

Speech by Senator John Heinz
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Consumer Federation of America
Joint Consumer Affairs Conference
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Good Afternoon. I am pleased to have this opportunity to address this first joint conference of electric utility representatives and consumer leaders. I commend both EEI and CFA for taking this initial step to improve communications and jointly develop new initiatives to assist consumers in coping with high energy costs.

I feel very much at home here because many of you here today are active both with the Alliance to Save Energy and the Special Committee on Aging. Bill McCollam, President of EEI, and Vita Ostrander, President-elect of the American Association of Retired Persons, both are Alliance Board members. Bill has provided valuable assistance on an Alliance project I will discuss later, and Vita has provided guidance for low income assistance both at the Alliance and to the Aging Committee. Carol Werner of the National Consumer Law Center has also worked closely with both the Alliance and our Committee. Finally, I have had the benefit of working with many member groups of the Consumer Federation of America here today, including several from Pennsylvania -- The Pennsylvania League for Consumer Protection, The Pennsylvania Citizen's Consumer Council, and the Pittsburgh Consumer Alliance.

As you know, I speak to you today in two capacities -- as Chairman of both the Senate's Special Committee on Aging and the Alliance to Save Energy. At the Special Committee one of our particular concerns is the adverse financial and health impacts on the elderly because of high energy costs.

At the Alliance, a nonprofit, bipartisan coalition, we pursue a variety of research and demonstration programs that promote investment in energy efficiency and help low-income families cope with high energy costs.

The Alliance, as its name connotes, is a diverse group of interests working together to promote a shared concern of using energy more efficiently. It is a model for a theme I will stress today -- the need for cooperative efforts to help the poor and elderly on fixed incomes. For only in partnership do we have any real hope of relieving the hardship imposed by increasing energy costs.

This week is the 10th anniversary of the first OPEC oil embargo. What are some of the consequences of that act? For one, home heating oil in the winter prior to that shut-off was selling for less than 25 cents per gallon. Prices this winter are expected to be in the range of \$1.15 per gallon.

The prices of home heating oil, natural gas and electricity have increased an average of 360 percent over the past 10 years. These increases have imposed severe burdens on many of our nation's poor and elderly. Even if energy prices were now to stabilize, an unlikely event, many of them cannot today afford their energy costs.

Older Americans pay far more for energy as a percentage of their income than any other group -- nearly 30 percent of their average incomes compared to 8 percent (nearly 1/4 less) for the average American household. And this average obscures large geographic differences which increase the hardship in many cases. The elderly poor are perhaps the most vulnerable group of all Americans attempting to cope with high energy costs. For example, after paying natural gas bills, an elderly citizen in my home state of Pennsylvania, receiving the maximum SSI payment of \$316 per month, is left with about \$41 a week for all other living expenses (including food and rent).

The poor, the elderly, and those on fixed incomes find that they can neither pay their energy bills nor make the investments -- such as insulation, weatherstripping, and furnace modifications -- necessary to improve the energy efficiency of their homes. The "energy crisis" has not gone away for the poor. It is a constant, daily battle.

High energy costs for consumers pose some problems for utilities too. Thousands of customers are in arrears, leaving utilities and fuel dealers with unpaid debts. Public utility commissions often mandate utilities to maintain service. Consumer groups press utilities to provide assistance to the less fortunate.

Most utilities do not want to lose these customers. After all, customers lost because of shut-offs mean lost revenue. And shut-offs do nothing to change the image of utilities that many customers now have as unfair and unconcerned large corporate bureaucracies. Utilities and consumers share a common concern in ensuring the poor can meet their basic energy needs.

Today, I wish to emphasize 3 courses of action to help make energy affordable. They require a mutual commitment of far-sighted managers, concerned consumer advocates, and of responsible government officials.

First, we need to ensure that sufficient cash assistance payments are provided to help the poor and elderly on fixed-incomes meet their short-term needs. Second, utilities and private groups must develop energy conservation programs to provide permanent reductions in energy costs. Third, government programs to provide permanent conservation improvements must be made more cost-effective.

Let's discuss strengthening cash assistance programs to meet the immediate suffering of the poor and elderly.

The low-income energy coalition, of which many of you here are members, is an excellent example of how consumer groups and utilities can work together to achieve this goal. The coalition lobbied successfully

last year to maintain funding for the LIHEAP program, most of whose funds are utilized for cash assistance. In 1982, the federal government spent almost \$2 billion on this program. This would provide only \$100 a year if all eligible households received assistance, but yearly energy bills are in excess of \$1,000 in many states. In reality, however, while many states provided assistance above the average, less than one third of the eligible households received any assistance at all.

Clearly, federal assistance alone -- especially at existing levels -- is not sufficient. Private fuel assistance programs providing cash for immediate short-term needs are a necessary and vital supplement to federal efforts. Initiatives, such as those started by utilities which encourage "Dollar Check-offs" and the emergency assistance programs coordinated through groups like the Red Cross, are commendable and to be encouraged.

