NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

Minutes of the 225th Meeting

Held on January 26, 2015

Pursuant to notice and an agenda dated January 15, 2015, and a revised agenda dated January 21, 2015, the 225th meeting of the New York State Energy Research and Development Authority ("Authority" or "NYSERDA") was convened on January 26, 2015, at 12:00 p.m., in the Authority's Albany Office at 17 Columbia Circle, Albany, New York; and in the Authority's New York City Office at 1359 Broadway, 19th floor, New York, New York, and at the office of the New York Power Authority at 123 Main Street, White Plains, New York. The three locations were connected by videoconference.

The following Members of the Authority were present:

Richard Kauffman

Sherburne Abbott

Kenneth Daly

Jay Koh

Joseph Martens

John McAvoy

Gil Quiniones

Jigar Shah

Elizabeth W. Thorndike, Ph. D.

Mark Willis

Members Charles Bell, Joan McDonald and Audrey Zibelman were unable to attend.

Also present were John B. Rhodes, President and CEO; David L. Margalit, Chief Operating Officer; Janet Joseph, Vice President for Technology and Strategic Planning; Jeffrey J.

Pitkin, Treasurer; Noah C. Shaw, General Counsel and Secretary; James Austin, New York State Department of Public Service; Michael Bailey; and various other staff of the Authority.

Mr. Kauffman called the meeting to order and noted the presence of a quorum. He stated that the meeting notice and agenda were mailed to the Members and press on January 15, 2015; a revised agenda was forwarded on January 21, 2015; and a revised agenda was placed before the Members on January 26, 2015. Mr. Kauffman directed that a copy of the revised notice and agenda dated January 26, 2015 be annexed to the minutes of the meeting.

Mr. Rhodes, the Authority's President and CEO, then made remarks. Mr. Rhodes stated that the Authority is at an important stage. Specifically, the Authority is in the midst of a transition, proposing and formulating a plan for the Clean Energy Fund ("CEF") which will be the single biggest set of activities for the Authority and will be based on a meaningful commitment and proposal.

Mr. Rhodes explained that New York has a comprehensive strategy to enable clean energy markets that are self-sustaining and that require less government subsidies to support a cleaner, more reliable, and more affordable energy system. Mr. Rhodes pointed to regulatory reform work that Ms. Zibelman has initiated as Chair of the New York State Public Service Commission (the "PSC"). Mr. Rhodes also stated that the various agencies of New York are leading by example, such as the New York Power Authority ("NYPA") with its Build Smart NY initiative. In terms of the Authority, Mr. Rhodes emphasized the CEF, which will fully fund the NY Green Bank, NY Sun, and intended work on innovation and research and development, including market transformation of behind-the-meter technologies. Mr. Rhodes reported that, in Fall 2014, the Authority submitted the initial CEF proposal to the PSC, and expects a PSC Order in June or July 2015.

Lastly, Mr. Rhodes stated that the Authority is in the middle of other important work, such as NY Prize, which is Governor Cuomo's signature initiative to bring forward proposals for community grids around New York State.

The Chair stated that the first item on the agenda was the appointment of Gil Quiniones as Vice Chair of the Authority. Mr. Kauffman stated that Mr. Quiniones' insight and advice has been invaluable to the Authority, and that he is willing to serve in the capacity of Vice Chair.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, the following resolution was adopted.

Resolution No. 1416

> RESOLVED, that pursuant to Section 2 of Article III of the By-laws of the Authority, the Authority hereby appoints Gil Quiniones as Vice Chair to serve at the pleasure of the Authority and perform the duties of the Vice Chair as set forth in Section 2 of Article IV of the By-laws and such other duties as may be assigned by the Authority or the Chair.

Mr. Kauffman indicated that the next item on the agenda was the Authority's proposed fiscal year 2015-16 budget (the "Budget"). Mr. Kauffman asked the Authority's Treasurer, Jeffrey J. Pitkin, to provide a report on the Budget.

Mr. Pitkin summarized some of the significant items included in the Budget. First, Mr. Pitkin reported that revenues are budgeted at $962.5 million for fiscal year 2015-16, an increase of $194.2 million (25.3%) from the current year budget. The principal reasons for the increase are due to (a) an increase of $110.9 million in scheduled collections pursuant to previously approved PSC Orders for the Energy Efficiency Portfolio Standard ("EEPS") and Renewable Portfolio Standard ("RPS") programs; (b) an increase of $40.9 million for a proportionate share of collections anticipated to commence in 2017 for Market Development and Innovation initiatives under the CEF proposal; (c) an increase of $24 million in funding for expenditures under the Indian Point Energy Center Reliability Contingency Program; and (d) an increase of $15.6 million in anticipated allowance auction proceeds under the Regional Greenhouse Gas Initiative ("RGGI") based on an increase in the assumed allowance price using the most recent auction prices.

