

1 JOINT HEARING BEFORE THE NEW YORK STATE
2 SENATE STANDING COMMITTEE ON ENERGY AND
3 TELECOMMUNICATIONS
4 AND
5 SENATE STANDING COMMITTEE ON FINANCE
6 -----

7 PUBLIC HEARING:

8 UPDATE ON THE ENERGY HIGHWAY AND
9 REFORM OF THE ENERGY VISION INITIATIVES
10 -----

11 Legislative Office Building
12 Van Buren Hearing Room A, 2nd Floor
13 181 State Street
14 Albany, New York 12247

15 May 20, 2015
16 12:00 p.m. to 3:00 p.m.

17 PRESIDING:

18 Senator Joseph A. Griffo
19 Chairman
20 NYS Senate Standing Committee on Energy
21 and Telecommunications

22 Senator John A. DeFrancisco
23 Chairman
24 NYS Senate Standing Committee on Finance

25 PRESENT:

Senator Betty Little
Senator Liz Krueger
Senator Thomas F. O'Mara
Senator Kevin S. Parker
Senator Michael H. Ranzenhofer
Senator Catharine M. Young

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4	Energy and Finance of New York		
	Also, Chair of NYSERDA Board		
5	Audrey Zibelman		
	Chair		
6	NYS Public Service Commission (PSC)		
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	President and CEO		
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	and, Chairman, New York State		
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23	Central New York		
24	Richard Dewey		
	Executive Vice President		
25	New York Independent System Operator		

1 SENATOR GRIFFO: Good afternoon.

2 I am Senator Joe Griffo, Chair of the
3 Energy and Telecommunications Committee, and I'm
4 joined by Senator John DeFrancisco, who is Chair of
5 the Senate Finance Committee.

6 You'll have to bear with me today. I'm
7 fighting a little cold here. This is my best
8 Barry White impression, so I may sing a little
9 "Can't Get Enough of Your Love," maybe, at some
10 point.

11 [Laughter.]

12 SENATOR GRIFFO: But I do appreciate everyone
13 for being here today.

14 This is a very important area, energy and
15 telecommunications, and I do appreciate the members
16 of the Governor's team who are here today.

17 We will have members that will be coming in
18 throughout the hearing this morning.

19 A session is ongoing at this point in time,
20 as well as another hearing which is across the hall,
21 so we're going to have members coming back and
22 forth.

23 So, I want to open this public hearing of the
24 joint Committees of Energy, and Finance, and I just
25 want to, basically, greet everyone again, and this

1 here today is an opportunity for us to discuss some
2 important initiatives in the energy sector: the
3 Energy Highway, and Reforming the Energy Vision.

4 We're doing this in the spirit of
5 transparency and open communication.

6 It's great to be able to hear from two panels
7 from the government side and from the industry
8 regarding these initiatives, to be able to have this
9 open dialogue where we can talk about what is taking
10 place.

11 I would like to just say a few words about
12 the Energy Highway and the REV before I introduce
13 the members -- the distinguished members of the
14 panel.

15 Our state is incredibly lucky, in my opinion,
16 to have a broad range of fuel sources that we can
17 take advantage of to improve our air quality and to
18 shield our customers from commodity-price
19 volatility.

20 I think that using tools to enhance
21 efficiency, such as demand response, and integrating
22 even more renewable- and clean-energy sources onto
23 the grid, are goals that we share, as long as we
24 never sacrifice reliability, and always keep safety,
25 security, and cost-containment for ratepayers in the

1 forefront of our minds.

2 New York should move forward strategically to
3 replace, upgrade, and modernize our generation,
4 transmission, and local delivery systems.

5 Our Energy Highway is a measured and
6 intelligent way to do so. This is essential, and
7 should be given a priority on a parallel track with
8 the Energy Vision.

9 And respective of REV, I think that
10 transparency and broad collaboration, especially
11 with regard to the Phase 2 of the REV proceeding, is
12 going to be key to the process, and should be an
13 open, measured, and efficient process.

14 REV requires intensive cost-benefit analysis
15 that protects the ratepayer, but also ensures that
16 the competitive markets and appropriate price
17 signals are not disrupted. We need to get it right.

18 So with that, I want to acknowledge
19 Senator Betty Little, who is a member of the
20 Energy Committee, who has joined us, and then turn
21 it over to Senator John DeFrancisco for some opening
22 comments.

23 SENATOR DEFRANCISCO: I don't have much to
24 say, other than to confess my, not total, but
25 substantial, ignorance on these issues. And I can't

1 figure out for the life of me what the
2 Energy Highway is supposed to do, how much it's
3 going to cost; and what REV is, and how that changes
4 anything, as far as what we intended -- what the
5 government intends to do with it, and what the cost
6 is.

7 So that's my focus.

8 I don't have to make any other introductory
9 statements, and, if those questions can be answered
10 during this hearing, it would be wonderful.

11 SENATOR GRIFFO: And with that, I will
12 introduce the members of the panel who are here
13 today.

14 Again, I want to express my appreciation to
15 the Governor, and to all of you for being here, for
16 your willingness to appear before the two
17 Committees, and also to engage in this dialogue.

18 With us today is, Richard Kauffman, who is
19 chairman of Energy and Finance for New York, and
20 chair of the NYSERDA board;

21 Audrey Zibelman, chairwoman of the
22 New York State Public Service Commission;

23 Gil Quiniones, president and CEO of the
24 New York Power Authority;

25 And, John Rhodes, president and CEO of

1 NYSERDA.

2 So, Mr. Kauffman, I think we'll begin with
3 you, and I'll let you take it from here.

4 RICHARD KAUFFMAN: I'm failing the
5 intelligence test.

6 SENATOR GRIFFO: A master of technology.

7 UNIDENTIFIED SPEAKER: It's on.

8 RICHARD KAUFFMAN: It's on?

9 GIL QUINIONES: Yes.

10 RICHARD KAUFFMAN: Okay. Thank you very
11 much.

12 Chairman Griffo, Chairman DeFrancisco,
13 Senator Little, thank you very much for the
14 opportunity to be with you, and to discuss our
15 energy strategy with you.

16 I think there's some branding issues.

17 I think when we talk about Reforming the
18 Energy Vision, or "REV," that's the overall brand,
19 as it were, for Governor Cuomo's overall strategy to
20 build a cleaner, more resilient, and more affordable
21 energy system for all New Yorkers. And, in concept,
22 it also includes the Energy Highway.

23 REV places all of us, the customers, at the
24 center of everything that we do.

25 So the question is, Why are we reforming

1 energy in New York State, and why take on this
2 initiative?

3 REV is motivated by several challenges.

4 First, high energy costs for customers;

5 Second, an aging and inefficient power
6 infrastructure;

7 And, third, shifting technology and consumer
8 trends;

9 And, fourth, the immediacy of climate change.

10 We have an inefficient and expensive energy
11 system in New York.

12 Households pay, roughly, \$2500 per year for
13 energy, well above the national average.

14 We have an aging infrastructure, and it's at
15 every point, from large generation facilities, to
16 transmission, to distribution, that contributes to
17 high energy bills and is becoming more expensive to
18 preserve.

19 Over the past 10 years we have spent
20 \$17 billion just to maintain the system, and we're
21 on track to spend another \$30 billion over the next
22 decade, again, just to maintain the present system,
23 and this is just the electricity system.

24 There's much more capital to be spent to
25 improve the gas infrastructure.

1 Our power grid is not only aging, it has
2 extremely low capacity utilization, a rate of just
3 54 percent; meaning, that it's built for the hottest
4 summer hours of the year, yet ratepayers pay for it
5 all year long.

6 Compared to other capital-intensive
7 industries, this is a low number, and it's getting
8 worse.

9 Through adoption of new business models and
10 technology, other capital-intensive industries have
11 learned how to be much more capital-efficient, and
12 each 1 percent improvement from this 54 percent
13 capacity utilization will yield between 220 and
14 330 million dollars of annual savings to ratepayers
15 across the state.

16 We have the potential to save customers
17 billions of dollars a year.

18 Our power grid was built at a time when
19 electrons could only flow one way, from big power
20 plants to customers, and when there was no
21 capability for customers to adjust their demand
22 based upon pricing.

23 This dynamic, however, is changing.

24 Consumer demand is shifting in response to
25 technology change. More and more New Yorkers are

1 putting solar on their roofs, installing smart
2 appliances and thermostats in their homes. The cost
3 for these distributed solutions are coming down,
4 often at exponential rates.

5 These market trends are important because
6 they can provide customers with greater control and
7 affordability of their energy.

8 On top of all of this the climate is
9 changing.

10 Since 2010, the state has endured nine
11 presidentially-declared natural disasters, including
12 "Sandy," "Irene," and "Lee."

13 This year we went from one of our toughest
14 winters to what may be the hottest spring on record.

15 Our current regulatory framework, our agency
16 programs, and our policies must evolve to address
17 and enable these changes.

18 In some fundamental ways, the regulatory
19 incentives governing utilities have not changed
20 since the time of Edison.

21 And while our energy-efficiency and
22 renewable-energy programs have helped customers, we
23 need to change them to do more without burdening
24 customers with ever-increasing collections and
25 surcharges.

1 We are dedicated to reducing collections by
2 changing course.

3 I just want to say that again: We are
4 dedicated to reducing collections by changing
5 course.

6 Too often government has been the market as
7 opposed to enabling the market.

8 The world is changing, and so, too, must
9 government.

10 In addition, there are meaningful economic
11 opportunities that arise with a cleaner energy
12 system.

13 The solar industry now employs more people
14 than the steel industry in the United States.

15 New York's solar industry grew 40 percent
16 last year, and now employs the fourth-largest
17 statewide solar workforce in the nation.

18 Through New York State's universities and
19 private-sector labs, we have one of the top
20 portfolios of innovative energy-technology
21 intellectual property in the country, and it's time
22 to move these ideas out of the lab and into the
23 market.

24 Every day, utilities and customers spend
25 millions of dollars on the system.

1 We want to be sure that we spend this capital
2 in building the energy system of today, not just
3 replicating the one of yesterday.

4 The energy system of today must be integrated
5 and combine the benefits of a modern and resilient
6 central power grid with the flexibility and
7 innovation of distributed energy resources.

8 And we see the same kind of relationship in
9 our commuter networks.

10 Central data servers and mainframes function
11 as the backbone of the network, while we have the
12 benefits and mobility and flexibility associated
13 with smartphones and PCs.

14 To be clear, REV is not about promoting
15 distributed resources at the expense of the central
16 grid.

17 It is about integrating distributed resources
18 where they can help the grid, and building a central
19 grid which can accommodate the value of distributed
20 resources.

21 Put simply, the current business-as-usual
22 approach is not good for most anyone.

23 Overall demand for electricity is decreasing,
24 while demand for peak electricity is increasing, and
25 customers are reducing their reliance on the grid

1 itself.

2 These trends are only likely to accelerate;
3 meaning, unless we change our approach, we will have
4 a system which is more and more costly for
5 businesses and individuals, and one where there will
6 be inadequate economic incentives to replace old
7 generation facilities.

8 These are not New York problems. These are
9 problems that are nationwide.

10 REV addresses these issues by building a
11 modern and integrated network able to harness the
12 reliability benefits of our central grid and the
13 flexibility benefits of distributed energy
14 resources.

15 REV will increase the efficiency of the
16 central grid;

17 REV will make our energy system more
18 affordable and valuable for customers, as well as
19 provide them with greater choice and control;

20 REV will provide economic opportunities for
21 greater private investment in New York, meaning new
22 projects and new jobs;

23 And REV will reduce carbon emissions.

24 To create an integrated power system requires
25 integrated policy and coordination among the various

1 state entities involved with the electricity sector,
2 and that's my job as the Governor's Energy Czar.

3 You will hear from NYPA, DPS, and NYSERDA
4 today.

5 You will hear that there are transmission
6 projects under construction that will use
7 state-of-the-art technology.

8 You will hear that utilities are already
9 changing and are being smarter about building their
10 systems.

11 In Brooklyn and Queens, rather than build
12 a billion dollar-plus substation, Con Ed will spend
13 hundreds of millions of dollars less in
14 alternative-energy solutions that will cost
15 customers less money and reduce emissions.

16 And you will hear, that through the changes
17 in its policies, NYSERDA is driving tens of millions
18 of dollars in private-sector capital and building
19 the grid that touches customers.

20 The nation is looking to New York.

21 Nearly every day we meet with innovative
22 global companies eager to participate in what we're
23 doing.

24 Of course, reforming our energy sector is a
25 big challenge, but, after all, we're New Yorkers and

1 we're used to big challenges.

2 New York has been a pioneer in energy since
3 Thomas Edison created the nation's first power grid
4 over 100 years ago.

5 I want to make it clear:

6 We're not trying to create a market, or stand
7 in the way of market forces that are developing.

8 Instead, we're trying to create a better
9 framework that will allow market forces to work
10 better.

11 And now I'd like to introduce my colleague,
12 Gil Quinones, president and CEO of New York Power
13 Authority.

14 GIL QUINIONES: Chairman Griffo,
15 Chairman DeFrancisco, Senator Little, thank you very
16 much for the opportunity to be before you today.

17 I have a written testimony, just before
18 I start my remarks, and I just want to make sure
19 they are entered into the record.

20 I will not read my testimony in the interest
21 of time. I will, instead, give you an executive
22 summary of it and touch on the salient points of my
23 testimony.

24 With that said, I just want to also point out
25 that there is an attached appendix to my testimony,

1 starting on page 7, listing select infrastructure
2 projects of the New York Power Authority in various
3 stages of completion, as well as a map on page 11,
4 on their approximate locations across our state.

5 As Richard said, I am here to discuss with
6 you the role of NYPA, and where NYPA fits in
7 advancing the overall energy strategy or agenda of
8 New York State which is called "Reforming the Energy
9 Vision," or "REV."

10 I will also discuss specific projects that
11 NYPA has undertaken to advance many of the
12 recommendations of the Energy Highway blueprint.

13 I am pleased would to report as the chair of
14 the Energy Highway Task Force of the Governor, that
15 the 13 specific recommendations of the
16 Energy Highway blueprint has been assigned to the
17 appropriate agencies, they've been launched, they're
18 well underway, and they are in various stages of
19 planning and implementation.

20 I will also discuss NYPA's projects with its
21 customers.

22 We are currently providing innovative
23 solutions to our customers, solutions that our
24 customers value.

25 But before I go and delve into those specific

1 examples, I'd like to talk about what's going on
2 with our power grid. I think it's an important
3 background and context before I discuss the specific
4 example.

5 I did bring a poster with me. It's a little
6 bit further away from you, but it is also on page 6
7 of my written testimony, exactly the same chart.

8 SENATOR GRIFFO: You're testing our eyesight.

9 [Laughter.]

10 GIL QUINIONES: Sorry about that.

11 So the grid of today is really the grid that
12 was developed by Thomas Edison over 100 years ago on
13 Pearl Street in Lower Manhattan.

14 It is also the grid that Nikolai Tesla and
15 Westinghouse envisioned when they invented a way to
16 transmit electricity long distance from
17 Niagara Falls to Buffalo.

18 It is a one-way power-flow system; meaning,
19 that the left side, shaded on green, involves a
20 large generation connected to large transmission
21 systems, and then, moving on to the right, to the
22 distribution system, all the way to businesses and
23 residences.

24 It's a one-way power flow, or a one-way flow
25 of electrics.

1 Our grid, right now as we speak, is changing.
2 It's changing in many fundamental ways.

3 On the left side, if you look at the diagram
4 below the one on top, large-scale renewables are
5 getting connected. Large wind farms, for example.
6 Grid-scale solar. Batteries are starting to be
7 integrated on the left-side generation-transmission
8 portion of the grid.

9 On the right side, where the distribution
10 meets the customer, we call it "the edge of the
11 grid," a lot of exciting innovation is happening on
12 that side. Solar panels, batteries, more efficient
13 devices, building equipment, controls, big-data
14 analytics, are all developing on that side of the
15 grid, changing, fundamentally, the grid that Edison
16 and Tesla invented.

17 Now, instead of a one-way flow from right to
18 left, it is now a two-way flow, or even a
19 multi-flow, grid.

20 And why is that important?

21 It's important because, in our vision of REV,
22 we would like to create an environment and the rules
23 of the road so that that integrated grid, left to
24 right, and right to left, is flexible, resilient,
25 connected, and optimized.

1 And why is that? Why do we want those
2 characteristics?

3 Because, in the end, we all want a power grid
4 that is reliable, affordable, and environmentally
5 responsible for all New Yorkers.

6 So with that, let me cite a few of the
7 activities that NYPA is doing at the edge of the
8 grid, on the right side, where the distribution
9 meets the customer.

10 An example -- one example is our program
11 we're calling "K to Solar."

12 "K to Solar" is a program that we have
13 launched last year in partnership with the State
14 Education Department and with NYSERDA, to help
15 foster and install solar panels in our school
16 system.

17 We have 698 school districts, as you know,
18 and we have already signed up about half of them.
19 About 300 have expressed interest to work with NYPA
20 to install solar panels in schools.

21 And we're not only installing -- you know,
22 helping them install the panels, but we're also
23 helping them integrate that -- those type of
24 installations and concept into their curriculum.

25 What better way for us to scale up, to really

1 foster clean energy and energy efficiency, than
2 exposing our children, our future leaders, with best
3 practices in this area.

4 Another example is Build Smart New York.

5 In December of 2012 Governor Cuomo signed an
6 executive order, Executive Order 88, calling on all
7 public buildings, state buildings, to lower their
8 energy-use intensity by 20 percent by 2020, to save
9 in operating costs, to save in their utility bills.

10 But it's really more than that.

11 It's not only to lead by example, but the
12 Governor wanted to inspire a shared vision and a
13 call to action to the private sector, that if we can
14 do it in government, that it makes good business
15 sense in the government sector, that the private
16 sector should do it as well.

17 Now, moving on to the left side of the grid,
18 the Energy Highway, the Energy Highway is focused.
19 And in the spirit of the Energy Highway, let me cite
20 the projects that we're doing, from north-south, of
21 the NYPA Energy Highway.

22 In Messina, where we have our
23 St. Lawrence-FDR power project, we're building the
24 substation of the future.

25 This will be -- after this project is

1 completed, will be the most sophisticated substation
2 in terms of communication, controls, and protection,
3 and situational awareness.

4 Why are we doing it in Messina?

5 Because most of the wind farms are connected
6 to our transmission grid in that area, and we're
7 helping private-sector wind farm developers to
8 effectively integrate their projects into our
9 transmission system.

10 We also intend to replace what we're calling
11 our "Moses-Adirondack transmission line." That's
12 the line that emanates from Messina, heading down
13 to -- halfway to Marcy, near Utica. And we're going
14 to apply the most advanced technology in doing that
15 upgrade and replacement.

16 In Marcy, near Utica, where we have our
17 hub -- transmission hub, we have what we're calling
18 the "flexible AC," or, "alternating-current
19 transmission system." Basically, this is an
20 equipment that switches power from two transmission
21 lines, about 200 megawatts in milliseconds. And
22 what it does is, during times of congestion, we're
23 able to help out in creating a reliable grid in that
24 area.

25 And, lastly, we're going to apply smart-grid

1 technology to a transmission line that we're calling
2 "Marcy South," which is from Marcy, near Utica, all
3 the way down to the Lower Hudson Valley.

4 It's an existing transmission line where
5 we're going to be putting smart technology, and
6 we're going to be able to transmit, or transfer,
7 power from upstate to downstate without upgrading or
8 changing the lines, which is applying smart-grid
9 technology and increasing the utilization and the
10 efficiency of that line, mitigating any impact to
11 adjacent landowners.

