STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Case 03-E-0188 - Proceeding on Motion of the
Commission Regarding a Retail Renewable Portfolio
Standard.

Straw Proposal Meeting
3 Empire State Plaza
19th Floor
Albany, New York

Friday, January 15, 2010
10:30 a.m.
MR. PARELLA: I am Joseph Parella from the Department of Public Service. I would like to welcome you all here today. Thank you for coming, taking time out of your busy schedules to help us put together a proposal on this geographic balancing issue.

Just a couple of logistical matters. There is a sign in sheet going around. Please sign your names to the sheet, please. And as we go through the day, and you want to make a presentation or offer up any comments, if you could please introduce yourself and your organization.

We have a court reporter here today and she is going to put together a transcript for us, and it would help her greatly if you introduce yourself and the organization you are with, and if you could do that every time you speak up that would be great.

The one other piece of information I need from you is: Other than Con Edison, are there any other groups or individuals who will be making a presentation in addition to the Department of Public Service presentation? So, just the DPS and Con Ed, then. Okay, very good.

I just want to give you a little bit of a summary of why we are here today, and then we can go
around the room and do introductions. In its recent order, which I think was out on January 8th or 9th, the Commission addressed the geographic balancing issue which has come up in response to SAPA notices, and at the technical conference that the Commission held in October.

And what the Commission said was that parties who are concerned about this issue raised some valid points, and that staff should put together a proposal that deals with this issue for ISO zones G, H, I and J.

The Commission gave staff three months to report back on this matter, and suggested that a budget of up to, and that's an important phrase here, up to $30 million annually was an important consideration in addressing this matter.

The Commission said for planning purposes that it would like to focus whatever proposal staff finally recommends on three technologies: Larger scale PV, anaerobic digesters, and fuel cells.

The Commission also said that it would likely base its decision on this geographic balancing matter in concert with its decision on the customer sited tier, which will be taken up at the same time at
either the March or later session.

Finally, the Commission said that when it looks at the geographic balancing proposal that staff develops, and the customer sited tier proposal, that it hopes that whatever plan staff proposes optimizes the expenditure and deployment of these resources.

So, are there any questions before we start on what the Commission had to say in its January order?

MS. MILETICH: The way that you are speaking about this, and I'm just trying to recall what the order actually said, the geographic balancing proposal, that is related to the customer sited tier and those activities?

MR. PARELLA: The Commission would like to link consideration of both when it addresses the matter in March or April, and they are definitely related, because the three technologies the Commission wants to focus on for planning purposes are also in the customer sited tier.

MS. MILETICH: And they are not in any way related to the main tier.

MR. PARELLA: PV, for instance, is an eligible technology in the main tier.

MS. MILETICH: So, the geographic proposal
could potentially apply to that as well?

MR. PARELLA: The Commission wanted to focus
on -- well, the Commission did say it was interested in
larger PV installations as part of this initiative.

Now, how large they would be, I am not sure.

Let's go around the room first before we
start asking more questions again.

I'm Joseph Parella from the Department of
Public Service.

MS. PALMERO: I'm Tina Palmero from the
Department of Public Service.

MS. MILETICH: Radmila Miletich with IPPNY,
Independent Power Producers of New York.

MS. JOHNSON: David Johnson, from the law
firm of Read & Laniado, for Independent Power Producers
of New York.

MR. DANIELS: Tim Daniels, Constellation
Energy.

MR. TIERNEY: Good morning. Bob Tierney,
UTC Power. Manufacture fuel cells.

MR. KAMEN: Good morning. Ron Kamen, Earth
Kind Solar and New York Solar Energy Industries
Association.

MR. ZALCMAN: Fred Zalcman, Sun Edison.
MR. SOBOLEWSKI: Terry Sobolewski, Sun Power.

MS. ADAMS: Heather Adams, Central Hudson Gas and Electric.

MR. CAMPAGIORN: Anthony Campagiorni, Central Hudson Gas and Electric.

MS. QUIN: Jane Quin, Orange & Rockland Utilities.

MS. NELSON: Denise Nelson, Con Edison.

MR. GALLAGHER: Jim Gallagher, City of New York.

MR. HAMMOND: I'm Steve Hammond.

MR. CORNEAU: Keith Corneau, Empire State Development.

MR. MORRIS: Jackson Morris, Pace Energy and Climate Center.

MR. SARCO: Peter Sarco, NYSERDA.

MR. LEVY: Dana Levy, NYSERDA. My group runs the customer sited tier.

MR. NACHMIAS: Stuart Nachmias, Con Edison and O&R.

MR. RAVID: Christopher Ravid, Con Edison and O&R.

MR. BARWIG: Floyd Barwig, Department of
Public Service.

MR. MYERS: Warren Myers, staff.
MR. RIENCEO: Tom Rienzo, staff.
MR. STEWART: John Stewart, DPS.
MR. FRANCIS: Frank Francis, Brookfield.
MR. BARONE: Tom Barone, NYSERDA.
MS. STRAUSS: Valerie Strauss, Alliance.
MR. REIS: Jim Reis from NYSERDA.
MR. COLGROVE: Mike Colgrove from NYSERDA New York City.
MS. ANDREWS: Sue Andrews, NYSERDA.
MR. JEFF DANIELS: Jeff Daniels, Con Edison.
MR. ROSE: James Rose, Network for New Energy Choices.
MS. JOSEPH: Janet Joseph, NYSERDA.
MR. PLUMMETT: Neal Plummett, Plummett and Associates.
MR. WIGER: Scott Wiger, Plummett and Associates.
MR. HOFFSTATTER: Lloyd Hoffstatter.
MR. PETERSON: Jeff Peterson, NYSERDA.
MR. POWERS: Paul Powers, Empire Advocates.
MR. IRISH: Jeff Irish, Hudson Valley Clean Energy.
MR. LARSEN: Scott Larsen, NYSERDA.

MR. PARELLA: Continue with the questions.

MS. MILETICH: Well, I was just trying to understand what the exact scope of the proposal is and whether or not it would affect any activities in the main tier, to the extent that there may be utilities.

MR. PARELLA: I think there was an interest from the Commissioners to focus on the technologies that they enumerated, and they are mostly associated with the customer sited tier; however, we are here to get input from everyone.

I didn't read in the order that there was a prohibition to include technologies that might be more appropriate for the main tier, but I think there is -- but we will see how the day goes and what people have to suggest, but I didn't see a prohibition in the order.

MR. GALLAGHER: I was going to say that I agree with your interpretation. I mean the way I read the order is that for the purpose of this meeting it's neither main tier nor customer tier. It's just design an appropriate program.

I think some of the issues that we discuss, are we talking about behind the meter? Are we talking about putting power directly into the grid? And a lot
of the nuances are going to dictate where this program ends up.

I think for the purpose of today we should probably put aside whether it's main tier or customer sited tier.

MS. MILETICH: So, on this point we are talking about overall utility involvement in that potential period no matter what section of the RPS.

Is that what you're saying?

MR. PARELLA: I think we are trying to develop a geographic balancing proposal that satisfies the Commissioners' concerns.

MS. PALMERO: Just more specific to your point, Rad, under the notes of the straw proposal it talks about utility and non-utility entities being eligible to participate in the solicitation for the straw proposal anyway.

MS. MILETICH: That's why I am asking.

MR. PARELLA: Are there any other general questions or concerns folks want to raise before Tina goes through her presentation?

MS. PALMERO: I have some extra copies of the staff proposal over on that table if you need one. I don't want to go ahead and read through the whole
thing, but I will just touch upon the thinking of putting this together as a straw.

As Joe articulated, the Commission asked staff to consult with parties to develop a plan, including a solicitation method, to address this geographic balancing within zones G, H, I and J.

And in preparing the straw proposal that staff put out on the RPS list serve, the RPS list serve, we had some guiding principles that either came directly out of the order, or things that we believed would help in designing a program.

There are five of them listed. As Joe stated, the program -- we would like to see the program optimize the planning and budgeting and deployment of all resources within the RPS program, so we don't have duplicative efforts going forward.

We believe that the Commission was in its order looking for larger installations. Again, the customer sited tier has primarily focused on some of the smaller eligible technologies directly. Obviously, customer sited PV obviously has been mostly on the residential side. So, again, looking for some of these larger installations and we've noted in here above 50 kilowatt.
The other issue that was noted in the order is that, for those fuel based technologies, there is a strong interest to have those fuel based technologies use a renewable fuel stock. The RPS order, the initial RPS order has laid out what eligible biomass fuel stock is. So, within those parameters we would like to see renewable fuels used for anaerobic digesters and fuel cells.

The Commission also pointed out that it was interested in accounting for the knowledge and expertise of the distribution companies within those zones, and looking for places along the distribution system where it would be an added value to put some renewable resources along those systems for added support.

And so, in trying to come up with a very sort of simple straw proposal, the six line straw proposal, which is a competitive block installation, It's very straightforward. Has the size over 50 kilowatt.

There would be a split in the budget. $5 million would be for zones G and H. $25 million would be for zones I and J. And that was based on an historic annual average of the energy use by those zones to come up with that list. The selection criteria would
primarily be cost, levelized cost of energy per dollar per kilowatt hour.

We were contemplating, and we put on the table, this additional adder that would be established for projects installed along the distribution system, but utilities would have to identify where those desirable locations are. Not necessarily an exact point, but within a zone on a distribution system.

That would make it more fair and equitable for all those who were bidding on or entering a bid in a solicitation, to make sure that the information was out there so it didn't give -- so it wouldn't be disadvantageous for somebody that wasn't a utility.

In terms of payments, it would likely be a combination of install capacity and performance payment. How that split would be is open for discussion, as well as how much the adder for projects installed along a distribution system that would provide additional distribution support, that's also open for discussion.

