Irene Gomez-Bethke Papers.

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STATEMENT OF

EARL D. CRAIG, JR.

PRESIDENT

URBAN COALITION OF MINNEAPOLIS

CONCERNING THE

ENERGY POLICY AND

CONSERVATION REPORT - 1978

OF THE

MINNESOTA ENERGY AGENCY

May 11, 1978

Thank you very much. My name is Earl Craig. I am President of the Urban Coalition of Minneapolis. I appreciate the opportunity to appear before you.

With me today is Peter McLaughlin, Research Director of the Urban Coalition, who, as you know, has been in communication with various representatives of the Energy Agency, the Minnesota Housing Finance Agency, the Office of Economic Security and with members of the Legislature concerning the energy issue.

The Urban Coalition is a private, non-profit organization founded in 1968 to address issues of concern to the poor, and Black, Indian and Latino communities of Minneapolis. I appear before you today as part of our on-going effort to make certain that the interests of the poor are not overlooked in the continuing energy debate.

I have attached to my testimony two graphs which dramatically illustrate the impact of spiralling energy costs on the poor. Prior to the Arab oil boycott the poor used significantly less energy per household but devoted a much larger share of their disposable income to energy than higher income households. The pattern was further reinforced during the period of rapidly increasing prices, 1973 to present. Likewise, various forms of public assistance have failed to keep up with increases in energy costs since 1973.

This pattern leaves the poor with the unhappy choice of cutting back on essential energy consumption or reducing other forms of spending for such things as food, clothing or housing. Thus, the poor and, increasingly, moderate income households, particularly those on fixed income, have an important stake in Minnesota's energy future. That's why I'm here today.

My remarks will center on three topics: 1) the relationship of employment and energy; 2) the capital requirements of the coming energy era; and 3) the pricing/governmental assistance issue.

Employment and Energy

The Energy Policy and Conservation Report has incorporated a highly constructive characterization of the relationship between employment and energy. By focusing on the energy gap that will result from the combination of demand, alternative sources, conservation efforts and use of traditional and nuclear sources, the report avoids the uni-dimensional thinking that has often dominated discussion of this issue. The simplistic notion that continued expansion of traditional and nuclear sources of energy is the only path to continued economic growth and employment, particularly for minority people, is thankfully absent in your report. To the contrary, the report gives equal weight to the gap-reducing capability of each of three approaches. In doing so, it recognizes that a BTU saved through conservation or produced with an alternative technology contributes as much to a reduction in the future energy gap, and consequently to the reduction of future unemployment, as an expansion of conventional or nuclear energy production.

As I indicated in my remarks in January before the Minnesota delegation to the White House Balanced Growth Conference, the Urban Coalition and I personally are not convinced that it is in the long term interest of lower income and minority people to rest our hopes on a rapidly growing economy

based on unlimited growth in energy consumption.

This position is based on several things. First, the economic impact of rising energy costs, an unavoidable consequence of wholesale expansion of energy consumption, has been and would be borne disproportionately by poor people.

Second, the increase in employment that would allegedly accompany the rapid, energy-fueled expansion of the economy would be unlikely to compensate poor people for the increase in energy costs. Economic history since World War II has indicated that general growth in the economy has not significantly narrowed the gap between the poor and the non-poor. There is no reason to believe the anticipated growth would be distributed any differently. Otto Eckstein's Data Resources, Incorporated's economic model indicates that the Gross National Product must grow 8.4% in real terms to reduce Black youth unemployment by 1%. I repeat, one percent. In only four of the 32 years since 1945 has the real increase in GNP equalled or surpassed the 6.2% level DRI's model says is necessary just to hold constant the Black youth unemployment rate.

Finally, the economic catastrophe that the United States invites through continuing dependence on foreign oil represents an unconscionable risk for the poor. The combination of inflation and unemployment induced by the Arabs' quadrupling of oil prices caused reverberations within poor and minority communities that are still being felt. The poor, the marginally qualified, the urban workers would in all likelihood be forced to bear the burden of joblessness in the event of a new oil crisis, one that is likely to be more debilitating than the last.

This brings me to the second aspect of the relationship between employment and energy, an aspect that is not adequately addressed in the report. Your report notes that, "Large scale manufacture of collectors and storage systems and their installation represents (sic) considerable employment potential. This could bring economic benefit to the state, particularly if the manufacturing facilities are established locally." The report fails, however, to recommend a policy to achieve this goal.

My sense is that the Energy Agency has not wholeheartedly attacked the employment issue, but rather has used the potential loss of jobs as a means of bolstering its case for various energy measures. In the process, the employment issue is left dangling.

The Urban Coalition believes that it is irresponsible to develop state energy policy that merely cites the potential loss of jobs without suggesting policies to avert directly some job loss and to create other jobs through energy-related activities. Several types of policies are necessary. First, the various state agencies responsible for economic development and the Energy Agency should be urged to support the establishment of firms to manufacture and install solar collectors and storage systems and other alternative energy technologies. Second, all other things being equal, the state should opt for the most labor intensive forms of energy generation possible. Finally, the state should seek the development of new enterprises that are labor intensive, efficient, and low users of energy. Adoption of such policies would provide a clear direction for Minnesota in the crucial linkage of employment and energy.

Capital Requirements

A long-term problem of the poor in what I call the "alternative energy future" is the extremely high capital costs associated with alternative sources. The report indicates that the total cost of a solar system capable of supplying 50% of all space and hot water heating requirements in a new home is between $7,000 and $16,000. Slighly higher costs are expected for an existing home. Such costs are clearly beyond the reach of most low and moderate income families. Even with self-installation, the cost of alternative technology, and in many cases, complete insulation, caulking, weatherstripping, storm windows and the like, is beyond their reach. Thus, if all households are to participate or share in the opportunity to participate in the alternative energy future, new means of funding installation in low and moderate income households must be developed.

I recognize that considerable governmental effort is now being made on a program of weatherization assistance for lower income homeowners. The Urban Coalition itself is operating a $400,000 federal weatherization program for low income residents of Minneapolis. Likewise, the State Housing Finance Agency has been directed by the Legislature to develop a means of assisting in the weatherization of rental units occupied by low and moderate income tenants in such a way that the tenants derive significant benefits. This same type of thinking must be applied to alternative energy sources if the poor are to have adequate access. Low and moderate income households that cannot generally afford the capital costs of alternative energy systems

represent a major source of potential conversions. The state must begin to develop a means by which they can be reasonably expected to participate.

A second capital related problem arises in relation to low and moderate income housing programs. Current guidelines for these programs often preclude the installation of optimal amounts of insulation and other energy-saving features. The adoption of stricter energy code requirements, such as the ASHRAE standards suggested in the report, might make development of many new and substantial rehabiliation projects financially infeasible under current guidelines.

The reverse problem occurs on the flip side of the coin. Current federal and state program regulations often preclude the installation of the optimal amount of energy-saving features because of their impact on initial costs. The Whittier School in south Minneapolis, for example, is being considered as a federal Section 8 substantial rehabilitation project. 45 units of low and moderate income housing is being proposed. Powderhorn Residents Group, the community organization trying to develop the project, has found that it must reduce the amount of insulation installed in order to keep its rehabilitation costs within the program guidelines. Such coerced decisions are not in anyone's long-term interest.

The Urban Coalition recommends that the Minnesota Energy Agency begin working with the U. S. Department of Housing and Urban Development and the Minnesota Housing Finance Agency to permit the larger initial investment needed to minimize the structures' lifetime energy costs and other similar difficulties. Such an effort would contribute to the attainment of Minnesota's energy and housing goals.

Utility Pricing and State Assistance

No Minnesota energy issue has received more attention during the last year than utility pricing and state energy assistance. Both the Legislature and the Public Service Commission have begun to address various lifeline rate structures and a number of programs of direct and indirect energy-related financial assistance.

The report we are discussing today fails to reflect the importance of this issue. It devotes page after page to intricate supply and demand issues, which admittedly are important. In contrast, it includes a single recommended policy (#29 and 49) and no documentation on the need for energy assistance for the poor. At the same time it makes numerous references to the energy gap-reducing potential of price increases.

Treatment of the human side of the state's energy problems is woefully inadequate. While I understand that the Energy Agency is reluctant to get into what some consider a "welfare" function, I believe that the cost implications of energy for low and moderate income families must be a major part of the state's energy policies.

What I've seen to date on this matter is a dangerous process of buck-passing. "Rates shouldn't reflect anything but cost;" "the Department of Public Welfare should develop an adequate program of assistance;" "the Legislature must appropriate sufficient funds to protect the poor;" "only the federal government has sufficient resources and power to address the energy problem of the poor;" ... and so on and so on. What I fear is that in this process the interests of the poor will fall through the cracks as they have so often in the past. As a means of avoiding this, I believe it is

essential that the state's energy policies and the background documentation in this report give equal treatment to the human side of the energy issue. Energy is, after all, only a means to an end. The full human implications of energy policy must fall under the purview of the Energy Agency and the state's energy policies.

The position of the Urban Coalition on the pricing and state assistance issues has been and continues to be contrary to the policies recommended in your report. The Coalition has wholeheartedly supported state energy assistance for lower income households, as recommended in policies 29 and 49. The Coalition has likewise supported the concept that need should be reflected in utility rates in opposition to recommended policies 28 and 48. The policy of establishing utility rates that reflect cost alone is too narrow! In a modern society electricity and heating fuel are necessities of life that should be available to all, regardless of economic circumstances. The Coalition believes that such a guarantee can only be provided through a combination of governmental assistance and need-sensitive rates.

The methodology used in preparing this report reflects an often overlooked aspect of consumer demand, namely significantly different price elasticitites of demand by income class. While a single estimate of the elasticity of demand is adequate for statewide demand forecasting, it fails to reflect the nature of different income classes' consumption decisions.

It has been demonstrated in a number of studies that price elasticity of demand for electricity increases with family income. In other words,

lower income families are less responsive to price increases than higher income families. Thus, as electrical rates are increased, lower income households continue to consume at relatively the same level, despite the larger bills. Higher income families, on the other hand, tend to reduce their consumption significantly. This seems reasonable in light of the essential nature of most lower income families' consumption and the more "discretionary" nature of much of the higher income families' consumption.

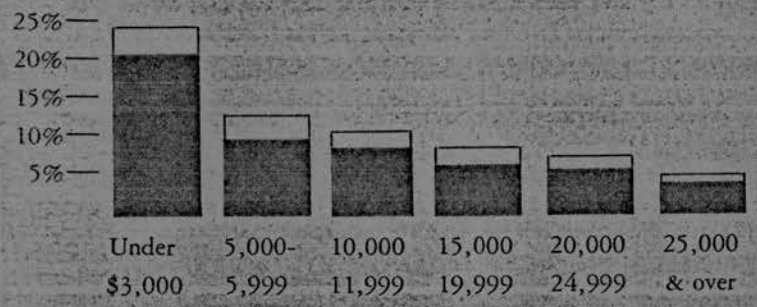
The Urban Coalition believes that state energy policy must reflect this critical difference. The price inelasticity of demand of much of the lower income demand for electricity can and should be reflected in the rate structures.

One final related comment on the rate issue. Recommended policy 27 could easily have a negative impact on lower income, and perhaps all, residential consumers. It is my understanding that time-of-day rates are being examined as part of the Public Service Department's study of rates. Before the State adopts a policy of support for such rates I believe that their incidence must be better understood. A reasonable case could be made, it seems to me, that manufacturers have a higher "time elasticity of demand" than residential consumers and some commercial establishments, i.e. that manufacturers are better able to respond to price changes geared to the time of consumption than most residential and some commercial establishments. Thus, the net result of time-of-day rates would be a shift in who bears electrical costs away from the manufacturing sector to other sectors less able, not necessarily less willing, to change.

We again face the inelasticity issue. The state must consider seriously

whether it wishes to endorse pricing policies that could be characterized a "preying" upon those least able to change and often least able to afford them.

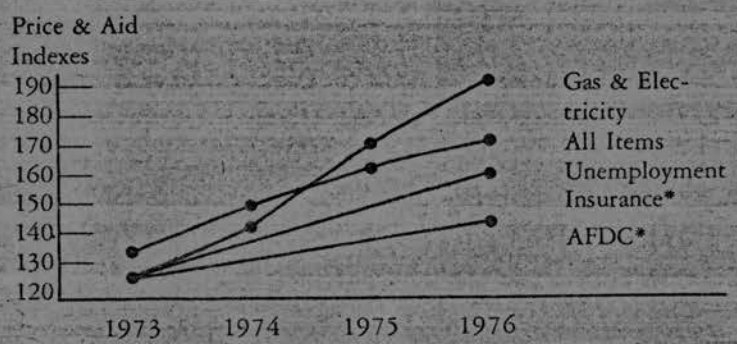
Direct Household Energy Expenditures as Percentage of Income 1973–1976



(Data assumes continuation of 1973 consumption levels and constant 1973 dollars.)

