

**Comments of the City of New York on Revised Operating Plan for
Investments in New York under the CO₂ Budget Trading Program and the
CO₂ Allowance Auction Program - RGGI**

February 2, 2010

The City of New York ("City") offers the following observations on the *Revised RGGI Operating Plan* issued on December 29, 2009, and such further amplification of that Plan as was offered at the Advisory Group meeting of January 13, 2010.

On March 23, 2009, the City submitted Comments on the predecessor Draft Operating Plan, and reiterates without repeating here the concerns we expressed therein, particularly as to regional equity issues, and the application of future RGGI programs to non-SBC eligible customers, including New York City governmental entities.

It is the position of the City that the principal issues that should be associated with RGGI funding decisions are: 1) focusing intensively on the most significant reductions in greenhouse gases and on the most carbon-intensive activity, and 2) addressing critical needs not being met elsewhere in the existing range of PSC programs such as the Energy Efficiency Portfolio Standard and the System Benefit Charge supported efforts.

This view is only heightened by the recent developments that have significantly limited the RGGI funds that will be available for programs other than the Green Jobs initiative. In light of the now-reduced amount of unallocated RGGI funds, it is critical that the remaining funds be spent wisely, and with a view toward advancing the goals of the greenhouse gases ("GHG") initiative.

Thus, for example, there is a need for robust funding to be applied to a major opportunity to lower carbon output: oil to gas conversions, particularly for those thousands of buildings that currently burn No. 4 and No. 6 oil. It has been estimated that 5,500 buildings across the City burn No. 6 oil, while another 3,500 structures use the only somewhat cleaner No. 4 oil. In addition to the salutary effects conversions of such buildings to natural gas will provide for such specific pollutants as particulates and sulfur dioxide and nitrogen oxide, there is an effect that is perhaps most relevant to the overarching goals of RGGI: a reduction of 30% or more in CO₂ emissions is expected result from a conversion from No. 6 oil to natural gas.¹ Moreover, that effect will be further magnified as a new, highly-efficient gas combustion unit will burn considerably less fuel per unit of heat output or Btu than the boiler it replaces.

In addition, as petroleum products are not regulated by the Public Service Commission, it has heretofore proven very difficult to develop and fund programs to address oil conversions through such traditional market measures as SBC and EEPS.

¹ *The Bottom of the Barrel - How the Dirtiest Heating Oil Pollutes Our Air and Harms Our Health*, Report of Environmental Defense Fund and Urban Green Council, at pp. 4-6 (December 16, 2009), available at www.edf.org/dirtybuildings.

This fact suggests the critical role that a revised RGGI program can have in filling that gap by supporting conversions from oil, thus helping to reduce a highly carbon-intensive activity.

The City recognizes and lauds the fact that the Revised Operating Plan at page 5 states that residential building oil conversions will be covered in the NYSERDA Multifamily Performance Program (MPP). However, we must sound a cautionary note in two respects: the suggested residential budget, and the lack of any non-residential program to address oil to gas conversions.

The modified 3-year MPP budget for this purpose is now \$15 million, down from a former \$22.5 million. Such an aggregate oil boiler conversion incentive level, with an annual budget of \$5 million, will in practice support relatively few conversions, given the very high costs associated with such measures. The City urges that the residential conversion budget be increased, and also notes that there should be put in place a vehicle to reach commercial and municipal sector conversions from oil combustion. It is of course true that there are many competing needs being placed on a reduced RGGI funding pool. However, this is in fact the paradigmatic case for robust RGGI funding: it would address the carbon intensity of oil burning (particularly for the heavy oils burned widely in the City), and would also take into account the important consideration that oil to gas measures are simply not being effectively addressed elsewhere with incentives. Taken together, these critical considerations deserve reconsideration by NYSERDA and its Board in the final funding allocations.

To cite another example, funding for wastewater treatment plants was significantly reduced, with the stated explanation that efficiency funding is expected from the Clean Water State Revolving Fund and Environmental Facilities Corporation. However, given that methane is some twenty (20) times more potent than carbon dioxide as a greenhouse gas, and that there are effectively no available funds to cover specific methane reduction projects – which are themselves very costly – the revised program should in our view be modified to avail itself of an important opportunity to significantly reduce GHG emissions.

