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PUBLIC HEARING

before

**STATE AID SUBCOMMITTEE OF THE
ASSEMBLY APPROPRIATIONS COMMITTEE**

on

The possible uses of \$85 million of oil overcharge
funds received by the State

March 18, 1986
Hudson County Freeholder Chambers
Jersey City, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Charles J. Catrillo, Acting Chairman
Assemblyman Byron M. Baer

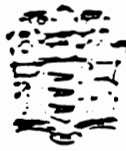
ALSO PRESENT:

Assemblyman Joseph Charles, Jr., District 31
Assemblyman Joseph V. Doria, Jr., District 31
Assemblyman Frank Gargiulo, District 32

Joyce Rose
Office of Legislative Services
Aide, State Aid Subcommittee
of the Assembly Appropriations Committee

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March 10, 1986

NOTICE OF A PUBLIC HEARING

Assemblyman John K. Rafferty, Chairman of the State Aid Subcommittee of the Assembly Appropriations Committee has announced that the Subcommittee will conduct a second public hearing on

March 18, 1986
7:30 P.M.
at

Hudson County Freeholder Chambers
595 Newark Avenue
Jersey City, New Jersey 07306

The subject of the public hearing will concern the possible uses of \$85 million of oil overcharge funds received by the State. The funds may be used for a variety of energy-related activities such as energy conservation and energy assistance to low income individuals.

Persons who wish additional information or who wish to testify should contact Joyce Rose, Subcommittee Aide at 609-984-6799.

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ASSEMBLYMAN CHARLES J. CATRILLO (Acting Chairman):

Good evening, welcome. My name is Assemblyman Charles Catrillo. I represent the Thirty-Second Legislative District, which encompasses part of Jersey City -- as a matter of fact, we are in the Thirty-Second District right now -- as well as other parts of Hudson County.

I am here tonight as a member of the State Aid Subcommittee of the Assembly Appropriations Committee, to discuss the expenditure of approximately \$75 million received by the State of New Jersey. This money was received as a settlement of a suit brought against Exxon Oil for heating oil overcharges during the 1970s. This public hearing is a result of a Committee meeting, which I attended last month, at which I learned that New Jersey does not yet have a plan for the expenditure of this \$75 million settlement.

I believe it is critical that the public be given the opportunity to comment on ways to spend this money. Your comments at this public hearing -- the second hearing, by the way, to be held on this subject; the first was held in Hamilton Township on March 11 -- will help to shape the Assembly's spending plan for the \$75 million windfall.

By way of background, let me note that the Federal government places some restrictions on the ways that we here in New Jersey can spend this money. The money may be used to pay for energy conservation improvements in schools, hospitals, and other public institutions. In addition, the money may fund related energy conservation measures, such as van pooling, as well as educational programs on energy conservation. Finally, the money may be used to provide direct grants to low-income households for utility and fuel payments and for weatherization home improvements.

In other words, the government has given us money, but they have given it to us with strings attached; that is, there are five basic programs wherein this money can be spent, and it

cannot be spent for anything else. I know I was very upset when I heard that but, unfortunately, that is the way it came back to us.

Let me say here at the onset that I feel very strongly that to the maximum extent possible, some portion -- a major portion -- of this money should be returned to the people -- to the residents of New Jersey -- who were overcharged by Exxon. There is no question but that many families -- many senior citizens especially and low-income households -- suffered great financial hardship because of the then skyrocketing fuel oil prices. Many senior citizens were forced to choose between putting food on their tables or heating oil in their furnaces -- a very difficult choice for some people. Many households simply went without fuel oil for long periods of the winter.

It is clear to me that those who suffered the most were those who were least able to pay. That is always the case, I suppose. The impact of Exxon's decision to overcharge for fuel oil was felt most by seniors, the disabled, and the low-income families. We think it is only fair that a substantial portion of this \$75 million settlement be returned to these special classes of individuals.

Also, we could give some consideration to the \$75 million settlement as an investment. We could do a lot of good with \$75 million, I am quite sure. My personal feeling is that I would hope we would save some portion of the money for a -- I want to say a rainy day, but I think it would be better to say a cold day. Today, fuel prices are dropping. That does not necessarily mean that next year they are going to continue to drop; they may well rise. I think that if we invest these moneys -- of some portion of them -- wisely, we would have enough left over for next year to perhaps meet some future crises. We always think that every crisis we go through is the last one, but we all know that there is always another one right around the bend.

Basically, we are here tonight to learn how you, the public, want to spend this money. It's odd that the government actually comes to you and says, "Well, how would you like to spend this money?" Usually, we are just telling you how we are going to take it from you.

I have several colleagues with me tonight. On my right is Assemblyman Joseph Charles, Thirty-First District, and on my left is Assemblyman Frank Gargiulo of the Thirty-Second District.

Before we begin to take testimony, I am going to ask the Assemblymen if they have any statements to make, and then we will take testimony from the public. Frank, would you like to go first?

ASSEMBLYMAN GARGIULO: Thank you for coming. What Assemblyman Catrillo said is basically that we are looking for a method of returning some of this money to the people who can most benefit by it. I think that is why we are taking testimony tonight. I, myself, during the last several weeks, have come out in opposition to an increase proposal by the Public Service Electric and Gas Company. I don't know if it is fact, or if it is going to happen, but I think some of that money should be used to help those people offset those raises, if and when they come about.

I think that within the Federal guidelines of that, the money could be used in that area for seniors and people who cannot afford it. One of the things I have done is propose a bill -- myself and Jose Arango, who is the Assemblyman in the Thirty-Third District -- which would take some of that money and provide a \$100 grant to all non-seniors and non-disabled persons who meet the income criteria. The income criteria ranges from a family of one, where the income criteria would be \$8000 or less; two, \$10,800 or less; three, \$13,600 or less; four, \$16,500; five, \$19,300; and, a family of six which earns less than \$22,000, would be entitled to \$100 rebate annually.

That would affect about 170,000 households. The approximate cost would be \$17 million. However, that is just a portion of the money. I think, in that type of an allotment, the money would find its way to a very good use, because it is very difficult to give the money back. That money comes from overcharges. Very often, the people who are overcharged-- You just can't give the money back to them, so we are trying to find the most equitable distribution of the money and, also, the best use of that money. I think that is one area, and I am interested in hearing what you have to say tonight.

Thank you.

ASSEMBLYMAN CATRILLO: Thank you, Assemblyman. Assemblyman Joseph Charles?

ASSEMBLYMAN CHARLES: Yes. Thank you, Mr. Chairman and Assemblyman Gargiulo. My name is Joseph Charles, and I am the Assemblyman from the Thirty-First Legislative District. That is right here in Jersey City, adjacent to this district.

I welcome this opportunity to speak to the Committee on the ways of utilizing this \$85 million oil overcharge. As the Chairman has indicated, this fund has been established as a result of a court judgment against Exxon Oil Company. Exxon was found guilty of overcharging for oil and oil products during the 1970s. As I understand it, the fund is national. Here it is approximately \$75 million to \$85 million. That is New Jersey's allocation of the national amount.

ASSEMBLYMAN CATRILLO: Yeah. I understand it is now at \$75 million. Originally, they said \$80 million to \$85 million, but yesterday we found out it is actually \$75 million.

ASSEMBLYMAN CHARLES: Okay; well, \$75 or \$85, that is a lot of money. It represents a great infusion of money into this State, and it represents, also, a challenge, I think, to us, State legislators as well as citizens, as to how we should best utilize this money.

We all know how extensively our society uses oil and petroleum products. Every aspect of our daily lives is touched by the oil industry. It is not far-fetched to state that every man, woman, and child in New Jersey contributed to this fund, and now our people deserve to share in the return of this money. I think everyone is agreed on that.

Since it is impossible to determine exactly each person's fair share of these returned overcharges, unless the Department of Energy has some magic formula, it is up to us now to devise a plan -- as a State -- to assure that the largest number of our citizens can participate in utilizing this fund, with priority given to those citizens with the greatest need. An excellent way to utilize the fund would be for the State to expand the Lifeline Energy Benefit Program, which helps to defray the energy costs of our lower income citizens. Setting aside some of these funds for these needy recipients would be, I think we all agree, a worthwhile use of these funds.