Calculated from data submitted by Mathematica to the Task Force on Distributive Impacts of Budget and Economic Policies, Committee on the Budget, U.S. House of Representatives.

Increases in Costs and Assistance Payments: 1973–76



*Based on average of total increase for the period 1973–76.

URBAN
COALITION
OF MINNEAPOLIS

EARL D. CRAIG, JR
President

December 10, 1979

To Whom It May Concern:

The following report exemplifies the growing impact rising energy costs will have on housing in the years to come. When energy costs reach the point where they actually exceed some homeowners' mortgage payments, the implications are serious, particularly for those living on lower incomes.

The Urban Coalition presents this analysis in order to highlight the problem all homeowners will face over the next ten years in trying to meet the rising costs for residential energy. Hopefully, this report will not only dramatize the urgency of energy conservation in the home, but also encourage the provision of more incentives for energy conservation and alternative energy sources. As indicated in this report, the entire viability of mortgage financing is at stake when energy costs remain such a dominant force. These costs must be restrained if homeownership is to remain a realistic option.

We welcome your comments, suggestions and questions regarding this report.

Sincerely,

Earl D. Craig, Jr.
President

/cda

Enclosure

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Mid-American Solar Energy Center

Carei Thomas
Staff Member
Turning Point, Inc.

Van White
Minneapolis City Council

Urban Coalition of Minneapolis

Energy Committee

The Energy Committee of the Urban Coalition of Minneapolis is responsible for insuring that equity is a major consideration in the energy debate. To achieve this purpose, the Committee will pursue the following activities:

-- Monitor energy policy formation at all levels of government, placing emphasis on local and state efforts.

-- Develop policy recommendations when appropriate.

-- Review major UCM public positions related to energy.

-- Advocate UCM positions before appropriate bodies.

-- Oversee and monitor progress of all UCM programs, studies and other activities related to energy.

URBAN COALITION OF MINNEAPOLIS

MEMO

TO: Earl Craig

FROM: Peter McLaughlin

RE: Five-Year Energy Plan for Non-Profit Organizations (NPOs)

DATE: October 23, 1980

At its meeting on October 15, the Solar Action Week Advisory Task Force recommended that the staff pursue the idea of a five-year energy plan for NPOs in conjunction with the Minneapolis and St. Paul Foundations. They have had contact with Non-Profit Energy Conservation Corporation (NOPECC), a New York-based organization conducting a national effort to help non-profit building owners reduce their energy costs. (See attached description).

The basic outline of the program, which the Task Force wishes UCM to pursue is listed below. The model for the program is the Neighborhood Housing Services (NHS) Program which operates in Minneapolis, St. Paul and other locations around the county. NHSs deal with residential rehabilitation. They serve as loan facilitators and coordinators, helping homeowners choose contractors, design loan package and obtain funding from financial institutions. This proposed NPO energy program would operate in much the same way in the non-profit sector.

This proposal also includes two unique elements, a training component designed to train and employ structurally unemployed individuals in energy-related occupations, and specific efforts to address the needs of NPOs who rent their facilities.

Geographic Scope: Seek coverage of at least Minneapolis and St. Paul.

Organizational Structure: UCM to provide umbrella for staffing of organization similar to various NHSs on Energy Conservation Fund (ECF) in NOPECC's terminology. Program advisory board comprised of representatives from the financial, philanthropic, non-profit and community sectors (similar to the composition of our task force) to provide policy guidance. Existing Mortgage Loan Review Committee, organized by the Savings League, to provide technical advice on loans. Community Design Center possibly to provide technical assistance regarding propose building improvements.

Financial Support: The potential list of sources includes banks, foundations, U. S. Cooperative Bank, U. S. Solar Bank, City revenue bonds, State bond proceeds, Federal Innovative Grant to the City and others. NOPECC may be able to provide preliminary funding for a market analysis. Loans and/or grants would be provided to cover the cost of services. Terms would be contingent on availability of funds, need of NPO and other factors as determined by the policy board.

Scope of Services: Some or all of the following improvements in typical order of priority:

1) Comprehensive audits for conservation and solar (active and passive) potential;

2) Weatherization, insulation, awnings, shutters, etc.;

3) Furnace tuneups or replacement;

4) Passive solar retrofits;

5) Active solar water heating; and

6) Active solar space heating.

Some or all of the following technical advisory services:

1) Cash flow and energy savings calculation for all possible improvements;

2) Assistance in preparation of loan and/or grant documents;

3) Financial counselling;

4) Assistance in choosing contractors;

5) Post-installation audits to assure quality of work;

6) Post-installation evaluation of energy savings.

The program would also include installation of a number of low-cost active and passive solar projects. Finally, it would include a training program for auditors and installers in order to provide employment for the hard-to-employ. The training would be in such areas as auditing of larger buildings, boiler mechanics and positive passive retrofit techniques;

7) Development of a model for investment in rental property and property held under a contract for deed; and

8) A energy use counselling service for managers of the facilities.

Scope of NPOs Served: NPO serving lower income people would be the primary target group for the program. Other NPOs could be served if the program is able to garner sufficient resources. An early effort would be made to devise a model for assisting NPOs in rental property, often the NPOs most in need of assistance. Among the NPOs likely to be in the original group are day care centers, halfway houses, residential care facilities, community-based service and advocacy organizations and non-public schools. The second group might include churches, church-run schools and health care facilities. These are merely suggestions for priorities. The market analysis would identify target NPOs more precisely.

MARTIN OLAV SABO
5th District, Minnesota

COMMITTEE ON APPROPRIATIONS

Subcommittees:

Housing & Urban Development
and Independent Agencies

Transportation

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Washington, D.C. 20515

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FUEL ASSISTANCE

Many Minnesotans have contacted my office regarding fuel assistance for low-income people this winter. I feel a deep concern about this matter and have been working in the Congress to get a fuel assistance program passed since last June.

There have been a number of conflicting and confusing reports in Minnesota on this matter. Consequently, I thought it might be useful to you if I outline exactly what has happened in the Congress up to this point in time.

Last June I wrote the Speaker of the House outlining my concerns about the difficulties which increasing energy costs would cause for low-income people this winter. In July I intorduced the Fuel Stamp Act of 1979. This bill authorized fuel stamps for low-income people which could be used to pay heating bills or rent as simply as food stamps are used for food. In September my bill received preliminary hearings which focused valuable attention on this problem in the House.

In October several of my colleagues and I agreed to put our different fuel assistance bills temporarily aside and work together for the speedy passage of a program for this winter. Since that time we have worked diligently on a major appropriation for fuel assistance which finally passed the Congress on November 9, 1979.

The details of the law which finally passed are as follows:

1. The law appropriates $1.35 billion for fuel assistance for low-income people this winter.

2. This money is divided into three separate categories which are distributed in the following manner:

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a) $404 million goes to recipients of Supplemental Security Income (SSI) in checks directly from the federal government starting January 1. The average Minnesotan on SSI would receive $250 this winter. (SSI is the federal assistance formerly consisting of aid to the blind, disabled and old age assistance.) Minnesota will receive approximately $13 million under this provision in the law.

b) $796 million is distributed in one of two ways:

1. The full amount may go directly to the states in a block grant to be distributed to households whose income is below 125% of the poverty level; or

2. If the Governor of the state does not accept these funds, they will be distributed directly to AFDC recipients.

Minnesota will receive about $36 million under this section of the law.

c) $150 million goes to the federal Community Services Administration to be distributed by local community action agencies for emergency situations. (This program has been in existence for the last 3 years and received $250 million in a separate appropriation earlier this year.) Minnesota would receive over $6 million of these funds.

Including $250 million appropriated earlier this summer for the Community Services Administration program mentioned above, the Congress appropriated a total of $1.6 billion for fuel assistance for this winter. Under the formulas provided by the House Appropriations Committee on which I serve, the people of Minnesota will receive approximately $60 million for fuel assistance this winter.

Unfortunately, the Congress and the Federal government move slowly and most of this money will not be available until January. Meanwhile, the fuel stamp bill I introduced and other proposals for fuel assistance are still pending before the Congress as possible ways to establish a program for the winter of 1980-1981 and beyond. I am optimistic that we will have a permanent program passed before the end of this winter.

Martin O. Sabo

URBAN
COALITION
OF MINNEAPOLIS

EARL D. CRAIG, JR.
President

January 21, 1981

MEMORANDUM:

TO: Members of the Board

FROM: Earl D. Craig, Jr.

RE: Citizen/Labor/Farmer/Senior Energy Coalition (CLFSEC)

The Urban Coalition has joined CLFSEC in order to advance the energy and job related concerns of our constitutency in various forms. This is a voluntary non-partisan coalition of individuals and autonomous organizations created to "work for the development and implementation of a national and state energy policy ... to provide adequate energy to consumers at affordable prices ... increased employment opportunities through the development of safe, environmentally sound, alternative energy technologies and ... self-sufficiency through conservation."

Some of the other organziations that have joined CLFSEC include the Minnesota Project, MPIRG, Minnesota AFL-CIO, Carpenters Local No. 851, Sheet Metal Workers Local No. 17, Minnesota Farmers Union and the Minnesota Senior Federation. Currently there are over 30 organizations with official membership.

According to the CLFSEC by-laws, all affiliates retain absolute autonomy and are the sole arbiters of their respective positions, policies and programs. Whenever there is consensus on an issue, a public statement may be made or action taken provided the name of affiliates are not listed or identified without the expressed authorization of the affiliate.

Peter McLaughlin has been elected to their Board as the Coalition's representative with the provision that the UCM Board could substitute another staff member, a member of the Board or some other person. The desire of the other members appears to have been to assure UCM participation and Peter was the only representative present at the time of the election. He asked that the option of naming a substitute be made available.

Listed below are the resolutions that have been presented to CLFSEC to date. They will be acted upon at the next Board meeting, to be held on Monday, January 26. After the brief description of the resolution, I have indicated staff's recommendation of the Board's position.

1. "Fair Return" for Farmers for their crops --- Abstain, not germane to the goals of CLFSEC.

2. Opposition to Deregulation of Natural Gas --- Abstain, not within the purview of a state organization.

3. Regulation of Electrical Generation and Transmission Cooperatives by the Public Utilities Commission. Support, because of the costs accruing to lower income rural residents.

4. Creation of a National Health Insurance Program --- Abstain, not germane to the goals of CLFSEC.

5. Adoption of a State Rural Electrical Coop Members' "Bill of Rights". --- Support, to insure proper representation of coop members in coop activities.

6. Creation of a Renewable Energy and Conservation Business Support. Support, parallels item on legislative program which would help generate jobs in Minnesota through energy.

7. Opposition to Construction of Large Centralized Electrical Generating Facilities Unless Conservation and Decentralized Facilities Cannot Meet State's Demand. Abstain, implications unclear.

8. Permitting Tenant to Correct Energy Code Violations and Deduct Costs from Rent. Support, included in UCM legislative program.

9. Direct Minnesota Pollution Control Agency to Address Problem of Acid Rain, including Maintenance of Relevant Existing Minnesota Air Quality Standard. Abstain, not germane to goals of CLFSEC.

10. Limitation on Coal Severance Taxes to 12.5%. Support, based on cost to Minnesota residents.

11. Support to "Workable Energy Program" through the State and Federal Government. Abstain, unless further clarified.

12. Federal legislation to Eliminate Monopoly Control of Energy Sources. Abstain, beyond the purview of CLFSEC.

13. Government Program to Develop and Own Alternative Energy Technology including Synfuels. Opposition.

14. Increase Tax on Oil Company Profits (2 resolutions). No recommendation.

15. Opposition to Proposed NSP Rate Increase. Support based on previous position of Board and Energy Committee.

16. Study Impact of Nuclear Waste Depository in Northern Minnesota. Abstain, not a significant issue for UCM constituency.

17. Investigate Investment Practices of the Minnesota Board of Investment and its Impact on Minnesota Employment and Energy Future. Support, important source of new capital for development of jobs in Minnesota.

18. Elimination of Rates Under Bond. Abstain, not critical to UCM's constitutency; see legislative program discussion.

19. Mandating Electrical Rates that Promote Conservation and Affordability of Essential Amounts of Electricity. Support, see discussion in legislative program.