Mr. Pitkin then reported that expenditures are budgeted at $700.5 million, a decrease of $10.3 million (1.5%) over the current fiscal year budget. The principal reasons for the decrease are due to (a) a decrease in aggregate program expenditures of $12.1 million reflecting current program spending rates and certain program activities which will be winding down; (b) an increase of salaries and benefits of $5.1 million reflecting funding for 380 positions, whereas the budget for the current fiscal year included vacancies in certain positions during a portion of the year; and (c) a decrease of $3.9 million in New York State Assessments, reflecting a non-recurring increase in the State cost recovery fee, which was included in the current fiscal year budget.

Mr. Pitkin also stated that the Budget includes $1.7 million for capital assets purchases, primarily for costs of upgrading the NYSERDA Enterprise Information System, the Authority's financial management system, to the most current released version in order to maintain vendor support of this critical enterprise system. In addition, the Budget anticipates a balance of unrestricted net assets of $3 million as of March 31, 2016, representing approximately 0.4% of total budgeted expenditures. Mr. Pitkin stated that management believes this amount will provide sufficient resources to meet working capital needs and unanticipated expenditures necessary to maintain public health and safety at the Western New York Nuclear Service Center ("West Valley").

In response to an inquiry from Mr. Daly, Mr. Pitkin stated that the CEF proposal presents collections scheduled over fiscal years 2016-2025 to complete the capitalization of the NY Green Bank, fund NY Sun, and to fund the new market development and innovation activities, which will be undertaken under the CEF. Mr. Pitkin explained that the CEF proposal looks to utilize cash balances that have accumulated in Authority programs given the timing difference between the PSC Orders and the expenditures in current programs. The collections and expenditures proposed will quickly wind down cash balances and maintain those balances at appropriate levels. Mr. Pitkin stated that the PSC Orders have created a timing issue, but that this is being continuously monitored by staff.

In response to an inquiry from Mr. Daly, Mr. Pitkin explained that the end-of-year balance is close to $900 million in funding and that the Authority's plan is to use this funding in conjunction with collections to lower the Authority's cash balance to $50 million.

Mr. Kauffman added that, in general, the Authority adopts a conservative approach which accounts for the disparity in balances.

Mr. Daly stated that he thinks this is the right strategy, but that he believes the Authority needs to track and map the plan over time, detailing that in order to avoid further surcharges, the Authority may not be following the plan.

Mr. Pitkin added that the CEF proposal mentioned pay-as-you-go, which is a different approach from past PSC Orders, which has proscribed amounts on a yearly basis regardless of usage. This shift to pay-as-you-go will put collections more in line with the Authority's expenditures.

In response to an inquiry from Mr. Quiniones, Mr. Pitkin explained that the net asset balance level of $3 million is a discretionary level that the Authority thinks is prudent.

In response to an inquiry from Mr. Quiniones, Mr. Pitkin stated that all unexpended cash is invested in treasury bills, notes, and strips, and that due to investment guidelines the Authority does not engage in exotic investments.

In response to an inquiry from Mr. Kauffman, Mr. Rhodes explained that the Authority has a number of both open positions for which the Authority would like to hire candidates, as well as a number of positions the Authority is not filling. Mr. Rhodes added that the Authority is still some distance away from determining staff needs, but will keep the Members updated on this issue. In terms of filling positions, Mr. Rhodes stated that the Authority is in a good position and is not having difficulty filling positions.

Mr. Kauffman then asked Dr. Elizabeth Thorndike, Chair of the Waste and Facilities Management Committee (the "W&FMC"), to report on the portions of the Budget considered by the W&FMC.

Dr. Thorndike stated that the W&FMC met earlier that day and received a full report from Mr. Pitkin describing the significant Budget items related to both the West Valley Site Management Program and radioactive waste policy and nuclear coordination activities. Based on Mr. Pitkin's report, the W&FMC unanimously voted to recommend that the Board approve the Budget for both the West Valley Site Management Program and radioactive waste policy and nuclear coordination activities.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, the following resolution was adopted.

Resolution No. 1417

> RESOLVED, that the proposed fiscal year 2015-16 Budget submitted to the Members for consideration at this meeting, with such non-material, editorial changes and supplementary schedules as the President and Chief Executive Officer, in his discretion, may deem necessary or appropriate, be and it hereby is approved for submission to the persons designated in Sections 1867(4) and 2801 of the Public Authorities Law.

Mr. Kauffman indicated that the next item on the agenda was a report on items considered by the W&FMC meeting. Dr. Thorndike stated that the W&FMC received a status report from West Valley Program Director Paul Bembia on West Valley Site Management program activities.

The first main area of recent work on the West Valley Demonstration Project is Department of Energy ("DOE") progress toward moving high-level radioactive waste from the Main Plant Process Building to the new high-level waste storage pad. Dr. Thorndike stated that DOE contractor CH2M Hill B & W West Valley ("CHBWV") is continuing to work on transport systems to move the high-level waste, as well as make improvements to the building and the road to the storage pad. CHBWV plans to move the first loaded high-level waste storage cask to the storage pad in May 2015. The second main area of recent work is the preparation of the Main Plant Process Building and the Vitrification Facility for demolition.

