

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

Minutes of the 79th Meeting
Held on April 12, 2012

Pursuant to a Notice and Agenda dated April 2, 2012, the 79th 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 Thursday, April 18, 2012, at the Authority’s New York City Office Board Room, located at 485 Seventh Avenue, 10th floor, New York, New York and by video conference in the Authority’s Albany Board Room at 17 Columbia Circle, Albany, New York.

The following members of the Committee were present in New York City unless otherwise noted:

George F. Akel, Jr., Committee Chair (by video conference in Albany)
Kevin Burke
Robert B. Catell
David D. Elliman
Mark Willis

Elizabeth W. Thorndike, Ph. D. participated by telephone but did not vote on any items that came before the Committee.

Also in attendance 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; and Valerie S. Milonovich, Senior Counsel and Secretary to the Committee; and various other members of the Authority staff.

Chairman 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 April 2, 2012. Each of the Committee members introduced themselves.

The first agenda item concerned the approval of the minutes of the 78th meeting of the Committee held on September 19, 2011. Upon motion duly made and seconded, and by unanimous voice vote, the minutes of the 78th meeting of the Committee were approved.

Remarks of President and CEO Murray

NYSERDA President and CEO Murray provided an update on several recent activities and developments. He described five regulatory filings that the Authority submitted to the New York State Public Service Commission (“Commission”) on March 30, 2012 in the form of petitions. These petitions represent a series of program proposals with aspects relevant to the

Committee's interests and responsibilities and include: (1) modifications to NYSEERDA's targets under the Energy Efficiency Portfolio Standard (EEPS) program, (2) reallocation of uncommitted EEPS funds for the EmPower Program, the Authority's energy efficiency program for low-income households, (3) a proposal that uncommitted Systems Benefit Charge (SBC) funds be used for (a) funding the advanced clean power program to support balance-of-system costs associated with installation of photovoltaic (PV) systems and to also support the Governor's NY Sun Initiative; (b) supporting an effort, along with Brookhaven National Laboratory and several universities, to secure federal funding for the establishment of a Department of Energy (DOE) energy storage center, which could be located in New York; (c) supporting the NY-Best Testing and Commercialization Center to be located in Rochester; (d) augmenting funds for an Advanced Building Consortium solicitation; and (e) initiating a pilot program to demonstrate deep retrofit savings projects in commercial buildings, (4) continued funding for workforce development training, and (5) funding for the Combined Heat and Power (CHP) Program as requested by the PSC, proposing two alternative funding mechanisms.

Mr. Murray also informed the Committee that the Executive Budget was recently passed and provisions regarding the Authority's budget were approved as expected.

Mr. Murray described recent activities involving the State's Energy Highway Initiative. A summit meeting was held at Columbia University on April 4, 2012 and Committee Members Kevin Burke and David Elliman were in attendance. The Task Force has issued a Request for Information, seeking to learn from interested parties what ideas they may have as well as suggestions and specific solutions to address these policy challenges. The Task Force expects to deliver an Energy Highway Action Plan to the Governor this summer.

Lastly, Mr. Murray announced the upcoming departure of Mr. Callender, citing a long list of his accomplishments, including his leadership and tireless efforts to improve efficiency and business operations. Mr. Murray and the Committee Members thanked Mr. Callender and wished him well in his future endeavors.

Mr. Burke asked whether the Authority's program metrics informed the recent regulatory filings. Ms. Joseph confirmed that metrics were considered, at least to the extent that program policies were not pre-established.

Mr. Catell mentioned the potential for significant benefits that could come from leveraging State dollars with federal to take advantage of the opportunity to fund an energy hub in New York. In response to a discussion raised by Mr. Willis about the development of storage technologies, Ms. Joseph highlighted the potential opportunity to create a research hub for development of energy storage technologies.

