

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

Minutes of the 92nd Meeting
Held on September 21, 2015

Pursuant to a Revised Notice and Agenda dated September 8, 2015, the 92nd meeting of the Program Planning Committee (“Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY was convened at 11:30 a.m. on Monday, September 21, 2015, in the Authority’s Board Room at 17 Columbia Circle, Albany, New York and 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:

Mark Willis, Committee Chair
Richard Kauffman
Sherburne Abbott
Charles “Chuck” Bell
Ken Daly
Jay Koh
John McAvoy
Gil Quiniones
Jigar Shah
Elizabeth W. Thorndike, Ph. D

Also present in either Albany or New York City were: John B. Rhodes, President and CEO of NYSERDA; Janet Joseph, Vice President for Innovation and Strategy; Jeffrey J. Pitkin, Treasurer; Noah Shaw, General Counsel; David Margalit, Chief Operating Officer; Valerie S. Milonovich, Senior Counsel and Secretary to the Committee; and various other members of the Authority staff.

Mr. Willis called the meeting to order, noted the presence of a quorum, and stated that a Notice of the meeting (attached hereto as Exhibit A) was mailed to Committee Members and the press on September 8, 2015. Each of the Committee Members introduced themselves.

Approval of June 18, 2015 Minutes

The first agenda item concerned the approval of the minutes of the 91st meeting of the Committee held on June 18, 2015. Upon motion duly made and seconded, and by unanimous voice vote, the minutes of the 91st meeting of the Committee were approved.

Resolution Regarding the 2015 Strategic Plan and Update on Clean Energy Fund Proposal

Janet Joseph, Vice President for Innovation and Strategy, Sarah Osgood, Chief of Staff, and David Margalit, Chief Operating Officer presented the Committee with an overview of the Authority’s

Strategic Plan entitled, “*Toward a Clean Energy Future: A Three Year Strategic Outlook 2015-2018.*” The team of presenters provided the policy context, mission and outcomes, details on the various investment areas and priority initiatives included in the Strategic Plan, a review of total projected Authority funding over the next three years, and a description of the Authority’s organizational capabilities and operational priorities. The team also provided additional information from the Authority’s Clean Energy Fund proposal that was filed with the New York State Public Service Commission in June 2015.

In response to an inquiry by Mr. Shah regarding the context of the goal of increasing statewide energy efficiency achievements by 600 trillion British thermal units by 2030, John Williams, Director of Policy and Regulatory Affairs, provided historical trend information with regard to recent achievements.

Additional information was provided by Ms. Joseph with regard to electric vehicles and electrification technologies in response to an inquiry by Mr. Quiniones.

In response to an inquiry by Mr. Koh, a discussion was undertaken regarding the resiliency of the State given its energy mix and if any new methodologies have been developed to measure success in this area. Mr. McAvoy provided additional insight as to activities being undertaken in this area by Consolidated Edison Company of New York, as did Mr. Daly on behalf of National Grid.

In response to an inquiry by Mr. Willis, a discussion ensued with regard to funding levels and movement away from programs that are based upon the provision of financial incentives. Ms. Osgood provided insight to support the shift in approach toward a more self-sustaining market, such as working to decrease the “soft” costs of technology adoption and, thus the overall initial investment for consumers. Mr. Rhodes cited the NY-Sun Initiative as a clear example of this new approach. Mr. Kauffman cautioned that, as many of the new changes are part of a larger overall change in the regulatory landscape, it may not be appropriate to assess the Authority’s programmatic changes in isolation.

Mr. Shah suggested that a more radical approach, such as that taken by the State of California, may be necessary in order to more effectively meet the goals set forth. Mr. Quiniones offered that the K-2 Solar effort is one example of a larger, more effective means of increasing the adoption scale for new technologies by standardizing processes, increasing customer interest, decreasing costs, which results in a much larger overall impact.

