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REGULATORY UPDATE
New Electric Rates
Anticipated April 2010

- \$420.4 Million/year next three years
- 9.99% increase in delivery rates
- 3.8% increased bill impact

Proposed Steam Rate
Increases Starting in
October of 2010

- \$128.8 million
- 37.8% increase in pure base revenue
- 18.2% average bill increase
- Four-Year Rate Plan of \$66.1 million per year
- + Special Steam Proceeding!

Natural Gas Rates could climb by \$160.8 million or \$115.5 million per year for three years.

POWER MOVES !

FEBRUARY 2010

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

Compiled and edited by: David F. Bomke, Executive Director and Daniel Levin, Co-President

REGULATORY UPDATE

BY DAVID F. BOMKE

CON EDISON ELECTRICITY

In May of 2009, Con Edison filed a request for an additional \$854.4 million in revenue, to become effective on April 1, 2010. Con Edison also asked for an additional \$462 million starting on April 1, 2011, as well as an additional \$391 million in increases, starting on April 1, 2012. The cumulative three-year impact of these increases would be \$3.9 billion.


The NYECC and other rate case intervenors began dissecting Con Edison's multi-ream application, asking hundreds of questions in search of greater clarity about the foundation for Con Edison's request. We also met with our members to identify consumer concerns. Formal negotiations began on September 22, 2009 and led to the successful negotiation of the first three-year Joint Proposal (JP) for Settlement in five years.

If the Public Service Commission (PSC) approves this JP next month, new rates will go into effect on April 1, 2010. These new rates would reflect a total three-year revenue impact of \$2.5 billion — fully \$1.4 billion less than Con Edison had claimed necessary. Annual increases of \$420.4 million for the next three years will drive annual increases of nearly 10% in delivery rates, with an estimated total bill impact of 3.8% per year.

CON EDISON STEAM

In November of 2009, Con Edison filed a request for an additional \$128.8 million in revenue, to be reflected in new rates starting on October 1, 2010. This increase represents a pure base revenue increase of approximately 37.8% and translates into an average bill increase of approximately 18.2%. Alternatively, that filing proposes an unprecedented four-year rate plan to lessen the impact of this requirement in part with four annual increases of \$66.1 million. Another non-rate case steam proceeding initiated by the PSC in January of 2009 could generate significant incremental cost implications for Con Edison's steam customers. The NYECC is currently an active participant in both these cases.

CON EDISON GAS

When Con Edison requested approval to increase steam rates, they also requested authorization to increase natural gas revenues by \$160.8 million, to be incorporated into new rates that would also go into effect on October 1, 2010. This increase would translate into delivery rate increases of approximately 22.14%, or a total bill increase of approximately 8.4%. As with the requested steam rate increase, Con Edison has proposed an alternative three-year rate plan that would increase revenue by \$115.5 million per year. The NYECC is also an active participant in this natural gas case. 

PUBLIC SERVICE COMMISSION MANDATES REACTIVE POWER (KVAR) RATES IN 2010


BY DANIEL LEVIN, PRESIDENT LEVIN ENERGY ADVISORS, LLC / CO-PRESIDENT, NEW YORK ENERGY CONSUMERS COUNCIL, INC. & JOHN MUCCI, VICE PRESIDENT, ENGINEERING AND PLANNING, CON EDISON

In many electric markets around the country it is common for the utility to charge for KVAR, also known as Reactive Power. By definition, Reactive Power (KVAR) is thousands of VARs (volt-ampere reactive). It is the power needed to magnetize equipment (such as transformers, motors and relays). It produces the magnetizing flux that is required to operate this equipment usefully. However, the current associated with reactive power does no work at the load. The Electric Utility wires and transformers must be sized to carry the total current and dissipate the resulting heat, not just the current that does useful work.

Reactive power requirements contribute to energy losses incurred by utilities and their customers in the transmission and distribution of electricity. Although these losses are relatively small percent of all of the energy losses incurred in the production, delivery and utilization of electric energy, any loss reduction is beneficial to the system as a whole.

