

PROGRAM PLANNING COMMITTEE
OF THE
NEW YORK STATE
ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

Minutes of the 78th Meeting
Held on September 19, 2011

Pursuant to a Notice and Agenda dated September 8, 2011, the 78th meeting of the Program Planning Committee (“Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY was convened at 10:30 a.m. on Monday, September 19, 2011, at the Authority’s Board Room at 17 Columbia Circle, Albany, New York and by video-conference in the Authority’s New York City Office, located at 485 Seventh Avenue, 10th Floor, New York, New York.

The following members of the Committee were present in Albany, unless otherwise indicated:

George F. Akel, Jr., Committee Chair
Vincent A. DeIorio, Esq., Authority Chair (ex officio)
Kevin Burke (by videoconference in New York City)
Robert B. Catell (by videoconference in New York City)
David D. Elliman (by videoconference in New York City)
Mark Willis (by videoconference in New York City)
Elizabeth W. Thorndike, Ph.D.

Also present in either New York City or Albany were Francis J. Murray, Jr., President and CEO of NYSERDA; Robert G. Callender, Vice President for Operations and Energy Services; Janet Joseph, Vice President for Technology and Strategic Planning; Jeffrey J. Pitkin, Treasurer; Hal Brodie, General Counsel; Valerie S. Milonovich, Senior Counsel and Secretary to the Committee; and various other members of the Authority staff.

Chair Akel called the meeting to order, noted the presence of a quorum, and stated that a Notice of the meeting (see Exhibit A) was mailed to Committee members and the press on September 8, 2011. Each of the Committee members introduced themselves.

Mr. Akel introduced the Authority’s Chairman, Mr. DeIorio, who offered a brief welcome and thanked staff for their recent efforts. He also commented that, despite the current weather-related issues caused by flooding, the electric grid fared well this summer season.

The first agenda item concerned the approval of the minutes of the 77th meeting of the Committee held on June 9, 2011. Upon motion duly made and seconded, and by unanimous voice vote, the minutes of the 77th meeting of the Committee were approved.

Revised Budget for FY 2011-12

Chair Akel introduced Treasurer Jeff Pitkin to report on revisions to the Authority's Budget for the current 2011-2012 Fiscal Year (FY), which was originally approved at the January 2011 Board meeting. The Members are asked to recommend adoption of the resolution by the full Board approving revisions to the Authority's Budget for the current fiscal year (FY 2011-12).

Overall, the Budget was revised to reduce total expenditures by \$67.7 million (9%) from \$760.6 million to \$692.9 million. Mr. Pitkin presented a few high-level items:

- The revised Budget reflects a decrease in Program Expenditures of \$67.7 million to \$692.9 million. The majority of this decrease, \$65.5 million, is due to reductions in anticipated program expenditures. Principally, these reductions reflect adjustments to expenditures funded with System Benefits Charge (SBC), Energy Efficiency Portfolio Standard (EEPS), Regional Greenhouse Gas Initiative (RGGI), and federal American Recovery and Reinvestment Act (ARRA) grant funding based on historic spending rates. In addition, research and development (R&D) expenditures were reduced due to a cancellation of one of the cellulosic ethanol pilot facility projects funded from State Capital Budget re-appropriations from 2006-2007. These reductions were offset by an increase in expenditures projected for the Renewable Portfolio Standard (RPS) based on projected expenditures for Main Tier solicitations issued to date and those from the Customer-Sited Tier programs.
- The budget for salaries was decreased by \$565,000 (2%) due to staffing vacancies.
- The budget for fringe benefit costs was reduced by \$689,000 (5%) primarily due to a reduction in the New York State Retirement System pension contribution payment which will be lower than originally anticipated.
- Other Operating Costs were decreased by \$811,000 (11%) primarily due to reductions in travel costs and also deferral or elimination of certain planned information technology projects.

The revisions result in a project balance of unrestricted net assets of \$3.25 million at the end of the year, a \$40,000 increase over the balance as of March 31, 2011. Staff believes this balance allows for an appropriate level of funding to address short-term unforeseen expenditures and allows us to use limited unrestricted revenues to fund critical programs.

Committee Member Burke asked about two funding reductions. The first was with regard to the cellulosic ethanol pilot project. Staff explained that, although one of the two funded projects was proceeding, the second ran into challenges that will not result in the full build out of the project. The second was with regard to a \$1.3 million reduction for analytical studies to support the State Energy Plan. Staff explained that these studies, which are still going forward, will be funded through current appropriations rather than with the additional amount anticipated in January 2011.

