

**Re: NYSERDA Draft “Operating Plan for Investments in New York under the  
CO2 Budget Trading Program and CO2 Allowance Auction Program”**

**Comments of the City of New York**

**March 23, 2009**

The City of New York hereby submits its views on the February 25, 2009 draft version of the RGGI Operating Plan circulated by NYSERDA Advisory Group, and on the views expressed at the conference held by NYSERDA and the Advisory Group on March 6, 2009. This submission is supplemental to those submitted by the City to NYSERDA on December 1, 2008.

**Regional Equity** is not included as one of the Operating Plan evaluation criteria despite a prior request that it be explicitly incorporated among other governing factors.<sup>1</sup> NYSERDA and the State of New York need to make an official commitment to allocating funds on an equitable basis overall. This is not to say that every individual program must reflect a precise balance, as some initiatives by their nature will entail a natural geographic or regional concentration.<sup>2</sup> However, the existing inequity in the distribution of RPS resources has demonstrated the need for NYSERDA to incorporate an explicit requirement that its programs are to the extent possible made accessible to New Yorkers in all regions of the State. Funding allocations by region should be monitored closely, and publicly disclosed on an annual basis.

We particularly note that NYSERDA's draft Operating Plan at pages ES-1 and 6 references the need to address municipal greenhouse gas (GHG) emissions. The City in 2008 established and promulgated a Plan to substantially reduce GHG emissions from its municipal buildings and operations, including its substantial vehicle fleet. Moreover, the City has committed toward this effort some \$100 million per year, or approximately 10% of the City government's annual energy expenditures. Even at this funding level, significant opportunities

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<sup>1</sup> See New York City comments on NYSERDA RGGI Concept Paper at page 1-2 (submitted December 1, 2008)

<sup>2</sup> For example, Sustainable Agriculture and Bioenergy (Draft Operating Plan, Section 6, pp. 44-45) would logically have its principal, but not exclusive, application in rural areas of the State.

for emission reductions will in some cases not be adequately addressed in the near term, and cannot be reached by SBC programs. To the extent RGGI program funding can complement the City's self-funded efforts, a significant benefit will be realized by both the City and State. And importantly, the City government itself as a large energy user expects to incur RGGI-related costs of \$3 million to \$10 million annually,<sup>3</sup> which argues for an expenditure that is reasonably related to that large contribution that will be made by New York City.

In a similar vein, the City urges that NYSERDA take into account regional equity considerations between the Long Island Power Authority (LIPA) and the New York Power Authority (NYPA). While the needs of LIPA and its ratepayers certainly deserve consideration in any RGGI plan, the same is equally true of NYPA and its customers. However, there appears to be a difference in content or tone in the current form of the Plan concerning the two entities.

To cite one example of language that raises concerns for the City, the Operating Plan specifically identifies LIPA as a potential funding recipient to expand its own PV programs, but included no directly comparable discussion for NYPA, or for the City as NYPA's largest customer. Also, in discussing customer-side efficiency programs, the Operating Plan states that the fuel efficiency programs will be administered by NYSERDA on Long Island, but no parallel explicit reference is made concerning NYPA or its customers.

In short, it is important that NYSERDA in the final form of the Operating Plan – and in practice as the RGGI program administrator – make clear that evenhanded treatment will be

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<sup>3</sup> This figure is derived from New York Power Authority estimates that the SENY governmental load will require the Authority to purchase some 2.2 million RGGI credits annually. The City constitutes about 45% of overall SENY load, and will thus be responsible for approximately 1,000,000 credits. Even the low value estimate of \$3.00 per credit means a City governmental cost of some \$3 million per year. The latest RGGI auction price for the 2009 allocation period (on March 18, 2009) was \$3.51/ton, and were the RGGI auction prices to reach recent European carbon prices over the RGGI procurement cycle, the City's related expenditures could of course be far higher.

extended to all State entities and to all ratepayers. Specific RGGI-related programs or projects will undoubtedly differ to reflect different market realities, but aside from that necessary distinction, NYSERDA must ensure that the program operates equitably for all New Yorkers. Accordingly, NYSERDA and NYPA should coordinate closely in developing the final Operating Plan.

**Application to non-SBC eligible customers, including the New York City government** - It is critical that NYSERDA identify the RGGI-funded programs for which non-SBC customers will be eligible, and create mechanisms to ensure that such customers can participate on an equal footing with SBC customers. In particular, the City urges that existing NYSERDA programs and marketing channels be reconfigured to permit and encourage participation by all parties, whether SBC-eligible or not. While it may seem natural to use current marketing channels to efficiently disseminate RGGI funds, any administrative efficiency gains associated with such an approach may well come at the cost of unfairly excluding non-SBC parties who materially contribute to RGGI expenditures.