URBAN
COALITION
OF MINNEAPOLIS

MEMORANDUM

TO: Energy Committee Members

FROM: Michael Cohen MRC

RE: Next Meeting

DATE: December 24, 1980

A special session of the Energy Committee has been scheduled for Wednesday morning January 7 at 8:00 a.m. This meeting will be devoted entirely to a discussion of UCM legislative strategy in energy. The * enclosure should help prepare you for this important meeting.

I have enclosed the following materials:

-- Notes from December 12 Energy Committee meeting.

-- Description of Minnegasco and NSP Pilot Utility Investment Programs (PUIP).

-- Letter to Roger Hanson (PUC Chair) concerning PUIP.

-- UCM testimony on Residential Conservation Service.

* McLaughlin memo on legislative strategy.

/cda

Enclosures

89 South 10th Street, Minneapolis, Minnesota 55403 • Telephone (612) 348-8550

Urban Coalition of Minneapolis
Energy Committee Meeting
December 12, 1980

MINUTES

Committee
Members Present: August Rivera (Chair), Al Moline, Ruth Murphy

UCM Staff
Present: Michael Cohen, Peter McLaughlin, David Rodbourne

Agenda Items

- o Rental Study
- o Residential Conservation Service/Pilot Utility Investment Program
- o Non-Profit Energy Service
- o Innovative Grant
- o Legislative Strategy -- next meeting

Rental Study

David Rodbourne reported on the research study he has conducted under a Department of Energy (DOE) grant which examined the UCM experience in weatherizing rental properties. The study included a survey of landlords and tenants and a before-and-after analysis of energy conservation. This study is of considerable importance to the Coalition as over half of Minneapolis' residents live in rental housing, many of whom are lower income persons. The study looked at the array of difficulties posed by energy conservation in rental units. The study is being finalized and a copy of the final report will be available to interested Committee members. (Much of the enclosed RCS testimony is based on this study).

Residential Conservation Service/Pilot Utility Investment Program

The major topic of discussion was whether or not the UCM should testify at a public hearing on December 16 regarding the Residential Conservation Service (RCS).

In 1978 Congress authorized the National Conservation Policy Act. Under Title I, Section 213 of the Act, states were required to submit residential energy conservation plans for regulated utilities. The Minnesota Energy Agency (MEA) formulated rules and regulations for implementation of a RCS program in Minnesota. Essentially, the program as designed requires utility companies to offer a low-cost energy audit ($10.00) to residential customers who live in dwellings of four units or less.

UCM staff reviewed the proposed RCS program for Minnesota and presented some of the flaws for Committee consideration. The Committee members decided that the Coalition should testify at the hearing, with the major points being: 1) the lack of community organization involvement in the implementation of RCS, and 2) special problems posed by rental property and not adequately addressed in the proposed rules (copy of actual testimony

enclosed). There was also some discussion of the Pilot Utility Investment Program and the Committee decided that the UCM should submit written testimony on this program as well. A copy of a letter detailing UCM concerns is enclosed along with a brief description of the NSP and Minnegasco plans.

The Committee expressed concern over the myriad of energy-related programs being developed by the UCM, city and others and asked staff to put together a brief fact sheet explaining each of the programs and how they interact with each other.

Non-Profit Energy Service (NES)

This is a direct outgrowth of the Solar Task Force (STF), which was created by the UCM to develop a response to the special energy needs of non-profit organizations. Non-profit agencies in Minneapolis serve a large number of the UCM constituency and may have to cutback services in order to cover increasing energy costs. And as nonprofits, they cannot take advantage of tax incentives for energy conservation available to the private sector.

The UCM applied for and received a grant from the Solar Energy Research Institute (SERI) in October, 1980, to install solar hot water heaters on two group homes and to create the STF. The solar hot water installations served as a demonstration project for other non-profit agencies and the STF began to investigate a means for addressing the energy concerns of nonprofits. Development of a Non-Profit Energy Service (NES) was suggested as a way to establish an organizational framework for further exploration of the array of options -- from energy audits to solar applications -- for non-profit agencies. The NES would provide financing and technical assistance to individual non-profit agencies. The NES grant proposal is now complete and funding is being sought to hire a program developer.

Innovative Grant

Minneapolis is submitting an application to the Department of Housing and Urban Development (HUD) for a grant to conduct community-based energy conservation programs. The UCM has been included in the grant application and will provide the following: 1) "House Doctor" audits for 60 lower income households; 2) 120 audits of non-profit agencies; and 3) weatherization of 280 rental units. In addition, neighborhood energy workshops will be conducted in these neighborhoods -- Longfellow, Corcoran, Powderhorn Park, Windom, Folwell and Jordan. (The UCM is not involved in these workshops). At these workshops low/no-cost energy conservation measures will be presented, and Minnegasco will contribute approximately $40 in materials per household. Also, a City Energy Bank will assist in financing the energy conservation. These ideas were generated by the Minneapolis Energy Futures Committee and this grant will essentially serve as a prototype with the possibility of expansion throughout the city.

Committee members were concerned that energy issues were too often mired in language which was itself difficult to understand and recommended that the Coalition not undertake such a project but investigate the potential for enhancing the knowledge base of "regular old folks" relative to these energy issues.

Legislative Strategy -- Next Meeting

An extra meeting of the Energy Committee has been scheduled for January 7 at 8:00 a.m. to discuss the UCM legislative strategy in energy. Please look at the enclosed memo, "Local Government Approach or Non-Super Agency Approach," to help prepare for the discussion.

/cda

SUMMARY OF MINNEGASCO'S PROPOSED ENERGY CONSERVATION INVESTMENT PROGRAM

Purpose

This program was developed in partnership with the City of Minneapolis and is intended to reduce the natural gas consumption of certain residential dwellings through education of the occupants and participation in the financing of cost-effective energy conservation improvements to the dwelling.

Program Features

Neighborhood Energy Workshops: In the first program year, Minnegasco and the City of Minneapolis will jointly conduct Neighborhood Energy Workshops (NEW) within a 125-block target area of the City of Minneapolis. The workshops, conducted by community-based personnel and Minnegasco consumer services and service personnel, will help customers install low cost weatherization measures on a do-it-yourself basis by providing basic materials and "hands on" training.

Minnegasco will provide a free starter kit to each participating household and will inspect the heating systems of participating residents for safety and efficiency. Minnegasco consumer services people and City staff will be available to instruct residents in installing weatherization measures and to provide explanations of existing financing programs for major conservation improvement needed in the dwelling.

Energy Bank: An Energy Bank, providing a one-stop location for information on, and assistance in, financing conservation improvements, will be established by the City of Minneapolis and Minnegasco.

Revenue Bond Funded Conservation Loan Fund: The Housing and Redevelopment Authority of the City of Minneapolis will issue $3 million in tax-exempt revenue bonds to finance energy conservation loans in the first program year. These loans, available through the Energy Bank and serviced by Minnegasco, will permit Minneapolis homeowners to make cost-effective conservation improvements.

Individual revenue bond funded energy conservation loans of $250 to $1500 will be available for qualifying cost-effective improvements. These loans will be payable over a maximum period of ten years with the full amount due if the house is sold during the loan period. The interest rate to participants is expected to be 8 to 9 percent.

These revenue bond funded conservation loans will be serviced by Minnegaco through its customer billing system. Minnegasco will enter into a formal servicing contract with the Energy Bank, detailing conditions of servicing the loans, credit checks, filing security interests and remittances.

Conservation Investment Incentive Payment: Minnegasco will make a conservation investment payment to its customers who make a qualifying conservation improvement and (1) participated in NEW or (2) received a revenue bond funded energy conservation loan. The Minnegasco payment will be equal to 10 percent of the cost of the qualifying improvement up to $100.

Qualifying conservation improvements fall into two categories, those for furnace replacements and those for all other conservation improvements. In both categories the customer must provide proof of cost-effectiveness of the improvement and proof of purchase.

Cost Effectiveness Criteria

The only conservation improvements which qualify for inclusion in this program are those having a simple payback to the customer of ten years or less. This generally includes caulking, weatherstripping, attic insulation when existing insulation is 6" or less, wall insulation when there is no existing insulation, furnace replacement with a high-efficiency unit (80-90 percent) and storm windows when there are none. Because the payback calculation will vary with the size of the dwelling and the amount and type of existing conservation improvements, documentation that the payback requirement is met, through a qualifying audit, will be required.

Eligibility

Duration of the Program: This program will be effective from the date of approval by the Commission through June 30, 1982.

Availability: This program is available in a 125-block target area within the City of Minneapolis. The target area will be chosen with the advice of the City of Minneapolis and selection will be based upon (1) the general income level of the residents and (2) the age and condition of the dwellings.

Applicability: This program applies to single-family homes and duplexes within the targeted area.

PROGRAM 4: REBATE INCENTIVES - ENERGY EFFICIENT ELECTRIC APPLIANCES

CONCEPT

NSP will rebate a portion of the additional purchase cost of an electric appliance having an energy efficiency greater than that of the market average appliance. The rebate will be based on the savings in coincident peak demand attributable to the purchase of the energy efficient appliance.

RATIONALE

For several electric end uses, a range of appliances are available which meet end use requirements at varying levels of energy efficiency. The use of high efficiency electric appliances has the potential of reducing peak demands on the NSP system. However, higher efficiency appliances also cost more than appliances of average efficiency and consumer purchase decisions do not always give sufficient emphasis to the energy efficiency of the appliances relative to these higher costs. It is the intention of the fourth program proposal to provide additional incentives, through provision of rebates for a portion of the increased costs, to consumers to weigh their appliance purchase decisions in favor of high-efficiency appliances.

CONSERVATION IMPROVEMENTS

Room Air Conditioners

Central Air Conditioners (Electric)

Water Heaters (Electric)

Refrigerators

Refrigerator-Freezers

Freezers

INCENTIVE LEVELS

Rebates of up to $600 per kilowatt of expected reduction in peak demand will be given for the purchase of high-efficiency electric appliances. Rebates will be given only for those appliance improvements which result in increased appliance energy efficiency.

How Determined:

To a first approximation, $600 per kilowatt reduction in peak represents the savings available for incentives to purchase energy efficient appliances which would result in deferring future generation.

The rebate will be based on the relative difference in efficiency between average appliances that are sold and the more efficient appliance being purchased. This efficiency difference will be used to calculate the reduction in the contribution of the appliance peak demands. Information necessary to make this determination is available from NSP Market Research data, appliance industry data, and the Federal Trade Commission's Appliance Efficiency Labeling Program.

The actual amount of rebate provided to influence a consumer's purchasing decision will be an estimate of the amount necessary to stimulate the desired response. The rebate will not exceed $600 per kilowatt of expected reduction in peak demand. In consideration of the costs of appliances of average and higher efficiency, a non-linear relationship of the type shown in Figure 1 would be used to determine the size of the rebate versus the calculated demand reduction.

DEMONSTRATION SCOPE

Allocate a demonstration fund of up to $3 million to provide rebates to NSP electric customers purchasing energy efficient appliances from the above group. (Suggested rebate level given in Figure 1).

Determine the justification and means of expanding the rebate program prior to exhaustion of the demonstration funds (expected to be approximately 12 months).

The scale of the program will depend on the geographical area in which it is implemented. Program costs range from approximately $750,000 for a program involving only the City of Minneapolis to $3 million for a program extended to include the seven-county metropolitan area.

If implemented througout the metropolitan area, the approximate number of rebates, by appliance types, expected to be made available through program option 4 is as follows:

Room Air Conditioners	11 000
Central Air Conditioners (Electric)	3 800
Water Heaters (Electric)	6 000
Refrigerators	4 000
Refrigerator-Freezers	16 000
Freezers	8 000

INVESTMENT ANALYSIS

An economic analysis of the projected demonstration investments is given in Table IX.

URBAN
COALITION
OF MINNEAPOLIS

EARL D CRAIG JR

December 15, 1980

Mr. Roger Hanson, Chair
Public Utilities Comission
790 American Center Building
160 East Kellogg Blvd.
St. Paul, MN 55101

Dear Mr. Hanson:

The Urban Coalition of Minneapolis is a non-profit organization which serves the Black, American Indian, Chicano/Latino and lower income communities of Minneapolis. We have maintained a long-standing interest in how energy issues affect our constituency.

The Coalition's Energy Committee, whose task is to monitor local, state and federal energy policies, has developed the following suggestions relative to the pilot utility conservation investment program proposed by Minnegasco:

1) The maximum loan amount should be increased beyond $1,500.

