause of it - is that to begin with we have a higher rate, even without lifeline, Mr. Chairman. We have to do something to bring that down.

What lifeline will do is, it will help the overall energy problem in the State by truly providing an incentive for conservation. All costs will not be passed on. Other states are doing this and they are finding this to be true. Utility companies don't want it for obvious reasons. If people were to conserve -- the utility companies don't want this anymore than General Motors wants people to stop buying automobiles.

ASSEMBLYMAN ESPOSITO: Mr. Jacobs, I would like to accept some of your statements, but one of the statements you made here this morning were that industry would not move. Now, this is not the first time we have had hearings and meetings on the high cost of gas and electric. We had one meeting because an Assemblyman introduced a bill to shift the cost to the high-users. We had a meeting and we were swamped by the largest industrial companies in the State of New Jersey. Almost every one of the

people that represent those companies said they would definitely move.

Now, I know in my city, industry has moved out of my city and the reason they moved is because of high taxation. Now, if they can go to Pennsylvania and pay less for their energy, they are going to move, definitely.

MR. JACOBS: Yes. Mr. Chairman, I didn't say that they would not move. What I said - or what I would like to say - is that the lifeline proposal alone will not be the reason why industry is leaving. They have already left. The glassmaking industry in South Jersey moved out, not because of a lifeline proposal, but because existing rates are so high.

We are presently in a trap. The reason for the trap is much broader than the lifeline proposal. It concerns the energy rates in Jersey, in general. They are already too high and the question we have before us is, "How can we bring them lower?" We have the highest rates in the country, here in New Jersey, on a statewide basis, even without lifeline.

So, we have to have a means here of having people conserve. At the present time, we are doing nothing in this State. The Legislature has not moved to give industry a reason to conserve energy. The people in this State are also telling you that they are moving out. I had a woman in my office who is moving to Florida and she is not moving to Florida because that is where she wants to be, it is because of taxes and, of course, utilities. She gave me a list of what has happened to her cost of utilities.

You have small businesses that are going out of business because of the cost of utilities. And, while we are speaking of large industry, what are we going to do about the consumers, the seniors, and small businesses that are leaving their comfortable homes and going to smaller homes; that are leaving businesses and going to work; that are leaving employment and going on the welfare rolls? We have that problem to face as well, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: Mr. Jacobs, did you ever stop to think that the cost of utilities to the average family is only about 1.92%, as Dr. Bartnoff indicated?

MR. JACOBS: Yes.

ASSEMBLYMAN ESPOSITO: How does that figure compare to a man's salary that he takes home every week if he has no job to go to?

MR. JACOBS: How does that compare with salary, sir?

ASSEMBLYMAN ESPOSITO: Yes. That is 100% of his income. That is the money he has to use to exist.

MR. JACOBS: Who is this?

ASSEMBLYMAN ESPOSITO: Any man. Any man who works in industry. So, if we are going to see an exit of industry out of the State of New Jersey because of shifting the burden onto the large users, how is that going to help the average family?

MR. JACOBS: I appreciate that question and I know you will be getting this in some of your testimony. Mr. Chairman, let me say, I don't believe there are any conclusive studies to date to demonstrate and confirm that the lifeline proposal will, in fact, make industry move out of this State, or force, or increase, the unemployment rate. These are all assumptions. These are all things that some people are saying could happen. But, what we know is happening right now is that we have problems right now to deal with. Conservation, as you know from everytime you turn on the radio or open a newspaper, is something that all the utility companies want. They want conservation, so I say let's help them along. The more you use, the more you

pay. Then you will conserve.

Mr. Chairman, I hope that before this committee puts too much credence into the fact that the lifeline proposal is going to force industry out of this State - they are already moving out of the State - I hope you will have very conclusive evidence of that.

ASSEMBLYMAN ESPOSITO: I am not saying that the lifeline program will force industry out of the State. I said it will help to force industry out of the State, if we shift the burden onto the large user. That is all I said.

MR. JACOBS: We won't shift it all to the large users. In addition, it won't be shifted to them, Mr. Chairman, because of the conservation measures they will take. It also costs money to move. What industry will have to do is to perform an economic analysis. At the present time when they perform an economic analysis, they are doing it at a rate of one and one-half or two cents a kilowatt-hour, which makes it very favorable to them not to conserve but to continue to use, keeping the utility companies happy and having the middle class - which is part of your constituency - senior citizens and the poor foot the bill for them.

I can turn around and say, "Why should an individual, or residential users, pay more than industry?"

ASSEMBLYMAN ESPOSITO: I am going to cut you off now. Thank you very much, Mr. Jacobs.

MR. JACOBS: Thank you very much.

ASSEMBLYMAN ESPOSITO: Our next speaker will be Mr. Militello.

A N D R E W S. M I L I T E L L O: My name is Andrew S. Militello. I live at 13 Oakly Way in Wayne, New Jersey. I am a Trustee for the North Jersey Federation of Senior Citizens. I also represent the Golden Age Circle of Wayne. I also feel that I represent all of the senior citizens who are in this Chamber today, senior citizens who have helped to pay for this very Chamber and the rest of the State, county, and local institutions, and who have largely contributed to the vast holdings of the utility companies in New Jersey who, in most cases, have achieved astronomical profits.

We are not asking you for a hand-out to senior citizens, rich or poor. We are, however, asking that you correct the inequities that presently exist between the large corporate high-users and the little residential users who are burdened with paying an unfair share of the skyrocketing cost of the electric and gas rates.

We are also asking for your positive consideration to correct these inequities through the passage of the lifeline concept, thus correcting all inequities for all residential users in the State.

I have further documentation in support of the concept of lifeline. This letter is addressed to Assemblyman Michael Esposito, Chairman of the Transportation and Communications Committee, State House, Trenton, New Jersey. Gentlemen: A resolution endorsing the concept of lifeline utility rates was passed by our committee at its meeting on June 14, 1976. We are concerned not only by constantly rising cost but also that any action that will promote conservation of our energy resources be taken immediately.

We believe the lifeline concept will provide an incentive toward lower usage, which, under current rate structures, is totally absent.

We are pleased to join with the North Jersey Federation of Senior Citizens in urging your prompt and favorable action towards instituting lifeline rates in our State.

Sincerely yours, Edward Roeloffs, Wayne Township Democratic Municipal Committee, Wayne, New Jersey.

I would also like to read into the record a resolution that has been adopted by the Wayne Council. The resolution reads as follows: SENIOR CITIZENS "LIFELINE" ELECTRIC SERVICE.

Whereas, the North Jersey Federation of Senior Citizens had prepared legislation known as A 1830, which will mandate a rate reform on electric and gas pricing for New Jersey; and

Whereas, this will mean dollar savings to a great majority of New Jersey residential consumers, and "insurance against future large and arbitrary increase"; and

Whereas, the Lifeline Utility Rate Reform Bill A 1830 has been filed as advocated and prepared by the North Jersey Federation of Senior Citizens in conjunction with the Office of the Public Advocate of New Jersey; and

Whereas, this bill will equitably distribute the costs to the residential consumer.

Now, Therefore, Be It Resolved that the Mayor and Council of the Township of Wayne hereby endorse the implementation of the Rate Reform Program known as "Lifeline" Electric Service.

This resolution was endorsed by all eight Councilman, except for one. We had one abstention and the reason for the abstention is understandable. He happened to be an employee of the Public Service Gas and Electric Company.

I thank you, sir.

ASSEMBLYMAN ESPOSITO: Thank you.

Mr. Griffin will be our next speaker.

J A M E S G R I F F I N: My name is James Griffin. I reside at 177 Spring Street, Passaic, New Jersey. I want to thank the Chairman for his patience, and the members of the committee who have been very patient.

I am a Vice President of the North Jersey Federation of Senior Citizens. My purpose here is to give our response to some of the criticism you will hear about lifeline. You will hear from some of our opponents, for example, that lifeline will benefit the rich as well as the poor and therefore it is a bad program. Let's back up and look at that. Studies by the Federal Energy Administration document that electrical usage is directly proportional to income. Simply stated this means that the greater the income, the greater the electrical usage. While there are some exceptions to this, our own studies and the informal surveys of Commissioner Joel Jacobson of the Public Utilities Commission support this conclusion.

We do not deny that a few high income consumers may benefit from lifeline. We also know that many middle-income customers, who may be using a bit more than the average residential usage, will try to lower their usage to benefit from lifeline. But, if one of the purposes of lifeline is to help lower the demand for electricity, why shouldn't those people benefit from that incentive?

The experts tell us we ought to decrease usage to decrease the cost of electricity. If middle income people and even a few wealthy people keep their usage down, why not give them the benefit too? Why should so many of us who need relief be denied that assistance through lifeline just because a few higher income people might benefit also? It doesn't make sense to us. Why throw the baby out with the bath?

You will be told that we need a means test so that only those low-income and elderly persons will benefit. Other people can tell you in greater detail that means tests and special sign-ups for lifeline will not benefit the large numbers who need help the most. Many people who need help the most will refuse to sign up.

Let me just add to that the question about who will pay to administer a means test and special sign-up program. The genius of the lifeline program is that it requires very little additional cost to administer. No special offices have to be set up, no big staff has to be hired, no forms have to be reviewed. No investigators have to be employed.

If, in an election year, you are prepared to tell us that you want to increase government bureaucracy, multiply the red tape, hit us with higher taxes and, at the same time, limit the benefits to a relatively small number of seniors, let's hear, along with it, some darn good reasons.

But, if you want to keep the cost of government down at the same time providing real relief to consumers, then we say to you, give us lifeline. You should understand that the cost to government for administering lifeline is virtually nil. With taxes being what they are in this State, we would hope you would find this fact illuminating.

Why should you spend large sums of our tax-paying dollars to administer a program that is not going to do the job for us? Why not set up lifeline that will cost the utilities relatively little to administer and provide the greatest relief? What it comes down to is this: We are proposing you adopt the program that offers relief to the greatest numbers of those who need it most, at the lowest administrative cost. How can you turn that down?

Now, you will hear from some, who want to whisper in your ear, that lifeline will increase industry's utility bill and force them out of New Jersey. We stand with those who want to keep industry in New Jersey. Obviously, taxes, labor costs, contribute more to industry's problems than energy costs. If it is necessary to take steps to keep industry in New Jersey, then we propose the Legislature act to provide appropriate direct forms of relief, rather than rely on indirect subsidies, such as artificially low energy costs. Would those whispering in your ear about industry's problems argue that the hard-pressed residential consumer provide the subsidy in the form of higher residential rates? We hope not. We hope we would all agree that if subsidies are needed, then this matter be handled directly, openly, and thoroughly.

But, there is a larger consideration involved in rate setting that should affect industry. Years ago, when electricity was first made available, the utility sought to expand rapidly. Electricity was offered to industry with discounts for large volume users. In fact, it could be demonstrated that there were cost benefits to the utility for increasing its production capacity. In recent years, that has changed and, in fact, may be the reverse today. There is a body of expert opinion that now argues that our present system of rates with provides discounts to large volume users should be reversed so that the discounts are given to the lowest users. We believe the PUC will have to investigate carefully this matter to determine if a reversal in the rate structure is now necessary.

But, we need immediate relief. We believe we offer you the best possible program for relief to residential electric consumers. That program is lifeline. Act now, vote for lifeline.

In addition, I would like to say to the Chairman, that I had been employed with a company for 40 years and the company took off and moved. And that company spent \$13 million just to move out of the State of New Jersey and not one word was said about the high utility rates. The only thing that was mentioned was the cost of labor and the cost of taxes. And they moved out of this State and left 800 people holding the bag without a pension. I thank you very kindly, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: Thank you. We will recess until 2:00. We will reconvene at 2:00.

AFTERNOON SESSION

ASSEMBLYMAN ESPOSITO: The public hearing on lifeline rates will now come to order. The first speaker this afternoon will be Commissioner Richard McGlynn, Commissioner of the Board of Public Utility Commissioners.

R I C H A R D B. M C G L Y N N: Thank you, Mr. Chairman. I am Richard B. McGlynn, Commissioner of the Department of Public Utilities. First of all, I consider it a privilege to appear before you, Mr. Chairman, this afternoon and I thank you for extending the invitation to me.

I consider it to be entirely appropriate and proper for me to appear an Assembly Committee because, in my capacity as a Commissioner of the Department of Public Utilities, I serve in a body that was created by the Legislature. My nomination was confirmed by one of the Houses of the Legislature. And, I think it is particularly appropriate that I appear before you to discuss the critical area of what has been called lifeline rates, some way, that is, of providing relief to those of our citizens upon whom the burden of rising utility costs has fallen most severely.

It is in the area of lifeline rates and matters akin to lifeline that cooperation between our two departments, in my judgment, is essential. Since you created us, I think it behooves us to present to you our views and our recommendations on how to deal with this difficult task.

Your letter to me made the following statement as to the reason for these hearings: "It is the intention of the committee to focus upon alternative approaches to the existing rate structure for utilities and to consider the possible advantages and disadvantages that would result from the implementation of a lifeline rate, a utility stamp program, or a rate based upon peak load pricing."

I want you to know that I, as a Commissioner, share your concern for these subjects and I want to report to you the progress that the Public Utilities Commission has made and is making in attempting to deal with it. There is presently pending before the Public Utilities Commission a docket, the purpose of which is to study and make recommendations and to take positive action, if possible, on the implementation of a so-called lifeline rate. That docket has been pending for some period of time. It has been activated and is active at the present time and I anticipate that it will be concluded and there will be some resolution on it some time during the Fall.

We have also instituted an experiment in the concept of peak load pricing. Jersey Central Power and Light Company will begin to engage in an experiment involving the use of time-of-day metering, which may, indeed, be another way in which we can assist residential consumers in meeting these terribly high costs.

Included in our lifeline study is the question of whether a utility stamp program is an appropriate way to meet the burden that falls upon those least able to afford it.

So, I reiterate then that we share your concern, we are actively involved in studying the question and have been so for a period of time and I anticipate we will be for a period of time.

The question that arises, as I see it in this proceeding, is whether legislation is now necessary or desirable, or even appropriate, to solve these problems, given the fact that the Public Utilities Commission is actively studying the matter.

In order for me to begin to answer that question, I must trace some of the history of what has been decided and what has not been decided by the Commission, thus far.

I am told that there have been witnesses who appeared before you who indicated

that there is a split of opinion in the Public Utilities Commission on whether we ought to afford relief to senior citizens and low income citizens from rising utility bills.

I state once and for all, for the record, that there is no split of opinion in that regard. The Public Utilities Commission, both of its members, are vitally concerned with this problem and are committed to reaching some solution, either through the administrative level of our own ability to set rates, or through making specific recommendations to the Legislature for the providing of this relief in such a way so as to equitably spread the cost of providing this relief over the widest number of persons and in the fairest way.

Unfortunately, the impression may have been spread that there was this division of opinion as a result of the Jersey Central Power and Light case, which was decided recently by the Public Utilities Commission. In that case, we asked the company, based upon data which had been presented in the lifeline docket, to provide us with certain proposals which would embody the lifeline concept in rates. It was only that proposal in that company's rate schedule that was acted upon and rejected because of a disagreement by the Commissioners.

I have before me the remarks that I made when I announced my reasons for being unable to support that specific proposal and I think it important that they be reflected in this proceeding. I said, in part, the following: "At the outset, I must make clear that I totally support legitimate efforts to provide assistance to all our citizens in meeting the rising cost of utility bills. No one can be insensitive to the inflationary effects which rising utility bills have inflicted upon those least able to withstand such increases, our senior citizens on fixed incomes and those New Jerseyans who are otherwise economically deprived or disadvantaged.

"I have agonized at length as to whether the proposals before us equitably provide such relief and, reluctantly, I conclude that they do not. Also, I am firmly convinced that were we to adopt the lifeline proposal, based on the data given to us in this case, we would be creating more problems and possibly causing more inequities than we would cure."

That is the end of the quotation, which is part of the very lengthy remarks I made, stating my reasons for rejecting that proposal.

The proposal set forth in the Jersey Central Power and Light case was akin to that set forth in some of the legislation which is presently pending in the hopper of this House.

My analysis of the data that was presented to us in the Jersey Central Power and Light case convinced me of the following: Of all of the persons who would have benefited from the so-called lifeline proposal in that case, only 24% were low income persons, while 76% were non low income persons. In other words, based on the data that we had for the lifeline proposal in that case, only one out every four persons who would have been assisted by a lifeline was a low income person. Three out of four persons assisted by such a rate would be non low income persons.

Similar data was developed for the senior citizen category and it indicated that of the total group benefitted by the lifeline, only one out of five persons would have been a senior citizen. Whereas, interestingly enough, of those persons who would have been harmed by the lifeline proposal in that case - that is, those persons who would have had to subsidize other persons - one out of ten would have been a senior citizen, the very person we wanted to benefit by such a rate, and one out of five would have been a low income person.

For those reasons, I said in that case, those lifeline rates could not be supported.

Let me give to you my conclusions which were reached in that case and the questions that I set forth in that case which I perceive to be still unanswered, but which I hope and which I expect will be answered by the Public Utilities Commission. Again, I quote: "I must reiterate that my conclusions apply to this case and this data alone. I concur with all parties in the case that the generic docket should be reactivated so that answers could be sought to a number of questions. For example, one, what is an adequate definition of a class of persons who genuinely need assistance in paying utility bills? Is senior citizen status alone sufficient to qualify without regard to income? What is the level of income which ought to determine qualification for assistance?

"Two, Is there an economic justification from a cost point of view to support a rate which would give recognition and benefit to those users who do not contribute materially to the peak and whose demand is inelastic? Such rates might truly foster conservation which would have the effect of curbing the need for greater base load generation capacity. If so, they might not be subject to the same criticisms as to inclusivity that troubled me here.

"Three, what would be the cost of identifying those persons needing assistance and designing a discounted rate for them alone for a subsistence level of electricity? How would such a discount be funded? Can it be funded by a group broader than merely the customers of one company and, if so, how?"

Finally, "four, what effective legislation can be designed, if necessary, to fund such assistance from existing revenues without any new state taxes?"

It is those questions, Mr. Chairman, that I believe will be answered by the Public Utilities Commission in the course of its lifeline proceedings and which I believe must be answered for a responsible position to be taken on the lifeline question.

To return to the question that I posed earlier - should there be a legislative response now to the lifeline issue? In my judgment, the answer to that ought to be, "Not yet."

I read in Time Magazine that Sam Rayburn, who was not an undistinguished legislator, once said that the three most important words in the English language are "wait a minute." I believe that is good advice to this Legislature at this time. I firmly believe that if we are given a chance to find a proper solution at the Commission, that we can do it. And, if we cannot do it administratively, then we can make specific legislative proposals which will provide relief for those who need it and will impose the cost in an equitable way on those who ought to bear it.

Now, I must say that I was very uncomfortable as a new regulator, taking a position which apparently has been interpreted as opposed to the lifeline concept. I hope that by these remarks I have convinced you that I am not opposed to the concept but that my position in one case was a rejection of only that specific proposal there.

I was happy to see that the Star Ledger at least supported me, to some extent, editorially, in my position in their lead editorial which followed our decision. They also set forth what I believe is good advice to the Legislature at this time. The editorial said as follows:

"Rejection of the lifeline rates by the PUC has triggered action among members of the Legislature. In the Senate and Assembly, bills are being readied for introduction to implement the concept of lifeline rates. It is ironic that the legislators who so very recently were attacking the State Supreme Court for usurping the Legislature's Constitutional authority in the school finding case, are now willing to muscle in on

an administrative matter. Lifeline rates can only be put into effect by incorporating them into existing rate structures and this is the province of the PUC. Developing the best possible rate design is not an easy matter. Mr. McGlynn has pointed to the possible shortcomings in a specific case. The concept of lifeline rates is a good one and should be implemented, but the details must be worked out carefully to insure that the rate schedule does not become a windfall for those who do not need help, while failing to benefit great numbers of those it is intended to help.

I believe, with all due respect, Mr. Chairman, that it is that failing that is embodied in the bills presently before the Assembly. I ask that they not be passed. I ask that the PUC be given an opportunity to further examine the problem and to come up with a specific proposal, if not administratively from within our confines, then for us to make a specific legislative proposal which would do the job in an effective and fair way.

I ask you, then, to let us be the fingers of your legislative hands. We were created to be those fingers. We can best mold the clay that exists before us, in my judgment, to come up with a fair and a responsive answer to this difficult problem. I thank you very much for the opportunity to appear before you this afternoon.

ASSEMBLYMAN ESPOSITO: Commissioner McGlynn, you talked about the three most often-used words, "wait a minute." Now, I think this Committee can wait a minute but I would like to know how long a time that minute is going to be? Is it going to be one year or one month or three months?

MR. McGLYNN: Mr. Chairman, I would anticipate that we will have completed our lifeline docket by sometime in mid Fall. We are, right now, in the throws of vacation schedules in August. This is something that will come before us in September. I would hope that by the end of October or early in November we will have some definite answers as to this problem. I hope that is not too long a minute in the legislative sense.

ASSEMBLYMAN ESPOSITO: You see, I believe there should be a lifeline rate program. I firmly believe it. There has been one bill in my committee and extreme pressure has been exerted on me to release that bill and the reason I did not release the bill is because I discussed it with my committee and after making a visit to Joel Jacobson, at your offices, he said he would do it by regulation. He did attempt to do it by regulation and they claimed that there was disagreement, or a difference of opinion, between you and him and he couldn't get the second vote.

MR. McGLYNN: That was only after the specific proposal in the Jersey Central Power and Light Case. As I indicated at that time - and I say to you, Mr. Chairman.- I am firmly in favor of identifying those senior citizens and low income people, if we can do it, who need help and giving them the benefit of a discounted rate.

ASSEMBLYMAN ESPOSITO: Ironically, I agree with your disagreements with that one particular proposal.

MR. McGLYNN: I am in good company.

ASSEMBLYMAN ESPOSITO: That's right. You say one out of five people in the low income group would benefit by a lifeline rate program. How were these figures developed? Where did you get them?

MR. McGLYNN: Jersey Central Power and Light conducted a survey of its customers. It involved a class of customers who represented the largest residential class that they served - some 457 thousand, plus, customers. Of course, the Jersey Central Power and Light territory takes in the northwestern section of the State and

a good part of the shore area.

I believe that they used a break-even point of 65 and over for the senior citizens and a low income classification of \$7,000. Frankly, I question whether \$7,000 ought to be the break-point for deciding low-income and non-low-income status. But, those are the only figures we had before us.

ASSEMBLYMAN ESPOSITO: Is it your opinion that the lifeline would create problems for a utility to recover payments from residential customers for services provided?

MR. McGLYNN: Well, there is no question but that the utilities are going to have to find some means of recouping whatever revenues are lost by a subsidization for any class of customer. Traditionally, rates have been based upon cost of service. If we implemented a lifeline rate, we would be saying that for social reasons, a certain class of customer is entitled to lower rates.

Now, one of the things I have learned in the short time I have been a Commissioner is the economic adage that there is no such thing as a "free lunch", somebody is going to have to pay for those rates from somewhere.

Some of the things that we have been thinking about are - and I reveal these to you, although I am not, in any sense, saying that this is what is going to come out of our deliberations - whether we can implement some sort of a surcharge on other customers - an energy surcharge which can be used to create a fund for which the utilities would be adequately compensated for all of the monies that they need to provide safe and adequate and proper service and still have the subsidized rates for a certain class of customer. That is one possibility.

But, certainly, the utilities must be guaranteed an adequate return on their investment. If they aren't then we are going to face the prospect, ten or fifteen years down the road, of people walking to the wall, throwing a switch, and having nothing happen. That is a definite concern.

ASSEMBLYMAN ESPOSITO: If a lifeline rate were established, is there any evidence to indicate whether or not consumers would be consciously attempting to reduce usage to stay within the low price block?

MR. McGLYNN: I would think that if the lifeline rate is established based on usage alone, as the legislation proposes, of course that would happen. I believe that one of the effects of that would be that people - as I said before - who really would fall outside of the class of persons who we want to help by lifeline rates, would be able to avail themselves of this discount. And, I have some difficulty with that.

ASSEMBLYMAN ESPOSITO: But, you do feel that the man who needs help to pay his utility bills should be helped?

MR. McGLYNN: Absolutely.

ASSEMBLYMAN ESPOSITO: And you feel that we should have a lifeline program?

MR. McGLYNN: I feel that we should have a program - call it what you will - that will provide relief to senior citizens, particularly on fixed incomes, from these rising utility bills, so long as that plan can be funded in such a way so as to equitably distribute the cost, in the fairest way possible.

I believe that we have the administrative power to do that. If we don't, I think that we can recommend legislation that will do it far more effectively than that that is before you now.

ASSEMBLYMAN ESPOSITO: But, you do have the administrative power to put a lifeline program into effect by regulation?

MR. McGLYNN: In my judgment, we have the power, just as we have the authority

to set discount rates, for example, for students. Just as we have the power to set discounted rates for certain charitable organizations, I think we also have the power to set a discount rate for a class of persons, providing we can identify that class of persons who need help, and I think we can.

ASSEMBLYMAN ESPOSITO: At present the utility rate structure provides for a summer-winter differential. A customer consuming "x" number of kilowatt-hours of electricity a month pays more for that amount in the summer than he does in the winter, is that right?

MR. McGLYNN: That is correct, based upon a judgment that was made by the Commission before I became a member, and one that has been endorsed since I have been on the Commission, that such rates will attempt to foster conservation in the summer. It is an attempt to try to ultimately avoid the necessity of having the utilities expend tremendous sums of money to build huge generating plants which must be available in summertime, when our need for electricity seems to go up so much.

If we can, by a summer-winter differential, or by time-of-day metering, encourage our citizens, without materially altering their lifestyles, to conserve electricity in the sense of avoiding the need for the utility to have to generate it I think we have gone a long way in providing the kind of broad-based assistance that we ought to provide.

ASSEMBLYMAN ESPOSITO: If the summer-winter differential were to apply only to the high-use blocks of the residential rate schedule, would this provide rate relief for the poor and senior citizens? Is there validity to the assertion that the consumer responsible for greater consumption in the summer, who uses an air conditioner, is generally not a senior citizen or poor?

MR. McGLYNN: I don't know. I honestly don't know the answer to that. That is one of the things we have asked the hearing examiner to look into. We have taken some testimony on this and we are trying to elicit some expert opinions on it. Very frankly, I don't know the answer to that question and I won't until we finish this docket.

ASSEMBLYMAN ESPOSITO: The hearing examiner--

MR. McGLYNN: I have just been provided with a squib from American Jurisprudence, which is the bible of lawyers and it says, "All discrimination as to service by a public utility is not necessarily improper or illegal" and, of course, I agree with it.

ASSEMBLYMAN ESPOSITO: The hearing examiner's report on the recently concluded JCP & L rate case included a provision to provide a substantial increase in the customer charge to a total of \$5.38. What was the reason for such a provision? Is such a provision consistent with providing relief for those who need it through the implementation of a lifeline rate?

MR. McGLYNN: The increase in the customer charge was based upon documentation developed by both the company and the Department of the Public Advocate. It was the Public Advocate who recommended an increase, as did the company, in the customer charge, based upon the cost of service. That is the traditional way in which rates were set and, as I say, that is one of the things that I think we are going to have to look at in this lifeline docket.

A flat answer to your question is, no, the increase of the fixed customer charge is not an effective way to provide lifeline relief. However, that customer charge, as I say, was recommended to us by the hearing examiner, based upon the company's position, based upon the Public Advocate's position, that the rates which

people ought to pay ought to be based upon the cost of the company to serve them.

ASSEMBLYMAN ESPOSITO: One other question. Do you think that the establishment of a lifeline rate of 300 kilowatt-hours would foster or discourage conservation efforts?

MR. McGLYNN: Until we know the extent to which small users contribute to that peak demand, I can't provide an answer to your question. I don't believe that it would necessarily foster the kind of conservation that we need in this state, if we are going to avoid - or at least postpone - some of the major capital improvements that the utilities have planned. That is, I hope, one of the things that we are going to learn as a result of this time-of-day metering study.

ASSEMBLYMAN ESPOSITO: Commissioner, do you have any idea of when the results of the on-going studies regarding peak load pricing will be forthcoming? You made a statement that you have on-going studies right now.

MR. McGLYNN: That's right. That is a study which has just begun. It has only been announced within the last few weeks. That probably will not be complete for a year. But, I don't perceive, in any sense, that our action on the lifeline is contingent upon that peak-load-pricing study.

Certainly, I think we can conclude our efforts on the lifeline study - so-called - and render a determination on that without having to wait for the peak-load-pricing study.

ASSEMBLYMAN ESPOSITO: Thank you, Commissioner McGlynn. We intend to hold other hearings. We hope to hold one in Jersey City on the 24th and if we need a third hearing - if it is necessary - we would like to invite you to come back to another hearing.

MR. McGLYNN: Mr. Chairman, I would be happy to. I know that President Jacobson will be testifying before your committee on the 24th. I will be in Michigan taking a course to further my education in the business of utility regulation. I hope to learn a little bit more about--

ASSEMBLYMAN ESPOSITO: By that time you will be an expert.

MR. McGLYNN: Well, I am not sure how long that is going to take. I am doing the best I can and I hope to continue to as well as I can.

ASSEMBLYMAN ESPOSITO: I want to thank you. I think your testimony has been very, very valuable to this committee.

MR. McGLYNN: Thank you, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: Thank you.

The next speaker will be Joseph Dignam.

J O S E P H D I G N A M: My name is Joseph Dignam. I reside at 177 Spring Street, Passaic. The reason I insisted upon talking here today was because I got up this morning at 5:30 so as to be down here to talk and I wouldn't give up my chance to talk down here today.

Now, here is what I have to say. As an organization that began the consumer's campaign to implement lifeline reform in New Jersey, we are gratified to report that the idea has caught on throughout the State. At our last reading, many Assemblypersons have taken the step of co-sponsoring the lifeline bill now in your committee. At the last count, 11 Senators have notified us that they are co-sponsors of its companion bill, number 1447. We appreciate their interest in the consumer's needs and want to especially commend Assemblyman Ozzie Pellecchia and Senator Matthew Feldman on their leadership, to date.

The lifeline concept is concrete and attractive. As such it has attracted the

active support of the following groups. These endorsements are based on resolutions at meetings or conventions of the following organizations: The New Jersey Council of Senior Citizens; the Sussex Council of Seniors; the Essex Council of Seniors; the Union County Council of Seniors; the United Passaic County Council of Seniors; the New Jersey Coordinating Council of Organized Older Persons; the United Automobile Workers Retiree Council, Region Number 9; the New Jersey Federation of Chapters, National Association of Retired Federal Employees; Senior Citizens' Clubs of Bergen County, Incorporated.

County groups - Morris County Human Resources Agency, Incorporated; Passaic County Council on Aging; Northwest Community Action Program; Antipoverty Agency for Sussex, Warren, and Hunterdon Counties; Community Action Program from Bergen County.

Community groups - The Paterson Coalition of Paterson; The Coalition for the United Elizabeth, of Elizabeth; the Community Action Council of Passaic County; the League for Conservation Legislation; Knights of Columbus, Council 262; Loyal Order of Moose, 512; Mountain Lodge Number 2, FA & M; Kiwanis of North Hudson; Keys to Education for Environmental Protection, Committee for Responsible Policy, Princeton; Committee Against Rate Increase, Jersey City; Citizens Council of Environment; Advisory Council of Nuclear Power; and Camden Economic Opportunity Council.

State groups - Statewide Coalition on Energy Problems; New Jersey Citizens' Action Alliance; Puerto Rican Congress of New Jersey; Executive Council, New Jersey; State Action Program; New Jersey State Division on Aging; the Office of the Public Advocate; the New Jersey Black Elected Officials.

Church bodies - Government Commission, New Jersey Council of Churches; the Office of Justice and Peace, Archdiocese of Newark; The Social Action Department, Diocese of Paterson; The Social Action Committee Metropolitan Jewish Federation.

City government - Morris County Council of Mayors; Mayor's Office, Township of Mount Olive; Mayor's Office Morristown; Mayor's Office, Chester Borough; Town Council, Washington; Manager's Office, Borough of Washington; Council President, Borough of Totowa; Mayor's Office, Borough of West Paterson; Mayor's Office, Borough of Little Falls; City Council, Wayne; City Council, Newark; Mayor of Paterson; Mayor of Jersey City; and Camden City Council.

In closing the Federation's testimony, we want to offer as testimony the mile long petition which is out in front of the building here. That list consists of 22 thousand names and is silent witness to our needs and strong testimony in favor of lifeline.

Our only question to you, Mr. Esposito, is what are you waiting for?

ASSEMBLYMAN ESPOSITO: Mr. Dignam, we were just told to "wait a minute", so I think we can wait a minute.

You heard Commissioner McGlynn?

MR. DIGNAM: Yes.

ASSEMBLYMAN ESPOSITO: He said that by October they are going to do it by regulation.

MR. DIGNAM: I can't hear very good.

ASSEMBLYMAN ESPOSITO: He said that by October of this year, or early November, they will implement a lifeline rate program for the State of New Jersey by regulation. The Public Utilities Commission is going to do it.

MR. DIGNAM: In my opinion, Mr. McGlynn made a very poor start in front of the senior citizens the last time we gave testimony down in Newark.

ASSEMBLYMAN ESPOSITO: Thank you.

Christopher Burdick, representing Congressman Maguire.

