



Carol E. Murphy
Executive Director

March 23, 2009

TO: President Murray and Commissioner Grannis, rggiprograms@nyscrda.org

RE: Operating Plan for Investments in New York under the CO2 Budget Trading Program and the CO2 Allowance Auction Program, draft issued February 25, 2009

Dear President Murray and Commissioner Grannis,

The Alliance for Clean Energy New York (ACE NY) is a non-profit organization whose mission is to promote the use of clean, renewable electricity technologies and energy efficiency in New York State in order to increase energy diversity and security, boost economic development, improve public health, and reduce air pollution. Members of the Alliance for Clean Energy New York (ACE NY) include non-profit environmental, public health and consumer advocacy organizations, educational institutions, and private companies that produce or sell renewable energy technologies or energy efficiency services in New York. We are also very pleased to serve on the RGGI Advisory Group and look forward to helping NYSERDA implement this ambitious program.

We welcome the opportunity to provide comments on the draft Operating Plan for the use of funds generated by the auction of CO2 emission allowances. ACE NY has provided comments on RGGI during its development and also offered brief comments on the conceptual paper that was the precursor to the Operating Plan issued for comment on February 25, 2009. Our positions stated in those initial comments on the conceptual paper still hold and are reflected in the comments below as well.

Overall, we support the Operating Plan and believe NYSERDA and the NYS Department of Environmental Conservation have correctly prioritized the State's needs, with a few caveats. We believe all of the funds generated should be used for efficiency and renewable energy investments. Consumers should receive the proceeds of the auction via investments in clean energy technologies, which are a long-term investment in a sustainable global climate and represent the most cost-effective method for reducing carbon emissions and encouraging changes to how we produce and use electricity.

We believe the funds should be used for energy efficiency and renewable technologies in order to lesson our dependence on carbon-based fuels. Environmentally disruptive technologies

should not be funded, and auction funds should be supplemental to, and not replacements for, the investments in clean energy made by ratepayer surcharges to support renewable generation and efficiency at levels that will allow for fulfillment of the goals of those programs, including the Renewable Portfolio Standard (at 30% as called for by the Governor and the Governor's Renewable Energy Task Force) and the Energy Efficiency Portfolio Standard.

In conjunction with our overall support for this well-thought out Plan, ACE NY does have a few specific comments. First, we were very concerned to see the statement that if allowances prices are above \$5 per ton, then the additional revenue would be used to support a 30% RPS. We are firmly in support of using any unplanned for revenue from higher than predicted allowance prices for clean energy initiatives, including renewable energy deployment. However, we believe the State should fully fund the 30% RPS irrespective of RGGI allowance prices. Support using RGGI funds should be in addition to the money allocated (from rate payer surcharges) for fulfillment of RPS and EEPS goals.

Second, we have some comments about the statewide photovoltaic initiative as currently described. We have concerns about using RGGI funds for installations on Long Island under the rationale that it is not part of the RPS. In fact, the Long Island Power Authority has, since the very start of the RPS program, committed to meeting the RPS goals and has already chosen the winners of its RFP for 50 MW of photovoltaic power.

We do support using the funds to reach out to those deemed ineligible for the RPS program, such as off-grid applications. However, NYSERDA should seek to use a significant amount of RGGI money to support aggressive photovoltaic installations even in those areas eligible for RPS funds since the RPS goal for solar, and the money available, is smaller than the demand and the benefits that easily could be realized.

ACE NY strongly supports the use of RGGI auction funds to support solar thermal technologies (for air and water heating), and believes a significant amount of money should be spent in this area since they are proven technologies and are not currently supported via the State's RPS. A number of larger customers (such as Fort Drum and the Rockland County Co-Compost facility) are using solar thermal technology and many more are exploring the possibility. We believe the numbers proposed in the draft Operating Plan are quite modest. NYSERDA should ensure that additional funding is available for solar thermal installation if demand warrants it. In addition, the direct incentive funding should be supplemented with a public education and awareness campaign to encourage adoption of this technology and boost demand. Worker training programs should be funded generously and the use of private certification, in addition to public training and certification programs, should be explored.

We notice that the draft Operating Plan does not mention fuel cell technology directly, although we assume that programs to support electric battery vehicles includes those using fuel cell technology. We would prefer to see fuel cells explicitly mentioned as worthy of support, especially since advances in battery storage, vehicles (such as the Plug Power made fork lift application) and electricity production from fuel cells hold promise for our carbon-constrained future.

One area where we do not support the suggestions made in the draft Operating Plan is that we are suspect of the benefits of using RGGI funds to support speculative and expensive research efforts such as the development of carbon capture and sequestration technologies. Given the uncertainty in the amount of funding that will be available, coupled with the very real need

for investments in proven technologies for increasing efficiency and the use of renewable, non-carbon emitting technologies, we think NYSERDA would be wiser to use the funds for those efforts rather than such long-term, expensive, and uncertain research efforts.

In addition, while we do not oppose the use of some funds for the Climate Research and Analysis program, we believe only limited funds should be used for this purpose. Efforts to understand climate change and to develop adaptation to its effects are certainly important and we value NYSERDA's current efforts in this area. However, much of that research may be best addressed at the national level while we use our state funds to reduce our carbon footprint while simultaneously producing economic development and public health benefits. Direct investment in clean energy technologies produces those results.

Finally, as stated in our previous comments, we suggest that outreach and education efforts be tied directly to specific programs being funded by NYSERDA's RGGI programs. While general education and outreach on greenhouse gas reduction efforts and global climate change are necessary and valuable, a correlation between actual programs and education efforts will enable NYSERDA to be sure its funds successfully support real investment in efficiency and renewable resources and that programs can be adequately evaluated.

Respectfully Submitted,

A handwritten signature in black ink that reads "Carol E. Murphy". The signature is written in a cursive style with a large, looping 'C' at the beginning and a long, sweeping tail at the end.

Carol E. Murphy

Executive Director

Alliance for Clean Energy New York, Inc.