

BUSINESS**WATCHDOG** Heat-pump promise falls short for North Babylon ratepayer

James Muller of North Babylon switched to a heat-pump system believing it would lead to savings. But more than a year later and with more than \$3,700 in back electric charges, he says he is switching back to oil. His advice for potential heat-pump customers: do your homework before signing up. Credit: Newsday / Steve Pfost

By Mark Harrington

mark.harrington@newsday.com [@MHarringtonNews](#)

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In the fall of 2019, James Muller of North Babylon decided to make the switch from his old oil-heating system to green energy, paying over \$27,000 for a heat-pump system and insulation work that he was told would lead to savings.

More than a year later and now facing more than \$3,700 in back electric charges, he says he's still waiting — and switching back to oil.

As all-electric heat pumps see a relatively sharp increase in sales amid promotions and rebates, cases like Muller's may serve as a cautionary tale for those who expected quick savings or weren't prepared for a spike in their electric bills. While PSEG says it has received few complaints about heat pumps, it is nevertheless considering changes in its program to help customers realize savings quicker.

Heat pumps use ambient air to heat and cool homes, drawing hot air out in summer and cool air out in winter. They operate as central air-conditioning systems in summer, and the reverse in winter, all without using traditional fuels like oil or natural gas (aside from fuels used to make the electricity).

Energy experts say one of the problems for local heat pump users is that PSEG Long Island relies on customers themselves to self-report changes in their electric service so they can benefit from a lower winter-heating rate tied to heat pumps — a rate they may not know exists. PSEG, in responses to Newsday inquiries, says it's now considering making the rate change automatic for customers who apply for PSEG heat-pump rebates.

Muller's case also points to the calculations that customers must consider when switching to heat pumps. PSEG says efficiencies in heat pumps make energy around 49% cheaper than oil systems, but it could take time to recoup costs. Equipment and installation costs alone for Muller's system were more than \$20,000, including a hot-water heat-pump system.

"Consumers should be asking questions," said Billii Roberti, an energy expert at Green Choices Consulting in Huntington Station, adding consumers need to understand "It's a paradigm shift in how you're heating and the process of how you're heating. You can't compare your electric before the heat pump to the electric bill after." She said heat-pump systems generally pay for themselves in eight to 10 years. Heat-pump systems, some experts have said, typically cost from \$7,000 to \$13,000.

In the months after his system was installed in November 2019, Muller said the payoff seemed immediate.

"We were astonished," said Muller, who lives with his husband and their infant son in a 200-year old house. Hefty heating-oil bills previously came

several times a year for a drafty home with a 550-gallon oil tank. "We were saying, this is fantastic. We went from paying \$1,000-plus heating [oil] bills [several times a year] to \$170 [monthly] electric bills."

But that was before PSEG Long Island reconciled his balanced billing.

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After a year of what appeared to be big savings, Muller's PSEG bills last fall began to amass with oversize back charges. First he received a bill for \$2,803.57 in November and a warning that "your service is scheduled to be turned off if payment is not received by Nov. 30, 2020." (The bill also said because of COVID-19, shut-offs "will not occur.") Then, after an investigation and a change to the lower rate charged for electric heating customers — that he thought should have been instituted from the start — Muller said he received a bill last month for an accumulated \$3,703.62.

James Muller points toward the heat-pump system and water heater in his North Babylon home. Credit: Newsday/Steve Pfof

PSEG said the main problem with Muller's experience with his heat pump was he failed to notify the utility of his switch for a year after it was installed. It meant he both didn't get the lower rate, and the utility didn't adjust his balanced billing to account for his significantly higher electric usage. As a result, it all came due when his billing year ended in October. The system was installed by a third-party contractor working with the Town of Babylon's Long Island Green Homes program.

PSEG is currently "working on putting a procedure in place that automatically places customers" on a lower rate once that customer has applied for heat-pump rebates from PSEG. Muller received over \$1,800 in rebates.

PSEG also updated Muller's account to recalculate his past charges under the new lower rate for electric heat, which provides discounts from October through May, she said.

While heat pumps still make up a relatively low portion of Long Island's heating sector, they are perhaps the fastest growing on Long Island as a result of utility promotions and rebates. The total number of heat pumps installed in 2020 leapt to 3,783 from 2,528 in 2019. In just the first two months of 2021, more than 741 have been installed. (Ground-source, or geothermal, systems, which are included in those numbers, saw a drop to 132 in 2020 from 142 in 2019.) Chauvin said PSEG is aware of only one other customer complaint about the systems related to heat-pump installations or high bills.

Muller said he was surprised the balanced billing would not automatically increase to avoid his being hit with a large bill at the end of the annual billing cycle.

Chauvin said PSEG conducts year-end reconciliations for each customer on balanced billing, and that the company in April 2020 altered its policy so that all customers "go through a review at the six-month mark." Balanced billing programs smooth out bills by charging customers the anticipated average of electric bills over

12 months, so they are relatively uniform. Customers can see on their bills if the actual amount is higher or lower than the averaged amount they're paying.

Whatever the reason for his current \$3,700 electric bill, Muller is wary of claims about heat pumps.

The promise of cheaper energy "turned out to be not true," he said. "That's why I was so angry."

Since he first started complaining about the higher bills last October, Muller said the system would not allow him to pay his balance online. "I'd go to pay it and it wouldn't let me," he said. "I was never able to pay my regular amount each month." And as the cold winter set in, the new bills kept growing.

PSEG provided information showing that heat-pump energy is more economical.

PSEG's calculations show heat pumps have operating costs of \$16.04 per million British thermal units, compared with \$23.98 for fuel oil, when oil is selling for \$3 a gallon (it was lower this winter).

"Energy efficient electric heat pumps are a lower-cost method to heat a home on Long Island compared to fuel oil," PSEG said. "In addition, they can provide year-round comfort with the added benefit of central air conditioning in summer months."

But for Muller, the high bills that remain outstanding have led him to stop using the heat pump and instead restart his oil heater. He has paid off the town's portion of the loan for the heat-pump system through a program run by Babylon Town's Green Homes initiative.

"That was a big thing," Muller said. "I really wanted to make it more green. That was important. And we couldn't have natural gas installed because of the [National Grid] moratorium" at the time. It has since been lifted.

Not to say that the heat-pump system doesn't work. "It works in the winter but the oil heater is much better," Muller said. "The house is warmer with oil."

Muller says he still plans to use the heat-pump system for summer air conditioning.

His advice for other heat-pump customers is to do your homework before signing up. "I think they have to know they are going to get hit with a massive electric bill," he said. "And it's PSEG. They're not the easiest company to work with. ... People really have to think about it."

Doug Jacob, program director for the Town of Babylon's pioneering Long Island Green Homes program, said of the thousands of homes outfitted through the program there are "seldom" complaints. He said he has spoken

with the contractor, GreenHomesLI, of Holbrook, and found PSEG's requirement that customers themselves switch rates and balanced billing has been an issue.

"Contractors have complained they can't change" the rate for customers, and PSEG doesn't do it automatically. Customers, he said, "have to prove to them their home is mostly heated by electric heat. The onus is on the homeowner. And they've had some homeowners turned down for the new rate."

He said Babylon has taken the position that "if there's anything we can be doing to impress upon PSEG to make this easier for homeowners, we'll do it."

By Mark Harrington

mark.harrington@newsday.com [@MHarringtonNews](#)

Mark Harrington, a Newsday reporter since 1999, covers energy, wineries, Indian affairs and fisheries.



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