



# POWER MOVES !

March 2006

A publication of the New York Energy Consumers Council (NYECC)

Compiled and edited by: Jennifer Kearney - New York-Presbyterian Hospital

## REGULATORY UPDATE -

The New York Energy Consumers Council continues to work aggressively on behalf of its membership in various energy regulatory arenas. Some highlights of current activities before the New York State Public Service Commission are summarized below:

### Con Edison Steam Rates Case (PSC Case No. 05-S-1376)

In early November of 2005, Con Edison filed a one year steam rate plan to increase base rates by \$102.1M with an alternative proposal for three-years (adding Con Edison's estimated incremental revenue requirements of \$15.1M and \$12.2M, in years two and three, respectively), scheduled to go into effect October 1, 2006. These plans have several components of critical concern to the members of the NYECC:

As in previous rate requests, Con Edison has incorporated a request to implement a demand component in its charges, beginning on November 1, 2007, for about 327 customers with annual consumption greater than 22,000 Mlbs. At this point, Con Edison continues to propose to implement this demand charge at that time to all such customers, including 37 of these customers who will not have received sample billing by that time. Although advertised as a "revenue neutral" adjustment, there is no guarantee that individual customers' costs will remain unaffected by the implementation of this change. Even if Con Edison's net revenue remains "neutral," some customers may well find themselves paying significantly more under this tariff than under the existing approach, even as others may see some savings—if their load profile is less peak-driven. Con Ed has already installed new meters for about 180 customers likely to be subject to steam demand rates and anticipates issuing "dummy" bills this winter (in addition to regular bills) to offer advice to these customers on how their individual load profiles would fare under demand billing, if implemented. In the following winter (2006/07), dummy bills will be extended to include about another 110 customers for whom demand meters are being installed in 2005 and 2006. NYECC members using Con Ed steam service are encouraged to evaluate such dummy bills very carefully and advise us as soon as possible if the dummy bills suggest that their total expenses would climb significantly under a demand billing scenario.

The rate request also reflects a decision to transfer from the electric delivery system into the steam business unit the operating expenses from two steam plants that used to also generate electricity from the electric delivery system into the steam business unit. Given the disparity in sizes of the two customer bases, electric customers are unlikely to note the reduction, yet steam customers are very likely to note the increases (this transfer alone accounts for \$24.2M).

## JOIN US FOR ENERGY AWARENESS DAY!

On April 12th, the NYECC and BOMA-NY will once again co-host Energy Awareness Day. This is a part of an ongoing series of consumer education and outreach events offered throughout the year by the NYECC and aimed at bringing the message of energy efficiency to consumers. .

### **LOCATION**

**April 12th, 2006 8:30 AM – 12:30 PM**  
Baruch College  
William & Anita Newman Conf. Center -  
151 East 25th Street  
(between Lexington and Third Avenues)

### **DETAILS**

Cost (*Advance Registration Only by April 7th*):  
\$110 Member (BOMA/NY or NYECC)  
\$160 Non-Member  
Registration at Door—\$25 surcharge  
(212) 239-3662 or (212) 356-0030

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## NATURAL GAS MARKET UPDATE

Contributor: Daniel Levin ,Ernst & Young Energy Trading & Risk Management Services

All of us who pay attention to the energy markets and operating budgets are aware of the recent “historic” levels of energy price volatility. The recent volatility in natural gas and electricity prices has been fueled (pun intended) by a combination of events, which include the following:

Hurricanes Katrina and Rita knocked out more than 80% of the oil and natural gas production in the gulf region. Damage was vertical, affecting drilling platforms, pipelines and refineries. Six months after the storms have passed full production has still not returned.