12 So those are the type of projects that we
13 have been undertaking to advance the Energy Highway.

14 And aside from, or excluding, our normal
15 life-extension and modernization programs, our
16 normal capital and operation and maintenance
17 projects at NYPA, we are planning to invest over
18 \$1 billion over the next 10 years in smart-grid,
19 smart-generation, and transmission technology, as
20 well as advanced asset-management systems, to make
21 sure that we build the foundation, and we usher the
22 grid into the grid of the future, into the new
23 Energy Highway of the state of New York.

24 That concludes my testimony, and I would like
25 now to transfer the baton to my friend, and

1 chairwoman, Audrey Zibelman.

2 AUDREY ZIBELMAN: Thank you, Gil.

3 Good afternoon, Senators.

4 As you know -- thank you.

5 Am I good?

6 I also might have a problem, a vertical
7 problem, but I'll stand up -- I'll sit up.

8 Good afternoon, Senators.

9 As you know, the commission, the Department
10 of Public Service, played a significant role of
11 implementing the regulatory portions of both the
12 Highway and of REV.

13 My remarks today will focus on how many of
14 the objectives of the Energy Highway are already in
15 place and helping to achieve our goals, and, also,
16 on the core regulatory aspects of the REV
17 proceedings.

18 As Gil noted, modernizing the power and gas
19 distribution systems for the twenty-first century is
20 a core aspect of the energy policy.

21 We need delivery systems that are flexible,
22 that can deal with the changing nature of
23 generation, that are efficient, and that they're
24 capable of accommodating both today's world and the
25 future world.

1 And as you will note in my written testimony
2 that we've submitted, on appendix -- in the
3 appendix, the commission over the last several years
4 has actually approved billions of dollars of
5 investments in both transmission and in generation.

6 But what I want to do today is really focus
7 on two of the projects that I know are of most
8 interest to the Senate.

9 One is the AC transmission project, and that
10 project, which was announced several years ago, the
11 objective was to increase 1,000 megawatts of
12 additional transfer capability between the western
13 part of New York to the eastern part and to the
14 south.

15 This was to allow to us take advantage of
16 underutilized generation, to make the system
17 actually more efficient, and also take advantage of
18 new wind resources to make sure we can use them
19 throughout the state.

20 Of particular significance of this project is
21 that we used the a competitive process, and now we
22 have four different developers who have now put in
23 more than 21 different projects that the commission
24 is considering.

25 We, also, in response to both the desire of

1 the local community, and also the Governor's intent
2 to reduce local land impact, asked the developers
3 last year to refine their projects to see how we can
4 meet the needs by minimizing land impact.

5 We are now in the process of reviewing these
6 proposals so I can't opine on the eventual outcome,
7 but what I can tell you, is that the effort of using
8 both, competition, and on getting the developers to
9 rethink the projects so that they can think about
10 how to minimize land impact, we're going to be in a
11 much better position, if we decide to choose one of
12 these projects, to know that we have hit the best
13 solution for customers.

14 The other projects I wanted to talk about are
15 the TOTS projects.

16 These are three major transmission projects,
17 including the Marcy line that Gil referred to, and
18 these were projects that we asked for, to make sure
19 that the system would remain reliable in the event
20 of an Indian Point shutdown.

21 What is particularly good about these
22 projects, it's 600 megawatts of additional
23 transmission. And the commission, through its
24 analysis, found that even if Indian Point does not
25 shut down, having these projects in place, having

1 the transmission in place, is going to help us
2 reduce the cost of power in New York.

3 So it's, basically, we call it a "no-regrets
4 project."

5 The other thing I wanted to mention, and
6 I would be remiss if I didn't, is the significant
7 efforts that the commission has made with respect to
8 the replacement of old gas infrastructure.

9 As you know, there's a significant concern
10 that because of the number of pipeline that we have
11 that is, we call, "leak-prone," not that they're
12 leaky, but they're older pipe and they are prone to
13 safety violations, we need to replace it.

14 We're also concerned, of course, about
15 methane leakage.

16 The commission has over the last several
17 years endeavored to improve and accelerate the
18 replacement of leak-prone pipe. And I'm very
19 pleased to note that, with our most recent efforts
20 to take a look at how to ensure that the investments
21 could be entered into in a non-disrupted way, we're
22 now in the good position of having reduced the time
23 of replacement from, initially, where it was
24 60 years and higher in some utilities, to that,
25 within 20 years, we expect all the leak-prone pipe

1 in the state to be replaced.

2 Turning next, then, I wanted to talk about
3 the REV proceeding.

4 And on page 6 of the written testimony, we
5 have what is known as "a load-duration curve."

6 And if you turn to that chart, as you see, is
7 that what it shows is that, all the hours of the
8 year, how much electricity is consumed in New York.

9 What you'll see there, that is, on average,
10 in New York, we consume about 19,000 megawatts of
11 energy. So it's for every hour of the year, over
12 the last 2011 -- or '12, '13, and '14.

13 But what you'll also see, in the left-hand
14 corner, on those high summer days, because that's
15 when we peak in our system, we can consume in the
16 order of 34,000 megawatts a year, but that's only
17 for less than 80 hours a year.

18 So what that means, and this is, essentially,
19 what Richard was talking about when he talked about
20 the inefficiency of the system, is that because
21 electricity can't be readily stored, for those last
22 80 hours of the year, we need to have generation,
23 transmission, and distribution that, for the rest of
24 the year, just sits idle, just in case we peak
25 during those periods.

1 So what REV is about is saying, Well, wait a
2 minute. If we can use investments in CHP (combined
3 heat and power) plants, and behind-the-meter solar,
4 if we can become better users of electricity, we can
5 cut that peak.

6 And what that amounts to is, between 1.2 to
7 1.7 billion dollars a year's of savings in what we
8 pay for electricity, just by becoming bigger users.

9 So if there's any message about REV, it's
10 about, how do we become better users?

11 Not to reduce what's in the grid, but
12 actually become better users of it and help us save
13 money.

14 So let me turn, then, to the key elements of
15 the regulatory process, and we broke it down into
16 two tracks.

17 Track 1 is what we call -- is really more
18 about regulatory policy, and it would say, moving
19 forward, when we have the ability to use distributed
20 energy resources, what should be the role of the
21 distribution utility? what should be the role of
22 retailers? what should to be role of customers? what
23 should to be role of suppliers?

24 And then, in Track 2, once we sort of say,
25 well, what does this new climate look like? is,

1 well, what's the regulatory rate-making changes that
2 need to be made in order to accommodate these
3 changes?

4 We issued a Track 1 order in February, and
5 what we did is, is that the staff produced a white
6 paper, where they identified what these policy
7 changes could look like.

8 We received numerous, almost 1,000 pages, or
9 more, of written comments.

10 We had many technical meetings and public
11 meetings.

12 And, in large part, many -- everyone who came
13 to us said, Yes, we do need to make a change. We
14 may quibble about the details, but we need to make a
15 change.

16 And so it ended up in the order, the
17 commission identified what I call -- what I think is
18 best described as a "five-point game plan" of the
19 elements that need to be changed.

20 The first is, is the changing the role of the
21 utility business model, where, traditionally, you
22 think of the role of the distribution utility to
23 deliver energy to the meter as much as a consumer
24 might use.

25 It's to really say, Well, wait a minute. If

1 we have customers who have invested in things like
2 rooftop solar and storage, or smart thermostats, we
3 have customers who have combined heat and power
4 plants, or have fuel cells that they've invested in,
5 how can we use those resources, both, to maintain
6 the rely about it and the resiliency of the system
7 in -- on blue-sky days or in storm situations, but
8 also to reduce the peak, and to, basically, avoid
9 costs in the system.

10 So part of it is to say that the role of the
11 distribution utility is really to integrate these
12 resources so they become part and parcel of how we
13 manage the system and make the system more
14 efficient.

15 The second piece was to say, Well, how are we
16 going to make this better and tell people about the
17 opportunities?

18 So one of the things that is very clear, and
19 we heard for -- many people who came to these
20 proceedings, is the need to make information
21 available.

22 So when you think about it, you know, when
23 you go to the gas pump, you know how much you're
24 paying for gas.

25 In terms of electricity, you really don't

1 know anything until you pay the bill at the end of
2 the month.

3 So how do we make information available to
4 customers about how they can save money on
5 electricity?

6 Secondly is, if somebody wants to invest in a
7 behind-the-meter generation, but where's the best
8 place to put it?

9 So that kind of information today the
10 utilities know, but others don't.

11 So part of REV is to make sure that there's
12 transparency so people can make these decisions.

13 The third is to build on the successes.

14 We know this is a major transformation,
15 moving from a one-way grid to a two-way grid, as Gil
16 talked about, is going to take time, so we need to
17 learn how to do this.

18 So, we're doing projects.

19 As Richard mentioned, the Brooklyn-Queens
20 project.

21 We're looking at how to reduce demand in
22 Brooklyn rather than -- by building a substation.

23 And we've asked all the utilities to come
24 forward with demonstrations, working with third
25 parties, to say, How do we build this business model

1 where utilities can actually now start partnering
2 with folks to develop out business models that will
3 help us, both, meet all our goals, but do it in a
4 less -- a more cost-effective way.

5 And then the fourth piece that we also said
6 is, is that we need to do this, as well as maintain
7 our objectives around energy efficiency and
8 renewables.

9 John will be talking in a bit about what
10 we're doing with respect to the role of NYSERDA and
11 utilities on energy efficiency.

12 The other things that we have certainly done
13 is implement the New York Sun Program.

14 And we've also asked staff and NYSERDA to
15 re-look at how we procure grid-based renewables so
16 we can do it better.

17 The last, and most important, piece of REV is
18 for customers, and so one of the major things that
19 we talk about is, How are we going to make the power
20 system better for customers?

21 And if you take customers, they're sort of
22 not all of, certainly, one of ilk.

23 So one is, in terms of large industrial and
24 commercial customers, a lot of these customers, even
25 today, most industries, hospitals, data centers, all

1 have invested in backup generation.

2 They have all said to us, Look, if you can
3 give us the price signal and we can reduce our
4 demand and get compensated for it, we're happy to do
5 that.

6 So that's the benefit to them. It reduces
7 their energy bills.

8 It's also a benefit to the grid because what
9 we're doing is consuming less and, therefore, not
10 having to pay for the energy during the most
11 expensive times of the day -- year.

12 So one of the things we've done is, we've
13 asked all the utilities to put in what are known as
14 "demand-response tariffs," where they'll actually
15 compensate consumers who are willing to voluntarily
16 reduce their consumption, maybe by using internal
17 generation, maybe by shifting their use to a
18 different time, to help us maintain the reliability
19 of the system and also make it more economic.

20 We've also directed and said we will create
21 what we call "self-direct energy-efficiency
22 programs."

23 Particularly, a lot of our large industrial
24 and commercial customers have said they will
25 voluntarily invest in energy efficiency, and if they

1 can do it themselves, they would rather do it
2 themselves than pay into a system-benefits charge.

3 So we have a program going to allow that to
4 happen.

5 We've also looked at how to change our
6 standby rates, and these are the rates that people
7 charge if they have combined heat and power. The
8 utility will charge them a standby rate just in case
9 they need -- just in case their system goes out.

10 And we've said, Well, wait a minute. We need
11 to make these prices work so that they don't become
12 prohibitive against investment, because we want
13 these investments to occur.

14 The other -- another thing we've done in REV
15 is to take a look at how to protect the interests of
16 mass-market and low-income customers. We wanted to
17 give customers a strong voice.

18 We've developed, at the Governor's request, a
19 position of the consumer advocate.

20 We've already, with this consumer advocate,
21 begun a process to look at reducing the bills so
22 that there's a standard discount to make it easier
23 for low-income folks to pay their bills.

24 The other thing that we're doing is really
25 going after retailers.

1 One of the things that we know is that, in
2 order for competitive markets to work, people have
3 to have confidence. And there's been a significant
4 concern about a number of retailers, or "ESCOs," who
5 have behaved in practices that people simply don't
6 want to see.

7 So we're going after these retailers to make
8 sure that the people who participate in the market
9 understand that our business practices are there to
10 protect consumers.

11 We also have a number of protections in place
12 for low-income customers, and have asked NYSERDA to
13 work with the utilities, to make sure that when it
14 comes to energy efficiency, low-income customers
15 have the same opportunity as everyone else.

16 And, lastly, we've put in programs around
17 community aggregation and community solar.

18 "Community aggregation" is so that people can
19 pool together to buy supply and get economies of
20 scale at municipal level.

21 And "solar" is so that, when you have people
22 who live in either motel -- in apartment buildings,
23 or, in fact, have roofs that they can't put solar
24 in, they have a chance to invest and get the
25 advantages with -- themselves.

1 The next part of the REV proceeding is what
2 we call "Track 2," and that's where we'll be making
3 the rate-making changes.

4 So, today, as you know, the traditional
5 mechanism of regulating utilities is for them to
6 make money by investing in capital.

7 One of the things that we want to do is say,
8 moving forward, we want utilities to be -- to get
9 value, not just in investing in a new plant, but in
10 helping make the system more efficient.

11 And that's -- that is sort of the same as
12 Richard was talking about, making the system more
13 productive.

14 So what will be happening there is, staff
15 will be putting together a white paper, identifying
16 the regulatory changes and the rate-making changes,
17 so that the utilities' interests are really in
18 concert with their customers' interests of making
19 the system lower cost and more efficient and
20 reliable.

21 And that what we will do is, is that once the
22 staff issues the white paper of these changes, we'll
23 have both a commentary process, I have no doubt
24 we'll have additional what we call "technical
25 conferences," we'll invite comments on it.

1 Certainly, invite your comments on the changes that
2 we're proposing for rate-making. And then the
3 commission will be making a decision on that by the
4 end of the year.

5 Once we make these changes on the policies of
6 rate-making, utilities will then move forward, and
7 when they file rate cases, we'll implement these new
8 policies in the rate cases, and those, again, of
9 course, are public processes.

10 So that's now the end of my comments.

11 I'm going to turn it over to John Rhodes, the
12 president and CEO of NYSERDA, to talk about what
13 we're doing there.

14 JOHN RHODES: Thank you, Audrey.

15 And I, too, join my colleagues in thanking
16 you, Senator Little, Chairman Griffo,
17 Chairman DeFrancisco, for the opportunity to present
18 my remarks today.

19 They will focus on NYSERDA's role in REV, on
20 some key elements of our proposed clean-energy fund,
21 and on our commitment -- continued commitment to
22 better customer service and to transparency.

23 We've talked about how the objective of REV
24 is to build an integrated network that will be able
25 to harness the reliability of the central grid and

1 the flexibility of distributed energy resources in
2 order to become cleaner, more resilient, and more
3 affordable.

4 As you've heard from my colleagues, we're
5 strengthening our transmission system, and we're
6 changing the regulations to promote how distributed
7 solutions may find their way into the grid.

8 However, even with these reforms and
9 investments, market gaps will persist in the near
10 term, and this is where NYSERDA comes in.

11 Our role is to address those gaps and
12 accelerate private investment in clean energy into
13 those gaps. NYSERDA's role is as an enabler of
14 markets.

15 Through the clean-energy-fund proposal that
16 we have before the commission, we intend to focus on
17 identified market gaps and use our limited public
18 dollars to address those.

19 This will give us better bang for the buck.
20 That will allow us to reduce collections.

21 In addition, the clean-energy fund will
22 reduce customer energy costs by supporting increased
23 deployment of energy efficiency, reducing bills, and
24 distributed generation, such as solar and wind.

25 We achieve this greater impact for a dollar

1 across our programs, leading to greater levels of
2 clean energy than current program approaches.

3 These new approaches will increase the flow
4 of private capital into the clean-energy sector in
5 New York; and, so, will simultaneously increase
6 jobs.

7 New York Sun is a concrete example of this
8 strategy in action.

9 The previous solar program was successful,
10 but did not provide the certainty and long-term
11 predictability that the market needed.

12 So through concerted attention to multiple
13 barriers to prevent the adoption of solar, we have
14 developed a new program that provides greater market
15 certainty to developers, so they have the rationale
16 to invest; uniformity across the state so that the
17 same approaches work in every part of the state; and
18 resulting in greater predictability and transparency
19 in program design.

20 And they have also become considerably -- we
21 have worked on becoming much more customer-friendly,
22 leading to much better customer orientation and much
23 better customer adoption.

24 We're already seeing the positive results of
25 this work.

1 In 2014, we installed 105 megawatts of solar,
2 which was double what was installed in the prior
3 year. And we have a pipeline of 450 megawatts,
4 which was a real multiple of what we've had.

5 And as Richard mentioned, we've seen an
6 expansion of solar jobs, the solar job market, to
7 7,200 jobs; up 40 percent, up 2,000 jobs, over 2013.

8 The clean-energy fund significantly
9 reinforces New York State's commitment to accelerate
10 the growth of clean energy, to improve its economic
11 competitiveness, and to protect the environment.

12 It's designed to deliver on three long-term
13 outcomes.

14 The first outcome will be significant
15 reductions in greenhouse-gas emissions from
16 New York's energy sector.

17 Next, new investment opportunities will
18 attract private capital to investing in clean energy
19 in New York.

20 And, finally, we'll see greater levels of
21 scale for clean energy in the state economy.

22 We intend to achieve those outcomes through
23 the clean-energy fund, through four portfolios of
24 programs.

25 First, there's the New York Bank --

1 Green Bank, which is a financing entity designed to
2 draw in interest from the private-sector financial
3 community to invest in energy efficiency and clean
4 energy.

5 A key structural element of the New York
6 Green Bank is the ability to recycle funds as
7 investments demonstrate progress and are repaid.

8 The money goes out, it comes back in, and it
9 can go out again.

10 Second, we've already discussed New York Sun,
11 a portfolio element that provides a comprehensive
12 approach to the rapidly expanding solar market in
13 New York.

14 By focusing systematically on known barriers,
15 the initiative is on track to deliver 3 gigawatts of
16 solar by the time it's done; and, more importantly,
17 to lead to a market where costs are reduced so that
18 subsidies are no longer needed and solar can
19 flourish in New York without the need for state
20 support.

21 Third, we will continue to invest in market
22 development of energy efficiency and clean energy,
23 as these are demonstrated to be the single most
24 cost-effective approaches to reducing customer
25 energy use and, therefore, customer energy bills.

1 And, finally, we have a technology and
2 business innovation portfolio that will enhance
3 New York's participation in the clean-energy
4 economy, and we will continue to pursue our
5 successful strategies that spur companies, that spur
6 investment, and spur jobs throughout the state.

7 We plan to build on the strong foundation
8 that we've developed at NYSERDA over the past
9 decades, but we know that new approaches are needed
10 to achieve the energy savings and bill savings and
11 greenhouse-gas reductions that are imperative to the
12 state's future.

13 In short, we have done well, but we can and
14 will do better.

15 One metric, existing programs have realized a
16 private-sector funding leverage of 2 1/2-to-1. For
17 every dollar we put in, the project puts in 2 1/2.

18 We believe that with our new approaches and
19 our new clean-energy-fund model we can increase that
20 ratio to 6-to-1.

21 Likewise, we are going to achieve better bang
22 for the buck, and one way to measuring the bang is,
23 how much does it cost to reduce each ton of
24 carbon dioxide?

25 Current approaches result in the cost of

1 \$190.

2 Our intended future approaches can reach a
3 level of \$50, a reduction of nearly 75 percent.

4 Besides improving our impact, we're also
5 committed at NYSERDA to insert -- ensuring that the
6 customer experience with these programs is
7 continually improving.

8 We're focused on a more customer-friendly
9 approach to our programs, as well as to
10 administrative interim procedures that facilitate
11 contracting and other engagement with the market,
12 and we've already made very good gains in this
13 effort.