And so the notes along the -- on the bottom of that sheet just talks about the things I have discussed. Value added portion of the solicitations to be identified up front. A panel would convene to go over the solicitations and evaluate the proposals and
bids.

A couple of key things. These larger scale projects are expected to be more cost effective on a unit per incentive basis than the existing customer sited tier.

Again, I know that program will not be decided by the Commission until a future date, but for those of you who have either participated or are knowledgeable on the former customer sited tier program, we would be looking to receive economies of scale. So, the assumption would be that they would be more cost effective than those in the customer sited tier, formerly in the customer sited tier.

So, that's essentially it. Pretty brief. Pretty straightforward. I know there's going to be a lot of questions about it and some suggestions on how to improve it. That's what we are looking for.

So, with that, we will just open it up for discussion.

MR. FRANCIS: We agree with the concept of geographic balance, however, to exclude certain resources, certain eligible resources from the mix, we think that is not an appropriate way to go.

And an example of the rationale behind that
is: We have developers who have invested millions of dollars in controllable lines to help to alleviate the congestion in New York City in zone J. And controllable lines do have the ability to bring in renewable energy into zone K.

We think that this should be opened up to all eligible resources as long as they deliver into the zones noted in the program, instead of just restricted into the listed resources, anaerobic fuel cells. We think it should be opened up to all eligible resources as long as they deliver into those affected zones.

The way it is right now, we do have renewable energy coming in from Canada into New York, into NYSERDA program. It's pretty much essentially the same thing. If you can bring renewable energy in from PJM across the controllable line into zone K, I think they should have the opportunity to participate. They are serving the function of the RPS program the concept of geographic balance is intended for.

So, that's our comment. We think it should be opened up on the broader scale to all eligible resources.

MS. PALMERO: Thank you.

MR. ZALCMAN: I have some comments on the
proposal, but maybe if I could just start by asking a
few questions of clarification.

    MS. PALMERO: Sure.

    MR. ZALCMAN: It talks about providing block
incentives on the base of levelized cost of energy. I
am assuming that the program is only funding the
required incentive, not the full install cost of the
system.

    MS. PALMERO: That is correct.

    MR. ZALCMAN: And the adder, would that
basically come out of this pot of money, or would that
be an additional revenue stream provided by the
utilities to offset otherwise required distribution
system costs?

    MS. PALMERO: It would come out of this pot
of money. I guess we were envisioning it similarly to
the economic development adder like they have in the
main tier. There would be this additional adder.

    What the weight would be, whether it would
be like the 70/30 that's in the main tier, or different
split, that's still to be determined, but that was the
initial thinking was it would definitely come out of
this block of money.

    MR. ZALCMAN: Thanks.
MR. GALLAGHER: Just on that point, it seems like some PV installations, which you are going to be working during the summer when power is most expensive, should earn a premium. I am not sure the incentive alone from the RPS is going to be adequate.

It would be nice to find a way to, just like with the main tier, they could get paid locational base marginal prices for the value of the power.

So, I think that should be an option that's open at least to further discussion.

MR. TIMOTHY DANIELS: We would be opposed to allowing utilities to bid into the program. New York has had a long standing policy, about ten years now, discouraging utilities to own generation. A lot of reasons behind that.

Some may see this as sort of a small -- this isn't a large resource, we're not talking about a 500 megawatt plant, but I think a lot of the same principles apply.

What I would say, as right now putting on my developer hat, there is a very good argument that it's almost impossible to set up a level playing field in terms of bidding. The utility is almost always going to have some kind of advantage in the way the bidding
structure is set up. And allowing utilities to bid into these programs is going to discourage other developers to participate.

And I want to point to the example. I mean, obviously the Commission wants to make sure this program is coordinated with the needs of the distribution system. Obviously the utility needs to be directly involved with that.

But there is a fairly long history in Con Edison territory of programs being developed that utilize non-utility development, development dollars, and yet support the system. There's targeted DSM program which has been operating for several years, been quite successful, and the targeted demand response program I guess two or three years operating now.

So, there are ways of structuring this that allow private sector development and leverage that with the utility's knowledge to make sure that you optimize the benefit to ratepayers in terms of distribution system support.

MS. PALMERO: I understand that and appreciate that comment, but the thinking was there are utility-owned facilities that perhaps some of these eligible technologies could be placed on, and so that
was the thinking.

And in terms of them having this advantage over non-utilities, if it's because they could potentially have influence over the whole interconnection into their system, I am not sure where else.

MR. TIMOTHY DANIELS: I think it's -- I would point out two things.

One would be information that's available. A lot of programs -- and I am generalizing. I am thinking of other states where this has been attempted. Sometimes a utility has information that's proprietary, it can't be shared with developers, and it gives them an advantage in the bidding.

The other place is if the Commission does go in this direction, a lot of thought would have to be given to the cost allocation and the risk management, because we have seen in other states when these programs are developed there's supposed to be a level playing field.

You will see when you start digging down that the risk allocation in some way -- for example, if this is structured, if there is any risk that is passed through the delivery portion of the bill, you have a
cost risk. That immediately creates an unlevel playing field.

So, this would have to be set up so the utility has all the same risk a non-utility has.

MS. PALMERO: That's what we would hope to set up, a very even playing field.

And in terms of them having additional knowledge about their distribution system, the intent was for the utilities up front to come in and publicly state these distribution systems, or within these areas, these would be good sections to provide additional distribution support.

So, those would be like the adders within the solicitation. If you can place a project within these certain areas, this would give you this additional adder. And everyone would know what those locations are. The utility couldn't come in and say, well, this is going to provide distribution support and somebody else didn't know about that location. It would all be upfront.

But I can appreciate the things you are saying with maybe some other knowledge, but we would hope to try to flush all those out.

MR. TIERNEY: I have got a question,
actually a couple of questions, on guiding principle number three, and I am sure some follow on questions once I hear the answers.

Can you tell me a little bit about the logic of creating that principle in terms of limiting renewable feedstock and how you envision the production incentive payments. From reading that it sounds like there would still be eligible -- natural gas system would be eligible for some sort of an up front payment, but progress payments or production of the energy would be not allowed to have a payment, if I read between the lines.

MS. PALMERO: I will try to explain what the thinking is here.

We see that there is a lot of untapped methane in these zones, especially down in New York City where we have got some of these waste water treatment facilities. I know a lot of those are NYP A customers so they wouldn't necessarily be eligible unless there is a way you could get a customer associated with that.

So, the feeling was if you could put a fuel cell in a location that could utilize some of this methane gas, recognizing that there might be some instances where you would have to use natural gas to
supplement, but the actual payment would only be based on the portion of the renewable fuel that is being used. So, you could use both natural gas and the renewable feedstock, but you would only get paid for the renewable fuel that you are using under this program. So, it's a good question with the actual up front capacity payment, how that would be structured, because if you were mostly going to be using natural gas, and maybe just a small percentage of a renewable fuel, I guess we would have to think about that a little bit more, how much would be an up front payment as opposed to a production payment, but that was the thinking.

MR. TIERNEY: Thank you. Just a couple of follow on questions if I may.

Waste water treatment plants clearly are a source of methane. Beyond that, I'm not a hundred percent sure where that would be in the city environment. And, you are right, a lot of the waste water treatment plants are owned by NYPA. We have eight or nine fuel cells that are already supporting those. We'll have to scratch our heads a little bit and figure out where else that might be.

I guess one other question in regards to the
bio fuel, would it need to be directly fed into the fuel cell? California has just passed an allowance for what they are identifying as directed bio fuel.

What that means is somebody may find an opportunity to clean up methane and work with the utility to put it into the pipeline, but then you would contract with them or that source for the methane, but of course you wouldn't be getting the same molecules that you would be putting into the system, and would you envision some scenario like that qualifying for incentives?

MS. PALMERO: I think we would be open to that. I would have to think about -- we would have to think about that a little bit more and delve into that.

MR. TIERNEY: It's like a gas REC essentially.

I guess the last comment, obviously some of the things driving renewable energy is the reduction of greenhouse gases. And fuel cells, in and of themselves, don't necessarily result -- fuel cells on natural gas don't necessarily result in reduction of greenhouse gases.

However, if they are used in combined heat and power scenario, we have seen significant reductions
of greenhouse gases.

I would urge the Commission to look at allowing natural gas and paying for capacity payments, but maybe there is a certain threshold for heat use that maybe puts it on a more equal footing with some of the ultimate goals of the program.

Thank you.

MR. GALLAGHER: Just to follow up on this NYPA point. And I think it's complicated somewhat and, first of all, clarification. The waste treatment facilities are owned by the city.

MS. PALMERO: Right, but they have NYPA power, you are right.

MR. GALLAGHER: But the point I wanted to make about NYPA customers -- and we have been talking about potentially paying a premium to customers that are installing PV or some other renewable at the point in the distribution system that's providing distribution system benefits.

And the point I want to make is NYPA customers are also Con Ed delivery customers and they pay Con Ed delivery rates. In fact, a recent Commission order directed that NYPA customers pay for certain Con Edison demand reduction programs.
So, the line gets blurred somewhat when we are talking about the distribution system benefits. Systems that are installed on NYPA customer facilities in certain locations will provide local distribution system benefits. So, I'm just making that point that requires further attention.

MS. PALMERO: Thanks, Jim.

MS. ADAMS: We are just looking I guess for more guidance and clarification in terms of announcing opportunities where there are distribution benefits, how are we going to quantify them, how often we need to reevaluate them.

MS. PALMERO: Well, thinking of a solicitation once a year. At some point prior to the solicitation we would ask the utilities to come forth with information on areas along their distribution facilities.

Trying to -- I know in terms of the confidentiality of this information, I don't think it would be, but the utilities will come in saying either along this system, between these two points, we could use distribution support. And that would be made available to all bidders within that solicitation.

So, if a project that bid into the
solicitation was within this area along the distribution system, they would get this adder. So, to answer your question: I think it would be a once a year if that's how frequently we were going to provide the solicitation.

