

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

Minutes of the 96th Meeting
Held on September 20, 2016

Pursuant to a Notice and Agenda dated September 6, 2016, the 96th meeting of the Program Planning Committee (“Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY was convened at 12:00 p.m. on Tuesday, September 20, 2016, in the Authority’s Board Room at 17 Columbia Circle, Albany, New York, and by video conference in 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
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 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. Kauffman 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 6, 2016. Each of the Committee Members introduced themselves.

Approval of June 21, 2016 Minutes

The first agenda item concerned the approval of the minutes of the 95th meeting of the Committee held on June 21, 2016. Upon motion duly made and seconded, and by unanimous voice vote, the minutes of the 95th meeting of the Committee were approved.

Resolution Regarding the 2017 Strategic Plan

John Rhodes, President and CEO and Janet Joseph, Vice President for Technology and Strategic Planning, David Margalit, Chief Operating Officer and Doreen Harris, Program Manager for

Large-Scale Renewables, presented the Committee with an overview of the Authority's Strategic Plan entitled, "*Toward a Clean Energy Future: A Strategic Outlook 2017-2020.*" The presenters provided the policy context, mission and outcomes, details on the Authority's various investment areas and priority initiatives included in the Strategic Outlook, a review of total projected Authority funding over the next three years, and a description of the Authority's organizational capabilities and operational priorities.

Mr. Rhodes began the presentation by stating that the main theme of the Authority's Strategic Outlook is to effectuate strategies for a cleaner, more resilient and affordable energy economy within the State. The Outlook describes programs that, upon implementation, will advance the State's clean energy goals.

Ms. Joseph presented the main policy drivers for the Strategic Outlook, which include: the State's Reforming the Energy Vision (REV) effort; implementation of the Clean Energy Fund (CEF); and implementation of the Clean Energy Standard (CES). Confirming that the Authority's fundamental mission, to advance innovative energy solutions in ways that improve New York's economy and environment, as well as the associated mission outcomes, remain intact, Ms. Joseph explained that the strategies, target markets, and policies to effectuate the mission are changing.

In response to an observation by Mr. Willis regarding the Authority's performance indicators, Ms. Joseph explained that the distillation of these for the eight investment areas and priority initiatives will be included within a report to be considered by the Board in June 2017.

Referring to energy efficiency as "the gift that keeps on giving," Mr. McAvoy complimented Ms. Joseph on the presentation and summary, stating the importance of the prominence of energy efficiency as the best solution.

Mr. Margalit presented more detail regarding the Authority's investment areas and priority initiatives. He emphasized efforts to address known monetary and non-monetary barriers, as well as the focus on reducing "soft" costs. Using the Real Time Energy Management (RTEM) program example presented at a previous Committee meeting, Mr. Margalit explained how this particular program effort exemplifies many of the new strategies which include: building capacity; training; advanced technical assistance; demonstration projects and pilot programs, as well as replicating business models within subsets of the same energy market sector. Mr. Margalit identified barriers for energy storage applications within the New York City area as well as other challenges that will require bespoke solutions, stating that multiple strategies will be required to accelerate the market and to remove obstacles to technology adoption.

With regard to Market Development initiatives, there was discussion regarding the near-term strategies, as well as transitional and new program initiatives. Special mention was given to the low-to-moderate income initiatives as well as to the recently released Off-shore Wind Master Plan.

In response to an inquiry from Mr. Daly regarding the Authority's intentions to continue effective legacy programs and its implementation approach as it pertains to new and existing programs, Mr. Margalit confirmed that the most effective programs will be retained, but only to the extent that they are not duplicative of independent market activity. Mr. Kauffman added that this presents a challenge in that, program administrators are often tempted to undertake those initiatives that result

in the best payback. He cautioned that this could lead to efforts in areas of the market where public intervention is unnecessary. Therefore, the Authority will strive to ensure that its market intervention is appropriate, measured, and evaluated.