14 For instance, in our single highest-volume
15 program, applications for residential solar, the
16 applications are now approved within 3 days, down
17 from 28 days at the beginning of 2014.

18 In energy efficiency, in our home performance
19 with Energy Star Program, our most significant
20 energy-efficiency program, approvals now typically
21 occur on the same day, down from around 13 days in
22 early 2014.

23 An application by a homeowner to receive a
24 free audit can now be completed online by a typical
25 homeowner in less than five minutes.

1 We have trimmed 50 days from the process for
2 approving projects in our new-construction program,
3 and we're just getting started.

4 We've consolidated 17 shop windows, points of
5 entry into NYSERDA in our commercial programs, down
6 to one.

7 We have gone from being 100 percent
8 paper-based procurement, to being nearly 100 percent
9 electronic-based procurement, and we're beginning to
10 roll out electronic contracting and award letters.

11 And we just started a new program,
12 New York Prize, which doesn't have any prior
13 experience so there's no benchmark.

14 We just turned around our first contract for
15 that for the Town of Monroe in 10 days.

16 And there's more we can do, and we're going
17 to keep doing it.

18 Finally, as a public-benefit corporation,
19 NYSERDA understands the need and importance of full
20 disclosure of its investments made on behalf of the
21 public, and for transparency in the effectiveness of
22 our approaches.

23 Through existing legislative, administrative,
24 and regulatory requirements, NYSERDA has and will
25 continue to build a robust reporting regime,

1 including financial statements that look back at the
2 years, annual budgets and plans that look forward,
3 program reports that are annual and quarterly on our
4 different programs.

5 Also, in the State's recent budget language,
6 we were required to produce more detail on our
7 operations, so we're going to build on our work to
8 date with -- to meet these new requirements,
9 semiannual reports, that include more detailed
10 reporting, with regional breakdowns by county and by
11 utility-service territory, for solicitations, for
12 awards, for expenditures, and for commitments.

13 And we stand fully prepared to meet these new
14 requirements.

15 Thank you.

16 RICHARD KAUFFMAN: Senators, I hope you see
17 that there are technology, market, and customer
18 forces that are challenging the current grid system.

19 I hope you will also see that we're embarked
20 on integrated policies that can turn these
21 challenges into opportunities.

22 These policies are pro-consumer, pro-growth,
23 pro-innovation, and will reduce carbon emissions.

24 We're dedicated to transparency, to enacting
25 REV in a public manner subject to comments, review,

1 and reporting.

2 We welcome your feedback, input, and
3 participation in realizing these goals for the
4 benefit of all New Yorkers.

5 So, thank you very much again for the
6 opportunity to be with you, and we look forward to
7 your questions.

8 SENATOR GRIFFO: Well, thank you all very
9 much for the presentation.

10 I also want to welcome:

11 Senator Liz Krueger, who is a ranking member
12 of the Senate Finance Committee. Thank you for
13 being here;

14 And, Senator Mike Ranzenhofer, who has joined
15 us, too, who is also a member of the Senate Finance
16 Committee.

17 I know the members have a number of
18 questions.

19 I'm going to start with one or two, then
20 we're just going to bring it down the line, and come
21 back, because I think this is a great opportunity
22 for us to -- to have that opportunity to have that
23 dialogue right now. Some of it may be repetitive,
24 but I think it's important to ensure that we have a
25 complete and accurate understanding of what we've

1 discussed here.

2 Chairwoman Zibelman, you talked about the
3 AC transmission proceeding.

4 I know that, originally, there was supposed
5 to be a conference scheduled for mid-June.

6 Is that still scheduled?

7 AUDREY ZIBELMAN: Thank you, Senator.

8 There is going to be a conference this
9 summer. It will not -- it's not going to be
10 scheduled in June, but we're going to have it later
11 this summer.

12 Our next point in this process, is that the
13 staff has been reviewing all of the proposals, and
14 they've been reviewing it from a number of different
15 versions. So, we're in the process of doing that.

16 Staff will be coming out with its
17 recommendations and its ranking of these proposals.

18 We're then going to be having conferences.
19 We expect it will be three days, where each part --
20 where parties get to present and hear from each
21 other, and cross-examine, if you will.

22 And then what -- next, we'll have is some
23 written comments and reply comments, with the
24 expectation that, by the end of the year -- before
25 the end of the year, it will be back in front of the

1 commission for a decision.

2 SENATOR GRIFFO: So you don't have a specific
3 date, but you will be bringing it to the relative
4 parties?

5 AUDREY ZIBELMAN: It will be. We're getting
6 to that. We're narrowing it to that point.

7 SENATOR GRIFFO: Any reason for the delay?

8 AUDREY ZIBELMAN: Just --

9 SENATOR GRIFFO: I mean, any specific reason?

10 AUDREY ZIBELMAN: -- it is just the
11 complexity.

12 When you have 21 different projects, one of
13 the things that has to be reviewed, for example, is
14 every project needs to -- will be reviewed for every
15 hour of the year, across the system, to see its
16 impact.

17 Those, in itself, they just take time to make
18 the computer runs.

19 We're looking at the economics.

20 We're looking at how it achieves -- affects
21 cost.

22 We're looking at how it achieves the
23 transfer.

24 We're looking at other attributes of the
25 project, such as the environmental impacts.

1 All of those things take time.

2 Normally, you know, you would expect that to
3 be a multi-year process.

4 The fact that we're looking at 21 different
5 projects in a 6- to 8-month period is pretty
6 phenomenal.

7 So it's -- I think, from that perspective,
8 it's right on track, and accelerated.

9 SENATOR GRIFFO: And can you continue to
10 provide us with the status of the cost-benefit
11 analysis for the REV process?

12 AUDREY ZIBELMAN: Yes.

13 So what we will do -- what we've done, is the
14 commission did a generic cost benefit on REV,
15 looking at the -- as I said, the relative advantages
16 of being able to be more efficient users of
17 electricity.

18 We've also required a specific
19 cost-benefit-analysis approach for every major
20 investment associated with REV. And, of course, as
21 we're looking forward, the utilities will be filing
22 rate cases, and we'll be looking at the costs and
23 the benefits in those.

24 So, all of this will be within the vise of
25 making sure we're achieving what we want to do,

1 which is a more efficient and affordable system.

2 SENATOR GRIFFO: And I appreciate you being
3 so succinct too. Thank you very much.

4 AUDREY ZIBELMAN: Sure.

5 SENATOR GRIFFO: You've been great.

6 Do you anticipate an increase in delivery
7 rates that would be necessary in order to achieve
8 the REV, at this point?

9 I mean, I know you're looking at this, but --

10 AUDREY ZIBELMAN: I think that, you know,
11 it's -- that is an interesting question.

12 What we're really looking for, frankly, is a
13 reduct- -- is looking at how it affects overall
14 bills.

15 You know, we need to make investment in
16 delivery.

17 The analysis we have on a business-as-usual
18 basis, is that we're talking about a \$30 billion
19 investment that we would have to make just to
20 maintain the system.

21 So we're going to need to make investment, in
22 any event.

23 The question is, where you make an
24 investment, and making sure the investment is there
25 to help reduce the overall bill.

1 If, in fact, and, again, it would be
2 presumptuous of me to say so, that you're going to
3 see increases in the delivery bill. They should be
4 accompanied with reductions in the overall bill.

5 And I think the ultimate issue is, the
6 customer pays the overall bill, and what are we
7 doing there to help make sure electricity as a whole
8 is affordable?

9 SENATOR GRIFFO: Do you see that added in
10 some form of a surcharge, potentially, on those
11 utility bills?

12 AUDREY ZIBELMAN: No. We would see it as,
13 part of the revenue requirements of the utilities is
14 looking at, how do we make certain that the system
15 is delivering what we want it to do?

16 SENATOR GRIFFO: And do you believe that, if
17 we have any saving on the commodity side, and avoid
18 a transmission-delivery cost, that that may be
19 enough to offset some of those increases,
20 potentially?

21 AUDREY ZIBELMAN: We would expect that. And,
22 also, we expect value to customers.

23 So, you know, one of the things that we're
24 talking about is creating what we call a "two-way
25 market."

1 So not only are you looking at the potential
2 of making sure that the investments that are made
3 are more efficient, we're also looking at the
4 opportunity for customers to actually get
5 compensated for being able to supply services to the
6 grid.

7 So, net-net, the advantage is, is that we
8 call them "pro-sumers," is that people who actually
9 can actively work in the market and look at how they
10 can manage consumption.

11 For example, we have businesses or buildings
12 in New York that have already invested in ice
13 storage, that allows them to make ice at night,
14 rather -- and melt it during the day.

15 Bank of America is one example.

16 How do they get compensated for that today?
17 Because that's a huge advantage to the system.

18 And how do we incent those types of
19 investments, when people can shift load and help us
20 reduce costs.

21 So, we look at this as a combination of,
22 both, making certain that the resources are more
23 affordable, or -- and then, also, that people get
24 paid for the services they provide.

25 SENATOR GRIFFO: Thank you.

1 I'm going to -- I have a number of other
2 questions for all the panel, but I am going to turn
3 to Senator DeFrancisco, and let us go down the line
4 here with the other members, and then we'll come
5 back.

6 AUDREY ZIBELMAN: Sure.

7 SENATOR DEFRANCISCO: This is pretty
8 complicated stuff, and -- but my head is swirling
9 around here, so I'm going to try to simplify it as
10 best I can, because I'm simple-minded.

11 Mr. Kauffman, first of all, you're the energy
12 czar.

13 A plan for energy in New York State, there
14 was a draft plan a year ago; correct?

15 There's still a draft plan today.

16 Has there been public comments, has there
17 been anything from the community, to try figure out
18 whether that draft plan is good, bad, or
19 indifferent?

20 RICHARD KAUFFMAN: Does this still work?

21 SENATOR DEFRANCISCO: Yes.

22 RICHARD KAUFFMAN: So there has been
23 substantial public comment on the state energy-plan
24 draft. My colleague, John Rhodes, can give you more
25 details on that.

1 But the short answer is yes. And we expect
2 that that -- that the final draft of the plan will
3 be released shortly.

4 SENATOR DEFRANCISCO: Okay. But I'd like to
5 continue with you for a minute.

6 Is the comment period over now for that draft
7 plan?

8 RICHARD KAUFFMAN: The comment period is
9 over, yes.

10 SENATOR DEFRANCISCO: Okay. So what is
11 the -- is there a reason nothing, as far as the
12 final report, has happened in over a year? Is there
13 a rationale?

14 Is it the concept that REV is now what we're
15 going towards and, therefore, this draft plan is
16 going to be substantially changed?

17 RICHARD KAUFFMAN: No. No, no.

18 I think that, as -- Senator, as you point
19 out, this is complicated stuff, and so there --

20 SENATOR DEFRANCISCO: Yeah, but you're the
21 czar.

22 RICHARD KAUFFMAN: Well --

23 SENATOR DEFRANCISCO: I'm just a lowly
24 senator.

25 [Laughter.]

1 RICHARD KAUFFMAN: Well, things didn't work
2 out so well for the czars.

3 They worked out better for the senators.

4 [Laughter.]

5 RICHARD KAUFFMAN: So -- so the -- what the
6 state energy plan -- we really want the state energy
7 plan to be quite comprehensive, and to refer to
8 things that we have been working on.

9 For example, the commission has asked NYSEDA
10 to prepare a proposal for support of large-scale
11 renewables, and so we wanted to be sure that the
12 state energy plan anticipated or connected to that,
13 because, otherwise, what happens is, you have a
14 state energy plan which is incomplete.

15 So it is not that we -- the concepts that we
16 have been talking about and pursuing since I've
17 arrived in the administration over two years ago,
18 are the same principles and philosophies that we've
19 been pursuing from the beginning, and so there's
20 nothing new or surprising in the state energy plan.

21 SENATOR DEFRANCISCO: So REV is something
22 consistent with the Energy Highway, which was what
23 was announced earlier on in the Governor's
24 administration?

25 RICHARD KAUFFMAN: That's correct.

1 SENATOR DEFRANCISCO: Okay.

2 So are -- with respect to REV -- well, the
3 Energy Highway, isn't the main purpose of the
4 Energy Highway is to deliver high-voltage power
5 through the major lines throughout the city --
6 throughout the state?

7 RICHARD KAUFFMAN: That's one part of it,
8 yes.

9 SENATOR DEFRANCISCO: Okay. And is it fair
10 to say that you need the major lines to fit in all
11 the local REV components in order to make this work?

12 RICHARD KAUFFMAN: That's correct.

13 SENATOR DEFRANCISCO: Okay.

14 And how would you characterize the condition
15 of the high-powered lines that are on the
16 Energy Highway?

17 RICHARD KAUFFMAN: Of the current system, or
18 the system that is going to be built?

19 SENATOR DEFRANCISCO: No, we don't -- it
20 doesn't help us, the one that's going to be built.

21 RICHARD KAUFFMAN: Right. I think I've
22 already said, Senator, that the current grid is
23 aging and needs to be improved.

24 SENATOR DEFRANCISCO: Okay. If that's the
25 case, shouldn't we be improving that Energy Highway

1 now before it becomes non-usable, since it's going
2 to take a while to get this REV in place; correct?

3 RICHARD KAUFFMAN: Well, so, I think we're --
4 we are -- I hope that you have not taken away from
5 any of our comments that we're putting our brake --
6 putting a brake on building the grid infrastructure
7 that's going to support the integration of
8 distributed resources, because that's not true.

9 SENATOR DEFRANCISCO: And is there a timeline
10 that you have now in place that's going to show the
11 schedule for improving the Energy Highway as you're
12 studying and implementing REV over a period of
13 several years?

14 RICHARD KAUFFMAN: Audrey, do you want to
15 talk about that?

16 AUDREY ZIBELMAN: Sure.

17 So we have a number of different projects.

18 In our Appendix 6, we talk -- Appendix A,
19 I have a number -- we have a number of projects that
20 we've listed that the commission has approved around
21 transmission.

22 The TOTS projects, were projects that we
23 identified as --

24 SENATOR DEFRANCISCO: Excuse me one minute.
25 I don't want to cut you off, but, I'm looking for a

1 timeline.

2 All those projects say, by this year we'll
3 have this; this year we'll have that; this year
4 we'll have that.

5 AUDREY ZIBELMAN: Sure.

6 So the 2000 -- the TOTS projects, which would
7 be the 600 megawatts that we're looking to have in
8 place to protect against in the -- an Indian Point
9 shutdown, will be in place in 2014 -- '16. Summer
10 of 2016. They've already been approved.

11 Other projects are already under
12 construction.

13 And then on the AC projects, again, because
14 that's proceeding as still pending in front of me,
15 the expectation is, is that we will be in a position
16 to select a winner by the end of this year.

17 We will then need to go through what's known
18 as an "Article 7 siting process" which will finalize
19 the approval process, and then from there you would
20 begin construction.

21 So that would take a bit while, but the
22 objective would be to start, you know, as soon as
23 possible.

24 SENATOR DEFRANCISCO: Okay. And does your
25 chart, I didn't study it, but does it show on a map,

1 the timelines on the various pieces that you just
2 mentioned?

3 AUDREY ZIBELMAN: It does not.

4 That is information that I believe we can get
5 for you --

6 SENATOR DEFRANCISCO: I would appreciate
7 that, because I just want to see where the
8 deficiencies are likely to be.

9 Did you have anything to add? Because
10 Mr. Kauffman referred to you in a minute.

11 JOHN RHODES: He talked about the -- he
12 talked about the state energy plan and the process.

13 I will just only echo what he said, which is,
14 when we received considerable comments, I believe
15 the number is 50,000 comments, on a broad range of
16 topics. And we're presenting a broad range of
17 views. Those have been reflected in the plan as we
18 refine the draft, as has the current thinking that
19 Richard mentioned, around integrating large-scale
20 renewables and clean-energy-fund thinking, and
21 certain aspects of REV that have become more clear
22 over the time, so that the state energy plan will be
23 comprehensive and on target when it is issued
24 imminently.

25 SENATOR DEFRANCISCO: Okay.

1 And the -- what's difficult for us,
2 especially during the budget process, is that all of
3 these various proposals come out, and there's others
4 that were out there, that never quite got completed
5 before budget.

6 So now here we're policymakers, and we're
7 trying to figure out what's going on. And, a
8 plan -- an energy plan is supposed to be in place by
9 the time the budget is coming out. And -- or at
10 least before the end of session.

11 And what are we supposed to do under those
12 circumstances to set policy?

13 Does anybody have a hint for the Senate?

14 Okay.

15 I have the same feeling.

16 It's very difficult to do that.

17 RICHARD KAUFFMAN: Was that a question?

18 SENATOR DEFRANCISCO: Yeah.

19 RICHARD KAUFFMAN: Okay. Well, we're always
20 happy to engage at any point with you or your staff,
21 to give you any details on our thinking about
22 policy. We don't have to have a big hearing. We're
23 always available.

24 SENATOR DEFRANCISCO: That's great, but the
25 report was supposed to come out in December of 2014;

1 correct?

2 RICHARD KAUFFMAN: And there's other material
3 that's available all the time.

4 I will submit it to you.

5 SENATOR DEFRANCISCO: All right.

6 Now, correct me if I'm wrong, the New York
7 Green Bank, the New York Sun, are both subsidized by
8 the taxpayers; correct?

9 RICHARD KAUFFMAN: That's not correct,
10 actually.

11 SENATOR DEFRANCISCO: Okay. How are they
12 paid for?

13 RICHARD KAUFFMAN: The -- these come from
14 collections.

15 SENATOR DEFRANCISCO: "Collections" meaning,
16 what?

17 RICHARD KAUFFMAN: From ratepayers.

18 SENATOR DEFRANCISCO: Well, isn't that
19 subsidized by ratepayers?

20 RICHARD KAUFFMAN: Well, when you say
21 "subsidized" --

22 SENATOR DEFRANCISCO: Well, it's helped paid
23 for by the taxpayers. In fact, that's where the
24 money comes from: surcharges. Correct?

25 RICHARD KAUFFMAN: It comes from utility

1 bills, yes.

2 SENATOR DEFRANCISCO: Okay. Utility bills
3 that are paid for by utility consumers?

4 RICHARD KAUFFMAN: That's correct.

5 SENATOR DEFRANCISCO: Okay.

6 Now, that being the case, and we're talking
7 about doing things efficiently, and, hopefully,
8 lowering the costs for taxpayers, in your
9 computations, as far as some of these innovative
10 programs that are trying to be put together, does it
11 take into account that we want to lower taxpayers'
12 rates and, somehow, be in a position to stop some of
13 these additional surcharges?

14 And, if so, are there any computations
15 anywhere about what the cost would be of some of
16 these innovations now that are called "REV"?

17 RICHARD KAUFFMAN: Okay. If I might, and
18 I think that I said it a couple times during my
19 remarks, that we're committed to reducing
20 collections.

21 And the other thing that I tried to --
22 I think that you've heard from several of us, is the
23 objective of our policies, in almost every respect,
24 is to find a way to improve costs.

25 So what are the ways in which we can improve

1 costs?

2 It is not just about collections.

3 We're mindful of the fact that when we
4 increase collections on customers, we're adding to
5 customer bills.

6 And, so, let's start from there, because
7 that's where you started.

8 When John Rhodes talked about doing things to
9 animate markets, he talked about the kind of payback
10 and the bang for the buck that we expect to get on
11 those collections. He talked about an improvement
12 of the ratio of private-sector funds-to-ratepayer
13 funds going from 2 1/2 to 6 times, and that's a
14 measure of getting much more value, so that we
15 believe that by the policies that NYSERDA is
16 embarking, we're going to be able to draw in much
17 more capital from the private sector, do more, while
18 collecting less from ratepayers.

