

MINUTES OF THE ONE HUNDRED FIFTH MEETING OF THE
PROGRAM PLANNING COMMITTEE
HELD ON JANUARY 29, 2019

Pursuant to a Notice and Agenda dated January 22, 2019, a copy of which is annexed hereto, the one hundred fifth (105th) meeting of the Program Planning Committee (“Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (“Authority”) was convened at 12:00 p.m. on Tuesday, January 29, 2019, at the office of the New York State Dormitory Authority (“DASNY”), One Penn Plaza, 52nd Floor, New York, New York, and in the Authority’s Albany Office at 17 Columbia Circle, Albany, New York. The two locations were connected by videoconference.

The following Members of the Committee were present:

Mark Willis, Committee Chair
Richard Kauffman, Chair of the Authority
Sherburne Abbott
Charles Bell
Kate Fish
Jay Koh
Gil Quiniones

Member Kenneth Daly was unable to attend.

Also present were Alicia Barton, President and CEO; Janet Joseph, Senior Vice President for Strategy and Market Development; Jeffrey J. Pitkin, Treasurer; Noah C. Shaw, General Counsel; Sara L. LeCain, Senior Counsel and Secretary to the Committee; and various other staff of the Authority.

Mr. Willis called the meeting to order, noted the presence of a quorum, and stated that a Notice of Meeting and Agenda was mailed to the Committee and press on January 22, 2019.

Mr. Willis indicated that the first agenda item concerned the approval of the minutes of the 104th meeting of the Committee held on September 18, 2018. Upon motion duly made and seconded, and by unanimous voice vote, the minutes of the 104th meeting of the Committee were approved.

Mr. Willis indicated that the next item on the agenda was the consideration of the Authority's Fiscal Year 2019-2020 Budget ("FY 2019-20 Budget"). The Authority's Treasurer Jeffrey Pitkin stated that the Committee was asked to adopt a resolution recommending approval of its portions of the Authority's Budget for the fiscal year ending March 31, 2020. Mr. Pitkin summarized some key points in the FY 2019-20 Budget.

Mr. Pitkin explained that revenues were decreased by \$40.1 million to \$1.52 billion from the prior year's Budget. This was due to a decrease in utility surcharge assessments of \$84.2 million following a change in the billing process for NY Green Bank under the Bill-As-You-Go ("BAYG") funding mechanism. This decrease was offset by a \$56.6 million increase in anticipated Zero Emission Credit ("ZEC") payments, which reflects an update in the estimated ZEC price established pursuant to the Clean Energy Standard ("CES") Order from the New York State Public Service Commission ("PSC").

Mr. Pitkin indicated that total budgeted expenditures increased by \$175.2 million to \$1.55 billion. Program expenditures increased by \$172.1 million to \$1.46 billion due to changes in anticipated expenditure levels. Specifically, there was an increase of \$185.7 million in program expenditures for the NY-Sun Program and \$91.7 million for the Clean Energy Fund ("CEF") Market Development and Innovation and Research initiatives, reflecting an increase in program activity from recently approved and anticipated initiatives.

Mr. Pitkin stated that salary and benefit costs are projected to be \$55.9 million, a \$1.3 million increase. This reflects an increase in employee salaries of \$2.6 million based on an increase in the assumed level of filled positions as well as performance-based salary increases assuming similar performance-based increases are approved again. The FY 2019-20 Budget does

not include a cost-of-living-adjustment. Therefore, if New York State subsequently authorizes an increase, actual expenses may exceed budgeted amounts. Mr. Pitkin reported that fringe benefits decreased by \$1.3 million, primarily for pension expenses and retirement health insurance adjustments following lower actuarial valuation projections and estimates.

Mr. Pitkin added that program operating costs increased \$1 million due to an increase in NY Green Bank and Performance Management professional service costs, as well as a net increase in temporary service costs for several program departments. While general and administrative expenses decreased \$287,000 as a result of decreases in professional service costs and system design and enhancement costs.

Mr. Pitkin went on to state that the FY 2019-20 Budget includes \$2.4 million in capital assets, a decrease of \$988,000. This was due to a decrease of \$1.7 million in system development costs associated with development of program databases to support CEF and CES initiatives, which was offset in-part by a \$426,000 increase for building improvements and \$322,000 in information technology upgrades.