Once again, these moneys, raised by overcharging our citizens, could be returned directly to those least able to afford being overcharged. Using existing programs is perhaps the easiest way to utilize the \$75 million or \$85 million fund. I hope, however, that the State will not only take the easiest route, but also strike out in new directions with bold new initiatives. One such initiative which I would strongly suggest the State look into, would be to help organize an energy cooperative for the purchase of energy raw materials, such as natural gas or oil at below market rates. This is currently being done in areas of New England by a group called the Citizens Energy Corporation. By banding together the purchasing power of citizens, natural gas and oil can be provided to purchasers in specified income levels below market rates. If those income levels were set high enough, a substantial number of our citizens could be assisted in meeting their energy needs at significant savings.

I understand we have someone in the audience today who will be able to speak on the concept of energy cooperatives. I also understand that the Department of Energy has been asked to gather information on this concept. I hope that the Department of Energy, as well as the Subcommittee of the Appropriations Committee, will put the information it gathers to good use, and will explore the possibility of establishing some type of statewide energy cooperative. This approach, in addition to increased funding for existing programs, would assure maximum return of these overcharged moneys to the neediest of people who were forced to overpay in the first place.

I urge the Subcommittee to give serious consideration to this, and I urge the Chairman here to take this thought and the thoughts of those who know something about the energy cooperative back to the Committee, and to give it the kind of consideration that it deserves.

Thank you, Mr. Chairman.

ASSEMBLYMAN CATRILLO: Thank you, Mr. Charles. If we could, I would like to get a copy of your comments. We will put them right into the record. Okay?

Coming up is the distinguished Assemblyman from Bergen County, Mr. Byron Baer. Byron, if you want a minute to compose yourself-- If you want to say something, you may talk later, if you wish.

ASSEMBLYMAN BAER: About the only thing I would say--

ASSEMBLYMAN CATRILLO: You can catch your breath, Byron. That's okay.

ASSEMBLYMAN CHARLES: Byron is in shape; he's ready.

ASSEMBLYMAN BAER: We will very much welcome your input because we want to find the best way to allocate this money so that it goes back to the people themselves who were initially overcharged -- the citizens. Thank you.

ASSEMBLYMAN CATRILLO: By the way, if anyone came in late, we do have a sign-up sheet. So, if you came in late and you want to speak, please come up and sign in.

Our first speaker will be Neil Fogarty of the Consumers League of New Jersey.

N E I L F O G A R T Y: My name is Neil Fogarty. I am President of the Consumers League of New Jersey. Basically, I think three Assemblymen have already gotten my first idea, that we ought to return the money to the people, and make it a people-oriented program, whatever the Legislature does.

March 15 is "D Day" for a lot of utility customers. It is the end of the winter moratorium, and the return of the shutoff. We learned, through a Board of Public Utilities official, that last year Public Service, in April alone, shut off 15,000 families. Throughout the entire State for the entire year of 1985, 174,000 families were shut off. While these families are not all organized in a group or a union to come down to petition the Legislature -- obviously they're not, or they might be here banging on your doors-- A lot of these people are kind of invisible, but they are there. The figures are there. There is a very large problem of mostly low-income people, who are being shut off.

Five years ago, a low-income family in trouble might have had arrearages of only several hundred dollars, but if this family has to pay its own heat, through oil or gas or electricity, then arrearages of over \$1000 are not uncommon. The problem is, if a family has an income of \$400 or \$500 per month -- which it might if it is on a government program -- when you subtract the rent, it doesn't leave a whole lot of money to pay a utility bill.

The current regulations of the Board of Public Utilities are very limited about installment payments. Basically, all the regulation says is that once a year a family can enter an installment payment program. They have to make a 25% down payment to get on that program. After that, the regulation says nothing. I know, from experience dealing with Public Service, that typically their collectors will ask for at

least 25% down -- sometimes they ask for 50% -- and they want the balance in three to six months. Most low-income, moderate-income, blue-collar people who are behind the eightball on these energy payments, cannot afford those steep terms. They can't afford to make the down payment, and very often they can't afford, you know, six monthly payments either.

The problem is, high energy costs are creating a class of citizens which is really being disenfranchised, who are being shut off from heat, shut off from light, shut off from gas. These costs are also contributing to the ranks of the homeless. If there is no gas and electricity, the apartment is uninhabitable. This is also contributing to family breakup.

I gave a talk to the New Jersey Division of Youth and Family Services in Bayonne a couple of years ago, and they assured me that that agency has the power to come in and snatch children out of families which have no utility service, because they feel, you know, that the children are not getting what they are supposed to be getting. But, obviously, that creates perhaps an even greater expense on society if the State becomes the ward of children of broken families.

So, we think the State has a choice. Either it can get in and do more to help the low- and moderate-income people who are facing this problem, or else, if it does nothing, unfortunately, the forces are going to be pulling the plug. We feel that a person who has no utilities is also disconnected from society. We think that is un-American. In our country, we have not yet reached the point that we see around the world, where there are shantytowns and people have no gas, no electricity, no water. In our country, even though there are poor people, by and large, everyone has utility service. But, the costs of utility service have severely outstripped a significant portion of low-income people's incomes. So, we feel that those people are at risk of being disconnected -- disconnected from society.

In addition, there is also the specter of severe budget cuts in the Home Energy Assistance Program, which is Federal money, and the Low-Income Weatherization Program. I have also heard that down in Washington, some Congressmen are using the existence of the Exxon money as a possibility to say, "Well, if you've got the Exxon money, we can cut Home Energy Assistance and we can cut Weatherization, because we think the states will pick up the slack." Some states will. In 1983, on an earlier energy oil overcharge case, I think the figures were about 28 states contributed more money to Home Energy Assistance, and about half of them to-- Oh, I'm sorry. Twenty-eight to Weatherization, and about half to Home Energy Assistance. So, there is, indeed, a lot of precedent for the State putting more money into these programs.

Okay, that gets around, I guess, to what our proposals are. Our proposals are to put the money into the most people-oriented of the five programs to which the Warner Amendment restricts the State. Those programs are the Home Energy Assistance Program, which provides grants for low-income people to help pay their energy bills. In addition to gas and electricity, it also provides for oil. So, that would be one way to get money back to the people who paid -- who actually paid the overcharge. We also think the Low-Income Weatherization Program should be a priority, because if a home is weatherized today, it will save a lot of energy tomorrow. That may be one of the ultimate and long-range solutions to some of these problems.

We also had an idea, perhaps, to spend a small amount -- perhaps \$25,000 -- on a study of how to better allocate the HEAP money -- the Home Energy Assistance Payments. In other states -- notably Illinois and Ohio -- actually in the past three years, there have been programs called Affordable Payment Programs, which change the way that low-income people pay for utilities. Basically, instead of having, you know, winter

moratoriums -- then you owe a lot of money; you can't pay it; and then you get shut off -- they have a more rational system of putting low-income people who, you know, otherwise cannot afford the normal payments, onto what is called the Percentage of Income Plan. Each month, they pay a certain percentage of their income toward keeping the service on.

Now, in other states-- There have been pilot programs in Minnesota and Wisconsin. In Wisconsin, the idea originated with the Wisconsin Gas Company. In some of these states, the idea has been to look at how the state is spending the Home Energy Assistance money, and perhaps to coordinate it with the Percentage of Income Plan, so that the people at the bottom -- the poorest people -- who are on the Percentage of Income Plan get some assistance in meeting their arrears, which may build up under any such plan.

