

**NEW YORK STATE ENERGY RESEARCH
AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)**

FINANCIAL STATEMENTS

March 31, 2012

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RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for the preparation, integrity and objectivity of the financial statements of the New York State Energy Research and Development Authority (the Authority), as well as all other information contained in the Authority's Annual Report. The financial statements of the Authority for the fiscal year ending March 31, 2012 were prepared in conformity with accounting principles generally accepted in the United States of America. Financial information contained elsewhere in the Annual Report is consistent with the financial statements. The Board of the Authority adopted these financial statements and the Annual Report at a meeting on June 18, 2012.

The Authority maintains a system of internal controls, the objectives of which are to provide reasonable assurance as to the proper authorization and recording of transactions, the safeguarding of Authority assets, the compliance with applicable laws and regulations, and the reliability of financial records for preparing financial statements. The internal control structure is subject to periodic review by management, internal audit staff and the independent auditors. No internal control system can provide absolute assurance that errors and irregularities will not occur due to the inherent limitations of the effectiveness of internal controls; however, management strives to maintain a balance, recognizing that the cost of such system should not exceed the benefits derived.

The Authority's financial statements have been audited by KPMG, LLP independent auditors appointed by the Members of the Authority. Management has made available to the independent auditors all the financial records and related data of the Authority, as well as providing access to all the minutes of the meetings of the Board and its standing committees. The independent auditors periodically meet directly with the Audit and Finance Committee of the Board, which is comprised of Members who are not employees of the Authority.

The independent audit included obtaining an understanding of the internal control structure, tests of accounting records, and other procedures which the independent auditors considered necessary in order to express an opinion as to the fairness of the presentation of the financial statements. No material weaknesses in internal control or any condition of non-compliance with applicable laws, regulations or policy were noted by the independent auditors. The unqualified independent auditors' report attests that the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.



Francis J. Murray, Jr.
President and
Chief Executive Officer



Jeffrey J. Pitkin
Treasurer and
Chief Financial Officer



KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditor's Report

Members of the Authority
New York State Energy Research and Development Authority:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New York State Energy Research and Development Authority (Authority), a component unit of the State of New York, as of and for the year ended March 31, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Authority's March 31, 2011 financial statements. Those financial statements were audited by other auditors whose report thereon dated June 20, 2011, expressed an unqualified opinion on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of March 31, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to



provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 – 9 and the required supplementary information on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

June 25, 2012

New York State Energy Research and Development Authority
(A Component Unit of the State of New York)
Management's Discussion and Analysis
For the Year Ended March 31, 2012
Unaudited

The following Management's Discussion and Analysis (MD&A) of New York State Energy Research and Development Authority's (NYSERDA) financial performance provides an overview of NYSEERDA's financial activities for the fiscal year ended March 31, 2012. The information contained in the MD&A should be considered in conjunction with the information presented as part of NYSEERDA's Basic Financial Statements as presented. Following this MD&A are the basic financial statements of NYSEERDA with the notes thereto that are essential to a full understanding of the data contained in the financial statements. NYSEERDA's basic financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) fiduciary fund statements; and (4) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of NYSEERDA's finances in a manner similar to a private-sector business. The *Statement of Net Assets* presents information on all of NYSEERDA's assets and liabilities, and the difference between the two is reported as *net assets*. The *Statement of Activities* presents information showing how NYSEERDA's net assets change during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods. The government-wide financial statements present information about NYSEERDA as a whole. All of the activities of NYSEERDA are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The *Statement of Fiduciary Net Asset* and *Statement of Changes in Fiduciary Net Assets* are used to account for resources held by NYSEERDA in a fiduciary capacity for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support NYSEERDA's programs.

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and governmental fund financial statements.