Mr. Pitkin concluded his presentation by explaining that the restricted net position is projected to increase by \$22.5 million to \$357.6 million primarily due to an anticipated transfer of \$52 million from NY Green Bank to the Regional Greenhouse Gas Initiative (“RGGI”) Program, which will be offset by the implementation of the BAYG approach under the CEF. NY Green Bank’s net position is anticipated to be \$577.4 million, a decrease of \$119 million principally due to revised drawdown procedures under the BAYG funding mechanism. The unrestricted net position is anticipated to remain at the historical level of approximately \$3 million dollars.

In response to an inquiry from Mr. Willis, Mr. Pitkin explained that the reduction of revenue will be recorded at the time the reduction is made.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee, the Authority’s FY 2019-2020 Budget was recommended for approval by the Board.

Resolution

RESOLVED, that the proposed fiscal year 2019-20 Budget and Financial Plan submitted to the Members for consideration at this meeting, with such non-material, editorial changes and supplementary schedules as the President and Chief Executive Officer, in her discretion, may deem necessary or appropriate, be and it hereby is recommended for approval by the Board for submission to the persons designated in Sections 1867(4) and 2801 of the Public Authorities Law.

Mr. Willis indicated that the next item on the agenda was consideration of the Authority's strategic plan entitled *Toward A Clean Energy Future - A Strategic Outlook 2019-2022* ("Strategic Outlook"). The Authority's President and CEO, Alicia Barton and Senior Vice President for Strategy and Market Development, Janet Joseph provided the Committee with an overview of the Strategic Outlook.

Ms. Barton explained that Governor Cuomo's recent proposal of the Green New Deal expands the Authority's goals. For energy efficiency, the Authority is reaching for 185 TBtu savings by 2025 provided by a resilient and distributed grid. The goals for renewable energy remain at 50% renewable by 2030, though this amount was recently increased in the Governor's State of the State address to 70% by 2030 and 100% renewable by 2040. Ms. Barton stated that the greenhouse gas reduction is still foundational to all of the efforts being put forth by the Authority, as it continues to aim at a 2030 target of 40% below 1990 reliance levels.

Ms. Barton explained that there has been tremendous progress towards the greenhouse gas reduction target, primarily in the electric sector. Going forward there will be increased efforts in other sectors such as the onsite fuel building combustion and the transportation sectors.

In response to an inquiry from Ms. Fish, Mr. Kauffman indicated that the electrification of heat will be the path toward the decarbonization of building combustion as opposed to wood pellets. Ms. Barton added that new strategies will be put in place in order to lower fuel consumption in both the building combustion and transportation sectors.

Ms. Barton continued her report by outlining the Authority's focus for the 2019-2022 time period for reaching the CES target of 50% electricity from renewable sources. Solicitations will be expanded for large scale renewables, while continuing to issue solicitations for offshore wind. There will be a focus on the reduction of soft costs and siting barriers. Encouragement of smart regulatory design, along with developing accelerated strategies will help in the achievement of the new 70% renewable energy goal.

Specific to offshore wind, Ms. Barton explained that the Authority will maintain its steady pace of offshore wind procurements that allow for alignment with New York's energy storage policy. The Authority will continue its role as a leader in offshore wind, while developing new strategies to achieve the newest goal of 9,000 megawatts.

Next, Ms. Joseph highlighted some key areas that will be of focus in order to reach the 2025 target of 185 TBtu's of onsite energy savings. Hitting this target by 2025, will mean that New York will achieve the energy efficiency goals set forth in the 2015 State Energy Plan five years early. Nearly one-third of the greenhouse gas emissions will be reduced to meet New York's 40% reduction by 2030 goals.

Ms. Joseph discussed the key strategies that the Authority will be following in order to leverage peer-based challenges, for commercial and industrial buildings that would create a move in the market towards carbon efficiency. There will be an effort to move towards the networking of buildings through the standardization of smart buildings allowing for much deeper efficiency. The Authority will work to mobilize channel partners in order to drive the market forward while pushing for deeper energy retrofits, net zero buildings, as well as supporting the adoption of an energy stretch code by 2022. There will be a continuation in efforts to leverage community action in order to drive efficiency down at the town level, empowering communities through information and financial support.

Ms. Joseph indicated that the Authority will work with market participants to create a net zero roadmap that will review overall building assets and see where there can be more advanced manufacturing processes and where the construction process needs to be improved.