19 That's one way in which we're going to,
20 through our policies, put more money back in the
21 hands of customers.

22 When we talk about capital efficiency, as we
23 said before, those 80 hours, there is capital
24 inefficiency in the system that ratepayers have to
25 pay for all year long. And we have the potential to

1 save customers billions of dollars a year through
2 the policies that we have proposed to -- that we are
3 proposing here.

4 So we're absolutely committed in what we're
5 doing to reduce customer bills in the aggregate,
6 which is a function of energy efficiency, better
7 capital efficiency, and reduction in ratepayer
8 collections.

9 SENATOR DEFRANCISCO: And is there any
10 calculations you made, or pro forma, or anything,
11 that basically shows how you get into billions of
12 dollars?

13 RICHARD KAUFFMAN: I think you just heard
14 some calculations that were presented here, and I'll
15 turn over other comments to Chair Zibelman.

16 SENATOR DEFRANCISCO: I mean, are there
17 calculations?

18 You're estimating billions of dollars, and my
19 question is, How did you compute that?

20 And what were the -- you mentioned the
21 components, but, is there any estimated calculation
22 that you have to show that this is real?

23 AUDREY ZIBELMAN: Thank you, Senator.

24 Yes.

25 So the way that we come up with our

1 calculations is that the staff of the Department of
2 Public Service looks at published information that
3 comes out of the market -- the wholesale market, and
4 we look at what the prices of energy are in these
5 top 100 hours.

6 And you have to remember that a lot of these
7 power plants, for example, they will not be run many
8 of the hours of the year, so they need to make up
9 one year's worth of revenue requirements in just a
10 few short hours.

11 That's what drives the prices up during this
12 demand, because people have to be able to recover
13 their costs, and that means that every generator
14 that's running during that hour gets this highest
15 price.

16 That's what we look at, and when we sit and
17 look at that, and we take a look at the amount of
18 transmission and the distribution, that's what we're
19 saying is, if we can make our usage more efficient.

20 That's not saying that you're not going to
21 have a bulk power grid, but it's saying you're not
22 going to have plants that you're going to run.

23 It would be like running a hotel, that you
24 say, I'm only going to use the rooms two weeks a
25 year. The rest of the year, I'm going to have staff

1 sitting there, and I've got to pay for them, but I'm
2 not going to use it.

3 That's what we want to make more efficient,
4 so that's a big piece of those calculations.

5 We also know, when we move power from a power
6 plant to a consumption, there are losses in the
7 system. These are physical losses.

8 We calculate those out.

9 So these are all based on, really,
10 engineering calculations of what the cost is of
11 waste in the system that you could avoid by,
12 basically, making your usage much more efficient.

13 And, again, we're never going to say that
14 we're just going to have distributed resources.

15 We're always going to have a bulk power
16 system.

17 The challenge, and this is really what
18 markets are all about, is how to make it as most
19 efficient as possible.

20 That's what we're looking to do with REV. .

21 SENATOR DEFRANCISCO: Okay.

22 And last question on this point, I'm just
23 trying -- what I'm looking for, if you can do it,
24 I'm trying to figure out, we're going to have this
25 in place, this in place, we've got a timeline -- at

1 least that's what we're planning on, a timeline; and
2 if there's some type of assuming that the timeline
3 is met, what are the savings? What is the result of
4 this plan?

5 Because it would seem important to know
6 whether or not the plan has some kind of
7 calculations behind it, to try to understand that
8 this is not just, it's going to save billions of
9 dollars, but when we get this online, we estimate,
10 this is our estimate on this. Get this
11 online...that's the type of thing.

12 I don't know if you've done that, but it
13 would seem like something that would make sense.

14 AUDREY ZIBELMAN: So, yes.

15 So let me tell you how we'll work.

16 So as I said, the next -- once -- now we have
17 the -- sort of the idea, we want to make it more
18 efficient.

19 Now the next question is, How? Right?

20 So what we will be doing, what we call our
21 "Track 2," is identifying real metrics of what we
22 want to achieve.

23 So, for example, if we have a metric around
24 for utilities that say, "We want you to reduce your
25 peak by a certain amount of megawatts, and we expect

1 a certain amount of savings," what we will be doing
2 is measuring, exactly, did we achieve the goal, and
3 did we achieve the savings?

4 And, so, within the utility rate plans, like
5 we always do, we'll be identifying, what are the
6 outcomes? and how are we achieving them?

7 And if we're not achieving them, what are we
8 going to do?

9 Because, again, the goal here, of course, is
10 to make it work better. And that's -- and if we're
11 not measuring it, obviously, we shouldn't be doing
12 it.

13 SENATOR DEFRANCISCO: Okay.

14 Positively, last question.

15 Mr. Rhodes, there was an order by the PSC,
16 dealing with the Green Bank, back on December 19,
17 2013, and this quote caught my eye, and I just think
18 it's an important quote, along the lines I've been
19 asking.

20 "NYSERDA further asserts" -- you're
21 asserting -- "that this model of public-private
22 financing will reduce the need for ratepayers to
23 continue funding grant and incentive programs at the
24 currently levels.

25 "The Green Bank will be able to deploy its

1 capital in successive rounds of financing, and to
2 redirect it as the clean-energy financing markets
3 evolve, without the need for additional rate-based
4 contributors.

5 "NYSERDA also states that the Green Bank will
6 earn sufficient market returns on its investments to
7 become self-supporting; thus" -- well, there's a
8 caveat here -- "if successful, the Green Bank may
9 allow a partial shift away from the subsidy model
10 for clean-energy funding."

11 And I assume those assertions were part of
12 the basis for the ultimate order.

13 So, from December 19, 2013, has there been
14 any such savings?

15 Or -- and, secondly, what calculations did
16 you use to make that assertion?

17 JOHN RHODES: So the assertion was based on
18 the recognition that if -- so one point was
19 "self-sustaining" in that assertion, which is, that
20 once we have the money collected and it's used to
21 capitalized the Green Bank, and then it goes out to
22 support a clean-energy project, and the clean-energy
23 project repays the money, it can go back out again.

24 So in contrast to other kinds of ways that
25 NYSERDA disperses money, this money comes back.

1 So that's the point about self-sustaining.

2 Then about -- and then the other point about
3 self-sustaining is that we need to charge money for
4 the value that the Green Bank provides to its
5 partners, two reasons:

6 One, is to keep the Green Bank whole.

7 The more important reason, is to make sure
8 that we're actually providing value, because if
9 someone is willing to pay for something, then it
10 probably does have value.

11 And so those are the bases on which we made
12 those assertions.

13 We actually calculated numbers around
14 leverage and recycling, and other metrics, that are
15 in the report that's associated -- the business plan
16 that's associated with those comments.

17 And we can share them with you.

18 SENATOR DEFRANCISCO: That would be good.

19 And so I'm just trying to figure out, just
20 for now, was your -- has your assertion panned out
21 in the last year and a half?

22 That the taxpayers are less subject to this
23 program's subsidies, or whatever you want to call
24 them, and that has panned out over the last year and
25 a half, since in report?

1 JOHN RHODES: I would say so.

2 SENATOR DEFRANCISCO: And you've got some
3 numbers to show that?

4 JOHN RHODES: We can describe where the
5 Green Bank is in its --

6 SENATOR DEFRANCISCO: Well, if you can give
7 numbers that confirm your assertion, that would be
8 much more comfortable than knowing where the
9 Green Bank is.

10 JOHN RHODES: Okay.

11 All right?

12 Okay. Thank you.

13 SENATOR GRIFFO: Thank you,
14 Senator DeFrancisco.

15 We were joined briefly by
16 Senator Cathy Young, who has now left to go to
17 another meeting.

18 I'm also joined here by the ranking member of
19 the Energy and Telecommunications Committee,
20 Senator Kevin Parker; and, also, another member of
21 the Energy Committee, Senator Tom O'Mara.

22 I want to thank them both for being here too.

23 I want to quickly, before I turn to
24 Senator Little, follow up on the Green Bank. Maybe,
25 Mr. Kauffman, you can answer this one.

1 When you look at the projects that we were
2 talking about, and I think it was 2014, there were
3 7 inaugural projects that were identified. 2015,
4 there was a creamery in Orange County.

5 Can you give us more specifics on exactly
6 where we have seen activity there, relative to
7 projects and financing, beyond that? Or is that it
8 so far?

9 RICHARD KAUFFMAN: Well, the Green Bank is in
10 the process of going from the term sheet through to
11 closing, and continues to work with private-sector
12 partners that are coming in with new ideas.

13 And so I think it's in -- I think it's very
14 important to understand that this is a specialized
15 finance company. It's very similar in a lot of ways
16 to a private-sector finance entity, and, so, in that
17 it is not in the subsidy business. And as a result,
18 it -- these are complex financial transactions that
19 take a while to close.

20 This is not unusual.

21 The other Green Banks that have been set up
22 takes them about a year to -- from announcement of
23 transactions to closing; so we're very much on
24 track.

25 But I will -- we can share with you, as we've

1 shared with the DPS staff, the nature of the
2 projects, and you can see, with the transactions
3 that have been announced, exactly how they fulfill
4 the strategy of the Green Bank, which is to fill in
5 a financing gap, and to provide much more
6 substantial leverage on this capital than what the
7 capital would have been used for in the former
8 grants.

9 SENATOR GRIFFO: And in the initial
10 capitalization order at the PSC, the bank was to set
11 up two advisory committees.

12 Have them -- have they both been established?

13 And can you give an idea how people are
14 brought to that advisory committee, who may be on
15 that, even by segments of industry, or --

16 RICHARD KAUFFMAN: John, do you want to talk
17 about that?

18 SENATOR GRIFFO: John?

19 JOHN RHODES: I believe that there were two
20 committees, but only one advisory committee, that
21 were envisioned by the Green Bank.

22 SENATOR GRIFFO: Just to get some idea of
23 what this is, for people --

24 JOHN RHODES: Okay. So the advisory
25 committee, which consists of -- includes outsiders

1 from the Green Bank who are generally very seasoned
2 executives with financing-transaction background in
3 the relevant sectors. And I believe the membership
4 of the advisory committee is public, and we can
5 certainly share it with you.

6 SENATOR GRIFFO: And can you tell me how
7 they're appointed as members the advisory committee?

8 Who makes that appointment?

9 How are they selected?

10 JOHN RHODES: We have -- it is a -- it is --
11 there's a nomination process, and, ultimately, the
12 vetting of those -- of the candidates comes to me,
13 and I issue the invitation.

14 SENATOR GRIFFO: And you're relying on
15 private investors; correct, to be a part of the
16 Green Bank?

17 JOHN RHODES: Correct.

18 SENATOR GRIFFO: And it was established
19 administratively; correct?

20 JOHN RHODES: Yes.

21 SENATOR GRIFFO: So, as a result of that, can
22 we have any assurances of continuity?

23 What if there was a change, how would that
24 work, potentially?

25 JOHN RHODES: I'm sorry?

1 SENATOR GRIFFO: If it was a --

2 JOHN RHODES: A change?

3 SENATOR GRIFFO: Yeah, if there was a change
4 in administration, or something like that, what
5 ensures that this goes on?

6 Because if you're relying on private
7 investors, there has to be some sense of continuity,
8 obviously. There's no assurance of that.

9 Would that cause a reluctance -- I'm just
10 trying to understand, would that cause a reluctance,
11 potentially, for private investors?

12 JOHN RHODES: The -- I --

13 RICHARD KAUFFMAN: Are you talking about with
14 respect to the advisory board, or with respect to
15 for the activities of the Green Bank?

16 SENATOR GRIFFO: Both, actually.

17 I mean, the activities of the bank itself,
18 because it was established administratively, was it
19 not?

20 JOHN RHODES: So I think that one of the
21 hallmarks of the Green Bank, as of New York Sun, as
22 of --

23 SENATOR GRIFFO: It's not statutory; correct?

24 JOHN RHODES: Correct.

25 -- but we're -- we are -- we are promising

1 predictability.

2 And it's clear that the level of
3 predictability that we have already established,
4 with the orders that are in place and the initial
5 capitalization that is in place, is sufficient to
6 generate a lot of promising discussions about
7 transactions, and quite a volume of what is called
8 "deal flow" --

9 SENATOR GRIFFO: All right.

10 JOHN RHODES: -- with a serious partner.

11 SENATOR GRIFFO: I'm going to turn it over to
12 Senator Little.

13 SENATOR LITTLE: Thank you.

14 And thanks for all your written comments.

15 This is probably a huge oversimplification of
16 the goals of REV, but, is it that, like the
17 homeowner trying to reduce their demand charges, the
18 entire state is trying to, through infrastructure
19 improvements and other means, to reduce the
20 demand -- high demand that the state has?

21 AUDREY ZIBELMAN: That is a wonderful -- is
22 this on?

23 That's a wonderful summary.

24 SENATOR LITTLE: Okay. I got it, then.

25 Thank you.

1 But I wanted to talk about the
2 Energy Highway, and, I represent the North Country,
3 a lot of rural areas, and we have a lot of wind, and
4 we're certainly getting a lot of solar.

5 Somehow, not many of our volunteer fire
6 departments are loading up with solar panels all
7 over.

8 But the biggest problem we have, and what
9 I've heard, is that the capacity for the
10 transmission to the areas that really could use this
11 power isn't there, coming from the North Country.

12 But, Gil, you mentioned the Messina line.

13 So, are you expecting that, like, from the
14 North Country -- Clinton, Franklin county -- that
15 energy to move to that direction, and then go down
16 towards the Utica area?

17 Is that --

18 GIL QUINIONES: So we have a line called
19 "Moses-Adirondack," that goes from Messina --

20 SENATOR LITTLE: I saw both of those.

21 GIL QUINIONES: -- also called "Taylorville
22 line." It goes from Messina, headed about halfway
23 towards Utica. It's 73 years old, and it requires
24 upgrade and replacement.

25 And while we're doing that, we are also

1 working with all the wind farms that are connecting
2 to our grid to make sure that when they build their
3 substation, that they can effectively connect to
4 that line that currently exists, and when we rebuild
5 it, it can carry more of those -- power from the
6 wind farms from the North Country.

7 We're also looking at upgrading our line that
8 goes east-west, actually interconnects us to
9 Vermont. It's called our "PV 20 line," part of our
10 life extension and modernization. And that upgrade
11 should also help the wind farms in the
12 North Country.

13 The last thing that we're doing up there's
14 we're separating circuits and sectionalizing our
15 transmission system so that we avoid the bottlenecks
16 that you're talking about.

17 So we have done one, we call the
18 "Moses-Willis tower separation" of the circuits, and
19 sectionalizing that circuits.

20 Over time, we also need to apply technology
21 in that process. And we're installing a lot of
22 sensors to be able to really figure out how much
23 power the lines are carrying at any moment. That's
24 called "dynamic line-rating technology."

25 And so we're doing current technology, and

1 exploring better technology over time, to solve the
2 problems that you have.

3 SENATOR LITTLE: And isn't there a line that
4 comes, like, directly south of
5 Plattsburgh-Gary (ph.)? It's south, almost like the
6 Northway, or something, big transmission line?

7 But is the capacity -- the basic question is,
8 is the capacity beginning to improve?

9 And I know you're saying --

10 GIL QUINIONES: Yeah, right now there is
11 still capacity to integrate wind in the
12 North Country.

13 SENATOR LITTLE: Okay.

14 GIL QUINIONES: But it's -- we need to
15 improve it. You know, as we replace aging
16 infrastructure, instead of just replacing like in
17 kind, our view is, we should replace it with the
18 most effective and efficient technology out there.

19 SENATOR LITTLE: Because there is interest in
20 more wind in the North Country, and there's
21 certainly a lot more capacity for wind farms, and
22 they have helped in agricultural areas.

23 They've certainly helped to keep taxes down,
24 as many of those areas have lost a lot of other
25 businesses, and all.

1 The other question I had for you on the
2 transmission is the Champlain project.

3 I keep seeing that they're moving along, and
4 moving along.

5 Our biggest issue with the Champlain project
6 is it's from Quebec to New York City, I understand,
7 to replace the Indian Point power that New York City
8 may eventually not have, but no one can connect into
9 it. There's no connection ability from any of these
10 power sources in the North Country.

11 But is it online, as the newspapers are
12 reporting?

13 And do you expect it's going to be able to be
14 completed?

15 RICHARD KAUFFMAN: The project has all its
16 permits from the state and federal entities, and
17 it's really, at this point, a market decision by the
18 developer as to whether or not that project --

19 SENATOR LITTLE: The cost is enormous, isn't
20 it?

21 RICHARD KAUFFMAN: That's for the developer
22 to worry about, and to figure out whether the
23 developer wants to proceed based upon the market.

24 SENATOR LITTLE: Uh-huh. Okay.

25 All right. Thank you.

1 That's on the transmission.

2 Another one, even in Warren County, where we
3 have a double H camp wanting to have more solar to
4 operate the camp. It only operates -- well, it
5 operates part-time in the winter, but a big thing in
6 the summer. And, you know, National Grid doesn't
7 have the transmission-ability lines in there.

8 So that's a huge issue, going forward.

9 The other one would be, to the chairman of --
10 Zibelman, on the PSC, wind, solar, water, very, very
11 important renewables, and they're a great fit for my
12 communities in the North Country. But so is
13 biomass, and I don't see lot of attention given to
14 biomass and a lot of consideration.

15 Actually, we have one project, a plant in
16 Chateaugay. It's a small plant. I can remember
17 getting it up and running, or getting something for
18 it, when I first got into the Senate, telling people
19 I had 18 jobs. And, of course, people from
20 Long Island looked at me, like, so what? McDonald's
21 has 18 jobs.

22 But in the North Country it is an important
23 thing.

24 And they -- I thought, they're looking to get
25 a maintenance tier support. And I understand they

1 do have a purchase agreement, or a possible purchase
2 agreement, for the power they produce, but they
3 haven't made it to the PSC meetings yet.

4 Do you have any status on that you could
5 share?

6 AUDREY ZIBELMAN: I know that both sides
7 have -- Chateaugay and the purchaser have met with
8 staff.

9 Staff is reviewing it, and we expect it, you
10 know, to be brought in front of the commission, but
11 I don't -- I can't you give you a specific date.

12 But it's -- I know it's in the works, and
13 staff is working it.

14 SENATOR LITTLE: That's really important to
15 that community, in that we lost the
16 Chateaugay Correctional Facility. It's closed.

17 And, really, 18, 20, 30 jobs are like
18 500 jobs someplace else.

19 So, as soon as that could get before the PSC,
20 I would really appreciate it, and hope that that can
21 happen.

22 AUDREY ZIBELMAN: Okay. Thank you.

23 SENATOR LITTLE: All right.

24 And thanks for all the information. You
25 certainly have provided more reading for us.

1 So, good. Thank you.

2 SENATOR GRIFFO: Thank you, Senator Little.

3 Chair Zibelman, I might want to just follow
4 up on that.

5 What type of environmental benefits do you
6 envision being monetized to help support the build
7 out of the distributed energy resources?

8 AUDREY ZIBELMAN: Senator Griffo, one of the
9 things that we asked our staff to do was to develop
10 a model for a benefit-cost analysis, including, you
11 know, all the value streams associated with
12 distributed energy resources, some of the technical
13 issues I talked about, but also to take a look at
14 the environmental attributes and how we would model
15 those into the system.

16 The staff is now in the process of developing
17 what we -- a white paper, a concept of an approach.

18 We've asked them to file that in front of the
19 commission. As we always do, we will solicit
20 comments and input.

21 I'm sure we will get lots from all sides, and
22 then the commission will make a determination about
23 how best to model all -- you know, all relevant
24 attributes when we're comparing one from another.