CONDENSED FINANCIAL INFORMATION

The following condensed financial information is presented from NYSEERDA's government-wide financial statements:

	<i>(Amounts in thousands)</i>		
Summary of Net Assets	March 31, 2012	March 31, 2011	% Change 2012-2011
Cash and investments	\$1,021,520	925,858	10.3%
Capital assets	13,275	14,495	-8.4%
Other assets	43,160	31,107	38.7%
Total assets	1,077,955	971,460	11.0%
Long-term liabilities	6,609	7,091	-6.8%
Other liabilities	98,554	101,705	-3.1%
Total liabilities	105,163	108,796	-3.3%
Net Assets:			
Unrestricted	3,238	3,216	0.7%
Invested in capital assets, net of debt	12,814	13,327	-3.8%
Restricted	956,740	846,121	13.1%
Total Net Assets	<u>\$972,792</u>	<u>862,664</u>	<u>12.8%</u>

New York State Energy Research and Development Authority
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For the Year Ended March 31, 2012
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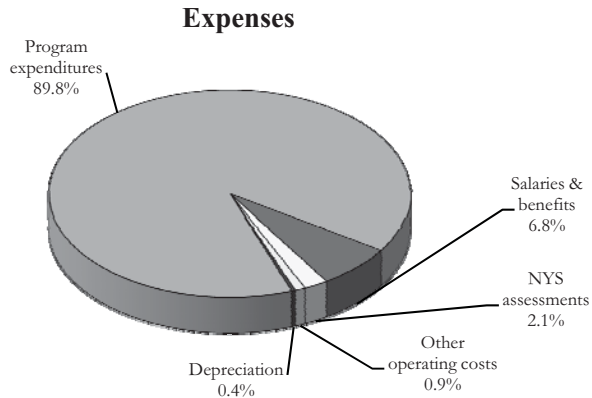
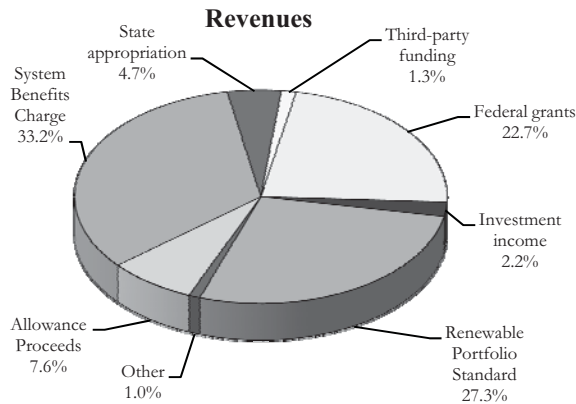
Total assets increased \$106.5 million (11.0%) primarily due to a \$95.7 million (10.3%) increase in cash and investments. This increase was principally due to scheduled collections from utilities in the Energy Efficiency Portfolio Standard and Renewable Portfolio Standard programs, which exceeded disbursements for expenses, as well as proceeds received from the sale of emission allowances for the Regional Greenhouse Gas Initiative (RGGI). These increases were offset by a decrease in cash and investments for the New York Energy Smart program due to an Order issued by the Public Service Commission ("PSC") to defer collections for the program in consideration of the timing of projected program expenditures. In addition, other assets increased \$12.1 million (38.7%) primarily due to an increase in loans issued through the Green Jobs-Green New York program. For the Green Jobs-Green New York program, the fiscal year ended March 31, 2012 reflects the first full year of providing energy efficiency financing for residential consumers; and energy efficiency financing for multifamily buildings, small businesses and not-for-profit buildings was launched during the year.

Total liabilities decreased \$3.6 million (3.3%). Long-term liabilities decreased \$0.5 million (6.8%) primarily due to scheduled principal payments on mortgage and capital lease debt. Other liabilities decreased \$3.2 million (3.1%) primarily due to a \$3.3 million decrease in deferred revenue resulting from the recognition of revenue under an American Recovery and Reinvestment Act ("ARRA") grant for the establishment of a loan loss reserve under the Green Jobs Green New York loan program.

Net assets, the difference between NYSERDA's assets and its liabilities, increased overall by 12.8% from \$862.7 million to \$972.8 million. Restricted net assets (unexpended funds received for particular specified programmatic purposes) increased 13.1% to \$956.7 million. Unrestricted net assets, (which can be used to finance operations without constraints established by debt covenants, enabling legislation, or other legal requirements), increased 0.7%, remaining at \$3.2 million.