Dr. Thorndike updated the Members on the State-Licensed Disposal Area ("SDA"), which the Authority continues to manage safely and in full compliance with all regulations. Dr. Thorndike mentioned that the New York State Department of Environmental Conservation ("DEC") recently conducted its annual inspection of the Authority's program for managing the SDA. DEC determined that the Authority is in compliance with the Authority's Radiation Control Permit and with State radiation protection regulations.

Dr. Thorndike then turned to the investigation into the leachate elevation increase in disposal Trench 14. Dr. Thorndike stated that, in November 2014, a video inspection confirmed that all drain lines near Trench 14 are intact and functioning properly. The Authority recently contracted with an engineering firm to evaluate the increase and provide recommendations for mitigation, which should be available in May 2015. Dr. Thorndike mentioned that, throughout 2014, the leachate elevation in this disposal trench increased less than one inch.

Dr. Thorndike then stated that Mr. Bembia informed the W&FMC that staff continue to work with DOE on joint studies to address the technical issues the Authority has identified with the decommissioning analysis presented in the 2010 Final Environmental Impact Statement. In collaboration with DOE, staff expect to award a contract this summer to prepare a long-term Probabilistic Performance Assessment for Phase 2 decommissioning decisions. Staff are negotiating a supplement to the Authority's Cooperative Agreement with DOE to memorialize the collaboration on the Probabilistic Performance Assessment and Supplemental Environmental Impact Statement, and will submit the agreement for Board approval at the appropriate time.

Mr. Bembia then informed the W&FMC that the aerial radiation survey of West Valley and Cattaraugus Creek was completed in September 2014. The report was recently received by staff and is currently being reviewed.

Dr. Thorndike stated that Mr. Bembia ended his report with a discussion of oversight of DOE's waste transportation activities at West Valley. Currently, DOE and various contractors conduct six separate assessments to verify that waste transportation is conducted safely and in compliance with requirements. Historically, the Authority has not conducted an independent evaluation in addition to these six assessments. To reflect the Authority's interest in safe waste transportation, Mr. Bembia recommended that staff formally participate in one of the existing assessments, namely, the annual DOE-West Valley surveillance of the waste transportation program.

Dr. Thorndike then updated the Members on a report given to the W&FMC by Senior Project Manager Alyse Peterson about the Authority's nuclear coordination and radioactive waste policy activities. In the area of radioactive waste, Ms. Peterson confirmed that, last summer, the Authority met its statutory requirement to report on facilities in the State that generated, stored, or disposed of low-level waste during the previous calendar year. The report found that, in 2013, 39 of those facilities reported disposing a total of 52,000 cubic feet of low-level waste at out-of-state facilities.

Ms. Peterson also updated the W&FMC on the Nuclear Regulatory Commission's ("NRC") Continued Storage Rule, formerly known as the Waste Confidence Rule. Based on a new Environmental Impact Statement, the final rule generically addresses environmental impacts of continued storage of spent fuel and does not require considering site-specific environmental impacts for future licensing actions. The Office of the New York State Attorney General has petitioned for court review of this decision.

Ms. Peterson then updated the W&FMC on seismic evaluations that the NRC is requiring nuclear power plans to complete in the wake of the Fukushima incident. Last May, the Authority requested that the NRC place Indian Point in the highest priority group for these evaluations, which the NRC subsequently did. Indian Point owner Entergy contested that designation. In November, the NRC reaffirmed that Indian Point would remain in the highest priority group.

Dr. Thorndike stated that Ms. Peterson concluded her report with a status update on the Indian Point emergency license amendment, by which the NRC reduced the capacity requirements for one of the station's batteries while a new battery was ordered. The Authority believed that preparations could have been made for reduced battery capacity before the need arose for an emergency license amendment. With approval from the Governor’s Office, the Authority expressed its concerns in comments to the NRC.

Dr. Thorndike added that Ms. Peterson has recently been nominated to serve as Chair of the National Low-Level Waste Forum.

Mr. Kauffman indicated that the next item on the agenda was a report on items considered by the Audit and Finance Committee (the “A&FC”). Mr. Kauffman turned to Jay Koh, Chair of the A&FC, to provide the report.

Mr. Koh stated that the A&FC met just before the Board meeting and a quorum was present throughout the meeting. The A&FC received a report from Mr. Pitkin on a proposed conversion by the New York State Electric & Gas Corporation (“NYSEG”) of four series of bonds previously issued on behalf of NYSEG in an aggregate principal amount of $204.5 million. The resolution would authorize a waiver of the requirement that the bonds achieve an “A” rating at the time of conversion, provided that the bonds would achieve a rating of at least “BBB” from Standard & Poor’s or “Baa2” from Moody’s. This resolution would waive the “A” requirement through December 31, 2015.

