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December 1, 2008

RGGI Programs, Attn: Dave Coup
NYSERDA
17 Columbia Circle
Albany, NY 12203-6399

RE: New York Power Authority Comments on the Concept Paper Regarding an Operating Plan for RGGI Auction Proceeds

Dear Mr. Coup:

The New York Power Authority (NYPA) offers the following comments on the Concept Paper entitled "Operating Plan for Investments in New York under the CO2 Budget Trading Program and the CO2 Allowance Auction Program".

At page 6 of the Concept Paper it is stated:

Investment of CO2 Budget Trading Program funds [i.e., RGGI Auction proceeds] will be focused on GHG emission reduction opportunities related to energy production and use, which account for the vast majority of GHG emissions in New York... The initial Program phase will also include analysis and characterization of opportunities for reductions of non-energy related GHGs for potential funding in the future.

The funds generally will be used to effect GHG reductions in sectors and areas that will complement current investments in the New York Energy SmartSM program, which is part of New York's System Benefits Charge (SBC) programs, the RPS, and the EEPS or other programs and that supports the goals of the CO2 Budget Trading Program (emphasis added).

The RGGI generated funds are proposed to be used to "complement" current investments which are part of New York's System Benefits Charge (SBC) programs, the RPS, the EEPS or other programs. NYPA offers a number of programs that address the goals of GHG emission reduction related to energy production and use, and NYPA believes these programs should be eligible for RGGI funding as described below.

NYPA's Proposal for Use of RGGI Funds

NYPA implements energy efficiency and clean energy projects via a turn key delivery mechanism that includes the audit, design, construction and financing of projects in a single program package on a statewide basis. The programs target publicly operated facilities, as well as projects in the municipal and cooperative electric systems to which NYPA provides power.

When implementing projects at a facility that pays SBC charges, NYPA has partnered with NYSERDA to enable NYPA program participants to obtain all of the NYPA and NYSERDA programs and incentives available to them in a single presentation. NYSERDA and NYPA act to coordinate programs in a way so that the participant receives the most benefit. Similarly, on Long Island, NYPA has partnered with LIPA to offer program participants the best of both the NYPA and LIPA offerings, including incentives.

For participants that are not in an SBC territory or in the LIPA territory, NYPA works directly with these customers to implement projects. However, incentives for these projects are not currently available. These projects are typically located at facilities of public customers in the metropolitan New York City area such as the City of New York, PANYNJ, MTA, NYCHA, and CUNY. Included in this population are public schools with some of the greatest need for local reduction of greenhouse gases and pollutants put in the air. In addition, projects implemented for electric municipal and cooperative systems in New York State as well as some business customers NYPA serves are not eligible for either of the LIPA or NYSERDA/SBC co-funding programs. Projects implemented by NYPA with this group of customers include a wide range of energy efficiency measures, including electricity, natural gas, oil, and other on-site fuel use as well as transportation fuels. Renewable resource technologies such as ADG use, wind and solar are also evaluated and implemented.

NYPA proposes at this time that a portion of the RGGI funds be used to pay incentives for projects located at facilities that do not pay SBC charges and are not in LIPA's territory. The level of RGGI funding should be based on a unit volume of GHG avoided. The potential to reduce CO2 emissions through these programs is significant. To date, NYPA's programs have helped avoid more than 7.5 million tons of greenhouse gases.

Projects implemented via the NYPA program are very cost effective and allow participating agencies to complete projects on an accelerated time table due to the resources, both human and financial, NYPA is able to bring to each project. By participating in NYPA's programs agencies are able to direct their own resources toward the operation of their facility and the services they provide. Additionally, there remains a large untapped potential to reduce GHG emissions in the New York City region where population density, as well as existing air quality, are the greatest concern. Adoption of NYPA's proposal would allow this potential to be tapped.

Because NYPA programs are turn key in nature, including the construction of each project, there is a large economic benefit to NYPA's program format. NYPA employs a variety of engineering and design firms to complete the audit and design work of each project furthering the development of the green collar work force in New York State. In addition, NYPA locally procures labor contractors to implement each project including electricians, steam fitters,

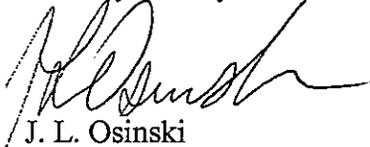
welders, controls specialists, and a host of other high paying skilled labor positions. Lastly, NYPA procures a variety of green products, ranging from LED technologies to high efficiency boilers, from New York State based businesses furthering the positive economic impact of the programs.

NYPA programs also positively impact the air quality and GHG emissions in low income areas. NYPA has teamed with NYCHA to implement a variety of energy efficiency projects including the replacement of over 180,000 refrigerators, the ongoing installation of instantaneous hot water heaters, and the investigation of a high efficiency lighting program targeting both area and apartment lighting in NYCHA facilities. NYPA has also teamed with the MTA to investigate and is currently implementing a nitrogen tire inflation program to improve vehicle mileage and reduce emissions system wide. Similarly, NYPA has teamed with the City of New York and the NYC School Construction Authority to remove coal and heavy oil burners from New York City schools as well as with the State Education Department regarding public schools on Long Island and in Buffalo. Additionally, NYPA has been instrumental in the effort to reduce energy consumption and eliminate harmful emissions through the installation of 30 solar panels at schools and other public facilities throughout the State.

Programs implemented by NYPA with RGGI funds under this proposal would include specific cost effective criteria; projected timelines; descriptions of the evaluation and measurement and verification methods used to report impacts and successes; and a summary of all costs associated with the implementation of this plan.

NYPA reserves the right to propose additional uses of RGGI funds in the future in connection with its power generation activities or other GHG-reducing programs undertaken by it.

Thank you for your consideration,

A handwritten signature in black ink, appearing to read 'J. L. Osinski', is written over a horizontal line.

J. L. Osinski

Executive Director, Regulatory Affairs.