Chairman DeIorio asked about the potential effect on programs stemming from the less-than-anticipated proceeds from the most recent RGGI auction. Staff explained that commensurate adjustments have been made to internal program budgets to absorb the shortfall. Staff also offered that the next fiscal year begins a new RGGI compliance period for which Staff is projecting auction proceeds of about \$20 million.

Committee Member Thorndike finds the current amount of the unrestricted fund balance of \$3.25 million more prudent than previous balances of closer to \$2 million, given potential issues with West Valley and the increasing number of unpredictable weather-related events.

Mr. Akel asked if there was any further discussion or questions regarding a recommendation by the Committee that the Board approve the resolution regarding the revisions to the FY 2011-12 Budget. There being none and based on all the reports and discussions as presented, upon motion duly made and seconded, and by unanimous voice vote, the Committee recommended that the full Board adopt the revisions to the FY 2011-12 Budget. A copy of said resolution is attached hereto as Exhibit B.

Remarks of Francis J. Murray, President and CEO

Chairman Akel then opened the floor to President Murray, who presented three items for the Committee's information. The first item was with regard to the Authority's response to Hurricane Irene and Tropical Storm Lee. Mr. Murray stated that Authority Staff have been monitoring fuel supplies and meeting statutory obligations to actively participate in staffing the State Emergency Management Office. The Authority is also providing much needed appliance rebates targeted specifically toward the types of appliances most likely to have been damaged by the weather-related events. The \$8 million in funding became available to the public today. Options to continue to fund these efforts include the possibility of identifying additional funds from within NYSERDA, other federal funds, or perhaps RGGI funds, although the current RGGI Operating Plan does not contemplate this type of effort.

The second item discussed by Mr. Murray was with regard to pending litigation over the RGGI program. He stated that the New York Attorney General is representing the Authority, the New York State Department of Environmental Conservation, and the Governor. He also stated that the Attorney General has filed a Motion to Dismiss on several grounds, including issues of standing, the statute of limitations, and laches.

Mr. Murray then addressed the status of SBC funding, particularly the funding proposed this Spring in the Authority's Technology and Market Development (TM&D) Operating Plan. He expressed concern about statements made during the most recent public meeting of the New York State Public Service Commission (Commission) that may indicate some misunderstanding about how the Authority manages its funding and the nature of the programs implemented. Mr. Murray further explained a particular issue with regard to funding of a \$15 million combined heat and power (CHP) initiative proposed by the Authority along with three suggested funding options by the Authority to the Commission. The three funding options include increasing ratepayer collections, funding through the RPS, and funding through EEPS. He also informed the Committee of a suggestion made at the Commission meeting that the \$15 million in funding

requested for the CHP initiative be included as part of the TM&D funding with no commensurate increase in the proposed TM&D budget.

Mr. Burke agreed with Authority Staff that the least desirable option for funding would be to increase ratepayer collections, expressed concern with the potential for funding through the RPS, and stated his preference for funding the CHP initiatives through EEPS.

Committee Member Catell expressed a similar concern with regard to RPS funding and reflected on the Commission's most recent Policy Statement on Smart Grid activities which focuses on proven technologies.

Chairman DeIorio suggested that the consensus of the Committee, to support the NYSERDA Officers in their position that funding of the TM&D program portfolio should not result in increased ratepayer collections, be duly noted.

Ms. Thorndike expressed her preference to carefully consider language with regard to any suggested changes in any program criteria (such as the RPS), to accommodate the CHP program.

Committee Member Willis inquired as to the benefits provided by NYSERDA to the CHP market sector and why the private market for this technology is not yet self-funding.

Ms. Joseph responded that NYSERDA's assistance is still needed to move projects toward viability and the assistance needed is more than financial incentives. With this, she offered to provide the Committee with a breakdown of funding provided by the Authority for CHP technical assistance and incentives. Ms. Joseph stated that there are a range of institutional barriers and impediments being addressed with the hope that overcoming them will expedite projects going forward. Ms. Joseph further explained that if these efforts were to be funded using EEPS resources, a different set of goals and rules may apply that might hinder progress.

Mr. Willis agreed that it is difficult to determine the optimal place to reduce a budget but offered his thought that sometimes suggesting a very specific solution can serve to advance the conversation.