The Public Utilities Commission (P.U.C.) should permit Minnegasco and the City to increase the maximum size of loans. The $1,500 limit would not provide financing for even a modest level of weatherization and installation of a new energy efficient furnace. For maximum effectiveness program participants should be permitted to finance any conservation measures with a ten-year payback or less. This seems particularly reasonable because the City is providing the loan money.

2) The program should cover residents with high risk loans such as holders of contracts for deeds.

The loan servicing program outlined by Minnegasco may very well exclude residents deemed "credit risks." There should be greater flexibility exercised in loan provision through this program than is true for conventional lenders or the Minnesota Housing Finance Agency, which require Title I insurance. An examination of the appropriateness of the credit standards established by Minnegasco in relation to this program is also necessary.

3) Program coverage should be expanded beyond a 125-block radius.

Program participation should not be circumscribed in this way. With an adequate audit, anyone in the city should be permitted to participate.

89 South 10th Street Minneapolis Minnesota 55403 • Telephone (612) 348-5550

4) All residences within the target area should be eligible for the program, not just single family homes.

Residents of multi-family dwellings of four-units or less are included as eligible participants. They are, however, excluded from the Revenue Bond Funded Conservation Loan Fund. This bias against tenants and landlords has serious implications for the many low- and moderate-income energy consumers who are tenants. More than one-third of the state's renters (114,000 units) have adjusted incomes of less than $5,000 per year. In addition, more than one-half of the renter households in the state (172,000 units) have incomes between $5,000 and $15,000. Furthermore, 58 percent of low-income renters and 53 percent of moderate-income renters live in 1-4 unit structures. The unique situations posed by tenants, landlords and rental property generally must not be excluded by this program.

5) Greater incentive payments should be made available on a sliding scale basis.

The real target of this program should be moderate-income families who do not qualify for Federal weatherization or energy assistance but are just above those income guidelines.

6) Loan repayment relative to the P.U.C. shut-off rule should be clarified.

It is not clear how this program will specifically relate to the P.U.C. shut-off rule. If a person receives an energy bill with a 40 dollar charge for energy and 20 dollars for the loan, how will a partial payment of the bill be treated by the utility? Is it possible for a consumer to be considered in arrears for non-payment of the loan portion of their bill, and thereby provoke a shut-off notice.

If you have any questions on these matters, please call Peter McLaughlin, the UCM Research Director, at 348-8550.

Sincerely,

Earl D. Craig, Jr.
President

/cda

cc: Chris Sandberg

URBAN
COALITION
OF MINNEAPOLIS

TESTIMONY

OF THE

URBAN COALITION OF MINNEAPOLIS

BEFORE THE

MINNESOTA ENERGY AGENCY

ON THE

RESIDENTIAL CONSERVATION SERVICE

DECEMBER 16, 1980

89 South 10th Street, Minneapolis, Minnesota 55403 • Telephone (612) 348-8550

My name is Peter McLaughlin. I am Research Director for the Urban Coalition of Minneapolis (UCM). The Coalition is a non-profit organization which serves the Black, American Indian, Chicano/Latino and lower income communities of Minneapolis. We have maintained a long-standing interest in energy matters as they affect our constituency. A particular emphasis of the UCM has been on employment associated with energy activities and the unique plight of renters.

This emphasis is based on our experience over the last four years and two recent UCM studies, one on participation in the low-income energy assistance programs, the other a Department of Energy (DOE) funded study of weatherization of rental properties. With this emphasis in mind, the Coalition has adopted the following position on the proposed Residential Conservation Service (RCS). (Some of this was previously presented during deliberations of the RCS Advisory Group on which we served. Other parts were prepared based on subsequent studies).

Inclusion of Rental Property

It is wishful thinking, at best, to believe that this plan will generate significant conservation in the rental buildings it purports to serve. The National Energy Conservation Policy Act of 1978, authorized by Congress, explicitly excludes buildings with five units or more, but it did mandate RCS to cover buildings with 1-4 units. This means that RCS must confront the problems of stimulating conservation in rental properties. The proposed RCS model, however, is realistically applicable only to owner-occupant housing not to the 1-4 unit rental properties.

The RCS model as exemplified in these regulations is designed around

the assumption that the energy consumer is in fact a homeowner. Homeowners not only bear the burdens of rising energy costs but also reap the benefits of any investment in conservation. In such cases, all of the incentives related to consumption and conservation focus on a single decision maker. Thus, the incentive of rising energy prices coupled with the supportive programs outlined under RCS can be expected to sustain and accelerate the implementation of conservation measures among homeowners.

Unfortunately, it is utterly unrealistic to assume that this approach will be even minimally effective when customers are renters or landlords. Moreover, its potential effectiveness is further diminished when more than one household occupies a single structure.

The extent and character of the potential market for RCS among tenants and landlords is evident from the following information taken from the MHFA's 1979 "Study of Energy Conservation in Rental Housing." Nearly one-half of the state's rental housing units and nearly one-third of metro area rental units are in buildings with four or less units. Statewide, in 1970 64 percent (116,000) of renter households in 1-4 unit buildings paid their own heating bills. In the metro area, this figure was 60 percent (38,200) of renter households in such structures. Approximately 80 percent (116,000) of the renter households which pay their own heat live in buildings with four or less units. Thus, in most cases, one would expect that it will be the tenant who, as the "customer/consumer," will be eligible for RCS services. In only a minority of cases will the landlords as the "customer/non-consumer" be eligible for RCS services.

Tenants cannot be expected to invest significantly in conservation, even when they pay utility bills for heating fuel and directly bear the burden of rising costs. The reasons are numerous. First, and foremost, tenants have limited leases for occupancy, and generally do not expect to

be in the residence long enough to realize the full cash flow payback on most if not all conservation investments. Even those who would prefer to remain for longer periods cannot be certain that they will be allowed to do so. Second, tenants can never appropriate the value of capital appreciation associated with such investments. Only the owner, who holds all rights to the property, can expect to benefit from appreciation of capital investments. Third, tenants lack the right to alter a property without the owner's permission. Fourth, in multiple unit properties, the presence of other tenants imposes the need for cooperation among tenants, as well as with the owner, in order to make investments in conservation, comprehensive and sensible rather than piecemeal. Thus, a tenant's incentive to request an RCS audit is substantially reduced by the preponderant disincentives to making any kind of substantial conservation investment subsequent to such audits. A tenant's only possible interest will be in making free or very low-cost, rapid payback investments largely in the form of behavioral changes or minor weatherstripping (preferrably of the type having some portability). However, low-income tenants might be constrained financially from making even low-cost expenditures.

The owner of such rental properties does not pay the heating bills and, therefore, also has little or no incentive to invest in conservation in the absence of regulations, or a rental market that forces him to compete with more efficient structures that offer lower total housing costs when the costs of rent and energy are combined.

The case is hardly more hopeful where the landlord pays for heating costs. These operating costs can be passed on to tenants in the form of rents. Consequently, even with rising prices, the owner is not burdened by the increase unless market factors constrain rent increases, and under the latter circumstances, owners may be able to pass on part of the incre-

ment and therefore avoid its full impact on cash flow. However, when the rental market is tight, as it is, there is little reason why owners cannot recover costs through rents. These factors vastly reduce the owner's incentive to invest in conservation in the absence of regulation or market forces emphasizing the competitive advantage of more energy efficient buildings.

These considerations lead to several conclusions that are of special significance to the proposed RCS regulations. When tenants pay bills (as is true in most 1-4 unit rental buildings), audits may occur piecemeal, unit by unit. The owner is not involved nor informed of the results although he is obviously the only investor and the critical decision maker. When the owner pays the bills, tenants cannot request audits even though they consume fuel and pay for heating costs through the rent. Further, such tenants would not be informed of audit results. These are only a few of the imaginable problems that will severely impair the effectivness of the RCS program in achieving conservation in rental housing.

The test of RCS is whether conservation occurs among these rental properties. Failing to realistically serve tenants and landlords will have serious implications for the state's low- and moderate-income residents. More than one-third of the state's renters (114,000 units) have adjusted incomes of less than $5,000 per year. In addition, more than one-half of the renter households in the state (172,000 units) have incomes between $5,000 and $15,000. Furthermore, 58 percent of low-income renters and 53 percent of moderate-income renters live in 1-4 unit structures. In addition, since RCS program costs are built into the rate base, lower income renters in 1-4 unit structures (who will be significantly underserved by the current RCS design), will essentially subsidize RCS participation by relatively higher income homeowners, who will be effectively served under the current design.

It is the position of the UCM that revision of the proposed regulations is essential and that the Natural Energy and Conservation Policy Act of 1978 does not preclude development of a more effective program for rental properties. To maximize the effectiveness of RCS in promoting conservation in rental properties, the Coalition suggests the following changes (program sections are listed in parentheses):

1) An audit requested by a tenant customer in a multiple unit building should cover the entire structure. The auditor might never get to common space such as the attic, front door, etc., if audits are conducted strictly on a per unit basis. (6 MCAR 2.2303)

2) To accomplish a comprehensive building audit, utilities should be required to notify owners and urge them to cooperate as soon as one tenant customer requests an audit. The audit request should generate an effort to do the whole building at once. (6 MCAR 2.2303)

3) No matter who pays the utility bill or requests the audit, results should be provided to each tenant and the landlord. (6 MCAR 2.2303)

4) In all cases, whether or not the owner pays the fuel bill, the energy supplier should offer to discuss the audit results with the owner and provide the owner access to the utility's financial arrangement services. (6 MCAR 2.2310)

5) Even when owners pay for fuel, tenants -- who after all consume the energy and pay for it in their rent -- should be permitted to request an audit. (6 MCAR 2.2303)

6) Information given to tenants and promotional advertising directed to tenants should emphasize that audits will provide useful information regarding behavioral aspects of conservation, other free or very low-cost conservation measures and a clear statement of local and state energy regulations for rental properties. (6 MCAR 2.2302)

7) Information for owners should emphasize local and state rental energy regulations, the benefits and cost of compliance with these as well as for achieving RCS standards, and all relevant tax benefits that might accrue to owners through various credits, deductions or depreciations. A marketing scheme especially geared towards a landlord should be developed. (6 MCAR 2.2302 and 2.2303)

Promotional advertising should endeavor to aggressively market this program to owners who do not pay heating bills and to tenants who do not pay heating bills. Both are inextricably involved in the process of consumption and conservation in rental housing.

8) The cost and usage of energy should be revealed in the audit results to both owners and tenants regardless of who pays the bills. Included should be the per unit price changes over time and into the future and the per year cost and usage for each separately billed unit for each of the last three years.

9) The ambiguity in § 2.303 E 2. d should be eliminated so that a unit's status vis a' vis the full array of energy efficiency standards is reported to tenants, not just the pre-1983 standards. (6 MCAR 2.303)

10) There should be separate cost guidelines for multi-unit buildings. (6 MCAR 2.2309) Charging "customers" ten dollars for audits should not be permitted to pose a barrier to single comprehensive audits of multi-unit buildings. If an owner pays for heat in a four-unit structure, one audit is conducted and one ten dollar fee assessed. It would be both inefficient and inequitable to allow four separate audits and four different "customers" to be billed for the same kind of structure where tenants are individual customers.

Inclusion of Community-Based Organizations

The second major set of recommendations relate to who will actually

perform the audits and how audit accessibility and availability can be improved. (This position is consistent with earlier UCM testimony presented before the P.U.C. on October 29, 1979).

There is no doubt that there is a great potential for employment of auditors and inspectors under the RCS program. This confirms a long held view expressed frequently by the Coalition that an emphasis on energy conservation can lead to the creation of many jobs.

Currently, there are many certifiable and capable auditors employed by community organizations throughout the state. Energy audits and conservation is certainly not a new phenomenon. More such personnel can be easily trained and certified under the RCS guidelines.

Utility companies participating in RCS should be required to subcontract for auditing with community organizations that have the capability to perform them. This decentralized model of encouraging conservation has already proven extremely effective. Community organizations in Minneapolis, on a block club basis, were utilized to promote energy audits/conservation and experienced a response rate of 80 percent. In order to maximize participation in RCS and thereby increase the overall magnitude of conservation, RCS should foster more diverse forms of outreach, promotion and auditing capabilities. Community organizations have already exhibited an ability to provide these services.

Meanwhile, the utilities operate under the notion that the response rate will be low based on the previous track records of other utilities which implemented programs similar to RCS (maximum anticipated rate of 7 percent). The utilities have likewise been preoccupied from the beginning with "disingenuous" requests for audits -- NSP testified to that effect at the PSC hearing in the fall of 1979 in Minneapolis. This preoccupation seems patently absurd. I for one am not anxious to spend an afternoon with

an auditor if I had no intention of weatherizing the property. Both of these utility arguments seem fallacious and could easily lead to a self-fulfilling prophecy.