C H R I S T O P H E R B U R D I C K: My name is Cris Burdick. I am representing Congressman Andrew Maguire of the 7th Congressional District of New Jersey. I will read Congressman Maguire's prepared statement. I regret that I am not qualified to answer questions on behalf of the Congressman.

Within the past few years, as I'm sure you are well aware, utility rates have increased tremendously. In 1973 and 1974, Public Service Electric and Gas Company received rate increases totaling \$395 million; in 1975 that amount again increased. More recently, PSE&G filed for a still greater rate increase of \$447 million. This 25% increase over current rates comes on top of the increase it has just been granted.

Electricity is an essential commodity. While conservation is possible, there is a minimum level necessary for basic heating, lighting and refrigeration needs, below which consumption cannot be reduced in order to maintain a decent standard of living. The high cost of electricity and gas is consuming an ever-increasing portion of the family income, thereby threatening the efforts of those people on low and fixed incomes to live a decent and dignified life.

As a member of the Energy and Power Subcommittee of the U. S. House of Representatives, I have been working to find a solution to this problem. I have cosponsored comprehensive new legislation to ease the burden of high utility rates for all consumers. The Rate Reform and Regulatory Improvement Act of 1976, is also designed, in part, to provide additional relief for senior citizens and others living on low, fixed incomes - the people who are hurt most by price increases.

Specifically, the bill establishes a lifeline rate which requires the State Public Utility Commissioners to charge the lowest possible rate for a minimum, essential amount of electricity. This will guarantee everyone enough electricity to meet essential needs.

Perhaps more important for all ratepayers, including senior citizens, is the requirement that utility rates accurately reflect the actual costs of providing service. This will mean an end to the promotional rates for large users of electricity. Under the bill, these large users will pay their fair share and the burden on private consumers will be reduced.

Another advantage of this approach will be that consumers will have an opportunity to plan their consumption according to a "time-of-day" pricing schedule. Costs of service are greatest during periods of peak demand, and to the extent that consumers can shift their usage to off-peak hours, their bills will be cut.

As these measures reduce peak demand, the need to construct new generating facilities will decrease, thus further limiting future rate increases.

The bill also limits the use of fuel adjustment clauses, or, as they are called in our area, raw materials adjustments. These clauses permit utilities to bill their customers for changes in fuel costs without going through the normal regulatory process in which consumers' rights are guaranteed, and thus provide no incentive to the utility to minimize fuel costs. Last year alone, New Jersey's four utilities added more than \$771 million to gas and electric bills in this manner.

Finally, the bill prohibits the inclusion in rates of the costs of promotional advertising. Utilities spend approximately \$215 million per year, either promoting their product or enhancing their images. Since utilities effectively have a monopoly in the regions they serve, disallowing such charges to rate-payers will cut bills without adversely affecting the companies, which may still advertise as long as their stockholders pay for it.

I am also actively working to retain price controls on natural gas. The proposed deregulation, which might have increased gas bills for a family of four to as much as \$400 per year, was defeated on the floor of the House, despite a massive lobbying campaign by the big oil and gas companies. Instead, we passed legislation which would strengthen controls on gas prices charged by the largest companies.

In another effort to prevent gas prices from rising unnecessarily, along with several of my colleagues in Congress, I have become an intervenor in the legal proceedings to appeal the Federal Power Commission's decision to increase new natural gas prices from 50 cents per thousand cubic feet to \$1.42 - a 173 percent increase - which I believe is not warranted and not based on actual costs.

Gas shortages are a continuing area of inquiry. The Oversight and Investigations Subcommittee, of which I am a member, has uncovered evidence based on U.S. Geological Survey data indicating that industry natural gas reserves estimates may be understated by as much as 37 percent. Reserve figures are used to help determine how much the companies will be allowed to charge, and to the extent they are understated, prices will rise. The Subcommittee has also uncovered evidence showing that 55 percent of the gas wells in the Gulf of Mexico are producing at an average rate 21 percent lower than their operator's own estimates of "reasonable" and "efficient" production.

Finally, the Oil and Gas Journal, an industry publication, last year indicated that only 48 of 1,068 tracts leased in the Gulf of Mexico since 1970 are producing gas. This is the subject of ongoing investigation.

Finally, I recently conducted a hearing in Hackensack to investigate the matter of non-delivery of contractual volumes of gas and its impact on the rate-payer. In my District alone, residents paid \$20 million too much for natural gas over the last two years. Due to Gulf Oil Corporation's failure to comply with its contract to supply gas to the pipeline serving northern New Jersey, PSE&G was forced to obtain gas elsewhere at a higher cost. Although the FPC has ruled that Gulf must fulfill its contractual obligations, it has not yet taken affirmative action.

I assure you that I am keenly aware of the need to put a stop to the continuing increases in our utility bills. I will continue to work actively to do all I can to keep the price of energy as low as possible, and to prevent and correct the injustices and abuses of the current utility rate structures that are contributing to higher bills throughout the country.

Thank you very much, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: Mr. Byrdick, it is unfortunate that the Congressman is not here to answer questions. I think with many of the problems that exist, the blame could be placed on the federal level. I think it would be in good taste for this committee to send another letter of invitation to the Congressman to have him appear at our next public hearing. I think that is very, very essential because he might furnish us with the answers that we are looking for.

Since you are not able to give us these answers, will you please convey that message to the Congressman?

MR. BURDICK: I would be glad to, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: Please. Because we feel that he can be a very, very good witness at this hearing.

MR. BURDICK: Thank you very much, Mr. Chairman.

ASSEMBLYMAN ESPOSITO: Thank you.

Lee Faggioni, Chairman of the Division of Aging, Middlesex County, will be our next witness.

LEE FAGGIONI: Thank you, Mr. Chairman. My name is Lee Faggioni and I am Chairman of the Division on Aging in Middlesex County.

In listening to the testimony which started this morning - and which is still going on - interwoven through the entire list of speakers' themes was, "Yes, we recognize the need." Now, you, Mr. Chairman, have been committed to satisfy the need of these people. You say you are; I believe you are.

Likewise, the PUC representative was committed. Likewise, the New Jersey Central Power and Light was committed. But, in every one of their talks, there seemed to be no real cure that is going to satisfy everybody because if you cure one illness, you cause another disease. We certainly don't want industry to move out of the State. That would be catastrophic. It has happened in New York City and New York City is going bankrupt. We certainly don't want that to happen in New Jersey.

We talk about helping those in need, and yet no one today, not any of the senior citizens, not anyone, was able to furnish the Chairman with figures on how many people are affected.

Now, there is an avenue through which the committee can work, Mr. Chairman, and that is, through the State Office on Aging. In every county there are offices on aging. Put them to work. They are being paid by the State and the County Freeholders. Put them to work and let them find the information you seek.

Now, as to the solution -- I have no question in my mind that together this committee, the PUC, whoever else is involved, is going to come up with a solution because they already are all agreed on the need. May I take that back to my people, Mr. Chairman?

ASSEMBLYMAN ESPOSITO: Yes.

MS. FAGGIONI: All right. The next question I would ask of you, sir, is, in this coming referendum, knowing the Constitution of the United States, you say that the Constitution will be amended in order to allocate funds from the gambling casinos to be directed entirely to this project, is that correct?

ASSEMBLYMAN ESPOSITO: According to the testimony of Stephen Perskie, who is quite an expert, he happens to be Chairman of the Taxation Committee, I assume that he gave you the correct facts.

MS. FAGGIONI: The second part of my question then is, will that amendment be tied to the question of casino gambling? Will it be incorporated in the one question, do you know?

ASSEMBLYMAN ESPOSITO: I don't think so.

MS. FAGGIONI: That is where the rub comes in. I would be ready to start a public relations program right now, to go to all the hundreds of senior citizens and clubs in the State and tell them to push casino gambling if I could guarantee them that, yes, the funds would be allocated to alleviating their plight.

ASSEMBLYMAN ESPOSITO: I think you could get better answers from Stephen Perskie, who is the Assemblyman representing Atlantic County, and representing Atlantic City.

MS. FAGGIONI: Okay. But, if they are smart, that is the only way they are going to get it. I have lived too long in New Jersey. I have seen the Lottery go down by the board; it all went into the general fund. It was supposed to be for I & A. I saw the cigarette tax go for everything but school aid. We don't want this to happen here.

At any rate, this is not your purview. What I would like from you, sir, is the assurance, when I go back to my county today, that, yes, you agree with everyone else here that there is a need for lifeline, or whatever form it takes, and, yes,

they will get it as soon as it is worked out.

ASSEMBLYMAN ESPOSITO: I have said it time and time again. I see the need for a lifeline rate program and if we don't have it by regulation, we will do it by legislation.

MS. FAGGIONI: Thank you. That is enough.

ASSEMBLYMAN ESPOSITO: Jacob Perzley, Old Bridge Senior Citizens Council.

J A C O B P E R Z L E Y: My name is Jacob Perzley. I represent the Old Bridge Utilities Committee. I am also speaking for the Central New Jersey Consumers' Coalition. I would like to read their resolution first. It will only take a moment.

"We, the citizens of Central New Jersey, find the continually rising cost of electricity and gas to present a hardship on the people of this area, particularly those on fixed incomes, senior citizens, low and middle-income working families. As electricity and gas are now necessities of life, being offered for sale by monopolies at rates which are blatantly discriminatory against the small user, we urge passage of the lifeline bill.

"In addition to conserving energy, this bill would bring greatly needed relief to seniors, those on fixed incomes, and low-income people, who desperately need a lifeline to protect them against spiriling costs of gas and electric.

"The lifeline legislation is a bill which represents the interest of a great majority of citizens of New Jersey and we think it is time that the needs of the people be considered above the profits of the utility companies because life depends on lifeline."

Now, I am not going to be redundant and go into all the testimony that was gone into before because we agree that there is a need for it. There is only one thing I want to - there are several, but one thing I wanted to question was the Public Utilities Commission. Now, I listened to Mr. McGlynn. We know he was one of those opposed to the lifeline concept. I cannot understand why a Commission as important as the Public Utilities Commission--

ASSEMBLYMAN ESPOSITO: May I interrupt you for a minute? I don't think he was opposed to the lifeline concept.

MR. PERZLEY: During the hearing of the Jersey Central Power and Light Company he voted against it.

ASSEMBLYMAN ESPOSITO: He was opposed to the particular rate schedule, but he was not opposed to the lifeline concept. I think you are in error when you say that.

MR. PERZLEY: You will excuse me, sir, but I read that Commissioner Jacobson called this proposal one of the best he had seen, as it would do the greatest good for the greatest number of those who need this the most and Commissioner McGlynn was against that at that time. There were just the two people on the Commission.

ASSEMBLYMAN ESPOSITO: I think if you were here and you had listened closely to the Commissioner, he explained his position.

MR. PERZLEY: Yes, sir. I heard his position. That one instance was--

ASSEMBLYMAN ESPOSITO: Let's not rehash old things, please.

MR. PERZLEY: Okay, sir. I am trying to find out why we can't have a third Commissioner on that Board. This is an emasculated Commission, where you wind up with a Mexican standoff of this sort. It wound up in a compromise. Jersey Central Power and Light was awarded \$60 million as a compromise and the other thing went out the window.

Now, we were told emphatically that these things have to be done by legislation, that they did not have the power originally to reduce rates or to give certain

segments of the population special rates. I heard differently today. So, I don't know what is what. I heard the former at a different hearing.

We have petitioned the Governor to appoint Mr. Tom O'Niel to this Commission and we had a reply from the Governor that Tom O'Niel was well qualified and he thanked us for our interest. Now, that was back two months ago. That position is still open and as long as they stay around with a two-man Commission, I don't think they are going to accomplish too much.

Mr. McGlynn sounded serious enough and dedicated enough to do the things he promises he will do, but if we are not going to get that third man on the Commission and if the Legislature can't get the Governor to appoint that third person, I don't think they are going to be able to accomplish anything. We have to have the third man on there.

Another thing I wanted to mention was the summer-winter differential that the companies put into effect. People, especially senior citizens, like myself -- I must have air conditioning. I am down here today at the expense of my health, believe me. I have emphysema. I will pay for this. But, they are going to charge us more because we need that air conditioner in the summertime - and I need it. Last month I had a bill of \$9.60. This month I had a bill of \$23 already. Now, you can't tell me that is just because I use the air conditioning, but it is because of the difference in the rate structure between the summer and winter differential. I am just speaking for myself.

Now, that is one of the things we are trying to bring out. There were more questions this morning and more emphasis put on who is going to take up the slack, or who is going to pay for implementing this program, and how it will effect the large industrial users or the utility companies. I think it is about time the utility companies took a little bit off of the top of their cream - you know, a little less of that cream - and put some of it back to where-- Nobody worried about where we, the seniors or those who are low income, are going to get the money to pay their raises. Nobody questioned that. But, you are worried about how they are going to get the money to offset what it may cost them to do.

I think as a group, we are just as important, or more so, than they are. We don't have the money, I know. The same with their advertising and all their promotional ads. Well, that should come out of their investor's returns. There is no question about it.

The figures that were given to the PUC were all given by the Jersey Central Power and Light Company, in its last request for a rate hike. Those figures were written up by experts who work for the Jersey Central Power and Light Company. Why can't we have our own experts give figures to the PUC? Why do they have to depend on the utility companies' figures? We are paying for the experts that the Jersey Central Power and Light, or any of these utility companies, are using.

ASSEMBLYMAN ESPOSITO: If you have figures that have been developed by your own experts, you are free to send them to this committee. Give us these figures.

MR. PERZLEY: Well, we don't have the money.

ASSEMBLYMAN ESPOSITO: You don't have the money--

MR. PERZLEY: All I can go on is what I get from the newspapers.

ASSEMBLYMAN ESPOSITO: But you asked me why we don't accept figures and statistics from your experts.

MR. PERZLEY: No. I said from "ours." What I meant by that is, the State experts, instead of the utility companies'. The Public Utilities should have their own group of experts to present figures.

ASSEMBLYMAN ESPOSITO: We have the Office of Fiscal Affairs, representing the Legislature. We have the Public Advocate, who protects our interest when it comes to fiscal matters.

MR. PERZLEY: Yes, sir.

ASSEMBLYMAN ESPOSITO: We do have them.

MR. PERZLEY: When you questioned Mr. McGlynn regarding where he got his figures on how many seniors were involved, he said that they got their figures from the Jersey Central Power and Light Company. Now, just as Mrs. Faggioni said, those figures could have been obtained from the State Department on Aging and they would be a lot more reliable, I am sure.

ASSEMBLYMAN ESPOSITO: Mr. VanNess, from the Public Advocate's Office, is going to testify at the next hearing and I think he could come up with a lot of those answers that you are looking for.

MR. PERZLEY: That will be the one in Jersey City?

ASSEMBLYMAN ESPOSITO: In Jersey City, yes. Thank you, Mr. Perzley.

MR. PERZLEY: You are welcome. Thank you for the opportunity to be here and sound off.

ASSEMBLYMAN ESPOSITO: Mr. A.L. Ruefer, President of the Manchester Communities Coordinating Council will be our next witness.

A. L. RUEFER: Thank you, Mr. Chairman. Before I give you my short, written statement, I represent a group who has been named here today, but I just wonder if you know how many of us there are? I refer to the people with all-electric homes. It is not common in a lot of places, but my statement will bring out this. I am very glad to have the opportunity to speak for these people.

My name is A. L. Ruefer. I am President of the Manchester Communities Coordinating Council, composed of 13 senior citizens villages and representing over 20,000 people in Manchester in Ocean County.

Most of our residents live in homes which are total electric. Heating, obviously, represents our major cost for electrical energy. Should we wish to convert our homes to some other form of energy for this purpose, the cost would be prohibitive. Therefore, we are "locked-in" so to speak, with regard to the use of electricity for all of our energy needs.

Ten years ago, when our type communities were being built in the Central Jersey Pine Barrens, there were no gas lines or, in fact, very few lines or streets of any kind. When the question of heating came up, the combined consideration of safety, installation costs and monthly rates made all-electric homes very attractive. We senior citizens probably comprise the largest percentage of electric homes in Central Jersey.

During the recent PUC hearings which resulted in the Jersey Central Power and Light Company being granted rate increases to provide an additional \$59,235,000 in operating revenue, it became clear that any consideration given total electric residential customers will gradually be eliminated. We have in mind Rider 3, the uncontrolled water heating, which has been mentioned by the President of the Jersey Central Power and Light Company. Customers that satisfied the conditions of this rider have been charged a lower rate for 500 kilowatt-hours of electricity consumed after the first 300 kilowatt-hours. It is now proposed that this rider be eliminated during the next two to three years.

In the last two years - from July of 1974 to July of 1976 - we have had increases of between 21% and 58% in winter and between 70% and 100% in summer, depending upon

the kilowatt-hours used. In addition, the fuel adjustment charge increased from one cent in January of 1975 to one point three cents per kilowatt-hour in July of 1976, an increase of 30%, all this on top of a substantial increase in the 1974 rates over 1973.

If Rider 3 - uncontrolled hot water heating - were to be cancelled, or eliminated, which is a very distinct possibility according to the feeling expressed by the P.U.C. in the last rate increase, our yearly electric bill would increase another \$10 per month.

We can be classified as high-energy users, as most of our homes are all electric and, even though fully insulated, consume an average of 1500 kilowatt-hours per month.

ASSEMBLYMAN ESPOSITO: Excuse me, how would you benefit from a lifeline rate?

MR. RUEFER: From this rate?

ASSEMBLYMAN ESPOSITO: How would you benefit by the--

MR. RUEFER: I haven't said we would.

ASSEMBLYMAN ESPOSITO: You wouldn't?

MR. RUEFER: No.

ASSEMBLYMAN ESPOSITO: I am in complete agreement with you.

MR. RUEFER: Right.

ASSEMBLYMAN ESPOSITO: Another question I would like to ask you - I am sorry to interrupt you--

MR. RUEFER: That's all right.

ASSEMBLYMAN ESPOSITO: What are your electric bills for a month?

MR. RUEFER: Well, now, in the summer, our bills, say for 1500 kilowatts -- well, they wouldn't run 1500 in the summer, sir, because most of our energy is consumed--

ASSEMBLYMAN ESPOSITO: In money, what is that?

MR. RUEFER: In the summer? Well, it varies so much. In the summer, now, we would probably, with this new rate - the average house - pay about \$35 to \$36. In the winter, the average house will be paying \$100.

ASSEMBLYMAN ESPOSITO: Thank you.

MR. RUEFER: After examining the reasoning data, which was instrumental in the change in the rate structure last month, we believe any advantage all-electric homes may have had in the past has already been eliminated.

We, as senior citizens, are in favor of some sort of relief from those very high electric rates. We do not feel that lifeline is the type of legislation which would serve all senior citizens equally. We are opposed to the lifeline legislation - that is an answer to your question, sir - which would give preferential treatment to low electrical energy users. Obviously, any reduction in rate granted to users, in this category, would have to be made up by an increase in rate to high energy users.

We appreciate this legislation will benefit those who are low energy users. However, it should be clear it will work another hardship on those who are high users.

We already pay the same rate as all others from June to October, which is the period of peak loads. If a plant generating capacity is peaked for summer loads, then its use during the winter months at lesser loads is less efficient. Therefore, the more it is used during this winter period, would tend to increase the overall efficiency.

You all agree, I assume, that a plant is most productive if it is running at 100% efficiency. This, of course, is a benefit to all users. This is no different than any supplier giving lower rates for volume buyers. This is plain economics as practiced the world over.

We believe any legislation designed to reduce the financial burden of retired senior citizens should benefit all senior citizens and not be discriminatory. We assume the legislators are trying to help people on low and fixed incomes, and we believe the information we have given plainly shows that thousands of these people would be penalized if this legislation were passed in its present form.

At this time, we ask that the bill not be passed in its present form. Thank you, sir.

ASSEMBLYMAN ESPOSITO: Do you have any ideas or alternatives to relieve your burden? Do you have any suggestions to make?

MR. RUEFER: Well, there are two things that I heard mentioned here today. I am sure that there are others. We did hear the energy stamp proposition, which is a way and it must be considered. We, at this particular time, don't know if it is the best way or not.

We also heard that this bill may be amended, or changed, due to the fact that there is a realization that there are certain people that do, of necessity, have this large energy charge. Special consideration should be given to them because they are locked in, just as much as the other people.

There may be some justification for this change and I believe the President of the power company stated this - or somebody did, I don't know exactly who it was. But, when it was said, it sounded as though this was a very possible way to solve the problem. We just ask that they treat everyone of us fairly and not consider us rich people because we are locked into using a lot of energy in order to keep ourselves warm and cook our food.

ASSEMBLYMAN ESPOSITO: You tell me that you live in Manchester in Ocean County, right?

MR. RUEFER: Yes, sir.

ASSEMBLYMAN ESPOSITO: And this is an all-electric community of houses?

MR. RUEFER: Yes, sir. All of these 13 villages, as I said, are in or are adjacent to Manchester Township and they are all in Ocean County, and they are practically all total electric. As they said when it was built, it was the best, cheapest, and right way to build. There were no gas lines. There was nothing. Everything was wonderful. It was good heat. It was cheap heat. There was a low installation cost which made the cost of our houses more economical, and so forth, and that is why it was put in. Now, unfortunately, as I said, we are trapped.

ASSEMBLYMAN ESPOSITO: It is totally a senior citizen community?

MR. RUEFER: I beg your pardon?

ASSEMBLYMAN ESPOSITO: Is it a total senior citizen community?

MR. RUEFER: Yes, it is total senior citizen. All of these 13 villages and these people are senior citizens.

ASSEMBLYMAN ESPOSITO: Do you know how many people were forced to leave their homes because they couldn't afford the high electricity rates?

MR. RUEFER: May I say this, sir? Most of them don't even realize at this time what they are paying because we haven't received our bills yet. It only went into effect the 19th of July and they haven't gotten their bills yet. They have been warned by people like myself, but they haven't -- we don't know what the result will be, sir.

ASSEMBLYMAN ESPOSITO: All right. Thank you.

MR. RUEFER: You are welcome.

ASSEMBLYMAN ESPOSITO: Mr. John F. McDonald, Senior Vice President for Government

Affairs, Public Service Electric and Gas Company, and also Mr. George Clarkson, General Manager of Rates, Public Service Electric and Gas Company.

J O H N F. M c D O N A L D: Mr. Chairman, I have with me, Mr. George Clarkson, General Manager of Rates for Public Service Electric and Gas Company, who has a statement to make.

G E O R G E C L A R K S O N: Mr. Chairman, may I say, at the outset, in addition to the prepared statement that we supplied, we have come down here today, basically, to supply you with as much information as possible to help you make a good decision on this very difficult social problem. So, if I may, sir, in the interest of time - I know that we have had a lot of witnesses here today - I will just paraphrase some of the facts that I have here in the testimony to try and give you and the committee as much of a handle on making a good judgment and qualified decision on this thing as possible.

First of all, let me say that we sort of understand, or we do understand, that lifeline rates, as interpreted throughout the country today, are rates designed to establish lower bills to certain residential consumers for electricity, or gas, or telephone, or water, or sewerage, and the rates are not related to cost. So, therefore, it becomes somewhat of a social issue.

Further, these customers intended to be aided by such rates are customers who are in an economic strata, such that they are unable to enjoy the benefits of certain minimum uses of the services enumerated. Now, within that particular structure, then, the reduction in monthly bills - when there is a reduction to customers of this class - would, therefore, be picked up by other classes - other utility customers - so that the utility, as a whole, could be made whole on this thing.

Now, we have been studying this thing for a long period of time, Mr. Esposito, and I have listened to a number of people here today who say, for instance, that some of the suggestions, such as subsidy programs, are anathema. They are not the kind of thing that the seniors want. However, I would suggest to your committee that I do think this is an area that has to be taken into consideration because statistics and things that I am going to quote here specifically for Public Service territory, hopefully give you an appreciation of some of the problems with putting in a blanket reduction at a certain kilowatt-hour, or time-use level, for all customers, because we feel very strongly - and I think our statistics support this - that we will not be helping all of the people we want to help, and we will be helping a lot of people that shouldn't be helped at all.

Now, I want to also suggest to you, sir, that Public Service has absolutely no ax to grind in this area whatsoever. We came down here purely to give you as much information as possible and we take no position on it, other than the position that we recognize the need; we want to do something about this need, as you do. I listened to Mr. McGlynn here today and I have taken part in the generic hearings that have been held and I have testified before the Utilities Commission. I too hope - and I am sure the Company as well hopes - that there will be some very speedy resolution of this kind of thing, either through your committee or through the Public Utilities Commission, early in the Fall.

So, with that in mind, let me just say this: We do studies every year of all of our residential customers and in these studies, for the first time last year - because we realized it was becoming very important - we went out and asked people to respond on the basis of income level. And, as a result of that, I have attached to my prepared statement an exhibit that gives a break-down at the very end and it shows some of the facts that I would like to recite to you. The title of this is,

1975 Residential Appliance Saturation Study - Total Electric Customers by Income Level and Average Monthly Kilowatthour Use for a Twelve Month Period.

Might I, before I cite some of these statistics, Mr. Esposito, also suggest something to you today that I have not heard once in the room? Public Service has 600,000 gas home heating customers. I have not heard anything about the subject of gas as a lifeline kind of a thing. I would trust that your deliberations and/or the deliberations of the Utilities Commission, would certainly consider some of the problems involved in that aspect of the business as well.

ASSEMBLYMAN ESPOSITO: May I interrupt you for just one minute? I think Senator Feldman's Bill addresses itself, somewhere along the line, to gas also.

MR. CLARKSON: Yes. I know his bill does but I thought you were talking specifically about kilowatt-hour use. No other witness has talked about it at all, that is the point I was trying to make.

Well, anyway, the statistics we have here - which you can see - indicates this: In the customer group of responses with annual income of \$5,000 or less - that is the first column on the left - we find that about approximately 10% of these customers use over 500 kilowatt-hours per month. Conversely, in going to the column at the very right, we find out that customers with annual income of over \$22,000, 34% of those customers use below 500 kilowatt-hours per month. Approximately 12% of them use 300 kilowatt-hours or less.

From these statistics it seems to me, and at least it seems to the company - and Councilperson Villani of Newark, who I think also recognized this problem of income strata and everything else like that - that the establishment of some kind of an arbitrary cut-off point of kilowatt-hour use, or therm use, below which you would lower the rates, irrespective of where you put the rate increases to other customers, would certainly benefit a large number of customers in the upper income strata and while, at the same time, it might have a deleterious effect on some of the small, or low-income, customers.

We also discovered, in analyzing the appliance and kilowatt-hour-use data of customers with annual income of \$5,000 or less - and that is on the next four sheets, immediately after that, where we asked questions regarding the various appliances that customers own and they respond and told us and we determined from their bills what kilowatt-hours per month they use - that these customers have a mixture of all types of energy-using electric appliances, not just limited to what are normally considered "minimum need" appliances. For instance, 32% of these customers - that is, the customers under \$5,000 annual income - have one room air conditioner, in the living room, and 22% of them have one room air conditioner in the bedroom.

I listened to one of our senior citizens today, for instance, indicate the he felt that because of an emphysema condition, he too had to have an air conditioner. So, the point I am trying to make here is, you can't necessarily zero in on kilowatt-hour use, or necessarily appliances, as being a criteria for saying, "Well, we ought to give something to this person, but not to that person."

We also find out, for instance, that nearly 60% of these under \$5,000-a-year customers have some form of black and white television; 46% have color. I think you can appreciate the fact, Mr. Esposito, that color television uses a lot of kilowatt-hours. Many of these customers - about 16% - have indicated the ownership of frost-free refrigerator-freezers.

One of the things that I don't think is apparent, and I know it has not exactly come out in some of the testimony here today, is, our statistics show, and

the responses we get from many of our customers indicate that just about everybody has some form of refrigeration in the home, and a refrigerator has a compressor type of a unit which responds to heat. In other words, it works harder during the hot weather than it would during the cold weather. So, automatically, irrespective of anything else, you are going to have a generation of kilowatt-hours that are, for instance, cost sensitive to the cost of the utility in the summertime.

Somebody mentioned today, for instance, the fact that they were a little bit disturbed about something called a summer-winter differential - rates that were charged higher in the summertime than they were in the wintertime. Well, everybody has the type of equipment that occasion those kinds of costs. It is not just air conditioning alone, it is also refrigeration that everybody has, and those costs built up on top of one another by about 1.3 million customers, help to cause some of the peaking situations, for instance, that Public Service does have.

Now, the company submits on the basis of these and similar statistics - and we also have these for gas, Mr. Esposito, which we can get for you if you want - that the establishment of an energy-measuring criteria, in other words that 300 kilowatt-hours below which you will establish a lifeline - or 500, or whatever it might be - cannot possibly differentiate this social phenomenon of attempting to help those people, be they poor, needy, or senior citizen; it just doesn't do it. Clearly, each of our customers, in whatever income strata he is in, places a different value on items needed for their own life style.

For instance, our statistics also show that there are a large number of customers in the \$5,000 and under annual income level that use over 1,000 kilowatt-hours a month. Now, 1,000 kilowatt-hours a month on Public Service rates, at the present time, varies somewhere between \$50 and \$60 per month and these people apparently have made some kind of a judgment decision - or a value decision - indicating that they are willing to spend \$600 to \$700 a year, out of whatever that income is they are getting, to give them the lifestyle with electric-using appliances at that kilowatt-hour level.

Again, the point I am trying to make to you, sir, is that the establishment of that kilowatt-hour cut-off, we don't think, is the proper statistic to use in determining this kind of a thing.

Many of the witnesses here today - and I would emphasize this very, very strongly and I know you appreciate this, sir, because Mr. McGlynn also pointed it out - indicated that the biggest problem you have with this whole senior citizen thing - the poor, the needy - is an identification problem -- the identification of who is going to get a benefit. It is not one, easy, solution.

Others in the senior citizen groups have suggested, for instance, that they are opposed to the kind of a thing, such as identifying themselves by some income level, or something else like that. I would point out to you, sir, for instance, that one of the plans was cited as being - I don't know whether it was a model plan or not - a lifeline plan in other states, for instance. One of those states, the State of Maine, does have an identification system utilizing a definition of seniors, 62 or over, and also \$4,500 per year annual income, or less. What they do with that information after that, of course, is to then set up some form of a subsidy program through the rate schedules in order to help this thing out. But, there has to be some form of identification, it seems to us.

The problem that I have with this, and the problem that I think any utility would have with this, is that the utility is not in a position to make that determination. We had one of the ladies from the Aging Agency in Middlesex point out the fact that

they had certain statistics on seniors and other things like that.

I am sure you are well aware of the fact that the utility only has a service address. They get a meter reading. They mail a bill. They get a payment. They keep a record and the customer is somewhat of a third party in this. But, they don't know how many people are in a household; how many children there are; what income level they live at, generally speaking; they don't know anything about that customer at all and many times, and I think Dr. Bartnoff mentioned this fact, they do not think it is within their purview to go out knocking on doors, trying to get that information.

But, I do think that if there is some kind of a criteria set up, Mr. Esposito - I would like to make this other point - I think the criteria should recognize the fact that every utility is different insofar as the average use of its customers is concerned. In 1975, Public Service users averaged approximately 432 kilowatt-hours per month. Now, it is interesting to note that, coupled with this use in 1975, 220,000, or 17% of our residential customers, used 150 kilowatt-hours, or less, per month; 576,000, or about 44%, used 300 kilowatt-hours, or less, per month; and 933,000, or 72% of all of our customers, used 500 kilowatt-hours, or less, per month. Why do I state this to you, sir? Only to give you a handle on the magnitude, the possible magnitude, of dollar reductions when you talk about establishing reductions for lifeline below certain usage such as this.

I would also like to suggest to you that, as you well recognize, the application of lifeline rates makes one basic assumption - it is sort of implied in the whole thing - and that is that the lifeline recipient is a customer of the utility. Now, this is not necessarily true. We have a tremendous number of customers throughout our territory, all of whom live in master-metered apartment buildings. Councilperson Guiliano, from Newark, mentioned the fact this morning that there were about 7,000 seniors living in low-income housing in the City of Newark alone. We have tremendous numbers of this kind of thing.

These master-metered apartment buildings are basically put in so that service is rendered in one location with one meter, for which the landlord and/or the agency receives a slightly lower rate because of using bulk service and, in turn - supposedly - they pass along, or distribute, the cost of that electric power throughout all of the tenants in the building. If those tenants happen to be low-income, as many thousands of them are, and/or senior citizens, the specific lifeline approach does not afford them any opportunity to sort of get into the act.

In conclusion, I would like to make a positive recommendation to you. I would like to offer this, for what it is worth to your committee's resolution. I would like to recommend that the State set up some kind of an administrative procedure in an existing agency - and we have heard today that there are such existing agencies - whereby senior citizens over the age of 62 and/or poor and needy with \$5,000 or less of annual income, determined by some reportable criteria, may be positively identified. For instance, a form similar to that used in the State of Maine - as I have already suggested - could be made available to citizens meeting the above criteria.

I don't know whether or not it would be worthwhile waiting to see whether this would happen or not, but, certainly, another form of criteria could be the State Income Tax form, where we could find out exactly, by income, who the various low-income people are, when that goes into effect.