RGGI Plan Modifications

Mr. Akel then called upon David Coup, Assistant Director for the Energy Analysis Program, to describe proposed modifications to the Authority's Operating Plan for Investments in New York under the Regional Greenhouse Gas Initiative's (RGGI) CO₂ Budget Trading Program and CO₂ Allowance Auction Program (RGGI Operating Plan). Mr. Coup explained that the modifications would reprogram \$12 million of funding from the Cleaner Greener Communities Program to a complementary new Regional Economic Development and

Greenhouse Gas Reduction Program during calendar year 2012, to accommodate a near-term program opportunity. The intent is to replenish this funding using future RGGI auction proceeds.

As part of the Governor's transformative plans to improve New York's business climate and stimulate economic growth, ten Regional Economic Development Councils were established and each has designed a strategic plan for its region. Within each of the REDC plans, clean energy strategies and opportunities have been identified as priority needs. This new effort will be designed to support eligible greenhouse gas reduction projects that are not otherwise provided financial support by other Authority initiatives, must also fall within the categories of energy efficiency, clean and renewable energy, or innovative carbon abatement strategies that result in greenhouse gas reductions in accordance with RGGI regulations, and are identified as priority initiatives consistent with the Regional Economic Development Council Strategic Plans.

Upon approval by the full Board, it is anticipated that the new Regional Economic Development and Greenhouse Gas Reduction Program will be made available for applications in the next Consolidated Funding Application solicitation, which is anticipated in May 2012.

To accommodate a near-term program opportunity, this Proposed Amendment to the existing RGGI Operating Plan is submitted to the Committee for consideration in advance of submission of the full three-year RGGI Operating Plan proposal. Beyond this modification, Authority Staff is developing proposed changes to the three-year RGGI Operating Plan. A final compilation of changes, along with a new three-year budget will be discussed by the RGGI Advisory Group in May; and a proposal will be submitted to the Committee and to the Board for consideration at the June 2012 meetings.

Mr. Willis inquired as to how and when the funding at issue would be replenished to support the Cleaner Greener Communities programs for which it was originally allocated. Mr. Coup explained that the intent would be to replenish this funding in the short term using future RGGI auction proceeds.

Mr. Burke requested that staff report back to the Board on the ultimate grant recipients and commensurate greenhouse gas reductions, which will also be reported in the quarterly and annual RGGI Reports.

In response to questions from Mr. Willis, it was confirmed that NYSERDA will make the grant decisions and the total funding amount for this initiative was determined to be of a sufficient amount to make a meaningful contribution to support the eligible greenhouse gas reduction projects.

It was clarified for Dr. Thorndike that, although this type of proposal would typically be presented at the June Board meeting, that approach would not afford the opportunity to coordinate this program in time for the May reissuance of the Consolidated Funding Application.

Based on the report from Mr. Coup and discussions regarding the RGGI Operating 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 modifications to the RGGI Operating Plan. A copy of said resolution is attached hereto as Exhibit B.

Metrics and Program Evaluation Presentation

Mr. Akel reminded the Members that the metrics and evaluation presentation is designed to inform the Committee members of the Authority's overall performance. It also sets the stage for discussing and mapping future strategies, initiatives, and programs that staff will share at the June Committee Meeting that will address the Authority's Three-Year Strategic Plan.

Mr. Akel then called upon Ms. Joseph to begin the presentation on metrics and program evaluation. Ms. Joseph raised two points for the Committee to consider while listening to the more detailed presentations:

1. Discerning how well the Authority collects robust information on systems, performance management, quality control, and working across program areas; and
2. Determining if the metrics presented are appropriate to the Authority's main mission and goals.

