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

Minutes of the 90th Meeting
Held on March 31, 2015

Pursuant to a Notice and Agenda dated March 17, 2015, the 90th 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 Tuesday, March 31, 2015, in the Authority's New York City Office, located at 1359 Broadway, 19th floor, New York, New York and the Authority's Board Room at 17 Columbia Circle, Albany, New York.

The following Members of the Committee were present:

Mark Willis, Committee Chair
Richard Kauffman
Sherburne Abbott
Ken Daly
Jay Koh
John McAvoy
Gil Quiniones
Elizabeth W. Thorndike, Ph. D.

Member Jigar Shah was unable to attend. Member Charles "Chuck" Bell participated by teleconference and did not vote on any items.

Also present were: John B. Rhodes, President and CEO of NYSERDA; Janet Joseph, Vice President for Technology and Strategic Planning; 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 March 17, 2015. Each of the Committee Members introduced themselves.

Approval of September 8, 2014 Minutes

The first agenda item concerned the approval of the minutes of the 89th meeting of the Committee held on September 8, 2014. Upon motion duly made and seconded, and by unanimous voice vote, the minutes of the 89th meeting of the Committee were approved.

Report on Status and Future Directions of the Authority

John Rhodes, President and CEO of the Authority, described the corporate strategy transition and future directions of the Authority. He began by describing the future of New York's energy system and the State's Reforming the Energy Vision overall effort, which is New York's comprehensive strategy to enable self-sustaining, clean energy markets supporting a cleaner, more reliable, and affordable energy system. This effort is designed to result in the installation of more distributed resources to improve cost, reliability, and the use of clean energy. Mr. Rhodes described these efforts as ambitious and would be the basis of the discussion for the meeting.

Mr. Rhodes presented an overview of the future of the energy system that will focus on distributed resources and opportunities to improve cost, reliability and clean energy technologies. As part of the New York energy policy landscape, the discussion focused on regulatory reform and the evolution of State programs, such as the Clean Energy Fund portfolio, the NY-Sun Initiative, the New York Green Bank and NY Prize. Mr. Rhodes provided further detail regarding the Market Development and Innovation Strategy Portfolios that make up the Authority's proposed Clean Energy Fund portfolio, a ten-year, $5 billion funding commitment to support clean energy market development and innovation.

In response to an inquiry by Mr. McAvoy as to a more detailed description of "soft costs," Mr. Rhodes stated that soft costs often refers to those items that may discourage a good investment decision, or in other words, the costs that may be key in determining whether a decision ultimately makes sense. Soft costs traditionally do not include costs of hardware.

In response to Mr. Daly's inquiry about future strategies for using financial incentives, Mr. Rhodes responded by stating that an adaptive, flexible model will best serve the market. He stated two central ideas inherent in this approach: for the Authority to design programs with the customer at the center and for the Authority to assume the role of providing what others in the industry are not yet able or willing to provide.

Mr. Rhodes presented additional details on the specific programmatic areas under development, including opportunities for the commercial and industrial sectors, as well as efforts for both market-rate and low-to-moderate income residential and multifamily consumers. Opportunities for new, high-performance buildings, smart grid systems, renewable energy technologies, distributed energy resource integration, transportation, and innovation capacity and business development were also discussed.

In response to an inquiry by Mr. McAvoy as to the potential scope of activities in the transportation sector, Mr. Rhodes stated that electric vehicle technologies represent the area where he believes the Authority can have the most impact.

In response to a suggestion from Mr. Koh regarding narrowing the focus of the Authority on certain aspects of innovation, Mr. Rhodes stated that a similar approach was taken in developing its market development portfolio and resulting in a focus on the "mid-level" market activity area and certain decision stall points. Mr. Kauffman added that the Authority is positioning itself to be the type of market participant that brings others along as a way to increase market capacity and offer flexibility.

Mr. McAvoy stated that other market participants are engaging in some of the Authority's identified innovative strategies, particularly in the area of smart grid technologies. Ms. Joseph responded by stating that much thought went into striking the appropriate balance for Authority involvement, particularly in the area of smart grid technologies. Mr. Rhodes added that this may be one area, if embraced quickly by the market or utilities, where the Authority plays a more limited role.

Mr. Rhodes also presented future operating principles for the Authority that include ensuring that the Authority is responsive, adaptable, and easy to work with. The key will be to listen to markets and respond accordingly, rather than to dictate. A continuous "test, measure, adjust" approach will be embedded in all activities. The Authority will also manage performance in a way that ensures results are realized, that the course is changed when they are not.

Mr. Daly inquired as to whether the new principles are resulting in a corporate team that is "fit for purpose" or if skills gaps are being identified. Mr. Rhodes stated that the Authority is blessed with a technical and market savvy staff that is moving into new roles, developing new skills, and finding new areas of interest that coincide with the mission. Staff development and recruitment are being pursued when gaps in skills are identified.