Mr. Pitkin reported to the A&FC that, historically, the Members have required that Authority bonds issued on behalf of any of the investor-owned utilities achieve an “A” rating, at both the time of issuance and any time they are subsequently converted to a different interest rate mode. This rating requirement was also generally required by the Public Authorities Control Board (“PACB”), which approves the Authority’s bonds.

The purpose of these requirements was to protect the Authority’s interests by ensuring that bonds issued on a conduit basis achieved a sufficient minimum rating. As a result of the Authority’s policy, those utilities which were not rated “A” were required to obtain credit enhancement support, such as municipal bond insurance or a letter of credit facility, from a provider with at least an “A” rating.

When these minimum rating requirements were first established, letters of credit and highly-rated insurance policies were widely available at reasonable costs, and obtaining the support facilities resulted in higher ratings and generally lower interest rates, which in turn resulted in net cost savings realized by the utility's ratepayers.

NYSEG currently has a rating of "A3" by Moody's and "BB+" with a stable outlook by S&P.

NYSEG advises that bond insurance and letters of credit are still not widely available at reasonable costs and that requiring a minimum "A" rating at time of conversion during calendar year 2015 would likely add 125 basis points or more to the cost of funding, with the additional cost being borne by its ratepayers. The Board has approved similar requests in the past, including a request for NYSEG in April 2010.

Staff believe it is appropriate to grant the waiver requested by NYSEG. In the current interest rate environment, staff do not believe the ratepayers' interests are furthered by requiring NYSEG to incur credit enhancement costs that exceed the benefits provided. Staff from the Department of Public Service ("DPS") concur with this approach.

These changes and waivers, once approved by the Authority, will also be approved by the PACB before the implementation of amendments and modifications are made to prior resolutions and documents approved in connection with the original issuance of the bonds.

Mr. Koh then stated that the A&FC unanimously recommends approval of the resolution authorizing the conversion of the four series of bonds, with the additional acknowledgement that this is a waiver of existing policy and does not set a precedent.

In response to an inquiry from Mr. Willis, Mr. Koh indicated that the Authority would not be liable in the event of a default on the bonds.

In response to an inquiry from Mr. Willis, Mr. Pitkin stated that NYSEG has a multi-year financing plan and has elected to hold its debt in order to preserve the ability to reissue on a tax-exempt basis rather than issue new bonds.

Mr. Kauffman added that there was extensive conversation at the A&FC meeting, and that approval was only made after that discussion.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, the following resolution was adopted.

Resolution No. 1418

RESOLVED, that the Members of the Authority authorize the amendment of the Trust Indentures by and between the Authority and The Bank of New York Mellon, successor Trustee to Deutsche Bank Trust Company Americas (collectively, the "Trust Indentures"), the Participation Agreements, by and between the Authority and New York State Electric & Gas Corporation (collectively, the "Participation Agreements"), and other documents relating to Pollution Control Refunding Revenue Bonds (New York State Electric & Gas Project) 1994 Series B; Pollution Control Refunding Revenue Bonds (New York State Electric & Gas Project) 1994 Series C; Pollution Control Revenue Bonds (New York State Electric & Gas Project) 2004 Series A; and Pollution Control Revenue Bonds (New York State Electric & Gas Project) 2005 Series A (collectively, the "Bonds"), in order to waive the minimum rating requirement of "A" with respect to the conversion of each series of the Bonds to a Term Rate or Fixed Rate (as those interest rate terms are defined by the related Trust Indentures), and to allow the remarketing of such series of Bonds at a rating of no lower than BBB/Baa2; and

BE IT RESOLVED, that the Authorized Officers of the Authority are each hereby authorized and directed to execute and deliver any such other agreements, documents, or certificates (including, but not limited to, any agreements, documents, or certificates deemed necessary or proper to evidence or establish compliance with applicable provisions of the Internal Revenue Code of 1986, as amended), to do and cause to be done any such other acts and things and to make such other changes, omissions, insertions, revisions, or amendments to the Bond documents as they may determine necessary or proper for carrying out, giving effect to, and consummating the transactions contemplated by this resolution; and

BE IT FURTHER RESOLVED that this resolution shall be in effect during the calendar year ending December 31, 2015 unless extended by the Members pursuant to resolution.

Mr. Kauffman indicated that the next item considered by the A&FC was the appointment of Bond Counsel to the Authority. Mr. Kauffman asked Mr. Koh to provide a report on that item. Mr. Koh reported that the Members are requested to approve the appointment of Hawkins Delafield & Wood LLP (“Hawkins”) and McKenna Long and Aldridge, LLP (“McKenna”) as Bond Counsel to the Authority.