In response, Mr. Daly inquired as to how one would test for the most appropriate market intervention opportunities given the potential for tension between environmental and economic policies. In response, Mr. Rhodes stated that Authority Staff will undertake efforts that are proven, even if they are of a more traditional nature. He added that the evaluation of indirect benefits will help the Authority to ultimately exit out of an effort once it is sufficiently addressed by the market. Mr. Kauffman added that aligning the Authority's programs more closely with REV efforts should encourage the State's utilities to shift away from traditional programs and toward providing more services for compensation.

In response to an inquiry by Mr. Koh regarding metrics and a roll-up of program results, Mr. Rhodes explained how the Authority will track progress and described the role of the performance indicators. In response to a related inquiry by Dr. Thorndike regarding the quantification of carbon reduction, Jennifer Meissner, Director of Performance Management, explained the methodological derivation of that performance indicator.

In response to an inquiry by Mr. Willis regarding the role of the Board as to the evolving efforts of measuring progress and reporting, Mr. Rhodes suggested that substantive conversations about the forthcoming market sector reports, as well as the Board's oversight over the investment plans that include program parameters will be good opportunities for the Board to engage.

In response to input from Mr. Willis and Mr. Koh on the issue of incorporating and measuring "value-added" or "additionality," Mr. Rhodes and Mr. Margalit described the approaches and challenges, particularly in determining the appropriate time to exit a particular program effort.

Ms. Joseph continued the presentation by describing three strategies for pursuing innovation and research efforts. The strategies include: direct investments; demonstration projects that can validate performance; and building a clean energy innovation ecosystem through the use of mentors, incubators, and investor networks with a goal of maximizing private investment.

In response to an inquiry by Mr. Willis, Ms. Joseph stated that, although many of the current program efforts are derivatives of previous work, areas such as distributed energy resources are growing in importance. Mr. Rhodes added that the Authority will not hesitate to venture into additional, appropriate areas of opportunity. Mr. Kauffman stated the importance of how new opportunities relate to New York's supply chain, research capacity, or workforce needs.

Ms. Joseph presented the near-term priorities for innovation and research which include grid modernization efforts that include a Smart Grid Road Map and environmental research that is particularly focused on offshore wind.

In response to an inquiry from Mr. McAvoy about whether the Authority's grid modernization activities include security and cyber security issues, Ms. Joseph stated that, although this is not a direct focus area for the Authority, it will be a threshold determinant for any actions going forward.

Mr. Koh stated that he is encouraged to see references to climate change and adaptation.

Ms. Joseph presented information with regard to NY-Sun program efforts which are designed to develop a sustainable solar electric industry. The Authority has set a quantitative target, however, the objective is to have a self-sustaining market in this area by 2023. Ms. Joseph reported that projects representing about one-third of the target are in progress and that some pending regulatory decisions regarding net metering and interconnection will likely have bearing on the trajectory.

In stating her support for solar energy efforts, Dr. Thorndike stated the importance of the continuing need to balance issues of siting and keeping the public informed. In response, Ms. Joseph stated that the Authority will likely take a more active role in siting, community engagement, and education. Noah Shaw, General Counsel and Secretary to the Board, added that, in many instances, siting issues are specific to a municipality. Mr. Daly added that stakeholder engagement is key in a geographic area where siting options are limited.

Doreen Harris presented information regarding the Authority's Clean Energy Standard (CES) responsibilities and activities. She stated that the New York State Public Service Commission Order issued on August 1, 2016 defines the Authority's role in administering many of the aspects of the CES. Investments in the CES will exceed the previous levels of investment in the Renewable Portfolio Standard (RPS) by a magnitude of four and these activities will constitute about one-third of the Authority's budget commitment. The Authority Staff will design platforms in partnership with the Department of Public Service and stakeholders. The design of these platforms will be mindful of the program objectives, but also those of the Authority and the REV principles. Ms. Harris added that more information will be shared with the Committee on this ongoing effort at future meetings.