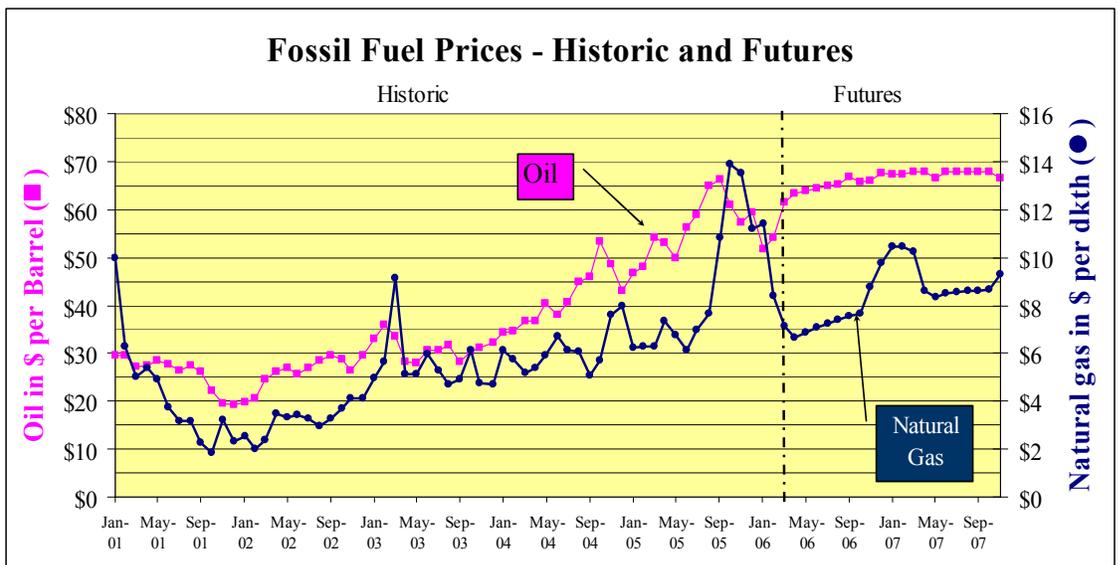
High oil prices caused by worldwide demand outstripping production. Prices in pre-hurricane 2005 ranged between \$35 and \$52 per barrel and the annual average 2005 oil prices were more than 40% higher than 2004 average costs. DOE.EIA

Fortunately, much of the natural gas price increases caused by the hurricanes have been shed by the unprecedented warm weather we have seen in January and February. This winter has been 13% warmer on an national heating degree day basis.

In the chart below, a significant drop off can be seen in natural gas costs as the supply fundamentals improved this winter. Specifically, the warm weather has allowed the amount of natural gas in the storage system to grow from an even zero (0%) from the five year average to a record setting 48% above the five year average that we maintain at this time.

This turnaround in natural gas supply has provided an opportunity for natural gas and electricity buyers to assess their strategies for the remainder of 2006 and the next winter. Electric prices for this summer may not get too much better before the summer starts. Only continued downward pressure on gas prices and a weather forecast removing hurricanes from this summer’s weather pattern will offer any significant decreases in electric prices for this summer and natural gas prices for next winter.

“we must continue to analyze and assess the marketplace, and make sure that our members are being given the proper information about the constantly changing marketplace so that they can make educated decisions on energy management policy”  
- David Bomke



**Did You Know?....**

The Energy Policy Act of 2005 includes a tax credit that can provide significant savings to commercial buildings. Unlike a deduction, which reduces the amount of income subject to tax, a tax credit directly reduces the tax itself. A tax deduction of up to \$1.80 per square foot is available to owners or designers of new or existing commercial buildings that save at least 50% of the heating and cooling energy of a building that meets ASHRAE Standard 90.1-2001. Partial deductions of up to \$.60 per square foot can be taken for measures affecting any one of three building systems: the building envelope, lighting, or heating and cooling systems. These deductions are available for buildings or systems placed in service from January 1, 2006, through December 31, 2007.

*The final rules and forms to clarify which products and services qualify for the tax credits are being developed by The Internal Revenue Service (IRS).*



## **ELECTRICITY MARKET UPDATE**

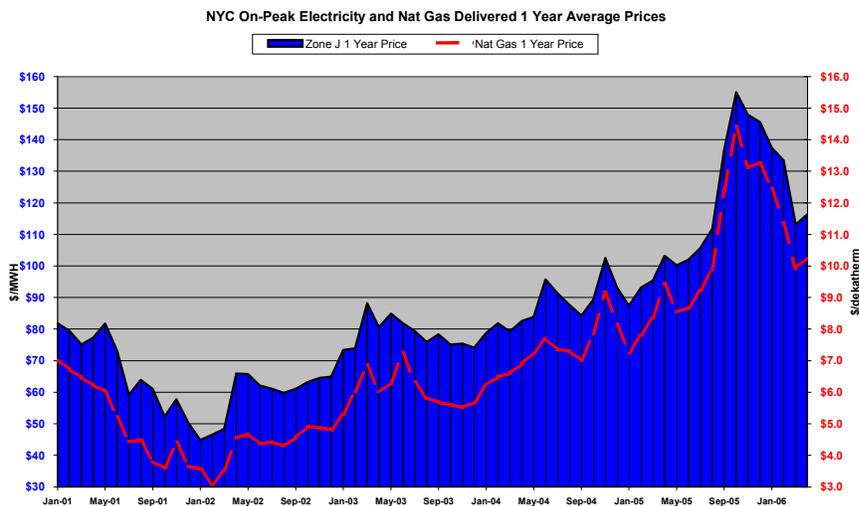
Contributor: Stephen Wemple Director, Retail and Regulatory Affairs ConEdison Energy

