

Real Estate

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YOUR HOME

Power to The People — For Less

By JAY ROMANO

Last year, New York State began deregulating the state's electric power industry, with the idea that competition would lower prices and the plan that every consumer be able to buy electricity on the open market by the end of 2001.

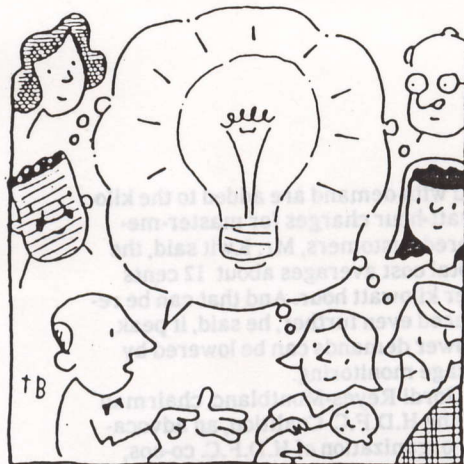
Now the New York State Energy Research and Development Authority, a state-chartered nonprofit organization, has joined forces with EIS Inc., a Manhattan energy consulting company, and the West Side Heights H.D.F.C. Council, a nonprofit organization of low- and moderate-income Housing Development Fund Corporation co-ops, to demonstrate to unit owners and boards the benefits of buying energy at bulk rates.

Those familiar with the program say that buying in bulk should generate immediate savings of 15 to 25 percent on individual electric bills and even more when competition heats up.

"We are in the midst of a sea-change in the way consumers will buy their electricity," said Rick Gerardi, program director of the Residential Energy Affordability Program for the Energy Research and Development Authority. "Eventually, people in New York will be able to choose their power company the same way they now choose their long-distance carrier."

Mr. Gerardi said that in September 1997, the state's Public Service Commission approved a plan in which Consolidated Edison, the power company that produces virtually all of New York City's electrical power supply, would make it possible, in the plan's first phase, for about 63,000 of its customers to purchase power from sources other than Con Ed. (More customers will be added in future phases. Similar plans apply in the rest of the state.)

Those sources, known in the industry as energy service companies, can then provide electrical energy to consumers at competitive rates. Under the agreement between the state and the utility company, Con Edison continues to provide transmission and



Tom Bloom

New York's deregulation program allows a group of co-ops to organize to buy electricity in bulk.

billing services for customers.

A problem with the plan, however, Mr. Gerardi said, is that before an energy service company will offer truly competitive rates to consumers, the consumers must provide it with an incentive to do so. And the best incentive is the ability of a customer to buy lots of power.

"Basically, what we're doing is helping lower- and moderate-income people band together in a way that will increase their power in the market," said Gary Davidson, a spokesman for the Energy Research and Development Authority. "A vast majority of residential power customers are individual unit owners in small and medium-sized buildings."

One way to rectify that problem, Mr. Davidson said, is to install a central meter to turn individual customers into one large, commercial-sized customer. "That larger customer will then be more attractive to power providers," he said.

Mr. Davidson said the authority had awarded a contract to EIS Inc. to install master meters in about 15 New York City H.D.F.C. co-ops that are part of a pilot project to show other boards and unit owners how much money can be saved at relatively little expense.

Lewis Kwit, president of EIS, said his company would be installing master meters in front of the existing meters in the pilot buildings. That means that at the end of

each month, instead of having 10, 20 or 50 individual electric bills sent by Con Ed to unit owners, the co-op corporation will receive one bill for all the power supplied to the building. Individual apartment usage will be measured by the existing Con Edison meters and will be billed internally.

"Just putting in the master meter itself should take 15 to 25 percent off the co-op's monthly bill," Mr. Kwit said, adding that the reason for the immediate savings results from the fact that power consumption would be billed at a lower bulk rate rather than at higher individual rates.

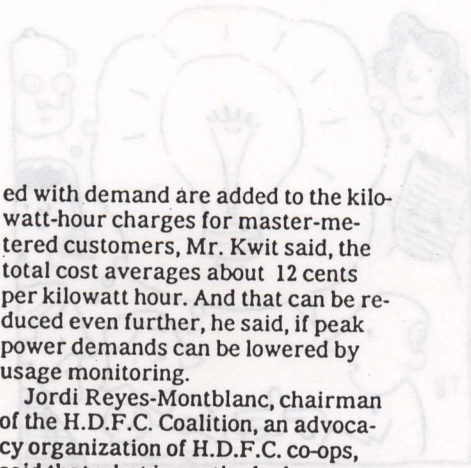
In addition to those immediate savings, Mr. Kwit said, buildings that install a master meter also increase their bargaining power — a benefit that will be further enhanced if several buildings band together to buy power in even greater bulk than one building could buy on its own. "We'll be meeting with different energy service companies to see who will give us the best deal," Mr. Kwit said.

Generally speaking, Mr. Kwit said, the cost of installing a master meter in a building can range from \$5,000 to \$12,000. (Buildings participating in the pilot program receive subsidies of \$3,000 from the authority.) And while Con Edison is allowing their existing meters to remain in pilot program buildings, those meters will at some point be replaced by more sophisticated models purchased by the co-ops.

"We think that by using more sophisticated meters internally, we will be able to bring down the cost of energy even more," he said, explaining that newer meters monitor not only the amount of energy used but also individual usage patterns. That is important, Mr. Kwit said, because knowing those patterns makes it possible to adjust them to minimize peak power demands, typically the most expensive component of bulk-rate electric bills.

Individual residential customers, he said, are billed at a flat rate of about 18 cents per kilowatt hour. Master-metered buildings pay .0455 cents per kilowatt hour, plus an extra charge for "demand."

That charge for demand, Mr. Kwit said, ranges between \$23 and \$29 per kilowatt of power used during the half hour of highest usage each month. The higher billing rate for that single half hour, he said, is based on the premise that the power supplier must have available at least that amount of energy for that customer at all times. When the costs associat-



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ed with demand are added to the kilowatt-hour charges for master-metered customers, Mr. Kwit said, the total cost averages about 12 cents per kilowatt hour. And that can be reduced even further, he said, if peak power demands can be lowered by usage monitoring.

Jordi Reyes-Montblanc, chairman of the H.D.F.C. Coalition, an advocacy organization of H.D.F.C. co-ops, said that what is particularly attractive about the pilot project, and electric deregulation in general, is that those who stand to benefit the most are those who need it the most.

"Right now we in New York City pay the among the highest electric rates in the country," Mr. Reyes-Montblanc said, adding that the highest ratepayers of all are individual homeowners and unit owners like those in the 1,100 or so H.D.F.C. co-ops throughout the city. "This project will reduce these costs where it is most needed," he said. Information on deregulation is available from Con Edison at (800) 780-2884. ■

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