A program of taxation could be adopted with an exclusionary vehicle for qualifying citizens by the Legislature so that each of the above identified individuals may receive some form of subsidy payment from the administrative agency. The subsidy would be specifically identified as an energy payment subsidy and I think these are

some of the kinds of things that Assemblyman Perskie was talking about this morning regarding casino gambling.

I would like to just add one other statement and then I will close. I wanted to mention the fact to you that - again I reiterate - again, it is not just electricity that I think the committee should be concerned with. And I am sure you are not. I think that the committee should also be concerned with such things as gas. I think it also ought to be concerned with oil because there are many, many homes in the State of New Jersey, and many apartments, that are not making use of Public Service's services to those apartments or homes. They are using oil and I think there should be some way to alleviate the very high cost and the increasing cost of oil as an energy means of heating.

Much is made today of the value of tying lifeline rates with the need to conserve energy or valuable natural resources. The assumption is that people who are not poor or not senior citizens, use a lot of energy and, therefore, should be made to conserve. Yet, the most critical areas of energy use are those which provide services to all of our citizens for heating and hot water. Now, I recognize there are other things but heating and hot water, I think, are two of the real basic necessities of life and it is either done by coal, or gas, or electricity.

The rich and the young, as well as the old and the poor, need these basic services. Why, then, should a pricing burden be placed on one group in the guise of forcing conservation, when all of these social groups require the same degree of bodily comfort? I would submit to you that conservation should not be tied in and I sincerely trust that your committee will not look upon it this way. The theory of lifeline should not be tied in with conservation because the need of basic energy is common to all citizens.

I want to thank you very much for having us here today and I will be glad to answer any questions or supply any data that you may wish to have.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Clarkson. The first question I would like to ask regards natural gas. Do you have any projections about how much more the consumer's bill will be if the Federal Power Commission's recommendations on deregulation of gas are put into effect?

MR. CLARKSON: No, sir, I don't and the main reason is this: We received a copy of that order approximately two or three weeks ago and we, as well as the pipeline companies who supply us, have a large number of contracts and these contracts all go into effect at different points in time.

The Federal Power Commission's order specifically talks to the subject of old gas and new gas and defines certain price increases for new gas past January 1, 1975, and then treats old gas, prior to that time, at a different price level.

So, we have not, as yet, run through all of the specific pricing figures for all of the new gas/old gas contractual arrangement in the company. We hope to have an answer in a very short period of time. We don't have it now, Mr. Esposito.

ASSEMBLYMAN ESPOSITO: I read an article that someone just handed to me - this is from the Ontario Energy Board - and it says, "Metro homeowners will be asked to pay an average of about \$413 annually, or 3.5% more."

MR. CLARKSON: Well, Mr. Esposito, may I respectfully suggest, sir, that Canada is not regulated by the Federal Power Commission.

ASSEMBLYMAN ESPOSITO: Could you answer my second question - how much of an increase in natural gas bills can be anticipated in the next five years?

MR. CLARKSON: No, sir, I can't answer that question at the moment. I do

think that -- I am sure that you have heard a lot - or read about it in the newspaper - that the cost of liquefied gas and other forms of gas will be more expensive than the gas we have at the present time. I can't tell you at the moment how much of an effect that would have on bills.

ASSEMBLYMAN ESPOSITO: You heard some of the testimony this morning regarding the senior citizen being a proud person. Do you have any information about the degree of willingness of senior citizens, with limited incomes, to apply for the lifeline rate in Maine?

MR. CLARKSON: No, sir, I do not. We could inquire, though.

ASSEMBLYMAN ESPOSITO: If you get that information, we would like to have it.

MR. CLARKSON: Yes, sir.

ASSEMBLYMAN ESPOSITO: It might not be the problem that we see it as at the present time.

MR. CLARKSON: I have some rate people up there and I will try and get you an answer on that.

ASSEMBLYMAN ESPOSITO: PSE&G is presently engaged in promotional advertising to encourage further energy consumption on the part of consumers. Are these costs passed on to the consumers?

MR. CLARKSON: I was under the impression, Mr. Esposito, that we weren't advertising anything to increase the use of electric energy by consumers. As a matter of fact, all of our advertising has been directed to two major subjects - one, to point out to consumers how they can conserve energy and, two, pointing out the fact that we were attempting to bring cheaper nuclear energy on the scene so that the overall cost, hopefully, would be kept down.

ASSEMBLYMAN ESPOSITO: Mr. Clarkson, you are an expert, you know the problem, do you see the need for a lifeline rate program at the present time?

MR. CLARKSON: Yes, sir, I very definitely think that there is a need in the State of New Jersey for some form of a program, be it lifeline subsidy, or what have you, to help people who are positively identified as having a need for this kind of help. The only thing that I have attempted to do here today, sir, is to try and point out to you that I do feel we have to identify these people. We cannot blanket this thing and then expect others to just arbitrarily pick up the cost when they know, full well, that -- For instance, if I were to walk out of a house and know that my neighbor had a home down at the shore where he only used a few hundred kilowatt-hours and he was getting the benefit of a lifeline rate down at the shore, I am certainly sure that I would not be overly joyous about the way he was conducting himself, at least in an energy fashion.

ASSEMBLYMAN ESPOSITO: I think you suggested we find out who the people are who would qualify to receive lifeline rates. You suggested there should be a subdivision in the Division of Aging, or something like that?

MR. CLARKSON: I suggested some form of existing agency, sir. I didn't attempt to qualify that. I am not familiar with all of the actions of all of the agencies in the state government.

ASSEMBLYMAN ESPOSITO: Don't you think it should be controlled by people who knew the needs of these people, such as the Welfare Boards of the counties or the cities?

MR. CLARKSON: Well, when we testified last year in the Senior Citizen Discount case, we presented a rather voluminous paper pointing out that there were agencies in the State - Social Security and other things of that nature. In the past, it is my understanding that many of these types of agencies have been somewhat

reluctant to get involved in handing out statistics or getting other data out so that people could use them and utilize the input so as to attempt to make these identifications. But, I do think that there are existing institutions, such as you just named, that could, very easily, have a much better handle on this kind of thing, certainly more so than the utilities could.

ASSEMBLYMAN ESPOSITO: What is the rate per kilowatt-hour of an electric home versus that charged to industry? On what basis are the rates determined for each classification?

MR. CLARKSON: The rates are determined on the basis of cost, as per the edict of the Public Utilities Commission in our last case, and the direction of the cross examination and testimony that has gone on in this case.

At the present time, for instance - and I want to just mention this to you -- There have been questions raised here today about the fact that industry might not be paying its way. I assure you, sir, that at least in this on-going proceeding in Docket 761-8, before the Utilities Commission, we have deliberately moved in the direction of increasing the cost to industry higher than we have to the residential consumer and this was supported by the Public Advocate in our case and I think this is probably the direction which is going to come out.

I do not have the specific numbers as to the average cost for heating a home versus an industrial plant. I can get those for you if you want.

ASSEMBLYMAN ESPOSITO: Would the utilities go along with contributing towards the establishment of a lifeline rate in the State of New Jersey, by making some sort of a contribution like a surcharge on something? Would they be willing? Because we have to have funding. We have to get it from somewhere.

You know, I have the reputation of being very, very frank. I have heard lots of complaints from the consumer - from the public - and they say the Public Service is a -- One of the witnesses testified here this morning about the "cream" and the high rate of profit and about the amount of dividends paid by your company. Would you be willing to contribute something towards the establishment of this, where we would charge the utilities something?

MR. CLARKSON: I don't understand that question. Are you suggesting that possibly we take some of the operating income and instead of moving that operating income into dividends and retain surplus, that we turn it over to the State as a funding for lifeline rates? Is that the kind of thing you are suggesting?

ASSEMBLYMAN ESPOSITO: Yes, that's right.

MR. CLARKSON: I am not empowered to speak on that subject, sir.

ASSEMBLYMAN ESPOSITO: I know. I know it is a tough question for you to answer but we have to find a funding for this thing.

You know, I completely agree with Commissioner McGlynn that there is no such thing as a free lunch. Somebody has to pay for it. If we can't pass the cost on to the large users, we have to pass the cost on to someone.

MR. McDONALD: Mr. Chairman, if I may, as you well know, the utilities are taxed very heavily in the State of New Jersey. We pay almost \$200 million now in New Jersey. If the Legislature, in its wisdom, were to decide that they wanted to take part of that tax and use it to fund this program, I think the Legislature is able to do that. I don't think it is proper for the Legislature to look to a private business and say, "Well, you subsidize this particular kind of a plan", because those funds would have to be made up anyway in other charges from other customers.

ASSEMBLYMAN ESPOSITO: No, I am not saying that you should totally subsidize this. I am saying you could make some sort of a contribution.

MR. McDONALD: Well, I don't know how that would be accomplished, Mr. Chairman. If we could find some way - some concrete proposal - then we could respond to it.

ASSEMBLYMAN ESPOSITO: That is what I mean, if we could find some concrete way.

MR. McDONALD: Then we could respond to your question. But, as it is now, I don't think that we could really respond, it would be pure speculation as to what the situation would be. As a matter of fact, I might mention there are a great number of contributions now, on the part of the utilities, under strict supervision and jurisdiction of the PUC and they are looking at those kinds of contributions to charitable organizations, rather than to private individuals.

ASSEMBLYMAN ESPOSITO: What should the lifeline kilowatt-hour figure be in order to provide a person with a minimal amount of electricity or gas to meet his basic requirements for lighting, heating, and refrigeration? Is 300 or 500 kilowatt-hours, as a lifeline rate, adequate for someone who uses electric space heat and electric water heating?

MR. CLARKSON: No, sir. The answer to the last question is no, sir.

ASSEMBLYMAN ESPOSITO: No. Is it true that an electric water heater alone will consume as much as 300 kilowatt-hours per month?

MR. CLARKSON: An electric water heater, from the statistics in the industry and from the studies that we have done, uses anywhere between 4200 and 6000 kilowatt-hours per year, depending upon the number of people in the family, the number of bathrooms, hot water outlets, etc. So, dividing that by 12, assuming that the draw on the water heater is approximately equivalent every month, you are talking in terms of somewhere around 350 to 500 kilowatt-hours every single month, just for the water heater alone.

ASSEMBLYMAN ESPOSITO: What does an air conditioner burn?

MR. CLARKSON: An air conditioner?

ASSEMBLYMAN ESPOSITO: Yes.

MR. CLARKSON: An air conditioner uses approximately 500 to 600 kilowatt-hours annually, but the annual period, of course, covers approximately 4 months in the summer-time and probably only one of those months would use one-half of it, depending upon the total amount of heat and humidity.

ASSEMBLYMAN ESPOSITO: What about an electric space heater?

MR. CLARKSON: Pardon me?

ASSEMBLYMAN ESPOSITO: One of those portable electric space heaters.

MR. CLARKSON: Well, again, Mr. Esposito, I can get you all of these statistics on the average use for all of these appliances. We have them back at the office. I didn't bring them down with me today.

As part of my direct testimony in the generic hearing, I incorporated reference to all of this and gave all of the average uses and the average cost to run, per year, of all of these types of appliances. If you would to have me give them to you, I will be very happy to supply them.

ASSEMBLYMAN ESPOSITO: Yes, we would appreciate it if you would supply this information to the Committee.

MR. CLARKSON: Yes, sir.

ASSEMBLYMAN ESPOSITO: We will put it in the transcript.

As regards the homes of the poor and the elderly, what percentage of such homes are fully insulated, do you know?

MR. CLARKSON: No, sir. But, I do know this: Public Service, as I am sure

you are well aware, serves your City and also most of the large urban centers throughout New Jersey - Passaic, Paterson, Jersey City, Newark, Elizabeth, parts of New Brunswick, Camden, and Trenton. Most of these areas have very old homes. I don't know what the standard of insulation was at the time they were built, but I am sure it was not very good. We have, for instance, as part of our appliance saturations - which I made reference to today - asked questions regarding how many people have attempted to insulate their homes over the last year and we have some statistics on that but I can't tell you what the actual level of insulation is in the specific homes at the present time.

ASSEMBLYMAN ESPOSITO: What role do you think your utility should take to promote better insulation and thereby conserve energy and reduce consumer bills?

MR. CLARKSON: I think we should take the role which was mandated by the Public Utilities Commission. Number one, there is a public information program which all utilities in the State are required to send out, in mailed envelopes, to all of their customers which acquaints them with the benefits to be derived from good insulation and all the different ways that storm windows, etc., etc., could help in reducing their utility bills.

Secondly, as you know, there is a docket in the PUC, going on right now, on residential insulation and the question of whether or not the utilities should provide a means of funding insulation in the State. This, amongst other things, was prompted by the Consolidated Edison proposal to fund insulation over in the City of New York.

So, we are in the present throws of testifying in the case and to the best of my knowledge, I do not think we are opposed to it. We are trying to find out the best possible means of doing it.

ASSEMBLYMAN ESPOSITO: Burt Ross says that the promotional campaign explaining the benefits of insulation are meaningless without available financing to purchase the insulation. Burt Ross, head of the State Energy Office wants utilities financing for home insulation.

MR. CLARKSON: That is what they are trying to find out right now, how to do it.

ASSEMBLYMAN ESPOSITO: Yes. Can you do it?

MR. CLARKSON: Oh, I think it can be done, the question is, how? I think that is exactly what the PUC is trying to find out right now. There is a plan, as you know, in the State of Michigan to do exactly this kind of a thing and now, of course, Can Ed has come up with one.

ASSEMBLYMAN ESPOSITO: Have lifeline proposals that have been proposed provided a means of shifting rate burdens from the residential class to the commercial-industrial classes?

MR. CLARKSON: I'm sorry, sir, I didn't get the question.

ASSEMBLYMAN ESPOSITO: Have lifeline proposals that have been proposed provided a means of shifting rate burdens from the residential class to the commercial-industrial classes?

MR. CLARKSON: I have not seen any proposals in the country today that specifically limits it to only commercial and industrial. I think most of the proposals that I have seen, Mr. Esposito, recognize the fact that there are a number of other residential customers in the residential class who also, for reasons of conservation or other things - whichever way you want to look at it - should pick up some of that burden. I would point out, however, again, as part of my direct testimony in the generic proceeding, I provided data in that proceeding to show, under approximately

four different lifeline rate designs, exactly what would happen and what average unit price would have to be tagged on to residential customers, or commercial or industrial, if you were to reduce rates under 300 or 500 kilowatt-hours to certain levels. I have all that testimony, again, in that generic proceeding. I will be very happy to give it to you.

ASSEMBLYMAN ESPOSITO: What effect, in terms of cost, would a program to restrict revenue recovery from the lifeline rate for the residential class have upon the typical New Jersey homeowner? How much higher would his bills be?

MR. CLARKSON: In other words, if you were to, let's say, establish a lifeline level at 500 kilowatt-hours and if you were to say, "I will reduce use up to 500 kilowatt-hours by approximately 1 1/2¢ to 2¢", what would happen to the other residential customers? I think that is your question. My testimony says that in that case, Mr. Esposito, in Public Service territory, because there are so few customers above 500 kilowatt-hours, unlike Jersey Central and Atlantic Electric, those other residential customers would have to pay approximately 22¢ per kilowatt-hour in order to pick up the difference only in the residential class. This is one of the reasons that I think the proponents of that type of lifeline attempt to soften the blow on residential customers by suggesting that they spread it out to also include commercial and industrial because that way you are spreading it out to more kilowatt-hours.

ASSEMBLYMAN ESPOSITO: In New Jersey, with a lifeline rate of 300 kilowatt-hours at 3¢ per kilowatt-hour, what is the break-even point for a residential customer? Would he pay more for his electricity than he does now?

MR. CLARKSON: What happens - and I think this phenomenon was suggested to you this morning, sir - is, if you just make a break point - let's say, as you suggested, 300 - and you just lower the rate, a lot of people don't understand that every customer, no matter how much he uses, has to march through those first 300 kilowatt-hours, therefore, without some kind of a cutoff or a penalty past that point, what you get into is that customers all the way up to, let's say, 1700 or 2000 kilowatt-hours, still get a lower bill because they have to use those first 300 kilowatt-hours at that low rate. They don't get up to the point where they offset those differential revenues until they have used quite a few more kilowatt-hours.

ASSEMBLYMAN ESPOSITO: Have any proposals been put in to establish a penalty?

MR. CLARKSON: No, sir, they have not. I recommended this kind of a thing, again in the generic hearing. Very frankly, it has a number of drawbacks in it, but when you talk about that one specific item, it can be done that way. This is one of the reasons why I, for one, feel that the variations of lifeline and the various problems of lifeline do cause all kinds of ramifications which are very difficult to offset by some blanket level and then say, "Let's give people a lower rate for that."

I am very receptive to the concept that the senior citizens have put forward. We certainly want to do something for people like them, and also for the needy, but I don't feel, in all honesty, that that is the way to do it.

ASSEMBLYMAN ESPOSITO: Approximately how much of an increase in cost for the purchase of electricity would commercial and industrial users pay if we had a lifeline rate?

MR. CLARKSON: Again, testimony that was in that hearing-- I am taking this right off the top of my head because I don't have the data with me. It seems to me that the average cents per kilowatt-hour by giving a break of approximately 1 1/2¢ to 2¢ lower than the customers up to 500 kilowatt-hours are paying now - if we were to give all of those customers that 2¢ break - would result in the industrial,

commercial, and other residential customers having an increase of approximately 1/2¢ per kilowatt-hour - approximately 1/2¢.

ASSEMBLYMAN ESPOSITO: I am groping for general figures. Do you have any idea what a lifeline rate would cost in dollars and cents?

MR. CLARKSON: Well, again, do you mean a transfer of revenues?

ASSEMBLYMAN ESPOSITO: Yes.

MR. CLARKSON: Do you mean how many revenues would be transferred by doing this?

ASSEMBLYMAN ESPOSITO: How much money would we need to implement a lifeline rate, because we would have to take it from somebody. Let's assume we took it away from the commercial users, what would be the amount, in dollars and cents, that industry would lose?

MR. CLARKSON: In terms of -- I can't answer that question specifically, but in terms of making a reduction up to 500 kilowatt-hours of about 2¢, you would have to pick up somewhere in the order and magnitude of about \$100 million.

ASSEMBLYMAN ESPOSITO: And you would have to take it away from the commercial user, right?

MR. CLARKSON: Well, the theory is that you would have to get it from somewhere and you would spread it throughout all kilowatt-hours used by commercial and industrial customers and they, therefore, would be contributing toward it.

ASSEMBLYMAN ESPOSITO: I see.

MR. CLARKSON: Mr. McDonald just reminded me, of course, that commercial users are also hospitals, country organizations, State House, and a few other things like that.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Clarkson.

MR. CLARKSON: Yes, sir.

MR. McDONALD: Mr. Chairman, I have here a study conducted by the National Association of Regulatory Utility Commissioners that I would like to offer for the record.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. McDonald.

Mr. Joseph T. Kelly, Manager of Economic Services of Atlantic City Electric Company will be our next witness.

J O S E P H T. K E L L Y: I too will excerpt from my testimony. You have copies, as does the secretary, and rather than take a great deal of time I will just summarize it.

I appreciate the opportunity to appear before you and state the position of the Atlantic City Electric Company in regard to public utility rate design. Our company has many seasonal accounts. These are customers who take service on a year-round basis and, yet, they only avail themselves of that service during the summer months and on weekends through the Spring and Fall. These customers are those who have a second home at the shore and are, therefore, clearly not in need.

In our last four rate cases - I should say, in the four rate cases that we have had, because we have not had any others - testimony and positions advocated by rate counsels have indicated that the rate structure of the company should impose a high cost on energy use during the summer in order that these seasonal customers should carry a greater proportion of their share of the cost of providing service to them.

As a result of this position, the differential in the summer trailing block for energy and winter trailing block for energy has increased from 1/2¢ to 1.6¢. Where the ratio of summer trailing block to winter trailing block was 1.4 in 1972, it is now 1.97.

In addition to this seasonal approach to the rate design there is a separate rate structure for those customers who take service for short periods of time. We have some customers who refuse to have the service connected year-round, as a result we have to disconnect them in the Fall and reconnect them in the Spring. We have a connection charge and we have a separate rate structure for them which results in their paying additional cost to provide for the energy supplied to them.

We have looked at the kinds of customers who might be affected, using less than 150 kilowatt-hours and using less than 300 kilowatt-hours. In 1975, those using less than 150 kilowatt-hours in the month of August represented 12.7% of our customers. Residential customer count in the Atlantic City Electric Company territory comes to about 240,000 and 2% of those customers had no use at all. So, we were connected but they purchased nothing and paid, therefore, only a minimum bill.

In December of 1975, the residential customer using less than 150 kilowatt-hours were 20.3% of the customers, or one in five, while 7% had no use at all. Twenty-six percent of the customers, in August, used less than 300 kilowatt-hours. Almost 35%, in December, used less than 300 kilowatt-hours. So, this, to me at least, is a clear indication of the true seasonality of pattern, even though these customers may be connected year-round.

Working with 1970 census data and the 1970 saturation study, we estimated that the Company could have as many as 50,000 customers who are senior citizens. This is about 22% of the customers in the residential class. Information supplied by the New Jersey Food Stamp Administration Office indicates that approximately 31,500 households would be eligible for food stamps within the Company territory. There is undoubtedly some overlapping between those who are eligible for food stamps and those who are senior citizens. But, in any event, we would estimate that we would have as many as 70,000 who would be in this category of either senior citizen or food stamp eligible households.

Since our load distribution data indicates that there are about 30,000 customers using less than 150 kilowatt-hours in the month of August and about 52,000 using less in December, it is clear that there are still large numbers of customers who are either poor or are senior citizens, who use more than 150 or 300 kilowatt-hours.

We have already heard references to the "soak the large users" philosophy and this refers both to residential and commercial and industrial customers. We do not believe that the commercial and industrial customer should bear the burden. These customers, over the past five years, have experienced large increases in their energy costs. These increases have been such as to have a number of customers seriously considering the transfer of their operations to other states. This is not an idle threat, it is a serious problem. One of our largest industrial customers has closed down two of its production lines and removed the equipment from the plant and from the State. These jobs have been lost to our customers and those customers who are, therefore, out of jobs have zero income; rather than being in need, they are destitute. We are continually pressed by commercial and industrial customers to help them develop ways to reduce their energy costs.

Our commercial and industrial representatives over the last 25 years that I have been associated with the Company, have worked very closely with all industry in our area to help them reduce their energy costs. This has always been a problem with our particular utility because, up until about four or five years ago, we had the highest energy cost in the State. Fortunately, we have been able to hold down our need for increased revenue. We are more in the competitive ballpark today than

than we were then. But, we have always been conscious of the need to help our customers decrease their costs.

Even so, the rate increases and the increased cost of fuel has resulted in a doubling of the energy cost to the industrial customer while the residential customer increase has been about 80%.

To say that your large residential customer has to pick up this revenue difference is also difficult to support. We have many senior citizens, just as the gentleman who was here before, who live in electrically-heated homes. They bought them as electrically-heated homes, as a second home, when they were working and then when they retired, they sold their homes wherever they lived and moved into the home at the shore for their retirement years.

We have had these customers come into our rate cases and, believe me, their problems are pathetic. We have had them come in and tell us that they cannot even afford to heat more than the bathroom and if they are going to have guests, they heat one room for the hour before they come and then they turn the heat off when they leave. This is a terrible problem and it is really degrading for these people.

Over the past 25 years, the average cost per kilowatt-hour for the residential customer has been cut in half, while the average cost per kilowatt-hour to our industrial customers has increased by 10%. This impact has been severe for the industrial customers.

The Company position has been the same over the last three years. We feel that if we go to a rate designed for social purposes, it is going to open a Pandora's Box which will create pressure problems for the Legislature from every angle. If you give a rate design for one group, then you will have to give a rate design for another and the reasons and the justifications for these changes in rates are all good and valid.

The State, through its agencies - as Mr. Clarkson referred to - has the information available for making a determination as to who is in need and to whom the benefits should go. A shotgun approach, which says we will only use the "use criterion", is going to benefit many who do not have a true need and it is going to have a serious impact on many who do suffer at this time.

We strongly recommend that an energy stamp program be adopted to provide assistance for the energy needs, regardless of source. Now, this puts me in the same ballpark as Mr. Clarkson and Dr. Bartnoff, pointing out that the coal and oil industries have supplied a good bit of the energy that goes into homes, even today. And, while they have not been the subject of regulation in the past, that is not to say that it could not be enacted some time in the future.

If you will forgive a personal note, I heat my own home with oil and my oil bill, last year, was higher than in any previous year, by some 15%, and on my own records I decreased my use by at least 25%. My heating experience with oil, parallels that of many of our customers with electric heat. I too am paying more and using less.

Basically, we feel there are two questions: What do people requiring assistance actually use, as far as energy requirements are concerned and, what would satisfy their basic needs now and in the future? We do not have the information to answer either of those questions. While the 150 kilowatt-hour per month criteria might be valid in an urban area where gas or oil is used for heating, it would clearly be insufficient in a rural area where gas is not available and electricity is used for heat.

We have heard reference today both to the lifeline statute in California and the lifeline statute in the State of Maine, and we have heard glowing reports. I have not, unfortunately, had those same glowing reports as to the effect of those

statutes. Utility companies in the State of California are faced with as many as 70 different rate classifications and as customers move from one area to another, keeping track of rate classifications and customers becomes a tremendous administrative problem.

In our initial rate case, in 1972, we condensed our rate designs from 22 to 4. Believe me, it has really simplified the problems of customer administration and the development of customer use information.

In the State of Maine, the Legislature enacted a statute with a specific source of the money to be given as a surcharge on the bill. Many customers receiving their bills with this surcharge on it, have balked at paying these bills and are, indeed, sending in their checks with that surcharge deleted from it - just as some of our customers in the State have been deleting the fuel clause adjustment. So, I just don't believe that the ready acceptance that we heard referred to before is universal in either state.

Now, I also noted in your call for the meeting that you are questioning or examining peak load pricing as well. I don't know if you are aware of it or not, but there is an investigation, within the United States, going on today. It is a nationwide study, sponsored by the Electric Power Research Institute, the Edison Electric Institute, and the National Association of Regulated Utility Commissioners. This study should begin to produce answers over the next few years. The cost of metering for peak load pricing for residential service is very high and could very well eliminate any benefits that might be expected. I would hope that the Assembly would take no action before valid information can be made available for their use.

These programs do not spring forth fully clothed and armored from someone's head, as Medusa's supposedly did in Greek mythology. It takes time to develop the data and if we are to come up with a true solution, we want to be sure we have good data.

Earlier today I heard one of the witnesses refer to a hope that the reduction in a senior citizens bill could be as much as \$10 a month and that they would hope that this would apply to the bills of customers using less than 500 kilowatt-hours. In our own company, this is about 60% of all of our residential customers and, just off the top of my head, a \$10 reduction in a bill would amount to a reduction in Company revenue of some \$18 million a year. If this were to be transferred to the rate which applies to our largest industrial and commercial customers, it would mean a 40% increase in their electric bills. Now, this is one that I am sure everyone of them would find very difficult to swallow.

One of the schemes that Mr. Clarkson referred to, the 2¢ per kilowatt-hour up to 500 kilowatt-hours being a reduction which would result in some \$100 million of transfer of revenue, for our Company - being much smaller than Public Service - would come to a smaller amount of money - it is about \$8 million - and to transfer that to our commercial and industrial customers would result in an increase in the annual bill for our four largest customers of about one-half million dollars a piece. These customers today are seriously examining their energy costs in this State and I submit to you that a \$500 thousand increase in the annual bill would result in a tremendous exodus of jobs from our part of the State and particularly from the area around Bridgeton and Millville which, during the time of peak unemployment where the State average was 13%, Millville and Bridgeton had 18% unemployment. We can't tolerate that kind of a problem. Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Kelly, are you familiar with the California lifeline

rate design program?

MR. KELLY: Yes, I am familiar with it in general, not in detail.

ASSEMBLYMAN ESPOSITO: It says that Pacific Gas and Electric Company's residential customer bills for minimum amounts of energy will remain at current levels and the Utility's commercial and industrial customers' bills will increase an average of 25%. Traditionally, high-volume energy users have paid lower rates for energy than low-volume residential customers. In other words, I think they are going to take it from the residential customers, I think - the 25%.

MR. KELLY: From the way I interpret what you have there, they are planning to increase the rates to the commercial and industrial customers, to increase their cost by 25%. They will reduce the rates to the residential customers as they have increased the rates to the commercial and industrial customers.

ASSEMBLYMAN ESPOSITO: Oh, I see, yes.

MR. KELLY: That is the way I would interpret it. I don't know whether their industry is going to be too happy with the 25% increase in energy rate or not.

ASSEMBLYMAN ESPOSITO: Well, they have officially adopted the plan.

MR. KELLY: Oh, yes. Yes, they have no choice. The thing that really disturbs me about the California problem is, they have different lifeline amounts, depending upon the appliances that the customer may own and depending upon the geographical area within the company's service territory that the customer may live in. This is what results in that at least 70 different classifications of rates that they have to keep track of.

ASSEMBLYMAN ESPOSITO: Do you think that there is a difference in the needs of the people in South Jersey as compared to the people in North Jersey?

MR. KELLY: I do believe there is a difference, particularly I would point out that many of the Public Service Electric and Gas Customers live in cities with small apartments or smaller houses and, therefore, their average customer residential use is about 4800 kilowatt-hours per year, whereas in our own territory the average customer use is up around -- well, let's see I guess I should revise that. If I consider residential customers without electric heat, I am in almost the same ballpark as Public Service Electric and Gas customers residential. It is the customers with electric heat who bring the overall average for residential customers of the Company up to 6,000 kilowatt-hours per year.

We have almost 38,000, or 1/6th of our customers, who have electric heat in their homes.

ASSEMBLYMAN ESPOSITO: Mr. Kelly, in your statement you say that rate design for social purposes opens a Pandora's Box which will create havoc. Will you explain that?

MR. KELLY: Well, if you give rate relief to senior citizens, then you are going to have another group come in with a very good reason why they should have rate relief and they are going to push for legislation to help them. Then you will have another group come along and they will have just as valid a reason and before you are done, you will have 10 pressure groups, all of whom will want rate relief of one sort or another and have very good reasons why they should have it. So, if you give it to one, then you are going to find yourself faced with requests from many other groups with very good reasons why they should pay lower bills.

ASSEMBLYMAN ESPOSITO: As an official of a utility, do you feel that there is a need for a rate design program?

MR. KELLY: I would prefer that it would not be a rate design program. I

can concede, very readily, that there are people who are suffering. All you have to do is look around, as you have done in your business which is far more in the public eye than mine. You know there are people who are suffering. I don't have as many contacts as you in that area, but I have to admit it.

ASSEMBLYMAN ESPOSITO: What may be an acceptable program? Do you know of any alternatives?

MR. KELLY: The energy stamp program, which has been used in Metropolitan Edison's territory. It has been tested up in --

ASSEMBLYMAN ESPOSITO: In Pennsylvania?

MR. KELLY: Yes, in Pennsylvania. This would be an approach. The benefit, therefore, would be tied exactly to the problem that they are facing, namely the source of energy. There are rate design thoughts that might do the job. More specifically, we have considered the possibility of giving a reduction below 150 kilowatt-hours of use, then letting the rate rise for the next 100 and then taking it all back in the next 50. So, when a customer got to 300 kilowatt-hours, they would be just where they are today. And the only relief that would be given would be to those customers who do not use over 250 kilowatt-hours in a month, but they would get all of the benefits as they got up over 150 kilowatt-hours a month. This would result in a rather nominal charge on energy use over 300 kilowatt-hours, or over 500 if you took that as your criterion to the residential class.

ASSEMBLYMAN ESPOSITO: What will happen to those people who have all-electric homes in your territory?

MR. KELLY: Well, we have data which says that our customers with electric heat average about 8,000 kilowatt-hours per year more than those who do not have electric heat. If you had a proposal which ended up with an additional requirement of 1¢ on that kind of use, you would have an \$80 per year increase in their bill, which is about a 12% increase in their total annual bill, in order to pick up the assistance to these lower-use customers.

ASSEMBLYMAN ESPOSITO: In the State of Maine, you say in your statement, the Legislature enacted a statute requiring a lifeline rate with a definite stipulation as to the source of the money to make up the subsidy given the customers to be served. The customers receiving increased charges to cover this deficit object strenuously to paying the additional charge. You say some of the customers have deducted the surcharge from their bills and refuse to pay it. In other words, the program is not working in Maine.

MR. KELLY: I would say there is resistance to it. It may be working but there is resistance.

ASSEMBLYMAN ESPOSITO: Do you have any idea of how extensive the resistance is to it?

MR. KELLY: I just ran across this reference last week. I have had no chance to investigate that.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Kelly.

MR. KELLY: You are welcome.

ASSEMBLYMAN ESPOSITO: Lois McLain. Who do you represent, Lois?

LOIS McLAIN: I have a consumers group in Monmouth County.

Thank you, Mr. Esposito. Do you know the old Fabian system, how they wore the opposition down when they couldn't come up with the answer? You almost wore me down a few minutes ago. But, thank God, here I am up before the microphone, right? I made it.

I would like to make a few comments on Mr. McGlynn's testimony. Now, he kept leading you astray by inferring that the low income families would not be benefitted and the middle class and others would benefit. Now, I don't think we have to worry about the low income people; they are being taken care of by Welfare. It is the middle class that needs attention. I would like you to know that for a fact today.

