

PREPARED TESTIMONY OF

GIL QUINIONES

President and Chief Operating Officer, Power Authority of the State of New York

**Submitted to the State Finance Committee and Assembly Ways and Means Committee
Annual Joint Hearings on the State Budget**

February 27, 2018

Good morning, Chairperson Young, Chairperson Weinstein, and Members of the Committees. I am Gil Quiniones, President and Chief Operating Officer of the New York Power Authority (NYPA). I thank you for the opportunity to talk about what NYPA has been doing during 2017 and early 2018 as well as provide testimony today concerning two bills in the Executive Budget, which, if enacted, would provide benefits to the state, municipalities and NYPA's power supply customers.

Background

I am proud to report that in our 87th year of operation we are playing a major role in implementing Governor Cuomo's Reforming the Energy Vision (REV) strategy, which is designed to take the lead on climate change and grow New York's economy. The Cuomo Administration is using REV to build a cleaner, more resilient and affordable energy system for all New Yorkers by stimulating investment in clean technologies like solar, wind, and energy efficiency.

Pursuing NYPA's Public Power Mission

To begin, the generating output of NYPA's Niagara and St. Lawrence-Franklin D. Roosevelt power projects is among the lowest-cost electricity in the country and is essential to the competitive success of businesses in Western and Northern New York. Allocations are made through three statutorily authorized power allocation programs – Expansion Power, Replacement Power and Preservation Power--and are tied to tens of thousands of jobs in those regions.

In 2017, our economic development programs led to the creation of 2,348 jobs, the retention of 22,471 employees, and \$2.3 billion in capital investment and are helping New York State businesses grow and prosper.

We are achieving similarly exciting results for our energy efficiency initiatives. Last year, we signed contracts committing us to nearly doubling our energy efficiency efforts from \$157 million in completed energy efficiency projects in 2017 to \$300 million in completed projects in 2019. We also completed 44 projects, leading to an annual reduction of 45,600 tons of greenhouse gas emissions.

Rethinking New York's Transmission System

As far as transmission, NYPA's Board of Trustees approved \$9.1 million for the initial engineering and permitting, and licensing phase of the planned rebuild of the Power Authority's major north-south transmission line last September. Completion of this Moses-Adirondack Smart Path Reliability Project will further strengthen the reliability of New York State's electric power grid and allow more upstate renewable energy to connect to the power system throughout the state.

Refreshing NYPA 2020 Strategy

As we pursued our historic responsibilities, we recognized that our industry and marketplace were rapidly changing. Guided by a rigorous process, we concluded that we had to rethink what NYPA had to do to stay relevant and productive. Our reformulated strategy – Strategic Vision 2020 – established a bold new goal for NYPA: becoming the first end-to-end “digital utility” in the United States. We are determined to become even more proficient at using data and digital tools to provide customers with better insight into their energy supply and demand. We also wanted to offer new solutions for reducing costs through better facilities management while identifying more sustainable options.

By moving in this new direction, we are placing our customers at the center of all that we do, providing them with greater choice and control over their energy use. We are looking to gain access to a much cleaner and more distributed set of generation resources. We also want to become more adept at operating in a marketplace where energy is increasingly distributed, digitized, data-driven and, perhaps most importantly, customer-controlled.

Expanding New York Energy Manager

NYPA's New York Energy Manager, also known as NYEM, is linking almost 11,000 state-run buildings in New York on a single platform that combines the power of big data, advanced analytics and machine learning is an important part of our asset management effort. We are applying digitization to our generation and transmission assets, enabling greater resilience by making assets smarter to detect outages before they occur.

Achieving BuildSmart NY 2020 Goals

The expansion of NYEM is helping accelerate Governor Cuomo's BuildSmart New York program. BuildSmart New York requires all state-owned and managed buildings to cut their energy use 20 percent by 2020. Last year we announced that New York State agency partners are making significant progress toward meeting this Clean Energy goal and have already saved taxpayers an estimated \$131 million in avoided energy costs. Results collected through fiscal year 2015-16 indicate that the state has improved energy efficiency at its facilities by 8.8 percent since the project's baseline year of 2010-11.

Growing Solar Initiatives

In another state agency effort, New York State Parks hired NYPA to provide solar advisory services. We are essentially the "owner's rep" and we provided all of the services required from site evaluation, to power purchase agreement specifications, RFP solicitation, developer evaluations and developer selection. This fee-based service enables NYPA to recover our costs to provide this service. Parks' solar arrays total about 12 megawatts at seven locations, pending final interconnect approvals. Additionally, the New York State Department of Corrections hired NYPA to provide this same service for 13.3 megawatts, pending final interconnect approvals at six locations.

