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**TO:** NYSERDA  
**FROM:** Kenneth J. Pokalsky  
**SUBJECT:** Draft Revised RGGI Operating Plan  
**DATE:** 1/25/10

The Business Council participated in the public process leading up to the April 2009 Final Operating Plan. Our input on the initial operating plan was reflected in the final plan, with increased funding for industrial/commercial programs.

We have reviewed NYSERDA's draft revised operating plan, and received input from member companies that participate in NYSERDA programs. As you know, we also participated in the January 13, 2010 meeting of the state's Operating Plan Advisory Group, where we presented a number of our concerns regarding these draft revisions.

We recognize that NYSERDA has two major realities to deal with – a reduction of resources largely beyond NYSERDA's control, and the "Green Jobs" bill that superimposed allocation mandates over NYSERDA's operating plan.

Even so, we have several significant concerns regarding the December draft revisions:

- The draft revisions would result in a dramatic shift in the allocation of resources by category, including:

- The allocation for residential programs increases significantly, by \$39 million, from \$84 million to \$123 million, and its share of available resources increases from 15 percent of the total budget to 40 percent.
- The allocation for industrial/commercial/institutional programs decreases by \$73 million, from \$125 million to \$52 million, and goes from 23 percent of the total budget to 17 percent.
- Several additional programs focused on private sector activity were sharply reduced (advanced building systems, clean technology/industrial development) or eliminated entirely (competitive greenhouse gas reduction program.)

- These funding shifts are contrary to the state's energy and environmental goals, which are to promote cost-effective improvements in energy efficiency and maximize reductions in greenhouse gas emissions, as we develop an implementation plan for the state's 45 by 15 and GHG emission reduction targets. We recommend that the operating plan should remain closely aligned with the

state's established energy and environmental priorities, and assure that energy efficiency and GHG emission reductions are achieved in a cost-effective manner.

- Given the roughly 40 percent reduction in available operating plan resources over the three year planning period, the revised operating plan should focus on program areas for which other sources of funding are not readily available. In part, this means that the operating plan should target funding programs for which significant federal "stimulus" funds are not available. Members of the Advisory Committee requested that NYSERDA identify and quantify other funding sources for categories included in the revised operating plan. This information should be available prior to, and should inform, final decisions on the revised operating plan. We appreciate NYSERDA's willingness to develop this information, but are concerned that a new allocation of resources under the operating plan will be locked in before this data is available to NYSERDA and its outside advisors.

- We recommend that total allocations for "Residential Space and Water Efficiency Programs" should remain at \$83.9 million. This would still result in a higher percentage of available funds being available for residential programs under the revised budget than under the original operating plan. We believe this allocation, plus the new \$30 million small business allocation, meets the requirements of the "green jobs" bill.

- Funding categories that support cost-effective, innovative approaches to achieving energy efficiency and GHG emission reductions should be restored. These include: advanced building systems and industrial process improvements (cut from \$15 million to \$7 million); the competitive GHG reduction program (the entire \$41 million allocation is eliminated); and the clean technology and industrial development program (cut from \$29 million to \$15 million.)

- We believe that our proposed changes will result in a more cost-effective program, with greater reductions in energy usage and GHG emissions. According to the April 2009 operating plan, the residential programs that would receive substantial increases in funding under the draft revisions have an average cost of \$87 per ton of GHG emissions reduced, which on average are one-third as cost effective as commercial/industrial/institutional programs. We can do more to achieve both our efficiency goals and our GHG reduction goals by focusing the RGGI resources at cost-effective programs, and at programs that are not receiving significant support from other sources.

- We support the proposed elimination of RGGI funding for "workforce development" programs. We raised concerns regarding this spending category last spring, during the public input process on the initial operating plan. In our view, there are ample federal and state job training funds available through other sources. Rather than creating another job training funding program here, NYSERDA and the state should consider opportunities to support "green job" training through existing funding programs.

- We support restoration of funding for carbon capture and sequestration programs. It strikes us that the state and nation will need significant technological breakthroughs to achieve "80 by 50" GHG reduction goals. This

technology may provide an effective alternative to other, more onerous regulatory restrictions being placed on electric power generators, industrial combustion and process sources, and the transportation sector that otherwise would be necessary to achieve significant GHG emission reductions.

- We question the need for the \$8 million in funding under the operating plan, given the proposal in the Executive Budget for up to \$16 million from the Public Service Commission under this Article 18-A assessment for NYSERDA research and planning programs, and the "climate change program" at the Department of Environmental Conservation (see S.6609/A.9709, Part CC).