There are other instances in which the amended RGGI Operating Plan appears to be too generous. To cite one example, the City believes that given the current large-scale and increasing EEPS funding for a broad range of C & I efficiency efforts, it is not all clear that there is a need to allocate \$12 million out of the now increasingly scarce RGGI funds for industrial energy efficiency, as proposed on pages 4-5 of the Revised Operating Plan. This area offers the converse of the oil-to-gas issue discussed above: there exists an effective parallel process in place to address C & I efficiency, and RGGI resources would be best deployed to those key areas of need that have no remedy elsewhere and therefore should command a higher priority under the criteria we suggest above at page 1.

As the City has noted before in other contexts, NYSERDA evaluations should to the degree possible reflect key intrastate differences where they are relevant. Thus, on page 6 of the Revised Operating Plan, in the discussion of advanced building systems, a

figure of 38% is attributed to CO₂ emissions from the building sector. While this is undoubtedly true across the entire State, the comparable figure in the City is actually more than double that number. This is not a trivial matter, and it should be recognized in the Plan that any attempt to effectively reach carbon emissions in the City will inevitably have to skew more heavily toward the built sector.

The City fully recognizes that NYSERDA is a statewide entity, and must address issues within its purview in all regions of New York State. However, when there is a recognized material difference in the composition of carbon output sources that can have a critical impact on the effectiveness of the RGGI program in the most energy-intensive area of the State, the City believes it should be recognized and taken into account in the allocation of funding. This concern has particular force when the Plan itself acknowledges, as it does on page 6, that the \$7.0 million allocated for the advanced building systems research program represents a “minimum critical mass funding level.” In short, we do not believe that minimum test is actually met in the City, and we urge reconsideration of this funding level with an upward adjustment reflective of the differing circumstances in the metropolitan region.

While the City is supportive of the Green Jobs initiative, and believes that it holds much promise, we have continuing concerns over its apparent focus on those market sectors more prevalent outside of the City, given the building types covered. As the remainder of the anticipated RGGI budget has been reduced to 57% of the formerly planned amount of \$525 million, the City believes that NYSERDA should recognize the effects of the very large green jobs allocation, and act to a greater degree to target remaining funds to ensure more geographic equity, especially given the relative proportion of RGGI funds generated in the Con Edison territory.

In reference to municipal and institutional program funding and the removal of certain projects from the revised line items, the Revised Operating Plan states at pages 5-6 that “[i]t should also be noted that approximately \$150 million in economic stimulus funding has become available since the development of the Original Plan to support efficiency projects in municipal and institutional facilities” The inference drawn from this fact is misplaced. While the City and others have been proactive in seeking federal funds where available, the City, acting through NYPA, still contributes materially to the RGGI fund, and should receive proportionate treatment that fully recognizes that contribution. In addition, when municipalities, colleges, and universities filed their applications for federal ARRA funding, it was with the understanding based on the prior Operating Plan that these forms of RGGI funding would be available. Therefore, in large part the ARRA funding proposals were targeted elsewhere.

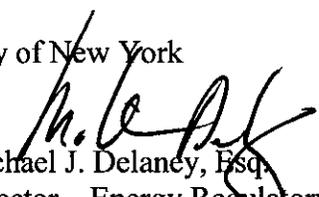
While the City understands that funding for solar installations can be expected to decrease by reason of the overall reduced budget, the proposed allocation of existing solar funds appears to be inequitable. Of the \$12 million now designated for this sector, the Revised Plan allocates \$6 million to the Long Island Power Authority, and \$6 million to the entire rest of the State. The New York Power Authority and its customers, particularly those who are located in the New York City metropolitan area that is

irradiated in a manner comparable to that of Long Island, should receive more equitable treatment.

As the City recently noted in its Comments to the Public Service Commission in the Renewable Portfolio Standard matter, there are numerous opportunities for solar PV and solar thermal installations in the City, particularly on municipal buildings and other City facilities and land parcels.² Similarly, the Revised Plan should support funding for solar thermal projects, which (as with the heating equipment described above) offer the prospect of reducing the use of highly carbon-intensive heating oil. NYSERDA should consider in designing into its RGGI-eligible projects a metric to measure carbon reductions per dollar spent, and thus to explicitly recognize this critical aspect of RGGI supported efforts.

Respectfully submitted,

City of New York



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² Public Service Commission Case 03-E-0188, *Proceeding on Motion of the Commission Regarding a Retail Renewable Portfolio Standard, Comments of the City of New York Concerning Proposed Operating Plan for Renewable Portfolio Standard Funds*, discussion at pp. 3-5 (filed January 29, 2010)