Chairman Akel requested that the minutes reflect the consensus of the Committee to support the position that funding of the TM&D program portfolio should not result in increased ratepayer collections.

Changing topics, Mr. Willis inquired as to the status of the Governor's Regional Economic Development Councils.

Vice President Callender provided a status of the ongoing public meetings and upcoming planning activities. He also explained the newly instituted Consolidated Funding Application (CFA) and the nature of the Authority's participation in this new initiative that provides "one-stop" shopping for State funding. Mr. Callender sees value in the CFA as a means of additional marketing exposure for the noncompetitive, subscription programs of the Authority that are included in this initial CFA effort.

Mr. Willis expressed support for a single application and asked if the new effort had any effect on the allocation of funds.

Mr. Murray responded by stating that the Regional Economic Development Council efforts will not override NYSEDA funding decisions or that of any other agency. He offered that the Councils will likely make decisions specific to funding available through Empire State Development and will look at other State-funded programs to assess those that have the most economic development impact.

Chairman DeIorio asked about the specific role of the Authority with regard to the Councils.

Mr. Callender explained that all of the Authority's normal rules and procedures apply, that Authority Staff participate in the public meetings, and that staff anticipates assisting in developing the strategic plans. Mr. Murray added that, at this time, the Authority is making a commitment at the staff level and is participating in the new CFA process. He also offered that there is an interagency working group reviewing the funding applications that result from the CFA effort.

State Appropriation Request/Preliminary Spending Plan for FY 2012-13

Mr. Pitkin further reported on NYSEDA's State Appropriation Request for the next fiscal year which is submitted annually to the Division of the Budget (DOB) and sets forth the Authority's requests for State appropriations.

The Members were requested to recommend that the full Board adopt a resolution approving the submission to the Division of the Budget of the Authority's State Appropriation Request for FY 2012-13. The Members were also requested to review and comment on the Preliminary Spending Plan for FY 2012-13 in anticipation of the Budget to be presented to the Members for approval at the January 2012 meeting.

The State Appropriation Request is submitted annually to the Division of the Budget and sets forth the Authority's requests for state appropriations. For FY 2012-13, the Authority is requesting appropriations totaling \$32,397,000, a \$707,000 (2.2%) increase from the FY 2011-12 enacted State Budget appropriations. The increase is attributable to an increase in funding for West Valley which will be taken up with the Waste and Facilities Management Committee. No change is included in the request for the R&D and Energy Analysis program areas, consistent with directives from the DOB that requests not include increases in appropriations.

The State Appropriation Request also includes requests to re-appropriate amounts included in the State FY2011-12 State Capital Budget but not fully expended through March 31, 2012 for a variety of energy and environmental projects. Based on additional expenditures, the amount requested for re-appropriation is about \$30.9 million.

The Preliminary Spending Plan for FY2012-13 includes all revenues and expenses by program area. Overall, the Plan estimates total expenditures at \$722.6 million, an increase of \$29.7 million (4%) over the FY2011-12 Revised Budget. The increase is primarily due to an increase

in Program Expenditures of \$29.3 million. Increases are principally for expenditures funded with EEPS, RGGI funds, offset in part by lower expenses funded with ARRA grant and RPS funds.

These estimates assume continued SBC and EEPS funding beyond 2011 at current levels. This is dependent on Commission orders and adjustments will be made accordingly pursuant to those orders, which are expected this fall.

The preliminary spending amount for Salaries and Benefits reflects annual salaries for all staffing positions budgeted in the revised FY11-12 Budget at full year levels. The Plan does not include any amounts for cost of living adjustments or performance-based salary increases, assuming that these will not be approved for State Management/Confidential employees for next fiscal year.

The Preliminary Spending Plan projects the balance of unrestricted net assets at the end of the fiscal year at \$3,292,000. As previously discussed, Staff believes this amount to be an appropriate level of funding to address short-term unforeseen expenditures and allows the Authority to use limited unrestricted revenues to fund critical programs.

Mr. Burke asked about RPS revenues and expenses and, specifically, if the Authority was making RPS commitments at the time of receiving the funds. Mr. Pitkin explained that the RPS was one of a few programs where commitments to date far exceed the real-time collections that are set by collection schedules in Commission Orders.

Mr. Willis asked if certain program funding information presented in the materials could be presented in a more detailed manner that would be more conducive to making comparisons.