Mr. Koh suggested that the State itself is a very meaningful market actor with its large needs for energy, goods, and real estate. He inquired as to whether there is any aggregation of the government needs. Mr. Quiniones described some of the efforts underway under the leadership of the New York Power Authority ("NYPA") including: energy efficiency work (such as installing "smart" meters), providing financing, working with the Authority and certain New York cities to implement efforts identified in the cities' respective energy master plans, and implementing the State's K-Solar initiative that is currently serving over 250 interested school districts. Mr. Quiniones also described efforts toward developing standardizing contracts, measurement and verification standards, financing and other documentation that will benefit both participants and the State. In response, Mr. Koh was pleased to hear of the coordination between the Authority and NYPA in the described efforts.

Dr. Thorndike stated that she believed what was presented was an excellent plan, but cautioned that certain elements are still in the development stages and that receiving more information as to the implementation of the specifics, including timing, would be helpful. She particularly favors the adaptive management approach and the efforts geared toward local governments and suggested that the Authority focus on all three levels of local government. She stated a preference for the Public Service Commission to extend public comment periods on efforts such as the Clean Energy Plan filing to encourage participation by the full complement of organizations. Dr. Thorndike stated that the Authority should continue to strengthen its efforts to be perceived as a trusted scientific and technical source of information by establishing a national scientific advisory group that ensures the Authority remains at the top of its form as a public benefit entity. She added that it is worth considering the State's demographics and geography when developing new initiatives -- i.e., in that much of its population is in the New York City metropolitan area, yet much of the State's geography lies to the north.

In response to comments by Mr. McAvoy regarding the emphasis on distributed energy resources, Mr. Rhodes assured the Members that energy efficiency remains the most cost-beneficial resource. He added that it can also be the most challenging resource to pursue given the vast opportunities.

In response to an inquiry by Mr. Willis regarding how progress on future program efforts will be assessed, Mr. Rhodes stated that it is anticipated that the forthcoming State Energy Plan will establish statewide carbon reduction targets. In response, it is expected that the Authority would pursue its relevant portion of any established target. The Authority is considering additional metrics and Mr. Rhodes cited the Authority's concerted focus on animating private investment as a likely measure of progress.

Mr. Kauffman added that establishing measures of progress can be a challenge and that measuring resource acquisition only easily lends itself to accounting for expenditures and energy savings, but leads primarily to the creation of individual projects rather than evolving markets. The Authority is proposing a more challenging effort that will necessitate measuring the effects of "showing up" in a particular market arena. He cited the New York Green Bank as one example, and Mr. Rhodes added that the NY-Sun Initiative is an example whereby solar installations will ultimately continue without public incentives.

In response to a suggestion by Mr. Daly that the Authority's portfolio be tested against different economic and market scenarios (such as lower and higher energy prices, changed environmental standards, etc.), Mr. Rhodes welcomed further input, adding that, in his opinion, energy efficiency efforts would survive under all scenarios.

In response to an inquiry by Mr. Quiniones about the risks of a transition into a new business model, Mr. Rhodes agreed that there is typically some risk of execution, but the goal is to keep an eye on program design, staff capability, and developing the appropriate narrative for the benefit of the broader constituency.

In response to a comment by Ms. Abbott about the need for a clearly articulated communication strategy that explains the new strategic direction and the changing impacts on ratepayer investments, Mr. Kauffman agreed that developing the appropriate strategy that conveys the value to the ratepayer will be a significant challenge and looks forward to working with Ms. Abbott as that strategy is developed.

Mr. Willis indicated that the last item on the agenda was other business and asked if there were any other matters the Committee Members wished to discuss. There being none, upon motion duly made and seconded, and by unanimous voice vote, the meeting was adjourned.

Respectfully submitted,

Valerie A. Milonovich

Valerie S. Milonovich
Secretary to the Program Planning Committee

ANDREW M. CUOMO
Governor

RICHARD L. KAUFFMAN
Chair

JOHN B. RHODES
President and CEO

NOTICE OF MEETING AND AGENDA

March 17, 2015

TO THE MEMBERS OF THE PROGRAM PLANNING COMMITTEE:

PLEASE TAKE NOTICE that a meeting of the Program Planning Committee (the 90th 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 Tuesday, March 31, 2015, commencing at 11:30 a.m., for the following purposes:

1. To consider and act upon the minutes of the 89th meeting of the Program Planning Committee held on September 8, 2014.

2. To receive a report from the President and CEO on the status and future directions of the Authority.

3. 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.nyserda.ny.gov/About/Board-Governance/Board-and-Committee-Meetings.

Valerie A. Milonovich

Valerie S. Milonovich
Secretary to the Program Planning Committee