Given the recent turmoil in the energy markets, consumers are interested in knowing whether the worst is over, and whether prices will continue to trend downwards. Unfortunately, there is no easy answer. Electricity prices in the North-East and in New York City, in particular, will continue to be heavily influenced by oil and gas prices which are, in turn, driven by regional weather patterns as well as national and international events.

The attached chart shows how the forward market for electricity (as measured by the cost of a one year supply of on-peak electricity) has tracked the corresponding cost for natural gas over the past five years.

While the individual prices have varied significantly, the ratio between the power price and the gas price, which is called the market heat rate, has been declining from the peak levels reached in 2002 and 2003. Put another way, the energy price in New York City has actually declined when adjusting for the increased price of natural gas. Going forward, the addition of the Polletti Expansion and SCS Astoria power plants should further improve the market heat rate as 1,000 MW of modern combined cycle generation displaces older, less efficient generation within New York City's Astoria load pocket.

Unfortunately, the benefits that New York City customers are likely to see in the energy market from falling gas prices and declining market heat rates may be mitigated by higher installed capacity costs. This summer, New York City customers will have to purchase 264 MW of additional installed capacity from in-City generators due to higher than expected load growth - the forecasted peak load for NYC has increased by 3% from 2005 to 2006 – and are likely to pay a higher price due to an increase of 2.7% to the demand curve that determines the price of installed capacity. The combination of these two factors is likely to keep installed capacity prices at or above historical levels for the foreseeable future.



### **NYECC Congratulates Member – New York-Presbyterian Hospital, named EPA's "ENERGY STAR Partner of the Year"**

Award Again Recognizes Hospital's Efforts to Protect Environment Through Energy Efficiency

The U.S. Environmental Protection Agency (EPA) has named NewYork-Presbyterian Hospital "ENERGY STAR Partner of the Year" for the second time in a row for its outstanding contribution to reducing greenhouse gas emissions through leadership in energy management. NewYork-Presbyterian's accomplishments will be recognized at an awards ceremony in Washington, D.C. on March 21, 2006.



### **Con Edison Electric Rates Case Postscript (PSC Case No. 04-E-0572)**

Since the Public Service Commission's approval of the current three-year rate plan in March of last year, the NYECC has been very actively engaged in a broad range of collaborative discussions since then with other participants in the settlement negotiations that led to the approved rate plan. The Commission's order regarding various Demand Side Management (DSM) provisions incorporated into the settlement plan requires all DSM investments of ratepayer money to be "cost-effective on a total resource cost basis," as defined in a PSC Order. Under the guidance of Department of Public Service Staff, NYSERDA, Con Edison, NYECC and other members of the electric rate case have worked very aggressively in collaboratives to help craft programs that can generate the ambitious demand reductions anticipated in the settlement agreement.

Recently, the PSC approved a third phase of the Systems Benefits Charges (SBC) that it has levied on electric bills since the initiation of the electric utility industry's retail access programs. Funds raised through these charges have traditionally been allocated to support energy consumption reduction, but Con Edison's rate case settlement anticipates that Phase III of the SBC would generate an additional 300 MW of demand reduction during the five-year term from 2006 through 2011. The NYECC continues to work to ensure that the 300 MW of demand reduction to be paid for by Con Edison's customers in accordance with the rate case is incremental to the 300 MW of demand reduction to be purchased with the SBC surcharge.



#### **Former NYISO Chairman Bill Museler Joins Advisory Board**

For all Board Members who did not attend the December Board Meeting, you missed a treat and a great opportunity to talk shop with a guy who knows. Amongst his breadth of energy industry knowledge, one of Bill many talking points was the continual "churning" of many of the northeast energy market issues that we have been dealing with since restructuring became our reality.