25 SENATOR GRIFFO: Would one of the benefits be

1 lower carbon emissions, potentially?

2 AUDREY ZIBELMAN: That would be one of the
3 things that I know staff is looking at, how to model
4 that in.

5 There's, obviously, complexity associated
6 with that because we're part of RGGI and how we do
7 it.

8 SENATOR GRIFFO: And then would we place that
9 same value of the carbon emissions if we were
10 looking at this at both the ISO and at the utility
11 distribution level too? Would that be considered as
12 a possibility?

13 AUDREY ZIBELMAN: It would -- in a
14 benefit-cost analysis you would take a look at all
15 the benefits, all the costs, and make a
16 determination on how to best move forward.

17 SENATOR GRIFFO: Okay. Thanks.

18 Senator Ranzenhofer.

19 SENATOR RANZENHOFER: Thank you.

20 First of all, thank you, Chairman Griffo and
21 Chairman DeFrancisco, for convening the hearing, and
22 the panel for obviously being here today.

23 You know, a lot of times when we're dealing
24 with subjects, we say this is not rocket science.

25 But this actually is rocket science. This is

1 very complicated stuff. So, I'm still trying to get
2 my arms around this.

3 So I have some very -- questions that are
4 specific to my district.

5 I represent the Buffalo-to-Rochester area,
6 and the concerns I hear mainly from people that are
7 involved in manufacturing is not only the high cost
8 of energy, but the peaks and valleys, where, all of
9 a sudden, they will get an energy bill where it just
10 doubles their costs.

11 And I just wanted to know, you know, what you
12 have going on in my area, in that area, which is
13 going to improve there -- there a lot, not just for
14 themselves, but, obviously, the more successful they
15 can be, the more people they can employ.

16 You know, we -- you know, we're somewhere
17 between Senator Little's district and the
18 Long Island district in terms of how many jobs are
19 important.

20 Every job is important, but, you know, a lot
21 of these companies would like to add jobs, but
22 their -- the predictability of their energy costs
23 really, you know, cause them to hesitate.

24 So if you can just update me on what you have
25 going on in my area, and then I have some just

1 general questions for you after that.

2 GIL QUINIONES: Senator, as you know, the
3 Power Authority is right there in Western New York.

4 We have economic-development programs that
5 provide low-cost power (hydropower) to attract and
6 retain businesses in -- within the 30-mile radius of
7 the Niagara Power Project.

8 We have two programs, Expansion Power, and
9 Replacement Power, as well as the statewide program
10 Recharge New York.

11 So that's one tool --

12 SENATOR RANZENHOFER: I'm not really talking
13 about programs.

14 I'm talking about in terms of updating
15 systems.

16 GIL QUINIONES: Oh.

17 And -- so aside from that, one of the areas
18 that we're looking in Western New York is, when
19 we -- it's time for us to upgrade, you know, life
20 extension and modernization of our transmission
21 system in that area, one of the -- the focus that
22 NYPA has is, how do we make the system more robust
23 and more effective and efficient?

24 So, we're in the middle of planning that. We
25 do not have a specific project to present to you

1 right now.

2 We are evaluating options, but as we narrow
3 down those options, we will be happy to brief you
4 about of them.

5 SENATOR RANZENHOFER: And what type of
6 timeline are we talking about, kind of going back to
7 some of Senator DeFrancisco's questions?

8 You know, when I go back into the district
9 and I say, you know, I was in a hearing today, and
10 advised by the panel members that they're working on
11 projects, and, you know, you'll let me know when you
12 have it, I mean, what kind of timeline are we
13 talking about where they can actually see some
14 reduced energy costs based on what you're doing?

15 GIL QUINIONES: Well, the selection should be
16 done this year of what project we would propose to
17 do.

18 After that, there is a process that we have
19 to go through with the Public Service Commission,
20 where, if it requires siting with the New York
21 Independent System Operator and the federal
22 Energy Regulatory Commission.

23 Typically, a transmission project, depending,
24 if it's a new project, it can be five years to
25 seven years. But if it's just a modification, say,

1 application of smart-grid technology on the existing
2 system, it can be a lot shorter, similar to what
3 we're doing with the Marcy South line, the one that
4 I described, that emanates from Marcy, all the way
5 to the Lower Hudson Valley.

6 So depending on the final design scheme that
7 we come up with, it could be two years. It could be
8 five to seven years if it requires siting and it
9 requires to go to the federal regulatory process.

10 SENATOR RANZENHOFER: Okay. And is there
11 anyway of expediting that, or is that a pretty
12 standard timeline that you just referred to?

13 GIL QUINIONES: We always try to expedite it,
14 but it's a public process and it's a regulatory
15 process.

16 SENATOR RANZENHOFER: Okay.

17 Mr. Kauffman, in -- I was reading through
18 your comments today, and you had mentioned in here
19 that the average household pays \$2500 per year for
20 energy.

21 So when all is said and done, you know, if
22 someone who's watching this out wherever they're
23 watching it, you know, what do you expect the
24 average household energy cost to be as a result of
25 everything that you're doing, five years down the

1 line?

2 If it's \$2500 per year right now, you know,
3 when I tell my constituents, when I go back to the
4 district, that, you know, they're doing all these
5 things. Right now you're paying \$2,500 a year. In
6 five years you are going to pay....

7 You know, what is that number going to be, so
8 somebody has some, you know, comfort that all of
9 this is going to have significant savings for them?

10 RICHARD KAUFFMAN: Well, thank you, Senator,
11 for the question.

12 I think what I'd like to do is to come back
13 with you, to give you, on a household basis, that
14 exact number, the calculation of that number.

15 SENATOR RANZENHOFER: Well, I mean, you
16 mentioned it in your testimony here.

17 I mean, is there -- I mean, is there some
18 number that you are looking to achieve after all is
19 said and done?

20 RICHARD KAUFFMAN: Well, we're -- we are
21 looking to achieve very substantial cost savings, as
22 we've talked about, from the different areas of both
23 energy efficiency and improved capital efficiency
24 and reduction in collections. I mean, those are in
25 the aggregate.

1 And, so, you're asking for a household
2 number.

3 I'd like to take that and reflect on that and
4 return to you.

5 SENATOR RANZENHOFER: Okay. I mean, do you
6 have in terms of a percentage?

7 I mean, you're going through this process.

8 I mean, is there some -- you know, and before
9 you start the process, I imagine that you list your
10 goals, and, actually, you know, you list them here,
11 of more affordable energy; you know, lower the cost;
12 improve the aging infrastructure.

13 You know, you have four or five goals or
14 objectives that you're trying to achieve.

15 So if -- you know, for instance, if the
16 average energy household is \$2500 per year right
17 now, and you were to say, "Well, you know, we hope
18 to get it down, you know, to \$2450," someone looking
19 at that may say, Well, you know, that's not really a
20 significant savings.

21 So, when you go into the process, I mean, do
22 you have a thought in mind of where you want to be
23 at the end of the day?

24 I mean, you very clearly know where you are
25 right now. You have said so in your written

1 testimony.

2 I mean, where are you trying to get to, you
3 know, other than -- I know you're using "significant
4 savings," but, you know, an average person hearing
5 that, Well, what does that mean?

6 And that's what I'm trying to get an
7 understanding, so when I go back into my district,
8 I can tell them, you know, what -- you know, what is
9 a "significant savings" for -- you know, for them.

10 I mean, what does the energy czar feel a
11 "significant savings" is to make this all
12 worthwhile?

13 I mean, I know there are other goals to
14 modernize, and, you know, clean energy, and things
15 like that.

16 But in terms of, on the financial side, you
17 know, what are you really trying to accomplish at
18 the end of the day in terms of savings?

19 Whether you get there or not is another
20 story, but, you must have some sort of idea of where
21 you're trying to get at the end of this process.

22 RICHARD KAUFFMAN: Well, again, Senator,
23 I hope we're not talking past each other because, of
24 course, we've -- and here in our comments we've
25 talked about a number of different numbers, about,

1 improved, what each percentage increase in capacity
2 utilization means.

3 I talked about 220 to 330 million dollars for
4 every percentage point.

5 Chair Zibelman talked about a reduction of
6 energy costs for -- for shaving the peak of the top
7 80 hours.

8 So, we absolutely have calculations in the
9 aggregate.

10 And you're just asking us to -- which I think
11 is fair, to come up with it, translate it, by
12 household.

13 And so as I said, we're happy to take that
14 homework assignment back and revert to you.

15 SENATOR RANZENHOFER: Okay. So I guess today
16 I'm not going to get a number from you.

17 RICHARD KAUFFMAN: Right.

18 SENATOR RANZENHOFER: That would be fair to
19 say.

20 Today, anyway.

21 Okay.

22 Another question I have for you, and this is
23 just really for my own information, you talk about,
24 you know, "more and more New Yorkers are putting
25 solar on their roofs," and, "the costs are coming

1 down significantly."

2 So I drive through my district, and maybe,
3 you know, this is a statewide thing, I just don't
4 see, you know, just from my own observation, you
5 know, more and more people using solar.

6 Now, again, I don't know what you mean in
7 terms of number, you know, "more and more
8 New Yorkers."

9 You know, so, obviously, if you had two
10 people one year, and you had five people the next
11 year, that would be more, but I don't think that's
12 what you're referring to.

13 So, I mean, what type of numbers are -- do
14 you refer to when you say "more and more New Yorkers
15 are using solar"?

16 Because the second half of that question is,
17 you know, when I -- when we talk about it just out
18 in the community, the general comment is, Well, if
19 I am, you know, this many years old, and I'm going
20 to have the house for this amount of time, and this
21 is the cost, you know, am I going to be able to
22 recoup my investment?

23 And the comment is that, very often, Well,
24 it's still very expensive, and I would have to live
25 here for, you know, 20 years. And I think the

1 average person owns a home for 7 years.

2 So I'm trying to -- you know, if you could
3 just tell me, or define for me, you know, what is
4 the increase in the usage of solar on the roofs?

5 And what has been the, what you refer to, you
6 know, the cost of these distributed solutions?

7 One of them, I presume, is the roofs are
8 coming down off at an exponential rate.

9 So where -- you know, where were we? where
10 are we now? in terms of this exponential reduction
11 in cost, and this increase in people using solar on
12 the roofs?

13 Because I -- just my own personal experience
14 of being in my district, I just don't see that.

15 RICHARD KAUFFMAN: You must have a different
16 district than Senator Little, because she just
17 talked about --

18 SENATOR RANZENHOFER: Yeah.

19 RICHARD KAUFFMAN: -- you must not have as
20 many firemen in your district.

21 SENATOR RANZENHOFER: Well, we do have a lot
22 of firemen, and we do have a lot of firehouses.

23 But that's the beauty of New York State, is,
24 every district, and, you know, I can't tell them,
25 Well, in Senator Little's district they're doing

1 this.

2 People want to know what's going on in my
3 district when I'm there.

4 RICHARD KAUFFMAN: Of course.

5 SENATOR RANZENHOFER: So if you could --

6 RICHARD KAUFFMAN: Well, actually what
7 I would like to do is turn this to my colleague
8 John Rhodes who can tell you more -- he did talk in
9 the aggregate, again, about the pipeline of solar in
10 the state, and so he can talk to you about the
11 progress that we're making with New York Sun.

12 SENATOR RANZENHOFER: Good.

13 Okay. Thanks, John.

14 JOHN RHODES: So I think I mentioned in my
15 testimony that we've already seen a doubling of
16 installations from last year to this year.

17 So, this year -- sorry -- in 2014 we
18 installed over 100 megawatts of solar, which is
19 double what it was the prior year.

20 We have 450 megawatts of solar in the
21 pipeline. That means it will be built out over
22 time.

23 New York Sun, I -- it would be reasonable to
24 think that by the time we're done with New York Sun,
25 8 or 10, or 6, years from now, we're estimating that

1 the run-rate will be around 500 megawatts per year.

2 So it's just a -- it's not exponential, but
3 it's a 5x, 6x multiplication of what's happening
4 now.

5 I want to caution that not all solar happens
6 on rooftops, so some of it will be, you know, larger
7 installations, ground-mounted, and the like.

8 But, five -- but those are meaningful
9 numbers.

10 The other point I would make is that one of
11 the really strong developments in solar is the
12 advent of a -- of financing, which is really turned
13 the calculation from, I have to buy the solar array
14 and put it on the roof and wait for 20 years, or
15 10 years, of cost savings to pay me back, to one
16 where it's financed.

17 It's actually no money down, or very little
18 money down, and I'm cash-positive from day one.

19 And that is, in fact, one of the, you know,
20 really promising developments, in terms of business
21 model, that is leading to the acceleration of solar.

22 SENATOR RANZENHOFER: Okay. But --

23 JOHN RHODES: I can give you more numbers,
24 and I will do so, about the progress of the program.

25 SENATOR RANZENHOFER: Okay. And that's the

1 exponential reduction in terms of the financing, as
2 opposed to the capital outlay in the beginning?

3 JOHN RHODES: I think so, yes --

4 RICHARD KAUFFMAN: No, I'm sorry.

5 There's been significant cost declines in the
6 panels, and those cost declines have been seven --

7 AUDREY ZIBELMAN: 6 to 8 percent a year.

8 RICHARD KAUFFMAN: -- yeah, it's 6 to
9 8 percent per year, but it's -- but on a compound --
10 that's true over a long period of time. But I think
11 it's something, like, 70 or 80 percent the last
12 3 years.

13 I mean, enormous cost declines, and then --
14 and those are the panel costs.

15 And then you have the other costs of
16 installation and financing, and those costs have
17 gone down as there's more and more installation.

18 And beyond the solar, and this is the point
19 about the other distributed solutions, battery costs
20 are declining -- also declining rapidly.

21 The thing that's really important to
22 understand, and I think members of your district,
23 the people that are in the manufacturing business,
24 will understand this, is that, that you're right,
25 that when you look at the penetration in the markets

1 in the aggregate, these are small penetrations, but
2 because they're growing rapidly, the economics that
3 come from manufacturing things at scale are
4 enormous.

5 And so that's one of the things that we're
6 seeing as the solar industry and as the battery
7 industry begin to get to scale, the
8 manufacturing-cost declines are really enormous.

9 And so that's one of the things that we're
10 trying to anticipate and prepare for in our policy.

11 It's not that we're trying to -- as I said
12 before, it's not that we're trying to create a
13 market.

14 We're trying to create a framework so that we
15 wind up not costing ratepayers a lot more money for
16 building an infrastructure that can't take into
17 account the changes that are -- that are coming.

18 SENATOR RANZENHOFER: Okay. Thank you.

19 My thanks to the panel.

20 And thank you, Chairman.

21 SENATOR GRIFFO: Thank you, Senator Nozzolio.

22 Gil, you talked about --

23 SENATOR RANZENHOFER: Senator Nozzolio?

24 [Laughter.]

25 SENATOR GRIFFO: I mean, Senator Ranzenhofer.

1 Senator Nozzolio's in the other room.

2 I just --

3 SENATOR RANZENHOFER: I don't know. I don't
4 know how to take that.

5 [Laughter.]

6 SENATOR GRIFFO: You see now, you talked
7 about czars. But I'm a Senator from Rome, and we've
8 had some tough times in the Roman Senate.

9 SENATOR RANZENHOFER: You know, I do have to
10 leave for another meeting, so don't take any
11 offense.

12 [Laughter.]

13 SENATOR GRIFFO: Gil, would you consider
14 hydro an important part of clean energy?

15 GIL QUINIONES: Hydro --

16 SENATOR GRIFFO: Hydropower, yes, the
17 water -- hydro --

18 GIL QUINIONES: Hydropower is clean energy,
19 of course.

20 NYPA is the largest, you know, state-owned
21 public power. 70 percent of what we produce is
22 clean hydroelectric power.

23 SENATOR GRIFFO: And we talked today about,
24 you know, the Energy Highway was the beginning of
25 this process, along with Reforming the Energy

1 Vision, right now.

2 What's your belief -- you've been around for
3 a long time -- I mean, are we making the progress
4 needed in the Energy Highway?

5 I mean, should we be accelerating and
6 investing more right now to build those lines?

7 I know you have a number of projects you've
8 talked about, and when we talk about the sources of
9 clean energy and hydro being very important.

10 GIL QUINIONES: We are on a good path.

11 I mentioned about the NYPA projects.

12 Chairwoman Zibelman talked about what -- the
13 proceedings that she -- they have at the PSC with
14 the investor-owned utilities and private-sector
15 developers.

16 I think we're on a good path.

17 We need to keep going and keep the momentum
18 moving forward.

19 SENATOR GRIFFO: Senator Krueger.

20 SENATOR KRUEGER: Thank you, Mr. Chair.

21 I want to thank all the panelists.

22 I apologize for coming in late. Session ran
23 longer than we thought.

24 I've read through your testimony, and, I've
25 listened to my colleagues' questions, and they've

1 covered many of the questions I think we would all
2 have around your sort of broad assignment, except
3 for the part of the assignment which is reduction of
4 carbon emissions.

5 So yesterday some of us held a hearing on
6 climate change in New York, and there were a series
7 of scientists who testified, and when I asked them
8 what the sort of number one and two things the State
9 of New York could be doing to help address issues of
10 climate change and the impacts it's having on the
11 state now and in the future, I was basically told
12 reduction of carbon dioxide emissions (CO2), and
13 that that was heavily from both vehicles and
14 buildings, so that we had to do significant
15 reduction.

16 So, in all of the proposed changes, and your
17 proposals are large and will, no doubt, be very
18 impactful, and they're obviously complicated, and
19 people have different feelings about different parts
20 of what you've proposed so far, and I am also
21 looking forward to your report come June, and more
22 detail, what are we doing about ensuring a
23 continuation beyond the end of 2016 for large-scale
24 renewable initiatives, going forward?

25 Because we have a sunset of the renewable

1 portfolio standards, and I don't know whether part
2 of your grand plan for the state includes new
3 commitments to meeting renewable and sustainable
4 standards of energy, going forward.

5 RICHARD KAUFFMAN: So, thank you very much,
6 Senator Krueger, for your question, and for your
7 ongoing commitment to climate-change issues.

8 So, you know, there's a lot in what we're
9 doing that will accelerate our progress towards
10 reducing carbon emissions.

11 So the system, as it's currently structured,
12 we talked about how capital inefficient it is, and
13 how expensive it is, and getting more expensive for
14 customers, and why we want to build this integrated
15 grid, because it will reduce costs, but it will also
16 improve energy efficiency significantly, because we
17 need to move beyond, frankly, the programs that we
18 have had in place because they're not doing enough.

19 We have to accelerate progress towards
20 climate change.

21 And so this is one of these, I think, good
22 things, where the environment and the economy are
23 often cast as in opposition.

24 This is one of the cases where, by the things
25 that we're going to do are not only going to save

1 customers money and promote economic growth, it's
2 going to have the effect of deploying more renewable
3 energy and deploying more energy efficiency, and
4 creating markets of these things.

5 Now, with respect to the large-scale
6 renewables, I think we did briefly touch on that at
7 a couple of points.

8 So, there's an options paper that will be
9 advanced in the next -- by June 1st, that will
10 provide a lot of clarity, as to at least a point of
11 view, as to how we should support large-scale
12 renewables in the state.

13 SENATOR KRUEGER: And the State of New York
14 has a committed goal of 80 percent
15 greenhouse-gas-emission reduction below 1990 levels
16 by 2050.