In response to an inquiry by Mr. McAvoy regarding the avoidance of duplicate programmatic efforts, Mr. Rhodes and Ms. Joseph explained that the Authority routinely considers market needs and gaps that divulge where innovative improvements might be made. It was also acknowledged that given the quick-moving market, revisiting specific subject areas, such as micro-grids, is often necessary. Ms. Abbott suggested and Dr. Thorndike agreed that further involvement from academia may be helpful in this regard. Mr. Willis and Mr. Daly offered that the Committee is willing to assist to further identify additional, appropriate efforts, as well as to identify strategies that may no longer be effective.

In response to inquiries by Mr. Willis and Mr. Daly regarding the proposed borrowing facility related to the NY Green Bank, Mr. Pitkin explained the need for the ability to deploy capital at the time when it is needed, to mitigate the ramifications of any potentially ill-timed collection schedules. He also explained the analysis that has been undertaken in assessing the need for an external borrowing facility.

Mr. McAvoy expressed his satisfaction with the overall focus on market development and leveraging capital during the discussion. Mr. Willis was pleased that operational principles were addressed during the discussion.

At the conclusion of the presentation, the Members were then asked to consider and act upon a resolution recommending approval of the Strategic Plan entitled "*Toward a Clean Energy Future - A Strategic Outlook 2015.*" Based on the report on the 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 Plan. A copy of said resolution is attached hereto as Exhibit B.

Revised Budget for FY 2015-16

Treasurer Jeff Pitkin reported on the revisions to the Authority's Budget for Fiscal Year 2015-16, which was originally approved at the January 2015 Board meeting. The Members were asked to recommend adoption of a resolution by the full Board approving revisions to the Authority's budget for FY 2015-16 which was originally approved at the January 2015 Board meeting.

Overall, the revised budget decreases total revenues by \$88.9 million to \$873.6 million and Mr. Pitkin summarized the primary reasons for the changes. Mr. Pitkin stated that the revised budget for FY 2015-16 increased expenses by \$109.8 million to \$810.3 million and he described the more significant of the changes. The changes result in an increase in the projected net position restricted for specific programs of \$56.8 million, a reduction of net position for NY Green Bank capitalization by \$200.5 million as a result of a revision to the timing of the subsequent capitalization for NY Green Bank as presented in the June 2015 Clean Energy Fund (CEF) Information Supplement, and no change in unrestricted net position.

In response to inquiries by Mr. Daly and Mr. Koh regarding the increase in expenditures and decrease in revenues resulting in no overall net change, Mr. Pitkin explained that such a result is an effect of the timing of utility collections and that these changes are less significant than in past budget revisions. Mr. Pitkin confirmed that there are no substantial fluctuations anticipated from now through the end of the year.

In response to an inquiry from Mr. Quiniones, Mr. Pitkin and Mr. Kauffman addressed the Authority's net position with regard to timing and the types of planned future activities, as well as Mr. Daly's observation that the NY Green Bank asset is fifty percent funded and driven by the timing of utility collections. Mr. Kauffman suggested that it may be helpful at a future meeting to show the projections as a result of the gradual decline in utility collections and as the rules for the industry change.

Mr. Willis asked if there was any further discussion or questions regarding a recommendation by the Committee that the Board adopt the resolution approving the Revised Budget for FY 2015-16. There being none and based on all the reports and discussions regarding the Revised Budget 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 revised budget for FY 2015-16. A copy of said resolution is attached hereto as Exhibit C.

State Budget Request/Preliminary Spending Plan for FY 2016-2017

Mr. Pitkin reported on the Authority's State Appropriation Request for the next fiscal year which is submitted annually to the New York State Division of the Budget and sets forth the Authority's requests for State appropriations. The Members were requested to adopt a resolution approving the submission to the Division of the Budget of the Authority's State Budget Request for Fiscal Year 2016-17, as well as to review and comment on a Preliminary Spending Plan for Fiscal Year 2016-17 in anticipation of the budget which will be presented at the January 2016 meeting.

The State Budget Request requests State funding totaling \$33.3 million. This funding includes \$19.7 million for an assessment under Public Service Law for expenditures and commitments for the Energy Research and Development program, energy policy and planning, Fuel NY program, and amounts authorized and directed to be transferred to the State general fund for the Department of Environmental Conservation and to the University of Rochester Laboratory for Laser Energetics. There is no change in the total assessment amount requested for FY 2016-17; however, there are some changes in some of the activities funded through the assessment. It also includes funding for the West Valley and Low-Level Radioactive Waste Management programs.