So, our proposal, which, I guess, falls under the Home Energy Assistance Program, would be a study to see if Home Energy Assistance money could be used in conjunction with such a Percentage of Income Plan. We know that the National Consumer Law Center -- which is in Boston and Washington -- has completed a study for the Wisconsin Gas Company, and is working on one for Rhode Island as well. So, this is a new concept which has been tried in other states to help to meet the energy needs of low-income people. And, with the \$75 million that the State has to spend, we feel this would be an opportunity to see if this concept could be used in New Jersey. Ultimately, our priorities for the use of the money would be the Home Energy Assistance Program, the Low-Income Weatherization Program, and we propose this study.

Are there any questions?

ASSEMBLYMAN CATRILLO: Are there any questions from the panel? Byron?

ASSEMBLYMAN BAER: Yeah, I have a couple of questions. First of all, on the \$25,000, where did you get the figure, and what would go into the study?

MR. FOGARTY: A colleague of mine, Ellen Boylan, from the Passaic County Legal Aid Society, called the National Consumer Law Center and asked them approximately how much they would charge for their study. I believe that is the figure they charged either for the Wisconsin Gas Company, or the Rhode Island study, which they are doing now. I might add that Ms. Boylan wanted to be here tonight, but could not because of illness in the family, and also because this afternoon she was representing-- Well, she was talking to a group of people who are about to be shut off. In Paterson, there are so many people, that Legal Aid has to put them together in groups and talk to them all at once.

So, she is the source of that figure, Assemblyman. She also stated that she would like to submit written remarks to your Committee.

ASSEMBLYMAN CATRILLO: Oh, yeah, sure.

MR. FOGARTY: I don't know if you are going to make a quick decision or not.

ASSEMBLYMAN CATRILLO: No.

ASSEMBLYMAN BAER: I would like to ask just a couple other questions. Do you know how long this would take?

MR. FOGARTY: I don't know that offhand.

ASSEMBLYMAN BAER: Is that something that could be done pretty quickly?

MR. FOGARTY: Probably within a couple of months. I have seen parts of the Wisconsin study, and I know that a sophisticated statistical analysis was done once they gathered figures about, you know, how many people there were in different income categories from census figures and, you know, characteristics about how many people got shut off, etc.

ASSEMBLYMAN BAER: Mr. Chairman, through you, I would like to just ask one other question relating to this, because I am very interested in this proposal. Is there anyone here presently from the Department of Energy who could--

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(affirmative response from audience) You are? Could you tell me, is it possible, because this represents just a very small amount of money. I think it is one-thirtieth of 1% of the money involved.

Aren't studies things that the Department has authority to undertake, without having to have special legislative authorization, so that we would not have to wait until this Committee could act on legislation, or a resolution, before a study could be undertaken? It sounds like a very interesting proposal, and I would like to ask you if you could confirm my understanding that if the Department wished to, it could initiate such a study without further statutory authority as soon as it wanted to, so that we could have those results within a month or two, when we would need them to make these decisions.

CATHERINE TORMEY: I have to be honest. I am not sure I could really commit us by saying yes or no. We do have statutory powers -- which I am sure you know -- to do a great deal of information gathering. That might fall under that. I would be happy to find out more specifically and let you know.

ASSEMBLYMAN BAER: It would be very valuable if you could do that. Please let the Chairman of the Subcommittee know. Yes?

JAMES TALIAFERRO: I am from the Department of Energy also.

ASSEMBLYMAN BAER: Yes?

MR. TALIAFERRO: One of the things we do is-- We form partnerships with other states. We have national state organizations throughout the State. We could call those two Energy Departments and get copies of those proposals for you.

ASSEMBLYMAN BAER: That would be very good.

ASSEMBLYMAN CATRILLO: That's a hell of an idea. Mr. Fogarty, let me ask you a question -- if you are finished, Byron.

ASSEMBLYMAN BAER: Yes, I'm finished.

ASSEMBLYMAN CATRILLO: Just a quick question. Is it your opinion, Mr. Fogarty, that the funding for a study would be within the Warner Amendment? In other words, can we use part of the fund to fund the study, or would the study have to come out of a different appropriation?

MR. FOGARTY: I don't profess to be an expert on the Warner Amendment, but if what you are talking about is perhaps a different way to spend some of the Home Energy Assistance money, then I would think it could be considered part of the Home Energy Assistance Program, or a proposal to revamp it, in all or in part.

ASSEMBLYMAN CATRILLO: I was just wondering. I thought maybe you had done some research. It's an interesting question. Byron, do you want to keep going?

ASSEMBLYMAN BAER: No, I would just say I hope that the Department will find out that they have the authority and, since the amount of money is so small, that they could proceed with it. Presumably, that could be reimbursed to the Department, whichever way the allocations are made for the big money when this matter is decided upon.

This is an interesting alternative. It sounds like a very valuable one. It could be fully explored, and we could be ready to make a decision on it. That is how it seems to me anyway. Maybe that is something-- Before the evening is over, maybe we can get some general sentiment from the Committee on it.

MR. FOGARTY: I can certainly get you a ton of information about these other states and what is going on in them, Assemblyman.

ASSEMBLYMAN BAER: I see some encouraging heads nodding.

MS. TORMEY: I would think so; I really would. I am sorry I don't have that statute with me to

actually point out our position, but I don't know if that would be a problem.

ASSEMBLYMAN BAER: Very good.

MS. TORMEY: I will definitely check for you.

ASSEMBLYMAN CATRILLO: But, if you can't get it from your budget, I think we have Mr. Baer now on record as sponsoring a special appropriation for the Department of Energy. I think they might be able to find it. Does anyone else have any questions for Mr. Fogarty? (no response) Thank you, Mr. Fogarty.

By the way, while Mr. Fogarty was speaking, Joseph Doria, Assemblyman from the Thirty-First District, arrived. Do you have a statement you want to make, Joe, or--

ASSEMBLYMAN DORIA: Yeah, I have just some short comments, if you will allow me, Mr. Chairman.

ASSEMBLYMAN CATRILLO: Sure.

ASSEMBLYMAN DORIA: Good evening. As you know, I am a member of the Thirty-First District, and I am pleased to be able to speak here this evening concerning the Exxon oil overcharge fund and how it can be put to use by the State of New Jersey.

As we all know, this money has come from a court judgment against the Exxon Oil Company, which has been found guilty of overcharging its customers on oil and oil products between 1975 and 1981.

New Jersey's allocation from this massive settlement, which is probably one of the largest settlements in the history of the United States, is \$75 million to \$85 million. It is quite a windfall for the State and the people of the State. It represents an opportunity to reimburse some of our citizens for energy conservation use.

It is time to decide how to use these funds. This Subcommittee, obviously, will play an important role in the

decision-making process, and I commend the Chairman and the members of the Committee for taking time out to come to Hudson County to discuss this with the citizens of the County.

One principle I would urge the State to always keep in the forefront of the discussion, is that these millions of dollars, which were provided to the State by the Federal government from the Exxon Corporation, originally came out of the pockets of the citizens of the State of New Jersey, and should be returned in an equitable fashion directly to those citizens. One of the easiest ways I would suggest would be to channel the fund through existing programs, such as the Public Education Energy Program, the statewide Energy Conservation Extension Service, and other such programs.

If this is the route taken, I would urge you to target a substantial portion of these funds to programs such as the Home Weatherization Program, which has been extremely successful -- this is a program to improve the energy efficiency of private homes, as you know -- and the Institutional Energy Conservation Program, which helps to cut the energy costs of publicly funded buildings. If we were to make permanent energy conservation improvements in our public buildings, and in the homes of some of our needy citizens, as well as make available loan moneys to do the same for the homes of the middle-income citizens, we would be using this oil overcharge fund as an investment in future savings.

Let me also add that I think we should look at how we may be able to use this in our public buildings, such as our public higher education institutions, our private higher education institutions, and our public school system, in that those buildings are not energy efficient. They should be much more energy efficient and, obviously, if we make them such, we will save money in the future for the State of New Jersey. The reduced energy costs to our citizens which such energy improvements would represent, either directly to the owner or

renter, or indirectly through the reduced burdens on property taxpayers in the case of public buildings, would be substantial.