Another thing I would like to comment on, pertaining to his testimony, is, you know that Sam Rayburn's "wait a minute?"

ASSEMBLYMAN ESPOSITO: Yes.

MRS. McLAIN: I am certainly glad he is not on a medical staff in a hospital where I might have to go if I cut my arm and were bleeding to death because I would want a tourniquet applied immediately. That minute might mean the difference between life and death.

That free lunch that he mentioned -- if the industries are getting very low rates, who is paying for that free lunch? I do believe it is you and it is me.

I would like to comment on the summer-winter rate also. In New Jersey, we are penalized because our peak usage is in the summertime. Now, we have to pay higher electric rates from May until October but I don't know anybody who uses the air conditioner that much in May or in October. A lot of people are still heating their homes in May and in October. But, yet, we are paying more at that time.

Number two, I happen to buy my electricity from Jersey Central Power and Light. They have a subsidiary over in Pennsylvania and in Pennsylvania it is the exact opposite as far as peak usage goes. They peak in the winter months. Yet, General Public Utilities, the parent of Jersey Central Power and Light, never applied to the Public Utilities Commission for a penalty rate in the winter in Pennsylvania. I questioned them. I talked to the Commissioners over there and they told me other utility companies had applied for the penalty rate but not GPU. When I questioned Shepard Bartnoff about that - who happens to be the President of Jersey Central Power and Light - he said, "It is funny you should mention that Mrs. McLain, because we were just talking about that the other day, but we didn't know how the Commissioners would take to it over in Pennsylvania." In other words, they must have an "in" in New Jersey and I question that remark which was made by Dr. Bartnoff and he will verify that he said it if you should desire to question him.

I will now go on to my own testimony. The problems consumers face with constantly escalating electric rates could best be summed up by a Mother Goose Nursery rhyme: "Old Mother Hubbard went to the cupboard to get her poor dog a bone. When she got there the cupboard was bare and so her poor dog had none." Why is Old Mother Hubbard's cupboard bare today in New Jersey? Because every month a greater portion of the household income is going for utility bills.

The utility companies should be very familiar with our problems because they had the same problem before we did. What did they do about it? They went to Washington and told Congress of their shortage of cash and the need to expand their business. What did Congress do? They granted the utility companies a new plan for paying their taxes. They could postpone the payment of taxes with no interest due in order to use the money to build new power plants and meet their other obligations. The benefit was supposed to flow through to the consumer but it doesn't seem to be working out that way.

Facts don't lie. Here are copies - and I am going to give them to you for study - of pages from Moodys Investment Manual for the Spring and Summer of 1976.

I want to call your attention to the fact that Public Service Electric and Gas had a tax deferral of \$67 million in the Spring edition of this year. Now, when I got the Summer edition, last week, in the library, that amount of tax deferral had grown to \$107 million of our money that they did not have to turn in to Washington.

The General Public Utility Corporation, which is the parent of Jersey Central Power and Light, reported figures of \$63 million deferred in the Spring edition and it had grown to \$121 million taxes deferred in the Summer edition.

With every rate increase there are tax increases which you pay in your electric bill. All of these taxes are not going into the Treasury of the Government. They are going into the hands of the utility companies who are using the money to purchase new assets which eventually wind up in the rate base before the Public Utilities Commission, entitling them to another rate increase. The cycle is a bonanza to the utility companies and to emphasize the fact I draw your attention to identical statements made by General Public Utility and Public Service Electric and Gas which says: Recent rate increases have improved earnings per share. If you are a stockholder, I am sure this is good news, but how about the person who has no shares of stock? The problem consumers are faced with is that they are last in line when it comes to the present system of taxation and ratemaking.

There is no one looking out for our best interest. The consumer has tried to effect favorable legislation in Trenton and understanding treatment before the Public Utilities Commission. The efforts of consumers have been in vain. It seems to me that the proper place to voice your complaints would be to Congress in Washington. Perhaps a redefining of the present tax structure would slow up rate increases or bring about the desired flow-through benefit for consumers.

In the meantime, until someone decides what to do about the problem of exhorbitant utility rates, I urge the adoption of the lifeline rate as a first-aid measure so that Mother Hubbard can at least be assured of a bone for her dog. Thank you.

ASSEMBLYMAN ESPOSITO: Thank you. Is that Miss McLain?

MS. McLAIN: Lois McLain.

ASSEMBLYMAN ESPOSITO: Lois McLain - thank you.

We will adjourn for about five minutes to give the stenographers a break.

(Break)

AFTER BREAK

ASSEMBLYMAN ESPOSITO: Mr. Joseph Carlin will be our next witness. We hope to recess at 5 o'clock sharp. We are going to conclude the hearing at 5 o'clock sharp, so please limit your statement to about one minute or so because we have about four other speakers. Thank you.

J O S E P H C A R L I N: My name is Joseph Carlin. Mr. Chairman, I am just a consumer. I have been here for most of the day and I have listened to all of the statements made by the senior citizens, most of whom have left.

Now, it seems to me that it is a sad situation when people take the time out and come to the capitol of the State of New Jersey to be heard on such a vital issue as a discount on their power bill. They should be given a little bit more consideration and be allowed to speak instead of having to listen to a bunch of mealy-mouthed experts from the power companies who are generally against what this hearing is about because it would mean more money out of their corporate pockets.

Now, I just have one environmental fact that I would like to read. This was printed in 1972, but it is not in the public hands and it concerns the so-called

nuclear power plants in Oyster Creek, New Jersey. It says: Since New Jersey's Electric Power Authority has a report showing excessive amounts of neptunium 239 being emitted from Oyster Creek and since half of the neptunium 239 decays into plutonium 239 in about three days, and since PU239 is known as the deadliest substance ever to be developed on this planet, three tablespoons of which is the maximum body burden of 700 thousand people, why aren't New Jersey residents warned of this? If lung cancer increases in New Jersey, will victims and their families be compensated for it?

Now, this is one danger of nuclear power plants, of which Jersey Central seems to be building at a very fast rate. I, myself, would rather go back to living by candle light if I have to worry about the air I breathe giving me cancer of the lung. And, since the New Jersey Power Authority, the Atlantic Power Authority, and all these power authorities have no consideration for the consumer or the consumers' health, then we better go back to the good old days when we didn't have to worry about the air we breathe containing excessive amounts of radio activity.

These guys that come here from the power companies that are no more than corporate puppets for the people they represent - and I don't know how many shares of stock they have - should be ashamed to even show their faces here. The power that comes from the peoples' hands should return to the peoples' hands and when it does, then we will have representatives that represent us, from the Governor, who sits down the hall in his office and never even comes to listen to this hearing, to the President of the United States. Thank you.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Carlin.

Mr. Greg Adkins, Consumer Specialist for the United Progress, Inc.

G R E G A D K I N S: I have heard a lot of statistics being presented here - how much money lifeline is going to cost; how much it is going to cost the commercial users; and how much it is going to cost residents. I would like to add a kind of different type of statistic - how many people are suffering because of lack of lifeline, or a similar program.

Over the past four months, I have received over 100 phone calls from individuals in the Trenton area who have had their electric and/or gas services disconnected because they could not keep up with their bills.

The typical type of case is a woman who has a son who goes into convulsions from time to time and he has a medicine that requires refrigeration. In this particular case, electric service was terminated because of non-payment. This individual is a Welfare recipient, receiving \$235 per month. Their rent was \$185 per month. This doesn't leave much for utilities.

I have had little success in trying to negotiate with the utility itself. Sometimes they will restore service for payment of one-half of the bill. But, the people, most times, wind up back in the same situation in a few months.

I think the Legislature must act to give these people some form of relief and lifeline is a positive step towards this relief.

According to officials at Public Service Electric and Gas Company in Trenton, their office services 120,000 accounts in the City of Trenton alone. Of these, approximately 80 to 100 are disconnected each day because of non-payment. Since the "shut-off" men at Public Service Electric and Gas only perform this task four days a week, we find that from 16,000 to 20,000 accounts are discontinued because of non-payment each year. These shut-offs come, most times, at the wrong time. We have had many cases of Welfare mothers, returning home from shopping trips, using food stamps,

and as soon as the food is put away, electric service is discontinued. All the meat, or food, or whatever beverages she has, such as milk, spoils and she must wait another month before she can buy more.

Often childrens' medicine has to be refrigerated. I have had many reports of children falling down steps at night because there are no lights and candles present the threat of fire.

One case I worked on, a family had gone without electricity or gas for two years. They managed to cook food on an old butane camping set. They burned kerosene lamps at night. They kept a cooler stocked with ice in the refrigerator and they had a two-week old baby at home. Today, they do not have gas or electric service because they cannot afford it.

The Public Utilities Commissioner who spoke before - I believe it was Mr. McGlynn - mentioned something about "wait a minute" and I say, how long can we wait when each day we subject 80 more people in the City of Trenton alone to unnecessary suffering?

This lifeline bill must be acted on immediately lest the New Jersey Legislature condemns 80 to 100 people each day to starving, suffering, and slow death. Thank you.

ASSEMBLYMAN ESPOSITO: Mr. Adkins, before you leave, you made a statement about 80 to 100 cases of the needy having their gas and electric service disconnected each day?

MR. ADKINS: Right.

ASSEMBLYMAN ESPOSITO: That is 2,400 per month. Can you document this information? You see, at the present time our Committee is considering two bills which deal with the disconnection of service by the utilities. We would be very interested in this. If you have such information, we would like to see the documentation on it. That is almost 29,000 per year, at 80 per day.

MR. ADKINS: I have the figures.

ASSEMBLYMAN ESPOSITO: I think your figures are a little too high. I refuse to believe that.

MR. ADKINS: This is according to officials in the Collection Department at Public Service Electric and Gas, right down on East State Street in Trenton, New Jersey.

ASSEMBLYMAN ESPOSITO: Get that information for me, Mr. McDonald.

MR. ADKINS: If you would like the individual's name, I can give that to you too.

ASSEMBLYMAN ESPOSITO: Will you please furnish this information for the Committee. We are anxious to know. Thank you.

Our next witness will be Ella Lawrence.

E L L A L A W R E N C E: Mr. Chairman, I am Ella Lawrence - Mrs. Ella Lawrence - the Chairman of Citizens Against Rate Increases from Jersey City, New Jersey. I want to express appreciation for being able to be a part of the consuming public and one of those representing the consuming public who has come here to be heard.

I know someone whom I respect very highly and who always has this to say about any issue: Instead of saying there are two sides to the problem, this person says there are three sides to a problem - your side, my side, and the right side.

Now, as I have sat through this hearing today, we have aired sides. Each person has told his story. The consensus of opinion is that we have a problem that needs to be dealt with and it needs to be dealt with effectively.

I am here to tell the story about some electric and gas bills, which the young man from the PUC said no one had mentioned. I believe he was from the PUC.

I want to tell the story of some exorbitant gas bills but I also want to say first that we advocate the lifeline bill. Everyone had admitted there is a problem. No one quite knows what to do about it. We believe that the lifeline bill is the most equitable method to be used in offering relief to the consumer.

We sympathize with the senior citizens. We are glad to see the senior citizens. I am here today because I was asked by a representative of the senior citizens to represent our organization here. We favor everything that they have asked for.

There is something else that has come to my mind as I sat here today and that was that it seems as though the speakers from the utility companies intended to pit people against people. At least that is an acknowledgement that people matter because sometimes we believe that people have lost their proper perspective in the place of things. People are first; all other things should be for meeting the necessary needs of people as human beings. I think our utility companies, especially, have forgotten that.

Our elderly people - if I might use the terminology -- I work with young people and they use very picturesque language. They have a way of getting to the point to express the meaning of what they are trying to say. So, I am going to use a phrase that I have heard them use - the older people have paid their dues on the farm. They have worked for 40 or 50 years. Whether they have money, whether they have two homes, whether they have a home at the shore - I notice that has been raised here - or whether any consumer has a home at the shore, I don't think is the issue here.

Someone raised the point of, how would one feel to look at this person to see that he has basically the same rates; he is paying the same rate base that I am paying when he has two homes. I don't think that is the issue at all. I think that statement has been made over and over to intentionally pit people against people and cause us to take sides and develop, you might say, a little bit of enviousness of each other. I want to reiterate that is not the issue.

Everyone is suffering. America is celebrating its 200th birthday and the free enterprise system and the acquisitive spirit of people have caused America to be the great nation it is today. Should we penalize a person for having exercised this acquisitive spirit that he has? He has received his money. Every person who ends up having wealth, whether it be little or whether it be much, has somewhere along the way started out as Mr. John Q. Citizen. He managed to allocate his money and budget his money and put a little here and a little there and now when he gets to be of old age, a senior citizen, just because he has not spent it all and he has a little backlog, are we going to hold that against him? I don't think it is right that we should do that. So, this has annoyed me as it has come up, and up, and up today. I say, again, it is not an issue and I think we should strike it out because it is unrelated to the problem.

The problem is, people are suffering. The issue is, people are suffering. Electric and gas bills have doubled and tripled. I will cite myself as an example. My bill was \$343 for the January reading. I have a neighbor whose bill was \$445. I have them here as evidence. These are just ordinary working people. I am an ordinary working woman. I am away from home. We keep our heat down. My husband is retired and he always reminds me, "We don't need a lot of heat; keep it down." Three hundred and forty three dollars. One of the basic laws of economics says--

ASSEMBLYMAN ESPOSITO: Excuse me. What are you heating with for \$343?

MRS. LAWRENCE: I don't know. I have a gas unit.

ASSEMBLYMAN ESPOSITO: You have a gas range and you pay \$343 for one year?

MRS. LAWRENCE: For one month.

ASSEMBLYMAN ESPOSITO: For one month?

MRS. LAWRENCE: One month and I have a neighbor here whose bill was \$445. Would you like to see it?

ASSEMBLYMAN ESPOSITO: Are you sure that isn't an error? You must do an awful lot of cooking.

MRS. LAWRENCE: We have been in constant contact with the PUC and we have been in constant contact with the Public Advocate's office. We have had people to call and people to write. We began our organization because we were getting so many terrible complaints.

We have senior citizens who come to us. One woman said - and she is only an example - "I receive \$255 per month." Her husband passed away and she desired to keep the home. She said she changed her whole lifestyle, trying to conserve energy, not realizing the terrible bills were going to hit her. Instead of staying up late to watch the late show, she goes to bed every night at 9 o'clock. She gets up in the morning, follows her routine and she said, "Guess what my electric bill was? \$255. There is no way," she said, "that I could use that amount of electric and gas." She said, "I am lucky." We are hard on the people who have been able to put a little money aside. She said, "If I didn't have a little money, what would I do? I have to go back now to get money to live. If I have to do this for many months, I will have to go on Welfare", she said. These are living examples.

I had a man come to my house last night and he said that he is still struggling with a \$900 carry-over. He received a \$500 bill. He complained about it. He went and it was adjusted. Of course, he did not want to join our group because he felt that the Public Service had been nice to him. They cooperated and they made some reduction on this bill. But, the next month they turned around and discontinued his service.

We had another young man come to us and say that he was not working. Only his wife was working. They lived in a two-family house. The owner had his unit downstairs. They had a heating unit. Every morning the wife went out to work and if he went out, he took the children because he was trying to get work. He took them to a sitter. The bill came in double - \$500. He went to them and said, "I felt that I should not go and complain and ask for mercy." I quote. He said, "I was burning up because I knew there was no way we could have used that much electric and gas, so I went to them and explained that I had no job." He had been promised a job around Princeton, which he did get. But at that time he had no job. He said, "I want to them and explained that only my wife was working. We had to eat. We had to pay rent. We can't do it right but we let the owner know we want to do right and we have to share this dollar." He said that he gave them \$100 and they said that they would work with him. And, now, when he got his job in Princeton, he had to have carfare, he had to commute. The next month, before he could draw a salary, he went to them and he gave the Public Service \$75 and he said, without warning one day they came in and they had no electric and gas.

ASSEMBLYMAN ESPOSITO: Mrs. Lawrence, we are trying to adjourn this at 5 o'clock.

MRS. LAWRENCE: All right. I will get on with the other things I wanted to talk about.

ASSEMBLYMAN ESPOSITO: Yes, but you know I said I would give you four to five

minutes.

MRS. LAWRENCE: Four to five minutes? Could I just say one other thing, Mr. Esposito?

ASSEMBLYMAN ESPOSITO: Yes. I don't want to stop you. I am a little partial to you because you are from Jersey City.

MRS. LAWRENCE: All right. We appreciate what you are doing too. I wanted to read that resolution but I don't have time.

ASSEMBLYMAN ESPOSITO: You will have ample opportunity. We are having another hearing at 595 Newark Avenue, in the Administration Building. I will make sure that I give you 10 minutes.

MRS. LAWRENCE: All right. Public Service Electric and Gas got a 6% increase in March of last year. In June of last year it got a 5% increase. In November of last year it got an 18% increase. And, again, this year they were attempting to take -- we have never been told how much, 24% or 26%. We don't know how much.

Now, how in the name of God can people live? How can you pay your rent? How can you pay? I notice that the utilities representatives here talk about paying taxes. Do they forget that we have to pay taxes? We have to pay income taxes. We have to pay water bills. We have to pay real estate taxes. We can't turn our whole dollar over to Public Service. One of the basic laws of economics says that a person should not spend any more for one bill than he can earn in one week. And your rent or your mortgage should be the highest bill to pay each month and here people have to decide -- people aren't even able to pay their mortgage and rent when they pay their Public Service bills.

So, we are asking -- I want to say, again, and I will break it right here --

ASSEMBLYMAN ESPOSITO: Ella, will you please?

MRS. LAWRENCE: We advocate the lifeline bill because we feel it is the only equitable method in trying to come up with a solution to the problem of the suffering of the people. Thank you.

ASSEMBLYMAN ESPOSITO: Thank you, Ella.

Claire Schiff is our next speaker.

C L A I R E S C H I F F: My name is Claire Schiff. I am President of Keys to Education for Environment Protection in Summit, New Jersey. I want to thank you for the opportunity to testify today and I want to thank you and your Committee for introducing lifeline legislation and for considering this.

My interest in utility rates started a few years back. As an environmentalist I was concerned about the expansion of power generation and the effect that it had on air pollution. I looked into the reasons for this expansion and I discovered that the rate structure of the utilities was, what you would call, a promotional rate structure; that it encouraged large consumption. The larger user got a break.

It seemed a very simple thing to solve. There were many economists who were testifying in Washington before committees that there should be an inverted rate structure, a flat rate structure, and apparently this is the way that is eventually going to go. The tactical problem of how to do it and how soon to do it seems to be what is facing the PUC.

Now, I believe that the regulatory commissions have a primary responsibility to the utilities they regulate. They have to assure that these utilities are financially sound; that they will not go under; and that they will deliver service. So, there is inherently a conflict of interest in the PUC. They really cannot recommend something when they are not sure how it will affect the utility as far as its financial

situation is concerned.

Because of this inhibition, it seems to me that they have been loath to implement the rate reform which is really indicated. Now, I just want to mention -- I think we ought to thank the Arabs for their boycott in 1974. It sort of telescoped in the space of one-half year everything that was bound to occur over a longer period of time - the sudden scarcity of fuel; the sudden jump in rates; and then the reaction on the part of utilities to demand a fuel adjustment clause. In addition, when Con Edison's sales volume lowered, they came asking for a rate increase because they were not getting enough revenue.

I have a paper here that I would like to leave with you. The title of it is, "A Guide to the Perplexed Utility Rate Payer" or "To Build or Not to Build." You will notice that on the last page I have three different cases - one, when plant capacity and customer demand are equal; the second, when plant capacity is less than customer demand; and, last, when plant capacity exceeds customer demand. This, as I said, gives three different circumstances - when customer demand and plant capacity are not equal and when they are equal and when one is less than the other. In all these cases, the rates go up. In the first case, when you have equal plant capacity and equal customer demand, it has been traditional that the utilities try to increase sales through advertising, through promotional offers of cheaper discounts on appliances with all-electric homes, etc. As a matter of fact, I was very surprised to learn from a neighbor on my block, who has an oil furnace, that she was called by Public Service and was offered to have her home converted to gas heat. Now, I thought they were under restriction at this time, to not take on any new gas customers. So, this is a very interesting development. But, it is in line with the tradition of expanding.

ASSEMBLYMAN ESPOSITO: Ms. Schiff, I don't want to interrupt you but we are pressed for time. We are supposed to adjourn at 5 o'clock.

MS. SCHIFF: Well, I don't know how long I have talked. I think it is about one minute or so. Can I just talk? I don't have a lot to say.

ASSEMBLYMAN ESPOSITO: We have one more speaker.

MS. SCHIFF: I am the last speaker, I believe.

ASSEMBLYMAN ESPOSITO: No, you are not.

MS. SCHIFF: No?

ASSEMBLYMAN ESPOSITO: We have one more.

MS. SCHIFF: Well, can I -- I think I have just spoken one minute. I don't have that much to say.

ASSEMBLYMAN ESPOSITO: You see, I think in the future, if you wish to testify or speak at a hearing, you should contact our staff man. Did you contact him?

MS. SCHIFF: Yes.

ASSEMBLYMAN ESPOSITO: He never received a letter.

MS. SCHIFF: I did send a letter. I did request to appear on July 27th.

ASSEMBLYMAN ESPOSITO: I know that you have valuable testimony to give to the Committee, but I don't think--

MS. SCHIFF: Well, I don't think anyone has testified to what I am saying right now. And this is what I think is important to get on the record.

ASSEMBLYMAN ESPOSITO: Yes, but you have an opportunity to get it on the record at another hearing.

MS. SCHIFF: Pardon me?

ASSEMBLYMAN ESPOSITO: You have an opportunity to get it on the record at another hearing in Jersey City.

MS. SCHIFF: Well, I am here now. I came all the way from Summit. If you will give me another minute, I can get across what I have to say.

ASSEMBLYMAN ESPOSITO: Proceed.

MS. SCHIFF: The reason I am in favor of lifeline rates, as opposed to special rates for senior citizens, or utility stamps, or some other method, is because it satisfies both the economic need as well as the environmental need. I believe lifeline begins to change the promotional rate structure and this is where the State ought to be headed. I believe that the legislators here are completely right to undertake this bill and I hope you will vote for it and pass it.

ASSEMBLYMAN ESPOSITO: You know, I have an explanation. It breaks my heart to treat you this way because I feel you have sacrificed yourself to come down here to testify. Your intentions were very good and what you are saying to us is valuable testimony. If I have inconvenienced you, I am sorry. We will have to blame it on circumstances.

MS. SCHIFF: Well, I had a few more things I wanted to say but if you promise to read my paper, I think you will understand.

ASSEMBLYMAN ESPOSITO: We are going to read your paper. We are going to put it into the record.

MS. SCHIFF: Thank you very much.

ASSEMBLYMAN ESPOSITO: Magnus Nelson. Mr. Nelson, we don't have too much time because we are supposed to adjourn at 5 o'clock. We are now well past 5.

MAGNUS NELSON: This is the statement of the Communist Party of New Jersey whose address is Box--

ASSEMBLYMAN ESPOSITO: Do you have a written statement?

MR. NELSON: Yes, I have.

ASSEMBLYMAN ESPOSITO: Would it be easier for you to give us the written statement? We will insert it in the record and it will be part of the transcript.

MR. NELSON: I would like to read it. I can read quite quickly.

ASSEMBLYMAN ESPOSITO: Go ahead and read it.

MR. NELSON: All right. My name is Magnus Nelson. I live in Englewood, New Jersey at 216 Liberty Road.

The Communist Party of New Jersey fully supports the proposal for a lifeline service in the State of New Jersey.

The private "public" utilities have been gouging working people and retired workers for a long time now. Not satisfied with automatic increases, PSE&G is now asking for the largest increase in its history. All of the utilities have followed a policy of discrimination against small users by charging them the highest rates - 5.9¢ per kilowatt-hour - and encouraging the indiscriminate use by large industrial and commercial users - 1.3¢ per kilowatt-hour. This indiscriminate use has created the need for more expansion which the utilities then want working people to pay for.

The big corporations - Public Service, New Jersey Bell, etc. - say they must earn a higher rate of profit to attract new capital for expansion and maintenance of service. We say, "People before profits." If the corporations cannot provide essential services to people without gouging them then it is time that they be taken over by the State or Federal or local government so that people will come first.

It has been the experience all over the United States that public ownership means substantially lower rates for consumers. This has been true for gas and electric rates and transit fares.

We advocate public ownership with democratic control. This means control by

the users and the workers in those industries. Public ownership will put an end to the arrogance of PSE&G, to the vicious spiral of inflation and the continual assault on the health and lives of a large sector of our community.

While we advocate public ownership as the only real solution, we support the lifeline concept as an interim measure until this can be achieved.

It has been reported that members of this committee favor the introduction of relief from the corporate greed of the utilities by instituting a stamp program similar to the Federal Food Stamp program. It is a well known fact that the Federal Food Stamp program is but a source of extra profits for the food monopolies, that the majority of those who need the programs are not getting help. If such a program were established it would mean the money would have to be raised from somewhere. One need only look at the sorry record of our State Legislature to know that they would pass another tax on the poor and working people of this State to pay for the stamp program. Then, there is the question of establishing a whole new bureaucracy to administer the program and that is more cost to the taxpayers. Even without the onerous income tax this Legislature just adopted, the poor and the working people of this state pay over 80% of all taxes in the state. By September 1st, when the new tax program starts, their burden will become crushing. Obviously, a stamp program is not the answer - it would be just another bureaucratic boondoggle.

What do the people of New Jersey want from this committee and the State Legislature? One, all utility rate increases be barred. Two, immediate passage of Assembly Bill 1830 and Senate Bill 1447, to establish non-discriminatory rates between all residential and industrial users. Three, immediate steps be taken to institute a feasibility study to determine the conditions under which all the public utilities can be taken over by the State and operated on behalf of the people. It is a proven fact that those utilities which are owned and run by the people provide electricity at up to 40% lower rates than do privately owned utilities serving the same customers. We need only look at examples in our own state of New Jersey - at the Sussex County cooperative or the City of Vineland.

Two hundred years ago, this Republic was founded by the sacrifices of the working people who protested the Stamp Act and other taxes imposed by King George -- "No taxation without representation," they demanded.

Today, the people, in New Jersey and indeed throughout the country, are being taxed into austerity, poverty and bankruptcy through taxation by misrepresentation. The members of this committee and the whole State Legislature are well aware of the anger of the people resulting from the ever mounting tax burden you keep imposing. Legislative consent to gouging price increases by public utilities is but another form of taxation through misrepresentation. This committee can help restore some confidence of the people in the Legislature by standing forthright against any further utility price increases and taking all steps necessary to take over the monopolies and lower prices.

Much of the information on which that statement is based comes from documents. One is from the Environmental Action Foundation, with headquarters in Washington, D.C. Another is from the American Power Association, also from Washington, D.C. I am sure the committee must be aware of these documents that will substantiate what we have been saying here.

In closing I would like to make this remark: Recently in Westchester there was quite an upsurge about the electric bills up there and it was brought out that Plattsburg, which owns their utility, or the distribution system - whatever it is -- For the \$40 that the Westchester resident pays for a given amount of electricity,

they pay \$5 for it up in Plattsburg. I think that is very significant. I think the ultimate solution has to be public ownership.

ASSEMBLYMAN ESPOSITO: Thank you, Mr. Nelson. At this time I would like to thank Virginia Floyd and Terry Doll for their patience and diligence under these trying conditions in recording the testimony of today's hearing.

I also, at this time, would like to thank Assemblyman John Dennis's assistant and aide, Emily Cregg. Thank you.

The public hearing will adjourn until Tuesday, August 24th at the Administration Building, 595 Newark Avenue, Jersey City at 10:00 A.M. Thank you.

(Hearing Concluded)

POSITION PAPER ON "LIFELINE RATES"

Good morning Ladies and Gentlemen:

I am George Clarkson, General Manager - Rates, speaking for Public Service Electric and Gas Company. On behalf of the Company I wish to thank you for inviting us to participate today in a discussion of this very timely subject of "Lifeline Rate" application.

PSE&G is very aware of, and very sympathetic towards the plight of the poor and needy rate payer in its territory. As such, the Company stands ready to cooperate in any solutions and to provide any information available to it on its residential customers in order to arrive at a meaningful and beneficial resolution of this very difficult social problem.

Since June of 1975, PSE&G has been actively involved in studying the question of "Lifeline Rates" and has supplied data to the Board of Public Utility Commissioners in Docket No. 757-735, "In the Matter of Rate Discounts For Senior Citizens and Other Needy," and in Docket No. 7512-1257, "In the Matter of the Board's Investigation into the Feasibility of Lifeline Rates For Certain Gas

and Electric Utility Customers." Data has been supplied on minimum use of service, income level distribution of kilowatthour and therm usage, appliance ownership (saturation) by income level and kilowatthour and therm usage, and recommendations regarding possible applicable "Lifeline" Tariffs.

On the basis of this voluminous data and studies which have been done, PSE&G would state the following position on the concept of "Lifeline Rates:"

It is the Company's understanding that "Lifeline Rates" as interpreted throughout the country today, are rates designed to establish lower bills to certain residential consumers for electricity, gas, telephone, water, or sewerage which are not related to cost. Further, these customers intended to be aided by such rates are customers who are in an economic strata, such that they are unable to enjoy the benefits of certain minimum uses of the services enumerated above. These minimum uses are intended to cover amounts of those services as measured using the kilowatthour for electric, the therm for gas, the message unit for telephone, etc., as the Lifeline criteria. The reduction in monthly bills to these

customers will be made up so as to keep the utility whole by apportioning the deficit to the same or other classes of customers served by the utility.

PSE&G's basic position is that the most equitable manner of achieving the above goal is to engage in some form of subsidy program, such as Energy Stamps, controlled by a division of the State or Federal Government. Nothing in our studies has come forth to change our opinion on this basic fact. On the contrary, our studies have clearly shown that using, in the case of PSE&G, the kilowatthour or the therm consumption pattern of energy as a yardstick for establishing "Lifeline Rates" is clearly inequitable. It does not totally benefit those customers that are most needy and, in fact, will benefit many customers for whom such reduction is unwarranted.

Responses from sample electric customers in PSE&G territory clearly indicate the problem. (See attached Exhibit PS-5) In the customer group with annual income of \$5,000 or less, 9¼% of these customers use over 500 kilowatthours per month. Conversely, in the customer group with an annual income of over \$22,000, 34% of these customers use 500 kilowatthours or less in each

month. Statistics like this show, therefore, that the establishment of lower rates at some arbitrary kilowatt-hour cut off, for instance, would benefit a large number of customers in the upper income strata, while at the same time having a deleterious effect on a small group of low income customers. We have also discovered in analyzing the appliance and kilowatthour use data of customers with annual income of \$5,000 or less, that these customers have a mixture of all types of energy using electric appliances - not just limited to what are normally considered minimum need appliances. (See attached Exhibit PS-6) For instance, 32% of these customers have one room air conditioner in the living room, and 22% have one room air conditioner in the bedroom. ~~N~~Nearly 60% have some form of black and white television, and 46% have color. Many of these customers (16%) indicated the ownership of frost free refrigerator freezers. ~~X~~

The Company submits on the basis of these and similar statistics presently available, that the establishment of an energy measuring criteria cannot properly differentiate a social phenomena. Clearly, each of our customers in whatever income strata places a different value upon items needed for their own life style. ~~X~~ Food,

clothing, or the benefits of electricity or gas appliance convenience apparently are different for all customers across the use and income spectrum. The energy measurement device, therefore, does not address itself to the critical problem in this area - the identification of people who are in need of help by some economic or age criteria.

Another point should be made regarding the problems of establishing energy measurement as a uniform criteria. All utilities do not have the same mix of customers, nor the same average use for residential customers as a whole. Electric residential customers without electric heating in PSE&G territory during 1975 used 5,178 kilowatthours - an average of only 432 kilowatthours per month. It is interesting to note that, coupled with this use in 1975 220,000, or 17% of residential customers used 150 kilowatthours or less per month; 576,000, or 44% used 300 kilowatthours or less per month; and 933,000 or 72% used 500 kilowatthours or less per month.

On the gas side of the business, the residential customer without heating in 1975 used only 267 therms, or approximately 22 therms per month. These statistics indicate the very low use by average residential electric and gas customers in PSE&G territory.

The utility does not have a means of accurately identifying the economic or social make-up of its customers. A customer takes service at an address for which the meter is read, a bill is computed and rendered, payment is received, and records of payment kept. The number of people in the household, the number of wage earners, the number, if any, of senior citizens living at that address, the total family income, etc., all are items which are not on file for the 1.3 million electric, or 1.1 million gas residential customers of PSE&G. Even if such data were supplied to the utility, the utility would still have to translate this into service address and customer matchups. This, we submit is a tremendous job, what with the large number of changes occurring annually in our service territory. We submit, instead, that an arm of the government with access to such things as income tax returns, Social Security payments, welfare benefits, etc. would be at least able to provide and keep track of information of this type. Under a subsidy plan customers could receive benefits on the strength of social data available today.

The application of "Lifeline Rates" assumes that the recipient of the low use benefit is an individual customer of the utility. This is not entirely true. In PSE&G territory, for instance, there are thousands of people

living in low income apartments which are master-metered - that is. a single meter whose bills are paid by a landlord or agency measures the entire service of the building. The cost of the utility service is then included in the rental or lease arrangement with the landlord or agency. "Life-line" rate design does not attack this problem. Here again, the utility would be even more in the dark regarding the social or economic qualifications of these once removed customers.