In response to an inquiry by Mr. Willis, Ms. Harris and Mr. Shaw explained the definition of "credits" or "certificates", stating that they are a commodity which represent environmental attributes for each megawatt of electricity generated. NYSERDA will procure and dispose of these credits (or, certificates) in fulfillment of the obligations established under the CES. Mr. Kauffman and Mr. McAvoy provided general clarification regarding the underlying State policy of the CES, and specifically in response to comments by Dr. Thorndike.

Mr. Margalit concluded the presentation by explaining the Authority's operational priorities, describing them as more cost-effective, flexible, and adaptive.

In response to an inquiry by Ms. Abbott regarding time horizons for some of the strategic priorities, Mr. Rhodes explained the public review cycles and confirmed that information would be provided at least on an annual basis. Mr. Margalit and Ms. Meissner stated that the progress toward achieving milestones is also conveyed through quarterly public filings, as well as the annual report.

In response to an inquiry by Mr. Willis about how regularly the Board will see progress reports, Mr. Rhodes and Ms. Joseph provided that the metrics identified today, along with progress of annual goals toward the long-term goals will be shared annually with the Board.

Mr. Bell expressed his support for the low-to-moderate income sector discussion and the special characteristics of the needs of that particular market sector. Mr. Rhodes added that the Retrofit NY effort is key to the success in this area.

At the conclusion of the presentation and discussion, 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 2017-2020.*" 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 2016-2017

Treasurer Jeff Pitkin reported on the revisions to the Authority's Budget for Fiscal Year 2016-2017 ending March 31, 2017, which was originally approved at the January 2016 Board meeting. The Committee Members were asked to recommend adoption of a resolution by the full Board approving revisions to those portions of the Authority's budget for fiscal year 2016-2017 under its purview.

Mr. Pitkin reported that some revisions were made to the presentation of the budget based on feedback received at the January 2016 meeting due to the Governmental Accounting Standards Board revenue recognition requirement to record revenues when received which often times causes a timing difference between the collection of revenues and recording of expenditures resulting in a net position balance.

The revised budget results in a restricted net position balance of \$739.4 million, an increase of \$6.3 million from the original budget. The NY Green Bank net position is anticipated to be \$359 million; a decrease of 26.3 million due to the "bill-as-you-go" revenue approach. The revised budget results in a balance of unrestricted net position of approximately \$3 million.

Ratepayer revenues (utility surcharge assessments) decreased by \$159.3 million from the original budget. The primary reason is a reduction in utility collections under the new "bill-as-you-go" approach for revenue collection anticipated under the CEF. This approach will result in a substantial reduction of Authority cash and investment (and net position restricted for specific programs) balances from fiscal year 2015-2016 levels.

The Regional Greenhouse Gas Initiative (RGGI) proceeds decreased by \$61.9 million from the original budget which assumed \$7.81 per allowance based on then-current secondary market trades for RGGI futures and options. The revised budget reflects a decrease in estimated proceeds based on recent auction results that were approximately \$4.50 per allowance and current options trading.

The CEF Order provides for incremental utility collections of \$30 million annual from 2016 and through 2021, and \$112.8 million per year from 2022 through 2025.

Investment related expenses decreased by \$2.4 million from the original budget to \$532,000. The decrease is primarily the result of two changes: 1) the costs associated with an external borrowing

facility which are not anticipated to be incurred during FY 2016-2017; and 2) the removal of capital impairment charges that were included in the original budget.

The budget includes program expenditures of \$710.2 million, a decrease of \$236.2 million from the original budget. The majority of the decrease is projected expenditures from the implementation of the NY-Sun initiative, which are anticipated to decrease \$115.9 million from the current year. In addition, expenditures for the Energy Efficiency Portfolio Standard (EEPS) and RPS will decrease by \$81.7 million and \$22.2 million for the Indian Point Energy Center Reliability Contingency program.