17 That was an executive order, Number 24.

18 Are we on target for that?

19 Any chance we can get there before 2050?

20 How do your, you know, big-picture, big-scale
21 plans, tie into meeting that target?

22 SENATOR GRIFFO: John, do you want to?

23 JOHN RHODES: We believe the directions we're
24 proposing put us on track to that target.

25 We say that, recognizing that we need to

1 do -- as I think you've heard throughout the panel,
2 that we need to do more than we've been doing.

3 We need to find a way to make faster progress
4 and do so with more impactful use of dollars.

5 SENATOR KRUEGER: And my -- some of my
6 colleagues asked you some of the specifics around
7 the Green Bank and long-term, you know, I guess, the
8 ability to ensure that it can continue as an
9 investment vehicle to move big green projects
10 forward.

11 Is there anything that would prevent the
12 state pension funds from being invested in green
13 projects through the Green Bank?

14 Or is the absence of statute leave you in
15 a -- like an inability to actually come up with that
16 answer?

17 RICHARD KAUFFMAN: Well, I don't know about
18 the specifics of the State.

19 One of the things that we -- since we are not
20 in the subsidy business, we are originating assets
21 that are -- they're not rated assets from a rating
22 agency, but there would be investment-grade type of
23 assets for those that are financially-oriented, that
24 would generate a return of 67 percent, which is a
25 pretty good interest rate for investment-grade type

1 of assets.

2 So there are -- there have been some
3 conversations from different entities that have
4 said, Can we -- is there an opportunity for us to
5 participate?

6 And so, you know, the answer is, you know,
7 possibly.

8 That would be something that we would
9 consider doing, although nobody has come forward to
10 give us any money as of yet.

11 But the more funds that we would have would
12 mean more opportunities to do more.

13 SENATOR KRUEGER: To oversimplify, the idea
14 of the Green Bank is that there will be a mechanism
15 where private investment can be directed at energy
16 projects that meet the State's goals, but also are
17 both energy efficient, sustainable, and, of course,
18 hopefully, lower the cost, with more options in the
19 state of New York for consumers?

20 RICHARD KAUFFMAN: That's correct.

21 SENATOR KRUEGER: That's correct.

22 So I am one of the people who actually thinks
23 the State of New York ought to be divesting from
24 fossil fuels with our pension funds.

25 That is a controversial issue, and not a

1 question for you per se.

2 But one of the questions I get, Well, then,
3 what would you have them invest in instead that
4 addressed, you know, a better outcome?

5 And I think perhaps one of the answers are,
6 energy projects that meet sustainability and
7 climate-change targets.

8 But I'm not actually proposing today, okay,
9 everybody, you know, write a statute that allows
10 that, but maybe write a statute that allows that
11 possibility for pension funds to be able to be
12 invested in large-scale, good public-policy goals
13 here in the state of New York for energy.

14 Say, a proposal, as opposed to a question for
15 you.

16 I know someone answered the question before
17 about alternative energy to replace Indian Point.
18 I think there was a specific answer, but I think
19 I missed it.

20 What -- are -- is the State of New York
21 committed to closing Indian Point at this time?

22 Do you have a time frame, and a replacement
23 strategy?

24 RICHARD KAUFFMAN: So the Governor has
25 repeatedly said that he wants to close Indian Point.

1 Even before he was Governor he was saying that.

2 SENATOR KRUEGER: Yes, I remember that.

3 RICHARD KAUFFMAN: So as you know, Entergy,
4 who's the owner and operator of Indian Point, is
5 seeking a 20-year license from the NRC. And the
6 State opposes this relicensing, and we are in
7 litigation on multiple fronts, opposing the
8 relicensing, and this involves state entities,
9 including the Department of State, DEC, and the
10 Attorney General's Office.

11 SENATOR KRUEGER: And what is your plan for
12 replacement of the energy?

13 RICHARD KAUFFMAN: So in terms of
14 replacement, so the State has done a contingency
15 plan, and so the good news behind that contingency
16 plan is that there are lots of developers that are
17 prepared to commit capital to provide replacement
18 power.

19 And as we were just talking about, the REV
20 policies will encourage energy solutions across the
21 state to offset impact of Indian Point shutdown.

22 SENATOR KRUEGER: Thank you.

23 Mr. Chair.

24 SENATOR GRIFFO: Thank you, Senator Krueger.

25 Mr. Kauffman, as the core load increases

1 downstate relative to natural gas services, do you
2 anticipate that there may be need for an increased
3 pipeline capacity into that region?

4 RICHARD KAUFFMAN: Okay, I didn't hear -- I'm
5 sorry, I didn't the first part.

6 SENATOR GRIFFO: The core load increases in
7 the natural gas services.

8 RICHARD KAUFFMAN: Oh, the core load.
9 I think that I'll turn that over to
10 Chair Zibelman.

11 AUDREY ZIBELMAN: Yes.

12 So, one of the things that we are actually
13 doing, that we talked a little bit about in our
14 testimony, is integrated planning around both
15 natural gas and electricity.

16 So we certainly think that, from the economic
17 perspective, additional pipeline capacity into the
18 state will be useful. Right now, the state has a
19 pipeline capacity. It gives us an advantage of
20 low-cost natural gas.

21 And that as we increase, really, demand for
22 natural gas as a resource, that's necessarily going
23 to give us an opportunity to look at investments.
24 And there are pending investments now in front of
25 the DEC.

1 The commission itself, this commission,
2 doesn't approve that. That's more of a DEC-FERC
3 issue.

4 SENATOR GRIFFO: Do you anticipate that that
5 pipeline capacity could be available for use in the
6 power sector, such as that transmission level, or in
7 distributed energy resources?

8 AUDREY ZIBELMAN: Absolutely.

9 SENATOR GRIFFO: Okay. Thanks.
10 Senator Parker.

11 SENATOR PARKER: Thank you, Senator Griffo.

12 Let me actually begin by thanking you,
13 Senator Griffo, Senator DeFrancisco, for convening
14 us and bringing us together on this important
15 conversation.

16 Certainly, I want to thank the panel for your
17 time and your patience in answering every question.

18 I only have five or six hundred questions
19 this afternoon. I'll submit the rest in writing
20 afterwards.

21 [Laughter.]

22 SENATOR PARKER: But I do want just to thank
23 you for being here, and being patient.

24 And, really, thank the Governor for this
25 REV initiative.

1 Some of you may know, some of you may
2 remember, that myself and Kevin Cahill, in 2009,
3 when I was the chair of the Energy Committee,
4 actually put forward the first bill to actually
5 require the State to do planning. And I feel like
6 REV is kind of like the illegitimate stepchild of
7 that legislation.

8 [Laughter.]

9 SENATOR PARKER: But, no --

10 UNIDENTIFIED SPEAKER: Thanks, dad.

11 [Laughter.]

12 SENATOR PARKER: But, no, but, truthfully,
13 the notion of planning for our energy future is
14 really critical.

15 One of the things that happened when I first
16 got here is that, when David Paterson, then the
17 Democratic leader of the conference, made me the
18 chair of a task force on alternative-energy futures;
19 right?

20 And so this notion of not just planning out
21 our energy needs, but also looking at the future of
22 alternative energy in the context of those energy
23 needs, I think is critical.

24 And I see -- you know, my sense is that REV
25 is trying to accomplish exactly that.

1 And I have some -- hopefully, some more basic
2 questions, and I think Senator Ranzenhofer expressed
3 what a lot of us feel, that this, literally, is
4 rocket science, but we're trying to understand it in
5 some very plain ways.

6 So let me say, I think that the work that the
7 Green Bank and New York Senate is doing is actually
8 incredible. And I wanted to thank Mr. Kaufman,
9 very much, for being involved with that.

10 The solar conference that I brought to
11 Brooklyn just two weeks ago, that really was well --
12 you know, well received, you know, over 400 business
13 people from around the country coming to talk about
14 how they increased the production of solar energy
15 and solar resources in the state, and I think it's a
16 good start and, certainly, an important part of our
17 energy mix as we go forward.

18 I have, though, been dealing with some
19 questions around capacity over the summer.

20 So I've seen a couple of different capacity
21 reports that have indicated to me that, and as we
22 talk about climate change, Senator Krueger, and
23 I know that some of Mr. Kauffman's remarks, talk
24 about climate change, and the Governor has been
25 famous for saying that we're having 100-year storms

1 every 2 years, that we are looking not just at, you
2 know, crazy winters like we had this year, but then,
3 also, a significant heat wave this summer.

4 It's been indicated to me that, in
5 New York City, that we're not going have enough
6 capacity to meet demand, and that the result of that
7 may be brownouts in places like Brooklyn.

8 So can you, in fact, speak to that, and let
9 me know what the plan is?

10 AUDREY ZIBELMAN: Senator Parker, thank you.

11 For the coming summer, we've done an analysis
12 for the needs in terms of both locationally and
13 statewide.

14 There is sufficient capacity to meet the
15 demand for this summer.

16 As sort of we move forward into the future,
17 of course, what we looked at is, I mean, we just
18 don't plan for the next year, but we look out for
19 the next several decades, and we do see a need for
20 additional capacity additions.

21 And that's one of the reasons we are pursuing
22 both the transmission and -- as well as taking a
23 look at what we can do on the demand side.

24 The study that the New York ISO has
25 performed, and I know you have a witness from the

1 New York ISO this summer, also confirms that, for
2 the coming summer, there's sufficient capacity
3 locally and statewide.

4 SENATOR PARKER: Okay. And how is that
5 demand going to be met?

6 AUDREY ZIBELMAN: It's being met, largely,
7 through generation, supply. There's, also, we have
8 1,000 -- 1100 megawatts, roughly, of demand response
9 in this state that we count on. We also count on
10 reserves from other states.

11 Right now, we've a surplus. So what we
12 planned for is 117 percent of peak demand. Our
13 actual supply portfolio in New York is at
14 124 percent.

15 So for the coming summer, we're in good
16 shape, but, clearly, over time, you want to -- we
17 have old plants that can, potentially, retire.

18 And one of the things we want to do in the --
19 you know, is make sure that we have maintained
20 sufficient reserves, both, in terms of supply, and,
21 also, distributed generation that you can use to
22 manage demand.

23 SENATOR PARKER: Okay.

24 If that changes in anyway, can somebody give
25 me a call, so I can let me constituents know to get

1 candles, or something.

2 [Laughter.]

3 AUDREY ZIBELMAN: If that changes in any way,
4 everybody will hear me.

5 SENATOR PARKER: Okay.

6 All right, great. That's good to know.

7 I also have some questions, again, I think,
8 hopefully, straightforward, about reliability and
9 resiliency.

10 Again, you know, on the heels of "Sandy,"
11 we're really, really concerned about that. I know
12 that this has been a top priority for REV.

13 Can you talk about -- and I'm specifically
14 interested -- I mean, you can talk about the entire
15 state because, obviously, the state has been dealing
16 with issues of storms, and what that has meant in
17 terms of access to electricity in particular.

18 But can you talk -- speak a little bit about
19 how REV is addressing what we see the greater need
20 for, resiliency and reliability in our grid, and in
21 our infrastructure, generally.

22 AUDREY ZIBELMAN: Sure.

23 So there's, I would say, two aspects of it.

24 One, of course, is maximizing the
25 availability of clean energy to reduce carbon-energy

1 efficiency, and things like that. So, that's a
2 forward look to make sure that we're doing those
3 types of things.

4 But the other piece is using distributed
5 energy better.

6 So one of the things that we identify in the
7 REV order of Track 1, is the ability to use
8 distributed energy to maintain mission-critical
9 load, and we also identify the opportunities,
10 because we have improved technology to develop what
11 we call "microgrids," which is basically the ability
12 to use parts of the system, and can operate
13 independently, and also support resiliency.

14 So the commission, in its Con Ed rate case,
15 looked at the opportunity to use distributed energy
16 to create greater resiliency.

17 And NYSERDA, through the New York Prize, and
18 other activities, is helping accelerate that by
19 looking at how we can develop microgrids throughout
20 the system.

21 So, to me, it's -- as we -- as to us, as
22 we've said in policy, this is the "am" (ph.)
23 solution. This is not just environment or
24 economics. It's not just the bulk power grid versus
25 distributed energy resources.

1 It's really how we take all the benefits of
2 technology can operate in concert to create both
3 more resiliency and flexibility on the grid, and
4 then, also, ensure that not only are we able to
5 create a more reliable system on blue-sky days, but
6 also recover from major storms in a much faster way.

7 SENATOR PARKER: And I'm not exactly sure
8 about this.

9 So, how does -- so we have another
10 "Superstorm Sandy," how does using more solar and
11 more -- more solar, and more, you know, wind
12 turbines, and water turbines, how does that help us
13 be more resilient, you know, post-aid, the next
14 storm?

15 AUDREY ZIBELMAN: So, Commissioner Parker,
16 it's not just using solar, wind -- and wind
17 turbines.

18 SENATOR PARKER: Okay?

19 AUDREY ZIBELMAN: Certainly, those are
20 resources that you're going to have on the grid.

21 You can also have combined heat and power,
22 storage, thermal, efficiencies, things like that,
23 geothermal.

24 More importantly, as Gil was saying, you have
25 more intelligence on the network.

1 One of the things that we need to have is a
2 smarter grid so that we see, when someone's out,
3 that they're out, but, also, that we can isolate
4 portions of the system so that we can keep the
5 lights on in different areas so that people have
6 places to go to be safe, et cetera, but also greater
7 visibility, and then a hardening.

8 So the other aspect of what we're doing, and
9 we certainly require Con Ed to do, and we're doing
10 in Long Island, is actually hardening the system so
11 it can withstand storms better.

12 So these -- none of these are individual
13 solutions that you can say, Hey, that's it. We're
14 just going to do that.

15 They all work in combination.

16 SENATOR PARKER: Great. Great answer.

17 And as it relates to microgrids, which is --
18 I'm really excited to hear you talk about
19 microgrids, and, particularly, creating more smart
20 grids in addition to that.

21 What do you -- where is REV on -- this is
22 also related to resiliency and reliability, and
23 particularly because, in New York City, we have a
24 large number of people who are in public housing,
25 many of which who were the victims who lasted the

1 longest in terms of being in the dark and the most
2 inconvenienced, because if you live on a tenth-floor
3 walk-up in a public-housing project, you know, with
4 no lights, and you're now walking through a dark
5 cavern, you know, outside of losing your food, and
6 everything else.

7 What is the thoughts -- or, how does REV
8 speak to maybe the notion of maybe microgrids around
9 some of our housing -- public-housing assets?

10 AUDREY ZIBELMAN: Yes, I'm going to let Gil
11 talk specifically about what (unintelligible) doing.

12 GIL QUINIONES: Thank you, Senator Parker.

13 One of the activities that NYPA is doing
14 right now is to explore the feasibility of a
15 microgrid at Red Hook, NYCHA housing.

16 And if we can find a solution that can be
17 replicated to other NYCHA housing locations that are
18 also vulnerable to, you know, storms in future, that
19 will be the goal.

20 But, we would be happy to brief you at some
21 point when we complete that feasibility study.

22 I have heard previews of it from my
23 engineering staff.

24 I haven't had a chance to look at the
25 complete report, but once I do, we would be more

1 than happy to share that with you.

2 SENATOR PARKER: How soon do you think that
3 might be?

4 GIL QUINIONES: It could be weeks, not
5 months.

6 SENATOR PARKER: Okay, great.

7 And what do you think about the same notion
8 around some of our hospitals, which, again, suffered
9 through the same?

10 Are we doing feasibility studies for
11 hospitals as well?

12 GIL QUINIONES: We've -- in hospitals, we've
13 done a little bit more than feasibility studies.

14 In fact, Coney Island Hospital, we helped
15 them upgrade their boiler, and then chiller systems.
16 Raised them so that they are above the flood levels.
17 Built protective walls so that, just in case another
18 storm comes by and floods the Coney Island Hospital,
19 they should be in much better shape than they were
20 during "Superstorm Sandy."

21 SENATOR PARKER: Now, would -- but would a
22 microgrid be appropriate for them, and would that
23 help their situation?

24 GIL QUINIONES: It depends.

25 Many hospitals have what's called

1 "co-generation systems," or combined heat and power,
2 because they have a need for the steam that is a
3 byproduct of local generation.

4 And we are exploring a number of those, not
5 just in hospitals, but also in water and wastewater
6 facilities across the state.

7 SENATOR PARKER: Okay. Thank You. That
8 helps.

9 Mr. Rhodes, really quick, so one of inside
10 jokes that no one ever talks about outside, is the
11 fact that NYSERDA is a great place to raise money,
12 but not a good place to spend money.

13 And I wanted to hear what your thoughts were
14 around how we're going to better market the
15 resources of NYSERDA so that people actually know.

16 I mean, I've been sitting in the Democratic
17 Conference when people have said, Yeah, we really
18 ought to do this kind of program.

19 And I'm, like, Yeah, NYSERDA already does
20 that.

21 And they're, like, Really?

22 And these are people who have been -- who are
23 legislators who have been here for a long time, who
24 actually, you know, have some wherewithal about how
25 to access government resources.

1 So if they don't know, I'm clear that the
2 people who represent my district and the people of
3 Brooklyn are not as aware as we'd like them to be.

4 JOHN RHODES: So I guess there -- thank you,
5 Senator, for that question.

6 I think that there are three main things that
7 we're doing.

8 I think I mentioned how we're becoming easier
9 to do business with. This isn't so much about the
10 awareness point, but if you're aware of NYSERDA, now
11 we're pretty easy to deal with, so that is going to
12 increase demand for the programs that we offer, and
13 are going to offer.

14 The second point is, that we've talked about
15 enabling the market and working with -- and working
16 to address gaps and barriers. That means we have to
17 do the work to figure out where it is that there
18 would be appetite for the kinds of things that we
19 would do, and develop programs that would be -- that
20 would find uptake.

21 And this is really the classic definition of
22 "marketing," which is to build a product that people
23 want.

24 And then the final thing is, that we're
25 talking about enlisting the private sector.

1 In my comments today, I've talked a little
2 bit about -- I've emphasized enlisting the private
3 sector as a source of investment money.

4 It's also true that the private sector is
5 where a lot of the boots on the ground are in terms
6 of sales forces that can go out.

7 One of the terrific things about New York Sun
8 is that, rather than NYSERDA promoting solar, we now
9 have a whole sector of solar installers who are
10 promoting solar. And so that is the third tool in
11 the toolkit.

12 SENATOR PARKER: Let me interrupt you for a
13 second.

14 As it relates to that, what are you doing in
15 terms of incorporating MWBEs in the context of
16 your expanded market and your enlisting of
17 private-sector resources?

18 JOHN RHODES: We are -- we're paying
19 attention to that factor, and we're trying to expand
20 it as much as is possible.

21 SENATOR PARKER: Okay. We should have a
22 specific conversation about that in another chat.

23 JOHN RHODES: I've noted that. I took that
24 as an action.

25 SENATOR PARKER: Okay. Thank you.

1 If I can have one more question?

2 SENATOR GRIFFO: Sure.

3 SENATOR PARKER: In addition to the
4 workarounds, I guess, you know, making it easier,
5 I'm really interested in utility scale.

6 I think, ultimately, you know, utility scale
7 is the answer, uhm, you know, to what we're going to
8 need to do, whether it's -- I'm not just talking
9 about solar.

10 I'm just talking about whatever renewable and
11 sustainable resources that we're going to be using,
12 and I think this is both, from an industry
13 perspective, but also energy as a commodity, we need
14 to be looking at utility scale.

15 And I wanted to see where REV was in terms of
16 looking at that, because, ultimately, as we -- you
17 know, having been person who drafted, you know, the
18 bill on, you know, green-collar jobs, I think that
19 was critical, and I think it was important for the
20 time.

21 But, if we go down that path, you know, to
22 the extreme end, we get to a point where, you know,
23 you have a bunch of people who don't have
24 distributed resources on their rooftops.