Besides the employment implications evident in subcontracting is the general improvement of audit availability and accessibility within the community. The potential for a community response, instead of responses by isolated individuals, is worth fostering.

If RCS is to meet the purpose and intent of the Federal law -- "to reduce the growth in demand for energy" -- there must a maximum level of participation and conservation. The Coalition firmly believes that with the combination of changes in procedures applicable to rental properties and the use of community-based organizations, RCS will become a more comprehensive and effective program for the largest number of residents possible.

# of units, # weatherized,

* How to get to the real $ also

URBAN COALITION OF MINNEAPOLIS

MEMORANDUM

TO: Energy Planning Group

FROM: Peter J. McLaughlin

RE: Local Government Approach or Non-Super Agency Approach

DATE: November 13, 1980

This approach to creating a framework for investment in energy conservation, alternative energy and energy-related job creation in Minnesota is a combination of local governmental efforts, expanded and more energy-focused activities by existing state agencies in housing and economic development, issuance of state bonds to assist less prosperous local governments in implementing local energy investment efforts and creation of a new statewide residential energy loan program.

I have called it a local government approach, because it could be tied closely to local planning efforts that then move into locally-sensitive implementation strategies. The State's role would be downplayed somewhat but would in fact be significant. The State would play its role through existing agencies and the networks of public and private contacts in housing, nonprofits, banking and business. The proposed new State bonding authority and loan program would provide significant resources to localities and individuals so that the entire state would potentially benefit.

The basic elements of the program, as outlined in my memorandum of last week, are as follows:

1) Provision of State bond proceeds to local governments for use in local energy efforts. State would be repaid as local government is repaid by ultimate recipient of loans. Use these funds as a followup to the existing local planning grants program to create a ready means of implementation. Coordinate with Community Development Block Grant (CDBG), Urban Development Action Grant (UDAG) and other locally controlled funds. Administered by the MEA. Additionally, provide state loan guarantees for private investment.

2) Provision of direct small business and non-profit conservation and alternative energy investment financing through the existing Small Business Assistance Center (SBAC) in the Department of Economic Development (DED). Make these loans a priority for SBAC activity. Provide State loan guarantees for private investment.

3) Could we achieve the desired energy focus and utilization of the existing State delivery mechanisms without the problems of creating a new State agency by creating a super energy fund which would then fund the same activities outlined in my proposal? Would such a fund be more capable of eliciting private contributions or investments by pension funds (union funds for example) than simply adding to the regular appropriations and responsibilities of existing State agencies? This could provide the necessary synthesis of the two approaches, but I think we should first think hard about the two polar examples. (Hegel would insist that we deal with it that way).

/ca

URBAN COALITION
WEATHERIZATION PROGRAM
--827-5465--

December 30, 1980

Dear Irene

The Urban Coalition of Minneapolis has been involved in a very direct and positive fashion in the nation-wide effort to conserve energy as well as assure that poor people in Minneapolis are not forced to choose between heating and eating. For the past 31 months, the Urban Coalition has operated a unique weatherization program that was a model for the entire nation. Beginning with a very modest funding base in early 1978, the Urban Coalition Weatherization Program set out to demonstrate what the Urban Coalition had been long espousing: namely that energy conservation must be forcefully linked to the economic plight of the so-called hard-core structurally unemployed. In the relatively short span of 31 months, there are now some 90 employees, an annualized budget of $3.2 million, and almost 3,000 Minneapolis residents whose homes have been weatherized.

This year the Weatherization Program has achieved some notable successes -- June, 1980, saw the achievement of its quota of homes and now December, 1980, ends the year with the same result. We'd like for you who have been a vital part of that success to pause for a moment to share with us in a much deserved "meal of reflection." There will be no "head tables" for all are equally necessary. There will be no speeches nor boasting. Just an evening of shared accomplishments by those who contributed to the achievement of 1980.

Dinner Will Be Served
At The
Riverview Supper Club
2319 North West River Road
7:00 P.M.
Thursday, January 8, 1981

Please R.S.V.P. to Cathy Allen at 348-8550 by Monday, January 5.

Sincerely,

Vusumuzi Zulu

Vusumuzi Zulu
Director

/cda

This is a project of the City of Minneapolis Community Action Agency, Operated by the Urban Coalition of Minneapolis with funds from the U.S. Department of Energy and the State of Minnesota

Sat., Sept 13, 80
MPLS Tribune, p. 2S

Coalition plan to spur use of solar heat

The Urban Coalition of Minneapolis will install solar-powered water heating systems in two non-profit residential care facilities as part of an effort aimed at expanding the use of solar energy by non-profit agencies and low-income families.

The coalition received funding for the project from the Northwestern National Bank Employees Contribution Council and the U.S. Department of Energy.

The systems will be installed at the City, Inc., 3222 16th Av. S., a home for juveniles, and Turning Point, Inc., 1523 Emerson Av. S., a center for chemically dependent black adults.

The systems will be made available for viewing by other non-profit agencies and the public at an open house Oct. 4-11. In addition, the coalition will produce two slide shows and offer training in installing solar heating systems.

In addition to showing agencies how to install and use solar heating systems, the project is designed to draw attention to the lack of incentives for using solar power available to non-profit agencies and the poor, according to Peter McGlaughlin, research director for the Urban Coalition.

"The incentives that now exist for use of solar are basically in the form of tax deductions, which are of no benefit to non-profit agencies, which do not pay taxes, or the poor, who do not have the money to install solar systems in the first place," McGlaughlin said.

The coalition plans to establish a task force to identify ways the city or state government, banks and foundations could encourage use of solar power among non-profit groups and lower-income families.

WOMEN CAN AFFECT THE ENERGY CRISIS
A Conference
November 2 and 3, 1979

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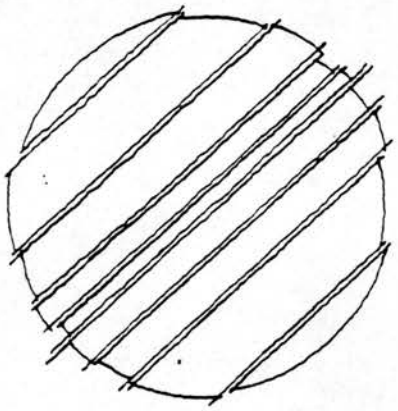
WOMEN CAN AFFECT THE ENERGY CRISIS a conference



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FRIDAY EVENING CAREER OPPORTUNITIES

Keynote Address: Valerie Pope Ludlam

With an initial grant of $19,000 and the help of twelve other determined women, Valerie Pope Ludlam organized the West Side Community Development Corporation (CDC) in San Bernadino, California in 1972. The original staff of three has grown to fifty full-time employees and the 1980 budget will be around $6.5 million.

In attempting to organize to meet the needs of her community, Ms. Ludlam surmounted every roadblock in the books. She was black, poor, and a woman. She was a welfare recipient and the divorced mother of three children. The housing, financial, social and safety concerns of her neighborhood were neglected by the city. There was no way to go but up.

The first organizing attempts met with failure, but by 1972 the women had knocked on enough doors to prompt the Justice Department to investigate. The Commerce Department declared the area economically deprived, making possible the first CDC grant. Rehabilitation of homes was the first order of business and continues to be today. In the process, unemployed people are educated and trained, homes are weatherized and made habitable, solar space heating and water heating systems are installed and serviced, a factory manufactures solar collectors for sale to other installers, and a cement block factory using solar and wind energy is now being built.

The need for individual solar heating systems to free poor people from large energy bills was Ms. Ludlam's idea. Now over half of the homes rehabilitated by the CDC receive solar systems and a community-scale system is heating ten houses in one neighborhood.

Ms. Ludlam says her qualifications have been questioned every step of the way. However, she feels that women have a very important role in affecting policy because they care about things that men don't. She said "I cared more about the future of the kids because I carried them for nine months." About her qualifications, she said "They don't think a woman can understand this energy stuff. Maybe I don't totally understand it, but I know how to hire the people who do ..... we just found out that solar really isn't all that mysterious. With a little technical help, anyone can understand it and develop their own systems....You have to do it all right, run good programs, and never make a mistake. Then you can get things done a woman's way."

Workshop: Technical Training Programs

Ed Dunn, Director, Red Wing Area Vocational Technical Institute, gave a slide presentation on the solar energy technology course offered at Red Wing. The school, serving a portion of southeastern Minnesota and a small area of southwestern Wisconsin, trains students to design, install and service solar heating and cooling systems. Training is also offered in wind technology and in the agricultural uses of renewable energy. The Energy Education Center will soon

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move to a new location near the Vo-Tech school being prepared to house the entire program.

Ann McCormick, Director of the Solar Utilization/Economic Development and Employment (SUEDE) program in Eau Claire, Wisconsin, described the training program she directs. SUEDE programs are federally financed and many employ CETA workers. The trainees are instructed in all necessary techniques for designing, installing, and servicing home solar energy systems for space and water heating. Both men and women are enrolled. Ms. McCormick administers the program as well as teaching some of the techniques and supervising the actual field work (building and installing the systems). She is certified in both plumbing and carpentry.

Many of the workshop participants were interested in enrolling in a training program, and the need for a SUEDE program in Minnesota was recognized.

Workshop: Opportunities in Government, Business and Education

Sally Nettleton Daniels, A.I.A. Architects can have a direct impact on the energy crisis. They can educate owners and design energy efficient homes. There should be more women architects, but they are often scared off by lack of confidence in their analytical, technical and artistic skills. All of these things are a matter of training. The company Daniels works for (Hammel, Green and Abrahamson, Inc.) stresses simple, basic, multi-family housing. Daniels showed several blueprint examples that use sky-lights, passive solar heating and earth-sheltering.

Maxine Dotseth, Government Operations Liaison, Canvas Products Association, International. Dotseth recently realized that canvas products could be marketed as passive solar products. She has formed the Passive Solar Products Association -- a corporate umbrella group that explains passive solar heating and facilitates company conferences and workshops. According to Dotseth, passive solar can supply 50-100% of new construction heating costs and 25-50% of heating costs on retrofitted buildings. These realizations will provide scores of new jobs for women in marketing, finance, consumer awareness and information services.

Jackie Lind, Energy Education Coordinator, Minnesota Energy Agency. The MEA's Energy Education program is two-fold: formal and informal education. The formal education in the schools (grades K-12) has a three-fold focus: 1.) basic content on the economics and politics of energy, 2.) developing skills in data gathering and processing, 3.) questioning and examining values and attitudes about energy use. In post-secondary training, MAVTI schools have taken the lead on technical skills development, along with state colleges. It's important that these schools work together rather than compete for limited funding.

Informal education takes place through community groups, youth groups, and families. It means getting facts straight in our own lives. The energy crisis is forcing us to learn new technical skills and deal with dynamic changes.

In Minnesota, education is locally controlled and teacher controlled. We cannot mandate energy education. Teachers and administrators have to become excited about it.

Susan Pomerleau, Staples Energy Conservation Program. Described SECP curriculum program for grades K-12. It includes courses in math, home ec., industrial arts, and agriculture departments in schools in six west central Minnesota counties. SECP is also a resource center, providing pamphlets, books, information, and films on energy issues.

Workshop: Starting Your Own Business

Edith Mucke, Director, Continuing Education for Women, University of Minnesota.

Owning your own business is challenging, and the odds are against you -- there is an 80% failure rate. You can succeed if you act like a pro and are aware of personal sacrifices that must be made. Mucke makes suggestions for success. 1.) You should incorporate with a broad charter. 2.) If you need to borrow, make sure the loan is guaranteed. Do NOT borrow from friends or family. 3.) Don't let the bank intimidate you. 4.) You'll need a lawyer -- make sure he/she is capable and honest. 6.) You'll need an accountant. 7.) You must learn to handle purchasing, insurance, public relations, advertising and people. 8.) Human resources are the most important -- talk to others. 9.) You must sell yourself in order to sell your product.

Douglas Frame, Proprietor, Solarworks, Inc. In starting your own small business, there are two areas to stress: identifying goals and capitalization. You should decide if you want to go into distribution, manufacturing or retailing. You might want to ease your way into it by getting started on evenings or weekends. You have to start big. Companies that start small won't grow fast. You also have to really want to make money. You must stake everything you have on the business. You need capital that doesn't come from the bank. Managing is difficult -- usually profit margins don't meet the overhead costs.

Energy companies are different from other small businesses. The market is unknown. You also have to be better, smarter. There are lots of competitors.