Mr. Elliman also expressed an interest in seeing a schedule between the assets on hand and future commitments, such as one might see in financial statements. Mr. Pitkin agreed to provide that additional detail and to revise the format of the budget presentation.

It was explained that the December 30, 2010 Commission Order deferred collections of the SBC to better reflect expenditures. However, funding for EEPS has not been similarly adjusted at this time, although that collection approach is expected in the future.

Mr. Elliman inquired as to the ability of the Authority to move funding between portfolios. Mr. Brodie explained that, in many instances, funding is provided by program (rather than portfolio) and the Authority typically cannot reallocate funding between programs without DPS or PSC approval.

Mr. Murray stated that the Authority would prefer greater flexibility, but it is often difficult to attain. He welcomes any input from the Board on this topic. He also offered that most of the funding is committed but not spent and the Authority needs to find a more effective means to explain funding descriptors to both the Commission and to the Federal government.

Mr. Akel asked if there was any further discussion or questions regarding a recommendation by the Committee that the Board approve the resolution regarding the State Appropriation Request for FY 2012-13. There being none and based on all the reports and discussions regarding the State Appropriation Request and Spending Plan as presented, upon motion duly made and seconded, and by unanimous voice vote, the Committee recommended that the full Board adopt the resolution approving the Authority's State Appropriation Request for FY 2012-13. A copy of said resolution is attached hereto as Exhibit C.

Mr. Burke inquired as to the recent appliance rebate program, funding for which was fully exhausted in about two business days and questioned whether the rebate level should have been set at a lower level.

Mr. Murray indicated that no one could have anticipated that the funding would be exhausted in two days and noted that that funds were expended at a faster rate than any other program offered in the past by the Authority.

Mr. Akel asked if there was any other business before the Committee. There being none, upon motion duly made and seconded, and by unanimous voice vote of the Members, the 78th meeting of the Program Planning Committee was adjourned.

Respectfully submitted,



Valerie S. Milonovich
Secretary to the Program Planning Committee



Exhibit A

New York State Energy Research and Development Authority

Vincent A. DeIorio, Esq., *Chairman*

Francis J. Murray, Jr., *President and CEO*

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NOTICE OF MEETING AND AGENDA

September 8, 2011

TO THE MEMBERS OF THE PROGRAM PLANNING COMMITTEE:

PLEASE TAKE NOTICE that a meeting of the Program Planning Committee (the 78th meeting) of the New York State Energy Research and Development Authority will be held in the Authority's Albany Office, located at 17 Columbia Circle, Albany, New York, and by video conference in the Authority's New York City Office located at 485 Seventh Avenue, 10th floor, New York, New York on Monday, September 19, 2011, commencing at 10:30 a.m., for the following purposes:

1. To consider and act upon the Minutes of the seventy-seventh (77th) meeting of the Program Planning Committee held on June 9, 2011.
2. To receive a report from the Treasurer and to consider and act upon recommending approval of a resolution approving revisions to the Authority's Fiscal Year 2011-12 budget.
3. To receive a report from the Treasurer regarding the Authority's Fiscal Year 2012-13 Preliminary Spending Plan and the Authority's State Appropriation Request For Fiscal Year 2012-13 and act upon recommending approval of a resolution approving the State Appropriation Request for Fiscal Year 2012-13.
4. To transact such other business as may properly come before the Committee.

Members of the public may attend the meeting at either of the above locations. In accordance with guidance from the Office of Taxpayer Accountability, the Authority will be posting a video of the meeting to the web within two business days of the meeting. The video will be posted at <http://www.nyserda.org/governancemeetings2.asp>.

for VSM

Valerie S. Milonovich
Secretary to the Program Planning Committee

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Exhibit B

Resolution No. _____

RESOLVED, that the Fiscal Year 2011-12 Budget and Financial Plan (Revised September 2011) submitted to the Members for consideration at this meeting, with such non-material, editorial changes and supplementary schedules as the President and CEO, in his discretion, may deem necessary or appropriate, be and it hereby is approved.

Exhibit C

Resolution No. _____

RESOLVED, that the proposed State Appropriation Request for Fiscal Year 2012-13 submitted to the Members for consideration at this meeting, with such non-material, editorial changes and supplementary schedules as the President and CEO, in his discretion, may deem necessary or appropriate, be and it hereby is approved for submission to, and at the request of, the New York State Division of the Budget.