25 And I know we're talking about shared solar,

1 and those other things.

2 But you also, you know, obviously, is --
3 you're going to be pushing back on the utility who,
4 eventually, especially with net metering, you know,
5 get to a point where the break-even point is bad for
6 them, and then the people are stuck on the grid, you
7 know, have an increasing bill instead of a
8 decreasing bill.

9 And my sense is that, you know -- you know,
10 utility scale, you know, alternative energy, is the
11 answer.

12 I'm not sure of whoever agrees with that.

13 You know, places like California have done
14 things like a minimum charge on a bill, and a couple
15 of other things they've done.

16 So I just wanted to kind of see what your
17 thoughts are.

18 And, really, while I -- I mentioned it,
19 really, on both issues, where, how do we make sure
20 that we don't get to this place where, you know,
21 poorer communities are stuck on the grid with very
22 high bills; but, also, where utility-scale projects
23 are our priority.

24 RICHARD KAUFFMAN: So if I might, thank you,
25 Senator Parker, for your question, because I think,

1 in a very clear way, you've highlighted why we need
2 to make the changes that we're proposing to make, or
3 in the process of making, because we've said this
4 several times, there are changes that are going on
5 with respect to technology, and how customers are
6 acting, and we don't want to -- and we want to build
7 this integrated network, because if we don't build
8 the integrated network, the kinds of issues you
9 described become a bigger and bigger problem.

10 We wind up with, who bears the cost of the
11 system, and how the -- and inequities that can
12 occur, and so we want to think about it on a network
13 basis.

14 It can't just be that a project is good for a
15 customer, but has no benefit for the system as a
16 whole.

17 And so that's part of the -- really, at its
18 essence, what we're trying to do when we talk about
19 building out a network.

20 And so we're not -- so the elements -- the
21 elements of changing the incentive structures are
22 such that we're not going to -- we're not going to
23 dictate -- it's going to be less about dictation of
24 answers, and more about creating market structures
25 and price signals that will permit distributed

1 resources of, potentially, very large scale in areas
2 where it's going make sense for -- where it's going
3 to make sense for the grid.

4 That's the way in which we build a grid which
5 is going to be both more energy efficient and more
6 capital efficient, and be more equitable to all
7 ratepayers.

8 SENATOR PARKER: And if I could, just a quick
9 statement, and, again, I want to thank everybody for
10 their answers, and just the patience that you've
11 shown myself and the rest of my colleagues.

12 And I want to thank Chairwoman Zibelman for
13 the pay raise to commissioner, earlier.

14 [Laughter.]

15 SENATOR PARKER: It seems to me that there's
16 a lot of work of be done as it relates to REV as we
17 go forward. And, as much as we know the Governor
18 likes to do things unilaterally, he -- I would
19 advise that he does have some willing partners in
20 the Legislature that would love to work with all of
21 you, and with the Governor, to make sure that we
22 are, you know, making -- you know, that we're
23 dealing with the issues of climate change in a
24 responsible way, that we're reducing our dependence
25 on fossil fuel and using more reliable, sustainable

1 energy sources.

2 We're certainly all vested in a more
3 resilient and reliable grid system, and energy
4 system, and, certainly, want to just extend a
5 partnership to -- and that it would great if there's
6 a set of legislative recommendations that we can
7 work on with you to make sure that these ideas that
8 come out of REV become, you know, a lasting part of
9 not just -- of just this administration, but as we
10 go forward, if there are things that are good ideas
11 that we can work on them and, you know, make them,
12 you know, part of the statute of the state of
13 New York.

14 And, certainly, I think the members of the
15 Senate certainly would like to, you know, as you see
16 from the questions you've gotten, certainly want to
17 be a partner in those things.

18 And I hope you'll lean on that front.

19 SENATOR GRIFFO: Thanks, Senator Parker.

20 I just have a few quick questions on
21 follow-up.

22 Chair Zibelman, can you give me a status of
23 the PSC proceeding on the national gas
24 infrastructure?

25 AUDREY ZIBELMAN: The status of natural gas

1 infrastructure --

2 SENATOR GRIFFO: On the proceeding.

3 AUDREY ZIBELMAN: -- the commission issued an
4 order in April, in which we're looking at the idea
5 of coming up with a financing mechanism so that we
6 can continue to finance natural gas infrastructure
7 without having to file a rate case.

8 And that was, we issued a request for
9 comments. I can't tell you the exact dates that
10 comments are due, but they're going through the
11 comment process to get back.

12 But in addition to that, within each rate
13 case, we've actually looked at, when utilities come
14 in as accelerating replacement of natural gas, as
15 well as incentives for convert- -- so people can
16 convert from natural gas.

17 And it's a combination of these activities
18 that we've been able to actually increase the amount
19 of natural gas infrastructure in this state.

20 SENATOR GRIFFO: I also want to compliment
21 some of the state agencies relative to the
22 clean-power plan, because they're all on the same
23 page. I think that's good. And we should receive
24 credit in New York for what we've done to reduce the
25 carbon footprint.

1 And I know we're watching the big case before
2 the Supreme Court.

3 And I would just make a request there,
4 because that is going to be important as to whether
5 FERC has jurisdiction over demand response or if
6 it's the State's right.

7 So if you could provide the Committee with
8 any filings or motions or outlines that you may have
9 relative to what your involvement will be in that,
10 we would appreciate that to keep us informed.

11 AUDREY ZIBELMAN: Certainly.

12 SENATOR GRIFFO: And then the final thing,
13 because I think this is very important, because when
14 we talk about weighing public policy versus the cost
15 to ratepayers and consumers, we talk about the new
16 position at the PEC [sic], which I believe is being
17 called "chief consumer advocate"? Is that correct?

18 We have a number of these similar type
19 positions within various areas of the
20 administration, and the attorney general's office.
21 For instance, we have the consumer-protection
22 division of the Department of State. We have at the
23 NYSO, the consumer-interest liaison. The AG's
24 Office, bureau of consumer fraud.

25 And now, this, what we're talking about at

1 the PSC.

2 Is there a way that we could look at
3 everything and make a determination, not only that
4 they could collaborate or communicate, but maybe we
5 look at how this best can work?

6 Is it best in the format that is currently
7 presented? Or is there a better way to look at that
8 because there are a number of similar activities
9 taking place across various agencies?

10 I don't know wants to take that, but just,
11 generally, because, again, it's important to all of
12 us, I think, when we talk about consumer issues.

13 AUDREY ZIBELMAN: We can take that as a
14 homework assignment, and come back.

15 SENATOR GRIFFO: Okay. It's a good
16 assignment.

17 I -- anyone else?

18 Senator Krueger?

19 SENATOR KRUEGER: No. Thank you.

20 SENATOR GRIFFO: Senator DeFrancisco?
21 Senator Parker?

22 I just want to, again, extend my appreciation
23 to the Governor for facilitating the energy
24 subcabinet to be here today.

25 Each and every one of you have extensive

1 knowledge and experience on these issues.

2 And this is an important issue. It may be
3 technical, it's complicated, but it's extremely
4 challenging.

5 And there are things we didn't get to today.

6 I wanted to talk about the -- what we're
7 doing in measures to protect the power grid, not
8 only against natural disasters, but also acts of
9 terror.

10 So I know that no on these facilities, and
11 that will be another conversation at another time,
12 because I want to be sensitive to all of your time
13 today.

14 But I do really, again, sincerely appreciate
15 your willingness and your access to have this
16 exchange, because this is going to be important, not
17 only on REV and the Energy Highway, which are two
18 very important issues, as Senator Parker indicated,
19 that we want to have the continuing dialogue, but
20 also involvement and input in, but all aspects of
21 energy policy right now, which is going to be
22 critical to the state, for our future, and to the
23 residents of this state.

24 So I again want to thank you all.

25 And, Senator DeFrancisco?

1 SENATOR DEFRANCISCO: Ditto.

2 [Laughter.]

3 AUDREY ZIBELMAN: Thank you.

4 SENATOR GRIFFO: Thank you all.

5 SENATOR GRIFFO: We'll proceed with the next
6 panel that will be called down right now.

7 This panel is from the industry, and it will
8 include:

9 Darren Suarez, director of government affairs
10 for The Business Council;

11 Kevin Schulte, board member of the
12 Alliance for Clean Energy New York;

13 Ted Skerpon, president and business manager
14 of the IBEW Local 97, and, chairman for
15 New York State IBEW Utility Labor Council;

16 Phil Wilcox, business representative,
17 IBEW Local 97;

18 Karyn Burns, the director of communications
19 and government relations for the
20 Manufacturers Association of Central New York;

21 And, Richard Dewey, the executive
22 vice president of the New York Independent System
23 Operator.

24 If you could all please come down, we'll
25 begin Panel 2 shortly.

1 (Pause in the proceeding.)

2 UNIDENTIFIED SPEAKER: Are we ending at 3:00?

3 SENATOR GRIFFO: Well, that all depends;
4 right? I would hope so.

5 I've learned a lot from Senator DeFrancisco,
6 and he likes -- he runs his meetings very, very
7 well.

8 So, I would ask all of the panelists here
9 to -- if you have testimony and you can avoid
10 reading it, but include it as part of the official
11 record, we would appreciate that, and you could
12 summarize, and then we can have opportunities to
13 have a conversation.

14 I know Karyn has asked to go first because
15 she has a family commitment.

16 KARYN BURNS: I apologize, yes.

17 SENATOR GRIFFO: Without objections.

18 Then we'll go to Mr. Dewey, Mr. Wilcox.

19 Okay?

20 Karyn, I know you'll be brief.

21 SENATOR DEFRANCISCO: Excuse me.

22 Can I add to that, you know, we hear so much
23 stuff that goes around in circles and circles and
24 circles, and I'm not criticizing any one group
25 because everybody does it.

1 Can you just tell us, straight up, what the
2 damn problem is, and how you think it should be
3 solved? And that goes for the Business Council as
4 well.

5 So if we can do that, this would be
6 wonderful, and maybe we'd all understand what we're
7 talking about.

8 All right?

9 Go ahead.

10 SENATOR GRIFFO: There he is.

11 UNIDENTIFIED SPEAKER: You got it.

12 SENATOR GRIFFO: All right. Karyn.

13 KARYN BURNS: We'll just have --

14 SENATOR GRIFFO: Karyn, just identify
15 yourself, and then, quickly.

16 KARYN BURNS: Yes.

17 Yes, and I did submit some testimony, so,
18 please feel free to read it afterwards.

19 Thank you very much, and I appreciate your
20 accommodations for me leaving a little bit early.

21 I'm Karyn Burns, and I'm the vice president
22 of communications and government relations at MACNY
23 (the Manufacturers Association.)

24 We're based in beautiful Syracuse, New York.
25 We're comprised of about 330 manufacturing companies

1 within about 33 counties, and we represent about
2 55,000 hard-working jobs -- or, people.

3 I'm actually here today with my colleague,
4 John Lawyer (ph.), who is our vice president of
5 purchasing solutions.

6 And the reason that I brought him today here
7 is because, you know, to your point, Senator, and a
8 lot of it was discussed today, the big issue here
9 with manufacturers is the cost of energy, and that
10 often is comprised not with the energy itself, but
11 the taxes and the added fees and the assessments
12 that are included on top of it.

13 So as we go through, you know, the REV
14 process, and I believe it was Senator Ranzenhofer
15 who mentioned it, you know, asked it, straight up,
16 saying, What is this impact going to be on
17 manufacturers, generally speaking?

18 And that's what I'm here today to ask.

19 I wish I -- I mean, to the Senator's point
20 earlier, I wish we had an answer, I wish we would
21 know how much this is all going to cost; but, quite
22 frankly, that answer's not there.

23 I don't think anyone knows it, and that's
24 something that needs to be taken into consideration.

25 We can certainly appreciate that the intent

1 is, obviously, to save money down the road, but
2 that's obviously going to be at a cost to something,
3 somebody. And, if history's going to repeat itself,
4 it's going to be on the taxpayers. Particularly in
5 the energy-intensive manufacturing sector, that's
6 something that they simply can't afford.

7 We already are working on, you know, added
8 fees to energy as it is.

9 We do have some great programs, as we talked
10 about earlier, which include many
11 economic-development programs, such as
12 Recharge New York, and it is a reduction of fees --
13 or, sorry, reduction on the cost of energy, which is
14 wonderful.

15 But something like this, we just need to be
16 able to, you know, make an assessment, how much it's
17 going to cost, and, just be cautious.

18 I don't know if you wanted to add anything?

19 SENATOR DEFRANCISCO: I don't think he does,
20 really.

21 SENATOR GRIFFO: Mr. Dewey --

22 SENATOR DEFRANCISCO: Okay. Who's next?

23 [Laughter.]

24 SENATOR GRIFFO: Mr. Dewey has had
25 double-duty today. He appeared at the

1 cyber security hearing, and he's here now, so,
2 I want to thank you. I want to thank you for
3 hosting the tour of the Assembly and the Senate
4 Energy Committees this Monday.

5 RICHARD DEWEY: Sure, sure.

6 Thank you.

7 Thank you for having me, Chairman Griffo,
8 Chairman DeFrancisco, and Senator Parker.

9 My name is Rich Dewey. I'm the executive
10 vice president of the New York Independent System
11 Operator.

12 The New York ISO is an independent non-profit
13 corporation that performs three key functions for
14 New York consumers.

15 First and foremost, we maintain the
16 reliability of the bulk-power network, the
17 transmission grid.

18 We also administer the wholesale energy
19 markets. We try to do so in the most efficient
20 manner for consumers.

21 And, we also are responsible for planning
22 New York's energy future, both from a reliability
23 and from a demand standpoint.

24 And as such, we act as a non-voting member of
25 the New York State Energy Planning Board.

1 As an independent resource, we strive to be
2 that authoritative source of information for market
3 participants, regulators, and policymakers.

4 We have no vested interest in the specific
5 outcomes, and we have no financial interest in any
6 of the participants who take -- who play a role
7 within the market.

8 As the executive vice president, I'm
9 responsible for operations, markets, and planning;
10 the three key functions.

11 I have a bachelor's degree from
12 Clarkson University, and a master's degree in
13 engineering from Syracuse University.

14 And, I'm pleased to be able to speak with you
15 today.

16 You have my testimony that we submitted.

17 Just a very high-level summary, some of the
18 key points I want to talk about:

19 The New York electric consumers are -- today
20 enjoy benefits of 15 years of competitive markets.

21 We have a system that's operated to some of
22 the strictest reliability standards in the country.

23 We have the most efficient energy markets in
24 the country at the wholesale level.

25 We produce price signals that have led to

1 10,000 megawatts of new generation, located at the
2 right location.

3 And, we have made some -- we've enjoyed some
4 efficiency improvements within the markets
5 themselves that have led to significant reductions
6 in emissions from the generation fleet.

7 So, we've made some tremendous progress in
8 those 15 years.

9 As we sit here, we're a bit at a crossroads,
10 and we've heard a lot about the aging
11 infrastructure, the transmission system.

12 We need to continue to understand what those
13 necessary investments are.

14 Much of the transmission network, which is so
15 important, from moving power from where it is most
16 cheaply generated, down to the load centers where it
17 is most urgently needed, it is at least 35 years
18 old, and, very soon, will be reaching end of life.

19 At the same time, there's new technology
20 that's being introduced that gives us a lot more
21 options at the local level and the distribution
22 level, and we really need to understand how to best
23 integrate that into -- into the system.

24 The topology of New York's power grid is
25 important to understand.

1 Two-thirds of the load, or the consumption,
2 is in the southeastern part of the state,
3 New York City and Long Island, but the vast majority
4 of the efficient, inexpensive, and most of the
5 renewable supply is in the northern part of state.

6 So, it's absolutely imperative for successful
7 markets and for reliable operation of the system to
8 be able to move as much of that power across the
9 state as we possibly can.

10 The Energy Highway blueprint recommends
11 actions and policies that would help make this
12 happen.

13 We applaud the efforts of the Governor and
14 the Public Service Commission in advancing this
15 forward.

16 And, we think it's absolutely important to
17 improve reliability;

18 Transport more clean power to the load
19 centers;

20 Improve access to the renewables, which we
21 all learned about, the majority of them are upstate;

22 And then, also, to maximize fuel diversity of
23 the generation fleet, another important aspect to
24 maintain our reliability, where we don't find
25 ourselves dependent on any one fuel type or any one

1 fuel source.

2 At the same time, we see benefits to some of
3 the improvements at the local level.

4 Some of the technology enhancements that
5 could enable the introduction of microgrids and
6 distributed energy resources near the load centers
7 could improve reliability of those particular areas
8 at the distribution level.

9 And, at the same time, the introduction of a
10 lot of the market concepts that have enabled us to
11 achieve significant efficiencies at the wholesale
12 level could be applied at the distribution level,
13 and there's some opportunity there.

14 We're work closely with both the
15 Public Service Commission on these initiatives. As
16 the independent source of information, we perform
17 studies and analyses to help inform decision-makers
18 about the cost, the reliability aspects, and some of
19 the risks of the various pieces of those two
20 proceedings.

21 We believe it's an exciting future. We think
22 that there's an opportunity here for a "best of both
23 worlds," where we've got an improved and robust
24 transmission information -- or, transmission system
25 that can help open the playing field for all of the

1 resources -- all of the generating resources, and
2 give them access to additional markets.

3 We also think this is an opportunity to
4 leverage some of the new technologies that are
5 available, to help modernize the local distribution
6 grids, help improve the customer experience, and,
7 also, add value, from both a market and reliability
8 standpoint.

9 I thank you for the opportunity to speak with
10 you today, and when it's time, I appreciate any
11 questions you might have.

12 SENATOR GRIFFO: We were going to have
13 everybody speak, and ask questions, but, I think we
14 may just ask some questions while you're speaking,
15 if anybody has one.

16 I think Senator DeFrancisco does.

17 SENATOR DEFRANCISCO: So, what do you
18 specifically think should be done?

19 I understood all the goals, and we heard that
20 from the past group.

21 What ought to be done in order to protect the
22 energy supply in the state?

23 And what --

24 RICHARD DEWEY: Well, very specifically, we
25 feel that reliability, and the needs to ensure and

1 enhance reliability, has to be the highest priority.

2 The transmission infrastructure is aging.

3 Some of it is nearing end of life.

4 You heard from Gil and the earlier panel
5 about some of the improvements that have been made
6 by NYPA. That investment needs to continue.

7 Some of the existing challenges with building
8 transmission centers around right-of-ways, and
9 access to land, to build transmission lines, a lot
10 of the proposed upgrades that we're talking about
11 are to replace in -- replace in place --

12 SENATOR GRIFFO: Time out --

13 RICHARD DEWEY: Yes, sir.

14 SENATOR DEFRANCISCO: -- time out.

15 Everybody here wants reliability.

16 Okay, now we got that out of the way.

17 Is -- are the people that spoke at -- the
18 last group of people, is what they're saying, is
19 there a specific-enough plan to know that your goal
20 of reliability is actually going happen, based upon
21 a what they just presented?

22 Or, is there a list -- is there a time frame,
23 what should be doing next in order to make it a
24 smooth transition?

25 RICHARD DEWEY: I can tell you that the

1 reliability studies that have been performed by the
2 New York ISO lay out that time frame for when the
3 need is most urgent and when the upgrades are
4 required.

5 And, we can look at that from a
6 reliability -- from a resource-adequacy standpoint,
7 when there's enough generation, and we can look at
8 it from a transmission-security standpoint of when
9 those bottlenecks need to be replaced.