* In conclusion, may I make a positive recommendation in this area. I would recommend that the State set up an administrative procedure in an existing Agency whereby senior citizens over the age of 62. and/or poor and needy with \$5,000 or less of annual income, determined by some reportable criteria, may be positively identified. For instance, a form, similar to that used in the State of Maine, could be made available to citizens meeting the above criteria, such that they may voluntarily certify that they fall into these categories. (See attached Form) A program of taxation (with some exclusionary vehicle for qualifying citizens) could be adopted by the Legislature so that each of the above identified individuals may receive

some form of subsidy payment from the administrative Agency. The subsidy would be specifically identified as an energy payment subsidy for use as a credit toward the cost of their energy use, be it electric, gas, oil or coal.

Much is made today of the value of tying "Lifeline Rates" with the need to conserve energy or valuable natural resources. The assumption is that people who are not poor or not senior citizens, use a lot of energy, and, therefore, should be made to conserve. Yet, the most critical areas of energy use are those which provide services to all of our citizens for heating and hot water, neither by coal, oil, gas or electricity. The rich and the young as well as the old and the poor need these basic services. Why then, should a pricing burden be placed on the one group in the guise of forcing conservation, when all of these social groups require the same degree of bodily comfort. I would submit to you that conservation should not be related to the theory of "Lifeline" because the need for basic energy is common to all citizens.

To establish a benefit such as reduced utility bills for certain groups, and charge others to support them through a utility pricing structure, is in my view, the wrong approach to the problem.

Thank you very much for your attention.

1975 Residential Appliance Saturation Study
Total Electric Customers by Income Level and Average
Monthly Kilowatthour Use - Twelve Month Period

<u>Kilowatthour</u> <u>Use</u>	<u>Percent of Customers</u>				
	<u>Up to</u> <u>\$5,000</u>	<u>\$5,001</u> <u>to</u> <u>\$9,000</u>	<u>\$ 9,001</u> <u>to</u> <u>\$15,000</u>	<u>\$15,001</u> <u>to</u> <u>\$22,000</u>	<u>Over</u> <u>\$22,000</u>
0 - 40	1.3	1.1	0.3	0.3	0.3
41 - 70	3.5	1.7	1.1	0.6	0.2
71 - 100	7.0	3.9	1.8	0.8	0.7
101 - 200	29.7	20.4	13.0	7.3	3.6
201 - 300	24.1	21.9	16.4	12.3	7.3
301 - 400	16.2	18.9	18.3	14.7	11.1
401 - 500	8.7	12.1	16.8	14.8	10.8
501 - 1,000	8.6	18.5	28.8	41.8	44.0
Over 1,000	0.9	1.5	3.5	7.4	22.0
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Estimated Average Number of Customers

0 - 40	3,062	2,989	1,309	837	668
41 - 70	8,245	4,619	4,801	1,674	445
71 - 100	16,490	10,596	7,856	2,231	1,558
101 - 200	69,965	55,427	56,739	20,361	8,012
201 - 300	56,772	59,502	71,578	34,308	16,247
301 - 400	38,162	51,351	79,872	41,002	24,704
401 - 500	20,495	32,876	73,324	41,281	24,037
501 - 1,000	20,259	50,264	125,699	116,591	97,928
Over 1,000	2,120	4,076	15,276	20,641	49,964
	<u>235,570</u>	<u>271,700</u>	<u>436,454</u>	<u>278,926</u>	<u>223,563</u>

APPLIANCE SATURATION BY KWHR - USE BLOCK

**TOTAL ELECTRIC CUSTOMERS
ANNUAL INCOME UP TO \$5,000**

Sheet 1 of 4

(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY KILOWATTHOUR USE - TWELVE MONTHS PERIOD									
	0-40	41-70	71-100	101-200	201-300	301-400	401-500	501-1000	Over 1000	Total
Number of Respondents	32	87	171	731	592	398	214	211	23	2459
Percent of Total Respondents	1.3	3.5	7.0	29.7	24.1	16.2	8.7	8.6	.9	100.0
Number of People in Home:										
One Person	62.5	70.1	64.3	43.0	25.0	16.8	11.7	11.9	4.4	31.4
Two Persons	9.4	16.1	25.2	33.7	41.1	41.2	36.0	30.8	43.5	35.2
Three Persons	9.4	6.9	3.5	11.8	16.2	21.4	23.8	22.3	13.0	15.6
Four Persons	6.3	1.2	1.2	4.4	7.8	9.1	7.9	10.9	8.7	6.6
Five Persons	6.3	.0	1.8	2.9	4.6	5.5	7.5	8.5	4.4	4.5
Six or More	6.3	5.6	2.9	2.7	4.7	3.5	11.7	14.2	21.7	5.5
Type of Heating System:										
Forced Warm Air	9.4	12.6	5.3	13.8	19.6	23.9	26.2	30.8	13.0	18.7
Hot Water or Steam	56.3	66.7	71.4	68.3	66.6	65.3	62.2	54.0	47.8	65.4
Individual Room Heaters	18.8	8.1	8.8	5.9	4.1	3.3	4.7	5.7	26.1	5.5
Through the Wall										
Heating and Cooling	.0	2.3	1.2	.4	1.0	1.0	2.8	2.4	4.4	1.2
Principal Fuel Used for										
Space Heating:										
Gas	31.3	25.3	28.1	29.6	32.1	39.5	39.7	32.7	17.4	32.6
Electricity	.0	.0	.6	.3	.5	.5	.5	6.6	39.1	1.3
Oil	31.3	39.1	41.5	41.5	49.2	46.5	44.9	54.0	43.5	45.3
Heat Furnished by Landlord	31.3	28.7	25.7	24.1	16.7	11.8	13.6	5.2	.0	17.9
Room Heaters:										
Gas Room Heaters										
One	15.6	6.9	8.2	4.1	5.1	4.0	5.6	2.4	.0	4.8
Two	3.1	.0	1.2	2.2	2.0	2.0	.0	1.9	.0	1.8
Three or More	.0	.0	.0	1.0	.7	1.0	1.4	.0	.0	.7
Total *	21.9	6.9	10.5	11.4	11.1	11.1	9.8	6.2	.0	10.5
Electric Room Heaters										
One	.0	1.2	6.4	4.5	4.7	4.5	5.6	8.5	13.0	5.0
Two	.0	.0	.9	.3	.7	2.3	.9	4.7	4.4	1.1
Three or More	.0	.0	.6	.7	.3	.0	.0	1.0	17.4	.6
Total *	.0	1.2	8.2	7.1	7.1	9.0	7.5	20.9	73.9	9.0
Oil Room Heaters										
One	.0	.0	1.2	1.2	.5	.5	1.9	.0	4.4	.9
Two	.0	.0	.0	.6	.2	.5	.0	.0	.0	.3
Three or More	.0	1.2	.6	1.8	2.5	1.5	2.8	2.8	.0	2.0
Total *	.0	3.4	2.9	7.7	8.4	6.0	10.3	8.5	4.3	7.3

*Number of appliances per 100 residences.

APPLIANCE SATURATION BY KWHR-USE BLOCK
TOTAL ELECTRIC CUSTOMERS
ANNUAL INCOME UP TO \$5,000

Sheet 2 of 4

(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY KILOWATTHOUR USE - TWELVE MONTHS PERIOD									Total
	0-40	41-70	71-100	101-200	201-300	301-400	401-500	501-1000	Over 1000	
Number of Respondents	32	87	171	731	592	398	214	211	23	2459
Percent of Total Respondents	1.3	3.5	7.0	29.7	24.1	16.2	8.7	8.6	.9	100.0
Gas Space Heater in Kitchen Range	15.6	12.6	11.7	8.1	6.8	5.8	6.5	4.3	.0	7.4
Water Heaters:										
Gas										
Automatic	40.6	26.4	33.3	38.9	46.1	58.3	47.2	54.5	26.1	44.9
Nonautomatic	.0	3.5	1.2	1.2	1.0	.0	.9	.5	.0	.9
Electric	.0	.0	.6	.6	1.9	2.5	2.8	11.4	39.1	2.6
Oil	18.8	23.0	23.4	23.8	29.9	24.6	28.0	26.1	39.1	26.0
No Water Heater	.0	.0	.6	.4	.7	.3	1.4	2.4	.0	.7
Hot Water Furnished by Landlord	50.0	44.8	41.5	34.5	22.0	17.3	18.2	9.0	.0	25.8
Ranges:										
Gas	100.0	94.3	90.1	94.1	89.2	85.4	79.0	71.6	30.4	87.5
Electric	.0	2.3	7.6	5.1	9.5	13.3	18.7	26.5	60.9	11.0
Automatic Self-Clean or Continuous Clean Oven:										
Gas	.0	2.3	2.3	3.2	4.6	5.8	4.7	6.2	17.4	4.3
Electric	.0	.0	.6	.7	1.5	2.0	2.8	8.1	30.4	2.2
Refrigerators:										
Single Door (Manual Defrost)	81.3	88.5	90.6	74.6	56.4	39.2	37.9	40.8	52.2	59.9
Single Door (Automatic Defrost)	9.4	3.5	8.2	16.4	20.8	28.9	22.9	30.8	34.8	20.3
Refrigerator-Freezer (Two Outside Doors-Completely Frost-Free)	0.0	5.8	8.2	16.7	31.9	49.5	53.3	57.3	65.2	31.6
Refrigerator-Freezer (Two Outside Doors-Only Refrigerator Frost-Free)	6.3	5.7	4.7	14.0	19.3	15.8	22.4	19.9	21.7	15.8
Separate Food Freezer	3.1	2.3	1.2	3.3	9.6	16.8	15.9	28.9	39.1	10.5
Electronic ("Microwave") Oven	.0	.0	.6	.8	.8	.3	1.9	1.0	.0	.8
Central Refrigerated-Air Cooling Systems:										
Gas	.0	.0	.0	.1	.3	.5	.5	1.0	.0	.3
Electric	3.1	2.3	.0	2.3	4.2	5.0	10.3	12.8	39.1	5.0
Cooling Furnished by Landlord	.0	1.2	1.2	1.0	.5	.0	.5	.0	.0	.6

XII

APPLIANCE SATURATION BY KWHR-USE BLOCK

**TOTAL ELECTRIC CUSTOMERS
ANNUAL INCOME UP TO \$5,000**

(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY KILOWATTHOUR USE - TWELVE MONTHS PERIOD									
	0-40	41-70	71-100	101-200	201-300	301-400	401-500	501-1000	Over 1000	Total
Number of Respondents	32	87	171	731	592	398	214	211	23	2459
Percent of Total Respondents	1.3	3.5	7.0	29.7	24.1	16.2	8.7	8.6	.9	100.0
Room Air Conditioners:										
Living Room										
One	18.8	8.1	24.0	27.6	33.1	38.7	42.1	40.8	34.8	32.1
Two	.0	.0	.6	.6	1.7	1.5	2.3	1.4	8.7	1.3
Total *	18.8	8.1	25.1	28.7	36.5	41.7	46.7	43.6	52.2	34.6
Bedroom										
One	9.4	6.9	11.7	19.0	20.6	31.2	28.5	28.9	13.0	21.9
Two	.0	.0	1.8	1.1	2.0	3.8	6.5	10.4	8.7	3.1
Three or More	.0	.0	.0	.8	.2	.0	1.4	1.4	4.4	.6
Total *	9.4	6.9	15.2	23.7	25.2	38.7	45.8	54.0	43.5	29.8
Any Other Location										
One	3.1	.0	2.3	4.8	8.3	12.1	8.9	20.4	13.0	8.2
Two	.0	.0	.6	.6	.7	1.0	1.4	2.4	4.4	.9
Three or More	.0	.0	1.2	.0	.2	.8	.0	.5	.0	.3
Total *	3.1	.0	7.0	5.9	10.1	16.3	11.7	26.5	21.7	10.9
Total Room Air Conditioners *	31.3	14.9	43.9	58.3	71.8	96.7	104.2	124.2	117.4	75.3
Dehumidifiers	.0	.0	.6	1.8	3.9	5.5	9.8	8.5	8.7	4.1
Fans:										
Attic Exhaust Fan	3.1	.0	2.3	3.8	5.9	6.8	8.4	8.1	4.3	5.3
Large Window Fan	18.8	24.1	24.6	28.9	32.8	31.9	31.3	30.8	26.1	30.1
Floor Fan	21.9	27.6	40.4	32.4	31.6	32.4	29.0	22.3	17.4	31.2
Clothes Washers:										
Fully Automatic	18.8	9.2	23.4	36.7	55.2	68.3	77.6	74.4	87.0	51.4
Nonautomatic	12.5	12.6	7.0	9.7	9.5	7.3	4.2	2.4	4.4	8.1
Laundry Room	3.1	9.2	11.7	7.4	4.4	1.5	1.9	3.3	4.4	5.2
Clothes Dryers:										
Gas	.0	.0	2.3	7.1	13.2	17.6	25.2	27.0	30.4	13.1
Electric	6.3	1.2	.6	3.7	7.1	13.1	18.7	27.5	43.5	9.5
Laundry Room	3.1	12.6	10.5	6.0	3.6	1.3	1.9	3.3	4.4	4.6
Dishwashers:										
Built-In	.0	.0	.6	1.4	2.4	4.5	7.9	10.9	39.1	3.7
Portable	.0	.0	.0	1.2	1.7	3.8	8.1	8.1	.0	2.5

*Number of appliances per 100 residences.

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APPLIANCE SATURATION BY KWHR-USE BLOCK
TOTAL ELECTRIC CUSTOMERS
ANNUAL INCOME UP TO \$5,000
(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY KILOWATTHOUR USE - TWELVE MONTHS PERIOD									
	0-40	41-70	71-100	101-200	201-300	301-400	401-500	501-1000	Over 1000	Total
Number of Respondents	32	87	171	731	592	398	214	211	23	2459
Percent of Total Respondents	1.3	3.5	7.0	29.7	24.1	16.2	8.7	8.6	.9	100.0
Television Sets:										
Black and White										
One	59.4	80.5	79.0	63.3	56.1	51.5	50.0	42.2	30.4	58.0
Two	6.3	2.3	3.5	7.9	10.0	14.3	14.0	17.1	17.4	10.3
Three or More	.0	.0	.0	1.1	1.4	1.5	1.9	4.7	.0	1.5
Total *	71.9	85.1	86.0	82.5	80.1	84.7	83.6	90.5	65.2	83.1
Color										
One	25.0	12.6	22.8	35.8	50.8	58.9	66.4	55.5	52.2	45.8
Two	.0	1.2	.0	1.0	3.0	5.3	6.1	11.4	21.7	3.6
Total *	25.0	14.9	22.8	37.8	56.9	69.1	78.5	78.2	95.7	53.0
Outside Post Lamps:										
Electric										
One	6.3	10.3	4.7	7.7	10.3	13.3	14.0	22.3	8.7	10.9
Two	.0	1.2	.6	1.2	2.0	4.0	1.9	4.7	.0	2.2
Three or More	.0	.0	1.2	1.5	.7	.8	1.9	1.4	4.4	1.1
Total *	6.3	12.6	9.4	14.6	16.4	23.6	23.4	36.0	21.7	18.6
Gas										
One	.0	1.2	.6	1.4	1.0	.8	1.4	1.9	4.4	1.2
Two	.0	.0	.0	.3	.0	.8	.0	1.0	.0	.3
Three or More	.0	.0	1.2	.0	.0	.0	.0	.0	.0	.1
Total *	.0	1.2	4.1	1.9	1.0	2.3	1.4	3.8	4.4	2.0
Outdoor Gas-Fired Grills	.0	.0	.0	.4	.8	1.5	2.3	3.8	17.4	1.3

*Number of appliances per 100 residences.

file MAINE 11-22-75

APPLICATION FOR MAINE ELECTRIC LIFELINE SERVICE



YOUR NAME (first, middle initial, last)

CURRENT HOME ADDRESS (number, street, apartment number)

CITY OR TOWN, ZIP CODE

MAILING ADDRESS (if same, write "same")

DATE OF BIRTH (month, day, year)

TOTAL PERSONS IN
HOUSEHOLD

DID YOU LIVE 183 DAYS (six months) OR
MORE IN MAINE LAST YEAR? YES ☐ NO ☐

NOW
LAST YEAR

The Lifeline Electrical Service Demonstration Program will be operated December 1, 1975 to December 1, 1976 starting with the first monthly billing cycle for the applicant following receipt of application.

FOR INFORMATION OR ASSISTANCE CALL TOLL FREE 1-800-452-4617,
OR THE LOCAL DESIGNATED LIFELINE AGENCY IN YOUR COMMUNITY.

As provided by law, the Maine Public Utilities Commission established the Lifeline electrical rate of 3 cents per kilowatt hour up to 500 kilowatt hours in any month for citizens 62 and over who live in the following municipalities only:

BANGOR, CARIBOU, ELLSWORTH, FORT KENT, PORTLAND, ROCKLAND

Send your completed application to your local designated Lifeline Agency or directly to Lifeline, State of Maine, Augusta, Maine 04333.

YOUR NAME (first, middle initial, last)

CURRENT HOME ADDRESS (number, street, apartment number)

CITY OR TOWN, ZIP CODE

MAILING ADDRESS (if same, write "same")

NAME OF PERSON PRESENTLY BILLED FOR ELECTRIC SERVICE IN YOUR HOME (if same, write "same")

MAILING ADDRESS OF PERSON PRESENTLY BILLED FOR ELECTRIC SERVICE IN YOUR HOME (if same, write "same")

ELECTRIC COMPANY ACCOUNT NUMBER (if available)

(see other side)

**DETERMINATION OF INCOME QUALIFICATION FOR LIFELINE
(THE INFORMATION BELOW MUST BE FULLY PROVIDED)**

REPORTING YEAR: 19..... (last calendar year) TYPE OF INCOME	Annual Amount Received by Applicant (A) \$	Annual Amount Received by others in household (B) \$	Total Household Income (A plus B) \$
1. Salaries, wages and earnings			
2. Interest and Dividends			
3. Social Security and/or SSI			
4. Other pension or annuity			
5. Other Income			
TOTAL INCOME			

OTHER INCOME THAT MUST BE INCLUDED WHERE TO INCLUDE

Capital gains, alimony, support money	5
Strike benefits, taxable and non-taxable	5
Railroad Retirement and Veterans Disability	4
State Unemployment Insurance	5
Non-taxable interest from federal government	2
Workman's compensation and "loss of time" insurance	5
Cash public assistance and relief	5

TYPE OF INCOME NOT TO BE INCLUDED AS INCOME

1. Gifts from non-governmental sources.
2. Food Stamps.
3. Other relief in kind (household objects etc., not including cash or money) supplied by a government.
4. Refunds under the Elderly Householders Tax and Rent Refund program.

FOR SINGLE MEMBER HOUSEHOLDS TOTAL LIMIT IS \$4,500. FOR TWO OR MORE MEMBER HOUSEHOLDS TOTAL INCOME LIMIT IS \$5,000.

Under penalty of perjury, I declare that I have examined this application and to the best of my knowledge and belief, it is true, correct and complete.

APPLICATION MUST BE SIGNED

Signature of Applicant	Date
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Signature of preparer if other than applicant based on all information of which he or she has any knowledge.	Date
--	------

IN THE MATTER OF THE BOARD'S INVESTIGATION
INTO THE FEASIBILITY OF "LIFELINE" RATES
FOR CERTAIN GAS AND ELECTRIC UTILITY CUSTOMERS
DOCKET NO. 7512-1257

SWORN DIRECT TESTIMONY OF
GEORGE CLARKSON
GENERAL MANAGER-RATES
PUBLIC SERVICE ELECTRIC AND GAS COMPANY

JANUARY 19, 1976

TESTIMONY OF GEORGE CLARKSON

GENERAL MANAGER - RATES

1. Q. Will you please state your full name and address?
2. A. George Clarkson, 48 Wellington Road, Livingston, New Jersey.
3. Q. By whom are you employed?
4. A. Public Service Electric and Gas Company, 80 Park Place,
5. Newark, New Jersey
6. Q. In what capacity?
7. A. I am General Manager - Rates.
8. Q. Will you please state your qualifications for the record?
9. A. I have been General Manager - Rates for Public Service
10. since 1971. I am a graduate of Stevens Institute of
11. Technology, having received the degree of Mechanical
12. Engineer in 1950 and hold a degree of Master of Science
13. from the same school received in 1959.
14. I have testified before this Board on numerous
15. occasions, specifically in regard to Rate Increase Petitions
16. and Rate Design since 1970.
17. I recently presented testimony In The Matter of Rate
18. Discounts for Senior Citizens and Other Needy, Docket No.
19. 757-735.
20. Q. What is the purpose of your testimony in this Proceeding?
21. A. The purpose of my testimony is to attempt to respond to
22. the statements of the Board in the Notice of Hearing
23. dated December 4, 1975, which instituted Hearings in this
24. particular Docket.
25. In particular, the Board ordered utilities to

1. "develop and produce appropriate testimony, feasibility
2. studies and programs with respect to the subject matter
3. of these hearings."

4. Q. Do you believe that the testimony and exhibits presented
5. by you in Docket No. 757-735 is germane to the Board's
6. request herein?

7. A. Yes, I do. I hereby adopt my testimony in Docket No. 757-735
8. wherein, on November 17, 1975, Tr. 21, I stated:

9. "The recommendation of Public Service E & G is that
10. an energy stamp program or some form of voucher program
11. administered by some governmental agency who most properly
12. has a handle on the identification of people defined as
13. poor, needy or senior citizen would be the proper vehicle
14. for handling the problem of rising costs of electrical
15. energy for this group of individuals."

16. In addition, I would also adopt the seven Exhibits
17. submitted by me in that Docket.

18. Q. Would you now address yourself to the question of
19. feasibility, Mr. Clarkson?

20. A. I believe that the thrust of this Docket as stated by
21. the Board is to elicit information necessary to the
22. investigation of providing rate relief for low use
23. Electric and Gas utility customers in this State. The
24. Board has stated, for example, that it intends to examine
25. this concept generically. My understanding of the

1. definition of "generic" is that it is a concept relating
2. to or characteristic of a whole group or class. As such,
3. I construe the Board's Order to be one in which the
4. Electric and Gas utilities are asked to provide information
5. on this particular subject so that proper and informed
6. decisions can be made as to the feasibility of implementing
7. "lifeline" rates.

8. Q. What are "lifeline" rates, Mr. Clarkson?

9. A. The Board has specifically suggested in its Notice of
10. Hearing that "a 'lifeline' rate is a low uniform charge
11. for a certain minimum use of energy consumed by residential
12. customers."

13. Q. Will you please, then, address yourself to the problem
14. within the framework as spelled out by the Board?

15. A. Yes. There is no question that the introduction of
16. lifeline rates is feasible. To say that it is not
17. would deny the actions of the California Public Utilities
18. Commission in its recent Orders mandating this type of
19. rate structure. When I say feasible, I mean that, absent
20. questions regarding the practicality or administrative
21. propriety of producing such rate forms, there is no
22. question in my mind that such rate forms can be developed
23. and are capable of being done or carried out.

24. Q. Will you please explain what you mean by rate forms?

25. A. Yes. If you divorce yourself from any consideration

1. of the concepts of cost, discrimination or social
2. engineering, as I view these factors, and limit yourself
3. strictly to the question as to what proper areas would
4. fall into a "lifeline" concept and how best this concept
5. could be mathematically produced, then I say that such
6. rate forms can be constructed and, therefore, are "feasible."

7. Q. Would you please address yourself now to some of the
8. factors which you see emerging in this Docket?

9. A. Yes. First of all, I believe we have to positively
10. address ourselves in the case of each Electric or Gas
11. utility to the concept of "certain minimum use of energy
12. consumed by residential customers." This number will
13. vary, depending upon the mix of customers and their
14. appliance ownership and usage for each utility in the
15. State.

16. Turning first to Electric, it should be noted that
17. Public Service is basically a Company in which very few
18. electric appliances are present in its residential cus-
19. tomer mix. Our latest statistics, for instance, indicate
20. that very few, if any, of the electric customers on our system
21. have electric water heaters, and that only approximately
22. 17% of our electric customers have electric ranges. Therefore,
23. a minimum use of electric service for our Electric cus-
24. tomers would indicate the absence of large kilowatthour
25. use for basic cooking and water heating.

1. Q. Would you please indicate what you consider to be a
2. minimum use for your Electric customers?

3. A. Based upon certain average uses of electric appliances,
4. coupled with my definition of basic appliances on our
5. system, I estimate that the minimum, or "lifeline" use
6. for Electric customers in our territory is approximately
7. 150 kilowatthours per month.

8. Q. How did you arrive at that conclusion, Mr. Clarkson?

9. A. I previously testified in Docket No. 757-735, that
10. miscellaneous lights and necessary appliances would
11. produce an average annual use of 149 kilowatthours per
12. month. I have since considered another appliance, but
13. for purposes of my testimony here I have rounded this
14. use to 150 kilowatthours. The derivation of this number
15. appears in Exhibit PS - 1. The Typical Wattage Rating of
16. specific appliances from which this data is derived
17. appears on Exhibit PS - 2.

18. Q. Why have you limited yourself to this combination of
19. appliances, Mr. Clarkson?

20. A. I recognize that what is necessary for one customer,
21. might be totally inadequate for another customer. What
22. is considered comfort, i.e., the need for air conditioning
23. or heating for one customer, might not be construed the
24. same for another customer. However, I have attempted
25. here to pick out appliances that, in my judgment, form

1. the nucleus for basic energy needs by an Electric customer.
2. Q. Will you contrast this use, please, with the average
3. annual kilowatthour use for all Rate Schedule RS
4. customers in 1975?
5. A. The average use per Rate Schedule RS residential customer
6. in 1975 was 5132 kilowatthours, which amounts to approxi-
7. mately 428 average kilowatthours per month.
8. Q. Is there any other data, Mr. Clarkson, which you would
9. care to submit in support of your findings?
10. A. Yes. I would like to submit Exhibit PS - 3, which is
11. Rate Schedule RS - Residential Service, Analysis By
12. Frequency Of Use, Regular Monthly Bills Only, for
13. January to December 1975. This Exhibit gives the break-
14. down by number of customer bills and kilowatthours for
15. the use during the billing period for the Year 1975.
16. Average number of customer bills for customers using up
17. to and including 150 kilowatthours per month are derived
18. by taking the total number of customer bills for the
19. twelve months in this block frequency and dividing by
20. twelve. Referring to Exhibit PS - 3, this number is
21. 220,049 average monthly number of customer bills for
22. customers using up to and including 150 kilowatthours
23. per month.
24. Q. What other data do you have, Mr. Clarkson, to support
25. your contention that 150 kilowatthours per month is

1. within the context of low use electric customers as
2. suggested by this Board?
3. A. The Company has recently completed a Residential Appliance
4. Saturation Survey for the Year 1975. Included in this
5. Survey, for the first time, was a question regarding
6. Total Family Income. The results of this analysis may be
7. seen on Exhibit PS - 4. This Exhibit indicates that,
8. extrapolating the sample results to universe proportions
9. to the total estimated average number of customers in 1975,
10. customers who use service and have total family income up
11. to \$5,000, approximate 236,000. In my view, there would
12. seem to be some degree of correlation between this number
13. and the number of customers using up to and including
14. 150 kilowatthours per month.
15. Q. Do you have any other data to substantiate your findings?
16. A. As an additional piece of information, Exhibit PS - 5 shows
17. the Total Electric Customers By Income Level and Average
18. Monthly Kilowatthour Use. This clearly indicates that
19. the largest percentage of customers responding whose
20. total family income is up to \$5,000 fall within the Use
21. block of 101 to 200 kilowatthours per month.
22. Q. Would you care to comment upon the saturation of appliances
23. for customers within this economic strata?
24. A. Yes. Exhibit PS - 6, consisting of four pages shows the
25. 1975 appliance saturation by Kilowatthour Use Block for

1. Total Electric customers whose annual family income is
2. up to \$5,000. This Exhibit clearly indicates that there
3. is a wide divergence of appliance ownership in kilowatthour
4. use for customers in this income level, but, for the most
5. part, definitely substantiates the choice of 150 kilowatt-
6. hours per month as a proper minimum use amount for purposes
7. of this Hearing. I might add that additional data is
8. available, if desired, for other income strata beyond \$5,000.
9. Q. Have you given any consideration, Mr. Clarkson, to residential
10. heating customers?
11. A. No. I feel that residential heating is a service which can
12. be supplied by various forms of energy fuels. As such,
13. it does not lend itself to a specific justification of the
14. terms "minimum use of energy consumed." For instance, a
15. minimum use residential customer with 150 kilowatthours per
16. month as cited above would still have the problem of heating
17. his home or apartment. Assuming such heat was not supplied
18. by the landlord, such supply could come from oil, which is
19. an unregulated commodity, or electricity or gas. To attempt
20. to say that because of the conditions under which a customer
21. chooses to perform a heating function on his premises
22. indicates some future consideration in this area does not,
23. it seems to me, take into consideration equity of fairness.
24. To whom, for instance, should a residential heating service
25. electric customer turn to ask for someone to pick up his

1. minimum heating service use? Should it be to other non-
2. heating residential customers or even to industrial or
3. commercial customers? I feel that for the aforementioned
4. reasons, heating should be exempted from the consideration
5. of "lifeline" rates.

6. Q. Would you now turn your attention to the question of
7. "minimum use of energy consumed for residential customers"
8. for Gas?

9. A. Yes. Similar to the analysis previously performed on electric
10. residential customers, we may perform the same analysis on
11. gas residential customers on Rate Schedule RSG. Here, however,
12. we are dealing with a somewhat different combination of
13. appliances. In the gas business all of the appliances,
14. with the exception of outmoded gas refrigerators, can be
15. considered major. These include ranges, automatic water
16. heaters, and dryers. For purposes of minimum use, we
17. have ruled out such modern conveniences as outdoor gas
18. lighting and gas grills. Again, using my judgment, it
19. would seem that a minimum use for residential gas customers
20. would encompass the operation of only a gas range. Our
21. 1975 appliance saturation statistics indicate that approxi-
22. mately 87% of our gas customers have a gas range. Industry
23. statistics and Public Service studies indicate that a gas
24. range uses between 7 and 12 therms per month depending
25. upon the number of automatic pilots, and number of people

1. in the household.

2. Q. Mr. Clarkson, do you have any feeling about gas automatic
3. water heaters and the possible inclusion of this use as
4. part of a "minimum use" concept.

5. A. It would appear that low-income gas customers in our
6. service area to not have a very high saturation of
7. automatic water heaters. Our 1975 appliance saturation
8. results indicate that 52% of these customers have
9. automatic gas water heaters and the balance have other
10. forms of individual water heaters or hot water is supplied
11. by the landlord. It would appear to me, therefore, that,
12. on balance, an equitable consideration for minimum use would
13. not include water heating. However, for purposes of this
14. Hearing and the Board's information, industry statistics
15. and Public Service studies indicate that gas water heaters
16. use about 20 to 30 therms per month depending upon the
17. number of people in the household and number of hot water
18. outlets.

19. Q. Will you now summarize your findings regarding the minimum
20. use of energy for residential electric and gas customers,
21. Mr. Clarkson?

22. A. Based upon an analysis of Public Service electric and gas
23. customers coupled with the appliance saturation statistics
24. and typical use of appliances, I would recommend that for
25. PSE&G the Board consider adopting a minimum use of electricity

1. at a level of 150 kilowatthours per month and that it
2. consider adopting a level of 9 therms per month for gas
3. ranges. If considered, 26 therms per month can be used
4. for gas water heaters. I further recommend that no
5. parameter be established for minimum use consideration
6. in the area of space heating in Public Service territory.
7. Q. Would you now turn your attention, Mr. Clarkson, to the
8. subject of rate design which would incorporate the afore-
9. mentioned minimum use definitions in some form of rate
10. package that would develop "lifeline" rates to provide
11. rate relief?
12. A. Yes. Before we consider these levels, however. I wish
13. to note that in my view the distribution of dollars as
14. between these Rate Schedules should be made up only from
15. other higher use customers in the residential rate class.
16. I say this within the context of my understanding of this
17. Board's Notice of Hearing. Consideration of cost of
18. service, rate of return, proper rate design and other
19. factors have been dismissed by me in attempting to respond
20. to the Board's request as I understand it.
21. Q. What do you mean by the fact that you have dismissed these
22. factors, Mr. Clarkson?
23. A. Public Service has recently finished a case in Docket No.
24. 744-335 where the Hearing Examiners' Report and Recommendation
25. adopted by the Board clearly spoke in terms of the propriety

1. of moving to cost-based rates. It is my view that there
2. is nothing cost based in the establishment of lifeline rate
3. design. Neither, for that matter, would we attempt to
4. seriously question the area of subsidization by other
5. customers in the class and other customer classes in order
6. to produce the revenue levels in the lifeline proposal.
7. Instead, having opted for rates designed to produce relief
8. for minimum use energy consumed by residential customers,
9. I would assume that the Board would order the Company to
10. be made whole out of any revenue deficiency produced by
11. the institution of such low rates. My only constraint,
12. therefore, is to suggest that such revenue deficiency
13. might more properly be made up by other residential
14. customers.