Ms. Joseph then introduced John Williams, Director of the Energy Analysis Program, and additional staff to report on NYSERDA's program goals, progress, and the use of evaluation information in designing and adjusting programs to support NYSERDA's strategic program planning process. Mr. Williams began by restating the Authority's Mission, Vision and Goals statements, noting the synchronization of the Authority's mission goals with the Governor's energy policies, which include a transition to a sustainable energy economy through energy efficiency and renewable energy technologies; leadership in innovation of energy technologies; and capitalizing on the ability of clean energy activities to advance the State's economic and environmental objectives. Mr. Williams continued, stating the four Mission Goal Outcomes, and their related metrics, to be covered in the presentation:

1. Efficient Use of Energy: NYSERDA provides energy solutions that reduce the energy consumption and increase the energy efficiency of New York's residents and businesses;
2. Renewable & Diverse Energy Supplies: NYSERDA diversifies New York's portfolio of energy resources by growing renewable and distributed generation resources and reducing petroleum use;
3. Clean Energy Economy: NYSERDA catalyzes economic growth by supporting technology and business innovation and by developing a skilled clean energy workforce; and
4. A Cleaner Environment: NYSERDA reduces the environmental impact of energy production and use.

Mr. Williams presented information on the targets and program achievements for the energy savings metrics, representing the combined achievement of the full complement of the Authority's efficiency activities (those funded by the SBC, EEPS, American Recovery and Reinvestment Act [ARRA], RGGI, and other sources). He explained that the Authority has successfully met the 2011 electric savings targets; achieving 933 GWH of savings compared to the target of 759. For natural gas savings, the lower than target achievement was driven by a decrease in residential participation in natural gas efficiency programs than had been previously

forecasted. Mr. Williams also reported that a market characterization study on gas efficiency has been recently conducted shows that lower natural gas prices are a key driver of the reduction in participation. Staff will also be looking into the effects of CHP projects on energy savings which requires additional analysis.

Mr. Williams reported that the SBC III Portfolio, which closed on December 31, 2011, surpassed the MWH goal established for the Portfolio using only 71% of the dollars allocated for the effort. Savings from SBC III projects still in development will continue to accrue.

Mr. Williams explained that cost-effectiveness is one of the considerations in program design and that it can be approached in several ways, such as by considering: (1) energy efficiency purely as an energy resource alternative; (2) the public and environmental benefits realized through investments in efficiency; or (3) the relative value realized by the customer. He reported that, in all three cases the SBC portfolio has proven to be a successful, cost-effective energy portfolio for New York. Cost-effectiveness can vary depending on the variables and a traditional total resource cost (TRC) analysis, by which many of the Authority's programs are measured, generally does not account for all of the derived benefits or public policy goals that inure as a result of investing in efficiency. When wholesale price reductions are taken account, as well as other economic benefits (such as job growth and added economic activity) the cost-effectiveness of the programs improve.

Along with energy benefits, Mr. Williams explained some of the derived benefits of the programs that are also used as measures of performance. Cumulative bill savings impacts of the energy efficiency portfolio are equal to nearly \$5 billion. For every \$1 invested, customers realize \$2.70 in energy bill savings. He also identified job impacts as a benefit and this was expanded upon in a later discussion regarding clean energy job characterization and quantification, presented by Mr. Coup.

Mr. Burke stated that he was interested in the relationship between system savings and end-use savings.

Mr. Willis asked how achievements are computed. Mr. Williams explained that the first steps involve measurement and verification, which is then followed by the evaluation effort which looks at causation, free-ridership, and spillover effects to determine the net impact of program activity.

Mr. Elliman inquired as to how achievements in the transportation sector were accounted for.

Mr. Willis stated that the 15 by 15 goal of an absolute reduction in load does not necessarily take into account the economic situation and could result in a skewed result. He supports looking into the reductions from different perspectives. Mr. Williams explained that the Authority continues to work closely with the Department of Public Service on these issues.

Mr. Akel inquired as to whether the target set for the overall 15 by 15 effort was set improperly. Ms. Joseph reminded the Committee that the program metrics results sometimes include embedded external factors over which the Authority has no control, such as the economic downturn. However, she added that identifying those factors in a qualitative manner is

the first step to reexamining the appropriateness of any program target. Mr. Murray added that the issue of meeting targets is challenging, as a policy of using energy more efficiently does not necessarily mean using less energy.

With regard to the different cost-effectiveness approaches, Mr. Catell observed that it is difficult to determine whether the results are good or bad and that the nomenclature causes more confusion to others on the outside.