And if a utility came in with a project that was in an area that was advantageous for the distribution system, but it wasn't on the filing that they made prior to the solicitation, it wouldn't count because it wasn't made available to all bidders.

Very basic, so, if you have any other suggestions on how to count that distribution adder we would be receptive to further input.

MR. NACHMIAS: I wanted to go back to a question for the gentleman about the fuel cells. If it were natural gas, for example, not a renewable fuel.

And I understand that if it were a CHP type set up it would provide efficiencies but it wasn't clear how that fits under the RPS or how it's different from other DG technology other than that fuel cell that might provide in a CHP context that same benefit.

MR. TIERNEY: That's a question for me?

Fuel cells on natural gas are qualified as class one renewables in the State of New York, so they
are renewable power.

MS. PALMERO: He's referencing the fact that they were in the customer sited tier of the -- the former customer sited tier program in the RPS where fuel cells on natural gas were eligible.

MR. PARELLA: I think we need to be clear that I think our intent, our preference, Tina, is if fuel cells are to be considered we would like to see them fueled by a renewable fuel source.

MR. GALLAGHER: One option I would suggest to you is open, for example, if you can get incremental methane out of a waste treatment facility, inject it into the system to offset natural gas that's used in a fuel cell, I think you would get the same benefit. You don't have to run it directly through the fuel cell.

MS. JOSEPH: If we are, indeed, looking at primarily renewable resources for fuel cells, and by definition for anaerobic digesters, this issue of determining the eligibility of feedstocks from the waste water treatment plants in New York City is just an absolute threshold issue.

If those feedstocks are not eligible, the renewable supplies, other than PV, in the metro area become quite limited. There might be some supplies via
food digestion, for example, at Hunts Point, but it's really a very threshold issue.

Depending upon the determination of whether those biological feedstock are in or out, it might become just a PV program in the metro area, which could have merits as well. So, I just want to underscore that that's a very threshold issue.

MS. PALMERO: You are not talking about the actual feedstock because the feedstock is an eligible technology, but you are talking about the NYPA -- the relationship of the customer, right?

MS. JOSEPH: Right. That's a real threshold issue.

And then one other just comment I will put on the table somewhat unrelated. In terms of having the utilities identify the critical areas in their distribution systems, I think that's certainly something that could be done through a collaborative mechanism, maybe even establishing an advisory group for this geographic balance component going forward.

I think also, on the tail end, we would all benefit if the utilities were deeply engaged in conducting an analysis of the economic value of the resources in the distribution system.
We have been grappling with this throughout the RPS technical workshop. So, I think there is a very significant role in identifying the geographical -- the specific locations for the resources, and then also in sort of analyzing from a fairly hard economic perspective the realized value of the resources. So, I would put that on the table.

Just lastly, there are some institutional market barriers in the metropolitan area that we are all aware of, and I think that we would need to be addressing those sort of in a complementary manner with the program.

It might not even need to be RPS resources. For example, we have talked with Con Ed and others, on the PV side we know we need to do a little bit more in terms of training the building inspectors in the metropolitan area. So, we shouldn't forget that there are market barriers in the metropolitan area that even sometimes the RPS dollars might not address.

So, just wanted to put those comments on the table.

MR. PARELLA: Thank you, Janet.

Regarding your first comment, getting way ahead of myself, but I think as part of the next steps
we are going to ask for written comments.

    Jim, it would be really helpful if the city
really provided some information and perspective on this
NYPA-New York City relationship. That would be really,
really useful.

    MS. NELSON: As Ms. Joseph had mentioned, we
do have a presentation we would like to make afterwards,
and I think there will be some overlaps so I don't want
to go too far astray, but on some of the points that
have been discussed so far.

    First of all, we do work in a very congested
area, so, I think that everybody is aware that the costs
of upgrading and maintaining our system are significant.
These efforts towards understanding some of the benefits
there are certainly very much appreciated.

    And some of my questions, specific to your
proposal and to that point, perhaps this is getting a
little bit ahead of myself, have to do with some of the
timing of when our analysis would be done and provided,
and then when these projects, if there would be a
requirement for the projects to be on line by a certain
time.

    And then, in getting to Janet's point also,
what kind of follow up or measurement, because certainly
in order for our -- to value what that benefit is, it needs to perform and that's something very, very important.

So, again, perhaps this is further down the road in the development of the programs, but it's something that would be very important in terms of really capturing that value towards longer term being able to offset some infrastructure and costs.

MS. PALMERO: Any comments you have about that, because that's a good point, if we are going to provide a part of this as a production incentive what's the term of that production incentive? Is it three years? Five years? Does it go out beyond?

So, if you have some feedback on what you think is a good term for that, that would be helpful.

MR. TIMOTHY DANIELS: Has staff thought about -- this is getting back to the utility and non-utility competing in the bidding process.

One bit of information that I think would be difficult to bid if a non-utility entity didn't have information on some of the interconnects.

What I mean by that is: We have this fault current map that Con Ed updates and is on their website. For dispatchable resources, a non-utility entity could
determine, if given information -- which I assume Con Ed would do, they have done with their targeted program -- information on the number of accounts in a particular network that are in different size ranges, they could determine sort of a market potential almost for that area.

But solar is a little more difficult because with solar, unless you are going to build it small enough so it's absolutely never going to export, in most cases there's going to be some kind of exporting, some net metering aspect to it.

Right now with the Con Edison system, and Con Ed can correct me, maybe I'm wrong on this, but if you look at a case by case basis, and depending on the feeders that are involved, in some cases there is allowance for some export as long as it doesn't back feed into the system.

I am not an engineer, but it's back fed into the system at some point. That's information that if you are trying to figure out to go to network how much solar would be available, unless a non-utility entity had that information it would be very difficult to determine.

They would have to bid very conservatively.
They would have to assume that they could only install systems at facilities where there would be no exporting. Whereas, a Con Edison distribution engineer can look at that and do it kind of easily, but there's a capability. They could look at that information and determine where there might be a possibility of some sort of exporting it in individual sites.

So, I mean I am guessing you probably haven't gotten into that detail. Maybe I would throw it out there as one of the issues that have to be worked through.

MS. PALMERO: I am just thinking in terms of one of the remedies for that is whether we do this in a collaborative fashion or if the utilities submit some kind of filing with these areas along their network that would be subject to this adder, if they could also identify sort of the threshold limits on those portions of their network projects. Up to a certain size could be sustained on this portion of the network.

So, it would give some additional information. I am not sure if that would work but I'm just trying to think.

MR. TIMOTHY DANIELS: The issue of which sites you could do the net metering at comes down I
think, really, to more specific sites. Maybe it's just a little cluster.

The issue there is that for non-utility bidders to have the same information, Con Edison would have to say potentially like those four buildings you could potentially do some. In those three you can't.

In the past, I don't think in these similar types of -- like in the targeted program, that level of specificity was never given because the thinking was that went beyond that kind of confidentiality issues.

MS. PALMERO: Right. We will have to think about that to make sure we make it as level a playing field as we can and if we can't then we will alter that.

MR. LEVY: I've got two quick comments.

First, regarding the issue of customers that don't pay into the RPS, there's been an advisory opinion that's on file that has been instrumental during the customer sited tier program up until now that has indicated that the customers which do not pay into the RPS can be still considered if there's "sufficient public benefit".

That's been taken on a case by case basis. Would that be under consideration as well in this program? Would it be possible to consider that
customers that don't pay into the RPS can still be perhaps eligible if this issue of sufficient public benefit holds true? That's item number one.

Item number two that I wanted to mention is that NYSERDA has been promoting installation of systems at sites that can serve as facilities of refuge during natural or a manmade disaster, or a grid outage, and we have been providing an adder in the fuel cell program to systems that are capable of running during the grid outage and are sited at a facility that can serve as a facility of refuge.

So, in the discussion of adders in the programs, that might be an additional adder to consider aligned with important public policies.

Thank you.

MS. PALMERO: Certainly. Thanks, Dana.

Dave, did you have --

MR. JOHNSON: I have a question.

How does the current customer sited tier work with respect to the utility participation? Is the customer the utility or is it always a customer, a given customer, so it's a relationship between the company installing the fuel cell or the PV, and a particular customer, or is it with the utility? And in this
program would it work the same way or be different?

MS. PALMERO: The former customer sited tier it was -- in the case of PV, it was the installer who applied for the incentives. NYSERDA had a list of eligible installers that went through NYSERDA-sponsored training and they were the ones that were applying on behalf of their -- a customer, mostly residential and some commercial and non-for-profit.

But the understanding was the eligible installer who applied for the incentive, all the incentive would go back to that customer. So the customer would get the full advantage of it, but it was the installer. So, there wasn't this utility relationship other than the fact that they had to apply for interconnection and work with the utility, but the utilities were not applying in the former customer sited tier program.

This is a little different that because of the Commission's desire to optimize some of these larger installations along the distribution network, especially in New York City, that they are interested in getting utility input.

And so, again, as a first blush with the straw, we thought it would be appropriate if utilities
could then bid into the process as long as the playing field was level.

MR. JOHNSON: I guess in this situation an example would be: You have a fuel cell developer. You don't have a particular relationship with the customer. They would be selling the energy to the utility and then the utility would resell that to the local distribution customers?

Or would the fuel cell developer install a fuel cell at a particular customer's location and then competing with the utility to provide the service to that particular customer.

MS. PALMERO: It's interesting, because there's so many different scenarios that could play out, and I guess the thinking was we would put out the rules and what we got back, there could be some very creative arrangements.

I think the one thing is we just wanted to make sure that customers who were paying into the RPS really get the benefit of the program. So, if there could be some arrangement where a fuel cell was located on a city property, but somehow there is always the thing where you can lease the land for a dollar, and I don't know, there's all these different kinds of
arrangements that can be made so it benefits the utility customer, the distribution customer paying into the RPS that would be considered.

