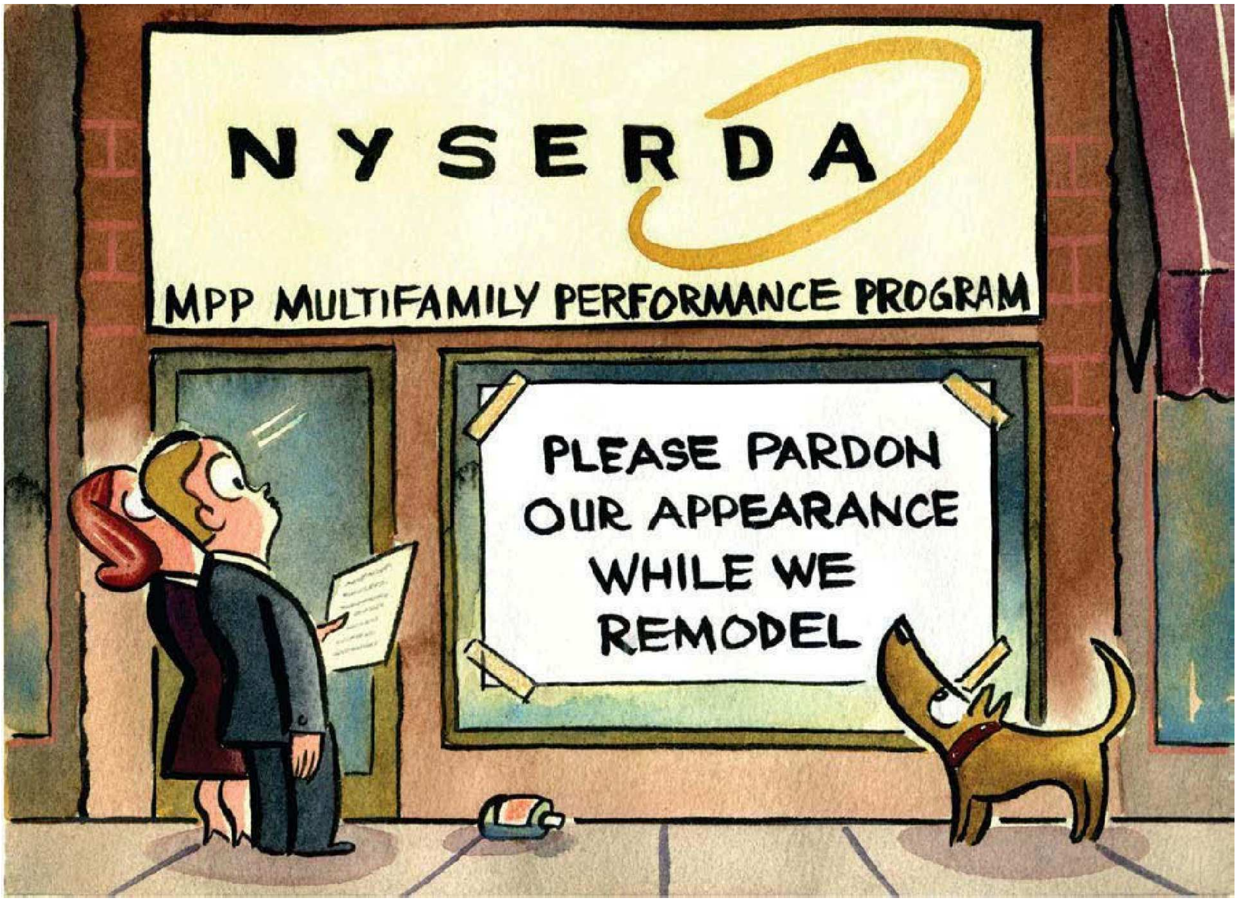
NYSERDA SHAKE-UP

Greening Program On Hold

By JENNIFER V. HUGHES



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ON JULY 24, THE NEW YORK STATE Energy Research and Development Authority, better known as NYSERDA, surprised observers when it abruptly suspended one of its most popular – and some say, most effective – offerings: the Multifamily Performance Program (MPP). It has been two-and-a-half years since NYSERDA unveiled that incentives showcase, which was designed to convince property owners to reduce their energy consumption. Since then, about 40 multi-family buildings statewide have completed it, and another 660 projects are in the pipeline. According to MPP manager Jim Reis, some of the finished projects are using 28 percent less energy, well over a 20 percent goal.

But in July, the New York State Public Service Commission (PSC) ordered NYSERDA to radically change the way it administers the MPP. Those changes include everything from what can be used to make a building more energy-efficient (compact fluorescent light bulbs are out) to the way the program is executed (implementing a certain percentage of energy efficiency measures is in – as opposed to reducing energy consumption by a certain percent). The Public Service Commission controls the way MPP operates because it holds the purse strings. The MPP is funded mostly by surcharges on every rate-payers' electric bill. (It amounts to about one dollar a month, depending on usage.) In October 2008, the PSC also started collecting a similar monthly gas surcharge.