Workshop: Career Planning, Placement and Voluntarism

Mona Johnson of Working Opportunities for Women described the process by which women are aided in choosing and preparing for a career. An assessment must be made of one's personal needs and capabilities, the demands of various types of careers, necessary preparation. Also one must examine what to expect as a woman, the possible effects of a career change, and the merits of choosing volunteer work as an end or as a training step toward a paid position. One must also set a time schedule and attainable goals. Career counseling is available to women needing assistance and placement service is available to "displaced homemakers".

Ruby Wilson, Director, Minneapolis Better Jobs for Women, works with low income and minority women desiring placement in apprenticeship programs in the construction trades -- carpentry, plumbing, pipefitting, electrical work. These non-traditional jobs for women offer good pay but also mean constant harrassment in previously all male settings, and they require hard physical labor. Better Jobs for Women provides support services for women placed in apprenticeships and seeks constantly to better the acceptance and working conditions for these women, and future apprentices, by working with union officials and employees.

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SATURDAY MORNING CITIZEN ACTION

Keynote Address: Barry Commoner

Dr. Barry Commoner, Director, Center for the Biology of Natural Systems, Washington University, St. Louis, Missouri, addressed the question of the need for a transition to renewable energy systems. He said we have been running out of oil since the first barrel was extracted from the ground in 1859, and, as we continue to deplete the non-renewable supply, the cost escalates because each barrel is more difficult to extract than the one before.

Dr. Commoner feels that we must be very concerned about the continued rise in the price of oil because the effect on the economy could be disastrous. Energy must flow in order for work to be done. It takes energy to get energy. We must match the form of energy used to the end purpose -- use a form of energy appropriate to the task, and eliminate waste. An example of inappropriate application is to use nuclear reaction to boil water, which is what happens in a nuclear electrical generation plant. The energy system is now cannibalizing the economic system. The poorest people spend 25% of their income on energy while the more affluent pay only 6%. In winter, the poor pay as much as one half of their income for utilities. Under the current system, the poor will continue to be hurt and the situation will remain unchanged. A solution is needed, not to improve things, but just to keep the country running.

Two possible solutions are solar and nuclear. Since there is a limited supply of uranium, the currently operating nuclear fission reactors have a limited life-span. An answer to that problem is the breeder reactor, which manufactures more fuel as it generates electricity, but it is not feasible because the experiments have failed. It is too difficult to control. Fusion is not a solution because no one has been able to make it happen. The inherent danger surrounding nuclear power makes it unacceptable. In addition, any form of nuclear power requires more centralization, while a more desirable solution is a transition to small-scale and community-scale solar and decentralization.

When all costs are considered, nuclear power is more expensive than coal. Nationwide, nuclear supplies 13% of electrical usage (55% in Chicago and 43% in the Twin Cities area). However, the United States has excess electrical capacity equal to what is being produced by nuclear plants.

The only barrier to a transition to solar energy is in our political institutions. One single act on the part of the federal government would go a long way toward making phtotvoltaics economical. The federal government could make the decision and place a large enough order with the industry to boost volume production and bring down the price to an affordable level. However, the decision has not been made.

Widespread use of alcohol fuels, including gasohol, could eliminate any future gasoline shortages. Alcohol for this purpose can be and should be produced by solar powered stills, thus using little or no energy in the manufacture.

Dr. Commoner criticizes the use of tax rebates on solar equipment, stating that only the rich, who can afford the high cost of solar collectors, will benefit. "The free market will give solar to the rich." We need federal purchase of phtotvoltaics, community-scale systems with co-generation of heat and electricity, methane from sewage and agricultural wastes. The national interest must make the decisions, not the profit system.

Citizen Action Panel

(Selected comments from the panel of citizen activists)

Marcia Janssen (Minnesota Public Interest Research Group [MPIRG])
There is a need for local self-sufficiency, a conserving lifestyle, a reassessment of our current standard of living. We must make small but significant steps within the system. Ms. Janssen disagrees with Dr. Commoner on the solar tax credit. She sees it as a means of giving a boost to a fledgling industry, thereby making the technology available to more people. On lobbying, Ms. Janssen stressed that broad-based coalitions must be formed, what is possible for the state to accomplish must be emphasized, and the media must be utilized.

Jeanne Crampton (League of Women Voters of Minnesota)
Ms. Crampton feels that she would not be willing to go back in time, in an effort to save energy, to the point where women would not have the labor-saving devices which played a large part in freeing them from the drudgery of housework.

It is important to get to know our congressmen, senators, and state legislators, and to take time to communicate our preferences to them. It appears that the political structure and the will of the people are going in opposite directions.

Mary Trigg (Research Staff, DFL Caucus, Minnesota House of Representatives)
The failure of the political system is seen in the present need for energy assistance to low income people. We have known this need was coming since the 1973 oil embargo and still haven't put into place a weatherization and conservation program to deal with it. The current approach is merely stop-gap. Perhaps more appropriate solutions can be implemented at the local level of government than at the state or federal level. Ms. Trigg, speaking from her experience as former lobbyist with the Minnesota Energy Alternatives Lobby (MEAL), recommends potential lobbyists not tackle too large a project; be careful not to "burn yourself out", do your homework and don't make mistakes.

Martha Ballou (Minnesota Citizens Action, Center for Urban Encounter)
Having worked with senior citizens groups, Ms. Ballou realizes the necessity of coalition building as a key to power. As a lobbyist representing a single group, she learned that the energy companies held all the power and she had none. A Citizens Utility Coalition was formed and progress was made: sales tax was removed from heating fuel and a mechanism was established for providing consumers a means of intervening in rate hearings.

Ed McGaa (Manager, Twin Cities Secondary Airports)
Society must begin thinking as Indians think and act: for the good of the tribe, not for one's own personal benefit. As airports manager, Mr. McGaa has put into

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effect many simple, common-sense practices which save a considerable amount of energy formerly used by maintenance procedures. He has also begun an experiment involving the transporting of sewage sludge from the Pigs Eye sewage treatment plant to the Sioux Indian Reservation in South Dakota to turn previously untillable land productive. It is hauled by trains which previously made the trip empty after hauling products to the Twin Cities.

Mr. McGaa made the point that the individuals in the position to do so must take quick, decisive action whenever possible to institute beneficial practices. McGaa added that Indian women, by tribal custom, hold a revered position, and are respected decision-makers. In response to an observation by a member of the audience that McGaa was the only panel member who had actually put any practical measures into use (as opposed to lobbying, organizing, etc. about which the women on the panel spoke), McGaa said that, in this white man's society, if he were a woman, he probably wouldn't be in a managerial position which allowed such action.

SATURDAY AFTERNOON BECOMING INFORMED: WHAT YOU CAN DO IN YOUR OWN LIVES

Workshop: Total Energy Independence for Minnesota

Ron Rich of the Minnesota Energy Agency enumerated the non-solar forms of energy utilized in Minnesota and described some renewable energy forms that are not feasible for Minnesota: tidal power and geothermal energy. He said Minnesota has about half of the peat in the United States, and, although it could be mined and burned, it would then be used up. The same land could, without mining the peat, be used for cultivation of special biomass crops which would be renewed on a regular, short-term basis (cattails).

Forms of renewable energy applicable to Minnesota are solar, wind, hydroelectric and biomass. Our agricultural and forestry industries will be instrumental in developing special fuel crops - cattails, willow and alder - and for providing special crops and field wastes for conversion (preferably by solar stills) to alcohol fuels.

Currently the most appropriate use of direct solar energy is for space heating and cooling, and hot water heating. These systems should be considered economical now, since 35% of 1978 demand could be met by them. Our actual needs are less than demand because of inefficiencies in equipment and loss in transmission of centrally generated electricity.

Of all prospects, conservation is our cheapest method of gaining more energy.

Wind has great potential in Minnesota. Giant windmills (300 foot span) placed on half the farms could supply 54% of our 1978 demand. Storage systems must be devised, but this figure includes storage losses.

Small hydroelectric plants in Minnesota can be a real part of the energy picture if all possible sites are developed.

Summary: with all sources fully developed, the following percentages of Minnesota's 1978 demand could be supplied by renewable energy sources:

Solar	35.0%
Wind	54.0%
Special Crops	65.0%
Crop and Forest Residue	7.0%
Hydro	.?%
Wood	.?%
Animal Wastes	.?%
TOTAL	161.0% = ENERGY INDEPENCE

Workshop: New Construction

A representative from Marv Anderson Homes detailed the energy-saving features that their company builds into its new homes. The major emphasis is in insulation. Anderson Homes have special insulation features at the sill, from floor to wall for a "gasket effect" at the rim joists. Anderson also uses styrofoam sheets on the exterior with liquid styrofoam in the cracks. Of course they insulate the walls, ceilings and around windows. Their homes feature 16 inches of insulation in the ceiling and automatic attic vent-fans to remove insulation damaging moisture. They use special insulated glass windows and special weather-stripped doors. Features other than insulation in the homes include automatic turn-down thermostats, energy efficient appliances and water saving devices in the bathrooms and kitchens. For customers wishing to include a fireplace in their home, Anderson recommends a standard masonry fireplace with glass doors and a chimney cap.

Recently Anderson Homes has offered various types of solar systems to its customers. A water system in Bloomington, one of Anderson's first, has a pricetag of $18,000. A forced air system built in Maplewood costs about $7,000.

David Robinson, from the Mid-American Solar Energy Center (MASEC), detailed some of his work on insulation for MASEC and told about his ecperiences in building his own energy efficient home in Northfield. MASEC suggests that the homeowner who is beginning with little or no insulation spend about what he/she would spend on fuel bills in a 20-30 year period for insulation improvements. This 50/50 split seems to give the greatest value. The home Robinson built had double the usual insulation, which reduced air filtration to one-tenth the normal rate. This created humidity problems but Robinson solved these by installing a heat exchanger ventilator, which he believes may be the first in the country. Overall, Robinson's combination of active and passive designs provide 70% of his space heat.

Robinson has been more pleased with the passive features of the solar house than with the flat plate collectors. Any future design he might do would use only passive solar.

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Workshop: How Families Use Energy

Becky Yust, Department of Home Economics, University of Minnesota, described the ways energy is used by family activities, and how decisions are made to reduce that usage, or maintain it. Since changing the way energy is used by a family implies a change in habits and behavior, a survey of 40 families indicated that over one third experienced conflicts in energy conservation decisions: Do we lower the thermostat or pay to have the house insulated? Who will drive the car and who will join a carpool? How many teenagers in the family are using the car, and is the use justifiable?

The family car uses up to 25% of the family's energy consumption; home heating, 70%; hot water heating, 14%; lighting and appliances, 8%; cooking, 4%; and clothes drying, 4%.

Ms. Yust illustrated the importance of good home insulation and showed how and where to look for trouble spots. She also indicated the necessity of efficient appliances and of insulating your hot water heater and pipes leading to fawcets.

The concept of time-of-day pricing was discussed and the effect that would have on home use of certain appliances in order to take advantage of lower off-peak rates (during late evening and night-time hours).

Ms. Yust illustrated the energy efficiency labeling now used by appliance manufacturers, and stated that a little comparison shopping can save the consumer a considerable amount of energy cost during the life of the appliance.

Workshop: What You Need and What You Don't

R. Scott Getty from the University of Minnesota's Ouroboros South Alternative Energy House Project gave a brief background on what literature is available and what materials are necessary for the do-it-yourselfer. In order to know what to buy, you need to know where to look for energy waste in your home. Home energy use breaks down as follows: home heating and cooling, 71%; water heating, 14%; cooking, 4%; clothes dryer, 4%; refrigeration, lighting, other, 7%. In addition to these figures, Getty had the following statistics on where heat is lost in the home: attic and ceiling, 15%; basement, 11%; doors and windows, 26%; air infiltration, 35%; and walls, 13%. Getty followed with some recommendations on how to improve your home's energy efficiency. Attic insulation for example should be a minimum of 12 inches. If you insulate yourself, avoid insulating sill plates from the inside of the basement. Triple glaze is recommended for all windows except on the south side, which should be double glazed. Your water heater can have its temperature setting reduced and a heater jacket will cut down on heat loss. A new system known as "gray water" uses hot wash water on its way out to partially heat cold fresh water on its way in.

Glen Clover from the Minnesota State Consumer Services Department added a few more tips on where your dollar is best spent. Often, air infiltration is a more critical heat loss problem than loss of heat through the ceiling if you

have at least some insulation. He recommends woodburning stoves rather than firplaces. He also said the best appliance buys are probably not going to be the self-cleaning ovens or self-defrosting refrigerators which have flooded the market. If you do decide on self-cleaning appliances, look for those that have an energy saving switch which lets you control when they are cleaning themselves.