Mr. Willis and Mr. Burke engaged in a discussion about capital costs and program costs and comparisons were discussed between the energy efficiency and renewable portfolio standard efforts.

Mr. Williams then introduced Colleen Gerwitz, Senior Advisor for Strategic Initiatives, who presented the Authority's progress toward EEPS goals during its first phase. In contrast to the SBC III progress which is reported on the basis of funds spent and energy savings achieved, EEPS progress is reported on a funds committed and energy savings on a committed basis, in accordance with Commission requirements. As of December 2011, the Authority committed 92% of its EEPS electric funds and reached 82% of its electricity savings commitment goal. The Authority committed 74% of its EEPS gas budget and reached 66% of its assigned natural gas savings commitment goal. This performance information was one of many factors considered in the preparation of the petition seeking modification of EEPS targets.

Ms. Gerwitz then presented information on future EEPS targets and noted that they were set by the Commission based on the initial targets that reflected program proposals and conditions from the 2007-2008 timeframe - a very different energy efficiency market than today. That, coupled with the changes in the economy and the rules under which the programs must operate, gave rise to the Authority's proposal to seek a reduction in targets going forward. Ms. Gerwitz then explained a few of the specific target reductions being sought, with the largest reduction coming from the refocused point-of-sale lighting program as a result of the Authority's success in its market transformation efforts regarding compact fluorescent lighting.

A discussion ensued with regard to the challenges of identifying the appropriate metrics and assessing the potential policy implications. Mr. Willis suggested presenting a more full story and context, as some efforts that do not present good metrics may indeed be valid efforts.

Mr. Williams explained that the second mission goal of the Authority is to help foster diversity in New York's energy mix by supporting the development of renewable and other clean energy technologies in New York. The Authority measures progress by looking at the energy contributions to the State from renewable and diverse resources, as well as by the number of new projects supported. Mr. Williams reported that all renewable energy targets established for the program for 2011 were achieved or exceeded. However, for comparison point, overall this still represents a relatively modest level of contribution to the power generation sector in New York.

Mr. Williams presented metrics that demonstrate that the RPS programs performed well through 2011, although some components of the Customer-sited Tier (CST) Program appear to be encountering challenges regarding the spending rate. However, if the "pipeline" of projects is considered and they materialize, the goal set for 2015 will be met. The Main Tier Program is projected to deliver MWHs in alignment with the program budget.

Mr. Burke raised the issue that certain technologies supported by the RPS, such as biomass, are treated as having the same relative value to society as other technologies with no negative air emissions. Ms. Joseph explained that the Public Service Commission determined the eligible technologies in the RPS administrative proceeding and determined that they should be given equal value in selection.

Mr. Catell stated that the price to procure a solar or wind renewable energy credit (REC) increased with the decrease in natural gas prices. Ms. Joseph agreed that, if these conditions continue, this could be an issue for the continued success of the RPS program going forward.

Mr. Williams presented performance metrics concerning the Authority's workforce development efforts, particularly focusing on the number of workers trained in clean energy sectors. Mr. Murray stated that, given the nature of the workforce development effort, any guidance from the Committee on how best to measure success is appreciated.

Mr. Williams re-introduced Mr. Coup who presented metrics on job creation, explaining some new approaches and ideas about how to enhance the articulation or measurement of the impact of the Authority's programs on job creation. Mr. Coup's presentation addressed NYSERDA's use of macroeconomic modeling to estimate the impact on job creation. This analysis provides an estimate of the direct and indirect jobs created and shows that macroeconomic results can vary depending upon the methodology used. He also explained that a conservative approach was taken that accounts for both the benefits associated with investments in energy efficiency and renewable energy and the lost opportunity costs associated with these investments. He observed that, while macroeconomic analysis is useful, it can be confusing and requires the proper context. It also does not allow for a focused assessment of the direct clean energy jobs that have been created.