Mr. Pitkin also presented the specific budget changes and assumptions for salaries and benefits, program operating costs, general and administrative expenses. The budget also assumes \$11.6 million for the NYS Cost Recovery Fee assessment under Public Authorities Law Section 2975 and also includes \$913,000 for a payment required to be made to the State general fund, which is consistent with prior years.

The Budget includes \$5.4 million in capital assets, an increase of \$2.4 million from the current budget primarily to the implementation and development of an Authority-wide Contact Management System and for the development of a Clean Energy Standard IT platform.

With regard to these revisions in the presentation of the budget and changes due to the “bill-as-you-go” approach, Mr. Pitkin was able to provide clarification to Committee Members Daly, Koh and Willis regarding timing issues and the wind-down of and permanent reductions to some of the Authority’s legacy programs.

In response to observations of Mr. Koh regarding the budget portrayal of the NY Sun Program, Mr. Pitkin explained that challenges in forecasting expected expenditures and changes in market factors tend to have a large impact on the projections regarding program implementation. Ms. Joseph added that the implementation of a new shared solar initiative without the benefit of historical data to extrapolate and a revised net metering structure also factor into these challenges, although much of this uncertainty is expected to settle out in the near future. Mr. Pitkin added that biannual, rather than annual, forecast updates have been undertaken in an attempt to increase projection accuracy.

Mr. Koh stated that the new “pay-as-you-go” approach seems to have no effect on the Authority’s fiscal soundness. Mr. Daly stated his support for the timing associated with the new approach.

In response to an inquiry by Mr. Willis, Mr. Pitkin confirmed that Authority management remains comfortable with an approximate \$3 million balance of unrestricted net position.

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 2016-2017. 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 2016-2017. A copy of said resolution is attached hereto as Exhibit C.

State Budget Request for FY 2017-2018

Mr. Pitkin reported on the Authority's State Budget 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 State Budget Request requests State funding totaling \$35.4 million, which includes \$19.7 million for an assessment under Public Service Law for expenditures and commitments for the research and development program, energy policy and planning, Fuel NY program (Strategic Fuel Reserve and Portable Emergency Generator Programs), 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 fiscal year 2016-17, but there are changes in some of the activities funded through the assessment. The State Budget Request also includes funding for the West Valley and Low-Level Radioactive Waste Management programs, which were considered by the Waste and Facilities Management Committee.

Mr. Willis asked if there was any further discussion regarding a recommendation by the Committee that the Board adopt the resolution approving the State Budget Request for FY 2017-2018. There being none and based on all the reports and discussions regarding the State Budget Request 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 Budget Request for FY 2017-2018. A copy of said resolution is attached hereto as Exhibit D.

Other Business

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 7, 2016

TO THE MEMBERS OF THE PROGRAM PLANNING COMMITTEE:

PLEASE TAKE NOTICE that a meeting of the Program Planning Committee (the 96th 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, September 20, 2016, commencing at 12:00 p.m., for the following purposes:

1. To consider and act upon the Minutes of the 95th meeting held on June 21, 2016.
2. To receive a status update on items discussed at the June 2016 meeting.
3. To consider and act upon a resolution recommending approval of the strategic plan entitled *Toward A Clean Energy Future - A Strategic Outlook 2017-2020*, and to receive a progress update on Clean Energy Fund Initiatives.
4. 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 2016-17 budget.
5. To receive a report from the Treasurer regarding the Authority's State Budget Request For Fiscal Year 2017-18, and to consider and act upon a resolution recommending approval of the State Budget Request for Fiscal Year 2017-18.
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 a reasonable time after the meeting. The video will be posted at <http://www.nyserda.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 Strategic Outlook 2017-2020*, 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.

BE IT FURTHER RESOLVED, that the Authority's Performance Measurements, as contained in the Strategic Outlook, are recommended for approval by the Board.

Exhibit C

Resolution No. _____

RESOLVED, that the Fiscal Year 2016-2017 Budget and Financial Plan (Revised September 2016) 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 2017-2018 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.