A recent order from the Public Service Commission states that "Reactive power tariff charges are necessary...to send accurate price signals to customers whose equipment imposes large reactive power requirements on a utility's delivery system. Reactive power charges, which reflect the utility's cost of providing reactive power should, therefore, be a component of the rate structure for the large customer classes. These classes of customers are likely to react to price signals and generally are able to install corrective equipment at their facilities to improve their power factors. All customers will benefit from loss reductions over time as system improvements are achieved through active participation by large customers who choose to reduce their reactive power usage, and, therefore, their reactive power charges, by installing on-site equipment to improve their power factors."

In order for Con Edison to implement the PSC's mandate, new meters capable of measuring reactive power will need to be installed. At present, Con Edison can only measure KVARs for customers whose peak demand falls between 1,000 and 1,500 kW. Starting in April of 2010, Con Edison will advise these customers of their actual levels of reactive power and will begin billing them for KVAR in October of 2010. As established Mandatory Hourly Pricing (MHP) requirements compel the installation of new meters for customers whose peak demand falls between 500 and 1,000 kW, those customers will also be provided with indications of their actual KVARs before they are actually billed for them. Finally, Con Edison plans to install new meters for customers whose loads exceed 1,500 kW, provide information on their actual KVARs, and then implement KVAR billing.

For more information on both reactive power and Con Edison's plans for implementing PSC-mandated billing of KVARs, you may wish to sign up for one of two half-day seminars that Con Edison is planning on March 18th and March 23rd. Contact Robert Sherman at (212) 460-4479 or ShermanR@coned.com. 

New York State mandates the billing of electric customers for their reactive power contributions. Con Edison rolls out their plans for compliance.

OUTLOOK FOR NEW YORK CAPACITY PRICES

BY STEPHEN WEMPLE

*VICE PRESIDENT, RETAIL AND REGULATORY AFFAIRS,
CON EDISON SOLUTIONS*

The New York capacity market has been very dynamic this winter. In November, the Linden Variable Frequency Transformer went into service, allowing 300 MW of capacity (and energy) to be imported into New York City from New Jersey. This incremental supply helped lower in-City capacity prices to virtual parity with Rest of State prices in December (\$0.78/kw-month) and January (\$1.85/kw-month). At the end of January, NYPA retired their 890 MW Poletti unit, causing in-City prices to increase more than four-fold to \$7.98/kw-month in February and Rest of State prices to more than double to \$3.45/kw-month.

For the upcoming summer, in-City capacity prices should increase because of the normal seasonal differential in generating plant ratings, which reduces the amount of summer supply relative to the winter. In addition, the NYISO is scheduled to increase the price of the capacity demand curves by 11% but the impact of this increase will be mitigated by the reduction in NYISO's forecast of NYC peak load. The peak load is used to determine the capacity requirement, and is forecasted to be 11,725 MW in 2010, or 2.7% less than the 2009 forecast of 12,050 MW.

The market for Rest of State capacity, which accounts for 1/3 of an in-City customer's obligation, is likely to be more dynamic and difficult to predict this summer. While the NYISO is increasing the statewide reserve requirement from 16.5% to 18%, the actual demand for capacity will decrease slightly because the forecasted peak load, which determines capacity obligations, will decline by 2.7% from 33,930 MW last summer to 33,025 MW in 2010. Two other factors that will impact the Rest of State market in opposite ways are:

- An increase of 8.5% in the price of the Rest of State capacity demand curve, and
- The election by LIPA to start physically importing 660 MW of capacity from PJM into the New York market over the Neptune high voltage DC cable. Previously, the NYISO had been modeling the Neptune line as a normal transmission line, with the reliability benefits of the line used to calculate lower state-wide and on-Island reserve requirements.

Another complication for the upcoming summer is a mismatch between PJM and NYISO capacity markets, with NYISO considering the month of May as the first month in the summer season and PJM considering it the last month of their winter season. As a result, capacity imports from PJM over the Neptune cable will not start until June, suggesting that Rest of State prices will increase initially in May and then decrease for the rest of the summer.