Mr. Coup explained that a number of entities have recently completed studies that attempt to quantify the number of green jobs across the United States and within New York, each with a different scope and different results. These studies include efforts by the Bureau of Labor Statistics, the New York State Department of Labor, and The Brookings Institution. Overall, these studies indicate that there are 100,000 to 200,000 clean energy jobs in New York, providing an order of magnitude estimate, with no precision or indications as to the Authority's contribution to job creation.

Lacking direct job counts, Mr. Coup presented some indicators, such as the 1,400 photovoltaic installer jobs related to the RPS effort, and the fact that 74% of the technical service providers in NYSERDA's Flextech program report that their firms have added jobs during the past 5 years (compared to only 31% of providers not involved with this program reporting job growth). Future efforts are to further explore the NYS DOL findings to determine what else can be learned about jobs in New York's clean energy economy and investigating the feasibility (e.g., timing, cost, partners, lessons learned from other studies) of a periodic survey to better identify NYSERDA's contribution to creating clean energy jobs.

Mr. Burke and Mr. Elliman raised questions as to the duration of the jobs created and the overall usefulness of the information. Mr. Akel stated that job metrics should be more of a "footnote" as he does not consider job creation to be a driving force of the Authority's mission. Mr. Murray noted that, while job creation may not be a driving force, there are certainly some

very important and notable effects on jobs supported by the Authority's program efforts. He cited the investment in the nanotechnology solar effort as one example. Mr. Catell suggested incubators as another area that could be explored. Mr. Elliman suggested that there are many issues surrounding job calculations at the federal level and refining it to this level of detail will be a tough road. Mr. Catell, Mr. Elliman, and Mr. Akel all agreed that determining how job metrics are portrayed will require more thought and perhaps the focus should be on easier to measure indicators, such as numbers of persons trained. Ms. Joseph thanked the Committee for their insight, finding this input to be very significant.

Mr. Williams then reported that the fourth mission goal of the Authority is to promote a cleaner environment and metrics have been identified to assess the impact on the environment from program activity. In short, the Authority met all of its environmental metrics targets for 2011. Mr. Williams provided a chart showing the cost of avoided pollution that was created in response to request from the Board. He explained that when undertaking this analysis, considering only the NYSERDA cost to achieve a ton of emissions avoided, the electric energy efficiency portfolio is more than the cost of achieving that same reduction through the RPS Main Tier. Mr. Williams further explained that this is somewhat counter-intuitive. However, because efficiency displaces the need for the generation resource, efficiency provides benefits that wholesale renewable power does not. Therefore, if the avoided energy and capacity payments and system benefits are accounted for, the equation changes and the true value of efficiency is revealed.

Mr. Williams then presented information on customer service progress, identifying metrics designed to show how well the Authority can deliver program opportunities to those who seek to participate. This progress is measured according to the time periods it takes to award contracts or approve projects, as well as the success in paying invoices upon receipt. Mr. Williams explained that the Authority experienced a considerable increase in the number of contracting actions in 2011 over 2010 (about 25%), yet despite this increase, 97% of the contracting actions either improved in time-to-contract or the processing time remained level (about 55% of contract actions improved over 2010, and are meeting or exceeding the goal; about 41% of contract actions have remained level, though still slightly below the identified goal); 3% of actions (contracts selected through full competitive solicitation) did show some erosion of performance over 2010). To address the issues with the competitive solicitation contracts, a new tracking system has been implemented, and can identify on a project manager-by-project manager basis the time frames and relative ability to perform according to the contract processing goal. Further, these processing targets are being identified in the project manager individual performance assessments. Regarding the invoice payment time, Mr. Williams reported a near perfect record for paying invoices on a timely basis, representing a small improvement from 2010.

Mr. Williams then introduced Ms. Meissner who presented completed evaluation studies during 2011 and those planned for 2012. With regard to those studies completed during 2011, the Authority, in working with its independent evaluation contractors, completed approximately two dozen evaluation studies. These studies range from quantitative evaluation of program impacts, namely energy savings, to more qualitative examination of the efficiency and effectiveness of program processes. Market Characterization and Assessment studies help the Authority to better understand target markets and program effectiveness.

