

Feeling the Chill

Many Steam-Heat Companies Bemoan Loss of Customers, New Air Standards

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PENN WYNNE, Pa.—Neil and Joan Raffel own a quaint old \$35,000 Cape Cod house in this main line Philadelphia suburb. Last month they reluctantly left it to spend several days at a nearby motel.

"It cost us a fortune for meals," Mrs. Raffel complains. "I always have a freezer full of food at home, but how can you cook when it's only 35 degrees in your kitchen?"

The Raffels had to abandon their home after failing to receive heat five days in a row. It wasn't that they were so broke they couldn't pay their heating bills. It was that their local heating company was so broke it couldn't pay its bills.

Lewis Jones Inc., which provides steam heat to 1,700 homeowners here, went into bankruptcy proceedings under Chapter XI of the bankruptcy act in early November. While court-appointed receivers scrambled to untangle its finances, the utility's aging boilers began to give out. Four days before Christmas, Gov. Milton Shapp of Pennsylvania declared a "state of extreme emergency" as hundreds of Penn Wynne residents huddled near temporary heaters, fled their homes for motels, or sought shelter with relatives.

Rate Increases Are Common

The Penn Wynne episode is an extreme but by no means isolated example of a mini-energy crisis that has visited a number of communities recently. The icy winds of economic reality have snuffed out an estimated 20 steam-heat systems in the past 10 years, and others are barely flickering. Rate increases of 25% and higher are becoming commonplace. Compounding the industry's problems are stiff new air-quality standards that it's being required to meet.

"You just can't make a decent return on investments anymore," laments Robert G. Zimmerman, vice president of Ohio Edison Co. The Akron-based electric utility applied two years ago to cut off steam to 600 customers in the Ohio communities of Akron, Canton and Springfield. Ohio Edison has since agreed to extend steam service until mid-1975, but it also requested an interim rate increase of 92% to tide it over.

Dayton Power & Light Co. says it loses over \$250,000 a year on its steam operations; the company is seeking a 24% rate increase. Philadelphia Electric Co.'s downtown business makes it the second largest U.S. steam system, but last year it shut off steam to 200 residential customers in outlying West Chester, Pa. A footnote in Philadelphia Electric's 1971 annual report explains that serving West Chester generated less than \$300,000 in annual revenue. In Chicago, the steam-heating subsidiary of Commonwealth Edison Co. formerly operated five plants; now, one remaining plant serves only 14 customers in a four-square-block area.

"There has always been a lot of enthusiasm for steam-heat schemes," says Robert Essen-

high, a fuel-science professor at Pennsylvania State University. "But a lot of the schemes are in trouble because nobody really bothered about the economics of them when they were set up."

Steam-heat companies blame their problems on a variety of factors. New environmental rules require them to burn expensive low-sulphur fuels; but most boilers were designed for combustion with smokier substances, thus the new regulations in effect also dictate heavy capital expenditures to enable plants to operate on nonpolluting fuels. Some older systems need major overhauls just to keep running. In many places customer rolls are shrinking, but the only way to drum up new business is to embark on a costly program of laying more miles of underground steam mains (in Manhattan, pipes cost Consolidated Edison Co. \$1,000 a foot to install.)

Steam-heat customers derive little comfort from such explanations. Carl Monzo, 31-year-old borough manager of Yeadon, Pa., claims residents of the Philadelphia suburb—served by a Lewis Jones sister company also in bankruptcy proceedings—will be hit with a hefty tax increase if the municipality's administration, school and library buildings have to be converted to some other form of heat.

Mr. Monzo, who supports six children and has mortgage payments on a \$21,000 house on a salary of \$12,000 a year, also wonders where he will find the \$2,000 it will cost to convert his home to gas or oil heat.

"Central plant" or "district" heating, as it's called, dates back to 1877 when Birdsill Holly, a distinctly minor Lockport, N.Y., visionary, risked blowing up his home to prove that several buildings could be heated more cheaply by one large centrally-located boiler. Mr. Holly constructed the large boiler in his house, although historians don't reveal exactly where.