So, I guess my answer is it could be an either/or situation. There could be a lot of variations on these projects. Again, I think the Commission is very interested in making sure, though, that those who are paying into the program are receiving the benefit.

I think one arrangement that's a little concerning is if we didn't have some kind of control, for instance, not to pick on New York City, but if all the projects were put on New York City property that were NYPA customers, we would have to sort of figure out what that benefit was to those that are paying into the RPS.

But, as you said, a lot of NYPA customers pay into the Con Ed or their delivery customers of Con Ed who then pay the RPS charge. So, I guess there's got to be some kind of further development on that relationship.

Did I just totally confuse the --

MR. JOHNSON: In a standard RFP if a utility is going out and soliciting for, let's say, energy capacity, they are going to offer a long term contract
to buy the energy from the project. And the project wouldn't have to go out and be searching for individual customers and make arrangements with them. They would just have one contract with the utility and it would be a lot simpler than if there is process where you would be both competing to sell to the utility and then potentially to other customers that might be located near the distribution location.

MR. PARELLA: Let's do this. We understand that the utility involvement, ownership issue, how they would play in this game is really important to a lot of interest groups, and I don't want to really get bogged down in a discussion of whether that's good or bad here. We are going to ask for written comments and we encourage people, if they have a specific concern, let us know in the written comments.

I would really like to sort of focus on some of the other issues or concerns folks might have, if that's okay.

We understand it's a concern and a lot of thought went into our preparation of this document because we know it's out there. And we definitely want to hear from you, but we also have a lot of ground today to cover on some other matters, and if we could move
along that would be good.

    Maybe not.

MR. GALLAGHER: Just a point. The main tier right now, the main tier program as it's designed, developers get payments. And whether they pay into the RPS or not, the requirement on the developer is simply: You have to put renewables into the grid.

    And you can build a new facility. You can build on NYPA-owned property. You can do anything. As long as you put power into the grid you get paid.

MS. PALMERO: But that's getting streamed back to the RPS customers who pay into, the RECs get streamed back to the customers through their utility.

    So, different than the customer sited tier where you were getting money to put these installations on residential or commercial buildings.

    So, I understand what you are saying, that the developer doesn't pay into it, but the attributes that are created by that project that NYSERDA buys gets streamed back to the RPS paying customers.

MR. GALLAGHER: Right. I understand that, but what I am saying is you can still have a project developed by a third party on, say, a NYPA facility or a non-utility customer, that if it's putting the power
into the grid it's achieving the same benefits.

Okay, Joe, we will move on to something else.

MR. ZALCMAN: Maybe not quite. Maybe this is another way to parse the issue.

I think there is -- and obviously the utility issue is controversial and tricky, but I think there is an important distinction between projects on the customer side of the meter and projects on the utility side of the revenue meter.

If what you envision by utility participation is projects that the utility develops on the customer side of the meter, that really puts the utility in direct competition with third party developers, and seems you are losing the leveraging.

The developers are bringing private capital to bear to develop renewable projects. If a utility participates in a solicitation, where does that incremental cost come from? Is it coming from the customer on whose premise the facility is located and receives the energy from that system? Or is it coming from other customers?

I think in the latter case, you have got the lion's share of customers paying for benefits that are
concentrated on the host. I think if you are talking about utility participation, where the power flows into the grid for the benefit of all customers, that is perhaps a different situation.

And there, I think, we would just expect, again, that if the utility is conducting this that it issue a competitive solicitation to allow third parties to participate in that process.

MR. GALLAGHER: Can I just ask the solar people here, and possibly the utilities, do you anticipate doing only behind the meter projects, or do you expect to have some projects putting directly into the grid?

Has anyone thought that one through yet?

MR. TIMOTHY DANIELS: We are a solar developer. We have projects in all the surrounding states.

So, I think that we are looking -- not in New York right now, but we are looking at projects behind the meter and feeding into the grid, but in most cases, depending on how the incentives are set up, usually it's more economic to have it behind the meter.

That tends to be where 90, 95 percent of the development is, but obviously you look out west you see
there are huge wholesale grid feed projects being developed.

MR. PARELLA: I am confused with how people are defining feeding into the grid. Are we talking about a one megawatt project that conforms with the ISO rules?

MR. TIMOTHY DANIELS: I would say that feeding into the grid in most cases I'm talking about something that might start at, let's say, five to ten megawatts.

MR. PARELLA: So, you are talking about main tier.

MR. TIMOTHY DANIELS: It really would be structured as a main tier.

MR. PARELLA: I just wanted to get clarification.

MR. TIMOTHY DANIELS: Although there are some places where there will actually be solar panels on a facility because it just structurally it makes sense. You would have a place to put them out of the way, it's unused space, but yet they are connected on the utility side of the meter.

They might be sized below the customer's peak demands. So, Most of that power, electrons are
flowing immediately back into the customer's facility, but from the ISO's perspective it would seen as a wholesale generator.

MS. NELSON: To get to Jim's question, Con Edison does see that there are some opportunities where utility size solar projects in particular, in the New York City area, do make sense, and that there are opportunities for that.

Warehouses, for example, there is not significant electrical demand for some of these buildings, yet they have flat rooftops, low construction, and we see that, being on the utility side of the meter, if that energy produced is -- particularly if it's solar and it's day time energy, where we have higher hourly clearing prices, that energy can be back fit or can essentially offset some of the otherwise wholesale procurement that's going to need to be made on behalf of the customer.

So, in that sense, that power that gets generated by these projects benefits all of the customers through the reduction in some of that peak energy purchases.

So, we do see that there are opportunities there. I don't know if we are talking five to ten
megawatt, but certainly one to two megawatt.

MR. KAMEN: First, this is a great step. It's a nice step to see New York taking this initiative. We look at this $30 million of geographic equity as really being -- coming out of the main tier with these economic benefits that are going to be associated with it now being the step taken that needs to happen to quantify these benefits in the load pockets, the constrained areas in particular, the zones that you guys are targeting.

We think that the customer sited tier piece of it has been really successful over the last five years. It really ballooned the solar market. 60 percent a year there's been in growth notwithstanding all the other issues that are out there.

But when you take a look at some of the surrounding states and the fact that New Jersey now has a five gigawatt goal and we are looking at a relatively small amount of megawatts, still, we think there's a lot that needs to be done.

This is one small piece of a plan that we are going to be working on where there is various levels of opportunity, everything from the small customer sited tier bearing on the residential, and the small piece,
less than 50 kw, to where this one is now kind of a sort
of secondary tier.

But ultimately we need utility scale, much
larger projects. While this we think can play a kind of
pilot role in maybe initiating some of that, what we
don't want to see happen is that, if you take a look at
yesterday's announcement that NYSERDA went out and got
10 megawatts for $6 million, $1.60 a watt, basically
sort of premium out there, and you divide that into $30
million, you get about 20 megawatts worth of resource
with current prices.

Maybe it's a little bit less because it's
Con Ed area, there will be higher costs, etc., so that
20 megawatt needs to be distributed so that's not just a
few projects that buy it up and leave the rest of the
market out.

So, what we would like to see is a couple
different things. One, that, yeah, there's a
collaborative effort that quantifies the fact that you
target those areas. If it's only 20 megawatts, maybe
the whole program initially gets targeted to those
areas, that there's some split between third parties and
smaller installers of 50 kw up to a hundred, or a couple
hundred kw, to allow other businesses that are growing
and striving to now move into this main tier piece, that we allocate a piece to utility side projects that there's specific piece that they do and that are allowed to do, whether it's power purchase agreements or other ways that make sense, but specific to find they are not competing unfairly, because ultimately we think that utilities need to be involved in a much greater area in rate base, a whole host of additional projects that will make economic sense as to look at the additional benefits that we are going to get out of these pilot projects.

In terms of the contracts and the performance contracts, we think you should structure it over ten years. Ultimately we want to have everything driving toward the same pricing and the piece.

And I think that we need to be really careful with this, that we want to encourage the next step of growth and start getting towards the gigawatts, but we don't want to lose the small and medium size piece.

You talk about over 50 kw. 50 kw is still a relatively small project in Manhattan or the boroughs. So, we want to make sure that that 50 kw, a hundred to 500 kw block is there and it's clear and we're
incentivizing as the behind the meter piece in a way that makes and that gets competitive bidding going and doesn't have just a few parties buying up the large pieces of it.

MR. GALLAGHER: I just want to agree completely with what Ron just said about this project, in itself, is more I would say in line with being a pilot, and if we ultimately do want to get to utility scale projects. I think in terms of correcting the regional equity problems, this project itself, even over five years, does not do that.

The testimony that we put in is the downstate area is already committed to close to $300 million for the RPS program, and I think we really need to find a way to move toward the utility scale programs and large scale main tier programs in the city and downstate.

We will probably only see six megawatts to 20 megawatts coming out of this program. At the same time, I think what staff has circulated is a good proposal and I think it goes in the right direction.

There's some technical details that we will probably need to work out, but I think we always need to keep in mind that this isn't the ultimate goal. We want
to go further than this. Looking for utility scale opportunities, I think, is really something that we should consider as move forward.

MS. NELSON: I, first, would like to agree with both of the comments here on the need for larger projects and utility scale projects, but I also want to point out that, as Con Edison looks at its own customers and hears from its own customers, and assesses how we use energy in our service territory, that it's also important to recognize that even the below 50 kilowatt in terms of solar particularly is important and can be meaningful.

We have 3 million customers and the average utility bill is quite small, but when you add it all up you see we have got huge demand in New York City and it's made up of a lot of small customers, and each one of those can do their part.

As we have seen through other energy efficiency programs that these help at individual customers' level. As we look at the solar programs, we think that there is a large untapped potential below 50 kilowatts also.