Workshop: Financing and Tax Breaks

Mary Tingerthal, Minnesota Housing Finance Agency, briefly explained the financing programs available at the Agency for home improvements providing energy efficiency. She also described the Earth Sheltered Housing Demonstration Program funded by the Minnesota Legislature which resulted in the building of several private homes, park managers' residences, and urban townhouses. Some problems and benefits of earth sheltering were discussed. The most common problem was the unusual appearance of some earth-sheltered homes made their acceptance in an existing neighborhood questionable. The benefits enumerated were energy savings, no exterior maintenance and quiet indoor environment.

John Dunlop, Minnesota Solar Office Coordinator, enumerated the tax credit benefits available for homeowners who install solar systems and other renewable energy systems, as well as conservation measures. Both state and federal tax credit laws were explained.

Briefly, the federal insulation and conservation credit allows 15% on the first $2,000 in expenditures for insulation, storm windows and doors, caulking and weatherstripping, energy usage meters, and certain furnace modifications. The federal renewable energy tax credit allows 30% on the first $2,000 and 20% on the next $8,000 in expenditures for active and passive solar, and wind energy systems. There are a number of special provisions including that the devices must be used in the taxpayer's principle residence, and that swimming pools and swimming pool heaters are excluded. The Minnesota tax credit offers 20% on the first $10,000 of expenditures on renewable energy sources for residences. Included are passive and active solar, wind, biomass conversion equipment to produce ethanol, methane or methanol, and earth-sheltered dwellings.

Mike Rivard, independent financial consultant, discussed methods of obtaining conventional financing for solar homes and installations.

Workshop: Home Redesign

Darryl Thayer spent some time detailing a few basic, but little known facts about the availability and applicability of solar energy. Measuring the sun's energy in BTU's during a summer and winter month, Thayer found that there is a net heat gain from the sun on the roof, the east and west sides during the summer, but in the winter there is a net heat gain only on the south side. In passive designs for this area, Thayer said a south wall with an overhang will cut down on most of the summer sun but still admit winter sun because of the lower angle of sunlight during the winter months. Thayer detailed

(over)

several basic solar designs which he uses: Trombe wall, sun space or "insulated porch", and heat storage in water.

Karen Wilson, independent energy consultant, described the retrofit of her older home in St. Paul. This included ripping out inside walls to permit 6 inches of wall insulation, installing a south facing bay window on the second floor for passive heat gain, complete caulking and weatherstripping, and the use of outside insulating window shutters.

WOMEN CAN AFFECT THE ENERGY CRISIS

EVALUATION FORM

Please rate speakers and sessions with a check mark:

	Good	Medium	Poor
Valerie Pope Ludlam			
Technical Training Programs (Dunn, McCormick)			
Opportunities in Government, Business & Education (Daniels, Dotseth, Lind, Pommerlau)			
Starting Your Own Business (Frame, Mucke)			
Career Planning, Counseling, Voluntarism (Johnson, Wilson)			
Barry Commoner			
Panel (Ballou, Crampton, Janssen, McGaa, Trigg)			
Total Energy Independence for Minnesota (Rich)			
New Construction (Suetting, Robinson)			
How Families Use Energy (Yust)			
What You Need and What You Don't (Clover, Getty)			
Financing, Tax Breaks (Dunlop, Rivard, Tingerthal)			
Home Redesign (Thayer, Wilson)			

What was the most useful aspect of this conference to you?

What do you feel was lacking?

Would you like another energy conference for women? When? What should be emphasized?

Please fold in thirds, staple or tape, and return to the address on the other side.
Thank you very much for your cooperation.

CONTINUING EDUCATION IN THE ARTS
322 Wesbrook Hall
77 Pleasant St. S.E.
University of Minnesota
Minneapolis, Minnesota 55455

URBAN
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OF MINNEAPOLIS

STATEMENT OF

PETER J. MCLAUGHLIN

RESEARCH DIRECTOR

URBAN COALITION OF MINNEAPOLIS

BEFORE THE

PUBLIC UTILITIES COMMISSION

ON THE

NSP ELECTRIC RATE CASE

SEPTEMBER 30, 1980

89 South 10th Street, Minneapolis, Minnesota 55403 • Telephone (612) 348-8550

Thank you, Mr. DeLong and members of the Commission. My name is Peter McLaughlin. I am Research Director of the Urban Coalition of Minneapolis (UCM) and represent the Coalition here this evening. The Urban Coalition is a non-profit corporation whose fundamental purpose is to address issues of concern to the non-white and lower-income communities of Minneapolis. I appreciate the chance to testify. This is going to be a bit "researchy," because I know others who have preceded me handled the human side.

I think that of all goods and services people buy, energy presents a unique threat to the well being of lower income people. On the average, lower-income households use <u>less</u> energy but devote a much <u>higher</u> percentage of their income to energy purchases. NSP, the Urban Coalition and others have conducted studies which confirm this income/energy relationship. It isn't a perfect correlation, but it is very strong, particularly for electricity.

According to a study conducted by NSP in May, 1979, of their residential electrical customers, as household income increased, monthly electrical energy consumption also tended to increase. I refer you to Chart 1, which clearly indicates this inverse relationship between income and monthly KWH usage among electrical consumers. As shown, 91.2% of all NSP consumers earning less than $3,000 used under 500 KWH per month. Conversely, 78.6% of NSP consumers earning over $25,000 used over 500 KWH per month.

CHART 1

Average KWH Usage
All Dwellings

Household Income	% of Dwellings Using Under 500 KWH/Mo.	% of Dwellings Using Over 500 KWH/Mo.
Under $ 3 000	91.2%	8.8%
$ 3 000 - 4 999	85.4	14.6
5 000 - 7 999	71.0	29.0
8 000 - 9 999	72.6	27.4
10 000 - 14 999	57.6	42.4
15 000 - 24 999	33.0	67.0
Over 25 000	21.4%	78.6%

The Coalition recently conducted a study of the participants in the Coalition's low-income weatherization program. To qualify for this program, a household's income must be at or below 125 percent of the Federal Poverty Guidelines. Among a sample of program participants, 30.6 percent paid over 20 percent of their income on residential energy in 1979; 43 percent with incomes under $5,000. And for those with the lowest incomes -- under $3,000/year -- 65.9 percent paid more than 20 percent of their income on residential energy over the course of the year.

It is obvious that increased energy costs have had a severe and differential impact upon the poor. Lower income and working class people use less, but pay a higher percentage of their income on energy. They are also not as able to cut back. Economists call this price elasticity of demand.

Simply put, price elasticity of demand measures how much people reduce consumption when the price of what they want to buy increases. In the case of energy, lower income households have an inelastic demand. They have a limited ability to respond to price increases by reducing their energy consumption. When energy prices rise, lower income households have virtually no alternative, none, but to pay the higher price.

There are two major reason for this. First, the average consumption of the poor tends to be for necessities -- space and water heating, refrigeration and cooking -- not for frills. So, they are unable to significantly reduce consumption. They cannot, for example, unplug their refrigerators. Second, poor people can't invest in efficient appliances and insulation for their houses. So, poor and working class people are simply stuck consuming the same amount and paying more for it.

NSP has historically argued that they are not in the business of income redistribution. Problem is, their concept of a neutral rate increase is not neutral. A price increase leads to a redistribution because poor people are less able to cut back.

NSP suggests that energy assistance for the poor is beyond the purview of the private utility company. They suggest that there is enough energy assistance already available through the various government assistance programs. The fact is, there are many lower income consumers who are not participating in these government programs.

The Coalition recently completed a study for NSP of the government energy assistance programs in the seven-county metropolitan area. We found that only 40 percent of the estimated eligible households participated in the assistance programs. Non-participants were identified primarily as the elderly, working poor and renters. They did not receive assistance for a variety of reasons -- problems with program information dissemination; administrative barriers; lack of accessibility; and the most prevalent impediment was identified as "stigma."

As long as the energy assistance programs follow essentially a welfare model, especially in terms of intake procedures, this stigma factor will remain strong.

This residual group of lower income households might participate more

in the energy assistance programs through improvements made in assistance delivery. There will remain, however, many lower income households who have not, and will not, participate. One means of guaranteeing energy assistance to these households, households that are in need of assistance, is through income-adjusted utility rates. The fact is, existing government energy assistance programs have not helped a majority of lower income households. They likewise hold little promise for those just above the current eligibility guidelines.

The Coalition has identified several specific concerns with the proposals submitted by NSP. They include: elimination of the Conservation Rate Break, increase of the monthly service charge, and adoption of a new charge for connection or reconnection of service.

Elimination of the Conservation Rate Break (CRB) which provides a credit to any consumer using less than 400 KWH per month would have a disproportionate impact upon lower income households. Though in effect for less than two years, the CRB has already proven an effective aid for <u>most</u> lower income households.

NSP conducted a study of the CRB and its usage during the month of January, 1979. This study provides some interesting data on the electrical energy consumption of lower income households. I refer you to the graph submitted with my testimony.

First, it shows that <u>12 percent</u> of all NSP customers <u>are low income</u>; that is, at or below 125% of the Federal Poverty Guidelines. Second, 25 percent of those receiving the credit were low income; that is more than twice their portion in the residential electrial consumer class. Third, approximately 78 percent of all lower income NSP electrical consumers received a CRB.

These data strongly indicate that most lower income consumers are benefitting from the CRB. It also confirms that lower income households

served by NSP tend to consume less electricity. However, just as NSP is, the Coalition is also concerned with the other 22 percent who do not qualify for the CRB. Lower income households that are qualifying for the CRB still remain subject to the same high charge per KWH as other consumers, more able to pay the costs and respond to price increases. To simply dismiss CRB as poorly targetted is not supported by the facts. The price elasticity argument indicates that a price rise is poorly targetted. Thus, the CRB should be retained.

Increasing the monthly service charge for all residential consumers is regressive and especially detrimental for lower income households. This charge would hit lower income users harder because they tend to consume less. A $5.00 service charge on top of a total electric bill of $9.00 is not an equitable allocation of costs, when a higher volume user is assessed the same charge. For higher income consumers this additional costs might be negligible. For lower income consumers the extra cost is severe. The monthly service charge also appears to be a nice back door approach to declining block rates.

The proposed $10.00 charge for reconnection of electrical service following a shutoff or connection of service for new tenants is likewise detrimental to lower income consumers. Slapping a $10.00 charge on top of a service shutoff is contrary to the intent of the Commission's own Cold Weather Rule. It also places an undue financial burden on poor people.

Charging for service connection to new tenants penalizes lower income persons who tend to be more mobile. A 1978 Census report on geographical mobility compared households who moved between March, 1975 and March, 1978 by income. In that three-year period, 43 percent of all households below the federal poverty level changed residence, compared to a 33 percent rate for those above the poverty level. These new connection charges will likely be borne by more mobile lower income consumers.

My testimony, thus far, has concentrated on the specific impact of the rate proposal on lower income consumers. I understand that other testimony, presented by the Office of Consumer Services (OCS) has examined the inequities among consumer classes.

The Coalition agrees with the basic premise of the OCS argument. The allocation of costs among classes based upon marginal costs is preferable to NSP's utilization of historic embedded costs. It is interesting that theoretical economics in the form of cost based rates has been argued for many years by the utilities. This was how utility rate design was always justified. Now, marginal cost analysis, which is well grounded in fundamental micro economics is offered, and NSP disputes such an approach.

Price elasticity also highlights the distinction between consumer classes. The residential class is less able to respond to price increases than commercial and industrial users. Lower income households are clearly subject to a double price elasticity whammy and lose again as part of the residential class.

In summary, the Coalition believes the Commission should at a minimum retain the Conservation Rate Break and eliminate the proposed service and connection charges. The Coalition, however, must also go on record in the long run in support of a rate structure, that is income sensitive, regardless of energy consumption. Such a targetted utility rate could serve as an overlap to the rate structure you finally establish.

