



SPECIAL ISSUE:

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STEPS YOU SHOULD TAKE IMMEDIATELY!

LIVING GREENER IN COLUMBIA HOUSING *(Reprinted from Summer 2011 Issue)*

LOCAL LAW PHASES OUT
PERMITS TO BURN HEAVY
OIL IN NEW YORK CITY
#6 FUEL OIL PROHIBITED
AFTER 2015

#4 FUEL OIL PROHIBITED
AFTER 2030

CURRENT PERMITS TO BURN
#6 FUEL OIL EXPIRING IN
THE SUMMER OF 2012 CAN
NOT BE RENEWED.

NYC CLEAN HEAT TASK FORCE CONVENES

In late July of this year, Dr. Sergej Mahnovski, Director of Strategic Planning at the New York City Department of Environmental Conservation, and Steve Caputo, of the Mayor's Office of Long Term Sustainability and Planning, convened a special task force to help guide the implementation of the City's legislation to phase out "heavy" fuel oil. As discussed in previous issues of this newsletter, this legislation was executed earlier this year to phase out #6 fuel oil by 2015 and #4 fuel oil by 2030.

In order to help facilitate the phase out of "dirty oil," the City has assembled a broad range of stakeholders, representing commercial and residential property holders, real estate associations, environmentalists, technical experts, financial resources, and the local natural gas utilities. The task force is chaired by NYECC member Douglas Durst, Chairman of the Durst Organization, with the active participation of Alexander Durst, a Vice President of the Durst Organization. The New York Energy Consumers Council, Inc. (NYECC) is itself also an active participant in these discussions, represented by current co-chairs Daniel Levin (Levin Energy Advisors, LLC) and Frank Martino (Columbia University), founding co-chair Peter L. DiCapua, Secretary Avi Itzikowitz (both of ATCO Properties & Management), and David F. Bomke, Executive Director. In addition, representatives of NYECC-allied organizations, the Building Owners and Managers Association of Greater New York (BOMA/NY) and the Real Estate Board of New York (REBNY) are also active participants.

Approximately 10,000 buildings will be required to replace so-called "dirty" oil with cleaner oil and/or natural gas between 2012 and 2030.

TO SWITCH TO GAS . . . OR NOT!

Peter L. DiCapua, Chief Operating Officer of ATCO Properties & Management, recently spoke on behalf of many long-term owners of buildings affected by this legislation when he eloquently described their overall preference for complying with the legislation by converting to systems that would be as environmentally clean and economically sustainable as possible. That solution would likely embrace conversion to interruptible natural gas as a building's primary fuel, backed up by #2 fuel oil.

Unfortunately, there are presently several obstacles standing between most buildings and this outcome:

- Natural gas may not be presently available at each affected building at a sufficient pressure to support such conversion;
- Connection costs may be cost-prohibitive; and/or
- Internal conversion requirements may be technically impractical and/or cost-prohibitive.

In addition, many building owners may reasonably prefer to minimize their own capital outlays, even though less expensive initial improvements may expose their tenants to greater increases in

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operating expenses. In addition, longer-term intentions to raze, renovate, or sell certain buildings may argue in support of minimizing initial capital investments to comply with the Clean Heat legislation.

In the current market, a conversion to natural gas should generally reduce fossil fuel expenses. Building owners should derive greater ongoing savings if they maintain dual fuel capability than if they switch to firm gas, but they will likely face higher capital expenses associated with the conversion process.

Listed below are several expenses that owners may face if they choose to switch from fuel oil to natural gas. The first list outlines examples of one-time cost elements that might be incurred on the customer side of the gas meter. Building owners contemplating a switch from fuel oil to natural gas should secure actual cost estimates for their buildings as soon as possible to help inform their decision-making processes.

Potential Oil to Natural Gas Conversion Expense Items (Behind the Meter)

- Chimney liner
- Gas booster
- Gas line piping
- Burner tuning
- New burner
- New boiler
- Maintaining dual fuel capability (interruptible gas service)
- Old tank retirement (firm gas service)
- Asbestos remediation
- Gas line integrity (existing cooking gas customers)

Internal conversion costs are very building-specific and will vary greatly between buildings, but estimates range from less than \$100,000 to more than \$1,000,000.

Potential Gas Connection Expense

- Utility Gas line service/extension

Con Edison or National Grid will likely underwrite this cost for buildings within 100 feet of an existing natural gas line of sufficient pressure, although there may be some limitations based upon the level of service desired (firm or interruptible), Point of Entry (POE) requirements for the incoming gas line, and Department of Transportation constraints. Of the approximately 7,000 buildings in Con Edison territory required to phase out heavy oil, Con Edison has identified an initial group of approximately 500 customers that would currently qualify for free connection. Con Edison will require a 5-year service commit-

ment for such a free connection.

Many additional customers may also qualify for low-cost (or no-cost) gas line extensions, if there is sufficient aggregated load in a given region to justify the utility company's investment in the line extension.

Building owners committed to proceeding with natural gas conversion should notify Con Edison or National Grid as quickly as possible. Prompt notification is crucial in providing the utility company sufficient time to identify customer-specific line extension costs that are integral to the total cost of the conversion process. Additionally (with some limitations), some resources are preparing to assist building owners with possible load aggregation efforts that could reduce such gas line extension costs.

Absent aggregation, gas line extension costs could also climb to more than \$1,000,000.

Any aggregated load used for cost justification of a line extension will require a concerted approval process among all parties involved. Any potential line extension will also be subject to timing constraints established by the Department of Transportation. In some cases, building owners may forfeit access to line extension if they are not prepared to make a commitment to connecting when the street is opened up.