Mr. Koh explained that, under the Authority’s Financial Services Guidelines, the Authority is required to issue a request for proposals (“RFP”) for bond counsel services every five years. In accordance with those guidelines, the Authority issued an RFP to engage bond counsel services in October 2014. An evaluation panel of staff from the Office of the General Counsel and the finance unit met to review the eight proposals received in response to the RFP, and recommended that Hawkins and McKenna be appointed as the Authority’s Bond Counsel.

Mr. Koh stated that Bond Counsel is responsible for advising and assisting in the implementation of the Authority’s financing program. In addition, the Bond Counsel provides guidance and support with respect to general financial matters facing the Authority.

In accordance with past practice, the Authority does not pay for Bond Counsel services performed in connection with conduit issues. Instead, the utility or other entity on whose behalf the bonds are issued will be responsible for the costs of issuing the bonds. Therefore, no funds are currently budgeted for these services.

Pursuant to the terms of the RFP, prior to entering into agreements with the Authority, Hawkins and McKenna will each be required to provide the Authority with a Minority and Women-Owned Business Enterprises (“MWBE”) Utilization Plan that details each firm’s “good faith” efforts to actively solicit MWBE participation in connection with its services.

Mr. Koh reported that, if approved, staff will enter into a letter agreement with Hawkins and McKenna to serve as Bond Counsel for the period January 1, 2015 through December 31,

2019. The A&FC unanimously recommended approval of the appointment of Hawkins and McKenna as Bond Counsel.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, the following resolution was adopted.

Resolution No. 1419

> RESOLVED, that the President and CEO is authorized to engage the firms of Hawkins Delafield & Wood, LLP and McKenna Long and Aldridge, LLP to serve, as the President and CEO may determine is required from time to time, as bond counsel for the Authority on its financings, and provide legal advice and counsel as may be necessary or desirable on matters involving trusts and other financial related services.

Mr. Kauffman indicated that the next item considered by the A&FC was a report from Mark Mitchell, Director of Internal Audit, on recent audit activities. Mr. Koh stated that Mr. Mitchell provided the A&FC with a report on his recent activities, discussing the results of recently completed audits and providing the status of ongoing activities. Mr. Koh stated that the two specific reports provided by Mr. Mitchell spoke to the Multifamily Energy Performance Portfolio ("MEPP") and the Data Warehouse Phase 1 Independent Verification and Validation ("IVV") Project. There were four recommendations made for MEPP, all of which were adopted, and the project management of the Data Warehouse Phase 1 IVV project was commended by the A&FC. Mr. Koh indicated that the A&FC was able to ask questions and was satisfied with the discussion.

Mr. Kauffman indicated that the last item considered by the A&FC was a report on recent audits by the State Comptroller. Mr. Koh stated that Mr. Pitkin provided the A&FC with a report on recent audits made by the State Comptroller, discussing the results of a recently issued audit report and providing the status of a recently completed audit. Mr. Koh reported that there were three recommendations adopted by the Authority following a report regarding discretionary spending policies received in December 2014. Mr. Koh indicated that the A&FC was able to ask questions and was satisfied with the discussion.

In response to an inquiry from Mr. Daly, Mr. Koh stated that there was nothing material in the report that gave the A&FC any concerns. Mr. Pitkin added that the report pointed out the need for documentation that allows someone who does not have a high level of knowledge about the Authority to understand the benefits of the Authority's mission and the appropriateness of certain costs the Authority incurs.

Mr. Kauffman indicated that the next item on the agenda was the Periodic Procurement Contracts Report. Cheryl Earley, Director of Contract Management, stated that pursuant to Public Authorities Law §2879, the Members are requested to adopt a resolution approving a Periodic Procurement Report covering the period August 16, 2014 through December 15, 2014. The report summarizes 5,777 procurement contract actions exceeding $5,000 that were initiated or modified during this period, which total approximately $284 million. Ms. Earley stated that over 99% of the procurement contracts were competitively selected, and 99% of the dollars committed resulted from competitive procurement.

Ms. Earley reported that an additional 1,964 contract actions are expected to be executed by the Authority which have a period of expected performance in excess of one year. These contract actions total approximately $552 million.

Ms. Earley stated that the Members had been provided with a Periodic Procurement Report that summarizes the Authority's efforts to engage MWBE participation, in accordance with Article 15-a of the Executive Law. Ms. Earley reported that, of the 20 contracts subject to Article 15-a which were initiated or modified during the reporting period, 35% of the total number of contracts were awarded to certified MWBEs, representing 43% of the total contract amounts.

In response to an inquiry from Mr. Willis, Ms. Earley stated that the Authority has maintained a consistent level of approximately 30% overall MWBE participation over the years.

In response to an inquiry from Mr. Kauffman, Ms. Earley stated that the Authority has been close to the 30% level that the Governor is calling for going forward. Ms. Earley reported that the Authority is looking to make improvements and to, expand the pool of contracts.