Summary of Changes in Net Assets from Operating Results	<i>(Amounts in thousands)</i>		
	March 31, 2012	March 31, 2011	% Change 2012-2011
Program Revenues:			
State Appropriations	\$30,463	31,915	-4.6%
System Benefits Charge Funding	217,376	289,913	-25.0%
Renewable Portfolio Standard Allowance Proceeds	178,585	126,012	41.7%
Third-party reimbursements	49,703	98,958	-49.8%
Federal grants	8,336	7,826	6.5%
Investment income	148,841	62,051	139.9%
Other Program Revenue	13,990	11,481	21.9%
General Revenues (Investment income)	6,532	6,642	-1.6%
Total Revenues	654,076	635,349	2.9%
Expenses:			
Salaries and Benefits	37,009	38,381	-3.6%
Program Expenditures	488,369	413,871	18.0%
Other Operating Costs	5,070	5,376	-5.7%
Depreciation	1,842	1,795	2.7%
NY State Assessments	11,658	10,763	8.3%
Total Expenses	543,948	470,186	15.7%
Increase in Net Assets	<u>\$110,128</u>	<u>165,163</u>	<u>-33.3%</u>

New York State Energy Research and Development Authority
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Total Revenue increased 2.9% from \$635.3 million to \$654.1 million. State appropriation revenue decreased \$1.5 million (4.6%) primarily as a result of a reduction in West Valley site management costs. System Benefits Charge revenue decreased \$72.5 million (25.0%) principally due to deferred collections from utilities pursuant to PSC Orders. Renewable Portfolio Standard revenue increased \$52.6 million (41.7%) as a result of scheduled increases in utility assessment collections transferred to NYSERDA. Allowance proceeds decreased by \$49.3 million (49.8%) primarily due to many fewer allowances being sold than in the prior year. The demand for RGGI allowances is determined by the level of emissions that occur in the electric generation sector. Economic market factors increased reliance on lower emitting fuels to generate electricity, which produced a lower demand for RGGI allowances. Third party reimbursements increased by \$0.5 million (6.5%), principally from an increase in program funding for the continued administration of a PSC Ordered gas efficiency program. Federal grants revenue increased by \$86.8 million (139.9%), primarily due to the timing of ARRA and other grant expenditures. Total investment income increased by \$2.2 million (18.4%), primarily due to gains realized on sale of investments to meet cash flow needs throughout the year, and from increases in average investment balances. Other Program Revenues decreased by \$0.1 million (1.6%) primarily due to a decrease in recoupment revenue offset in part by an increase in Renewable Portfolio Standard program fees.

Total Expenses increased 15.7% from \$470.2 million to \$543.9 million. Salaries and benefits decreased \$1.4 million (3.6%), principally due to unfilled vacancies during the year, as well as an overall decrease in the accrual for compensated leave time. Program Expenditures increased \$74.5 million (18.0%) primarily due to increased expenditures funded through the ARRA grant funds and to a lesser extent the Regional Greenhouse Gas Initiative and Green Jobs Green New York programs. Other Operating Costs decreased \$0.3 million (5.7%) primarily from a decrease in general and administrative costs and the timing of various professional service costs. The NY State Assessment increased by \$0.9 million (8.3%) over the prior year due to an increase in NYSERDA's annual assessment.

FINANCIAL ANALYSIS OF FUNDS

Total fund balances for the Governmental Funds increased from \$855.3 million to \$966.1 million as further described below:

- The New York Energy \$mart fund balance, which accounts for the **New York Energy \$martSM** Program funded through the System Benefits Charge, decreased from \$256.6 million to \$179.4 million due to expenditure of funds and deferral of scheduled collections pursuant to PSC Order.
- The Energy Efficiency Portfolio Standard fund balance increased from \$176.5 million to \$227.7 million due to scheduled collections in excess of expenditures.
- The Renewable Portfolio Standard fund balance increased from \$130.9 million to \$233.8 million principally as a result of funds received, but not yet spent.
- The Energy Efficiency Deployment fund balance, which accounts for Federal grants, including American Recovery and Reinvestment Act ("ARRA") stimulus grants, as well as various special revenue funds restricted to energy efficiency program purposes, decreased from \$32.5 million to \$29.8 million as a result of funding expenditures with previously recorded program revenues.