The Preliminary Spending Plan for FY 16-17 includes \$990.7 million in total expenditures, an increase of \$180.4 million from the current year revised budget. The increase is primarily due to a \$206.1 million increase in projected program expenditures in certain programs. Salary and benefit costs are projected to be \$5.1 million higher to reflect annualized salary costs for certain vacancies during the current fiscal year. The Preliminary Spending Plan anticipates that the unrestricted net position will remain unchanged at \$3.0 million.

In response to an inquiry from Mr. Willis, Mr. Pitkin stated that this represents the Authority's request for State funding. In response to an inquiry from Mr. Koh, Mr. Pitkin stated that this request is similar, in the aggregate, to the previous year's request, with a slight change with regard to the West Valley program. He also added that the Authority typically receives the amount requested.

In response to comments made by Dr. Thorndike and Mr. Willis with regard to the success of the Regional Greenhouse Gas Initiative, Mr. Williams offered to circulate a report to the Members that assessed the progress of the effort.

Mr. Willis asked if there was any further discussion or questions regarding a recommendation by the Committee that the Board adopt the resolution approving the State Appropriation Request for FY 2016-17. 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 2016-17. A copy of said resolution is attached hereto as Exhibit D.

Saratoga Technology + Energy Park

General Counsel Noah Shaw described a potential transfer of the 280-acre Saratoga Technology and Energy Park (STEP) to the Fuller Road Management Corporation (FRMC), a not-for-profit corporation established as a member corporation of The Research Foundation of the State University of New York and the UAlbany Foundation. This transfer would allow the State University of New York Polytechnic Institute Colleges of Nanoscale Science and Engineering (CNSE) to develop the property in accordance with its mission, which is closely aligned with the Authority's statutory mission for the site.

The Authority owns, manages, and assists in the development of STEP, and has done so since 1975. The Authority's current role at STEP is as the owner and landlord of the property and it does not conduct any of its own activities at STEP. STEP has been developed as a public-private partnership and the Authority enters into ground leases, provides the infrastructure, and private developers improve and develop individual lots and reimburse the Authority for development costs. Mr. Shaw provided examples of two current tenants that illustrate the current uses of the property and reported that the current uses of the site represent major progress over the course of NYSERDA's ownership and management, as well as provided some detailed history of the site.

Given the current needs of the property and after internal review, Mr. Shaw stated that Authority management had concluded that the Authority can best assist in the development of the site by transferring it to a different New York State public entity that is more expert in managing and developing such properties and whose mission is more aligned with such day-to-day functions. Moreover, Mr. Shaw stated that NYSERDA management had concluded that the continued use of the asset to support governmental economic development and research and development objectives is valuable. The transfer to FRMC, which holds and develops property for CNSE, would further the purposes of the transfer. The purposes that Authority management proposed were to ensure (1) that the benefits of owning STEP, and the ability to steward the property for the benefit of the State, remain with a public entity; and (2) that the property is used to the fullest extent by an entity and staff both expert in real estate management and with a mission closely aligned with that of the Authority. Mr. Shaw explained that the next steps in the process, if the Board approved, would include a Notice Letter required by the Public Authorities Law to various involved entities, and an anticipated closing date during January 2016.

In response to an inquiry by Mr. McAvoy as to the timing of the transaction, Mr. Shaw explained that this was, at its core, a programmatic and strategic decision and he deferred to Mr. Rhodes on that matter. Mr. Rhodes added that this was a decision that he had been considering since the beginning of his tenure given that managing real estate is not core to the mission of the Authority and that such an asset should be in the hands of a State entity that could more fully manage and make use of the site.

Dr. Thorndike stated that the evolution of this site is something that not only the Authority, but the State, should be very proud of and suggested, given the enormous success of the overall STEP

effort, that the minutes reflect the contributions of former Vice President Bob Callender for his leadership in the development of STEP. She agreed that a transfer was a sensible move at this time.