These are some of the comments and some of the thoughts that we've been putting into this that we
did want to share. I don't want to take up too much
time, but I do hope to be able to elaborate on it later,
but that these are some of the considerations that we
feel are important. And we are hearing from our
customers that they would like to be doing some of this
themselves, and there are barriers that need to be
broken down.

And we feel that there is a utility role and
that working with NYSERDA we can get to some of this to
get to some of the smaller projects as well.

MS. PALMERO: Just to follow up on that, the
former customer sited tier that obviously targeted the
smaller installations, so you are saying even go above
and beyond that not in terms of funding, but having a
utility role with respect to these smaller installations
above and beyond what the customer sited tier was set
out to do.

MS. NELSON: We just think that with
partnering with NYSERDA, we think NYSERDA has done a
good job and has good program infrastructure in place,
and certainly developed a lot of good processes, but
that there is great name awareness of NYSERDA at a level
that when you get to the smaller customers, I think by
bringing the two names together there can be some
greater benefit and awareness that will help in bringing
some of these programs to the customers.

MR. IRISH: We are a PV installer, designer
and installer in the Hudson Valley area.

First of all, I shudder every time I hear
you refer to the customer sited tier in the past tense.
We have 35 employees that hope that it's not solely in
the past.

But I would like to see the 50 kilowatt
limit removed. And building on the comments just --
that we just heard from Con Ed, I think that it's a myth
that larger scale PV systems would be more cost
effective from a kilowatt per dollar incentive basis
than smaller systems.

NYSERDA just had a competitive bid, PON
1686, that was announced yesterday, the awarding was
announced yesterday, and they had $10 million that was
up for bid. Six megawatts was one. As Ron Kamen
referred to or mentioned earlier, half of it went to
residential, small systems, and that was in a
competitive situation.

I think that demonstrates that residential
and small systems can be competitive on a basis, dollar
per kilowatt per dollar basis with larger systems.
MR. PARELLA: It might be useful to remind folks that the Commission will be taking up the customer sited tier program and funding levels sometime in the first quarter, if not at the March session, or April.

As we said in our opening remarks, they want to look at what's -- what comes out of this process in concert with the decision it makes in the customer sited tier.

So, you need to keep that in mind that whatever we decide here and the impacts it has on small or larger customers might be remedied, in part, by what the Commission decides to do with the customer sited tier.

So, let's keep that in mind. Okay?

MR. KAMEN: Just to be clear, our position with the customer sited tier is it should be at least 50 million, which was beyond the level of the staff proposal, and it should be targeted towards the same constituency and billed over time.

I think Jeff's point is well taken in that if you allow people to build blocks into this program it doesn't have to then have a minimum or 50 kw is the minimum, that basically people can build in block -- you structure it so that they have to bid 50, whatever
number of megawatts or portion of megawatts that you get
to the same end result.

    But in terms of Con Ed's piece, absolutely,
there needs to be continued development, and our
proposal to get to two gigawatts, about 800 megawatts,
would come from smaller, less than 80 kw size systems.

    And, clearly, that market needs to be
developed because that's where most of the load
ultimately resides.

    MS. ADAMS: A lot of these previous points
are well taken about developing the smaller tier.
Something we would like to keep in mind is that if we
are really going to grow solar seriously in New York
State and move toward utility scale size, we also have
to consider the benefits to the distribution system.

    With the smaller systems you are just not
going to get there. We're not going to be able to take
a few 25 kw systems on circuit and defer capital
investment projects. So, we do have to keep in mind
there should be a balance there.

    MR. KAMEN: I agree with you. However, one
of the things we saw from the last solicitation is by
bundling a number of smaller residential projects you
get the same benefit. And if those are in targeted load
areas, that can be a tremendous security. So, you need to start scaling absolutely. We need to start hitting that.

In terms of utility scale, we think that utilities should be involved at 5, 10, 20 megawatt and bigger projects because they are everywhere else in the country, and that that should be where we start incentivizing and capitalizing and socializing the cost of those types of investment, and getting you guys involved in in terms of power purchase agreements, if not in actual ownership, for that generation.

So, we want to get to multiple gigawatts. We want utilities on the larger scale wholesale piece of it, but on the residential, rather, the distributed side of it, we need to keep building the market and keep building blocks of that market, keep getting the technology out there and grinding the process out.

MR. PARELLA: We get it. This is another issue.

Are there any other new issues, concerns, people want to introduce on the staff proposal?

MR. HOFFSTATTER: We are currently involved in a number of installations throughout New York State and other states, but we do a large part of our work in
the areas we are talking about as being affected, lower Westchester, New York City.

We are working constantly with Con Edison, New York City DOB, to try to simplify and get through the interconnection process in a timely manner. That seems to be one of the biggest concerns, barriers, etc., to the whole process.

I think, while we are dealing with literally on the wire by wire basis, it's something that needs to be considered as a whole, so that not only us but new companies as well can come in, both on large and small scale projects, being able maybe to aggregate small scale projects in residential and co-op type situations to provide some of the scaling that we are talking about, but to simplify the process so that these projects can go in a timely manner.

Labor, other considerations, working particularly in New York City, are exacerbated by just where we are trying to work, from getting to work, whatever.

So, the less number of trips back to a site to do something, the less number of -- these issues we can deal with the better. So, I recommend that we incorporate or look at some kind of -- it's been talked
about, but actually doing now some kind of standard interconnection process for both the customer side and utility side of the meter applications.

Thank you.

MS. PALMERO: Thanks.

MR. LANDARD: Good morning. I'm managing Director of Deepwater Wind. We are a developer of offshore wind projects in Rhode Island and New Jersey, and hopefully soon in New York. So, I would like to thank you for the opportunity to speak with you today.

The main point, I think, that we would like to raise is the idea of using some of these funds to allocate them to NYSERDA to do some of the research that would, down the road, expedite the siting and the permitting of offshore wind facilities.

The timeline for permitting an offshore wind facility in federal waters is fairly long, but there's a lot of work that could be done early, and NYSERDA, I think, is positioned well to do that.

Specifically, if some of the RPS dollars could be -- for the downstate allocation -- could be used for meteorological towers, developing what the wind resources are in federal waters; also looking at what current and wave forces are out there for a tidal and
wave energy, as well as also helping us understand what the forces are so that we develop our foundations so that they can withstand the pressures out there.

Also, Avian radar is very, very important. Right now the US Fish and Wildlife Service asks for a two year study before we can even go in for permitting.

If NYSERDA could do some of that work ahead of time, any of the developers, whether it's Deepwater or any our competitors, would be able to show that data ahead of time and shorten the permitting period.

So, I should be very clear that we're not asking for this for Deepwater Wind. We are really asking for the industry.

And lastly, there are marine mammals and other marine life that could be studied out there. The National Marine Fisheries Association or group, and also NOAA and some of the other groups would be interested in this.

This is similar to what Rhode Island has done. Rhode Island has something called the Ocean Special Area Management Plan, Ocean SAMP, and they are spending millions of dollars studying the ocean so that they can identify where to site offshore wind facilities.
It's similar to what New Jersey is doing with a $6 million ecological baseline study that will then give us what the baseline is, so that after some offshore wind facilities are developed we can go back to baseline and get a very good understanding of whether there has been any effects of developing these offshore wind facilities.

In Rhode Island right now we have -- we are very close to getting final approval from the Utility Commission up there to put up to eight turbines in state waters for up to 30 megawatts of power, and we will be in the water in 2012 and operating those turbines by 2012, probably the first offshore wind turbines in the country. And within -- moving quickly from that to a 385 megawatt Rhode Island Sound wind facility that will observe Rhode Island.

And in New Jersey, along with our partner Public Service Enterprise Group, we were selected by the state to be the pilot project developer of a 350 megawatt offshore facility. The Governor in that state a couple years ago decided that in order to create a critical mass that could create the job development and job creation and economic development that they are interested in moved from just having us be the developer
to choosing two other developers as well.

So, the goal in New Jersey is 1,000 megawatts offshore by 2012. That will not be met. And then 3,000 megawatt by 2020, that's still, we think feasible, if the federal government permitting process rationalizes itself and moves forward.

So really, in summary, what we would like to ask you to do is consider some of those funds to get to NYSERDA to do the research that would expedite down the road the permitting.

And we would like you to start thinking about how to fund these relatively large facilities, and where the RPS funds get expended. A 350 megawatt facility will generate about 1.3 million megawatt hours of power a year. We look to 20 year term contracts. That's what we think the life of our facilities are.

So, I don't want to be too aggressive here, but maybe some type of carve out for ocean renewables is something to be considered down the road in the 2014, 2015 timeline, but it's still something to think about now.

That is what New Jersey is doing. They are creating something called the ocean REC, the ocean renewable energy certificate, where the suppliers, the
third party suppliers in New Jersey, will be required to buy a certain amount of them each year.

Because we have an auction process in New Jersey, we can't have PPAs because we never know who the suppliers are. We need revenue certainty. And the electric distribution companies were not too excited about PPAs. Never could quite understand that, but that's not where they want to go, so we try to go to a back up position, which is having a regulatory mandate that the basic generation suppliers purchase these ORECs from us so that we can get that socialization and the support we need to move forward.

MS. PALMERO: Thank you.

MR. GALLAGHER: I want to respond to that point. While I agree with you, and the city made similar recommendations that the Commission consider using RPS funds for some of the offshore wind preliminary research, my concern now is not to do it as a carve out of this $30 million.

MR. PARELLA: Up to $30 million.

MR. GALLAGHER: Don't do it as a carve out out of this, but do it as an increment above this pot of money. I just believe that when you look at how far this is going to go, this is not going to go very far.
The other point I wanted to make is the offshore wind collaborative, which the city is involved in, you also have NYPA and LIPA involved and I think they need to step up to the table as well. It's appropriate to use NYSERDA funds, I believe, to fund some of the research, but definitely LIPA and NYPA have responsibilities as well.