In addition, I urge the State and this Subcommittee to actively and diligently petition the Federal government to relax some of their restrictions on the use of these oil overcharge moneys. Some of these rules, such as the prohibition on the use of these funds for energy conservation, capital expenditures in public buildings, and the restriction on the use of moneys to supplant Federal funds -- large sums of which we may possibly lose because of the Gramm-Rudman Act -- are overly restrictive. They stand in the way of our using this fund in the most beneficial, creative way possible. Our Department of Energy must be forceful in pressing the Federal government on these restrictions. I would urge them to take legal action, if necessary, to clarify and expand the uses to which this fund can be put. Only in this way can the State return quickly, equitably, and efficiently these oil overcharge moneys to the place in which they originated -- the pockets of our citizens.

I think that is the important point. We have a lot of citizens, especially somewhere such as Hudson County, who cannot afford to properly maintain homes to be energy efficient, who need assistance in the payment of their energy bills. They need help, essentially the Lifeline Energy Programs, all of which are necessary, and all of which we should take advantage of, given the fact that we have this windfall, if you will. We should not, you know, dissipate this money without giving the citizens of the State the opportunity to make use of it effectively.

Thank you, Mr. Chairman.

ASSEMBLYMAN CATRILLO: Thank you, Mr. Doria. Our next speaker will be Cathy Tormey of the Department of Energy.

MS. TORMEY: Good evening, Mr. Chairman and members of the Subcommittee. I am Cathy Tormey from the Department of

Energy, and I am here tonight to present a statement from the Department setting out the basic parameters of how the oil overcharge money can be used.

By way of background information -- which we have sort of gotten into -- the U.S. Supreme Court decided, on January 27, 1986, not to accept an appeal by the Exxon Corporation in U.S. vs. Exxon Corporation, a \$2.1 billion petroleum violation case. As a result of the U.S. Supreme Court action, District Court Judge Flannery's May, 1983 ruling will stand. This ruling requires distribution of the Exxon funds to states for the purpose of providing restitution to consumers. Restitution must be provided by expenditure of the funds within the Warner Amendment Guidelines, as we have been saying. Section 155 of the so-called Warner Amendment was an 1982 congressional amendment to the continuing resolution passed by Congress which was attached to a \$200 million national settlement that was released to the states.

The amendment directed the U.S. Department of Energy to distribute moneys to the Governors of all states and territories in proportion to their consumption -- or their states' consumption -- of petroleum products during the period of price controls. It directs the states to use the funds in one or more of five eligible program areas.

It prohibits the use of funds for administrative purposes, and directs the states to report to the U.S. government on the uses or intended uses of the moneys. In addition, the court ruling requires the allocation of all interest earned on the funds to go back into the five program areas.

Finally, it directs that the distribution of oil overcharge dollars supplement and not supplant state and Federal program appropriations. This last restriction would prohibit the use of Exxon funds to offset the loss of state or Federal revenues. This is an outline of the eligible programs -- or summaries, I should say:

New Jersey State Library

The first is state Energy Conservation Programs. This covers a variety of programs and projects which are undertaken through this effort in which the state attempts to promote the use of existing energy conservation technology and demonstrate energy-saving techniques. Generally, capital improvements, including equipment, supplies, and building materials are prohibited from use, unless a demonstration certification is given for the project, as Assemblyman Doria was just saying. Current programs involve residential, commercial, industrial, and transportation efforts.

The second eligible program is the Energy Extension Service Program. This program addresses the public education needs of the state to encourage energy conservation within targeted segments of the population. In addition, it is oriented to the small or individual energy user.

The third eligible program is the Institutional Conservation Program. Matching grants are given to qualified schools and hospitals to identify energy-saving opportunities in their facilities, and to implement the improvements in these buildings. Capital expenditures are allowed under this program.

The fourth program is the Weatherization Assistance Program. This provides funding for low-income households and public housing authorities for the direct installation of weatherization in low-income households. In addition, it provides funds for heating oil retrofits in low-income households. Capital expenditures, within program guidelines, are allowed.

Finally, the fifth eligible program is the Low-Income Energy Assistance Program, which provides fuel assistance payments to households in the same income categories as the Weatherization Program.

Thank you.

ASSEMBLYMAN CATRILLO: Are there any questions from the panel? Joe?

ASSEMBLYMAN DORIA: I want to commend Cathy on her very good testimony. I have known Cathy for a long time.

I have only one question, Cathy. You mentioned the restrictions, and I am concerned about them. Obviously, the restrictions were placed prior to the passing of Gramm-Rudman by the Federal government. Have you -- or the people at the Department of Energy -- heard any type of discussion on whether or not, because of the Gramm-Rudman cuts, these restrictions might possibly be lifted, to a certain degree, to help deal with some of the problems that have resulted from the cutbacks in Federal funding in the area of energy assistance?

MS. TORMEY: To be honest with you, I have not, and I am not the -- I probably shouldn't be saying this -- best person to be asking. I would be happy to find out. Our Chief of Staff is really the one who prepared this testimony, and he is the one who is most knowledgeable. But, I would be happy to find out.

ASSEMBLYMAN DORIA: I think it would be useful to the Subcommittee, and I would ask the Chairman if we could possibly request that information.

ASSEMBLYMAN CATRILLO: Sure.

MS. TORMEY: Could that be submitted as an addendum to the written testimony?

ASSEMBLYMAN CATRILLO: Oh, yeah, sure.

MS. TORMEY: Fine.

ASSEMBLYMAN DORIA: I think it would be useful to determine exactly, you know, where we could use this money to replace money that will be lost. Obviously, we will be losing significant sums.

MS. TORMEY: Certainly. I will be happy to do that. I am sorry I can't provide it now. Anyone else?

ASSEMBLYMAN CATRILLO: One second, Cathy.

MS. TORMEY: Sure.

MR. TALIAFERRO: What I was going to say--

MS. TORMEY: This is Jim Taliaferro from the Department of Energy.

MR. TALIAFERRO: At the last hearing, the same fact was brought up, and Jim Putnam mentioned that right now we are working with the Attorney General's office to try to get some of the restrictions relaxed. They are in the process of trying to do that.

ASSEMBLYMAN DORIA: So, they are working on that right now?

MR. TALIAFERRO: They are working on that right now.

ASSEMBLYMAN DORIA: That is good to know. Thank you.

MS. TORMEY: We will keep you updated then.

ASSEMBLYMAN DORIA: Thank you very much, Cathy.

ASSEMBLYMAN CATRILLO: Thank you, Cathy.

MS. TORMEY: Thank you.

ASSEMBLYMAN CATRILLO: You ought to stick around in case we have any questions. We shouldn't be here later than midnight, say. (laughter)

Our next speaker will be Tom Peterkin.

MR. TALIAFERRO: Mr. Chairman, just for the record, Morell Thompson is here. He is Regional Director for the United States Department of Energy.

ASSEMBLYMAN CATRILLO: Oh.

M O R E L L T H O M P S O N (from audience): I am not Regional Director, no. I am a Program Manager for some of the programs, and I am included in the restitutionary process.

ASSEMBLYMAN CATRILLO: I see. Well, it is nice to have you here, sir. If you have any information for us, or if you can answer any questions, I hope you will just volunteer.

Okay, Tom, come on up.

T H O M A S P E T E R K I N: Good evening. My name is Tom Peterkin, and I am here representing Senator Ed O'Connor from the Thirty-First District. Senator O'Connor wished to be here himself this evening, but he was detained on family business. However, I have a statement to make on behalf of the Senator.

"Mr. Chairman and members of the Committee: I appreciate the opportunity to appear here tonight to discuss the possible uses of the oil overcharge funds which the State is scheduled to receive, and to listen to the comments and suggestions of everyone here regarding the use of these unexpected, but welcome dollars for New Jersey.

"As indicated earlier, this money is the result of overcharges by Exxon Corporation on the sale of oil. By labeling old oil as new oil, the Federal pricing regulations allowed Exxon to charge higher prices, even though the old oil actually cost Exxon much less. As a result of a Federal court decision, these overcharges will be returned, indirectly, to consumers through their state governments, which have been directed to use the funds for energy conservation programs.