10 SENATOR DEFRANCISCO: But is that ready now?
11 Have you done --

12 RICHARD DEWEY: Those plans, we do that on an
13 annual basis. Those plans are ready and public.

14 The next step is that, in response to that,
15 market solutions are solicited, so private investors
16 or public investors that want to propose solutions
17 to solve those problems would then bring them
18 forward.

19 The Energy Highway is an example of that, of
20 a vehicle or a process by which those solutions are
21 being prioritized and assessed.

22 Chair Zibelman talked about how the -- those
23 solutions are being looked at.

24 I don't know the schedule of when these
25 projects are set to kick off.

1 I can only tell you when -- from the analysis
2 of the system, when it's needed.

3 SENATOR DEFRANCISCO: Okay. I think we're
4 getting a timeline, if I understood them correctly.

5 Thank you.

6 SENATOR GRIFFO: Phil.

7 PHIL WILCOX: Thank you, Senators, for this
8 critically important meeting.

9 I'll forgo my written testimony in the
10 interest of time.

11 Attached to our testimony is just a
12 broad-based list of support from all over
13 New York State to expedite the transmission
14 investments.

15 We have an epidemic of struggling generators
16 upstate that represent thousands of jobs, tens of
17 millions in tax revenue to the communities that they
18 reside in, and hundreds of millions in economic
19 impact that stand threatened as we sit today.

20 One of the architects of the Energy Highway
21 blueprint was a fellow by the name of John Dyson,
22 and, he's a former NYPA chairman, vice chairman, and
23 he was a member of the Governor's Energy Highway
24 Task Force.

25 And his quote was, "Every struggling upstate

1 power generator that is environmentally compliant
2 deserves a lifeline until the Energy Highway
3 transmission work is completed.

4 "They struggle, in part, due to transmission
5 congestion that is no fault of their own; and, thus,
6 have been denied the competitive promises of
7 deregulation and fair market access."

8 So, from our perspectives, step one, get the
9 transmission work done, efficiently move power from
10 one end of the state to the other, and then assess
11 your needs for additional distributed generation.

12 Those are my comments.

13 SENATOR GRIFFO: Thanks, Phil.

14 SENATOR DEFRANCISCO: Perfect.

15 SENATOR GRIFFO: Ted.

16 SENATOR DEFRANCISCO: Perfect. I even
17 understood it.

18 Thank you.

19 [Laughter.]

20 SENATOR GRIFFO: Ted.

21 TED SKERPON: I was going say ditto, but --

22 [Laughter.]

23 TED SKERPON: My name is Ted Skerpon. I'm
24 the president and business manager of International
25 Brotherhood of Electrical Workers for Local 97, and

1 I sit as the utility chair, representing over
2 15,000 utility workers.

3 And I do thank you, Senators Griffo and
4 DeFrancisco for taking the time.

5 I will be very brief.

6 We do have submitted comments.

7 And, Senator Parker, for hanging in there
8 with us too.

9 Phil touched on most of issues that we're
10 here for. And, to me, it's not rocket science.
11 It's pretty simple: We have supply, we have demand.

12 We know where the supply is.

13 How do we get the supply to the demand?

14 That's our main problem.

15 Our issue here today is, REV can work.

16 I think it's going to take time to really figure out
17 what it's going of cost, and how we're going to work
18 it.

19 However, if we do not upgrade our
20 transmission, we'll get nothing to market. We'll
21 have nothing more of a stranded cost again that our
22 ratepayers, our consumers, are going to be stuck
23 paying.

24 Long story short, without the upgrade of the
25 transmission, REV will not work.

1 And I get very frustrated as a labor leader
2 in New York State, when I see power being imported
3 from Canada, from New Jersey, when we're all
4 supposed to be taking care of New York State.

5 So, as I said, long story short, take care of
6 the transmission upgrades, REV will follow, and
7 we'll be able to do what we need to do for the
8 future.

9 SENATOR GRIFFO: Go ahead.

10 SENATOR PARKER: Ted, have you -- I have a
11 bill that would actually improve Article 7, that
12 would actually fast-track the Article 7 transmission
13 process.

14 TED SKERPON: Yep.

15 SENATOR PARKER: Have you seen it? Have you
16 guys thought about an updated Article 7?

17 TED SKERPON: We have.

18 And as I heard today, that this technical
19 conference and everything may be delayed even longer
20 than we thought, that raises concern.

21 If we can fast-track this, we would gladly
22 take a look and see what we can do.

23 SENATOR PARKER: Okay.

24 SENATOR GRIFFO: One of the --

25 SENATOR PARKER: A support memo for my bill

1 would be great.

2 But, go ahead, Mr. Chairman.

3 [Laughter.]

4 SENATOR GRIFFO: One of the things that
5 I would be concerned with is, I think there's an
6 agreement that we need to invest in our transmission
7 system, but we also are looking at looking at
8 existing lines, as opposed to new lines that could
9 cause concern to communities, both, environmentally,
10 from a public-health perspective.

11 I mean, we've seen some proposals in the
12 past.

13 We had with one in Upstate New York that we
14 fought, the New York Regional Interconnect.

15 We don't want to see projects like that
16 again.

17 So I don't think that's what you're
18 (inaudible).

19 TED SKERPON: No, we have -- under the
20 existing rights-of-way is what we're looking at.

21 I mean, that's already been out there. It's
22 been proven, it can be done.

23 So, I understand the projects you're talking
24 about in the past, where, you know, it wasn't what
25 everybody was looking to do.

1 This is an existing rights-of-way.

2 It's there now. It's there today.

3 SENATOR GRIFFO: So would it be safe to say,
4 so far, for those who have spoken, and those who
5 haven't spoken are free to join in, and we'll come
6 to Kevin next, that we say we're on parallel paths
7 with the REV, and the transmission improvements on
8 the Energy Highway, but I think what you're saying
9 is, there may be a deficiency there, and that --
10 really, that should be priority one: that the
11 investment and the improvement on the transmission
12 lines should be taking place, and then the REV could
13 be following?

14 TED SKERPON: I guess I go back to
15 high school.

16 If I build a whole bunch of widgets and
17 I can't get them to market, what good are the
18 widgets?

19 So if we move forward with REV, not even
20 knowing the costs, and we have a bunch of stranded
21 costs sitting out there that we can't get to market,
22 what are we really doing?

23 I think as time goes on and we find out
24 costs, and these new initiatives come about, we will
25 be able to efficiently get them to market once, as

1 I said, that transmission is upgraded and we're able
2 to move it.

3 PHIL WILCOX: And just briefly, Senator,
4 I think, again, going back to John Dyson, when the
5 blueprint was completed in 2012, he would be stunned
6 to realize that, 3 years later, we are don't have
7 any steel in the ground or conductors in the air.

8 It's really appalling, and we need to
9 expedite that.

10 SENATOR GRIFFO: Kevin.

11 SENATOR DEFRANCISCO: Excuse me, last
12 question: Does -- do you have any estimates as to
13 what the transmission lines, to get them back
14 online, or operating more efficiently, would run?

15 Or has the government in any way provided
16 some estimates?

17 TED SKERPON: The pricing?

18 SENATOR DEFRANCISCO: Yeah.

19 TED SKERPON: Yeah, I believe that it's
20 1.2 billion for the transmission upgrades that are
21 defined in the proposal -- one of the four
22 proposals, anyways, that would address a congestion
23 from Utica, east, and, Albany, south.

24 And the cost-benefit analysis is included in
25 that. We can provide that for you.

1 SENATOR DEFRANCISCO: I think we just settled
2 another lawsuit for a billion and a half, if I'm not
3 mistaken.

4 DARREN SUAREZ: That is correct.

5 SENATOR DEFRANCISCO: That is correct.

6 What do you think?

7 Billion and a half, billion and a half?

8 DARREN SUAREZ: There's that great potential,
9 but I think, too, as you look at it, one of the
10 great things actually about transmission, and one of
11 the things we care about significantly, is cost.

12 And one of the great things that upgrades in
13 transmission do, is they actually reduce the cost
14 for customers.

15 And so these projects that have been
16 proposed, and this is why we actually agree very
17 much with everything that Phil said, that priority
18 should be the AC transmission upgrades; get that
19 process going forward.

20 It was good to hear today that, you know, the
21 Public Service Commission is moving forward.

22 It was unfortunate to hear it's not on the
23 time frame that we had earlier understood.

24 So, I think that those costs can actually be
25 taken care of as a result of the savings that

1 customers will receive.

2 And that's one of the great things that, sort
3 of, is contained in the AC proceeding, is to make
4 sure that the customers that are benefiting will
5 actually receive a benefit.

6 And, they'll pay a little bit more, but
7 they'll actually see a reduction in their overall
8 cost.

9 SENATOR GRIFFO: Kevin.

10 KEVIN SCHULTE: So, I'm Kevin Schulte. I am
11 the owner of Sustainable Energy Developments. We're
12 a wind and solar developer in Western New York.

13 I'm here today on behalf of the Alliance for
14 Clean Energy New York, as a board member.

15 The Alliance represents a diverse group of
16 renewable-energy and energy-efficiency companies,
17 clean-energy consultants, and the environmental
18 community.

19 We are the voice of clean energy for the
20 state of New York.

21 I think the first and most important thing,
22 other than to thank you for the opportunity to speak
23 here today, is to tell you that we are supportive of
24 the REV proceeding and the long-term possibilities
25 it creates for renewable energy and energy

1 efficiency in the state.

2 I think the clean-energy goals are good.

3 It's an ambitious, innovative, and,
4 potentially, extremely positive clean-energy
5 business opportunity for the state.

6 At the same time, our members approach it
7 with some level of trepidation and uncertainty as
8 policy changes for our respective companies.

9 Again, at a general level, we're very
10 supportive and appreciative of the policy goals.

11 We do not advocate for them to slowed down --
12 we do not advocate for them to slow down or step
13 away from the initiative, but, we are actively
14 pushing for assurances that the transition will be
15 smooth for our businesses, making sure the process
16 is open, transparent, and profitable for our member
17 companies, and to ensure we have no backsliding in
18 the markets that are all on a growth path.

19 I think I can break my comments down into
20 two basic pieces: One is for large-scale
21 renewables, and the other is for distributed.

22 The large-scale renewable side of things, we
23 were very happy in February that that process was
24 engaged in.

25 We believe that this will be the next

1 generation of our RPS.

2 We think four main components of the
3 large-scale renewable programs should be considered.

4 The first is, that the statewide
5 renewable-energy target should ensure at least
6 50 percent of New York's electric energy is coming
7 from renewables by 2025.

8 The second should be a utility procurement
9 model, with flexible contracting mechanisms, such as
10 bundled contracts and long-term PPAs, in order to
11 send a clear long-term signal to renewable-energy
12 companies and investors to attract them in New York.

13 The third, is that the program should be
14 consistent statewide and include Long Island.

15 And that -- the fourth is, that the LSR
16 should track -- should track -- should maintain the
17 current eligibility for the RPS, and foster diverse
18 technologies; and, particularly, off-shore wind.

19 From a distributed-renewables and
20 energy-efficiency perspective, again, I think our
21 comments are somewhat similar.

22 We are approaching, with some trepidation at
23 the end of the RPS, that programs like those that
24 support distributed wind and energy efficiency are
25 ending at the end of this year, and we want to

1 ensure that there are smooth transitions to new
2 programs as we go into 2016.

3 Overall, I think our comments are consistent,
4 that we're supportive of the process, we're excited
5 about the future of renewable energy in the state,
6 and we're here to be engaged.

7 SENATOR GRIFFO: Go ahead.

8 SENATOR DEFRANCISCO: Are any of the last
9 panelists still here? Or anybody from their
10 offices?

11 You know, I would hope that we would be able
12 to get a taping of this, and copies of all the
13 testimony, because it would seem that what these
14 people say, who are the experts in their area, on
15 the ground, doing the energy work, rather than
16 philosophizing, that they should listen, to see what
17 the suggestions are. They may even agree.

18 So I would ask the Chair to get copies of all
19 the testimony, and if we could get tapes of this,
20 hand-delivered to each of the four speakers, and
21 maybe they can take a look it, 'cause what is being
22 said here, it seems to me, to make a lot of sense.

23 Secondly, Darren, this is a little off-board,
24 and I will ask for a real, real short answer.

25 DARREN SUAREZ: Yes.

1 SENATOR DEFRANCISCO: Comprehensive and
2 short.

3 DARREN SUAREZ: Okay.

4 SENATOR DEFRANCISCO: What does the
5 Green Bank do that a commercial bank could not do in
6 providing loans for energy-type energy -- solar-type
7 energy?

8 DARREN SUAREZ: Well, it...

9 SENATOR DEFRANCISCO: Come on.

10 DARREN SUAREZ: All right.

11 UNIDENTIFIED SPEAKER: Nothing.

12 DARREN SUAREZ: It actually does a pretty
13 good amount, in terms of what it, it would -- it,
14 potentially, has the ability to fill in a market
15 space that isn't being addressed, in terms of being
16 able to aggregate resources that -- or, loans that
17 may not otherwise, sort of, be marketable.

18 And, it has the potential to, basically, fund
19 additional projects.

20 There is -- there's real potential for it.

21 How -- sort of how it plays out I think it's
22 unclear.

23 It certainly, in Connecticut, has worked
24 well, to allow for the residential solar market to
25 expand.

1 SENATOR DEFRANCISCO: You don't know how it
2 plays out yet?

3 DARREN SUAREZ: No, and I don't think we do.

4 I think -- but -- so we support it, really,
5 actually, because, right now, the current system
6 doesn't work.

7 The current system basically have
8 assessments, and charge, basically, customers, oh,
9 nearly a billion dollars annually.

10 We haven't met our renewable goals, and, so,
11 you know, it's sort of like: There's another
12 alternative. We'll certainly take that path,
13 because the one that we're on doesn't work.

14 SENATOR DEFRANCISCO: Have you got a
15 suggestion, Business Council, for another
16 alternative?

17 DARREN SUAREZ: Yeah, leave customers their
18 money.

19 So that was actually --

20 SENATOR DEFRANCISCO: That sounds pretty
21 good.

22 DARREN SUAREZ: -- it was contained,
23 actually, in the REV proceeding, which one of the
24 pieces allowed for large -- larger (unintelligible)
25 customers to make energy-efficiency upgrades on

1 their own and with their own money.

2 SENATOR DEFRANCISCO: And, lastly, now,
3 I hope I didn't forget what I was thinking here:

4 The -- let the customers pay their money.

5 This is one of the main benefits, if I'm not
6 mistaken, that the Green Bank can actually guarantee
7 loans from private banks?

8 DARREN SUAREZ: Yeah.

9 SENATOR DEFRANCISCO: Well, wouldn't a
10 guarantee of a loan, alone, reduce some of the risks
11 of private banks, and not require a -- a relatively
12 extensive staff to do what banks do anyway?

13 DARREN SUAREZ: Yes, that's true.

14 SENATOR DEFRANCISCO: Okay.

15 SENATOR GRIFFO: Darren, are you familiar --
16 you mentioned Connecticut.

17 Are you familiar with the Connecticut
18 Green Bank.

19 DARREN SUAREZ: A bit, Senator.

20 SENATOR GRIFFO: Were they established by
21 statute or administratively? Do you know?

22 DARREN SUAREZ: They were established by
23 statute.

24 SENATOR GRIFFO: So I think that's something
25 that we may want to have staff look into, too, is to

1 determine how many of the Green Banks that do exist
2 were established by statute, or how they were
3 established.

4 DARREN SUAREZ: Yeah, New York has,
5 certainly, unfortunately, a long history of
6 establishing things without statute, like the RGGI
7 program.

8 SENATOR DEFRANCISCO: Really?
9 I hadn't noticed.

10 [Laughter.]

11 DARREN SUAREZ: Yeah, well.

12 SENATOR PARKER: Can I jump in?

13 And, Chairman DeFrancisco, I think, you
14 know, just so there's clarity about this, the
15 Green Bank does not use taxpayer dollars.

16 It actually uses a systems-of-benefit charge,
17 which is actually being -- which is collected
18 through the utilities and is there already, and,
19 frankly, sitting, unused, in NYSERDA.

20 So to say that they should -- they would --
21 to give the money back, you would have to get rid of
22 the systems-benefit charge.

23 DARREN SUAREZ: Right, which would be great,
24 Senator. Honestly, that would be a real step
25 forward.

1 And I think that's the intent, is to
2 eventually get rid of SBC and RPS.

3 You're looking at \$950 million worth of money
4 that's going to --

5 SENATOR PARKER: You get rid of the renewable
6 portfolio standard?

7 DARREN SUAREZ: Yeah, potentially, those fees
8 that are associated with that. Yes.

9 SENATOR PARKER: Okay.

10 DARREN SUAREZ: And look to a new model, and
11 sort of market innovation and a market approach that
12 sort of assesses and evaluates those in a sort of
13 more real manner.

14 Right now, the money is not going out the
15 door, so that's why the money was available. And
16 NYSERDA hadn't been spending it, and that's why it
17 was available.

18 SENATOR PARKER: Right, and, you know,
19 I agree with that. I just made that point in front
20 of NYSERDA. I mean --

21 DARREN SUAREZ: No, I'm agreeing with you.

22 I'm just sort of saying -- you're saying that
23 we should spend it. I'm just saying, just give it
24 back.

25 SENATOR GRIFFO: Ted, you wanted to add

1 something to that, I think?

2 TED SKERPON: No, I'm set. I'm good.

3 SENATOR GRIFFO: Okay. Aren't we all?

4 They were getting excited there,

5 Senator Parker.

6 [Laughter.]

7 SENATOR PARKER: I saw.

8 SENATOR DEFRANCISCO: So let me clarify this.

9 Business and labor agree. Is that correct?

10 Is that correct?

11 And, it seems pretty --

12 UNIDENTIFIED SPEAKER: Fundamental.

13 SENATOR DEFRANCISCO: Almost, almost.

14 Well, I didn't expect miracles, you know.

15 No, but, seriously, these are excellent
16 suggestions.

17 And it just seems to me, if we can't get it,
18 a change administratively, we really ought to try to
19 do something legislatively, because it's got to get
20 done, and the sooner it gets done, the less problem
21 we've going to have down the road.

22 SENATOR GRIFFO: Darren, did you want to add
23 anything officially? Or are you --

24 DARREN SUAREZ: No, I'm okay.

25 You know, I think, in terms of -- yeah, you

1 didn't hear my full testimony, but I think
2 Senator DeFrancisco probably appreciates that.

3 SENATOR GRIFFO: And you have provided
4 testimony; correct?

5 DARREN SUAREZ: I have provided testimony.
6 And the main things to hear, just from our
7 members, are about our concern regarding costs so
8 that we can stay competitive with other locations,
9 and transmission upgrades are part of that.

10 SENATOR GRIFFO: Senator Parker, do you have
11 anything to add?

12 Senator DeFrancisco?

13 Now, any members of the panel have anything
14 they want to add?

15 I would just conclude with saying that, you
16 know, we understand the importance of the
17 Energy Highway, and the Reforming the Energy Vision.

18 I think these are initiatives that need to
19 work in tandem to provide New York with a strong
20 centralized grid; a modernized, upgraded backbone of
21 transmission, flexibility, and resilience, so that
22 we can do what we need to do to provide distributed
23 resources.

24 I think that would be, hopefully, an
25 objective and goal that we can concur on.

1 And I want to thank you all for being here
2 today.

3 And I'm am going to adjourn this meeting of
4 the Energy Committee, and the Finance Committee,
5 with Senator DeFrancisco's concurrence.

6 The joint Committee is adjourned.

7
8 (Whereupon, at approximately 2:58 p.m.,
9 the public hearing held before the New York State
10 Senate Standing Committee on Energy and
11 Telecommunications, and the Senate Standing
12 Committee on Finance, concluded, and adjourned.)
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