MR. LANDARD: Jim, we do agree with you that the carve out should be in addition to the $30 million. We are very strong supporters of the solar and anaerobic digesters and the other customer sited tier work that you are looking at here. So, we don't want to step on that.

And we understand our magnitude is in a different ball game than a lot of what we are talking about here today.

So, and also, we would welcome the opportunity, and I can speak for all the developers, the offshore wind developers, working with LIPA, NYPA, NYSERDA, to help give our expertise, what we have known and learned about how to do some of the research, because we are developing in Rhode Island. Blue Water is developing in Delaware. And there would be an opportunity so that your staffs don't have to get up to
speed. We could probably get them up to speed quicker by telling you what we have learned.

MS. NELSON: On this point of offshore wind, this is something naturally Con Edison is involved in and it's something that, as staff considers the points that were raised today, I just wanted to add some of the -- that the consideration also include some of the benefits that offshore wind brings in that it's generally a higher capacity factor and also higher on peak capacity factor.

Although offshore is generally more expensive than onshore to develop, it does have some of the other benefits, as well as being closer to the load center. Transmission costs also need to be considered equally in terms of getting into land, but then also on land to bring upstate down to the point.

SPEAKER: We have also identified some interconnect points that would not require virtually any upgrades at this point. And 1.3 million megawatt hours a year, that's a significant savings to customers. We do have costs, obviously.

We appreciate your comments on the benefits and we are bringing our energy from a completely opposite direction than most of the energy flow on the
east coast so we avoid a lot of the congestion.

    MR. PARELLA: Thank you.

Anyone else have any comments on the staff proposal?

    MR. GALLAGHER: Just very quickly, and let me leave you with a few other specific comments.

    One thought would be for the PV that you also consider an adder for storage. We are encouraging storage to go with a number of the PV installations we are putting in city buildings, but I think it does add a lot of value to the project.

    Second, I would recommend that you do two solicitations per year, rather than one.

    Third, I would strongly recommend including the city in some way in their marketing efforts with NYSERDA, with Con Edison. I think, for example, the Economic Development Corporation, we have our own list of builders, developers and the like that we routinely work with, and the city owns over 4,000 properties with about 20 million square feet Con Ed served space, so there's a lot of potential for cooperation there.

    Lastly, just a question. One thing that I am left wondering when I reviewed the proposal is what kind of price threshold are we even talking about here?
The way the main tier works is you have a certain amount of money. You put out the main tier solicitation. You award contracts until the money -- you run out of money. Are you thinking of something similar here?

So there wouldn't necessarily be a cut off point in terms of economics?

MS. PALMERO: There could be like there is with the main tier. There's a price threshold. We are trying to make this even more competitive than the customer sited tier. If we were getting bids that were well beyond that, I think there would have to be some kind of threshold but, yeah, up to a certain amount of money. So, you are right.

I am just curious. Why two solicitations a year as opposed to one?

MR. GALLAGHER: I think that there is potential in the city that we can do this a lot more quickly. I don't see the need to wait a year.

MS. PALMERO: I guess I'm just thinking of the pots of money. If it's up to 30 million a year, I thought it might be more advantageous to go out once a year with a larger sum of money because if you go out twice a year then you are cutting that pot in half.

MR. GALLAGHER: That's a good point. I
think one thing we could do is see what the response is
to the first solicitation and consider going out again,
because I think especially with the first time people
are just going to be learning about this.

MS. PALMERO: Okay.

MR. PARELLA: Anything else?

MR. ZALCMAN: This is kind of a getting down
into the weeds kind of a detail, but especially given
that it is a finite pot of money, it will be very
important that the solicitation have significant
milestones to ensure that the projects that are being
bid, and actually secure funding, move forward and you
don't have just paper megawatts.

We see that throughout the country where
there aren't project milestones and the megawatts just
simply don't materialize.

MR. PARELLA: I am sure we can build some of
the contracting procedures that we have in the main tier
into a customer sited tier geographic balancing
solicitation also.

So, that's it on the feedback on the staff
proposal? Sounds like everyone just wants to sign on
right now.

MR. CHAPMAN: Written comments, what's the
timeline on that?

MR. PARELLA: Yesterday we had a meeting on alternate contracting options, contracts for differences, and we gave folks two weeks, to January 29th, to file comments. I suspect we will probably want to do something like that here also.

It's noon, so we have a choice. We can break for lunch and then do Con Ed's presentation or we can do Con Ed's presentation now.

Denise, how long do you think that would be?

MS. NELSON: 15 minutes.

MR. PARELLA: 15 minutes, with some questions, so what's the sense of the audience? Do you want to break for lunch now or do the presentation?

MR. TIMOTHY DANIELS: Seems almost possible we could hear the Con Ed presentation and have the comments on it and maybe even wrap up by one.

MR. FRANCIS: Is it going to be two separate or --

MR. PARELLA: Let us think about it. We can talk a little bit about it when we talk about next steps.

MS. PALMERO: Are you talking about the comments for the hedging or Con Ed?
MR. PARELLA: We will figure it out, do whatever is most convenient for you all.
So, the sense is to carry on and try to push through. Why don't we take a ten minute break now and we will come back at 12:10.
(Recess taken.)
MR. PARELLA: Please, if you haven't signed in yet, please sign in.
So, Denise, you have the floor.
MS. NELSON: First of all, Con Edison appreciates the opportunity to be engaged in this dialogue, because we look at the renewables and the environmental challenges that we have, and we think we are all in this together.
And we think that there is tremendous untapped resources in New York City and that helping to bring some of that to fruition will help the state, will help all of us.
As I had mentioned before, our customers are interested in renewables and particularly solar. Solar happens to be for LAN based applications what makes most sense in our service territory, and particularly in the city, and we feel that there is a tremendous untapped potential there.
We have about 1.7 billion square feet of roof space, and we think about 45 percent of that, or about a billion of that is suitable for solar, so naturally not all of that will get built. If it did, that would be something else, but there are a lot of roofs there. And trying to bring some of that to good use I think is something that we can work together on.

As we look at the RPS funds they are significant, and our customers pay about 43 percent of those funds that are elected, and we would like to see some of the pool that -- the resource pool, the portfolio that gets built with this RPS money come directly down to help some of the -- relieve some of the congestion that we have locally, and so that our customers can get some of that benefit as well.

Some of their -- we see local emissions also. We are in an ozone non-attainment area so we think that that's an important consideration that should be looked at wholistically in terms of some of the other values to bringing some of that downstate.

As well as our local energy costs, they are significantly higher. And certainly economic development as well.

I think we have heard before also that the
$30 million is the start. We feel that's a start. We appreciate that, but we feel that ultimately we will need to go beyond that, and that there is justification for that and rationale that we can put that forth for you for consideration.

I think one important point, I mentioned this in terms of sizing, and on the customer sited tier, that we feel -- and I know it is still for future consideration -- that the application based process that NYSERDA has been effectively running is effective, and that some of the barriers in New York City are some of the more intangible ones and they have to do with process.

And that we feel it's important to continue this program and work on some of these barriers and try and work on figuring out what exactly these underserved markets need, and that would be a very effective, or could be a very effective approach that we could -- that we should be exploring and continuing this application based approach to RPS.

In terms of some of the other interests in solar, in downstate, we do have -- the city is also very interested. New York City is one of 25 Solar American Cities and the City University of New York has a Center
for Sustainable Energy that's also very involved and has received grant money to help promote renewables, and particularly solar, in New York City.

Some of the unique features that solar brings to New York, I had mentioned the peak energy prices are higher. We have done some analysis on this, and I'm talking about just the New York City zone J itself.

Our peak energy prices are significantly higher, and that is because we are more congested. I have an 80 percent in-city requirement because of some of the reliability concerns there to help mitigate that.

But when we look at our peak energy hourly clearing prices, as Jim has mentioned, gathering some of the benefits, that it is real and that there's real value in that solar and that it is more coincident with the peak and certainly we do have day peaking networks.

That these are areas that can be tapped to really extract some of that value. There's also the capacity prices, and then as well as just the cost of doing the construction and offsetting some of the distribution infrastructure.

Another point for our solar is that we are lower in latitude. So, in terms of just the overall
megawatt output for that kilowatt that's installed, that
that's important consideration as well.

We have been talking with NYSERDA, as we had
mentioned before, and hoping to build on some of their
programs and working together. And overall, I think we
have some concepts and values that we share, and that we
would like to continue working with them and build upon
those in terms of expanding the application-based
program.

We think that jointly developing a program
is something that we would like the opportunity to do,
and we will look forward to putting something forth to
you.

Some of the concepts that we have are --
have been some of the ones that have been mentioned.
Targeting solar areas that will produce some of the
greatest benefits; looking at some of the underserved
markets and some of the paying for performance also.

And as the utility, we look at the potential
for performance-based incentives paying for the kilowatt
hour production over time. That's something that we are
looking further at in terms of capturing some of that
delta in the peak pricing over a time period, be it five
years, be it 10 years or so.
We think this is something that we can help with in that we have the meter and the relationship with the customer, billing relationship with the customer. So, that's something that we would like to explore some further. And we also agree with using competitive structures for some price discovery also.

On the facilitation concepts, reducing the barriers is really important. It would be great if we could see solar be installed in a hundred days instead of a year, or sometimes greater that we hear. We look at ways perhaps that some sustainable model for financing can be worked on further.

There is a tremendous amount of financing opportunity that's put together, but sometimes accessing that is a little bit difficult and sometimes timing is difficult. So, these are some of the areas where we think just the streamlining process is important.

And also some alignment with the energy efficiency programs. I know some of the other states are looking at alignment with energy efficiency and that's a consideration that we think is important also.

The point of -- I want to shift gears a little bit now and talk a little bit about utility-owned solar. We had put forth in our November comment that we
think that there is a role for utility owned ownership of solar on a larger scale.

