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Department of Real Estate
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New York, NY 10019
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March 19, 2007

Ms. Jaelyn Brillling
Acting Secretary of the Public Service Commission
Office of Consumer Education and Advocacy
State of New York
3 Empire State Plaza
Albany, NY 12223-1350

Re. Petition to Submeter Electricity at the Millicent V. Hearst Building,
515 West 59th Street, New York, NY 10019, Case -6-E-0540

Dear Ms. Brillling:

I am writing on behalf of the Augustus & James Corporation (the "Owner") to respond to the Tenants Association letter to you dated January 17, 2007.

The Tenants Association complains that leasehold tenants, who by agreement with the Owner, are governed by DHCR guidelines, are being given a smaller rent reduction than those tenants covered by occupancy agreements, who are not governed by these guidelines. While the Tenants Association is correct that the Owner is at liberty to provide greater reductions to the leasehold tenants, there is no contractual or regulatory requirement that it do so.

One of the reasons that the Owner has elected not to provide these tenants with reductions in excess of the DHCR guidelines is that these tenants pay much lower rents than the building's other tenants. Their rents, which are well below market rates, are from 26% to 90% lower than those tenants not subject to DHCR guidelines. As a consequence, the Owner is already saddled with the burden of paying overhead expenses for these apartments that are not adequately defrayed by their rent. A discretionary further reduction in their rent would only worsen this situation. The DHCR guidelines tacitly recognize this reality, since it has set guidelines for the rents of these apartments and the required submetering reductions that are proportionate to each other.

The Tenants Association asks the Commission "to require applicant to cooperate in whatever ways necessary to affectuate [sic]" the applications some tenants may wish to file with the NYSERDA SCRIE Program. While we do not believe the Commission has this authority, there would, in any case, be no need to exercise it. The Owner has previously cooperated with such applications in the past, which has generally required no more than confirming tenancy and rent, and will do so in the future.

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The Tenants Association complains that their members should not be required to pay for the electricity used to power the fans in the units that distribute hot and cold air through their apartments, claiming that they are, as a consequence, being charged for heat. The Owner pays all charges related to generating and supplying the steam and hot water that heats each apartment. Each apartment has a fan coil unit, controlled by the tenant, which serves to distribute the air conditioning in the cooling season and the heat during the cold season. The fan operates with a low voltage electric switch, controlled exclusively by the tenant, which uses a minimal amount of electricity, estimated to be pennies. It is that utilization of electricity, not any charge for heat, that will be included in determining each tenant's submetered electric bill.

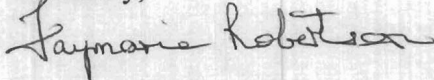
The Tenants Association complains that our previous letter did not address the qualifications of Quad Logic Inc., the potential supplier of submetering services. It should be noted that information on the qualifications and experience of Quad Logic Inc. is readily available on their website www.quadlogic.com, which it shows that the company has 25 years of experience in the electricity sub-metering business, has many clients, and has serviced residential and commercial buildings in New York City and internationally.

While the Tenants Association complains that they would prefer that we create separate utility payment accounts for the management of tenant electricity payments, it should be noted that a landlord is only required to segregate a tenant's security deposit money and there is no requirement to segregate electricity payment.

The Tenants Association has expressed interest in investigating alternate electricity suppliers, such as an ESCO (Energy Service Company). It should be noted that the Millicent V. Hearst Building is currently a part of an ESCO that services 6.6 million square feet of buildings managed by the Owner, and the electricity price achieved for our tenants is significantly better than any that the Tenants Association could negotiate for themselves.

Thank you for your favorable consideration of our petition as we continue to work with our tenants and the Tenants Association to promote a smooth transition to a more energy efficient building.

Sincerely,



Faymarie Robertson
Corporate Director
Real Estate Services

cc: Orlanda Brugnola, Co-President, 515 W. 59th Street Tenant Association
Mary Anne Ramer, Corresponding Secretary of 515 W. 59th Street Tenant Association