Energy Market Assessment Matrix

Market Characteristics	Key Status Points	Near Term 1 - 6 months	Long Term 6 - 18 months
Demand Oriented (Industrial/Commercial Demand Point Of View)			
Overall Economic Activity	Economy still weak & uncertain	Weak to Neutral	Weak to Neutral
Weather	Above normal temps coming through 2010	Neutral/Mild Strong	Neutral/Mild Strong
Supply Oriented (Availability Of Supply)			
New Wells	Year over year increase of 200	Weak	Weak
Well Productivity	Year over year increase expected	Weak/Neutral	Weak/Neutral
Storage Reserves (Natural Gas)	Recent decline from a record surplus. Storage increases expected.	Weak/Neutral	Weak
Other Drivers			
Current vs. Historical Pricing	Increase over 2009 may be slight	Weak/Neutral	Neutral
Oil Pricing (Market Impact)	Price may trend up, but not impact nat gas prices.	Weak/Neutral	Neutral
Overall Assessment:	Economy still primary driver. Watch interest rates and inflation.	Bearish	Neutral/Mildly Bullish

The table above is a basic assessment of current market conditions for natural gas (which greatly affects NYC electric prices). "Weak" indicates a bearish, downward market force on prices and "Strong" a bullish, upward market force on prices. **Prepared by Daniel Levin**

Infrastructure changes drive volatility in New York's capacity market, as reflected in historically low prices in December and January, as well as higher prices in February.

Factors that will shape future capacity markets.

VORNADO LAUNCHES ENERGY INFORMATION PORTAL (EIP)

BY ANTHONY CAMPBELL, LEED AP

*VICE PRESIDENT—ENERGY & SUSTAINABILITY,
VORNADO REALTY TRUST*

Commercial office buildings in New York City account for approximately 12.7 million megawatt hours (MWh) of energy use per year. Approximately 70% of the energy used in office buildings is consumed by tenants within leased spaces, yet there are currently no widely available tools to help tenants understand their energy consumption or compare their energy consumption against their peer group (benchmarking). The EPA's Energy Star Portfolio Manager, for instance, is a tool widely used by landlords for establishing building-level energy performance and peer facility rankings, but no comparable tool is available to allow tenants to do the same. In short, the largest consumers of energy in the commercial sector are not being given proper signals and market options to reduce their energy use.


In June of 2009, Vornado launched its proprietary Energy Information Portal (EIP); a web-based tool through which sub metered tenants will have access to their electricity bill, as well as their energy usage profiles and data. In developing its energy and sustainability program, Vornado has recognized the opportunity to utilize its existing installed base of approximately 2,500 meters by modifying and upgrading the legacy systems to an "interval data" system and creating the EIP. This is a first step in helping tenants identify and change wasteful energy practices within their spaces, lower electricity costs and become more energy efficient.

In addition to providing tenants with their own consumption profiles and near real-time data, the EIP also offers tenants an "Energy Utilization Index"—a comparative ranking of tenants against their peer group based on their energy intensity. This will also assist Vornado building managers to quickly identify intensive energy users within its portfolio and be able to target special efficiency projects and assistance to these users. In an effort to induce a "Prius effect" among the tenants, decreases in consumption will produce cascading benefits by reducing the load on the main building chillers and HVAC systems by virtue of not having to remove the heat that is associated with the larger tenant energy use. The EIP offers a cost-effective and easily replicable solution to empower tenants, the predominant users of energy in New York City office buildings, with the tools they need to target inefficiencies and reduce energy use, shifting the paradigm of how energy management is addressed in a commercial office setting.


In a strategic level, Vornado's EIP and IP backbone "smart office" concept would be a natural extension of benchmarking programs, including the US EPA's Energy Star, US Green Building Council's Leadership in Energy and Environmental Design (LEED), or NYSERDA's FOCUS on Commercial Real Estate initiative. It could pave the way to similar tenant-based ratings or allow companies with many buildings to make aggregate office footprints greener even if every office may not be in a "green building." Ultimately, Vornado's vision is to open new ways—ways that are impossible given today's office building infrastructure limitations—for tenant end-users to play active roles in achieving New York State's Energy Efficiency Portfolio Standard (15% energy reduction by 2015) and New York City's energy and emission reduction goal of 30% CO2 emission reduction by 2030.