"While the Federal court noted the effect of Exxon's wrong had been spread throughout the consumer chain, its ruling recognized that it was impossible to trace the overcharges to specific victims, and concluded that the overcharges should be distributed by channeling the funds through the states. It is important to me, as a State Senator, to see that the \$85 million is spent in a fiscally responsible manner and, more importantly, that the people who could benefit most from the various types of energy assistance permitted under the court decision, are the real beneficiaries.

"I believe that a responsible way for the Legislature to ensure that this occurs, is to direct the Department of Energy, in consultation with other appropriate departments, to present a plan to the Legislature for its consideration. Their expertise, in conjunction with the public input obtained through legislative hearings such as this one, will result in a comprehensive plan being developed and enacted.

"Accordingly, I introduced Senate Bill 1716, which is currently before the Assembly Energy and Natural Resources Committee. I am delighted that Assemblywoman Ogden saw fit to

sponsor a similar bill in the Assembly, thus expediting our progress in developing a program. I hope that as a result of these hearings, this Committee will recommend speedy action on these bills. Spring will be here in a few days, and we will all be looking forward to warm and sunny days. But we cannot forget that the seasons change sooner than most of us would like. By next winter, our goal should be to have a program in place, so that everyone at this hearing, and eligible citizens all over the State, will be assured that energy costs will not ruin their budgets.

"Thank you."

ASSEMBLYMAN CATRILLO: Thank you, Tom. Are there any questions for Tom from the panel? (no response) All right, thank you.

MR. PETERKIN: Thank you.

ASSEMBLYMAN CATRILLO: Lawrence Hamm, People's Energy Cooperative.

L A W R E N C E H A M M: Good evening. My name is Lawrence Hamm. I am from the People's Energy Cooperative. Our offices are located at 24 Rector Street, Newark, New Jersey, in the Cathedral House. I am sorry that I do not have prepared testimony this evening. I only found out about the hearing about 11 o'clock this morning, so my remarks will be extemporaneous. At a later date, I will be glad to supply you with some written documents, or other documentation, if you so require.

I just want to say that I concur with the proposals made by the gentleman who spoke earlier from the consumer group. I would also like to say that our organization is on record as being opposed to PSE&G's proposed rate increase, which would result in what they say would be an 18% increase in our gas and electric bills. Our Public Advocate for the State said it is going to be something like 25%. But, we are opposed to that rate increase.

The gentleman who spoke earlier said that he hasn't seen shantytowns in America, when he was talking about how the shutoffs would impact on people. I have just returned from Green County in Alabama. I was down there to support some people who have been struggling around the right to vote. The right to vote is still being denied to some people in this country. And I saw shantytowns in Alabama. I saw places where people did not even have outhouses, much less gas and electric. I say that only to say that when I saw this in Alabama, I thought about my home State, and I must say that some areas of the State have what would be called shantytowns. We have some very poor people living in the State of New Jersey.

I am here tonight to try to put forward an argument to convince you that we need to spend some of this money on the establishment and support of existing fuel oil cooperatives, and the establishment of new fuel oil cooperatives. I think fuel oil co-ops represent one of the most effective and efficient ways to fight the high costs of fuel oil. I kind of fell upon this problem by accident. After finishing at Princeton University, I returned home to Newark. I was staying with my parents for a while. In the spring of 1980, my own mother ordered 100 gallons of fuel oil. The company that she ordered the 100 gallons of fuel oil from charged her \$1.45 per gallon. We talked about this around the family table, and we said, "Well, this is a serious problem." That provided the kind of impetus I needed to go out and do some investigating.

I began to talk to people from the National Consumer Cooperative Bank, which was established in Washington in the early '80s as an agency to give technical assistance to cooperatives and people who wanted to organize cooperatives. I also talked to people from the Citizens Energy Corporation -- which was organized by Joe Kennedy and some other people in New York -- the Housing Energy Alliance for Tenants, the Association of Neighborhood Housing Developers' Fuel Oil

Consortium, and the Northwest Energy Fuel Oil Cooperative in Philadelphia. I began to gather the information for the organization of a cooperative right here in our own area.

We started out with 21 families in October, 1981. The principle was very simple, in terms of the particular model we were using. We had to use a low-cost or no-cost model, because at the time we didn't have any funds or grants or anything to operate with. So, what we did, very simply, was go out and pull together people in the community, fuel oil consumers, and say, "Look, instead of us buying our oil from different distributors, let's all get together, use our collective purchasing power, and bargain with the distributor who will give us the best price on fuel, and also on service."

We began to do this. It was very simple. We sent letters out to all the distributors in our area. There are 127 fuel oil distributors for Essex County alone. About a dozen of them responded. We picked the four or five best offers, and we began to negotiate. We finally developed a contract -- wrote a contract. The price we negotiated in 1981 was about seven cents below the average market price, which resulted in a savings anywhere from \$75 to \$150 per family in the co-op, depending upon what they had been paying their previous distributor.

We started out in 1981 with 21 families. Today, we have close to 500 families in our fuel oil cooperative. Our members consume close to 750,000 gallons of fuel oil per year. Right now when the average price for fuel in the month of February-- The average price for the State must have been hovering somewhere around \$1.07 to \$1.10. Our members paid 67 cents per gallon for fuel oil. Not only that, but we were able to negotiate down the minimum purchase requirement that many fuel oil distributors require. If you read those little ads in the newspaper, you'll see a very low price, right? But, under there you will see, in the fine print, "Minimum purchase 250

gallons." Our minimum purchase requirement is 150 gallons, and we have discounts for people who must purchase, because of their lack of money, less gallons than that.

So, all the way down the line, our people are paying much less than the average market price. In addition to that, we were able to negotiate lower prices for service contracts. We were able to negotiate quantity discounts for those people who had, let's say, small apartment buildings, who were purchasing maybe 3000 or more gallons a week. We were also able to put into our contract, clauses that would protect consumers from some of the problems they encounter dealing with fuel oil distributors; like, many times a distributor will not give a member a ticket for his purchase -- a metered ticket, a stamped ticket for his or her purchase. That is required in our contract. Our contract also says that the fuel oil distributor must agree to random fuel oil checks from time to time, to check for, you know, bad fuel oil, which is a complaint that many fuel oil consumers make from time to time.

So, our members were able to get a deal in terms of the price of fuel oil and the kind of service they were receiving. But, what made the fuel oil cooperative different from other programs, was the fact that the fuel oil co-op has the potential to become self-sufficient. Not only were we able to negotiate lower prices for our members, but we were also able to negotiate a remittance that the fuel oil distributor must give back on a monthly basis to the cooperative. In other words, each month, our fuel oil distributor must remit back to the cooperative, 2% of the total value of the fuel oil sold to our members for the previous month. Besides this, we have other benefits in the co-op that are related to consumer education. We have a monthly newsletter. We have monthly meetings, where we have forums, where we have people come in to speak about different consumer-related problems, whether it be fuel oil, or banking, or home safety -- all of these other

things. So, there are residual kinds of benefits to be gained also from fuel oil cooperatives.

There were some problems we encountered. Because we are run like a low-cost operation, we don't have a lot of staff people, so it is very hard to do the kinds of outreach we want to do. For our cooperative to become totally self-sufficient, we would have to have about 1500 members. These 1500 members would be purchasing roughly four million gallons of fuel all year. That would be generating enough in terms of remittances to pay for the staff, the overhead, and everything. But, because we have always been small, we have not had the capacity to outreach and do the kinds of advertising that need to be done to get other consumers to join. This was a good year for us, because, you know, once the word gets on the grapevine that you can get some fuel oil for 67 cents a gallon, you know, that is almost better than the radio sometimes. So, this year we were getting members without having to do a lot of work. But it is not like that every year.