Even the one-time costs of converting from #6 to #4 or #2 fuel oil can add up, depending upon building-specific requirements for such a conversion. Variables include the quality and life expectancies of existing burners, boilers, and fuel tanks. Inspection requirements may trigger additional remediation requirements. Items such as those outlined below could cost less than \$10,000 or range as high as \$300,000 or more.

Potential Oil to Oil Conversion Expense Items

- Burner tuning
- New burner
- New boiler
- New oil tank
- Retire old tank
- Asbestos remediation

Start your investigation now!

The City has engaged ICF International to serve as the program manager for Clean Heat. ICF is prepared to provide technical assistance, financing access, information on qualified contractors, and utility company coordination assistance. Please reach out to 212.656.9202 or clean-heat@icfi.com.

FUNDING STRATEGIES

Funding Strategies include the basics:

- **Beg**
Seek a grant from the New York City Energy Efficiency Corporation or the New York State Energy Research and Development Authority. See <http://www.nyceec.com> or <http://www.nyserda.org>.
- **Borrow**
Borrow funds from various third-party lending sources.
Energy Service Companies will often help finance energy efficiency investments using energy savings to pay back the investment. Some banks are offering creative financing options that rely on energy savings to securitize the loans
Consider packaging conversion investments with other energy efficiency investments.
- **Steal**
As in "robbing Peter to pay Paul," consider revising long-term capital investment strategies to accelerate investment in boiler plant upgrades. Paybacks from reduced energy budgets can help fund other building improvement projects, including common space or façade renovations.

INTEGRATE WITH GREENER GREATER BUILDINGS PLAN

In late 2009, the City of New York implemented a broad array of environmental legislation aimed at buildings larger than 50,000 gross square feet. At present, it appears that at least two-thirds of the buildings required to phase out heavy oil are also required to comply with Greener Greater Building legislation that will require them to explore energy efficiency improvement options and develop commissioning plans.

The owners of all buildings required to phase out heavy oil should consider how such conversion steps can integrate with more comprehensive energy efficiency investment strategies.

See <http://www.nyc.gov/html/planyc2030/html/about/ggbp.shtml>



STEPS YOU SHOULD TAKE IMMEDIATELY!

Determine your building-specific capital exposure under each potential scenario:

- Oil to Oil Conversions - #6 to #4 fuel oil
- Oil to Oil Conversions - #6 to #2 fuel oil
- Oil to Oil Conversions - #4 to #2 fuel oil
- Oil to Firm Natural Gas Service
- Oil to Interruptible Natural Gas Service

Determine your building-specific operating exposure under each of the above scenarios.

Determine your building-specific strategy of choice, as well as acceptable alternate choices.

If you choose to convert to natural gas, submit a load letter to your local utility - Con Edison or National Grid - as soon as possible.

See <http://www.coned.com/es> or http://www2.nationalgridus.com/index_ny.jsp

Please advise the Clean Heat Task Force of your anticipated total operating and capital cost exposure.

Email your information to: Info@NYECC.com

Actual building-specific cost exposures will prove invaluable in further discussions with local utility companies, the New York State Public Service Commission, and other members of the New York City Clean Heat Task Force. If you have any questions, please contact the NYECC.

"EDUCATING ENERGY CONSUMERS TOWARD ECONOMICAL ENERGY OPTIONS"

LIVING GREENER IN COLUMBIA HOUSING

80 Columbia Buildings to Obtain Cleaner, More Efficient Natural Gas Heating



COLUMBIA UNIVERSITY IN THE CITY OF NEW YORK

Winter 2012 will bring cleaner, more efficient living spaces for some tenants in Columbia University Apartment Housing thanks to the University's conversion of many of its residential buildings from oil to natural gas through Con Edison. Thirty-four buildings are anticipated to update their systems this year, culminating in 80 newly heated residential buildings over the next three years. It is estimated that the University will save a total of \$2.4 million and reduce its carbon footprint by 7,236 metric tons.*

"This project is dually beneficial for us. It supports our commitment to sustainability and will also reduce the cost of heating these buildings," says Frank Martino, vice president of operations for Columbia University Facilities.

According to the PlaNYC 2010 Inventory of New York City Greenhouse Gas Emissions, the city's emissions are dominated by two sectors: energy consumed in transportation and energy consumed in buildings. By using natural gas heat, the University will reduce its carbon footprint, both through the change in fuel type and the elimination of oil delivery trucks. In addition, gas heat, is cheaper to maintain, does not pose a risk of spilling, and utilizes more efficient systems.

This project supports the University's goals as a

challenge partner in Mayor Bloomberg's PlaNYC 2030, the city's comprehensive plan to create a more sustainable New York. For information on



additional sustainability projects and initiatives, please visit the Columbia University Facilities Web site at www.facilities.columbia.edu.

*Carbon calculations based on the September 2010 report from PlaNYC. Savings based on current market conditions.

Story provided by Renée Walker, Assistant Director of Communications, Columbia University Facilities.

MEMBERSHIP VALUE

For nearly sixty years, the NYECC, operating prior to 2004 as the Owners' Committee on Electric Rates (since 1953) and the New York Energy Buyers Forum (since 1992), has helped secure energy bill savings (avoided costs) for its members of approximately \$10 for every \$1 paid in member dues. No other organization is exclusively focused on the shared interests of large commercial, industrial, and institutional energy consumers in Con Edison's electric, gas, and steam service franchises. The NYECC is committed to economic, reliable, and environmentally responsible energy production, delivery, and use in New York City and Westchester County. NYECC members are committed to active control of their own energy destinies. Although NYECC's intervention in the legislative and regulatory arenas benefits all large consumers in Con Edison's territory – including both members and non-members, only NYECC members benefit from the organization's breadth and depth in specific issue advocacy at both Con Edison and the PSC.