Experience shows us that cooperation among these governmental and private programs produces results. That is why last year's attempt, by the Department of Health and Human Services, to lower supplemental SSI benefits if a needy person were also receiving private assistance for fuel costs was so foolish. It would not only have deprived extra help to the most needy, it would also have discouraged private groups from assisting these same people. It was counterproductive to the very idea I emphasize we need -- cooperative public/private solutions to the problem. To ensure cooperative public and private programs could continue, Senator Danforth and I introduced and passed legislation to prevent HHS from implementing this plan.

We must admit, however, that no matter how necessary, cash assistance is a short-term response, and not a long-term solution.

The second commitment I am calling for is part of a long-term solution. Utilities and consumers must develop new, private energy conservation programs. Conservation must be a cornerstone of supplying our nation's future energy demands. Investments in our homes such as insulation and furnace modifications can be very economic. Conservation, unlike cash assistance, provides a permanent reduction in energy costs. It is an investment we cannot afford to bypass.

There are two private conservation initiatives which illustrate the types of programs we should undertake. The first is the General Public Utilities System's "Residential Energy Conservation Action Program." GPU contracts with private companies to provide conservation retrofits to consumers' homes. GPU only pays the contractor based on actual reductions in kilowatt-hours used by each customer. There is no payment to the contractor just for doing the retrofit. Best of all, customers do not pay anything to have their homes made energy efficient.

The possibilities for further application of this type of program by gas or electric utilities are enormous. Considering that many poor and elderly persons live in very inefficient homes that have potential for large savings, they could be principal targets of this type of program.

A second example of an innovative private program is illustrated by a

project undertaken by the Alliance. In a case study with Arkansas Power & Light, we demonstrated that a program of utility rebates -- tied to investments in energy efficiency improvements by its commercial and industrial customers -- will benefit all consumers -- including residential ones -- by lowering rates. One of the programs designed for AP&L could lower the present value cost of customers' bills by a total of almost \$90 million dollars.

The AP&L program to promote conservation investment results in benefits to everyone. The utility saves because it can reduce current demand and delay new plant construction. Commercial and industrial customers receive the rebates. All customers, including residential ones, benefit from lower rates.

Utility programs to promote conservation investment will not, however, always lower consumer rates. Utilities, consumers, and public service commissions face difficult choices designing and evaluating such programs. Some programs may be very efficient for society and save resources - but raise rates to the consumer. Other programs can be designed which keep rates constant, or lower them, but save less societal resources. Consumer groups have an important role to play to encourage utilities to begin conservation programs as well as assisting utilities and public service commissioners make these difficult public policy choices.

The economic analysis, in the case of AP&L, demonstrated that conservation programs are beneficial to utilities and consumers in many cases -- not just in those situations where utilities face peculiar problems of high marginal costs. I am very grateful for the guidance and support that both EEI and EPRI provided during the study and particularly pleased that they endorsed its findings.

Despite these programs being economic in many cases to society, and frequently achieving lower rates for consumers as well, only a few utilities have developed them. I know many utility representatives here today are frustrated by the failure of their senior management to undertake meaningful, comprehensive programs to promote conservation or assist the poor. Your challenge is to convince your CEO to begin such programs. Leadership and good management start at the top, and it is time many more CEOs start being leaders, not business bureaucrats.

What I propose on this 10th anniversary of the oil embargo is that each utility CEO should develop and publish a comprehensive strategy to promote conservation. And in the interests of good citizenship and good business practice, I also urge an equal commitment to assist the poor. And, I call on each utility CEO to announce new programs in these areas by the end of 1983, and issue a public announcement to the press this week of their commitment to do so.

My final suggestion for cooperative efforts is to improve the effectiveness of current government programs. In other words, namely those of Pogo, "we have met the enemy and they is us."

Millions of our nation's low-income citizens live in homes that were

built when energy was cheap. Their homes are poorly insulated and have inefficient heating systems. The DOE Weatherization Program is the primary federal conservation effort to assist these families. Yesterday, I introduced a bill to make DOE's Weatherization Program more effective. There is substantial need to continue this program, and there is substantial opportunity to improve it. Our bill addresses both of these concerns.

First, it promotes the use of new cost-effective technologies and furnace retrofits in the weatherization program. Present practice is to use only traditional measures -- such as insulation and storm windows -- and ignore new developments. Studies by the Alliance have demonstrated new technologies and retrofit options -- like replacement burners -- are 3 to 4 times more cost-effective than the measures now being installed under the program.

Second, our legislation requires specific measures to improve the management and operation of the program. For example, it requires states to develop comprehensive weatherization plans that include a strategy to weatherize all the eligible homes in the state and procedures to insure the quality of the work performed.

Third, it provides for program continuity. It establishes a three year authorization, so states can effectively plan for a comprehensive program and will not be left in a planning limbo during annual debates in Congress on whether the program should be reauthorized.

I encourage each of you to examine the bill carefully and hope you will support it.

Ten years ago, a dramatic revolution took place in America. Its first casualties were poor and elderly, but ordinary Americans, and American businesses were wounded, as well.

As a nation, we cared for some of the wounded, learned to insulate our homes, and cut costs in other areas of production. But, we still have not fully mobilized our resources, our creativity, and our good judgment.

It is time we do so.

With the breadth of talent, experience, and concern in this room, I am confident that we will meet the challenges of high cost energy, that we will provide for the less fortunate, and that we will exercise prudent stewardship of our national resources through conservation.

Thank you.