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- The RGGI fund balance increased from \$72.2 million to \$111.1 million principally as a net result of additional allowance proceeds collected but not yet spent.
- The GJGNY fund was established pursuant to legislation enacted in October 2009, to be funded by RGGI Fund proceeds in the amount of \$112 million. The fund balance decreased from \$109.2 million to \$105.0 million as funds provided for the program were expended.
- The Other Programs fund balance increased from \$77.3 million to \$79.3 million due principally as a net result of other program revenues exceeding other program expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

NYSERDA maintains land, buildings, and furniture and equipment in various locations for its corporate purposes. Total capital assets as of March 31, 2012 were \$13.3 million, net of accumulated depreciation. Capital asset additions for the fiscal year ended March 31, 2012 were approximately \$0.6 million, primarily for technology equipment upgrades and land improvements at STEP.

Total long-term liabilities decreased from \$7.1 million to \$6.6 million primarily due to decreases in mortgage and capital lease obligation debt due to scheduled principal payments.

NYSERDA also issues tax-exempt bonds on a conduit basis on behalf of utility companies to finance certain eligible projects. As of March 31, 2012, approximately \$3.4 billion of bonds are outstanding. These bonds are non-recourse bonds and as such are not included in NYSERDA's financial statements.

ECONOMIC FACTORS

A substantial portion of NYSERDA's annual revenues are derived from sources, whose collection schedules, pursuant to Orders of the PSC, are currently scheduled to expire as follows: New York Energy Smart funds January 2014, Energy Efficiency Portfolio Standard, December 2018, Technology and Market Development Portfolio funds, December 2017 and Renewable Portfolio Standard funds, October 2024.

On behalf of the State, NYSERDA manages the Western New York Nuclear Service Center (West Valley), the site of a former plant for reprocessing used nuclear fuel. Depending upon the clean-up options selected and agreement on cost sharing with the federal government, these costs could be substantial. It is anticipated that New York State's share of future costs for the West Valley site will be provided by New York State to NYSERDA and will not impact NYSERDA's current funding. As permitted by GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, no liability has been recorded in NYSERDA's financial statements for this contingency due to the expected recoveries from New York State.

NYSERDA's programs are impacted by a number of factors including, but not limited to, general economic conditions, energy prices, energy system reliability, and energy technology advancements.

New York State Energy Research and Development Authority
(A Component Unit of the State of New York)
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For the Year Ended March 31, 2012
Unaudited

BUDGETARY INFORMATION

The following table summarizes actual revenues and expenses, as reported in the Statement of Activities, for the fiscal year ended March 31, 2012, in comparison to amounts included in the final Budget approved by NYSERDA's Board:

	<i>(Amounts in thousands)</i>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
State appropriations	\$30,463	37,718	(7,255)
System Benefits Charge	217,376	203,646	13,730
Renewable Portfolio Standard	178,585	178,585	-
Allowance Proceeds	49,703	50,000	(297)
Third-party contributions	3,200	3,200	-
Third-party reimbursements	8,336	9,640	(1,304)
Federal grants	148,841	125,912	22,929
Project repayments	383	804	(421)
Rentals from leases	1,244	1,223	21
Fees and other income	1,705	458	1,247
Interest income	11,748	8,343	3,405
Net change in fair value of investments	2,492	-	2,492
Total Revenues	654,076	619,529	34,547
Expenses:			
Salaries and benefits	37,009	38,150	(1,141)
Program expenditures	488,369	635,583	(147,214)
Other operating costs	5,070	6,524	(1,454)
Depreciation	1,842	1,857	(15)
NY State Assessments	11,658	10,763	895
Total Expenses	543,948	692,877	(148,929)
Excess Revenues/(Expenses)	110,128	(73,348)	183,476
Net Assets, beginning of year	862,664	862,664	-
Net Assets, end of year			
Invested in capital assets, net of debt	12,814	13,015	(201)
Restricted for specific programs	956,740	773,045	183,695
Unrestricted	3,238	3,256	(18)
Total Net Assets, end of year	<u>\$972,792</u>	<u>789,316</u>	<u>183,476</u>

Total revenues were approximately \$34.5 million, or 5.6%, higher than the approved Budget. State appropriation revenues were less than budgeted principally due to the timing of reimbursable expenditures for certain programs funded through State appropriations. The unspent non-recurring State appropriations have been re-appropriated in the FY 2012-13 State Budget. System Benefits Charge collections for the Technology and Market Development Portfolio were higher than anticipated since the March collections were not budgeted until the fiscal year ended March 31, 2013. Federal grants revenue was higher than budget due to the timing of reimbursable expenditures, principally under several ARRA grants. Fees and other income were higher than budget principally due to unanticipated Renewable Portfolio Standard program fees. Interest income was higher than budget due to a larger average balance of investments than anticipated.

