

East River Housing Corporation
Steam and Hot Water Boiler Plant Renovation
26 Lewis Street

The Board of Directors of East River Housing Corporation has embarked on a project to modernize and upgrade the heat and hot water boiler plant located at the above address.

East River Housing Corporation owns and operates the boiler plant. Burning Number 6 fuel oil, we produce steam used for heating and hot water for East River, Hillman and Amalgamated Cooperatives. Fuel costs, labor and operating expense and on-going maintenance are shared on a proportionate basis by the three Cooperatives based upon the square footage of each Coop. The proportions were agreed to when the plant was originally commissioned and has served all three Coops well over the years.

The boilers are over fifty years old. Although they have been diligently maintained, they are not as efficient as we would wish. Number 6 fuel oil is the dirtiest burning fuel available. The City of New York is on the verge of passing legislation to phase out the burning of Number 6 in favor of Number 2 and/or natural gas. There is a ready supply of gas in this country and its price has, to date, resisted the fluctuations of oil.

After researching alternatives available, we have embarked on a project to convert the plant to gas with Number 2 as an alternative back up. Gas is the cleanest option. Con Edison (Con Ed) sells gas on to customers under two options, interruptible or non-interruptible (firm). Interruptible is sold at a much lower delivery rate. It entails having the ability to stop using gas and convert to an alternative fuel whenever Con Ed tells you to. This is usually when temperatures drop below a certain temperature and demand for gas is very high.

We have contracted with Con Ed to bring in high pressure gas to the boiler plant. Assemblyman Sheldon Silver was extremely helpful in facilitating this partnership with Con Ed. In order to prepare the boiler plant for the new gas service, we will remove a decommissioned boiler and replace it with a new unit which will be capable of heating with gas or Number 2 fuel oil. New burner tips will be installed in the existing boilers enabling them to burn either gas or Number 2 fuel oil.

Also, we are still exploring other options such as converting to low pressure from the existing high pressure system. High pressure was needed when we also provided heat and hot water to Seward Park Coop, a function we no longer provide. Cogeneration was also looked at and continues to be explored. Under the possibility, units would be installed in each building which would be fueled by gas and provide some of our electrical need and hot water. To be cost effective, a user must use all the hot water and electricity produced; normal demand for these two products is inverted, with electric use more in summer and heat and hot water in winter. As originally planned, cogeneration was financially viable and lucrative when we burn Number 6; however, once we convert to gas, it may cease to become a viable financial option, especially since we are getting for the boiler plant a favorable transportation gas rate, which is cheaper than the normal gas rate for a cogeneration system as charged by Con Ed. A final decision has not been made yet in regard to elimination of the co-generation systems since we are still working with the cogeneration vendor to explore options that could make it financially viable.

East River has hired two Engineering firms to work on different aspects of this project. One has done the preliminary design and feasibility study. The second will do project management and regulatory facilitation. In addition, we have utilized the services of our corporate counsel Ezra Goodman and two other attorneys with specific expertise in dealing with gas delivery tariffs and gas commodity procurements.

It is estimated by our Engineers that the cost of this upgrade will be \$10 million dollars. The reason why many of the costs are estimates is because exact costs are not known until specifications are developed, proposals are received, and contracts are negotiated and entered into. Some entail specifications which can only be known after earlier steps are completed. The project will realize substantial savings, especially in fuel costs. Our Engineers have also estimated that the entire project will pay for itself in approximately 4 years. Several different financing alternatives are being explored. First and foremost, we are identifying any government funds which we may qualify for because we are reducing our emissions. The Con Ed contract we just entered into calls for East River to pay a premium on the transmittal cost of delivering gas to our plant for the first year. Funding options for other parts of the project are being explored. One example is to bundle several aspects of the project with payment terms being included by the winner of that contract. For example, some companies will sell us the commodity cost of gas with East River paying a premium for a specific period of time for work such as, purchase and installation of the new boiler and the burner tips. A mortgage or a line of credit are also being explored.

It is anticipated that the cost of the project will be shared on a proportionate basis by our two sister coops, Hillman and Amalgamated Houses. Some costs that are specific to a particular Coop, such as running gas lines to the Coop's buildings from the boiler plant, will be separately charged to that Coop.

East River Management is about to release two Invitation to Bids for Boiler Room Asbestos Abatement and Boiler Room Demolition. Vendors will be invited to bid on either or both jobs.

According to New York State this project will reduce East Rivers Carbon Dioxide emissions by approximately 8,022 short tons per year. Preliminary calculations show worst-case NOx emissions would be about 11 tons per year, a reduction of approximately 57 tons per year.

The East River Board of Directors will keep you apprised of status and continuing progress of this important and complex project.

Leonard Greher – President
East River Housing Corporation

Aaron From – President
Hillman Housing Corporation

Abraham Bragin – President
Amalgamated Dwellings Inc.