Ms. Joseph explained that the Authority will work to advance the clean energy economy through the stimulation of economic activity, supporting the mobilization of capital through the NY Greenbank, as well as promoting workforce development. A key strategic focus area is workplace development, the growth rate in this sector has shown to be out pacing the rest of the economy. Two ways the Authority will be supporting workforce development are through the establishment of industry partnerships and the training of people for the specific jobs that are out there, which will be done through on the job training or internship programs. Most importantly, there will be an effort to build the capacity for the clean energy workforce.

Ms. Joseph stated that an important goal is to create a resilient and distributed energy system and customer resiliency by modernizing the State's grid and increasing the amount of resources. The Authority will be developing and introducing solutions that will promote resiliency, microgrids, and combined heating and cooling. NY Green Bank will assist in the development of energy storage and solar plus storage by providing financing.

Ms. Barton concluded the presentation by reviewing how the Authority's Budget will be allocated going forward for both the new and existing goals. Though funds will be spread across the Authority, market development initiatives and NY Greenbank will be receiving most of the funding, allowing the Authority to meet these incredibly aggressive, yet achievable, goals.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee, the following resolution was approved.

Resolution

RESOLVED, that the outlook for the Authority's energy, economic environmental program priorities and strategic vision entitled Toward a Clean Energy Future: A Strategic Outlook 2019-2022, submitted to the Members for consideration at this meeting with such non-substantive, editorial changes and supplementary schedules as the President, in her discretion, may deem necessary or appropriate, is recommended to be adopted and approved by the Board as the Authority's updated Strategic Outlook.

Mr. Willis indicated that the next item on the agenda were proposed revisions to the Authority's RGGI Operating Plan by John Williams, Director of Policy and Regulatory Affairs.

Mr. Williams began his presentation by reporting that the December 2018 auction price was \$5.35, which will be used to project revenue over the next three years. This auction price is up from the June 2018 auction of \$4.50 and is the fourth consecutive increase.

Mr. Williams stated that RGGI funding allocations are based on a 3-year plan spanning from April 1, 2019 through March 31, 2022 with balanced annual budgets. There will be a new statewide initiative supported by a reallocation of \$52.9 million of RGGI funds originally used as part of the initial capitalization of NY Green Bank. Additionally, a recent PSC Order authorized \$310 million in incentive funding for storage projects in the investor-owned utility territories.

Mr. Williams indicated that there will be continued funding of \$5 million for ChargeNY and the Electric Vehicle rebate program and \$15.9 million for the Green Jobs – Green New York Program.

Mr. Williams explained that the allocation of funds assumes \$25 million will be committed to the Long Island Power Authority ("LIPA") for each of 2019 and 2020. There is no additional funding allocated for LIPA in 2021. Funding for 2021 would require either additional RGGI revenue or reallocation of other RGGI funds.

Mr. Williams stated that the proposed RGGI Operating Plan assumes continued yearly transfers to the General Fund of \$23 million per year based on the Authority's Fiscal Year 2018-2019 Budget. In January 2018, the RGGI Operating Plan was amended to allow for a \$68.3 million, or 2%, reduction to the ten-year CEF Funding Authorization. Based on revenue projections, there will be a restoration of that reduction and the originally planned funding contribution of \$25 million per year from RGGI funds will be met. In order to provide annual balanced commitment budget, approximately \$4.8 million will be returned to the RGGI fund during fiscal year 2019-2020. The amounts would then be transferred back to the CEF in the

amounts of \$10.35 million during fiscal year 2020-2021 and \$65.54 million during fiscal year 2021-2022.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Committee, the amendments to the RGGI Operating Plan were recommended for approval by the Board.

Resolution

RESOLVED, that revisions to the “Operating Plan for Investments in New York Under the CO₂ Budget Trading Program and the CO₂ Allowance Auction Program” as presented to the Members for consideration at this meeting, with such non-substantive, editorial changes and supplementary schedules as the President and Chief Executive Officer, in her discretion, may deem necessary or appropriate, are recommended for adoption and approval by the Board;

AND BE IT FURTHER RESOLVED, that the Members direct the President and Chief Executive Officer to develop a revised operating plan incorporating such revisions as soon as reasonably possible.

Mr. Willis indicated that the last item on the agenda was other business.

There being no additional business to consider, upon motion duly made and seconded, and by unanimous voice vote, the meeting was adjourned.

Respectfully submitted,

Sara L. LeCain
Secretary to the Committee