In response to an inquiry from Ms. Abbott, David Margalit, Chief Operating Officer, stated that the Authority has looked at opportunities to be more expansive. Mr. Martens offered to share the list of qualified contractors that DEC uses in its procurements.

In response to an inquiry from Dr. Thorndike, Mr. Pitkin stated that the Authority can look into sorting the contract list to determine funding by region.

The Chair then stated that Counsel's office has compared the lists provided by Members of entities with which each Member is associated which he or she believes may enter into contracts with the Authority to the lists of contracts in the Periodic Procurement Report. Counsel's office reports the following potential conflicts. The Authority has entered into or anticipates entering into contracts with Syracuse University, identified by Shere Abbott; National Grid, identified by Kenneth Daly; Consolidated Edison Company of New York, Inc. and Con Edison Solutions, identified by John McAvoy; Cornell University, Paul Smith's College, and University of Rochester, identified by Elizabeth Thorndike; and JP Morgan Chase and New York University, identified by Mark Willis.

Whereafter, upon motion duly made and seconded, the following resolution was adopted. Ms. Abbott, Mr. Daly, Mr. McAvoy, Dr. Thorndike, and Mr. Willis abstained from the vote solely with regard to contracts involving the respective entities identified by each of them above.

Resolution No. 1420

RESOLVED, that the Periodic Procurement Contracts Report, covering the period August 16, 2014 through December 15, 2014, as presented at this meeting, including but not limited to the contracts identified therein which have been, or are expected to be, executed and which do have, or are expected to have, a period of performance in excess of one year, is hereby approved in accordance with Public Authorities Law Section 2879.

Mr. Kauffman then took a moment to recognize Ms. Earley for her service, as she will be retiring after 37 years with the Authority. Mr. Kauffman stated that the Authority has benefited greatly from Ms. Earley's hard work and expertise, and that she will be greatly missed. Mr. Kauffman thanked Ms. Earley and wished her good luck in her future endeavors.

The Chair indicated that the next item on the agenda was a proposed cost of living increase for the President and CEO. In accordance with the Public Authorities Law, the Members are required to approve the compensation of Officers, including salary increases.

Historically, the Authority has provided its employees with benefits comparable to those provided to Management Confidential employees by the State.

An agreement was put in place, retroactive to April 1, 2014, which prescribes a salary increase of 2% beginning April 1, 2014. The Members previously approved a similar increase for the Authority's other Officers in September 2014.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, the following resolution was adopted.

Resolution No. 1421

> RESOLVED, that the proposed 2% cost of living salary increase retroactive to April 1, 2014, payable as appropriate to the President and CEO is hereby approved.

Mr. Kauffman indicated that the next item on the agenda was a resolution appointing Ms. Abbott to the W&FMC, stating that he had spoken to Ms. Abbott and that she is willing to serve in that capacity. Mr. Kauffman thanked Ms. Abbott for devoting her time and attention to the work of the Authority, adding that the Authority will benefit from her expertise.

Whereafter, upon motion duly made and seconded, a resolution was adopted appointing Ms. Abbott to the W&FMC.

Mr. Kauffman indicated that the next item on the agenda was a report on the Authority's NY Prize initiative from Micah Kotch, Director of NY Prize.

Mr. Kotch stated that NY Prize is a new program that aims to provide community-scale microgrids across New York, and mentioned that community microgrids are not defined in the traditional sense of commercial office buildings or universities but are broader systems that improve a group of customers, including municipal facilities. These systems will most likely incorporate utility infrastructure, and so will benefit both customers and local distribution utilities.

Mr. Kotch stated that NY Prize is a $40 million program and that the Authority has been working closely with the Governor's Office of Storm Recovery, NYPA, DPS, and the New York State Smart Grid Consortium to help draft a feasibility study RFP. The RFP is expected to be out within the next month, and hopes to have roughly 25 feasibility studies across New York, which will take approximately 6 months. The next stage would be an audit grade design, which would select roughly 10 projects from the initial 25, and the third stage would include 5 projects that will actually serve real customers with microgrid systems.

Mr. Kotch reported that the goal is not one-of-a-kind projects, but rather first-of-a-kind projects, since retroability and scalability is the ultimate goal. Mr. Kotch emphasized that NY Prize is a transformational mechanism that intends to not only demonstrate the principles of the Reforming the Energy Vision ("REV") initiative but also engage communities and improve their energy literacy. In addition, NY Prize aims to find ways of offering similar programs, whether they are through the Authority, NYPA and other utilities, or other actors.

The scope of NY Prize includes flexibly connected and optimized grids, which begins with extensive community engagement. As such, the Authority has carried out 6 community "road show" events around New York, discussing REV, the NY Green Bank, the CEF, and NY Prize. Mr. Kotch stated that over 100 people have come out to each location, including local community-based organizations, elected officials, and others who have been working around efficiency and clean energy. These individuals have been engaged in the process, and the goal is to communicate to them in simple terms what a path of community microgrids might look like and how they might drive REV principles through demonstration projects. In addition, Mr. Kotch indicated that NY Prize intends to show people that there are also other programs that exist that can help them achieve local objectives.