The PSC says the changes are needed to ensure that the millions of dollars used to fund the program are spent efficiently. Buildings that have their MPP approved already will not be affected by the potential changes. But many other condo and co-op buildings that started the process are in limbo. NYSERDA's records show that at least 84 projects statewide were submitted to the agency and were in the review process when the PSC order came down.

Out of those 84 about half are in the five boroughs. One of them was 375 West End Avenue, a 50-unit co-op. Renee Serlin, the board president, says it was “extremely annoying” to get the news. “I had spent a lot of time getting this application together, and we’re still reeling that we did all this work for nothing.” Serlin says the board was hoping to replace or upgrade the building’s aging energy hog of an oil boiler, install more efficient lighting, and put in place a better hot water system.

MPP contractor Power Concepts has six clients who started the NYSERDA process but were not approved. Now they must wait to see what happens in the future. Tom Sahagian, the company’s energy division manager, says the response from his clients has mainly been “stunned silence. They don’t know what to do next.”

If these state-mandated changes are enacted, they will be done over the objections of the city of New York, at least 15 energy efficiency companies, individuals, and business groups – and of NYSERDA itself. (In August, NYSERDA petitioned the PSC for reconsideration; the PSC has not indicated when it will make a decision.) They all claim the changes could cripple the MPP and make building owners reluctant to participate. “To place a moratorium on the program is unconscionable and the program will lose all the momentum established over a period of time,” reads part of one letter from SNS Energy Distribution Corporation, a Long Island contractor that performs MPP work. “The effect of the PSC’s decision is nothing less than devastating; simply put, the PSC would be pulling the rug out from under what we see as a winning [New York State] program.”

The old MPP worked like this: undertake an energy audit of your building, create a plan to reduce energy consumption by 20 percent, and then make the necessary changes. NYSERDA provided low-interest loans and gave cash incentives that covered about 25 percent of the project’s total cost. The new MPP, whatever its form, will launch with $26 million in PSC funding. “We’re trying to ensure that we’re getting the most bang for the buck,” says Jim Denn, a spokesman for the PSC. Making the changes now was prompted by the new gas surcharge and because electric surcharges have doubled since last year. "We need to be good stewards of the rate-payers' investments and that's why we are looking to ensure these programs are being done effectively."

The PSC order tells NYSERDA that instead of the 20 percent goal, participating buildings should get an energy audit and then implement 80 percent of the changes to gas and electric systems that are deemed to be "cost-effective," according to a calculation known as "Total Resource Cost." For example, if a building wants to replace its old gas heating system, it doesn't just look at the cost of parts and labor to see if it is cost effective to replace, says Reis. It has to factor in parts, labor, and items like a portion of engineer consultation fees. A percentage of NYSERDA's administrative costs are also factored in. The savings are also not measured by what the building actually saves in energy dollars but by the amount that the energy wholesaler saves – a much lower figure.

Under the old MPP, the NYSERDA money could be used for any improvements at the building – windows, boilers, oil heating systems, or insulation. Under the proposed changes, NYSERDA would need to track each dollar and make sure that, for instance, only money collected from the electric surcharge is used for electric energy efficiency measures while money from the gas surcharge is used for gas efficiency. Tracking the money is time-consuming and expensive but this approach also means that money funneled from the PSC to NYSERDA cannot be used to address fuel oil measures, and aging fuel oil boilers are among the biggest energy suckers in New York City's condo and co-op world.

In its counter-proposal to the PSC order, NYSERDA suggested keeping the 20 percent benchmark. "We recognize the need to segregate dollars so that we can use electric and gas dollars for electric and gas measure only," says Reiss. "But we want to do it under the whole-building plan."

Evaluating measures on a project-wide – instead of on an individual cost-effectiveness basis – "allows us to use the highly effective things to offset the lower effective things that the owner wants to do, like put in a new furnace or new windows," Reiss says. "If we tell a building owner, 'The only thing that is cost-effective is lights,' the owner won't do it. It makes it a whole lot harder for measures to be considered cost-effective." Whatever form the MPP takes, many are worried about the time lag needed to revamp the program. If wholesale changes are made, NYSERDA estimates it could take between six and nine months to implement them.

Rand Engineering and Architecture just became a MPP contractor/partner in January and was working with about 14 condos and co-ops in the city to start MPP projects. None were officially approved so all are now waiting to see what happens next. "They're disappointed," says Jim Marcinek, business development manager for the company. "You've finally gotten them all geared up – and now we can't move forward. It's a very frustrating situation."

Woolams, the other MPP contractor, says he has a Manhattan co-op in a similar situation. "We were working on it for about three months but now we can't submit the application," he says. "We've told them we have no reason to believe that it won't get started again. We just don't know when."

"To place a moratorium on the program is unconscionable and the program will lose all the momentum established over a period of time," says one contractor. "The effect of the Public Service Commission's decision is nothing less than devastating; simply put, the PSC would be pulling the rug out from under what we see as a winning New York State program."