Turning on the Lights in Puerto Rico

As always, we were ready for emergencies of all kinds. New York public and private utilities responded to the terrible destruction of hurricanes Maria and Irma. A contingent of more than 450 personnel have been working in Puerto Rico to restore power to the San Juan metro area since November and they are on schedule to fully complete this mission within the next month. The San Juan region accounts for roughly 70 percent of the total electric demand in Puerto Rico.

We are enormously grateful for what our transmission and distribution system experts from across New York State have already accomplished, as they bring back the lights of schools, homes, businesses, hospitals and municipal buildings in urban and rural areas across Puerto Rico, and have almost completed restoration of power to metro San Juan. These utility crews are applying the many lessons gained from dealing with past storms in New York. The workers from NYPA and the other New York utilities have revealed a generosity of spirit in overcoming unimaginable challenges, as they helped Puerto Rico to recover from enormous hardships.

Canal Corporation – Celebrate the past, plan for the future

Last year, the Canal Corporation marked the bicentennial of the beginning of construction of the Erie Canal with seven celebrations and events across New York State to celebrate the milestone. This past September, Governor Cuomo announced that the State will hold a global competition to find the best ideas to reimagine the Canal System so it becomes an engine for economic growth upstate and a world-class tourist destination. The competition, to be run by NYPA and the Canal Corporation, will award up to \$2.5 million to develop and implement the winning ideas.

Building on NYPA's Successes

1. Part FF – Energy-related projects, programs and services

As far as the Executive Budget, Part FF would amend the definition of “energy-related projects, programs and services” in NYPA’s energy services statute in order to clarify and enhance NYPA’s authority to support projects, programs and services in three areas: (1) energy management and control; (2) energy supply security, resiliency and reliability; and (3) energy procurement.

A typical energy management project might involve installing metering/monitoring devices at a customer’s facilities to assess the energy characteristics of a building and/or its operations, which would allow NYPA and the customer to work together to identify energy conservation measures that could reduce energy usage and hence energy costs.

In addition, the bill addresses the need of government and the private sector to adapt to and prepare for the impacts of climate change. We have all seen the impacts of climate change, and many of your constituents have suffered its effects. Examples of work in this area could include services and projects related to the installation of fuel cells and battery back-up systems, back-up generation, storm hardening of on-site energy infrastructure, and relocation of on-site energy infrastructure to increase resiliency from storm impacts.

Finally, FF would authorize NYPA to provide energy procurement programs and services for public entities. Among the beneficiaries of this amendment would be the State’s municipalities because it would allow them to consider NYPA as an energy supplier, and enable the Power Authority to support Community Choice Aggregation, or CCA, programs. CCA allows municipalities to aggregate the buying power of individual customers (residents and businesses) in their jurisdiction to secure a better price for energy that is available through the local utility.

Part FF would provide eligible entities opportunities for cost savings, expand tools for addressing climate change impacts, and increase private and public sector investment in clean energy technology to the economic benefit of the state.

2. Part GG – Renewable Energy Development

Part GG is also a natural fit for NYPA, which already owns and operates extensive “green” power generation assets throughout the state, and supplies power to numerous public entities and private businesses. This bill would enhance NYPA’s existing statutory powers by authorizing it to support the development of renewable energy generation projects. Under this legislation, NYPA would “pair up” the renewable energy products produced from these projects with the renewable energy products that NYPA’s customers would purchase.

This bill is expected to have numerous benefits, including the following:

- NYPA’s lower cost of capital is expected to enable the Power Authority to develop projects, acquire projects, and support private development on favorable terms, which in turn should result in favorable pricing for energy products derived from these sources.
- Once a private project has monetized tax incentives, NYPA’s purchase of a project will create access to capital for developers/tax equity investors to recycle their investment capital to new projects, and producing a better price for the energy products that NYPA will sell.
- Support of the State Energy Plan, which, as previously mentioned, will put New York on a path to achieving the following energy goals: a 40 percent reduction in greenhouse gas emissions from 1990 levels, and obtaining 50 percent of its electricity from renewable resources.
- New, long-term project work for private developers and state businesses that would supply goods and services to developers.
- New long-term work for private sector labor relating to the construction of renewable energy projects.

Conclusion

In conclusion, these budget proposals discussed would deliver real benefits to the state, local governments, and businesses spread throughout the legislative districts of the state, continue to

advance the state's leadership in the energy and environmental arenas, and provide new work for the state's businesses and the private sector workforce.

This concludes my prepared testimony and I welcome your questions.

Thank you.