15. Q. Will you now please discuss the form of the Rate Schedule
16. that you believe is most suited to the establishment of
17. lifeline rates?

18. A. I believe first of all that lifeline rates, if ordered,
19. should be optional in character. Any customer should have
20. the option of applying for and being billed at a Rate
21. Schedule which produces a lower charge which includes at
22. least the minimum use described previously. The advantage
23. to both the Board and the utility is that it becomes un-
24. necessary to determine any kind of qualification based
25. upon demographic data other than pure energy use.

1. There have been rate forms suggested throughout
2. the country that talk in terms of indicating income
3. levels or age levels as cut off points beyond which
4. customers of the utility would qualify. This, I submit,
5. would become an administrative nightmare. Therefore,
6. I feel an optional rate has many advantages.

7. Q. What other features in this Rate Schedule would you
8. suggest, Mr. Clarkson?

9. A. I would suggest that the Rate Schedule be established
10. for a period of no less than one year and that it be filed
11. as an inverted rate such that use much beyond the minimum
12. use previously mentioned would result in higher bills.
13. The reason for this latter restriction is to prevent
14. customers from transferring to this Rate Schedule
15. and then capriciously using additional kilowatthours or
16. therms beyond the minimum use.

17. The Rate Schedule then would become self-policing in
18. that customers would have knowledge of the fact that if
19. they much exceeded the minimum use, they would be paying
20. much higher bills than if they had opted to stay on the
21. specific electric or gas Rate Schedule they are presently
22. on.

23. Q. You have cited some of the conditions under which you would
24. like to see lifeline Rate Schedules if they were ordered
25. to be filed. Do you have any comments regarding the

1. implementation of such Rate Schedules as they impinge
2. upon the Company's revenue?

3. A. Yes. There are two major problems with developing lower
4. rates for lower use and parenthetically higher rates for
5. higher use - assuming the make-whole concept previously
6. described.

7. First there is the obvious question of the determination
8. of the number of customers who would choose to take ad-
9. vantage of the optional lifeline Rate Schedules. For
10. purposes of planning, the utility would have no way of
11. knowing how many customers would transfer and what revenue
12. would be lost. Conversely, it would be unable to determine
13. accurately what revenue gain should be adopted for higher
14. use customers. Assumptions could be made that all cus-
15. tomers up to the lifeline level would transfer to such a
16. Rate Schedule, but many of these factors are unknown due
17. to individual customer economics and the basic seasonality
18. of customer use.

19. Pacific Gas & Electric, for instance, in its filing
20. in response to the California Public Utility Commissioners
21. investigation in Case Number 9988, specifically suggested
22. an ongoing study out into the future to determine what the
23. effect of this transfer would be.

24. Q. What other problem do you see in this area?

25. A. The second problem involves the question of the makeup

1. of the revenue deficiency and what effect higher prices
2. would have on residential sales. If these higher prices
3. were imposed upon high-use customers, we would have, in
4. effect, an inverted rate which would produce elasticity
5. problems. What I mean by this is that the operation of
6. elasticity would tend to reduce the Company's residential
7. sales and, therefore, have an additional revenue erosion,
8. probably resulting in the need for additional charges to
9. make up the loss.

10. Q. Would you now estimate, Mr. Clarkson, the possible savings
11. for low-use customers as previously defined by you?

12. A. Yes. Using adjustment charges in each for the month of
13. January 1976, a 150 kilowatthour use customer will have
14. a bill of \$11.18, a 9 therm customer will have a bill of
15. \$5.08. Without specific rate design it would be difficult
16. to estimate what reduction would accrue for customers
17. who use these amounts. However, I would like to make
18. some estimates for the Board's guidance assuming some
19. reduction and flat rate charges.

20. In Electric if a 1¢ reduction was given for each
21. kilowatthour of minimum use, a savings of \$1.50 would
22. accrue. Further whole cent per kilowatthour reductions
23. would effect savings in multiples of \$1.50.

24. In the case of Gas a 5¢ per therm reduction and
25. flat charge would result in a savings of 45¢. Additional

1. 5¢ increments would produce multiples of 45¢.

2. Q. Mr. Clarkson, there is one subject which you have not
3. covered. You have dealt only with customers of Public
4. Service. Will you care to comment on residential
5. customers in apartment buildings?

6. A. Residential customers in apartment buildings in Public
7. Service territory are either individually or master
8. metered. Individually metered customers would fall into
9. the type of treatment I have been speaking of. Master
10. metered customers, however, would have the landlord
11. billed at a large power service rate schedule. I have
12. not investigated any way in which customers of this
13. type could have the minimum use concept applied. It
14. is difficult to determine how the landlord will pass
15. along utility charges in leases. As such, it would
16. seem to me that we are dealing outside the realm of
17. master-metered apartments. Attempting to incorporate
18. some form of reduction for these people would be very
19. difficult.

20. Q. Does this complete your testimony in this proceeding?

21. A. It does.

22.

23.

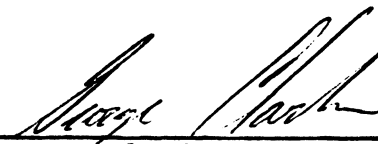
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25.

STATE OF NEW JERSEY)
 : SS.
COUNTY OF ESSEX)

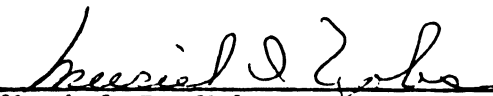
I, George Clarkson, being first duly sworn, do hereby depose and say that the foregoing constitutes my prepared testimony in this proceeding, that the answers to the questions therein stated are my answers to such questions and are true and correct to the best of my knowledge, information, and belief.

I ask that the attached be considered as my sworn testimony in this proceeding.



George Clarkson

Sworn and subscribed to)
before me this 19th day)
of January, 1976.



Muriel I. Yobs
Notary Public of New Jersey
My Commission expires Sept. 8, 1979

(SEAL)

PUBLIC SERVICE ELECTRIC AND GAS COMPANY
DERIVATION OF MINIMUM USE OF ELECTRIC ENERGY

RESIDENTIAL CUSTOMERS

	<u>Typical kWh Use Per Year</u>
1 Refrigerator Single Door Manual Defrost 12 cu. ft.	590
1 Television - Black and White	400
1 Washer - Automatic	115
2 Clocks @ 17 kWh	34
1 Hand Iron	150
1 Window Fan	160
1 Radio - Solid State	20
1 Toaster	40
Miscellaneous Lights & Other Appliances @ 25 kWh per month	300
	<hr/>
Total	1,809
Average per month (Total ÷ 12)	<u>151</u>
Rounded	<u>150</u>

TYPICAL WATTAGE, TYPICAL KILOWATTHOUR USE AND COST CALCULATED AT 5.0¢ PER KILOWATTHOUR
OF ELECTRIC HOUSEHOLD APPLIANCES

Appliance	Connected Load WATTS	Cost Per Hour at 5.0¢ Per kWh CENTS	Typical kWh Use Per Year KWHR	Cost Per Year at 5.0¢ Per kWh DOLLARS
Air Conditioner (Window)				
Under 8,000 BTU/HR	900	4.50¢	360	\$18.00
8 - 10,000 BTU/HR	1040	5.20	435	21.75
10 - 16,000 BTU/HR	2050	10.25	870	43.50
16 - 20,000 BTU/HR	2400	12.00	1045	52.25
20 - 24,000 BTU/HR	3200	16.00	1410	70.50
Bed Covering	200	1.00	150	7.50
Broiler	1400	7.00	100	5.00
Can Opener	180	0.90	1	0.05
Clock	2	0.01	17	0.85
Clothes Dryer	5000	25.00	1200	60.00
Coffee Maker	860	4.30	110	5.50
Deep Fat Fryer	1500	7.50	100	5.00
Dehumidifier	250	1.25	350	17.50
Dishwasher (With Heater)	1300	6.50	390	19.50
Fan (Attic)	375	1.88	270	13.50
Fan (Circulating)	85	.43	40	2.00
Fan (Furnace)	300	1.50	480	24.00
Fan (Roll about)	210	1.05	135	6.75
Fan (Window)	200	1.00	160	8.00
Food Freezer (16 cu ft)	350	1.75	1225	61.25
Food Freezer (Frostless 16 cu ft)	450	2.25	1800	90.00
Food Mixer	125	0.63	13	0.65
Food Waste Disposer	450	2.25	30	1.50
Frying Pan	1200	6.00	240	12.00
Grill (Sandwich)	1150	5.75	40	2.00
Hair Dryer	380	1.90	17	0.85
Heat Lamp (Infrared)	250	1.25	15	0.75
Heater (Radiant)	1300	6.50	150	7.50
Hot Plate (Two Burner)	1250	6.25	100	5.00
Humidifier	170	0.85	170	8.50
Iron (Hand)	1100	5.50	150	7.50
Oil Burner	260	1.30	400	20.00
Radio (Tube-type)	85	0.43	85	4.25
Radio (Solid State)	20	0.10	20	1.00
Radio-Phonograph (Tube-type)	115	0.58	115	5.75
Radio-Phonograph (Solid State)	60	0.30	60	3.00
Range (1)	12000	21 ¢ a day	1550	77.50
Refrigerator Single Door (Manual Defrost 12 cu ft)	120(3)	0.60	590	29.50
Refrigerator Single Door (Automatic Defrost 12 cu ft)	180(3)	0.90	790	39.50
Refrigerator-Freezer (Two outside doors completely frost free)				
14 cu ft	300(3)	1.50	1580	79.00
19 cu ft	430(3)	2.15	2260	113.00
Refrigerator-Freezer (Two outside doors-only refrigerator frost free)				
14 cu ft	270(3)	1.35	830	41.50
19 cu ft	390(3)	1.95	1195	59.75
Roaster	1400	7.00	280	14.00
Sewing Machine	75	0.38	10	0.50
Shaver	10	0.05	1	0.05
Sun Lamp	300	1.50	15	0.75
Television (Black and White)	230	1.15	400	20.00
Television (Color)	300	1.50	540	27.00
Toaster	1100	5.50	40	2.00
Vacuum Cleaner	600	3.00	48	2.40
Waffle Iron	1100	5.50	22	1.10
Washer (Automatic)	500	2.50	115	5.75
Washer (Non-automatic)	280	1.40	70	3.50
Water Heater (2500 W) (2)	2500	-	4800	-
Water Heater (Quick Recovery) (2)	4500	-	5600	-

On thermostatically-controlled appliances, the current is automatically turned on and off during operation of the appliance. Thus the actual cost for each hour of operation will be somewhat lower than that shown.

(1) The average wattage shown covers all surface units and the oven in operation at the same time. Actually since all units and the oven are not frequently used at the same time, the average wattage will be lower than that shown. The cost is figured on assumed normal use and shown as a daily cost in the case of ranges only.

(2) Operating costs not shown because of the different rates under which service is available (WH, RS, RHS).

(3) Average running watts.

Revised September 24, 1974
Attached to Letter C&M74-2-72
Dated September 25, 1974

Void Sheet dated October 29, 1971

RATE RS - RESIDENTIAL SERVICE
ANALYSIS BY FREQUENCY OF USE
REGULAR MONTHLY BILLS ONLY
MONTH OF JANUARY TO DECEMBER 1975

Exhibit PS - 3
Docket No. 7512-1257

BLOCK KILOWATT HOURS	NUMBER OF CUSTOMER BILLS	KILOWATT HOURS
0	80,945	0
2	14,258	28,514
4	10,802	43,203
6	9,488	56,924
8	8,419	67,347
10	10,455	104,545
12	7,510	90,118
14	7,949	111,286
0-14	149,826	501,937
16	7,632	122,107
18	7,506	135,105
20	11,604	232,079
0-20	176,568	991,228
22	8,246	181,409
24	9,156	219,743
26	9,635	250,506
28	9,645	270,056
30	15,177	455,309
32	11,476	367,228
34	12,630	429,416
36	13,474	485,064
38	13,686	520,067
40	21,784	871,355
0-40	301,477	5,041,381
42	16,122	677,122
44	18,163	799,169
46	19,264	886,138
48	19,215	922,316
50	31,347	1,567,344
51- 60	134,240	7,583,905
61- 70	164,447	10,921,396

BLOCK KILOWATT HOURS	NUMBER OF CUSTOMER BILLS	KILOWATT HOURS
71- 80	192,148	14,679,126
81- 90	210,615	18,178,809
91- 100	250,439	24,219,039
0- 100	1,357,477	85,475,745
101- 150	1,283,111	163,091,379
151- 200	1,439,476	255,457,191
201- 250	1,408,112	319,045,955
251- 300	1,410,980	391,442,527
0- 300	6,899,156	1214,512,797
301- 400	2,429,812	852,667,844
401- 500	1,867,941	840,877,496
501- 600	1,332,376	732,221,862
601- 700	906,392	588,456,529
701- 800	604,337	452,729,044
801- 900	401,763	341,189,498
901- 1,000	277,504	263,691,622
0- 1,000	14,719,281	5,286,346,692
1,001- 1,100	187,006	196,206,055
1,101- 1,200	135,991	156,405,764
1,201- 1,300	98,764	123,431,538
1,301- 1,400	75,794	102,339,506
1,401- 1,500	59,627	86,504,862
1,501- 1,600	46,572	72,206,384
1,601- 1,700	36,616	60,417,577
1,701- 1,800	29,855	52,265,871
1,801- 1,900	24,278	44,922,190
1,901- 2,000	21,413	41,835,549
2,001- 5,000	99,556	256,701,592
5,001-10,000	2,021	12,634,393
OVER-10,000	253	5,397,720
TOTAL	15,537,027	6,497,615,693

1975 Residential Appliance Saturation Study
Respondents by Income Level
Total Electric Area

Total Respondents - Electric Area 19,219

<u>Total Family Income</u>	<u>%</u>
Up to \$ 5,000	12.8
\$ 5,001 to \$ 9,000	14.8
\$ 9,001 to \$15,000	23.7
\$15,001 to \$22,000	15.1
Over \$22,000	12.1
No Response	21.5

Total Respondents to Income Question - 15,095

	<u>Respondents</u>	<u>%</u>	<u>*Estimated Number of Customers</u>
Up to \$ 5,000	2459	16.3	235,570
\$ 5,001 to \$ 9,000	2844	18.8	271,700
\$ 9,001 to \$15,000	4555	30.2	436,454
\$15,001 to \$22,000	2908	19.3	278,926
Over \$22,000	2329	15.4	222,563
		100.0	1,445,213**

*Public Service Electric Area

**Est. Average Number of Customers - 1975

1975 Residential Appliance Saturation Study
Total Electric Customers by Income Level and Average
Monthly Kilowatthour Use - Twelve Month Period

<u>Kilowatthour</u> <u>Use</u>	<u>Percent of Customers</u>				
	<u>Up to</u> <u>\$5,000</u>	<u>\$5,001</u> <u>to</u> <u>\$9,000</u>	<u>\$ 9,001</u> <u>to</u> <u>\$15,000</u>	<u>\$15,001</u> <u>to</u> <u>\$22,000</u>	<u>Over</u> <u>\$22,000</u>
0 - 40	1.3	1.1	0.3	0.3	0.3
41 - 70	3.5	1.7	1.1	0.6	0.2
71 - 100	7.0	3.9	1.8	0.8	0.7
101 - 200	29.7	20.4	13.0	7.3	3.6
201 - 300	24.1	21.9	16.4	12.3	7.3
301 - 400	16.2	18.9	18.3	14.7	11.1
401 - 500	8.7	12.1	16.8	14.8	10.8
501 - 1,000	8.6	18.5	28.8	41.8	44.0
Over 1,000	0.9	1.5	3.5	7.4	22.0
	100.0	100.0	100.0	100.0	100.0

Estimated Average Number of Customers

0 - 40	3,062	2,989	1,309	837	668
41 - 70	8,245	4,619	4,801	1,674	445
71 - 100	16,490	10,596	7,856	2,231	1,558
101 - 200	69,965	55,427	56,739	20,361	8,012
201 - 300	56,772	59,502	71,578	34,308	16,247
301 - 400	38,162	51,351	79,872	41,002	24,704
401 - 500	20,495	32,876	73,324	41,281	24,037
501 - 1,000	20,259	50,264	125,699	116,591	97,928
Over 1,000	2,120	4,076	15,276	20,641	49,964
	235,570	271,700	436,454	278,926	223,563

APPLIANCE SATURATION BY KWHR - USE BLOCK

TOTAL ELECTRIC CUSTOMERS
ANNUAL INCOME UP TO \$5,000

Sheet 1 of 4

(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY KILOWATTHOUR USE - TWELVE MONTHS PERIOD									Total
	0-40	41-70	71-100	101-200	201-300	301-400	401-500	501-1000	Over 1000	
Number of Respondents	32	87	171	731	592	398	214	211	23	2459
Percent of Total Respondents	1.3	3.5	7.0	29.7	24.1	16.2	8.7	8.6	.9	100.0
Number of People in Home:										
One Person	62.5	70.1	64.3	43.0	25.0	16.8	11.7	11.9	4.4	31.4
Two Persons	9.4	16.1	25.2	33.7	41.1	41.2	36.0	30.8	43.5	35.2
Three Persons	9.4	6.9	3.5	11.8	16.2	21.4	23.8	22.3	13.0	15.6
Four Persons	6.3	1.2	1.2	4.4	7.8	9.1	7.9	10.9	8.7	6.6
Five Persons	6.3	.0	1.8	2.9	4.6	5.5	7.5	8.5	4.4	4.5
Six or More	6.3	5.6	2.9	2.7	4.7	3.5	11.7	14.2	21.7	5.5
Type of Heating System:										
Forced Warm Air	9.4	12.6	5.3	13.8	19.6	23.9	26.2	30.8	13.0	18.7
Hot Water or Steam	56.3	66.7	71.4	68.3	66.6	65.3	62.2	54.0	47.8	65.4
Individual Room Heaters	18.8	8.1	8.8	5.9	4.1	3.3	4.7	5.7	26.1	5.5
Through the Wall										
Heating and Cooling	.0	2.3	1.2	.4	1.0	1.0	2.8	2.4	4.4	1.2
Principal Fuel Used for										
Space Heating:										
Gas	31.3	25.3	28.1	29.6	32.1	39.5	39.7	32.7	17.4	32.6
Electricity	.0	.0	.6	.3	.5	.5	.5	6.6	39.1	1.3
Oil	31.3	39.1	41.5	41.5	49.2	46.5	44.9	54.0	43.5	45.3
Heat Furnished by Landlord	31.3	28.7	25.7	24.1	16.7	11.8	13.6	5.2	.0	17.9
Room Heaters:										
Gas Room Heaters										
One	15.6	6.9	8.2	4.1	5.1	4.0	5.6	2.4	.0	4.8
Two	3.1	.0	1.2	2.2	2.0	2.0	.0	1.9	.0	1.8
Three or More	.0	.0	.0	1.0	.7	1.0	1.4	.0	.0	.7
Total *	21.9	6.9	10.5	11.4	11.1	11.1	9.8	6.2	.0	10.5
Electric Room Heaters										
One	.0	1.2	6.4	4.5	4.7	4.5	5.6	8.5	13.0	5.0
Two	.0	.0	.0	.3	.7	2.3	.9	4.7	4.4	1.1
Three or More	.0	.0	.6	.7	.3	.0	.0	1.0	17.4	.6
Total *	.0	1.2	8.2	7.1	7.1	9.0	7.5	20.9	73.9	9.0
Oil Room Heaters										
One	.0	.0	1.2	1.2	.5	.5	1.9	.0	4.4	.9
Two	.0	.0	.0	.6	.2	.5	.0	.0	.0	.3
Three or More	.0	1.2	.6	1.8	2.5	1.5	2.8	2.8	.0	2.0
Total *	.0	3.4	2.9	7.7	8.4	6.0	10.3	8.5	4.3	7.3

*Number of appliances per 100 residences.

APPLIANCE SATURATION BY KWHR-USE BLOCK

TOTAL ELECTRIC CUSTOMERS

ANNUAL INCOME UP TO \$5,000

Sheet 2 of 4

(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY KILOWATTHOUR USE - TWELVE MONTHS PERIOD									Total
	0-40	41-70	71-100	101-200	201-300	301-400	401-500	501-1000	Over 1000	
Number of Respondents	32	87	171	731	592	398	214	211	23	2459
Percent of Total Respondents	1.3	3.5	7.0	29.7	24.1	16.2	8.7	8.6	.9	100.0
Gas Space Heater in Kitchen Range	15.6	12.6	11.7	8.3	6.8	5.8	6.5	4.3	.0	7.4
Water Heaters:										
Gas										
Automatic	40.6	26.4	33.3	38.9	46.1	58.3	47.2	54.5	26.1	44.9
Nonautomatic	.0	3.5	1.2	1.2	1.0	.0	.9	.5	.0	.9
Electric	.0	.0	.6	.6	1.9	2.5	2.8	11.4	39.1	2.6
Oil	18.8	23.0	23.4	23.8	29.9	24.6	28.0	26.1	39.1	26.0
No Water Heater	.0	.0	.6	.4	.7	.3	1.4	2.4	.0	.7
Hot Water Furnished by Landlord	50.0	44.8	41.5	34.5	22.0	17.3	18.2	9.0	.0	25.8
Ranges:										
Gas	100.0	94.3	90.1	94.1	89.2	85.4	79.0	71.6	30.4	87.5
Electric	.0	2.3	7.6	5.1	9.5	13.3	18.7	26.5	60.9	11.0
Automatic Self-Clean or Continuous Clean Oven:										
Gas	.0	2.3	2.3	3.2	4.6	5.8	4.7	6.2	17.4	4.3
Electric	.0	.0	.6	.7	1.5	2.0	2.8	8.1	30.4	2.2
Refrigerators:										
Single Door (Manual Defrost)	81.3	88.5	90.6	74.6	56.4	39.2	37.9	40.8	52.2	59.9
Single Door (Automatic Defrost)	9.4	3.5	8.2	16.4	20.8	28.9	22.9	30.8	34.8	20.3
Refrigerator-Freezer (Two Outside Doors-Completely Frost-Free)	0.0	5.8	8.2	16.7	31.9	49.5	53.3	57.3	65.2	31.6
Refrigerator-Freezer (Two Outside Doors-Only Refrigerator Frost-Free)	6.3	5.7	4.7	14.0	19.3	15.8	22.4	19.9	21.7	15.8
Separate Food Freezer	3.1	2.3	1.2	3.3	9.6	16.8	15.9	28.9	39.1	10.5
Electronic ("Microwave") Oven	.0	.0	.6	.8	.8	.3	1.9	1.0	.0	.8
Central Refrigerated-Air Cooling Systems:										
Gas	.0	.0	.0	.1	.3	.5	.5	1.0	.0	.3
Electric	3.1	2.3	.0	2.3	4.2	5.0	10.3	12.8	39.1	5.0
Cooling Furnished by Landlord	.0	1.2	1.2	1.0	.5	.0	.5	.0	.0	.6

APPLIANCE SATURATION BY KWHR-USE BLOCK

TOTAL ELECTRIC CUSTOMERS

ANNUAL INCOME UP TO \$5,000

Sheet 3 of 4

(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY KILOWATTHOUR USE - TWELVE MONTHS PERIOD									Total
	0-40	41-70	71-100	101-200	201-300	301-400	401-500	501-1000	Over 1000	
Number of Respondents	32	87	171	731	592	398	214	211	23	2459
Percent of Total Respondents	1.3	3.5	7.0	29.7	24.1	16.2	8.7	8.6	.9	100.0
Room Air Conditioners:										
Living Room										
One	18.8	8.1	24.0	27.6	33.1	38.7	42.1	40.8	34.8	32.1
Two	.0	.0	.6	.6	1.7	1.5	2.3	1.4	8.7	1.3
Total *	18.8	8.1	25.1	28.7	36.5	41.7	46.7	43.6	52.2	34.6
Bedroom										
One	9.4	6.9	11.7	19.0	20.6	31.2	28.5	28.9	13.0	21.9
Two	.0	.0	1.8	1.1	2.0	3.8	6.5	10.4	8.7	3.1
Three or More	.0	.0	.0	.8	.2	.0	1.4	1.4	4.4	.6
Total *	9.4	6.9	15.2	23.7	25.2	38.7	45.8	54.0	43.5	29.8
Any Other Location										
One	3.1	.0	2.3	4.8	8.3	12.1	8.9	20.4	13.0	8.2
Two	.0	.0	.6	.6	.7	1.0	1.4	2.4	4.4	.9
Three or More	.0	.0	1.2	.0	.2	.8	.0	.5	.0	.3
Total *	3.1	.0	7.0	5.9	10.1	16.3	11.7	26.5	21.7	10.9
Total Room Air Conditioners *	31.3	14.9	43.9	58.3	71.8	96.7	104.2	124.2	117.4	75.3
Dehumidifiers	.0	.0	.6	1.8	3.9	5.5	9.8	8.5	8.7	4.1
Fans:										
Attic Exhaust Fan	3.1	.0	2.3	3.8	5.9	6.8	8.4	8.1	4.3	5.3
Large Window Fan	18.8	24.1	24.6	28.9	32.8	31.9	31.3	30.8	26.1	30.1
Floor Fan	21.9	27.6	40.4	32.4	31.6	32.4	29.0	22.3	17.4	31.2
Clothes Washers:										
Fully Automatic	18.8	9.2	23.4	36.7	55.2	68.3	77.6	74.4	87.0	51.4
Nonautomatic	12.5	12.6	7.0	9.7	9.5	7.3	4.2	2.4	4.4	8.1
Laundry Room	3.1	9.2	11.7	7.4	4.4	1.5	1.9	3.3	4.4	5.2
Clothes Dryers:										
Gas	.0	.0	2.3	7.1	13.2	17.6	25.2	27.0	30.4	13.1
Electric	6.3	1.2	.6	3.7	7.1	13.1	18.7	27.5	43.5	9.5
Laundry Room	3.1	12.6	10.5	6.0	3.6	1.3	1.9	3.3	4.4	4.6
Dishwashers:										
Built-In	.0	.0	.6	1.4	2.4	4.5	7.9	10.9	39.1	3.7
Portable	.0	.0	.0	1.2	1.7	3.8	5.1	8.1	.0	2.5

*Number of appliances per 100 residences.

APPLIANCE SATURATION BY KWHR-USE BLOCK
TOTAL ELECTRIC CUSTOMERS
ANNUAL INCOME UP TO \$5,000

Sheet 4 of 4

(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY KILOWATTHOUR USE - TWELVE MONTHS PERIOD									
	0-40	41-70	71-100	101-200	201-300	301-400	401-500	501-1000	Over 1000	Total
Number of Respondents	32	87	171	731	592	398	214	211	23	2459
Percent of Total Respondents	1.3	3.5	7.0	29.7	24.1	16.2	8.7	8.6	.9	100.0
Television Sets:										
Black and White										
One	59.4	80.5	79.0	63.3	56.1	51.5	50.0	42.2	30.4	58.0
Two	6.3	2.3	3.5	7.9	10.0	14.3	14.0	17.1	17.4	10.3
Three or More	.0	.0	.0	1.1	1.4	1.5	1.9	4.7	.0	1.5
Total *	71.9	85.1	86.0	82.5	80.1	84.7	83.6	90.5	65.2	83.1
Color										
One	25.0	12.6	22.8	35.8	50.8	58.9	66.4	55.5	52.2	45.8
Two	.0	1.2	.0	1.0	3.0	5.3	6.1	11.4	21.7	3.6
Total *	25.0	14.9	22.8	37.8	56.9	69.1	78.5	78.2	95.7	53.0
Outside Post Lamps:										
Electric										
One	6.3	10.3	4.7	7.7	10.3	13.3	14.0	22.3	8.7	10.9
Two	.0	1.2	.6	1.2	2.0	4.0	1.9	4.7	.0	2.2
Three or More	.0	.0	1.2	1.5	.7	.8	1.9	1.4	4.4	1.1
Total *	6.3	12.6	9.4	14.6	16.4	23.6	23.4	36.0	21.7	18.6
Gas										
One	.0	1.2	.6	1.4	1.0	.8	1.4	1.9	4.4	1.2
Two	.0	.0	.0	.3	.0	.8	.0	1.0	.0	.3
Three or More	.0	.0	1.2	.0	.0	.0	.0	.0	.0	.1
Total *	.0	1.2	4.1	1.9	1.0	2.3	1.4	3.8	4.4	2.0
Outdoor Gas-Fired Grills	.0	.0	.0	.4	.8	1.5	2.3	3.8	17.4	1.3

42x

*Number of appliances per 100 residences.

IN THE MATTER OF THE BOARD'S INVESTIGATION
INTO THE FEASIBILITY OF "LIFELINE" RATES
FOR CERTAIN GAS AND ELECTRIC UTILITY CUSTOMERS
DOCKET NO. 7512-1257

SWORN SUPPLEMENTAL DIRECT TESTIMONY OF
GEORGE CLARKSON
GENERAL MANAGER - RATES
PUBLIC SERVICE ELECTRIC AND GAS COMPANY

February 20, 1976

SUPPLEMENTAL DIRECT TESTIMONY OF
GEORGE CLARKSON
GENERAL MANAGER - RATES

1. Q. Mr. Clarkson, you have previously been sworn as a Witness
2. in these Proceedings, have you not?

3. A. I have.

4. Q. You have stated in your Direct Testimony your educational
5. background, qualifications, and experience, have you not?

6. A. I have.

7. Q. Would you please state the purpose of this Supplemental
8. Direct Testimony.

9. A. The purpose of this Supplemental Direct Testimony is to
10. introduce three other Exhibits which provide information
11. on low income Gas customers.

12. Exhibit PS-7 shows for Gas customers, similar to the
13. Electric customers on Exhibit PS-4, that extrapolating
14. sample results at universe proportions from the
15. Residential Appliance Saturation Survey for the year 1975,
16. that approximately 180,000 average number of Gas customers
17. in 1975 had total family income only up to \$5,000.

18. Exhibit PS-8 shows the Total Gas Customers By Income
19. Level and Average Monthly Therm Use and is the Gas
20. companion piece to the Electric customers shown on
21. Exhibit PS-5.

22. Exhibit PS-9, consisting of four pages, shows the
23. 1975 Saturation by Kilowatthour Use Block for Total Gas
24. Customers whose annual family income is up to \$5,000.

25. Q. Now that you have provided Exhibits on Gas customers

1. similar to Electric, are you prepared to comment upon the
2. four areas addressed by former Commissioner Grossi at the
3. hearing on Monday, January 19, 1976?

4. A. I am. First, let me state, however, that I had previously
5. replied in my Direct Testimony to the Order of the Board
6. in this Docket as I interpreted it, without benefit of
7. the Commissioner's review of the areas to be covered.

8. Q. Would you now review the first area of concern expressed
9. by the Commissioner.

10. A. Yes. The first indication is that the Board wishes to
11. explore whether or not low income individuals consume
12. less gas and electricity than affluent persons or do
13. they not, and, if not, would some of the low income
14. people be hurt as a result of implementing lifeline
15. rates.

16. A review of Exhibit PS-5 for Electric and Exhibit
17. PS-8 for Gas would seem to give somewhat of a handle
18. on this important question.

19. It would appear that there is no question that
20. low income, or people with family income up to \$5,000,
21. use less kilowatthours on the average than people with
22. higher income.

23. This can be seen by comparing the Percent of Customers
24. tabulation on Exhibit PS-5. It shows that the largest
25. bracket of kilowatthour use is between 100 to 400

1. kilowatthours for customers with incomes up to \$5,000,
2. while customers with incomes over \$22,000 have their
3. largest kilowatthour use from 500 kilowatthours and up.
4. On the basis of this Exhibit, I would conclude that there
5. is a correlation between income and use of electricity
6. and that lower income people tend to consume, on the average,
7. less kilowatthours than affluent people in PSE&G Electric
8. territory.

9. Q. What other conclusion do you draw from this Exhibit, Mr.
10. Clarkson?

11. - A. I conclude that while there is less consumption at lower
12. income, the consumption is not in a uniform pattern. In
13. other words, there are people at the low income level
14. who use electric energy throughout the entire defined
15. spectrum of kilowatthour use, and it would seem to me,
16. therefore, that there is no question that unless many
17. low income people were to curtail their use of service
18. to fit into a fixed lifeline use level, that they would
19. be placed in a rate disadvantage.

20. Q. Turning now to Gas on Exhibit PS-8, what conclusions do
21. you draw from these results?

22. A. I conclude that low income users in Gas have a slightly
23. different pattern. If we look in the columns under Percent
24. of Customers, we can notice a large grouping of low income
25. customers in the 2.1 to 17 therm use blocks, but there is

1. also a similar large grouping in the 50 to 200 therms
2. use blocks. As we go up the spectrum of family income,
3. we notice that the large use at the lower end from 2.1 to 17
4. gradually diminishes while the grouping from 50 to 200
5. increases dramatically.

6. Q. What is the reason for this phenomenon, Mr. Clarkson?

7. A. It would appear that low income users in PSE&G gas territory
8. have a great preponderance of ranges, which use a small
9. amount of monthly therms, but there is also some heating
10. use at this lower income level. As people become more
11. affluent there tends to be more and more of a saturation
12. of heating and less of a saturation of range or other use.
13. However, I would still offer the same observation as in
14. discussing Exhibit PS-5, namely, that irrespective of the
15. movement of use by income level, low income customers
16. still have use throughout the entire spectrum of gas
17. consumption. Therefore, I would observe again that
18. unless some of these customers were willing to curtail
19. or modify their type of usage, or unless this Board were
20. to establish different levels for heating and range use
21. in the case of gas, that some of these customers would
22. be hurt by the application of a lifeline type of rate
23. structure.