In addition, NYSERDA should examine making RGGI-funded programs available to the non-SBC governmental customers directly through the New York Power Authority. In this connection, it is important to correct a misperception that such grant-like programs would constitute an unnecessary duplication. Currently, the New York Power Authority does not provide any grants or other subsidies to New York City governmental customers for energy services. What it does provide is energy services on a fee-for-service basis, and the option to use NYPA's tax-exempt financing if the City of New York chooses not to use its own tax-exempt financing authority. Thus, close NYSERDA-NYPA coordination to use RGGI funding, perhaps managed through the existing program structure offered by the New York Power Authority,

would provide important new energy-efficiency and GHG reduction opportunities that can be effectively leveraged by the NYPA governmental customers.

**Electric Power Supply & Delivery Programs (EPSD)** - New York City requests that a City representative be appointed to the EPSD Task Force. This program includes the statewide photovoltaic (PV) program as well as the advanced power technology program. The Task Force will be responsible for developing a comprehensive, coordinated program. Given the significant current inequities in the geographical distribution of RPS funding,<sup>4</sup> it is crucial that New York City participate on the Task Force. The City has already demonstrated the relative lack of funding for downstate PV resources, with just 6% of RPS-related PV projects through June 30, 2008 located in the City. Moreover, one recognized objective of the PV program is to alleviate pollution in recognized environmental justice areas, and the City is in a position to offer material and relevant information on this subject, and thereby enhance the overall effectiveness of the program.

Equally important is the fact that the City has already advanced important solar PV projects, and is planning to implement a number of others. New York City has been designated by the U.S. Department of Energy as a “Solar City,” and in the fall of 2008 released an RFP for City building solar installations. The City also has a contract under way to study the potential combined benefits of solar PV output and real time pricing (RTP) electricity tariffs.

It is not clear that City government can take advantage of those funds for the Statewide Photovoltaic Initiative “integrated into SBC- and EEPS-funded programs” programs for which the City has not historically been eligible. (ES-3, ES-4). A clarification of this point is

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<sup>4</sup> The significant current shortfall in RPS Main Tier project funding in New York City has previously been the subject of public comment. See, e.g., Comments of the City of New York in Public Service Commission Case Number 03-E-0188, Modification of RPS

needed to ensure that the City can utilize this funding source in the same manner as other applicants.

**Carbon Sequestration Program** – The City questions whether the proposed expenditure of some \$15 million on carbon capture and sequestration (CCS) represents a wise use of RGGI funds, particularly given competing program needs, and the increasing federal role in funding and assessing CCS efforts around the country. While New York State has some coal-fired generation, there would appear to be a number of other jurisdictions better suited to conduct experimental work in this field. Moreover, the recent federal experience with the FutureGen CCS project has been cautionary, and suggests that costs can rapidly escalate to unsupportable levels. Hence, this level of RGGI spending by NYSERDA may not be warranted. The City would urge that if this field is to be pursued at all, a more modest initial funding commitment should be made to what remains a largely untested technology.

**Additional Resources** – In the Operating Plan, NYSERDA states that managing these new programs will require approximately 60 people. A *pro rata* number of additional personnel associated with RGGI program administration should be based in the City, particularly given the historical disproportional sizes of NYSERDA’s City and Albany regional offices.

**Periodic Public Updates** – NYSERDA should provide periodic and publicly available reports that provide updated information on: 1) program availability; 2) program performance; 3) geographic equity of funding allocations from the RGGI funds. This is particularly true given the numerous initiatives that are now supplementing NYSERDA’s more familiar role as SBC program administrator, including: 1) numerous EPS initiatives, 2) federal stimulus funds, and 3) an expanded RPS program.

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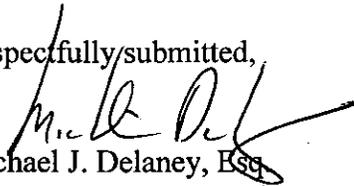
Tier Allocations at pp. 5-7. Notably, out of a cumulative RPS total of 300 PV projects, only 18 were located in the City (Comments filed November 17, 2008).

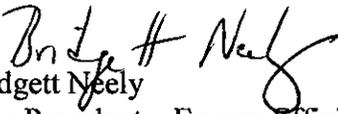
**NYSERDA Marketing** – Given the multitude of programs that NYSERDA will be managing and the various funding streams for which eligibility will have to be assessed, NYSERDA marketing and communication with potential customers is very important. We encourage NYSERDA to design an electronic interface that makes it easy for customers to access and learn about program funding sources. Ideally, such a system would be readily accessible even to those who are unfamiliar with precise program design or designation, the details of which funding stream they are eligible for, and which specific program they want to participate in, in order to maximize use of programs and this funding.

**Process for Application-Based Programs** - Certain programs will have a set amount of money available that entities can apply for, such as the electric trailer program, heavy duty hybrid trucks, the waste water treatment plant program. NYSERDA should in the next sixty (60) days issue documentation explaining how the application process will operate for accessing these funds, and by what criteria applications will be assessed in making funding awards.

**M&V Funding** – The City supports the expenditure by NYSERDA of 5% of total program funds on monitoring and verification. This level of expenditure comports with recognized best practices across the country, and is generally consistent with Public Service Commission direction to date in the Energy Efficiency Portfolio Standard proceeding and in the existing SBC program.

Respectfully submitted,

  
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