Still Valid Today

Miraculously, it worked, and the idea slowly took hold. Here and there a housing development or the downtown area of a small city grew up with a steam company. Some electric companies began providing steam heat as a sideline, using the excess steam generated from their reciprocating pumps. When the pumps gave way to turbine generators the companies continued providing steam as a separate operation. Some universities built their own small central plants to heat campus buildings.

Mr. Holly's concept is still proving valid today in some large cities, where new high-rise buildings can be taken on as customers without tearing up the streets to build new mains. Boston Edison Co. tripled its steam revenue to \$12.3 million between 1960 and 1971. Con Ed, operator of the world's largest system, had steam revenue in 1971 of \$69 million, up from \$56 million in 1970, and worries it can't keep up with the surge in demand. The giant utility has asked its customers to practice "steam conservation." Largely because of gains in three or four large cities, the steam industry had record revenue in 1971 of \$149 million.

But in places like Pennsylvania's Yeadon and Penn Wynne, where most customers live in single-family homes, steam heat simply isn't profitable now, steam heat enthusiasts glumly concede. Homeowners forced to change heating systems are often equally glum when they see the bill. In addition to the price of a furnace, the tab can include erecting a chimney or putting in new insulation. Penn Wynne residents have been quoted estimates approaching \$3,000. And Yeadon residents claim unscrupulous salesmen have invaded their community, trying to peddle new heating systems at panic-level prices.

For these two communities the transition might have been more orderly except for a bizarre series of events leading up to the recent emergency. Last February, Lewis Jones and four other companies then owned by General Waterworks Corp., a subsidiary of International Utilities Corp., sought permission from the state Public Utilities Commission to terminate service at the end of the 1971-72 heating season. A month later, their petitions were withdrawn and General Waterworks announced it was selling the five companies to International Service Industries Inc. of Philadelphia.

The Price Is Right

It was a pretty good deal—for the three men who owned International Service. They put up \$1 each to incorporate it, and bought the stock of the five steam-heat companies on the strength of their \$5 million note to International Utilities backed only by those concerns' assets and a plan to run them by burning garbage to create heat. Arthur Crimmins, the new president, "really showed us an impressive amount of research" to back up the garbage scheme, an International Utilities spokesman insists defensively. "We wouldn't have sold to him if we didn't think he could make a go of it."

Once in control last March, the new owners

made some immediate changes—like paying themselves salaries of \$50,000 a year apiece (Mr. Crimmins had previously earned \$17,500 a year as a middle manager of a chemicals concern) and renting expensive cars for themselves out of corporate coffers. By November, the companies were in bankruptcy proceedings.

In testimony at PUC hearings, Mr. Crimmins said the five companies were in weak physical and financial shape when International Service bought them, that Tropical Storm Agnes forced International Service to divert money and manpower to rebuilding the Wilkes-Barre, Pa., plant, and that the salaries were incentives to attract "competent" management. He has since stated publicly that the PUC hearings made it impossible for International Service to obtain additional financing, thus forcing the five steam companies into bankruptcy proceedings.

The people who use steam heat here are bitter that the companies are collapsing. "I think the whole bunch of them should be locked up permanently," says Ignatius J. O'Brien Jr., Yeadon police chief, who has used steam heat over 20 years. Mary Tarasca, a 29-year-old Yeadon housewife, loves steam heat because it's clean, cheap and comes on instantaneously. The warm pipes beneath the sidewalk eliminate the need for shoveling snow, she adds. "I just wish we could keep it."

But some have already given up. Gertrude Bossard, Yeadon's librarian, is retiring in a few months, and "I won't have much to live on," she says. Still, Miss Bossard spent \$1,100 recently to install a gas furnace in her seven-room home. "I'm glad I did it," she says. "At least I won't have to worry about whether I'll have heat any more."