

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

CASE 16-G-0059

THE BROOKLYN UNION GAS COMPANY (KEDNY)

Gas Rates

May 2016

Prepared Testimony on Behalf of
Spring Creek Towers

by

Barbara M. Tillman
Senior Vice President
Grenadier Realty Corp.
1230 Pennsylvania Avenue
Brooklyn, New York

1 **Q. Please state your name and business address**

2 A. Barbara M. Tillman, Grenadier Realty Corp., 1230 Pennsylvania Avenue,
3 Brooklyn, New York.

4

5 **Q. What is your educational and business background?**

6 A. I am Senior Vice President for Special Projects of Grenadier Realty Corp. My
7 responsibilities include all aspects of energy efficiency, environmental regulations
8 and energy purchasing for all of Grenadier's residential properties. I served on the

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1 Multi-Family Advisory Committees for the New York State Energy Office to
2 explore new methods of increasing energy efficiency in multi-family housing, and
3 on the Board of Directors of the New York City Technical College Foundation. I
4 am a member of the New York Association of Energy Engineers, and a graduate
5 of Barnard College.

6

7 **Q. For whom are you testifying in this case?**

8 A. I am testifying on behalf of Starrett City d/b/a Spring Creek Towers (SCT).

9

10 **Q. What is the purpose of your testimony?**

11 A. I will describe the efforts of SCT to meet the requirements of National Grid's
12 (KEDNY) interruptible service, including costs incurred by SCT for fuel
13 purchases, administration, capital programs, operation and maintenance of boiler
14 plant equipment, and compliance with various City and State safety and
15 environmental codes.

16

17 **Q. What is SCT?**

18 A. SCT is the largest federally assisted housing project in the United States. It
19 includes almost 6,000 apartments, occupied by some 15,000 residents, most of
20 whom are members of the low and moderate income community. SCT is in the

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1 East New York neighborhood in the Borough of Brooklyn. It is in Con Edison's
2 Brooklyn-Queens Demand Management (BQDM) area, and, as a result, SCT is
3 exploring the possibility that its power plant could be used to help resolve the
4 issues addressed by BQDM.

5

6 **Q. Please describe the physical plant at SCT.**

7 A. The SCT Power Plant is the sole source of electric service, domestic hot water
8 and heating and air conditioning to all its residents. Electricity is generated by
9 two 6 (six) MW steam turbines, supplied by four high pressure dual-fuel boilers.
10 SCT is large enough to be eligible to participate in the NYISO wholesale energy
11 and capacity markets. We believe that SCT is among the largest end user operated
12 generators in KEDNY's territory, generating some 70 million kWh annually.
13 Natural gas is the primary boiler fuel, and the plant consumes approximately 1.6
14 million dekatherms annually. No.6 fuel oil is used during interruption periods,
15 but upon the next renewal of its City permit, SCT will be required to use No.2
16 fuel oil as its back up fuel.

17

18 **Q. How much fuel oil does SCT purchase?**

19 A. In 2015, SCT purchased over 400,000 gallons of No. 6 fuel oil for use in dual-
20 fuel boilers, at a cost of about \$700,000.

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2 **Q. How do you perceive the value of interruptible gas service relative to firm**
3 **service?**

4 A. Recent price differentials between gas and oil, and costly new investments
5 required to use fuel oil are all factors that reduce the value of interruptible service
6 compared to firm gas service.

7

8 **Q. In addition to fuel costs, what capital investments has SCT made to**
9 **maintain dual-fuel capability?**

10 A. SCT invested in facilities and systems to comply with all City and State
11 emission regulations, including the new reduced levels of allowable NOx and
12 particulate emissions using reasonably available control technology (RACT).
13 Major projects in 2016 include the completion of the NOx RACT project with
14 related tank cleaning and boiler re-tubing at an expected cost of \$4,055,000. This
15 program includes new efficient dual-fuel burners for existing boilers, upgrades to
16 the 400,000 gallon storage tank to allow the use of No. 2 fuel oil, modifications to
17 the existing boilers and new diesel engines for the emergency generators. If SCT
18 were to convert its facilities to firm gas service, the capital improvements required
19 would be significantly reduced.

20

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1 **Q. What incremental costs are required to maintain fuel switching**
2 **capability?**

3 A. There are numerous annual operating, maintenance, regulatory compliance and
4 administrative costs associated solely with the use of fuel oil during gas service
5 interruptions. These include: secondary spill containment, discharge prevention
6 measures, discharge or drainage controls, discharge countermeasures; tank
7 inspections, tests; personnel training; security; lighting requirements; and the
8 maintenance of a management plan.

9 There is the cost of maintaining leak detection and cathodic protection systems,
10 inspection of underground piping; 5-year tank life inspections: reports to various
11 agencies; tank maintenance; repairs to delivery equipment; maintenance of linings
12 and corrosive protection systems; and annual fees for certificate registrations.

13 Adequate staffing is required to supervise deliveries, and to verify fuel oil quality
14 and sulfur content.

15 Security must be provided for delivery areas, and SCT maintains insurance
16 covering all aspects of fuel deliveries and potential spills, and contracts for
17 emergency response to fuel spills.

18 There can be additional costs for emergency deliveries, if necessary.

19 Finally, SCT must train staff to meet all these obligations and requirements. These
20 costs are incurred regardless of how much oil is burned.

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2 **Q. What are the consequences to SCT if it does not comply with the new**
3 **lower emissions limits?**

4 A. SCT is subject to fines if it does not comply. Our policy is to avoid all fines,
5 even if avoidable fines are less costly than compliance.

6

7 **Q. What is your experience with regard to negotiating gas delivery rates?**

8 A. We have found the negotiating process difficult. SCT's most recent
9 negotiation resulted in an interruptible delivery rate that is equivalent to the
10 otherwise applicable firm service rate, which we do not consider a good result.
11 This rate is significantly higher than the rates offered to the larger, wholesale
12 market generators. Moreover, this contract extension was executed several
13 months after the expiration of our earlier contract, exposing SCT to unnecessary
14 uncertainty concerning its energy budget.

15

16 **Q. What are your conclusions regarding these facts?**

17 A. These additional costs required to maintain dual-fuel capability reduces the
18 value of interruptible service. Interruptible service remains a viable option only if
19 the delivery rate is significantly less than the firm delivery rate. If KEDNY
20 persists in requiring interruptible delivery rates that are as high as firm rates,

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1 SCT's investment in dual-fuel capability will be stranded. Finally, by requiring
2 gas delivery rates significantly higher than the rates offered wholesale generators,
3 KEDNY has unfairly limited SCT's opportunities to participate in NYISO
4 markets and in BQDM or other distributed energy programs.

5

6 **Q. Does this complete your pre-filed testimony in this case?**

7 A. Yes.