24. Q. In order to close out the first area of Board concern,
25. Mr. Clarkson, would you comment on former Commissioner

1. Grossi's statement regarding, "whether lifeline rates
2. would actually benefit those needy or on fixed income."
3. A. Yes. It appears that we keep getting mixed up with things
4. called "needy" or "fixed income people", and then referring
5. to "low income people." It seems to me that these are two
6. entirely separate matters.

7. Testimony was submitted by me in Docket No. 757-735,
8. which has been incorporated by reference here, in that
9. Docket's Exhibit PS-1 as to the problems of identifying
10. needy or fixed income people. We have exactly the same
11. problem in this particular Docket. I believe our Exhibits
12. can help the Board come to a conclusion regarding the fact
13. that low income people use less electricity or gas than
14. more affluent people. As to whether or not low income
15. identifies with "needy" or "fixed income people" is a
16. demographic area which, as we testified, PSE&G is not
17. prepared to answer - principally because we do not have
18. this identification information on our customers.

19. Q. Would you now turn to the second area of concern which was
20. expressed on January 19th?

21. A. The second area of concern, as I understand it, is that of
22. setting and policing various levels of consumption which
23. would qualify for low use discounts. In addition, it
24. would appear that the Board wishes information on maximum
25. use, and whether adjustments should be made for various

1. differentiations between family size and other
2. demographic matters.

3. Inso far as maximum figures for potential discounts .
4. are concerned, it would be possible to identify various
5. appliance combinations and then attempt to establish
6. levels of electric or gas use: For the basic use of
7. 150 kilowatthours and 9 therms that I have previously
8. testified to; basic use plus gas water heating of an
9. amount of 35 therms that I have previous testified to;
10. and then various adjustments for either electric or gas
11. space heating based upon some level of kilowatthours or
12. therms per degree day. I might add here that I am assuming
13. because of the small amount of electric water heating in
14. our service area that it would not be included. An
15. amount could be picked up to set up the category including
16. electric water heating, if desired.

17. The point, however, that I am trying to make here
18. is that adjustments, in my opinion, should not be made
19. on the basis of demographic data. As long as we are
20. committed to establishing electric or gas energy use as
21. the criteria for giving a lifeline rate, then it should
22. be predicated upon a combination of appliances that most
23. probably would produce certain levels of kilowatthours
24. or therms. In this area, therefore, I feel that we should
25. be dealing with average conditions. There will always

1. be some people outside the normal distribution. I am
2. not sure how it is possible to include everything in this
3. category unless some changes are made either in patterns
4. of usage or conformance to a given fixed Rate Schedule
5. such as the type I proposed in my Direct Testimony.

6. Q. Would you now address yourself to the third area of concern
7. as explained by former Commissioner Grossi?

8. A. Yes. I understand the third area of concern to raise
9. questions as to whether the implementation of lifeline
10. would encourage a wasteful use of electricity or gas or
11. if the advantages of such a plan outweigh the disadvantages.

12. Under the lifeline rate form that I have previously
13. proposed, there would not be an inordinate amount of
14. wasted usage as such usage would create a severe economic
15. penalty to a customer who exceeded a fixed limit of
16. lifeline value. As to the question of whether or not
17. the advantages of such a plan outweigh the disadvantages,
18. certainly there is an advantage to a group of customers
19. who can qualify. Disadvantages accrue to other customers
20. who would have to pick up the difference in subsidy.

21. Q. Mr. Clarkson, the fourth area of concern addresses itself
22. to the question of New Jersey Statutes and New Jersey
23. Federal Court Decisions regarding preferential treatment
24. of certain classes of customers. Would you care to
25. comment on this?

1. A. Yes. I do not feel qualified to address myself to the
2. legality of such a plan, although Exhibit PS-1 in Docket
3. No. 757-735 does include a Section on "Statutory Limita-
4. tions of Rate Design" prepared by our legal staff. From
5. a rate person's point of view, however, there is no
6. question in my mind that such treatment is discriminatory
7. and it also raises questions regarding other groups
8. requesting or vying for specific preferential treatment
9. in the future.
10. Q. Does this conclude your Supplemental Direct Testimony?
11. A. Yes, it does.
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1975 Residential Appliance Saturation Study
Respondents by Income Level
Total Gas Area

Total Respondents - Gas Area 16,026

<u>Total Family Income</u>	<u>%</u>
Up to \$5,000	12.4
\$5,001 to 9,000	14.1
\$9,001 to 15,000	22.6
\$15,001 to 22,000	15.1
Over \$22,000	14.3
No Response	21.5

Total Respondents to Income Question - 12,575

	<u>Respondents</u>	<u>%</u>	<u>*Estimated Number of Customers</u>
Up to \$5,000	1985	15.8	179,688
\$5,001 to \$9,000	2264	18.0	204,708
\$9,001 to 15,000	3624	28.8	327,533
\$15,001 to 22,000	2409	19.2	218,356
Over \$22,000	2293	18.2	206,983
		100.0	1,137,268**

*Public Service Gas Area

**Average Number of Customers - 1975

1975 Residential Appliance Saturation Study
Total Gas Customers by Income Level and Average
Monthly Therm Use - Twelve Month Period

Percent of Customers

<u>Therm Use</u>	<u>Up to \$5,000</u>	<u>\$5,001 to \$9,000</u>	<u>\$9,001 to \$15,000</u>	<u>\$15,001 to \$22,000</u>	<u>Over \$22,000</u>
0 - 2.0	4.7	3.2	2.4	1.1	1.1
2.1 - 5.0	16.9	14.8	11.2	6.9	3.3
5.1 - 9.0	12.9	12.4	10.6	6.3	3.0
9.1 - 17.0	11.5	9.6	7.6	5.5	4.1
17.1 - 26.0	8.2	7.0	5.1	3.8	2.6
26.1 - 50.0	9.5	11.9	11.3	11.4	8.9
50.1 - 90.0	15.2	12.6	11.0	9.6	6.5
90.1 - 200.0	19.9	26.8	38.0	51.2	57.0
Over 200.0	1.2	1.7	2.8	4.2	13.5
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Average Number of Customers - 1975

0 - 2.0	8,509	6,601	7,863	2,357	2,257
2.1 - 5.0	30,416	30,381	36,513	15,047	6,860
5.1 - 9.0	23,264	25,317	34,525	13,868	6,320
9.1 - 17.0	20,639	19,711	25,035	11,965	8,485
17.1 - 26.0	14,755	14,286	16,810	8,248	5,326
26.1 - 50.0	17,018	24,323	37,055	24,926	18,415
50.1 - 90.0	27,248	25,769	35,971	21,029	13,540
90.1 - 200.0	35,757	54,884	124,542	111,852	117,889
Over 200.0	2,082	3,436	9,219	9,064	27,893
	<u>179,688</u>	<u>204,708</u>	<u>327,533</u>	<u>218,356</u>	<u>206,983</u>

APPLIANCE SATURATION BY THERM-USE BLOCK
TOTAL GAS CUSTOMERS
ANNUAL INCOME UP TO \$5,000

(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY USE - THERMS - TWELVE MONTHS PERIOD								Total
	0-2.0	2.1-5.0	5.1-9.0	9.1-17.0	17.1-26.0	26.1-50.0	50.1-90.0	90.1-200.0	
Number of Respondents	94	336	257	228	163	188	301	395	1985
Percent of Total Respondents	4.7	16.9	12.9	11.5	8.2	9.5	15.2	19.9	100.0
Number of People in Home:									
One Person	68.1	45.2	20.2	35.5	22.1	15.4	27.6	23.3	29.8
Two Persons	16.0	35.7	38.1	22.8	46.0	27.1	35.9	39.0	34.3
Three Persons	4.3	10.4	23.7	14.5	17.8	23.9	17.3	18.5	16.9
Four Persons	1.1	4.2	9.7	8.8	4.3	8.5	7.3	7.1	6.8
Five Persons	3.2	1.5	3.9	9.2	4.3	10.1	5.0	5.1	5.1
Six or More	6.4	1.5	3.5	7.9	3.1	13.3	6.3	5.8	5.8
Type of Heating System:									
Forced Warm Air	2.1	1.2	7.4	14.0	31.9	25.0	36.2	26.3	18.8
Hot Water or Steam	92.6	88.4	81.3	72.4	55.2	45.2	37.5	60.8	65.7
Individual Room Heaters	1.1	.3	2.3	4.8	3.7	13.8	16.3	4.3	5.9
Through the Wall									
Heating and Cooling	1.1	.3	.8	.0	.6	.5	.3	3.3	1.1
Principal Fuel Used for									
Space Heating:									
Gas	3.2	2.7	4.7	5.3	6.8	33.5	85.7	97.7	39.1
Electricity	.0	.6	.0	.0	.0	.0	.3	.0	.2
Oil	53.2	57.4	63.0	66.2	82.8	52.7	9.6	1.0	41.5
Heat Furnished by Landlord	38.3	35.1	28.4	24.6	8.6	9.6	3.7	.8	16.6
Room Heaters:									
Gas Room Heaters									
One	1.1	.6	.4	4.4	3.7	10.1	15.0	5.6	5.4
Two	.0	.9	.8	.9	1.8	2.1	5.3	2.5	2.1
Three or More	.0	.3	1.2	.0	.0	1.6	1.7	1.5	.9
Total *	1.1	3.3	5.5	6.2	7.4	19.2	30.6	15.2	12.4
Electric Room Heaters									
One	5.3	4.2	4.3	5.3	4.3	6.9	4.3	4.1	4.6
Two	1.1	.0	.8	.4	.0	1.1	2.3	.8	.9
Three or More	.0	.3	.0	.4	.6	1.1	.0	.0	.3
Total *	7.4	5.1	5.8	7.5	6.1	12.2	9.0	5.6	7.2
Oil Room Heaters									
One	3.2	.0	1.2	.9	1.8	1.6	.0	.0	.7
Two	.0	.6	1.2	.0	.6	.5	.0	.0	.4
Three or More	2.1	2.1	3.5	2.2	3.1	4.3	1.3	.3	2.1
Total *	9.6	7.4	14.0	7.5	12.3	15.4	4.0	.8	7.6

Number of appliances per 100 residences.

APPLIANCE SATURATION BY THERM-USE BLOCK

TOTAL GAS CUSTOMERS

ANNUAL INCOME UP TO \$5,000

(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY USE - THERMS - TWELVE MONTHS PERIOD									Total
	0-2.0	2.1-5.0	5.1-9.0	9.1-17.0	17.1-26.0	26.1-50.0	50.1-90.0	90.1-200.0	Over-200	
Number of Respondents	94	336	257	228	163	188	301	395	23	1985
Percent of Total Respondents	4.7	16.9	12.9	11.5	8.2	9.5	15.2	19.9	1.2	100.0
Space Heater in Kitchen Range	3.2	2.7	3.1	10.1	9.8	20.2	15.6	5.3	4.4	8.4
Water Heaters:										
Gas										
Automatic	6.4	8.0	15.6	31.1	63.8	70.7	85.4	93.7	91.3	51.8
Nonautomatic	.0	.3	.8	1.8	1.2	1.6	1.7	.5	.0	1.0
Electric	.0	.0	1.2	.4	.6	.0	1.3	1.0	.0	.7
Oil	29.8	39.9	42.8	36.4	28.8	16.0	3.0	.8	.0	22.4
No Water Heater	.0	.6	2.3	.9	.0	.5	.3	.5	.0	.7
Hot Water Furnished by Landlord	63.8	52.7	40.1	34.2	11.7	9.0	6.6	2.0	8.7	24.4
Ranges:										
Gas	92.6	98.8	96.1	94.7	92.6	96.3	90.0	88.9	91.3	93.6
Electric	5.3	.9	3.1	4.4	7.4	3.2	9.6	10.1	8.7	5.8
Automatic Self-Clean										
or Continuous Clean Oven:										
Gas	1.1	2.4	5.8	4.4	4.9	4.3	4.0	5.6	21.7	4.5
Electric	2.1	.6	.0	1.3	1.2	1.1	1.0	3.0	.0	1.3
Refrigerators:										
Single Door (Manual Defrost)	72.4	63.1	56.0	59.2	54.6	65.4	56.8	59.3	52.2	59.9
Single Door (Automatic Defrost)	12.8	17.6	18.7	26.3	19.0	16.0	25.9	19.2	30.4	20.2
Refrigerator-Freezer (Two Outside Doors-Completely Frost-Free)	12.8	25.6	38.9	29.8	33.1	36.7	30.2	34.7	47.8	31.6
Refrigerator-Freezer (Two Outside Doors-Only Refrigerator Frost-Free)	8.5	12.2	14.0	18.9	20.9	18.6	17.9	16.7	26.1	16.3
Separate Food Freezer	4.3	5.4	9.0	13.6	18.4	9.0	11.3	13.7	13.0	10.8
Electronic ("Microwave") Oven	1.1	.3	.4	.9	1.2	1.1	1.0	.8	.0	.8
Central Refrigerated-Air-Cooling Systems:										
Gas	.0	.0	.0	.0	.0	.0	.7	1.0	.0	.3
Electric	4.3	.6	2.3	5.3	1.2	2.7	6.0	8.4	8.7	4.2
Cooling Furnished by Landlord	1.1	.3	.4	.0	.0	.5	.0	.0	.0	.2

APPLIANCE SATURATION BY THERM-USE BLOCK

TOTAL GAS CUSTOMERS

ANNUAL INCOME UP TO \$5,000

(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY USE - THERMS - TWELVE MONTHS PERIOD									Total
	0-2.0	2.1-5.0	5.1-9.0	9.1-17.0	17.1-26.0	26.1-50.0	50.1-90.0	90.1-200.0	Over-200	
Number of Respondents	94	336	257	228	163	188	301	395	23	1985
Percent of Total Respondents	4.7	16.9	12.9	11.5	8.2	9.5	15.2	19.9	1.2	100.0
Room Air Conditioners:										
Living Room										
One	33.0	33.3	30.4	26.3	27.0	28.7	30.2	26.8	26.1	29.3
Two	1.1	.6	.4	.9	1.8	.0	2.7	.8	8.7	1.1
Total *	35.1	34.5	31.1	28.1	30.7	28.7	35.6	28.4	43.5	31.5
Bedroom										
One	25.5	17.9	22.6	20.2	22.7	22.9	20.3	22.0	13.0	21.1
Two	2.1	.3	3.1	.4	3.7	3.7	2.7	5.8	17.4	3.0
Three or More	.0	.0	.8	.4	.6	1.1	1.3	.5	8.7	.7
Total *	29.8	18.5	31.1	22.4	31.9	33.5	29.6	35.2	73.9	29.3
Any Other Location										
One	2.1	5.7	7.8	7.9	9.2	11.7	7.6	8.9	8.7	7.9
Two	2.1	.3	1.2	.4	.6	1.1	2.0	1.0	4.4	1.1
Three or More	1.1	.3	.4	.0	.6	.0	.3	.3	4.4	.4
Total *	9.6	7.2	11.3	8.8	12.3	13.8	12.6	11.6	30.5	11.0
Total Room Air Conditioners *	74.5	60.1	73.6	59.2	74.8	76.0	77.7	75.2	147.9	71.9
Humidifiers	1.1	1.5	2.3	1.8	3.7	6.9	9.0	8.4	4.4	4.8
Fans:										
Attic Exhaust Fan	2.1	2.1	3.1	4.8	8.0	4.8	5.0	10.1	13.1	5.5
Large Window Fan	24.5	27.6	33.5	36.8	34.4	35.1	32.9	28.9	26.1	31.7
Floor Fan	33.0	32.7	30.0	36.0	35.0	31.4	29.2	29.9	26.1	31.6
Clothes Washers:										
Fully Automatic	24.5	27.7	47.1	54.8	61.4	59.0	62.1	69.6	78.3	53.1
Nonautomatic	4.3	4.8	5.8	10.5	6.8	10.6	10.0	10.1	4.4	8.1
Laundry Room	18.1	13.1	5.1	1.8	1.8	1.6	.7	.0	.0	4.3
Clothes Dryers:										
Gas	4.3	3.0	10.5	9.2	17.2	20.2	17.6	24.8	34.8	14.5
Electric	4.3	3.0	5.8	7.5	7.4	9.0	11.6	11.7	26.1	8.2
Laundry Room	14.9	11.0	3.5	2.2	.6	1.6	.3	.0	.0	3.5
Dishwashers:										
Built-In	2.1	1.2	2.3	3.5	3.7	4.3	4.0	7.1	17.4	3.9
Portable	3.2	1.2	2.3	.9	4.3	4.3	3.7	2.5	8.7	2.7

Number of appliances per 100 residences.

APPLIANCE SATURATION BY THERM-USE BLOCK
TOTAL GAS CUSTOMERS
ANNUAL INCOME UP TO \$5,000
(This Tabulation Represents Percent of Customers Having the Appliances)

	AVERAGE MONTHLY USE - THERMS - TWELVE MONTHS PERIOD								
	0-2.0	2.1-5.0	5.1-9.0	9.1-17.0	17.1-26.0	26.1-50.0	50.1-90.0	90.1-200.0	Over-200 Total
Number of Respondents	94	336	257	228	163	188	301	395	23
Percent of Total Respondents	4.7	16.9	12.9	11.5	8.2	9.5	15.2	19.9	1.2
Refrigeration Sets:									
Black and White									
One	63.8	61.3	58.8	58.3	54.6	61.7	58.1	53.7	52.2
Two	6.4	7.7	12.8	9.2	14.1	13.8	9.3	11.4	26.1
Three or More	.0	.6	.8	2.2	1.8	2.1	2.0	2.0	.0
Total *	76.6	78.6	86.8	83.3	88.3	95.8	82.7	82.5	104.4
Color									
One	33.0	41.1	45.1	42.1	47.2	45.7	51.8	48.1	52.2
Two	4.3	.6	3.9	5.7	3.1	6.4	3.0	4.8	13.0
Total *	41.5	42.3	52.9	53.5	53.4	58.5	57.8	37.7	78.3
Outside Post Lamps:									
Electric									
One	6.4	4.5	7.4	10.5	14.7	11.2	14.6	17.2	13.0
Two	1.1	1.2	3.5	2.6	2.5	3.7	1.7	3.0	4.4
Three or More	3.2	1.2	2.0	.4	.0	2.7	.3	.5	4.4
Total *	18.1	10.4	20.2	17.1	19.6	26.6	18.9	24.8	34.8
Gas									
One	1.1	.0	1.2	.4	1.2	2.1	1.0	2.3	.0
Two	.0	.0	.0	.4	.0	1.1	.0	.3	.0
Three or More	1.1	.0	.4	.0	.0	.0	.0	.0	.0
Total *	4.2	.0	2.3	1.3	1.2	4.3	1.0	2.8	.0
Indoor Grills:									
Gas	.0	.3	.8	2.2	1.2	2.1	1.0	1.5	13.0
Electric	1.1	.3	.4	.0	.0	.0	.3	.5	.0

Number of appliances per 100 residences.

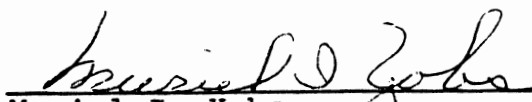
STATE OF NEW JERSEY)
 : SS.
COUNTY OF ESSEX)

I, George Clarkson, being first duly sworn, do hereby depose and say that the foregoing constitutes my prepared supplemental testimony in this proceeding, that the answers to the questions therein stated are my answers to such questions and are true and correct to the best of my knowledge, information, and belief.

I ask that the attached be considered as my sworn testimony in this proceeding.


George Clarkson

Sworn and subscribed to)
before me this 20th day)
of February, 1976.)


Muriel I. Yobs
Notary Public Of New Jersey
My Commission expires Sept. 8, 1979

(SEAL)

STATEMENT OF ATLANTIC CITY ELECTRIC COMPANY BEFORE THE COMMITTEE
ON TRANSPORTATION AND COMMUNICATIONS OF THE ASSEMBLY OF THE STATE OF NEW
JERSEY REGARDING PUBLIC UTILITY RATES.

AUG 12 1976

My name is Joseph T. Kelly, Jr. I reside at 41 South Tallahassee Avenue, Atlantic City, New Jersey. I am a Registered Professional Engineer and Attorney at Law in the State of New Jersey and am Manager of Economic Services for the Atlantic City Electric Company.

I appreciate the opportunity to appear before you and state the position of the Atlantic City Electric Company in regard to public utility rate design. Over the past three years, there has been increasing agitation for a restructuring of electric utility rates to achieve certain social purposes. One of these purposes has been to provide reduced utility costs to the poor and the senior citizen on fixed income. The method seized upon to provide this relief has been termed a life-line rate; namely, a low cost for the essential use of electricity. There have been many problems set forth in taking this approach to assist those who need. A most obvious problem is that there is no data available which indicates conclusively that only those in need are low users of electric service. There is much evidence, particularly in the Atlantic City Electric Company territory, which would lead us to believe that the opposite is the case. The Company has many seasonal accounts - customers who take service on a year-round basis and yet only avail themselves of that during the summer months and on week-ends through the spring and fall. These customers have a second home at the shore and, therefore, are clearly not in need. In the four rate cases which the Company has carried forth in the last four years, testimony and positions advocated by rate counsel have indicated that the rate structure of the Company should be such as to impose a high cost of energy during the summer

months in order that these seasonal customers carry a greater proportion of their share of the cost of providing service to them. As a result of this position, acceded in by the Company, the differential in the summer trailing block for energy and winter trailing block for energy has increased from .5¢ to 1.6¢. Where the ratio of summer trailing block cost to winter trailing block cost was 1.4 in 1972, it is now 1.97. In addition to this seasonal approach to the rate design for residential customers, there is a separate rate structure for customers who take service for short periods of time. As a result of the separate rate structure, these short-time customers pay an additional charge for energy through the short period which they take service.

In examining the possible numbers of customers who might be affected, either to their advantage or to their disadvantage, by various life-line proposals, we have attempted to quantify numbers of customers in various use groupings. The Company has not, in the past, been active in customer survey work due to a lack of funds for this particular activity. Over the past four years, there has been some customer saturation study work conducted but we did not feel that we were free to request income data from these customers. We noted with pleasure the Public Service effort in this direction which has been carried out in the past year and should another customer survey be undertaken, I am sure that we will seek this data as well. The analysis of customer use for August, 1975 and December, 1975 shows that customers using less than 150 kilowatt hours in August represented 12.7% of the residential customers and 2% of the customers had no use at all. In December of 1975, the residential customers using less than 150 kilowatt hours were 20.3% of the customers, or one in five, while 7% had no use at all.

Twenty-six per cent of the customers in August, 1975 used less than 300 kilowatt hours while in December, 34.6% used less than 300 kilowatt hours.

Working with 1970 census data and a 1970 saturation study, we have estimated that the Company could have as many as 50,000 customers who are senior citizens. This is about 22% of the customers in the residential class in 1970. Information supplied by the New Jersey Food Stamp Administration office would indicate that approximately 31,500 households would be eligible for food stamps within the Company territory. There is undoubtedly some overlapping between those eligible for food stamps and those who are senior citizens. With some estimate of an overlap between the two classes, we could say that the total number of senior citizens and food stamp eligible households could number as much as 70,000. Since the load distribution data indicates about 30,000 customers using less than 150 kilowatt hours in the month of August and about 52,000 customers using less than 150 kilowatt hours in December. It must be clear that there are large numbers of customers who would be considered senior citizens or needy who use more than 150 or 300 kilowatt hours.

The next question becomes that of the source of funds to make up the revenue requirement which is distributed to these recipients through the adoption of a life-line concept. I am sure that you, as well as I, have read the proposals which say "soak the large users". This phrase refers both to residential and commercial and industrial customers who use larger amounts of electricity than those using the small amount of electricity considered basic to the continuation of life. We cannot, in good conscience, accept the position that the commercial and industrial customer should bear the burden. These customers, over the past five years have experienced large increases in

their energy costs. These large increases have been such as to have a number of customers seriously considering the transfer of their operations to other states. This is not an idle threat but a serious problem. One of our largest industrial customers has closed down two of its production lines and removed the production line equipment from the plant and from the state. The jobs represented by the manning of those two lines have been lost to our customers in the area and this job loss is going to be very difficult to replace. We are continually pressed by commercial and industrial customers to develop ways to reduce their energy costs.

The cost allocation studies which the Company has had to file in its rate proceedings have consistently indicated that the large industrial and commercial customers of the Company have been paying more than their fair share of the revenue requirement of the Company for the service rendered to them. As a result, the rate counsel's experts have recommended that the increased revenue be recovered from the other classes of service rather than from these large commercial and industrial customers. Even so, the impact of the rate increases and of the increased cost of fuel to the Company has resulted in a doubling of the energy cost to the industrial customer while the residential customer increase has been 80%.

To say that the large residential customer must pick up the revenue given to the poor and senior citizen through rate redesign is also difficult to support. I have already alluded to the fact that many of the poor and senior citizens are large users of electricity so proposals to transfer this cost to large users would impact on the very class of customers that it is desired to assist. Further, I have cited the existence of a large number of small users who require no assistance - so any criterion of assistance to

poor and senior citizen which is determined on the basis of the use of electric energy is virtually certain to penalize many in need of assistance while benefiting those who require no assistance.

Another aspect of the problem as you hear it stated is that electricity costs so much. Data gathered by the Company and shown in an attached exhibit indicates that in the period between 1949 and 1975 the actual income per capita based on current dollars has increased by more than the factor of 2. The electric bill as a per cent of per capita income has decreased from 8.4% of income in 1949 to 5.4% income in 1972. This decrease in per cent of income has occurred in spite an increase in average customer use of about 500% counteracted by a decrease in cost per kilowatt hour in today's dollars by a factor of 2. While the average cost per kilowatt hour with the residential customer has been cut in half, the average cost per kilowatt hour to industrial customers has increased by 10%. The impact on the industrial customer has been severe. While it cannot be denied that the cost of electric service has had an impact on the cost of living, the part it plays is not nearly so significant as we would be led to believe in some of the articles and letters that we read. This is not to say that there are not individuals who are truly suffering today - no one can look around and deny that.

The Company position with regard to assistance has been the same over the last three years. Rate design for social purposes opens a Pandora's box which will create havoc. If assistance is required, and we readily admit that there are those who need assistance, it should come through legislative action supported by tax dollars. The state, through its various agencies, has the information to channel assistance to those in need. The

utility industry cannot get that information and does not have it. The shotgun approach to assistance based on use can hurt those in need and assist those who have no need. As a result, we strongly recommend that the energy stamp program be adapted to provide assistance for the energy needs regardless of source.

Another aspect of the problem is that many customers use other sources of energy than electricity or gas which are not readily amenable to some life-line approach. The coal and oil industries have not been in the past the subject of complete state regulation. This is not to say that such regulation cannot be enacted but it would certainly affect the marketing of coal and oil within the state were such a program to be adopted.

In considering the impact of various proposals to provide a subsidy through rate redesign based solely on use, the affect on the trailing block in the residential class could be as much as 1¢ per kilowatt hour. As of June 30, 1976, the Atlantic City Electric Company had 37,586 customers served with full electric heat in their residences. The average kilowatt hours per customer account with electric heat exceeds the average of the customer without electric heat by some 8,000 kilowatt hours per year. An increase in charges to the electric heat customer of 1¢ per kilowatt hour for this excess use would result in an \$80.00 per year increase on an average bill of \$570.00 per year or approximately 14%. As I indicated earlier, many senior citizens are living in homes with electric heat. They have appeared in our rate cases. They have told us of being unable to have sufficient heat in their homes as a result of the cost of electric energy. To place this greater burden upon them would be devastating. To say that the only cost increases for heat, however, have been for electric heat would be erroneous.

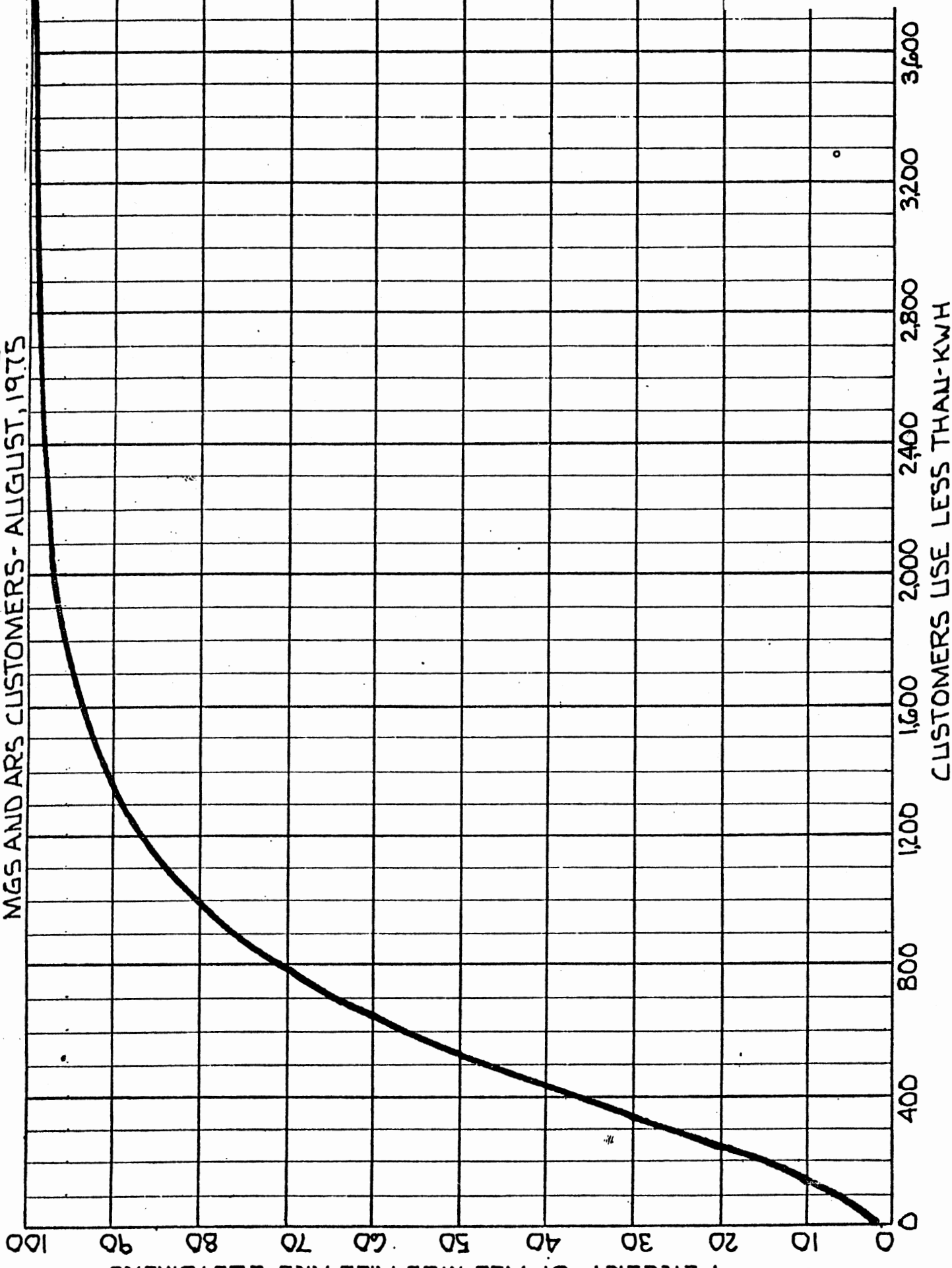
If you will forgive a personal note, I heat my own home with oil and my oil bill last year was higher than any previous oil bill by some 15% and I decreased my usage of oil by at least 25%. My heating experience with oil heat parallels that of many of our customers who have electric heat. I, too, am paying more and using less.

At the Atlantic City Electric Company, we feel there are really two questions involved: What do people requiring assistance actually use as far as energy requirements are concerned? and, What would satisfy their basic needs now and in the future? We do not have answers to these questions and we are convinced that the answers would differ from company to company and state to state and even within our own Company service area. While the 150 kilowatt hour per month criteria might be valid in an urban area where gas or oil is used for heating, it would clearly be insufficient in a rural area where gas is not available and electricity might be used for heat.