Utilities can recover their costs over longer period of time, 25 to 30 years, at a lower cost of equity, so we think that that helps bring the cost down to the customer. And offset -- and the energy output then goes directly into the grid, so it's offsetting some of the energy that needs to be procured in the real time market for the customers.

So, these are some points, again, that we just wanted to reiterate here because we do feel that this is something that needs further consideration.

Our last point really has to do with the offshore wind. I think, just reiterating some of that, that we feel that there is -- in the portfolio of renewable solutions, that offshore wind is important and can provide an important component of the overall renewable initiative that we have.

Included in that should be some of the tidal power, including what we have already started to work with in the East River.

So, our road map. We will continue to work with NYSERDA and we do hope to file some of these concepts in the timeline that is set forth.
And that's a quick summary of my comments.

Thank you.

MR. PARELLA: Any questions or concerns folks want to raise with Denise?

MR. KAMEN: First, I think that's great, and I'm very excited and happy that you guys are looking to both streamline the process, which I know you guys have -- part of the issue is the interconnection, which hopefully you guys work on that.

A question, several things. One, when you say utility scale and larger projects, what kind of -- what's your concept about what that is?

MS. NELSON: Well, we do -- for example, we have I think it's a great warehouse. We can get two megawatts on a roof in Astoria, Queens. And that would be something we would love to be able to develop, for example.

And we see that the business model, for example, that SoCal Edison on its warehouse district where they are owning this. It's a model where there's not a lot of electrical load by that building, by the host building itself, but it offers great real estate opportunity to utilize that.

I think those should be developed. And
ultimately I think what's the most important is what's the least cost for the customer, and that's where we can come back to our economic analysis and what is your underlying cost of equity and how quickly do you need to recover your costs and what kind of risks are you taking on.

Again, ultimately, we want what's cheapest for our customers. We just feel that, especially in our current financial situation that we are in right now, that a utility can help bring these things, bring these projects to our market quickly and efficiently with less risk.

MR. KAMEN: In many ways we agree on a lot of different things. Talking to the ESCO community, as well as the Commission, and dealing with historical evolution of utility ownership of generation assets in the state, there is a concern about utilities in a bunch of different ways, both on the competitive side as well as the risk in the long term development, and the historical problem of utility investments in capital taking too long and having cost overruns and such.

But one of the things we really like is the utility involvement from the marketing perspective, from the targeting perspective, from those value added, all
the things you talked about.

One of the questions is the role as the utility in terms of shifting the capital risk through a power purchase agreement, or other type of structure, is that -- when you say "ownership" it kind of has various potential ways because what you are really looking to own is to own that fixed price energy resource over those 25 or 30 years.

You could actually own the capital or you could have a third party own the capital and therefore buy the output and reduce the risk to customers and all.

Is that kind of in your model of thinking?

MS. NELSON: It really all comes down to ultimately the cost to the customer. If that business model is something that can provide that same energy and that same benefit to our customers at a cheaper cost, it certainly is something that should be part of the answer.

But my -- our preliminary analysis that we have been looking at, what we see from the marketplace a lot of times is the independent developers want a cost recovery over ten to 15 years, and then are also looking for a higher return on equity, so the equation doesn't always end up being least cost for the customer.
And then the treatment of how that energy output is utilized and valued is a part of the equation that has to go into it also.

So, if you can maximize that direct offset for those peak hours and capture that peak clearing price, that's really an important part of how the structure is set up.

MR. KAMEN: Just one last question.

In terms of those values, because it's been very difficult getting a handle on what are the value of those coincident peaks and the targeted, etc., are those something that you are prepared -- that Con Ed is prepared to kind of share, at least through certain instances, that would help justify some of these programs and targets?

Because that's an issue right now because no one really has a good handle on those values.

MS. NELSON: In terms of the peak clearing prices?

MR. KAMEN: In terms of the ultimate benefit to you in particular zones, particular target subdistricts, and all those. Yeah, I know the clearing price information is public, but in terms of providing some economic analysis of that long term benefit of
coincident peak and other periods of time, it's been really difficult for my association, which is a relatively small one, to get some sort of handle and justification.

It seems like no one really has those numbers very clearly yet. Maybe you guys do, and maybe you shared them already and I just don't know about it.

MS. NELSON: I think there's a lot of different ways of looking at it. When I was talking about large scale utility ownership I was really talking about the clearing price of an entire zone. So, I think that that's public information and people are aware of that.

In terms of targeting specific areas, we are doing some work on looking at this, and we are looking at historical peak hour price. There's an historical clearing price for every hour on our peak days, and looking, then comparing that to actual data, solar data, because hypothetical data is helpful to some extent, but also when we have our heat waves, sometimes you get haze that comes in with that also. Particularly as heat builds up over days, and then the days get a little hazier and hazier and hazier.

So, you don't have necessarily as much of
the solar radiation as you -- on the third day of a heat
wave that you might have had on the first day. A lot of
this is new and needs to be further studied. So, this
is something -- we support some of the competitive
bidding targeting and want to continue to work on that
for specific areas, but I think that there's just a lot
of uncharted territory there, too, that we also need to
work through.

And in terms of what is the actual value of
that, we hope that we are going to get there. And
ultimately can you offset distribution infrastructure?
That's a question I think still further down the road.

But we do know that there are system
benefits. There's less thermal cycling of equipment,
for example. Again, a lot of information that needs to
be discovered there.

MR. GALLAGHER: Ron, a quick point.

One of the things that makes it difficult is
that Con Ed has 57 networks, and oftentimes the networks
are peaking at different times during the day depending
on whether it's residential, commercial and what the mix
is of each.

But we, through the Solar American Cities
Program, we received an award from DOE to do a study, in
cooperation with Con Ed, to try to help identify where are those networks that would make the most attractive targets.

So, I'm hoping that that would feed into any process that we use to possibly come up with a weighting scheme that would provide more weight for projects in the high potential networks.

MR. CHAPMAN: One thing that I think we didn't really hammer down earlier about where the resource is located on the meter, behind, in front, something that I would like to get down to is where do you foresee this as serving some sort of actual on site resource load?

So, whereas the resource is on the roof, It's serving the load of that particular building, and how would that interplay?

I think it's an important question. I don't know. If you guys want to chime in that would be helpful.

MS. NELSON: I am not sure I totally follow your question, but we see behind the meter and in front of the meter both as important to being tapped.

MR. CHAPMAN: Absolutely, I understand, but so where that power is being shipped off, there is two
ways to do it. You can meter it and net weigh and
consume it on site, or you can take that power, buy that
whole resource, all that energy, and ship to the grid.
Whereas, none of that energy is actually consumed on
site.

So, how would that, those two different
options, interplay with what you are thinking in moving
forward?

MS. NELSON: I think both of them make
sense. I think that on site consumption makes sense,
but also, where there is not a significant load, that
putting it into grid -- there's certainly a lot of
metering and measurement that needs to be considered as
we move forward there, but I don't think that all the
answers are there yet, but hopefully we will get there.

I don't think I am giving you -- I'm
answering your question.

MR. CHAPMAN: Not quite, but I'm just
thinking about as -- it depends on what you are paying
for for the electricity, whether you consume it on site
or ship, I think. It greatly depends. That attribute
that so far we are talking about, $30 million being out
and about for these types of programs, I think that that
money being allocated, it depends greatly on whether or
not it's being consumed on site or being shipped
directly to the grid on how much those attributes are
going to be worth.

So, just helping further educate that

thinking.

MS. PALMERO: Any more comments on Con
Edison's proposal?

MR. TIMOTHY DANIELS: I think two points.

One, just this is -- use this maybe as an
example when I was talking about difficulty of having
bids for utility-owned and non-utility owned in level
ground.

For example, 25 or 30 year financing for a
solar project is something that is, for a lot of
distribution system equipment, that is an appropriate
financing period. For a lot of the solar development, I
would say most private sector folks never consider
financing that period because most of the equipment is
only designed to operate for something closer to a 20
year period. There may be some examples.

The second thing is on terms of risk, you
know, a two megawatt system at, let's say, $6 a watt,
which is standard, you're talking about $12 million
system. If two years from now a solar company, one of
the solar companies here comes forward with brand new
technology and are able to produce solar at $3 a watt,
ratepayers now have, in effect, $6 million in stranded
costs.

For a system that's been owned, let's say,
by Sun Edison, sits on a customer's facility, where they
have developed it off of a REC payment, customers have
their liability, their risk is a lot less. So, again, I
think everyone understands that but I just wanted to
emphasize it.

The other thing was, maybe getting back to
something Jim Gallagher made a comment on, this is
something that I think we are quite interested in this
project, and we see a lot of value finding a way to
maybe go a step beyond I think what Jim was describing
in terms of identifying networks where solar might be
appropriate.

We would love to see a targeted nearer term
where there actually are -- and this was -- another
individual I think tried to make or made this point
earlier. I will just sort of restate it.

Really believe that looking at individual
networks you should be able to come up with sort of a
coefficient factor, let's say, for a day peaking
network. And the effect would be that when Con Edison identifies, let's say, a day peaking network, there should be the ability of developer at some point to put in a solar panel and there would be some kind of deferred T&D value that could be associated with that.

The thing that prevented that from happening so far is we don't really know at the times when that particular network peaks how it -- how that matches up with the generation, the output of the solar panels at that particular point.

I think, looking at I mean the national labs, federal national labs have done a lot of work on this. I think we have some other utilities that have some information. I mean I would think after a year or two years of having some solar panels that Con Edison is monitoring very closely, I would think that would be an achievable goal, and I think it could go a long way to developing kind of the next generation solar programs where they are really integrated into the Con Edison distribution planning.

MR. PARELLA: Any other comments? No other proposals?

