



The mission of the ADIRONDACK COUNCIL is to ensure the ecological integrity and wild character of the ADIRONDACK PARK.

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May 10, 2012

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RE: RGGI Operating Plan Amendments

Dear President Murray:

On behalf of the Adirondack Council, a privately funded 501 (c) 3 organization dedicated to ensuring the ecological integrity and wild character of New York's six-million acre Adirondack Park, I would like to offer the following comments on the New York State Regional Greenhouse Gas Initiative (RGGI) Operating Plan for 2012.

First, I would like to renew our request that the Adirondack Council be added to the advisory group at the next available opportunity. I believe we have made this request in spoken communications in the past, but would like to make it once again in writing. This would be appropriate as the Adirondack Council has been active in many aspects of RGGI for the last seven years, including supporting the concept when it was first proposed by then-Gov. Pataki; being a member of the New York State stakeholders; and participating directly in about half of the RGGI auctions which have taken place. We have also been active as observers to the advisory group and attend the meetings and provide written comments.

As for the proposed amendments for 2012, the Adirondack Council supports the conservative estimates used by NYSERDA and the Department of Environmental Conservation (DEC) when it comes to the anticipated proceeds from the next four quarterly RGGI auctions. With allowance prices being at or near the floor price and only about 75 or 80 percent of them being sold at the auction, we believe your projections are sound and are a prudent way to anticipate future revenue.

DEFENDING THE EAST'S GREATEST WILDERNESS

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However, we hope that changes will be made to the program for 2013 that would actually increase the state's revenue from the auctions. This would only affect the last quarter of the plan amendments (Q1 for 2013) and future year's operating plans. We do understand that such speculation cannot be included in this planning process for obvious reasons.

A general concern about the RGGI operating plan is how to more quickly get the funds spent. While this problem is by no means exclusive to RGGI, we would hope that NYSERDA would attempt to address it. We have seen similar situations with the state's Environmental Protection Fund (EPF) where funding did not go out the door quickly enough and a large cash buildup became an easy target for those looking to close a state budget gap. Nearly \$500 million has been swept from the EPF to the General Fund over the last 10 years. This has already happened once to RGGI and we hope that by taking swift action, you can prevent it from happening again. Another benefit if quickly spending the auction revenue is that it will help to demonstrate the successes of the program. There are still some critics who say that the programs aren't really helping people and don't understand where the money is going. The more success stories that we can point to in the very near future, the easier it will make it to continue to advocate for RGGI's long-term future.

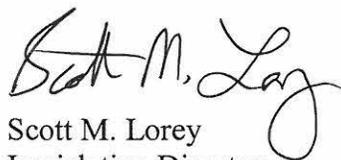
Another general concern about the program is that some of the accounting and grouping methods used by NYSERDA to explain the different funding allocations can be better clarified. This was clearly demonstrated at the advisory group meeting last week with some of the questions raised by the Business Council. If people on the advisory group are having difficulty understanding how you express the funding for some of the specific programs, think about the confusion for reporters or the general public in trying to understand where the money is going to, in which year and how much has already been spent. We believe there is a way to keep this information as simple and transparent as possible and not shuffle around and combine categories that would lead to confusion.

With a 16 percent reduction in anticipated revenue from RGGI, we understand that tough decision had to be made about which programs to fund as we look ahead. Specifically, the Multifamily Carbon Emission Reduction Program, which has been oversubscribed, would be completely de-funded. While we understand that market forces may continue to encourage fuel switching, we believe a continued state incentive, which has appeared to work in the past, should be continued. If additional funding over and above what NYSERDA has estimated becomes available, we strongly encourage you to look at funding this program, as opposed to simply increasing the existing funding for other programs.

A question raised during last week's meeting was at what point the advisory group should be reassembled during the year if the revenue projection from the RGGI auctions is substantially different from actual revenue received. A NYSERDA representative, I believe it was Ms. Joseph, suggested that a de minimis amount before needing to seek approval for changes from the advisory group may be a 20 percent variation from the \$66.94 project for proceeds during the next 12 months. This would be an amount well over \$13 million. We believe a more appropriate level would be 8 percent, or roughly \$5.35 million fluctuation either above or below the projected revenue for the year. Above that threshold, we believe it is necessary to get additional feedback about where to either cut funding or spend additional revenue.

I would like to thank NYSERDA for all of its efforts related to carrying out the programs related to RGGI auction proceeds and the chance to provide feedback on the draft amendments. We look forward to seeing a final operating plan in the coming months.

Sincerely,

A handwritten signature in black ink that reads "Scott M. Lorey". The signature is written in a cursive style with a large, looping "L" at the end.

Scott M. Lorey
Legislative Director