In terms of the Citizens Energy Corporation -- which is a very big operation -- I would think we would probably have to do something on the State level to realize a project like that. We would almost have to establish a State agency. The only reason the Citizens Energy Corporation can exist is because of the intimate connections that the Kennedy family had with the banking industry and with the corporate sector. They were actually getting oil refined from Venezuela, shipping it on their own ships, and so on and so forth, cutting the costs along the way. That is how they were able to get the costs down when they finally came down. The oil was not sold directly to the consumer. The oil was sold to the state, and the state, in turn, passed the savings along back to the consumer through the various programs that the state had. So, their program didn't touch the consumer directly, the way the smaller cooperatives are able to do, like those which exist in Jersey and those which exist in New York.

If cooperatives like ours could get more funds, we could do more outreach. We could grow. We could increase our membership, and that, in turn, would increase our bargaining power with distributors, and we would be able to bargain for even better prices. We could also do some things, like take over the billing. Many distributors have said to us, "If you will bill the customers directly, we will take a nickel more off the price of fuel oil, because that is included in our price -- what we have to pay our staff to do the billing." So, that is one thing we could do, as the Housing Energy Alliance for Tenants operates in New York. They bill the members of their cooperative directly, so all of the interaction is between the co-op staff and the co-op members. There is no middleman included.

We could also talk about a cooperative purchasing of weatherization materials. Presently, a lot of people would like to weatherize their homes, but it is a costly job to go out and buy those materials, and then to find the time to do the work. That is real work that has to be done. But, if we had the ability -- if we had more staff people to work with -- we could actually bulk purchase weatherization materials, and offer them at a discount price to co-op members.

Down the line, we could talk about our own cooperatively owned oil company. That could really give the fuel oil distributors some competition. They are a very closed fraternity -- the fuel oil distributors -- and if you look at their prices, there is not much variation. Once in a while you will get a one-truck operation, which doesn't really do service work. All they want to do is drop fuel, so they will offer a low price just to get that fuel off their hands. Sometimes a lot of these guys have surplus left over at the end of the heating season, so they will sell that fuel oil under a different name. It will be the same "A" company, but they will be advertising as the "B" company. They will send someone out

to drop the fuel at a reduced price, just to get rid of that surplus fuel. So, you know, the whole competition ethnic is really not there, the way our free enterprise dictates it should be.

Those are just some ideas I would like to offer in terms of supporting existing cooperatives and helping people to establish cooperatives in their own areas. Presently, our cooperative serves all of Essex County, part of Hudson County, and we have even negotiated a second contract with a distributor to serve parts of Union County. But, we only serve that area. We cannot serve the whole State. The Department of Energy should have the ability to offer grants, to offer loans to people, so that they can go out and establish fuel oil cooperatives in other parts of the State.

Thank you.

ASSEMBLYMAN CATRILLO: Thank you. Any questions?

ASSEMBLYMAN GARGIULO: Mr. Chairman, I have some questions.

ASSEMBLYMAN CATRILLO: All right. We will start with Frank.

ASSEMBLYMAN GARGIULO: Mr. Hamm, just a few questions. I am very interested in the co-op idea. I think it is a workable idea. How would you see the Exxon funds being filtered into the cooperative movement? I don't get the connection.

MR. HAMM: Well, I think the money would go to the Department of Energy. The Department of Energy could establish a program -- it could be educational in nature -- where materials would be provided. DOE staff could offer technical assistance to people to help organize cooperatives in their areas, and we could establish either a fund, or a revolving loan program, or something, because there are some costs involved. But, see, the difference between a cooperative and, let's say, a subsidy program is, a subsidy program is a

one-shot deal. Look, when you allocate that \$75 million, it's gone. Unless Exxon overcharges people one more time, we won't see that \$75 million again. But, when you invest that money in a cooperative, which has a self-sufficiency mechanism, where it is also generating funds and has a potential over time to become self-sufficient, you are setting up something that can continue operating over time. But, when you spend that money, as we are presently structured-- When we spend it, it's spent. There is really no return on the investment. It's strictly subsidy.

ASSEMBLYMAN GARGIULO: So, your suggestion is that some of the Exxon funds be earmarked for the Department of Energy, and, in turn, the Department of Energy should earmark the funds to cooperatives. You are not asking for the funds to go directly to the co-ops?

MR. HAMM: No, I would not advocate the funds going directly to the co-ops. I think the Department of Energy is the appropriate agency for the distribution and allocation of those funds.

ASSEMBLYMAN GARGIULO: How many co-ops are there in the State of New Jersey? Do you have any idea?

MR. HAMM: I understand, at this point, that there are two. One of them is People's Energy Cooperative, and there is another group, the Citizens Action Fuel Buyers Group. I am not sure, though, that the Citizens Action Fuel Buyers Group is still in operation. I know that two years ago they were in operation. We have been in operation since 1981.

ASSEMBLYMAN GARGIULO: Are there some other states where these cooperatives are working?

MR. HAMM: Yes. In New York City, you have a host of fuel oil co-ops. As I mentioned, there is the Housing Energy Alliance for Tenants; there is the New York Public Interest Research Groups Fuel Buyers Cooperative. In Philadelphia, there is the Northwest Energy Cooperative Association. Also in

New York is the Association of Neighborhood Housing Developers Fuel Oil Consortium. Those are some of them. I understand there is one in Jamaica; also in Jamaica Plains. They are all over the country. There are fuel oil co-ops like ours operating all over the country. They have been in operation since the -- well, some of them since the late '70s. We were kind of one of the last ones to come along. We started in 1981. Most of them have been in operation since the late '70s.

ASSEMBLYMAN GARGIULO: You mentioned mostly urban centers. Is that where the co-ops seem to be most successful?

MR. HAMM: Fuel oil cooperatives have been most successful -- at least these models -- in the urban centers, but there are fuel oil cooperatives in the Midwest which have been operating for years. But, they are different in nature, in that in the Midwest there are cooperatively owned pumps, cooperatively owned refining stations, and co-ops that cooperatively distribute the final product.

The cooperative movement is nearly 70 to 100 years old in the United States. All kinds of co-ops have been in operation. It is just now that they are kind of, you know, moving from west to east, so to speak. Food co-ops have been in existence for quite a while. Fuel oil co-ops are relatively new.

ASSEMBLYMAN GARGIULO: Well, it seems to me when you say the cost of fuel oil runs about \$1.07 to \$1.10 and the co-op is buying it for 67 cents, that that would be not only appropriate for urban districts, but would be appropriate for anybody, no matter who you are. That is a 40-cent saving, a 50-cent saving. That is a terrific saving.

MR. HAMM: That's right. I would say now -- perhaps the DOE people can get the data in here -- but I would say now the average price of fuel oil for our State must be somewhere around \$1.07 a gallon. As I said, in February we were selling for 67 cents a gallon.

ASSEMBLYMAN GARGIULO: Do you limit the participants according to income, or could a millionaire, for instance, be part of your co-op?

MR. HAMM: A millionaire could, but they don't. You see, most of your large housing -- apartment building owners are purchasing such large volumes of heating oil already, that they don't need a co-op. I actually approached one of the large real estate owners in East Orange. He owns something like 20 or 30 of these 100-unit apartment buildings. He said, "On my own, because I buy in such large volume, I can buy the oil cheaper per gallon than you can." So, it's different.

ASSEMBLYMAN GARGIULO: So, standard practice in the industry is, if you buy a sufficient amount, the price is lower, according to what the amount is.

MR. HAMM: Volume is the key in this industry. Volume is the key. Also, the grade of fuel oil you are buying. Fuel oil comes in grades, just like gasoline. Just like we have leaded and premium, there is Number 2, Number 4, and Number 6. The very large buildings use the Number 6; your medium-sized structures use Number 4; and, the little furnaces in people's houses burn the most refined, which is the Number 2 fuel oil.

ASSEMBLYMAN GARGIULO: Thank you.

ASSEMBLYMAN CATRILLO: Is that it?

ASSEMBLYMAN GARGIULO: Yeah, thank you.

ASSEMBLYMAN CATRILLO: Yes, Mr. Charles?