In response to an inquiry by Ms. Abbott, Mr. Shaw and Mr. Pitkin provided additional background on the history of the acreage of the site, including specifying how much acreage had been previously sold and the resolution of groundwater contamination that occurred in the 1980's with regard to the acreage at issue.

In response to inquiries by Mr. Koh about precedence for a zero dollar transfer and to a counterparty such as the one identified, Mr. Shaw stated that there were such precedents, particularly involving the Empire State Development Corporation.

In response to an inquiry by Mr. Willis regarding the fiduciary duty of the Board in considering such a transfer, Mr. Rhodes confirmed that there were several conversations about assessing the best alternative to meet the overall purpose of maximizing the economic development value of the site and ensure that the value of the site continues to inure to the benefit of the State. Mr. Shaw reiterated that the Public Authorities Accountability Act (PAAA) provides the standards and procedures for a transaction of this nature.

Mr. Daly, who agreed strategically with the proposed recommendation, inquired as to whether the Authority should engage in an independent review, particularly for a transaction of this size and given that there would be no compensation to the Authority. Mr. Shaw explained that the Authority worked with outside counsel and others in State government regarding compliance with the PAAA as well as to ensure other requirements were met. Upon an offer by Mr. Shaw to discuss those legal issues in further detail with the Committee Members in a private session, the Committee decided to take the discussion of this item up at the full Board meeting scheduled for later the same day.

Other Business

Mr. Willis indicated that the last item on the agenda was other business. In response to an inquiry by Mr. Daly with regard to the timing of the net metering study, Mr. Williams reported that the study is well underway and on track for a December 2015 completion.

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

Respectfully submitted,



Valerie S. Milonovich
Secretary to the Program Planning Committee



NYSERDA

ANDREW M. CUOMO
Governor

RICHARD L. KAUFFMAN
Chair

JOHN B. RHODES
President and CEO

NOTICE OF MEETING AND AGENDA

September 8, 2015

TO THE MEMBERS OF THE PROGRAM PLANNING COMMITTEE:

PLEASE TAKE NOTICE that a meeting of the Program Planning Committee (the 92nd 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 in the Authority's New York City Office located at 1359 Broadway, 19th floor, New York, New York, on Monday, September 21, 2015, commencing at 11:30 a.m., for the following purposes:

1. To consider and act upon the Minutes of the ninety-first (91st) meeting of the Program Planning Committee held on June 18, 2015.
2. To consider and act upon a resolution recommending approval of the strategic plan entitled *Toward A Clean Energy Future - A Strategic Outlook 2015*, and to receive an update on the Authority's Clean Energy Fund proposal.
3. To receive a report from the Treasurer and to consider and act upon a resolution recommending approval of revisions to the Authority's Fiscal Year 2015-16 budget.
4. To receive a report from the Treasurer regarding the Authority's Fiscal Year 2016-17 Preliminary Spending Plan and the Authority's State Budget Request For Fiscal Year 2016-17 and act upon a resolution recommending approval of the State Budget Request for Fiscal Year 2016-17.
5. To consider and act upon a resolution recommending approval of the Saratoga Technology + Energy Park (STEP) transfer.
6. 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. Video conferencing will be used at both locations and 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.nyserdera.ny.gov/About/Board-Governance/Board-and-Committee-Meetings>.

Valerie S. Milonovich
Secretary to the Program Planning Committee

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Exhibit B

Resolution No. _____

RESOLVED, that the outlook for the Authority's energy, economic environmental program priorities and strategic vision entitled "Toward a Clean Energy Future - A Three-Year Strategic Outlook 2015-2018," submitted to the Members for consideration at this meeting with such non-substantive, editorial changes and supplementary schedules as the President, in his discretion, may deem necessary or appropriate, is recommended to be adopted and approved by the Board as the Authority's updated Strategic Outlook.

Exhibit C

Resolution No. _____

RESOLVED, that the Fiscal Year 2015-16 Budget and Financial Plan (Revised September 2015) 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 recommended for approval by the Board.

Exhibit D

Resolution No. _____

RESOLVED, that the proposed State Budget Request for Fiscal Year 2016-17 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 recommended for approval by the Board for submission to, and at the request of, the New York State Division of the Budget.