Mr. Kotch stated that this process has leveraged much of the work that the Authority has been engaged with since 2010, when initiatives for microgrids first started, and has updated that work with a publically available critical facility resilience study in conjunction with the Department of Homeland Security and Emergency Services as well as DPS. Mr. Kotch said that the scope of this work has attracted national attention, and that the DOE is now supporting two projects in New York. The first is in Potsdam, and includes work with General Electric, and the second is in Buffalo, supported by the Electric Power Research Institute. In addition, the Authority is working with the Green Building Council on a program designed to standardize the work of individuals involved with energy engineering.

The rollout and award process of NY Prize involves an RFP that the Authority has been working to market around New York with project developers and solution providers in order to build interest in the program. Mr. Kotch reiterated that the first wave of feasibility studies should be complete within 6 months and that the RFP for community microgrid designs should be issued in spring 2015. Mr. Kotch believes that the design for a community microgrid should take between 12 to 18 months, and that the subsequent project build is a process that can take up to 2 years, although communities like Potsdam and Buffalo are farther along.

Mr. Kotch believes that the Authority has taken a very data-based approach that is collaborative with different distribution utilities across New York, and that this has helped to find areas where community microgrid systems can actually help to solve utility problems, with roughly 35 opportunities currently identified. Mr. Kotch mentioned that the utilities have appointed contacts for NY Prize, so that individuals who are interested in the program are able to email or call a utility representative in addition to the Authority's regional outreach coordinators. Mr. Kotch stated that the goal is to animate markets, and that he can think of no better scalable way forward than to have this interactive, web-based system that shows where opportunities exist as well as complementary indicators of success. In other words, the math behind the program generates interest and connects the dots, serving as a significant tool to identify where the best projects can be found.

In response to an inquiry from Mr. Kauffman, Mr. Kotch stated that NY Prize aims to understand how customers are engaged with their local utility and municipal officials to build systems that will give them more control over energy usage, especially in extreme weather events. Mr. Kotch indicated that the challenge is not the technology or technology development involved, as the Authority has been supporting that for years, but is rather the regulatory and statutory changes necessary across both the State and the nation in order to see these systems scale.

In response to an inquiry from Mr. Koh, Mr. Kotch first stated that NY Prize will be a road map for the path forward for energy efficiency. As a concrete example, Mr. Kotch then pointed to Potsdam, NY, which was flattened by an ice storm in 1998 and was without power for weeks. The Authority is now in the process of supporting a plan for a community microgrid that would pick up roughly 12 different customers, underground their overhead system, and incorporate the power plant currently working at SUNY Potsdam in addition to 1 mega watt of hydropower, 2 mega watts of solar, and 2 mega watts of storage. Mr. Kotch stated that this example illustrates a system that has benefits for utilities and communities, and hopefully has positive implications for energy affordability that allow the State to meet some of its environmental goals. Mr. Kotch also stated that the Potsdam example provides a "lessons learned" road map for similar rural communities.

In response to an inquiry from Mr. Shah regarding the issue of specialized knowledge requirements, Mr. Kotch stated that "road show" events are a great place to start, where the Authority is actively engaging local municipal officials, community-based organizations, and other stakeholders. Mr. Kotch also stated that the Authority is working with stakeholders including the NY State Smart Grid Consortium and NY-BEST, with resources available for applicants including information about 10 different vendors who are FlexTech certified and have experience with microgrids. Mr. Kotch welcomed suggestions on how to improve the process.

Mr. Shah pointed out that NY Sun has a requirement that there is a bonus paid to applicants who are eligible for solar, and suggested that this may be helpful.

In response to an inquiry from Mr. Koh, Mr. Kotch stated that the Authority is working with the Governor's Office of Storm Recovery and $20 million of the Department of Housing and Urban Development's Community Development Block Grant money, which has certain spending restrictions. Mr. Kotch mentioned that the Authority is currently looking to utilize that funding for project development. However, there is also a need to leverage private capital, and the Authority has spent a lot of time with project developers to understand some of the things that need to change. Mr. Kotch indicated that this is where regulatory and policy hurdles come into play.

Mr. Kauffman stated that there have been a lot of other prizes done around the world and emphasized the ability to draw on the best ideas of how to administer the prize, asking for Mr. Kotch's opinion. Mr. Kotch stated that he has been working on this program fulltime for about 4 months and has spoken to individuals in Massachusetts, Connecticut, and New Jersey, where there are similar programs designed to inspire microgrids. However, Mr. Kotch stated that NY Prize is different because it views the program as a mechanism to begin to test REV principles and identify systems where there is both a direct customer and a utility. Mr. Kotch mentioned that the process involves a lot of customer discovery in terms of knowledge of right designs and what kind of data is needed in order to determine whether there is a "go" or "no go" decision. Mr. Kotch added that there has also been a lot of customer engagement in terms of solutions providers, project developers, and municipal officials in order to bring answers to life. Mr. Kotch reiterated that he thinks the Authority is on the right path, although the Authority needs to find ways to mobilize third party capital, which is currently the main focus.