ASSEMBLYMAN CHARLES: I would like to welcome Mr. Hamm to Hudson County. I know he is no stranger; he is no stranger anywhere throughout the State of New Jersey. It is good having you here, Larry. Your comments are greatly appreciated; they were very informative.

What are your thoughts-- I think Assemblyman Gargiulo, you know, hit upon some of this. Do you really think that with encouragement from DOE, with some programs being established in the Department of Energy, the fuel cooperative

movement could be spurred and increased in the State of New Jersey?

MR. HAMM: Sure. I think there is a potential for the movement to flourish in the State of New Jersey, particularly in the urban areas and the older urban areas. What has happened is, in the construction of the new communities-- Most of these communities are fueled mainly by gas and electric. You know, they have central heating, either all electricity, or all gas, or a combination of the two. It is mostly in the old urban centers, where people are still using fuel oil. Remember, at one time everybody used coal, right? Then, at some point during the '60s, people switched from coal to oil. That was modern, to have oil. Well, since then, most of the newer communities that have been constructed use all gas, or all electricity, or some combination of the two.

But I think in our urban centers around the State there is a lot of potential for the fuel oil. I was really surprised at the number of distributors that exist. See, that is what makes it possible, the number of distributors. If there were even fewer distributors, there would be even less disparity between their prices. But because there are so many distributors, you know, one might be six cents cheaper, one might be 10 cents cheaper, one might be 25 cents higher. It depends. So, because of that, there is the potential to bargain with the different distributors.

ASSEMBLYMAN CHARLES: It seems to me that if you are going to start greater numbers of fuel cooperatives, one of the threshold problems would be to organize initially to get people interested in becoming a part of the fuel cooperative. I mean, it is going to take money and things like that to do it. I think that ties into some of the restrictions that are placed on the use of these moneys now.

MR. HAMM: Right.

ASSEMBLYMAN CHARLES: I think if you were able to know what the advantages are, you would have a lot more interest and a lot more participation.

MR. HAMM: That's right.

ASSEMBLYMAN CHARLES: As I understand it from these amendments, that kind of administrative cost, that kind of thing-- Maybe my understanding is incorrect, but I am wondering whether that kind of use of the moneys would be prohibited under the Federal regulations. Does anyone have any impressions as to whether or not the use of the moneys, through DOE, for organizational purposes, for fuel cooperatives, would be prohibited?

MR. TALIAFERRO (speaking from audience): The only thing I can say-- You mentioned a couple of things that would put some limitations on it. One of the mandates is that you have to be within a certain category financially -- certain financial categories that we can more or less save money on.

The other thing you mentioned-- We already have an Oil Heat Loan Program, whereby people can submit their bills and get reimbursed, and things like that. On the co-op side, I think the money is sort of prohibited as far as organizations are concerned, because I think it would be a thing where organizations would be considered as making money if they-- You know, it would be like financing a business. So, I think there might be some limitations on that.

ASSEMBLYMAN CHARLES: Excuse me. I see the gentleman from the Federal side of it moving his head one way -- up and down, or back and forth, I can't tell.

MR. THOMPSON (speaking from audience): There is more than one way to skin a cat.

ASSEMBLYMAN CHARLES: Excuse me.

MR. THOMPSON: There is more than one way to skin a cat.

ASSEMBLYMAN CHARLES: Okay, that is what I thought.

MR. THOMPSON: And the EES Program has a way to give assistance in this program.

ASSEMBLYMAN CHARLES: Very well.

MR. THOMPSON: Not through money, per se, but the educational aspect-- (A portion of Mr. Thompson's comment is lost to transcriber here, since he was not speaking near a microphone.) That is education on the basis of helping people to conserve energy.

ASSEMBLYMAN CHARLES: Thank you..

ASSEMBLYMAN CATRILLO: Byron, do you have anything?

ASSEMBLYMAN BAER: Yes. I have a couple of questions. If this State were involved in the cooperative movement as thoroughly as Massachusetts, which is often cited, how many people would be involved? Do you know what the numbers are in Massachusetts?

MR. HAMM: Well, no. I don't know how many people are involved in the fuel oil cooperative effort in Massachusetts. I know that through Citizens Energy, which is only one effort -- there are other efforts going on in Massachusetts -- thousands of people have been helped, not only with fuel oil, but with natural gas. But, again, Citizens Energy deals directly with the state. I do know for a fact that Massachusetts is a much more progressive state when it comes to laws governing cooperatives. The states in the Midwest also have a strong history--

ASSEMBLYMAN BAER: I was just wondering--

MR. HAMM: Yes?

ASSEMBLYMAN BAER: I was just wondering, if we were to try to go in this direction, as you suggest, and Assemblyman Charles suggests, which seems very worthwhile, what would be a realistic objective? What would be a realistic goal? How can we get a handle on that?

MR. HAMM: I would see no reason why we couldn't get several hundred thousand fuel oil consumers involved in a very

short period of time, with the right kind of, let's say, outreach strategy for this. We have a large number of fuel oil consumers in the State of New Jersey -- a very large number.

ASSEMBLYMAN BAER: Those are very exciting numbers. I see some heads nodding in agreement.

MR. HAMM: I don't see why, you know--

ASSEMBLYMAN BAER: Good. I wanted to ask you a couple of other things. If one were to try to go in this direction-- If we were to say, "Yes, we want to go ahead," where would we get models of budgets? What would go into those budgets? How could we find that out?

MR. HAMM: We could get models of budgets from the existing cooperatives, the few I know, and others that exist.

ASSEMBLYMAN BAER: Now, you were talking about going, not necessarily with the money allocated to the cooperatives, but money in the public sector. I am a little confused as to just who would be getting the money, and how much would be -- you know, various breakdowns. If this is something we are going to take a serious look at, we have to get the specifics. If you don't have the specifics, maybe you can tell us where we can get specifics of that sort.

MR. HAMM: I would say that specifics of that sort could be gotten immediately from the National Consumer Cooperative Bank, which is in Washington, and is a repository of information for cooperatives. In fact, it was the NCCB that gave us the initial technical assistance we needed to get started. We could look at, you know, the existing models around us in New York City and other places. I would say this, though--

ASSEMBLYMAN BAER: But, could you clarify one thing for me--

MR. HAMM: Yes.

ASSEMBLYMAN BAER: --that I am not altogether clear on? I am not sure-- Earlier you indicated that although the

objective is to stimulate this cooperative effort, there might be a restriction so that the money could not go directly into the cooperative effort, but would have to go into the public sector. Now, would we be getting public sector model budgets, where this has been done before, or, because it's new, because of this case that has brought forth the money-- Were there at least proposals developed for public-sector programs, with detailed budgets and breakdowns on how the thing is to work? Would they have that kind of thing, do you think, out of that group in Washington?

MR. HAMM: Yes, I would think they would have it. But, a question was asked directly to me by the Assemblyman, as to whether or not the money from the \$75 million should go directly to the co-ops, and I said -- and this is just an off-the-cuff assessment -- that I thought the money should go to DOE, the agency established to deal with energy matters, and let DOE appropriate the funds to existing cooperatives and to people who want to start cooperatives.

The other thing I want to mention, and stress, is, the cooperative model we use, the group purchasing model that we use, is a very low-cost kind of operation. I mean, our budget, every year since 1981, has been less than \$50,000. Now, at some point, we are going to be generating that much money. I would like to say next year, but I don't think it is going to be next year. We have to get 1500 members. But I think at some point we will be generating that amount of money.

Again, it is a low-cost operation. It is not really a kind of high-budget operation. It is kind of a low-cost, lightweight administrative operation. I organized the co-op in 1981 with no funding, because I thought it was something we needed in our community.

ASSEMBLYMAN BAER: Excuse me, Mr. Hamm, just a couple more questions. I didn't mean to take so much time with my questioning. Is there a particular person there who you could

suggest we contact, in terms of specifics on budgeting, and do you have any idea whatsoever as to how much a total program such as this would involve in this State? In other words, we know how much money is available under this case, but I don't know, with a full-size program like this, the maximum that would be -- what's the word? -- doable, to usefully use the money. Is it something that is a million dollars, five million dollars, 10? I have no idea.