The 2011 studies represent the first round of completed evaluations with the benefit of the increased evaluation budgets, and in accordance with the new standards to meet 90/10 sampling precision. In most cases, the higher level of rigor on impact evaluation has

corroborated prior evaluation findings and shown some significant market effects. A benefit of the increased budget and rigor is that program planning and modification decisions are more informed.

Ms. Meissner also reported that the Authority has the role of leading various Statewide studies on behalf of the DPS and the Evaluation Advisory Group (EAG) created for the EEPS and SBC programs. These Statewide studies will serve the needs of all efficiency Program Administrators and DPS, and will provide benefits such as consistency and cost-efficiency to all Program Administrators by working jointly, rather than independently. The Statewide Process Evaluation Protocol effort was the first work product completed and will provide consistent guidance on approaches for future process evaluation work.

Ms. Meissner offered to provide more detailed results and reports to any Committee members interested and indicated that all evaluation reports are publicly available on the NYSERDA website.

In her report on the evaluation studies planned for 2012, Ms. Meissner identified the studies underway or identified for the coming year. She noted that some plans are still being finalized and could change based on stakeholder input, but a range of studies has been identified in each major evaluation area and across a variety of programs. This will allow for a look at programs that have not been addressed for some time or to follow up on recent study efforts in areas that need further examination.

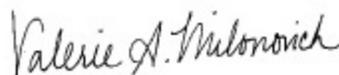
The initiation of the first evaluation efforts for the new Technology and Market Development (SBC IV) program will begin in 2012 and will likely focus on those activities that are new or changed since the SBC III portfolio. Ms. Meissner also mentioned that the Authority will be conducting two large Statewide baseline studies on behalf of the DPS and the EAG. The residential study is expected to begin soon, with the commercial study to follow soon after. The goal of these studies is to help decision-makers and Program Administrators better understand building and equipment stock and factors affecting energy use in order to conduct more accurate and informed impact evaluations, and ultimately, inform improved programs design.

Mr. Willis asked that, in the future both positive and negative lessons learned be provided. Staff acknowledged that they will provide this, as well as a compilation of the executive summaries of the Authority's evaluation reports.

Mr. Williams concluded the metrics presentation by discussing the expected schedule for the Strategic Plan, which the Committee will consider at the May 31, 2012 meeting.

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 79th meeting of the Program Planning Committee was adjourned.

Respectfully submitted,



Valerie S. Milonovich
Secretary to the Program Planning Committee

Exhibit A

NOTICE OF MEETING AND AGENDA

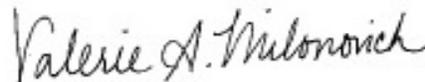
April 2, 2012

TO THE MEMBERS OF THE PROGRAM PLANNING COMMITTEE:

PLEASE TAKE NOTICE that a meeting of the PROGRAM PLANNING COMMITTEE (the 79th meeting) of the New York State Energy Research and Development Authority (“Authority”) will be held in the Authority’s New York City Office, located at 485 Seventh Avenue, 10th floor, New York, New York, and by video conference in the Authority’s Albany Office at 17 Columbia Circle, Albany, New York, on Thursday, April 12, 2012, commencing at 10:30 a.m., for the following purposes:

1. To consider the Minutes of its 78th meeting held on September 19, 2011.
2. To consider and act upon a resolution recommending that the Board approve revisions to the Regional Greenhouse Gas Initiative (RGGI) Operating Plan.
3. To receive a report from the President and CEO on recent Authority submissions to the New York State Public Service Commission.
4. To receive a report from the Director and staff of the Energy Analysis Program on program evaluation and metrics.
5. To transact such other business as may properly come before the meeting.

Members of the public may attend the meeting at either of the above locations. 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.nysesda.ny.gov/en/About/Board-Governance/Board-and-Committee-Meetings.aspx>.



Valerie S. Milonovich
Secretary to the Program Planning Committee

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Exhibit B

Resolution No. ____

RESOLVED, that the modifications 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 his discretion, may deem necessary or appropriate, are adopted and approved;

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