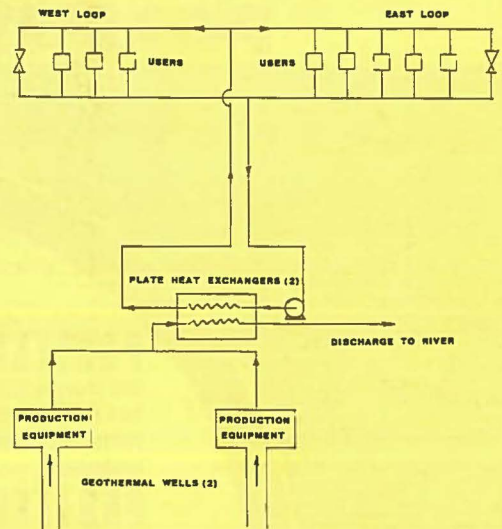
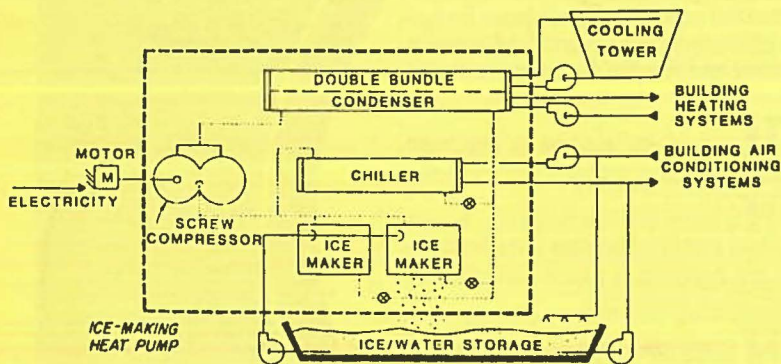
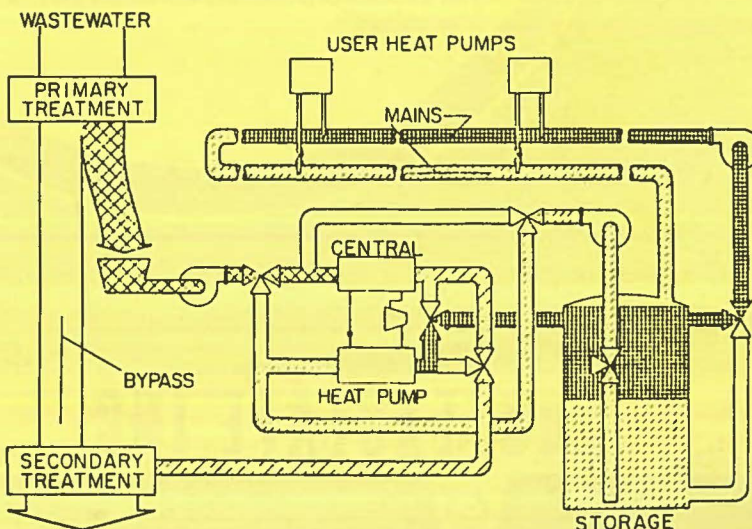


DISTRICT HEATING

HEAT PUMPS



FOR DHC



Rochester Forming a Cooperative

A steam user cooperative is being formed by a group of downtown Rochester businesses and government to develop its own centralized steam system. It would replace the service currently provided by Rochester Gas and Electric Corporation, which is slated to be discontinued next year.

The non-profit group, called the Rochester District Heating Cooperative, Inc. (RDH), said it expects to acquire and reconfigure a substantial portion of the current RG&E steam distribution system if economic feasibility studies are positive.

Steam users will control the new central system through their membership in RDH. Many current users of steam would be within the newly configured steam district and would be invited to join RDH.

The preliminary results of a feasibility analysis commissioned by RDH indicate no technical barrier to reconfiguration and operation of the existing steam system. This analysis was conducted by Resource Development Associates of Dayton, Ohio, with funds provided by the N.Y.S. Energy Research and Development Authority, RG&E, the City of Rochester and a group of some of the largest steam customers. The cooperative members hope to greatly reduce the estimated \$12 million in potential capital expenditures that may be required by individual actions and the increased operating costs expected to result from the need for users to install individual steam systems.

In response to the steam system abandonment plan proposed by RG&E, RDH has filed comments with the Public Service Commission stating its objectives and requested a six-month period to finalize the legal aspects of its organizational structure, the negotiations with RG&E for the acquisition of the distribution system and to secure steam sales agreements from potential RDH customers.

Brief History of District Heating in Rochester

The Rochester District Heating System has been operated by Rochester Gas & Electric Corporation since 1889, and was originally developed as an outgrowth of RG&E's expanding centralized electric system in downtown Rochester. The electricity and steam heat supplied by RG&E gradually replaced that produced on-site by existing buildings and industries in downtown and eventually became the accepted source of energy for newly constructed facilities.

RG&E's Beebee Station on State Street is the primary source of steam for the downtown system with their Station #8 on Lawn Street used as a peaking station during the coldest days of the heating season. Until the early 1970s, coal was the fuel used at Beebee Station to generate steam. Natural gas was the energy source at Station #8. In the early 1970s the promulgation of federal emission and air quality regulations caused RG&E to convert their steam generation facilities at Beebee Station from coal to oil. During the remainder

of the decade, the dramatic increase in the price of oil and the changing complexion of downtown Rochester resulted in a steady increase in the price of RG&E steam and a deterioration of the customer base.

In 1963 the RG&E system was the fourth largest in the United States and served 621 customers. Today the downtown system serves less than 100 buildings. Because RG&E operated the system as a regulated utility, they must provide service to all customers on an average cost of service basis and in many cases must continue to operate distribution lines with very few customers, thereby incurring significant line losses and inefficiencies.

In July of 1984, RG&E was granted a steam rate increase by the Public Service Commission and ordered by the PSC to submit a plan for abandoning the system. This plan was to be structured such that it could be effective by October 1985. RG&E submitted a plan to the PSC and as directed by the PSC, sent copies of the plan to all existing steam customers. The PSC received comments from interested parties up to October 15, and has not yet formally responded or reacted to the abandonment plan.

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