MR. HAMM: Right.

ASSEMBLYMAN BAER: Do you have any idea where we could--

MR. HAMM: I believe Carol Greenwald is still the President of NCCP. She would be the person to contact, at least initially. She is the person I dealt with. She was the president of the bank. I met her through Ralph Nader.

ASSEMBLYMAN BAER: Okay; very good. A mutual friend. My last question is -- and my guess is your answer is going to be the same-- Relative to information on co-ops in terms of weatherizing materials -- is that where we would also get information?

MR. HAMM: Yes.

ASSEMBLYMAN BAER: Has this been successful, or is this a very new idea that has not actually been -- what's the word? -- implemented anywhere?

MR. HAMM: To tell you the truth, I am not knowledgeable about how much success has been made with cooperative purchasing of weatherization materials. All of the people who I have dealt with who run other cooperatives are still dealing primarily with the fuel oil.

At one point, we had an arrangement with the Office of Energy for Essex County. We had kind of a partnership, and they were doing free home energy audits. They did these audits for our members. We were going to go into the weatherization aspect just when the funds were cut, and this was, I believe,

by the Carter Administration, at the time. So, we could not go into the weatherization aspect of it.

ASSEMBLYMAN CATRILLO: Was it Reagan?

MR. HAMM: It was before Reagan.

ASSEMBLYMAN BAER: Those are all my questions. I want to thank you very much.

ASSEMBLYMAN DORIA: It isn't only Republicans who cut money, don't worry.

ASSEMBLYMAN BAER: I think your testimony has been very, very valuable here.

MR. HAMM: Thank you.

ASSEMBLYMAN CATRILLO: Joe, anything?

ASSEMBLYMAN DORIA: No, thank you. That testimony was excellent.

MR. HAMM: Thank you.

ASSEMBLYMAN CATRILLO: Oh, by the way, Mr. Hamm, if you wish to submit anything in writing, our Committee Aide, Joyce, is at the end of the dais here, and she would be more than happy to give you the address of where to send it, etc. The record will remain open for some time.

MR. HAMM: Okay.

ASSEMBLYMAN CATRILLO: By the way, that applies to anyone else who wishes to either augment their comments or submit new material. We would be happy to have it. Thank you, Larry.

I will just note the presence of former Assemblyman Mike Esposito, and Conrad Vuocolo, who represents Congressman Frank Guarini. Do either of you gentlemen wish to speak?

C O N R A D J. V U O C O L O: Yes.

ASSEMBLYMAN CATRILLO: Sure, come on up, Conrad.

MR. VUOCOLO: Thank you very much. Congressman Guarini asked me this morning to come to this hearing, which we just learned about. He was concerned, of course, about the proposed cutting in the Gramm-Rudman legislation and, also, he

was concerned about the problem of asbestos removal from the schools. Specifically, he is making a plea for your consideration to dovetail some of this \$85 million in the area of assisting the parochial or the private school systems in New Jersey.

In New Jersey, we have the Archdiocese of Newark, the Dioceses of Paterson, Metuchen, Camden and Trenton, and the Byzantine Diocese in the Passaic area. The last round of Federal grants for asbestos removal just came out. Forty-five million dollars was allocated in the entire nation for this purpose. Not one penny went to a non-public school in the whole State of New Jersey.

It is estimated that there are upwards of 150 to 175 educational institutions, whose closing, of course, would add devastation to our tax rate. I know Assemblyman Doria, last year, and perhaps the year before, introduced legislation to do something about the removal of asbestos in the non-public school area. Surprisingly enough, there was some limited money for the parochial schools. We understand that the record for public school removal is pretty good. We are not complaining in that area. But for the important area of the parochial schools, which is a dominant part of the private school system, not to receive one cent, is a very, very serious matter, especially in our Hudson County. We have all been touched, somewhere in our lives, by the parochial school system, and we feel that some part of this \$85 million -- if it is permissible -- could, and should be earmarked for this area.

This is the Congressman's plea. We don't know what can be done. We have not had a chance to look up any guidelines or regulations. If something can be done, it would be a good way for New Jersey to show leadership in helping the area of education, which is in serious financial trouble. We understand in the State of New Jersey now, that there are 28 schools which are contemplating closing. They have been

ordered to remove the asbestos, just as the public school system has been ordered to do. To go into schools in some of our areas, such as the Lafayette area in downtown Jersey City-- Some of these schools have been used since 1890-1900. Some of these parochial schools are being run with Hail Marys, to tell you the truth. To ask them to produce \$200,000, or \$250,000, to remove asbestos is just to the point of being idiotic.

Ironically, the parochial schools received about \$200,000 in the Hudson County area for energy grants. So here we have a society which wants to keep our kids warm, but does not worry about them getting cancer, possibly, from the asbestos. It just doesn't make sense.

Thank you very much.

ASSEMBLYMAN CATRILLO: Thank you, Connie. Assemblyman Doria?

ASSEMBLYMAN DORIA: I would just like to second Connie Vuocolo's comments from Congressman Guarini. I do have that bill, Connie, still in. It has been reintroduced for this session. Actually, the members here are members of the Appropriations Committee -- at least two of the members are -- and they will be involved in reviewing that piece of legislation, in which we provide \$12 million over a four-year period for non-public, or private schools, to help with the removal of asbestos. It is a major problem. Our public schools, because of the legislation I sponsored -- and everyone worked on -- are being helped. Jersey City and Bayonne have gotten over a million and a half dollars -- in that area, and all of Hudson County is getting money.

So, I agree with you wholeheartedly. I do have the legislation there. I don't know if it would be appropriate to use this money but, if it is, I think we should look at it.

MR. VUOCOLO: Let me give you the benefit of our painful experience, as far as this round of grants through the

Federal EPA is concerned. There seems to be a financial criteria that is attached to the application. I think what they must do-- They lump in the assets, perhaps, of the diocese, all the real property, all of the property which is owned. When you get a figure, even though it may be heavily in debt, against the need of a little school someplace, it looks like it is astronomical, and yet every public school, which is being paid for, in part, by the parents who also pay for their children to go to the parochial schools, or the synagogues, or the Lutheran schools, just sails through because it meets the financial criteria. It just seems to be a little unfair.

But, I want to thank you very much.

ASSEMBLYMAN CATRILLO: Thank you, Connie. Is there anyone else who would like to speak? (no response) All right, I want to thank everyone who gave testimony tonight. It was very informative, very helpful.

For your information, there will be further hearings on this subject. I don't know whether we have a schedule yet or not, but they will be announced in various newspapers and official publications.

Again, if anyone wishes to submit anything further in writing, please feel free to do so.

ASSEMBLYMAN BAER: Mr. Chairman, one item before we adjourn.

ASSEMBLYMAN CATRILLO: Yes?

ASSEMBLYMAN BAER: At the first meeting of this Subcommittee, we made a number of requests for information to be provided to the Subcommittee. I understand that quite a bit of information was provided to the Subcommittee a week or two ago. I think it would be valuable if action were taken to see that it went to all the members of the Subcommittee. I have not seen Page 1.

ASSEMBLYMAN CATRILLO: I haven't either.

ASSEMBLYMAN BAER: It must be in the staff files somewhere in the inner bowels and recesses of the State House in Trenton.

ASSEMBLYMAN CATRILLO: Never to be found again.

MS. ROSE: I have 600 pages of DOE information in the staff office.

ASSEMBLYMAN BAER: Well, please use your own judgment, and distribute to the Subcommittee the things you think we might want, and leave a list identifying the things you are not so sure about. At least that way we would know what is there and could request the other. That would be very helpful.

ASSEMBLYMAN CATRILLO: Okay? I plan to spend this weekend reading those 600 pages. You know, that is part of the problem in this business. They just inundate you with information and, really, you just can't read it all. You can't. There is not enough time in a day, not enough days in a week. But, we will try our best.

I want to thank everyone for coming. The hearing is adjourned.

(HEARING CONCLUDED)