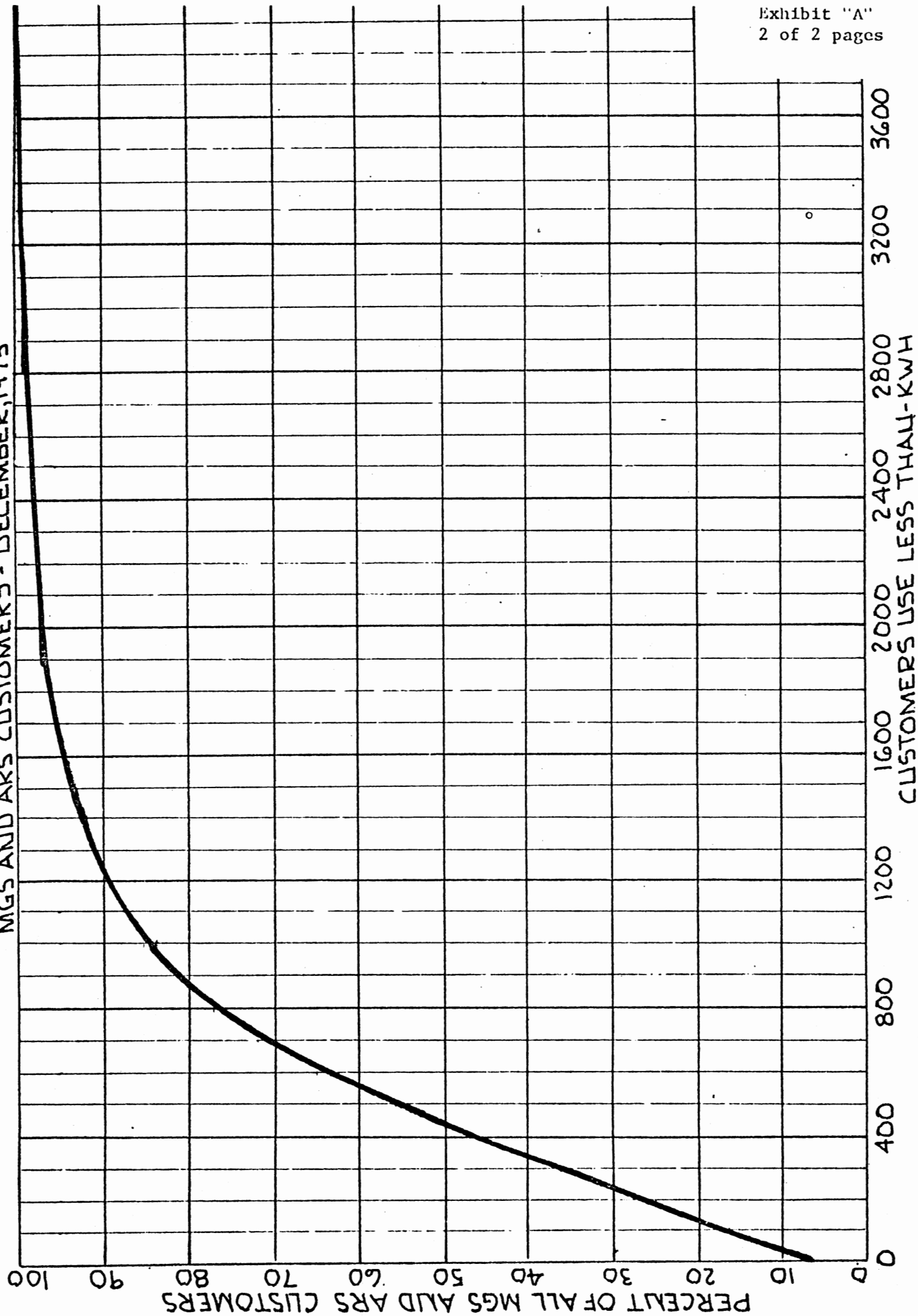
If we might be aware of actions that have taken place in other states - California has enacted a life-line statute with a result that utility companies are faced with as many as 70 different rate classifications within their territories. Such a distribution of rate classifications creates administrative havoc. It is extremely difficult to keep track of customers with so many different rate applications. In our initial rate case in 1972, we were commended for going from 22 separate rate classifications, many with small numbers of customers, to 4 main rate classifications. The administrative problems experienced with so many different rates in our own Company have been largely eliminated and customer information is more readily available. In the state of Maine, the legislature enacted a statute requiring a life-line rate with a definite stipulation as to the source of the

money to make up the subsidy given to the customers to be served. The customers receiving increased charges to cover this deficit are objecting strenuously to paying the additional charge. Indeed, some of the customers have deducted that surcharge from their bills, refusing to pay it. The experience in both states indicates that there are real problems in shifting away from rates based upon cost. We sincerely believe that the energy stamp approach is the most defensible method for providing assistance to those in need.

ATLANTIC ELECTRIC
CUSTOMER USE DISTRIBUTION
MGS AND ARS CUSTOMERS - AUGUST, 1975



ATLANTIC ELECTRIC
CUSTOMERS USE DISTRIBUTION
MGS AND ARS CUSTOMERS - DECEMBER, 1975



ATLANTIC CITY ELECTRIC COMPANY

Number of Households That Have Been Certified
for Food Stamp Program (October '75)

ATLANTIC COUNTY	-	8,477
* BURLINGTON COUNTY	-	550
* CAMDEN COUNTY	-	4,025
CAPE MAY COUNTY	-	1,352
CUMBERLAND COUNTY	-	6,872
* GLOUCESTER COUNTY	-	2,938
* OCEAN COUNTY	-	794
SALEM COUNTY	-	<u>1,806</u>
TOTAL		26,814

* Counties estimated on basis of percentage of
population served by ACECo.

ATLANTIC CITY ELECTRIC COMPANY

Estimated Number of Senior Citizens (65 Years of Age and Over)
in Atlantic Electric Service Area

ATLANTIC	-	28,262
BURLINGTON	-	2,220
CAMDEN	-	7,264
CAPE MAY	-	12,138
CUMBERLAND	-	7,515
OCEAN	-	3,759
GLOUCESTER	-	11,420
SALEM	-	<u>5,603</u>
TOTAL		78,181

ATLANTIC CITY ELECTRIC COMPANY

Customer Use Data

	<u>1975</u>	<u>1972</u>	<u>1969</u>	<u>1959</u>	<u>1949</u>
Average Income per Capita		\$3,828	\$3,064	\$1,345	\$ 724
*(a)		\$4,927	\$4,495	\$2,480	\$1,633
Avg. Kwhr./Res. Cust.	7,018	7,008	6,072	3,583	1,745
Avg. Cost/Kwhr. Res.	4.69¢	2.96¢	2.38¢	2.77¢	3.47¢
*(a)	4.69¢	3.81¢	3.49¢	5.11¢	7.83¢
Avg. Cost/Kwhr. Ind.	3.37¢	1.82¢	1.24¢	1.40¢	1.49¢
*(a)	3.37¢	2.34¢	1.82¢	2.58¢	3.36¢
Ratio Ind./Res.	.72	.61	.52	.51	.43
Elec. Bill as % of Income (6,000 Kwhr./Yr.)		4.6	4.7	12.4	28.8
(Average Use)		5.4	4.7	7.4	8.4

* Current dollars

A GUIDE TO THE PERPLEXED UTILITY RATE PAYER - or - "TO BUILD, OR NOT TO BUILD"

by Claire J. Schiff *

The cost-plus contract has become linked in the public mind with defense contracts—where a guaranteed per cent profit over and above costs to the manufacturer, is part of the contractual arrangement with the government.

What most people do not realize, is that electric and gas utilities are not only given a monopoly (a franchise to sell power in a given area with no competitor), but that also their regulators, the public utility commissions—who are the agencies that grant them their rate increases—have agreed to the principle that the utility must make at least an 8% or 9% return for its stockholders on their investment. The "fair, reasonable" return assures a good credit rating. With good credit ratings, companies can sell their bonds at low interest rates.

Since low interest rates reduce the cost of financing, this has made sense...as long as what the utilities were financing (i. e., added generating power) was sound, solid investment in a sure market.

The figure that follows is a simple breakdown of what a utility's rates are computed on.

The quibbling between the Public Utility Commissions and the utility companies happens when the Commission questions how the company derived its figures (costs, expenses, etc.). Auditing some

PROFITS - distributed in form of dividends to stockholders	}	"Reasonable return" - 1976 -8%-9%
FINANCING - Interest costs on bank loans, company bonds		
OPERATING EXPENSES - Salaries, Maintenance, fuel, insurance, taxes, legal and consultants fees. Losses from strikes, shutdowns, accidents. Security. Advertising		
CAPITAL INVESTMENT (borrowed from stockholders) Facilities, plant, equipment, real estate. Shares of ownership in other companies.		

RATES
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UTILITY

In a good year a company's profits can exceed expected levels. Dividends can be increased, bonuses awarded, or new ventures can be undertaken (mergers, acquisition of real estate, seed money for long-range expansion.)

In a bad year, a company may be forced to declare no dividend, as Con Ed had to in 1974. Because this rocks "investor confidence" in utilities, special government subsidies and tax arrangements are made. (In Con Ed's case, New York State Power Authority purchased the uneconomical nuclear plants at Indian Point, while Con Ed still operates them.)

times shows up accounting which is questionable. For instance, Virginia Electric Power Company was shown to have charged itself a much higher price for coal from its subsidiary, when it had access to the same coal at a lower price.

* President
Keys to Education for Environment Protection
P.O. Box 203
Summit N.J. 07901

The rate base on which utilities' rates are computed is the capital investment made in the company. It follows that the larger the capital investment, the greater the revenue which the commission allows the company to recover in rates. This alone serves as a built-in mechanism for expansion.

Recently, ratepayers have questioned whether they ought to be paying for company advertising or lobbying (especially where these conflict with ratepayers' interests). The New Jersey Public Utilities Commission and others have ruled that certain advertising should be borne by stockholders instead of by ratepayers. This is a step in the right direction, but in the long run this is probably outweighed by the fact that, if this digs too deeply into dividends, the utilities can argue that their stock prices are down, their credit rating is in danger. When this happens, PUCs ordinarily consider it sufficient reason to allow rate increases to cover it.

FUEL ADJUSTMENT CLAUSE

Since the Arab oil boycott, oil prices have quadrupled, coal prices have doubled, and gas has been in short supply in winter, forcing companies to pay bigger prices. (This tactic on the part of the gas suppliers is like an employee who wants a raise, working only half a day, plus overtime for which he is paid time and a half.)

Utility rates had not anticipated the jump in fuel costs, so Public Utility Commissions gave gas and electric companies the privilege of "passing through" their fuel costs without having to come to the commissions to prove the added expense. This is called the automatic "fuel adjustment".

Although it cuts out some work for the PUCs which are usually under-

staffed and overloaded with applications for rate increases, the fuel adjustment clause has resulted in almost doubling electric and gas bills for customers. Hence the growing ratepayers' rebellion.

Auditing of the fuel adjustment charges has disclosed cheating on the part of some companies, which applied the same extra oil cost charge to all their electricity sales—even though part of that electricity was generated not from oil-fired, but from their nuclear, plants.

It is plain that very close watching of this fuel cost pass-through is something utility customers should insist on: the added auditing staff will more than pay for itself in savings to the customers.

RATE STRUCTURE

Long before the Arab boycott, conservationists were saying that it was wasteful of resources and polluting to the environment to charge lower rates to customers who used more electricity or gas. They said it encouraged wastefulness and penalized thrift.

An example was the wholesale rates in all-electric buildings, or where lights could only be turned off by a master switch, as in the World Trade Center.

They pointed out that these wholesale rates might have made sense in the past, when companies found they could lower their rates all around through a larger total volume of sales; also, when oil and gas seemed to gush forth giving no hint of diminishing supply, and before scientists had shown a link between power plants, pollution and higher rates of respiratory disease. But they no longer make sense.

MORE COSTS MORE, NOW.

The situation has changed economically, too. Electricity generated

from new plants is costing companies three and four times more than from their older existing plants. (Real costs, not after accelerated depreciation of the new plants in their tax returns.) The curve of costs-per-kilowatt now tends to go up with additional kilowatts generated.

ELECTRICALLY-HEATED HOMES LEAST EFFICIENT. Homes and buildings heated by electric radiant heat are cheaper to buy than those with furnaces. Builders used to tell home buyers that wholesale electric rates would keep heating and cooling costs within normal ranges.

But the new philosophy of not wasting oil or gas (fossil fuels used directly by the home owner or indirectly in producing electricity for utilities) spurred the Public Utility Commissions to consider eliminating wholesale rates.

The Arab boycott created a scarcity which made incentives to waste illogical, as well. When the New York State Public Service Commission raised wholesale rates during the oil boycott, the reaction from all-electric homeowners was predictable.

(Because radiant electric heat is one of the least efficient ways to heat a space from an energy viewpoint, charging the true cost came as an unexpected blow to customers spoiled by artificially low rates.)

Homeowners who were then suddenly billed \$200 and more per month for heating costs, descended in wrath upon the Public Service Commissioners and picketed their hearing. Their revolt paid off—temporarily: (government agencies usually back down in the face of organized resistance from middle- and upper-income groups, as these all-electric homeowners are.)

But the wholesale ratepayers' victory may only be temporary. More and more rulings in different states are phasing out rates that encourage consumption. These new rulings are placing less of the burden on small users through "Lifeline" rates—(charging a customer a small per-kilowatt-hour cost for the first 300 to 500 kwhrs used per month; with a gradually increasing rate for larger consumption.)

They're also agreeing to requests from utility companies to charge higher prices during peak-use hours (i.e., mid-day) and much lower per kilowatt charges at night and early morning; and peak-seasons (i.e., summer air-conditioning) at higher rates than the rest of the year.

Most homeowners will be able to adapt with little discomfort—except for the all-electric homeowners. They will be hit hard. They might even find it pays to convert to oil hot water heat, and/or perhaps to install solar hot water collectors—reducing their hot water heating costs by 80%.

In North Jersey last year a homeowner who had done this was billed by the electric company at a higher per kilowatt rate because he was no longer consuming enough to warrant the wholesale price. He petitioned the Public Utility Commission to disapprove the higher rate, claiming he shouldn't be penalized for conserving energy. The PUC agreed and disallowed the higher rate for a trial period.

What is the long-range outlook?

While flat or inverted rate structures would make carrying charges nearly impossible for many customers living in all-electric homes, there may be a distinction between pre-boycott and post-boycott buildings.

Older all-electric homes and buildings may be continued on cheaper rates simply because politicians (the PUCs are political appointees of the governors)

won't take the chance of alienating so many people who were, in effect, "sold a bill of goods" when they bought their homes in pre-boycott days. In a sense, they are "stuck" and some compromise will probably be struck with them.

But, all agree that over the next decade, wasteful consumption will have to be curbed. Thus, new all-electric homes and buildings may be banned. Or they may be billed at close to the smaller users' rates. The rate structure would be flatter, and not benefit the large user. The purpose of this would be to discourage the construction of all-electric, high energy consuming homes and buildings in the future.

ELECTRIC DEMAND AND FUTURE NEEDS *residential*

Past 7.6% growth rates of electric demand over each previous decade, according to the architect Richard G. Stein, were mostly due to increased construction of all-electric homes. Electric utilities have been basing future estimates of the nation's electric "need" upon assumptions that such construction will continue. This is one reason why conservationists say that the utilities' claims are self-serving and would be self-fulfilling prophecies.

They would then "prove" they should build more plants to generate the additional electricity they say will be needed.

Overestimating would lead to overbuilding.

Ordinarily, overbuilding would be unwise, but even if future demand doesn't materialize as the utilities predict, they have a recourse to justify higher rates anyway:

An example of how this works was when, during the Arab boycott, rates jumped and caused people to cut back on electric and gas use.

Utilities' sales of energy dropped, and they argued successfully, that existing rates had been

based on a given volume of sales. If the volume decreases, they should get higher rates to make up the difference.

Utilities will certainly make more money if they can build more plants, because the more they invest in capital outlays, the higher their rate base, and the bigger the amount they would be entitled to receive from the ratepayers.

Since future high costs of energy will force ratepayers to conserve, one can question if utilities' present estimates of future demand are too high.

One can easily write a scenario for the future: utility overinvesting will mean higher rates for all customers—whether they conserve or not—with much higher rates for large users.

PROJECT "RATEPAYER INDEPENDENCE" ??

It would seem the only hope for the ratepayer is to reduce his dependency upon the utility for his energy needs.

By investing in insulation for his home or building, plugging all leaks of air, he can live and work as comfortably, while buying less from the utility.

By making an additional investment in solar hot water collectors he can reduce his hot water heating costs by 80%. He will be plugged into the sun's free energy supply.

If he invests in additional plumbing and storage, he can use his hot water to provide supplemental heat and cooling for his house.

The amount he needs to purchase from the utility will drop radically.

Certain architects and engineers are specializing in assisting home and building owners to do this most efficiently.

RESOLUTION

CITIZENS AGAINST RATE INCREASE (CARI)

WHEREAS CARI is a Jersey City based organization comprised of block associations, social service groups and critically impacted and concerned consumers of Public Service Electric and Gas Company, representatives of citizens and consumers who are subjected to discriminatory, unfair and unilateral abuses and hardships imposed upon consumers and customers by the Public Service Electric and Gas Co.; and,

WHEREAS significant numbers of consumers are on fixed incomes such as Social Security, Welfare, pension or other limited fixed income and must pay an inordinate percentage of their income to the Public Service Electric and Gas Co. for basic essentials of life as supplied by utility services or face termination of service because of unfair, and discriminatory and arbitrary practices of the Public Service Electric and Gas Co.; and

WHEREAS P.S.E. & G. is a monopoly without competition in the Hudson County area, resulting in exorbitant profits at the expense of citizens least able to pay exorbitant rates approved by the Public Utilities Commission without fair representation on said Commission of consumers most affected by the aforesaid arbitrary practices;

NOW, THEREFORE, BE IT RESOLVED by CARI and the consumers they represent that:

1. P.S.E. & G. Co. be made accountable to consumers.
2. The books and records of P.S.E. & G. Co. be opened to the public for inspection.
3. An independent, impartial accounting firm provide a profit and loss and cost analysis before any rate increases are granted to the Public Service Electric and Gas Co.

4. The State of New Jersey provide for inspectors to verify the functioning of gas and electric meters, on a regularly scheduled basis.

5. The Office of the Public Advocate be enlisted to devise means to prevent unfair rate increases and otherwise protect consumers.

6. The State of New Jersey pass legislation providing lower rates for citizens and families with fixed incomes of less than Five Thousand (\$5,000.00) Dollars.

7. The Open Public Meetings Act be made applicable to the Public Utilities Commission and that meetings be held in the evenings for the benefit of working consumers.

8. The State of New Jersey pass legislation that Utility services shall not be discontinued without a hearing afforded the consumer, and that said legislation provide that no person shall be denied utility services because of financial inability to pay for said services provided that such financial inability is not the result of intentional actions of the consumer.

9. The County of Hudson and all municipalities within the County take official action to support this Resolution.

10. All minimum charges be abolished for utility services and consumers shall pay only for actual use of gas and electricity.

11. The membership of the Public Utilities Commission be increased to include representatives of recognized citizen and minority groups.

12. A consumer representative of the County of Hudson and each County in the State be appointed to the Public Utilities Commission, and that this representative group be empowered to appoint a civilian advocate as a member of said Commission.

13. The State of New Jersey consider the formation of a Public Agency, empowered to sell stocks and bonds to the general public, to take over the operation of the Public Service Electric and Gas Company.

Page 3

14. The Public Utility Commission order that all rates and prices be rolled back to levels in effect on June 1, 1974, and that no further increases be granted until the membership of the Public Utilities Commission is restructured as above set forth.

15. Upon the failure of State Officials and the State Legislature to take appropriate action for the protection of consumers, as above set forth, the Public Advocate institute legal action on behalf of the class of citizens discriminated against by the Public Service Electric and Gas Co., and that a Receiver be appointed on behalf of said citizens of Hudson County until such time as reasonable laws, rules and regulations concerning public utility services are passed and promulgated by the State and the Public Utility Commission.

16. A certified copy of this resolution shall be sent to the Governor of the State of New Jersey and all appropriate State, County and Local elected and appointed officials.

I certify the above resolution was passed unanimously at a meeting of CARI held on the 22 day of May, 1976.76

Ella M. Lawrence
ELLA M. LAWRENCE
Chairperson of CARI

TESTIMONY: BARBARA INGRAM
COMMUNITY ACTION PROGRAM
CAMDEN, N.J.

MR. CHAIRMAN AND COMMITTEE MEMBERS ON BEHALF OF THE CAMDEN COUNTY COUNCIL ON ECONOMIC OPPORTUNITY, THE PEOPLE OF SOUTH JERSEY AND NEW JERSEY AS A WHOLE, WE ARE DELIGHTED TO BE GIVEN THE OPPORTUNITY TO SPEAK BEFORE YOU TODAY, TO EXPRESS THE CONCERNS OF ALL RESIDENTIAL USERS OF PUBLIC SERVICE GAS & ELECTRIC. ALL USERS OF ELECTRICITY HAVE EXPERIENCED SUBSTANTIAL INCREASES IN THEIR ELECTRICITY BILLS. BILLS FOR CUSTOMERS HAVE INCREASED ON AVERAGE OF 115% THE PAST 18 MOS. THOSE LIVING IN ALL-ELECTRIC HOMES-ONCE THE PROMTIONAL DARLING OF THE ELECTRIC UTILITY INDUSTRY-HAVE SEEN THEIR MONTHLY BILLS DOUBLE AND EVEN TRIPLE. INDUSTRIAL AND COMMERCIAL CONSUMERS WATCH THEIR BILLS RISE, DESPITE ACTUAL REDUCTIONS IN THE AMOUNT OF ELECTRICITY CONSUMED. THE HARDEST HIT IS THE LOW-INCOME USER. LOW INCOME USERS SPEND ABOUT TWO TO THREE TIMES THE PERCENTAGE OF THEIR LIVING EXPENSES ON ELECTRIC BILLS AS DO HIGH-INCOME FAMILIES. BECAUSE ELECTRICITY IS USED PRIMARILY FOR BASIC NEEDS-HEATING, COOKING AND LIGHTING-THE LOW-INCOME CONSUMER HAS LITTLE ABILITY TO REDUCE HIS OR HER BILL BY REDUCING USAGE. ALL THE MORE TROUBLESOME IS THAT THE INCREASE IN COSTS COMES AT A TIME WHEN MANY ARE LEAST ABLE TO ABSORB IT-A TIME OF RAISING PRICES GERERALLY, HIGH UMEMPLOYMENT, AND CUT-BACKS IN BOTH FEDERAL AND STATE SOCIAL SERVICES. THUS, WHILE THE INCREASED COST OF ELECTRICITY ARE TROUBLESOME TO ALL, THEY ARE PARTICULARLY DIFFICULT FOR LOW-INCOME CONSUMER, IN SOME INSTANCES CAUSING SEVERE HEATH PROBLEMS¹ RESLOCATION.

Had to leave
for work -

IT IS EVIDENT THAT HOW WE UTILIZE OUR FUELS AND CAPTIAL, HOW WE ALLOCATE THE COSTS OF GENERATING, TRANSMITTING AND DISTRIBUTING ELECTRICITY, HOW WE DEFINE THE RESPECTIVE RIGHTS OF CONSUMERS, STOCK-HOLDERS, IS A MATTER AFFECTING THE HEALTH AND WELL-BEING AS WELL AS THE POCKETBOOKS-OF CONSUMERS ACROSS THE COUNTRY. WHILE ALL CONSUMERS HAVE A VITAL INTEREST, DECISION, IN THESE MATTERS HAVE BEEN THE PROVINCE OF A LIMITED FEW: THE REGULATORS, THE LARGE INDUSTRIAL, COMMERCIAL AND MUNICIPAL CUSTOMERS.

IN AN EFFORT TO PROMOTE BROADER PARTICIPATION BY CONSUMERS, THE CAMDEN COUNTY OFFICE ON ECONOMIC OPPORTUNITY HAS FORMULATED A STATEMENT OF POSITION. THE STATEMENT OF POSITION REFLECTS THE BASIC PHILOSOPHY THAT ALL CONSUMERS BENEFIT FROM POLICIES PROMOTING THE EFFICIENT UTILIZATION AND FINANCIAL STABILITY OF THE UTILITY, AND THAT ALL CONSUMERS HAVE A RIGHT TO ASSISTANCE IN OBTAINING ELECTRICITY NECESSARY TO SUPPORT BASIC DAILY ACTIVITIES.

LIFELINE IS JUST THE BEGINING BECAUSE IT SAYS FOR EVERYBODY- THIS IS NOT JUST FOR POOR PEOPLE. IF ANYONE SHOULD THINK THAT LIFE LINE IS JUST FOR POOR PEOPLE, LIFELINE IS JUST FOR SENIOR CITIZENS: WRONG. LIFELINE IS GOING TO BE FOR EVERYBODY. IF IT HELPS THE PERSON ON A FIXED INCOME A LITTLE BIT MORE, GOOD. IF IT'S BETTER FOR SOMEBODY THAT IS POOR, GREAT. IF THE SENIOR CITIZENS NEED IT MORE THAN THE JUNIORS, WONDERFUL. IT'S GOING TO BE FOR EVERYBODY.

WE ARE FOR ELECTRICITY AND GAS FOR EVERYBODY. ONCE AGAIN
I QUOTE " LIGHT AND HEAT ARE BASIC HUMAN RIGHTS AND MUST BE MADE
AVAILABLE TO ALL THE PEOPLE AT LOW COST FOR MINIMUM QUANTITIES."

TESTIMONY PRESENTED AT A HEARING ON ESCALATING PUBLIC UTILITY
RATES CONDUCTED BY THE ASSEMBLY COMMITTEE ON TRANSPORTATION
AND COMMUNICATIONS ON AUGUST 12, 1976 AT TRENTON, NEW JERSEY.

My name is Meyer Fine. I reside at 45 Underwood Drive, West Orange, New Jersey. The testimony I would like to present is on behalf of the Community Relations Committee of the Jewish Community Federation of Metropolitan New Jersey. The Federation is a philanthropic organization which provides health, education, cultural and welfare services for some 90,000 Jews residing in metropolitan New Jersey, to be more specific, in Essex County, and in parts of Hudson, Union and Morris Counties. Among our clients are families with low incomes and also a substantial number of senior citizens. These clients, like other low income families are severely pressed by the unabated inflation. Their every dollar is ear-marked for fixed living costs, rent, food, clothing, medical and utility costs - which are constantly rising. There is little room in their restricted budgets for so-called optional spending. The few options in discretionary spending when available to them, take the form of "What shall I give up this week". Less food next week in order to buy a much needed pair of shoes? give up a lipstick or face powder in order to pay for medication or eye glasses? In other words, constantly facing the necessity - practically on a daily basis - of having to give up one necessity in order to pay for another.

A fixed cost for each of these clients is the cost for heating and lighting. Studies of utility rates paid by low income families have discovered that there is a direct correlation between income and utility consumption. The larger the income, the greater the use of utilities by the families. This was a major finding of a study conducted by the Department of Health, Education and Welfare in 1974. Reasoning from this premise, it seems clear to us that those in limited financial circumstances are, in fact, helping the nation to conserve its limited energy supplies.

Another study has shown that in the last three years, energy consumption by residential users has not increased, and, in fact, dropped 5% last year. Simultaneously, the utility companies are requesting an increased rate to pay for the construction of new energy plants. This request for increased energy capacity raises the question - for whom is this energy intended? We can only conclude that it is required by commercial and industrial users. If this is indeed so, we ask why there is such an inequitable rate scale affecting residential users on the one hand and industrial and commercial users on the other. We were recently advised that the rate for large businesses and industrial corporations is \$.013 per kilowatt hour whereas residential users are paying in the neighborhood of \$.06 per kilowatt hour. It seems to us, therefore, that there is a matter of justice and equity involved here. It seems grossly unfair for residential users to carry this comparatively higher rate for energy consumption. In fact, this very point was made in a study conducted by Dr. Eugene Coyle of Berkeley. Dr. Coyle in a study he made for the California State Legislature concluded that residential users were subsidizing industrial users to the extent of \$60,000,000 per year.

In order to ease the unfair burdens of energy consumption, we recommend the adoption of the "Lifeline Utility Rate" concept. If adopted, this concept would offer a lower rate for those who use 500 kilowatt hours or less, with comparable reduced rates for gas users. Those using between 500 kilowatt hours and 1200 kilowatt hours be also given a discount, but one smaller than that accorded to those using 500 or less kilowatt hours.

What we are recommending is a shift of the energy costs burden from those in limited financial circumstances and who also happen to be in the lower income category - to residential consumers who use large quantities of energy and who are in a better position to pay and also to commercial and industrial energy consumers. We do not have any formulation to suggest as to how this

shift should be spelled out in terms of actual rate costs. This is a matter which should be addressed by the Public Utility Commission, its staff and consultants.

The economic well being of New Jersey's citizens is a primary responsibility of the Legislature, one that cannot be shunted off to regulatory agencies. In closing, our organization wishes to commend this Committee for its interest and concern in this vital matter of energy costs and urges it to continue its investigation with the hope and expectation that it will draft the legislation necessary to redress the inequities of the current utility rate structure in New Jersey.

August 12, 1976

My name is Allen Goldberg. I live at 33 Pettyridge Rd., Groveville, N.J., and I'm here to present my views on energy price structuring as well as other aspects of the energy ~~situation~~ CRISIS.

I fully support Assembly Bill #A1830, a rate restructuring bill, popularly called "Lifeline". The present situation of electricity pricing was originally constructed with the purpose of encouraging greater use of electricity by large energy users. This was done by setting lower rates for large users than for small users. We now have a situation where the small users are in effect subsidizing the large users. I feel that this is an inequity which "Lifeline" Bill #A1830 seeks to correct.

Gas and electricity, by their nature, are not commodities that one can do without or post-pone if the price is too high. A family today must have heat and light no matter what the price. It is true some small savings can be affected but by and large the demand is constant and is not affected by price. Consequently, if the electric rates go up, that bill must be paid even at the expense of something else.

Enacting "Lifeline" will make it public policy that electricity is a basic human right that must be made available to the whole population ^{at a} reasonable rate. ^{NOT ONLY CITIZENS OF HANICAPED} ^{GAS}

I also favor greater public control in energy matters. I think that members of the Board of Public Utility Commissioners should be elected not appointed. This would represent an extension of democracy and is fully consistent with our form of government and history. The P.U.C. ^{BOARD} ~~BOARD~~, if elected, would be more sensitive to the public and more responsive to the public feelings.

For example, on May 11, 1976, I sent to a Mr. Ralph C. Caprio of the P.U.C., page 65 from a book, "How to Challenge Your Electric Utility," written by Morgan and Jerabek in 1974, in which the authors mention that the N.J. Board of Public Utility Commissioners were considering inverted rates, where charges would increase as power use increases. I asked what happened to this consideration? Was it completed and may I have a copy of it? I received a form letter thanking me for my letter but completely ignoring the substance of my letter. I wrote again on June 11, 1976, but never received any answer. If the P.U.C. Board was elected, I and the public, would have recourse to get answers from an organ of government that doesn't respond to questions from the public.

I also feel that the public thru its elected officials should develop its own energy plans and projections. I think it is inadequate in this day and age that the public should have to rely on private utility companies to project future state energy needs as a basis for rate requests and the State of New Jersey not to have an independant form of verifying highly

suspect estimates. I understand the Public Advocate's Office has hired an independant engineering firm to audit Public Service's projections. This is money already spent and could form the basis of an all around estimate of future state energy needs organized under the direction of the State Legislature. If war is too dangerous to be left in the hands of the generals, then public energy needs are too important to be left in the hands of private utility companies.

If this is so, then the public should not only control but own the utility companies outright. If the utility company's stockholders are not satisfied with a 7½% rate of return on equity and insist on higher rate increases at the expense of suffering and hardships on the public than the State of New Jersey should buy the private owners out and run the utility companies for the benefit of the public. Government statistics show time and time again that publicly owned utilities are much more efficient and charge substantially less for their rates.

Here is a copy of a book I've ^{READ} ~~seen~~ written in 1918, by a ^{FORMER MEMBER OF CONGRESS} Albert M. Todd called "Municipal Ownership". In it he writes, "the first municipal gas works in America antedate the Civil War. In 1852, the city of Richmond, Virginia, constructed a municipal gas works..." Public ownership of energy producing systems is an old American tradition and publically owned utilities in this state should be seriously considered by the N.J. State Legislature.

6-1-1964

By: David Grossman, President; Essex County Council of Seniors

I am David Grossman, President of the Essex County Council of Senior Citizens. *clubs* We are a coalition of 57 member groups throughout

Senior Citizens. We are a coalition of 57 member groups throughout Essex County. *As a member of the Board of Directors of the M.J. State Council of Sen. Cit. consisting of 1/4 million Sen. Cit. I have been authorized to testify in BEHALF OF A TEST ORGANIZATION*
~~as an~~ organization we have been in the forefront of the North

Jersey Federation of Senior Citizens' campaign for Lifeline Rate Reform. We have taken this leadership role for one reason only. That is because we know that this reform plan will benefit the greatest number of our seniors.

A strong Lifeline plan will relieve most of us from the oppressive utility costs that we are now forced to pay under the threat of loss of service.

We are here to say again, as we have said so many times to the PUC, that Lifeline is the best first step we can take toward a sane energy policy.

Other relief methods such as utility stamps, time-of-day pricing, etc., will make better sense if they are implemented as later steps after a Lifeline plan is drafted and established by the PUC.

These could apply to those seniors and needy not helped by Lifeline, e.g. tenants in buildings that are on a single meter.

But don't be fooled into thinking it's Lifeline or these other plans. The greatest number of needy seniors will be helped by a strong Lifeline plan. That is not opinion, that is our experience as seniors in Northern New Jersey.

You as our elected officials, subject to reapproval by the voters, should be less vulnerable to the pressures and pseudo-scientific jargon of the professionals hired by special interest groups to protect them. You instead should be more sensitive to the needs of those who put you where you are to protect them.

In this belief, we urge you to mandate the creation of a strong Lifeline Reform Program to relieve the average user of the crushing burden of today's utility costs.

✓