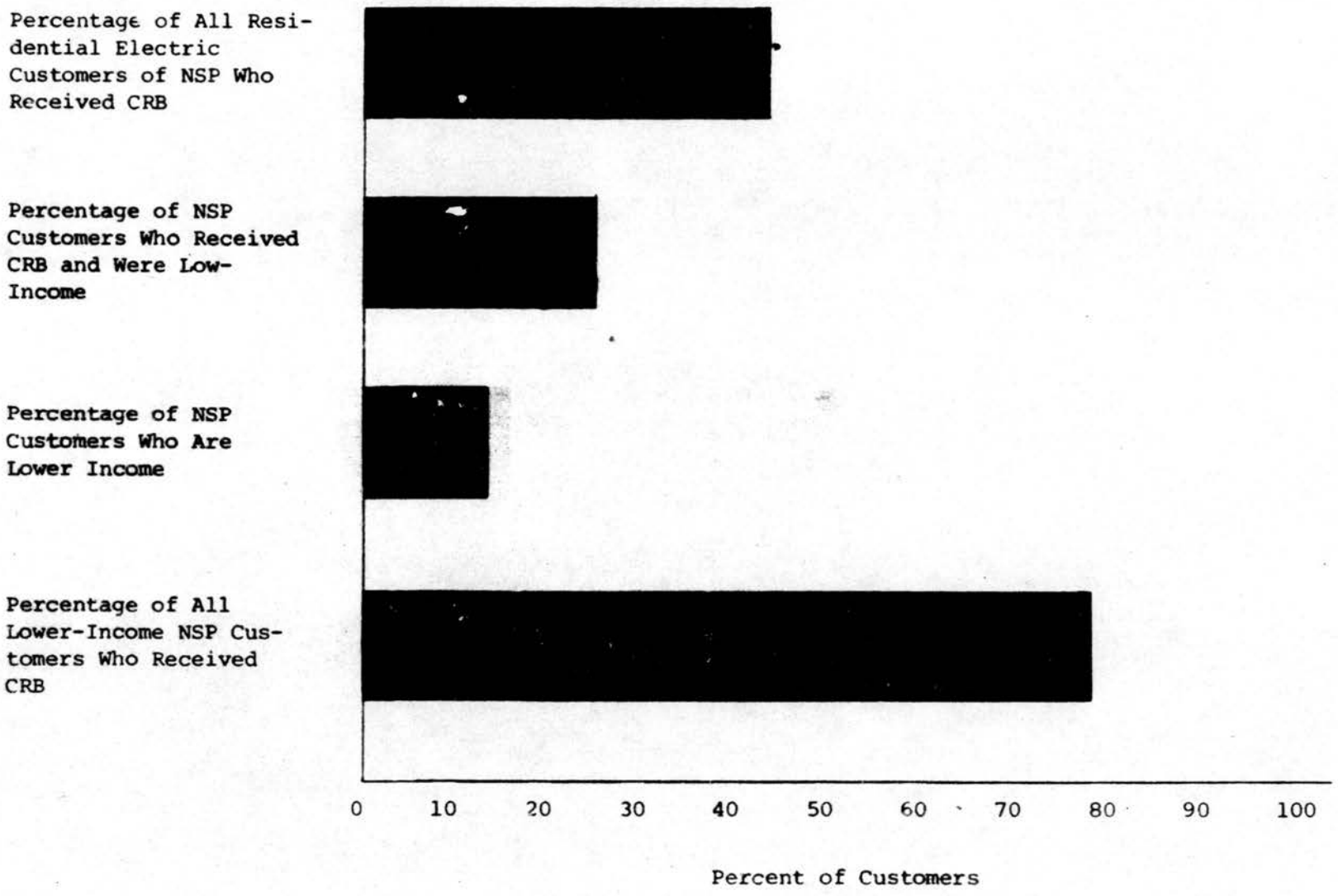
Price elasticity shows: 1) that lower income consumers are already at the limit of their conservation abilities; 2) it presents a good case for an income sensitive utility rate; and 3) provides a rationale for why this approach would not create disincentives for conservation among the poor.

More importantly, an income-sensitive rate structure would be the most inclusive and equitable approach for all lower income consumers, including the working class.

In closing, let me reiterate the basic concern of the Coalition -- that equity be a major criteria in the Commission's consideration of this rate case.

Thank you. If you have any questions, I am ready to respond at this time.

NSP Residential Electric Customers
Receiving Conservation Rate Break in January, 1979



SOURCE: Conservation Rate Break Study, NSP, August, 1979

URBAN
COALITION
OF MINNEAPOLIS

TO: UCM Board of Directors

FROM: UCM Staff

DATE: September 17, 1980

Summary: NSP Electric Rate Case

Public hearings to be conducted September 15- October 30, 1980 at various locations around the state.

1. NSP is asking for an overall rate increase of 12.66 percent.

2. This rate increase will raise $77.5 million in new revenues, and is apportioned more heavily toward the residential class of customers.

3. $10.5 million of this revenue is for the purpose of writing off the expenses incurred in the aborted Tyrone project. NSP expects to continue to write off these expenses during a ten year period.

4. NSP seeks to increase the minimum monthly service charge from $2.50 to $5.00.

5. The NSP proposal will eliminate the "conservation rate break" which offered a $2.50 credit to those households using 250 kwh or less per month. Approximately 46% of NSPs customers were qualifying for this credit.

6. In addition, NSP seeks to charge $10.00 for each customer connection.

7. For Minnesota's residential customers, this rate hike will mean:

   - a 102% annual increase for those using 100 kwh/month
   - a 53% annual increase for those using 200 kwh/month
   - a 19% annual increase for those using 400 kwh/month

URBAN
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MEMORANDUM

TO: Members, UCM Energy Committee

FROM: Michael Cohen

RE: Meeting Schedule/NSP Rate Case Testimony

DATE: October 6, 1980

The Coalition has gone to a new meeting schedule since last year. The full board now meets every other month on the third Wednesday of that month. The committees will meet monthly during the intervening months. There will of course be occasional emergency meetings called if the situation arises.

The chairman of the Energy Committee, Dr. Rivera, has requested that committee members complete the enclosed "meeting planning schedule" to guide staff in planning regular committee meetings. Please return the schedule as soon as possible and indicate your preferred meeting times.

Also enclosed is a copy of the testimony presented to the Public Utilities Commission on September 30. This testimony was prepared based upon the Energy Committee meeting held September 26.

/cda

Enclosures

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URBAN
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EARL D. CRAIG, JR.
President

TO: Members of the Board of Directors

FROM: Earl D. Craig, Jr., President

RE: Energy Calendar

DATE: December 8, 1981

Enclosed is a copy of "The Energy Calendar" produced by the Urban Coalition's Energy Crisis Intervention Program.

A calendar format was used to increase the likelihood that the energy information will be retained and used by low income households. The Energy Calendar is being distributed through cooperating social service agencies, the Weatherization Program, and ECIP. We also hope to receive permission to distribute some through the schools. A total of six thousand were produced thus far.

If you have other suggestions for distribution to low income Minneapolis households, please contact David Rodbourne, Ta-coumba Aiken, or Mike Cohen at 827-5465.

I think this is a fine piece of work and hope you agree.

URBAN
COALITION
OF MINNEAPOLIS

MEMORANDUM

TO: UCM Board Members

FROM: Steve Cramer

RE: NSP Low-Income Rate Proposal

DATE: January 25, 1982

NSP has proposed a rate break for its low-income customers. Under the proposal NSP would discount by 25 percent the monthly electric bill of customers whose total household income does not exceed 125 percent of federal poverty guidelines.* Procedures to certify eligibility for the special rate have not been finalized. NSP does not intend to certify eligible low-income customers. They will rely instead on state and/or local and community social service agencies.

There are approximately 105,000 NSP customers eligible for the special rate. The cost of the program is estimated to be $8 million annually.** This cost would be shared by all consumer classes, commercial and industrial as well as remaining residential customers, through higher rates. The rate increase for an average residential user (550 kwh/month) would equal $4.50 per year. For a medium-sized industrial concern (1,500 kwh/month), the average increase would be $3,000 annually.

Public reaction to the NSP proposal has been highly unfavorable. (Calls to the Public Utilities Commission (PUC) are reportedly running 5-1 to 20-1 against). Support from groups representing low-income consumers has been mixed at best. Concerns and objections voiced to date include:

- the proposal imposes an inappropriate cost on other ratepayers (utilities shouldn't be in the business of redistributing income);
- utilities should base prices solely on the costs of service, not on unlegislated social goals;

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*This is the same eligibility standard used by the weatherization program. A family of four can earn no more than $10,650.

**The $8 million cost compares to total NSP receipts in excess of $680 million in 1980.

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- the proposal asks households at 126 percent of poverty to subsidize people only slightly less well off;

- low-income people are wasteful consumers, and the special rate will encourage more energy use;

- NSP serves only as a pass-through agent, allocating program costs among its consumers, and assumes none of the cost from corporate profits;

- certification will be impossible without invading the privacy of low-income people through NSP's involvement, or missing some eligible households because of inadequacies in the state/local certification network; and

- low-income people will see no net benefit because of higher costs for other consumer goods (prompted by the pass through of higher electrical rates by commerical and industrial firms).

These concerns hold varying degrees of merit. The UCM staff believes the most critical are maintaining incentives to conserve (although poor people are not, by and large, profligate consumers of energy), the potential conflict between "the poor" who are eligible for NSP's special rate and the "near poor" who are not, and NSP's willingness to share in the cost of the program from profits. Recommendations which address all of these concerns have already been advanced, and could be included in a final, more acceptable program.

The staff recommends strong UCM support for this proposal. While a low-income rate for electricity is hardly a final solution to the problems faced by poor people in a time of high and rising energy prices, it would help make one necessity good more affordable. In addition, the proposal moves utility rate policy in the right direction. In light of declining subsidies through energy assistance and weatherization, utility rates which enable low-income people to better meet their own energy needs are in important innovation.

NSP will submit its proposal to the PUC in early February. With Board approval, UCM activities on this issue would include working with NSP and other interested parties on final details of the program, private expressions of support to members of the PUC, and public support through testimony and the print media.

/cda

Urban Coalition of Minneapolis
Energy Conservation Programs

3737 3rd Avenue South • Minneapolis, MN 55409

TO: Earl D. Craig, President

FROM: David Rodbourne, Program Coordinator D.

RE: House Doctor Energy Auditing and Nonprofit Energy Service Programs

DATE: January 26, 1982

This memo provides an overview of the development and status of the project.

The project began with the recommendations of the Coalition's "Solar For Nonprofits Task Force" which met during late 1980. A key recommendation of that group was to find methods to alleviate the growing burden of energy costs for nonprofit social service agencies. Subsequently, Ned Crosby and Pat Benn donated $1,200 enabling the Coalition to tackle the problem.

UCM staff and the staff of the Energy Crisis Intervention Program worked through the first nine months of 1981 to develop the House Doctor Energy Auditing Program. It is operated under contract to the City of Minneapolis Energy Coordination Office with funding from the city's Innovative Energy Grant from HUD.

Coalition responsibilities are two-fold. One, staff provide audits and low cost retrofits (up to $40) in low income households. Two, staff provide audits and low cost retrofits (up to $50) in nonprofit facilities operating in residential or small storefront type structures. A future program component may include audits of multifamily structures using the city's recently developed multifamily audit format.

The capacity to provide energy audits for nonprofit facilities provided the foundation for further program development. Several elements are involved. Staff includes a NES Project Assistant. The position is funded by a grant from the Minneapolis Foundation. The objective is to find ways to translate detailed audit results into conservation investments that will save program funds for other purposes.

Staff met with Mike Weber, Director of the Hennepin County Community Services Department, in order to promote participation in the auditing program by nonprofits and to explore use of county funds for repayment of conservation investments. Additionally, staff secured a commitment from Honeywell to donate up to 150 setback thermostats and arrange for Honeywell retirees to install them in nonprofits identified by House Doctor staff.

Work is progressing on developing a rotating energy conservation loan fund, possibly in cooperation with the existing Cash Flow Loan Fund administered by the Minneapolis Foundation. This fund or a similar financing mechanism

will be important for stimulating conservation retrofits and investments by nonprofit agencies.

Miscellaneous Information

Project Budget:	$136,817	(Minneapolis contract)
	7,500	(Minneapolis Foundation)
	$144,317	

Audits-to-date:	49	(low income households)*
	36	(nonprofits)**
	85	

*Low income households include both renters and owners

**David Nelson estimated dollar savings in the first 22 nonprofits based on the low cost House Doctor retrofits at $5,000 in the next year and $34,000 over the next five years.

Staff:	David Rodbourne	Program Coordinator
	David Nelson	NES Project Assistant
	Gina Ogorzaly	Auditor
	Jimmie Mitchell	Auditor
	Bennie Wilson	Assistant
	Alan Stewart	Assistant
	Becky Stately	Administrative Assistant

Training: Staff training has included RCS course, NCAT seminar, Minneapolis House Doctor experience and training, on-site observation of UCWP crews, Honeywell seminar on set-back thermostats.