In response to an inquiry from Mr. Willis, Mr. Kotch stated that there is no current "universe" of feasibility studies and that the Authority is attempting to build the feasibility study process from the ground up. Mr. Kotch stated that an external selection committee will assist with judging feasibility studies.

Mr. Quiniones applauded the effort to work closely with distribution utilities, which is critical to make the NY Prize initiative scalable and able to integrate the initiative with current systems, urging Mr. Kotch to continue doing so.

The Chair indicated that the last item on the agenda was other business.

Dr. Thorndike commented on the passing of Mario Cuomo, pointing out that he was a friend of the Authority. Dr. Thorndike then turned to Mr. Martens, who had more opportunities to work directly with Mario Cuomo.

Mr. Martens stated that he was blessed by having the opportunity to work with Mario Cuomo, saying that he attended both the wake and funeral. Mr. Martens added that Mario Cuomo served as an amazing advocate for the environment and energy, and that what he accomplished was remarkable.

Mr. Shah mentioned that Mr. Kotch had discussed REV but that it is not clear all Members are familiar with it, stating that it would be good to educate the Members.

Mr. Kauffman stated that this is not limited to the Members, since many aspects of the State's energy plan are not clear to stakeholders. Mr. Kauffman added that it will be seen in the next couple of months how all the various pieces come together, including the State Environmental Plan, CEF, and REV proceedings. In addition, there are questions on how the Authority will provide a commitment to large scale renewables. Mr. Kauffman reiterated that there are many elements involved, and that the intention of the Authority in the coming months is to lay out all the pieces and see how they fit together.

Mr. Daly mentioned Governor Cuomo's State of the State Address, saying there were few comments on energy but that there seemed to be more behind the scenes. Mr. Daly asked if there was anything new, or if the Members should wait until it all comes together. Mr. Kauffman stated that there is a section of the State of the State Address that covers energy, and that there is also a book that covers energy and the direction of policy in more detail. Mr. Kauffman then indicated that it would be best to wait for the Program Planning Committee meeting, when the Authority can collect the thoughts of Members and formulate the best way to communicate with stakeholders.

Mr. Willis encouraged the Members to communicate with staff outside of meetings if they have questions.

Thereafter, there being no other business, upon motion duly made and seconded, and by unanimous voice vote of the Members, the meeting was adjourned.

Noah C. Shaw
Secretary

January 26, 2015

REVISED NOTICE OF MEETING AND AGENDA

TO THE MEMBERS OF THE NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY:

PLEASE TAKE NOTICE that a regular (the 225th) meeting of the New York State Energy Research and Development Authority will be held in the Authority's Albany Office at 17 Columbia Circle, Albany, New York, and in the Authority's New York City Office at 1359 Broadway, 19th floor, New York, New York, and in the Authority's Buffalo Office at 726 Exchange Street, Suite 821, Buffalo, New York, and at the office of the New York Power Authority at 123 Main Street, White Plains, New York, on Monday, January 26, 2015, commencing at 12:00 noon, for the following purposes:

1. To consider a resolution appointing Gil Quiniones as Vice Chair of the Authority.

2. To receive reports on the proposed FY 2015-16 Budget of the Authority from the Treasurer and from the Waste and Facilities Management Committee and to consider and act upon a resolution approving the Authority's FY 2015-16 Budget.

3. To receive a report from the Waste and Facilities Management Committee.

4. With respect to items considered by the Audit and Finance Committee:

   (a) to consider and act upon an implementing resolution authorizing the conversion of four series of bonds previously issued by the Authority, on behalf of New York State Electric & Gas Corporation, to finance pollution control, sewage and solid waste disposal, and other facilities located in New York;

   (b) to consider and act upon a resolution approving Hawkins Delafield & Wood, LLP and McKenna Long and Aldridge, LLP as Bond Counsel to the Authority;

   (c) to receive a report from the Director of Internal Audit on recent internal audit activities; and

   (d) to receive a report on recent audits by the Office of the State Comptroller.

5. To consider and act upon a resolution approving a periodic procurement contracts report.

6. To consider and act upon a resolution appointing Sherburne Abbott to the Waste and Facilities Management Committee.

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7. To consider and act upon a resolution approving a salary increase for the President and CEO.

8. To receive a report on one of the Authority's ongoing programs.

9. To transact such other business as may properly come before the meeting.

Members of the public may attend the meeting at any of the above locations. Video conferencing will be used at all 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.nyserda.ny.gov/About/Board-Governance/Board-and-Committee-Meetings.

Noah C. Shaw
Secretary