MS. NELSON: Couple of responses to that. You brought up some concerns, actually, that
we do have. In terms of essentially a stranded cost issue that you are talking about, if we build a project at $6 a watt and three years down the road now the cost is $3 a watt, especially in a time when we do expect costs to come down, so this is something that we are going to have to really carefully work with and ensure that we are not going to be in that situation.

However, if we are paying for a PPA that's based on the energy price, as opposed to a REC -- now, a REC does get around some of that issue because then it is current real time market price, but if the developer is looking for a PPA that's tied to the actual, that will pay for a certain amount of output, underlying that you are still dealing with your $6 today, $3 in the future. So, whether we are owning it or the PPA, that same situation exists.

MR. TIMOTHY DANIELS: We would agree with that.

MS. NELSON: As far as the length of financing, we have been having discussions with our accountants, and much of the solar panels actually are designed or indicated for 25 years of life, and for much of our utility equipment sometimes the actual life is longer than the design life.
Our accountants have advised us that we should be, then, rate basing the asset over a longer period of time, which I said 25 to 30 years, although ultimate goaling is something that would have to come out in time.

Thank you.

MR. KAMEN: So, obviously, there will be the period of written comment, which will be great. One of the things I would like to just put forth is that I think that looking at this as kind of a pilot means that what you want to do is you want to put out certain things, test them, see how they work, and then take it to the next step.

So, Jim's idea about two solicitations a year makes a lot of sense to me. In addition, to look at different models and testing those models. One of the models, it seems to me, is that when we talk about these adders, we talk about an adder on the REC value that you guys are thinking about paying for those particular areas.

MS. PALMERO: Let me just clarify that I call it an adder, but it's really how the proposal gets evaluated. So, it's a weighting, for this additional piece. Again, like the main tier. I think the adder
might be -- I am misspeaking when I say adder, but it's really how it's evaluated.

MR. KAMEN: I think that the evaluation process is critical to making these things happen.

I think that one of the models that we should look at, though, is that in particular target areas where we think that there is, for all the reasons, great constraint, etc., etc., substation, etc., one of the models we might consider is Con Ed and other utilities putting out a proposal for 25 year PPA, having developers come in and then bid what they would need as a REC price for ten years, under that 25 year PPA, understanding what the PPA would look like.

Give them the benefit of knowing, okay, we're going to pay this, this is our value, we understand, this is what we want to put out. We want this amount. We will have to see how many megawatts we will get and what the adder would be from a competitive solicitation for those number of megawatts at that fixed utility involvement.

So, it kind shifts some of the risks, it shifts some of the bidding, it shifts some of the way that you do it. That's just one potential model to think about.
MS. PALMER: I'll expect to see that in your written comments.

MR. GALLAGHER: A suggestion about possible additional technology that you might want to consider.

One of the greatest opportunities in the city is, for efficiency improvements and also carbon reduction, is combined heat and power. Given all the city buildings, as well as the infrastructure of the city alone, 80 percent of the energy is going through the buildings.

One thought might be -- and I was disappointed that we couldn't find a way to get combined heat and power into this program, but think about combined heat and power fueled by biodiesel as a potential opportunity.

I think that over the next couple of weeks we should explore that in more detail because I think that would have an immediate impact on the city. There's a lot of enthusiasm in combined heat and power industry. They are just getting a lot of traction. If we can get them moving toward biofuels, I think that would be a significant advantage.

MR. SOBOLEWSKI: I just wanted to ask a couple follow on questions. About the clarification on
the adder, and how that's a criteria for consideration, not part of the incentive structure, was very helpful. To further clarify how you envision working in the straw proposal, is it correct that there would be two components of whatever the incentive payment would be, so capacity based component, up front payment, let's say, and then a production based component; is that correct?

MS. PALMERO: That's the initial thinking. That's correct.

MR. SOBOLEWSKI: Then that production based piece, would that be flat or established up front, or would that be something that the bidder would be competing on effectively as well where they would bid on perhaps lower required attempts for the project and be considered more favorably?

MS. PALMERO: Right, and I think that would be combined, and that's when you would take a look at what's your -- sort of your average weighted cost on a dollar per kilowatt hour basis.

I guess you can look at it several ways. The bidder could need much more money up front, so, the way that you would have to structure your bid over this, and I guess it would have to spell out the terms of how
long that production payment would be for.

   So, giving all the parameters of the
solicitation and you would have to come up with I think
   -- well, I don't know. Either one final number,
levelized number, and you could potentially get more of
   that money up front and have lower capacity payments.

   But I don't think that's been thought out,
or it hasn't been fleshed out. There could be various
scenarios how we could divvy up that capacity payment
   and that production incentive.

   I will just note that the Commission has
been -- they have been favoring more verification of
   actual production of these facilities. So, they may
lean towards having a bigger piece being the production
   payment as opposed to the up front capacity payment.
So, they could be weighted differently.

   MR. SOBOLEWSKI: Should we assume that there
are also implications for the pool of funds and how
   that's administered to use with respect to up front
versus payments over time, or is that not a
   consideration?

   In other words, is it to your advantage to
be able to, instead of let's say distributing the $30
   million all up front, an all up front payment, is there
an advantage to spreading that over time?

MR. PARELLA: I don't think we have gotten to that level of detail yet. If folks have thoughts on how to do that, whether to allocate where percentages should be between capacity and performance payments, we are interested in hearing what you have to say.

MR. SOBOLEWSKI: I guess one last comment on that piece.

I have heard a couple of different comments with respect to how much development we might see in terms of total megawatt capacity based upon the amount of funds allocated in this initial proposal.

We can attempt to address this in written comments, but I don't know if you have got all of the answers here now. It strikes me there could be a number of different ways to stretch those funds through different types of mechanisms.

Really, both how you structure the incentive and also, perhaps, how you tie that to the contracting and otherwise. So, I'm just putting that on the table to state that I think there is really the potential to develop quite a bit more capacity than some of the numbers kicked around here today if we think through creative and intelligent ways in terms of how to
structure it.

MS. PALMERO: That's good. Yeah, any kind of input you can provide, that's what the Commission I think is really looking for, how can we stretch out the dollars, how can we get as much capacity for the dollar as we can. So, if you have thoughts on that that would be helpful.

MR. SOBOLEWSKI: One last comment I would make is just that with respect to what we had been calling adders, criteria for consideration that would weight more favorably for a particular project, I would just state specifically that we would support, certainly, the adder based upon location.

The transparency and that, we think would be very important with respect to the bidding. So, we would agree that there could be a list of zip codes issued where they would have that special consideration would be helpful.

Peak delivery as a second criteria I think is very important. We brought up emergency or refuge sites and storage. All are good criteria. For all of them it sounds like there's sufficient data available to develop the criteria relative specifically to economic value.
So, for peak delivery, let's say, that could be quantified in numerical terms, not just sort of binary, yes, no. So, we would encourage any support from the various parties helping to establish that.

MS. PALMERO: Thank you.

MR. PARELLA: Any more comments? Questions? Concerns?

MS. QUIN: I have some comments for Orange & Rockland Utilities. We won't repeat a lot of the more generic comments that Con Edison made that we do support, but a few Orange & Rockland specific comments. Our customers have contributed $120 million towards the RPS program, but we have no main tier projects within our service territory, so we are not receiving the local benefits that other customers are receiving from that tier of the RPS program, including the economic development opportunities.

We believe the $5 million may be a start. $5 million, that is, for Orange & Rockland and Central Hudson, but largely insufficient to address the imbalance issue. I think that my neighbors to the left here probably agree with me on that.

O&R has resources not being served by the current solar program, and we think the emphasis on
solar going forward would be beneficial to our service territory. We have larger roofs. Not as many as New York City, but we do have larger roofs that could support solar.

Utility property and targeting opportunities. So, we do support the value added proposal.

We support the competitive solicitation proposal which is attractive to drive down the cost and get more funding for our customers' homes.

We would echo Con Edison's comments on utility ownership and on reducing administrative barriers, which we also may not have the same barriers as New York City has, but our developers have noted those.

So, thanks.

MR. PARELLA: Thank you.

No other comments? Let's spend some time talking about next steps.

First, I appreciate you all, again, like I say, again, I appreciate you all coming here today and offering input. I know we got a lot of valuable information that we need to take back and think through its implications, but we also want to get some written
comments from you all.

And, as I said earlier, I think before the lunch break, we were sort of thinking about a deadline of January 29th. And we will take some time to go over those comments and then decide what we need to do next.

If we need to convene another meeting, or if we need to reach out on a bilateral basis with some commenters to explore in a little bit more detail what their comments are, we may want to do that.

But we do have a pretty hard and fast deadline to get a final recommendation back to the Commission. I think the order said within three months.

So, we want to involve you as much as possible in helping us design and finish up our proposal, but we do have a deadline, so, we will try to be flexible and we hope you can help us along the way.

We really, really appreciate you going through this and the principles, and going over our proposal, the objective and the principles with a fine tooth comb, and additions, subtractions, modifications, that would be really helpful.

An idea that came up at the end, which I had been sort of thinking about since the start of the meeting, is there a way that we could use this up to $30
million as some sort of seed money to help address this situation maybe in a more dynamic and long term way. I think that would be useful.

As I mentioned before, the whole relationship between this geographic balancing initiative and the whole customer sited tier, which the Commission is going to take up in March or April, getting your input on that relationship, I think, could also be very helpful and useful for us since we have to make a proposal to the Commission on the customer sited tier also.

So, once again, thank you for coming. We look forward to your comments on the 29th. If you could follow those comments on the RPS list serve, and if you are not on it send Tina an e-mail or give her a phone call. We will make sure you get on the list serve.

MS. PALMERO: Or, better yet, if you have a card with your e-mail address I can make sure you get posted on the list serve or get added to the list serve.

MR. PARELLA: Thank you very much. It was very helpful.

(Meeting concluded.)