Bill mentioned the likelihood of more generator sales and mergers as well as the great need for 7000 additional MW of capacity by 2009. He has committed to keeping the NYECC Board abreast of the latest dealings from his perspective and we greatly appreciate his insight.



### **Join the NYECC In Recognizing Earth Day**

Global warming, or climate change, can seem like an amorphous subject, but it can have real-life consequences for all of us. And there are simple activities we can all do in our homes and in our communities to lessen our impact on the environment around us.

Greenhouse gases, especially carbon monoxide (CO<sub>2</sub>), are released by automobiles and energy plants that use fossil fuels, among other things. When we drive our cars, or use household appliances, we are burning fossil fuels that contribute to gases that bring about climate change.

Don't think climate change is real or affects the average person? Much of the United States has already warmed, by as much as 4Å°F. None of the lower 48 states in the U.S. experienced below average temperatures in 2002. In addition, with warmer ocean temperatures, hurricanes (among other natural disasters) are expected to increase in severity.

One activity that helps includes planting a shade tree near one's house. This helps to save electricity that would otherwise be used towards cooling the house in the summertime. It is estimated that a good shade tree can help one save up to 40% on cooling bills. It also lessens the amount of CO<sub>2</sub> released by using extra energy.

Switching standard light bulbs to energy efficient Compact Fluorescent Light bulbs (CFLs) also helps save energy and cut costs. Just by changing one light bulb to a CFL bulb in every house in America, it would be the equivalent of taking the pollution one million cars off the road. Changing light bulbs to energy-efficient CFL bulbs adds up to saved energy and saved money.

Carpooling – or ridesharing, is another way to help cut CO<sub>2</sub> emissions, as well as save money in the face of steep gas prices. Many states have carpooling lanes, which can make commutes to work faster for those who drive. Fewer cars on the road during "rush hour" also means less fuel being burned – great for the environment and the budget. A person can save hundreds of dollars a year in saved gas costs and parking fees, as well as saved hours.

These are ways all of us can help lessen our impact on the environment, and do our individual and community parts to help stop climate change

**A publication of the  
New York Energy  
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**Educating Energy Consumers  
Toward Economical Energy**



A consolidation of the New York Energy Buyers Forum (NYEBF) and the Owners Committee on Electric Rates (OCER), NYECC is the largest major energy consumer advocacy group in New York. We continue to build on our nearly 60 year history and look forward to saving our members, as well as many other local energy users, another billion dollars thru intervention and education.

**NYECC.com**

**CONTINUED FROM PAGE 1 ...**

This expense transfer was provided for in the previous steam case settlement. Electric production in these plants was actually discontinued in 1999.

In addition, Con Edison seeks to transfer \$34.5M in annual charges and expenses related to this year's re-powering of the East River steam plant from the Steam Fuel Adjustment Clause, where they are currently being recovered into the fixed base rate components of customers' bills.

According to Con Edison, its first year proposed increase is primarily due to higher operation and maintenance expenses (\$39M), the transfer of the operating costs of the 59th and 74th Street steam plants from the electric rate base to the steam rate base (\$24M), higher depreciation expense (\$28M), increases in property taxes (\$11M), higher carrying costs excluding ERRP related rate base items recovered through the FAC and from the electric department (\$10M), and an increase in the rate of return (\$5 million). Con Edison proposes that these cost increases are mitigated by some \$50 million attributable to higher estimated returns (\$10M), gains from the sale of the First Avenue properties (\$26M), and other customer credits (\$14M). Con Edison attributes the cost drivers for its rate years two and three estimates to be primarily increases in net operating expenses for labor (\$2M/year) and general escalation (\$2.4M per year), depreciation \$2.6M and \$1.4M, respectively) and NYC property tax increases (\$6.6M and \$5.9M, respectively).

The New York Energy Consumers Council and the other active parties in the proceeding before the Public Service Commission have filed their direct and rebuttal testimonies in this Con Edison Steam Rates Case. The parties will be engaging in negotiations with Con Edison to see if a settlement can be reached among the parties prior to the trial hearing scheduled to commence on April 5, 2006 before Administrative Law Judge Robert Garlin.