Vornado sets a new standard for communicating energy consumption data to tenants on a nearly real-time basis.

See Next Page

Vornado is proud to be the only landlord in New York to offer this energy service to our tenants. Facilities manager Ken Douglas for [Limited Brands](#) was able to make small adjustments that translated to savings of as high as 15 percent of the space's overall energy use within a month. Vornado believes that the EIP tool is a first real step in helping both landlords and tenants work together to decrease the energy use and carbon footprint of buildings. 

NYECC LEADERSHIP MEETS WITH CON EDISON EXECUTIVES

On February 2, select NYECC members met with Kevin Burke, Chief Executive Officer of Con Edison, Craig Ivey, Con Edison's new President, and other members of Con Edison's executive leadership. Shown here are NYECC Co-President Dan Levin, of Levin Energy Advisors, LLC, Craig Ivey, Kevin Burke, and NYECC Co-President Frank Martino, of Columbia University. 




NYECC's
Commitment to
Energy
Leadership
Reflected in
Regular Top-
to-Top
Meetings With
Con Edison's
Executives

NYECC PARTNERS WITH ASIA SOCIETY: 20TH ASIAN CORPORATE CONFERENCE WILL TAKE PLACE IN NEW DELHI, ON MARCH 18-20, 2010

The Asia Society's Asian Corporate Conference is the Society's signature business event in Asia. Since its inception in 1989, the conference has been held annually in a different city throughout Asia and has established itself as a pre-eminent event on the Asia-Pacific business calendar. The 2 ½-day conference draws an audience of top government leaders, key decision-makers, and industry experts from the international business community, as well as a diverse representation of international press.

The 20th Asian Corporate Conference is being co-organized with *The Wall Street Journal Asia* and the Confederation of Indian Industry. Given the great interest and optimism about India's future as a global leader, this is a critical time not only for India, but for the Asia-Pacific region at large. It is also a timely and relevant opportunity for returning to Delhi after 13 years. The conference will showcase India's important role as a world economic and policy and discuss how stakeholders can maximize opportunities and address potential challenges as Asia continues to drive the momentum of the global economic recovery.

Although the NYECC's focus on New York City and Westchester is half a world away from Delhi, many NYECC members — and prospective members — are very involved in the global energy sector, and some have strong alliances with both energy and non-energy issues in Asia. In addition, it is very clear that energy policies in Asia will have a growing impact on energy issues locally, and the NYECC welcomes 

NYECC
Balances Local
Action with
Global Vision

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

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*Educating Energy Consumers
Toward Economical Energy Options*

MEMBERSHIP VALUE

For 56 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 service franchise. The NYECC is committed to economic, reliable, and environmentally responsible energy production 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. 



COMPUTER POWER MANAGEMENT SAVES ENERGY

COMPUTER POWER MANAGEMENT -- AN ENORMOUS ENERGY SAVING OPPORTUNITY

Computers are the single largest source of plug load power consumption in large office buildings, accounting for 10-20% of power use, but more than half of the energy used by computers (or roughly 200-400 kWh per computer per year) is wasted. Computer power management automatically places computers into low-power sleep mode when they are not needed for active work, backups or system updates. Computer power management can be implemented centrally by an IT administrator with free consultation and free software from EPA, and several private firms sell products with reporting features and added functionality. Currently fewer than 10% of computers in the US are "power management enabled," according to the Lawrence Berkeley National Laboratory.

ENERGY STAR®'s Low Carbon IT Campaign makes free technical consultations available to organizations interested in computer power management. ENERGY STAR® support contractors can also provide you with savings estimates and free software tools. Their one-on-one technical consultations with IT managers have helped hundreds of organizations from across the US implement computer power management. For more information, see "Why Join" at www.energystar.gov/lowcarboni 