Total expenses were approximately \$148.9 million, or 21.5%, below the approved Budget. Salaries and benefits were lower than anticipated principally due to vacant positions and a lower than anticipated expense for compensated leave time. Program expenditures were less than budgeted primarily due to timing of anticipated expenditures for the Renewable Portfolio Standard, New York Energy \$mart, Regional Greenhouse Gas Initiative, and GJGNY programs. Other Operating Costs were less than budgeted primarily due to lower than expected costs incurred for various professional services and business-related travel. A portion of the variance for professional services is simply a timing difference. NY State Assessments levied on NYSERDA increased by \$895,000 over the prior year.

**New York State Energy Research and Development Authority
(A Component Unit of the State of New York)
Management's Discussion and Analysis
For the Year Ended March 31, 2012
Unaudited**

CONTACT FOR AUTHORITY'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the finances of NYSERDA for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to Jeffrey J. Pitkin, Treasurer, 17 Columbia Circle, Albany NY 12203.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)
Statement of Net Assets
March 31, 2012
(with comparative totals for March 31, 2011)
(Amounts in thousands)

	March 31, 2012	March 31, 2011
<u>ASSETS:</u>		
Current assets:		
Cash and investments	\$1,021,520	925,858
New York State receivable	8,612	13,912
Third-party billings receivable	22,143	15,825
Interest receivable on loans	19	2
Loans receivable due within one year	1,055	90
Prepaid expense	437	227
Total current assets	1,053,786	955,914
Noncurrent assets:		
Loans receivable- long term	10,894	1,051
Capital assets, net of depreciation	13,275	14,495
Total noncurrent assets	24,169	15,546
Total assets	1,077,955	971,460
<u>LIABILITIES:</u>		
Current liabilities:		
Long-term liabilities due within one year	2,981	3,246
Accounts payable	25,736	30,196
Con Edison payable	15,368	17,380
Accrued liabilities	56,710	50,137
Deferred revenue	740	3,992
Total current liabilities	101,535	104,951
Noncurrent liabilities:		
Other long-term liabilities	3,628	3,845
Total liabilities	105,163	108,796
<u>NET ASSETS:</u>		
Invested in capital assets, net of related debt	12,814	13,327
Restricted for specific programs	956,740	846,121
Unrestricted	3,238	3,216
Total net assets	\$972,792	862,664

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)
Statement of Activities
For the year ended March 31, 2012
(with summarized comparative totals for March 31, 2011)
(Amounts in thousands)

Functions/Programs	Energy		Technology	Renewable	Energy	Energy	Con Edison		RGGI
	New York	Efficiency	and Market				Portfolio	Research &	
	Energy Smart	Portfolio	Development	Standard	Development	Deployment	Demand	Reduction	
EXPENSES:									
Salaries and benefits	\$6,251	9,686	1,367	2,900	3,567	4,510	11	1,327	
Program expenditures	114,775	100,267	626	74,369	7,942	146,161	13,002	9,877	
Other operating costs	748	1,066	170	432	426	506	1	146	
Depreciation	271	420	60	125	156	189	-	58	
NY State Assessments	3,452	2,941	58	2,163	316	528	125	334	
Total expenses	125,497	114,380	2,281	79,989	12,407	151,894	13,139	11,742	
PROGRAM REVENUES:									
<i>Operating grants and contributions</i>									
State appropriations	-	-	-	-	12,343	858	-	-	
System Benefits Charge	42,719	160,732	13,925	-	-	-	-	-	
Renewable Portfolio Standard	-	-	-	178,585	-	-	-	-	
Allowance proceeds	-	-	-	-	-	-	-	49,703	
Third-party contributions	-	-	-	-	3,200	-	-	-	
Third-party reimbursements	479	1,349	-	-	21	5,854	31	-	
Federal Grants	-	-	-	-	-	142,319	-	-	
<i>Charges for Services</i>									
Project repayments	-	-	-	-	383	-	-	-	
Rentals from leases	-	-	-	-	-	-	-	-	
Fees and other income	238	-	-	979	2	-	-	-	
Restricted interest	4,094	2,550	-	2,753	-	103	179	845	
Net change in fair value of investments	627	740	-	509	-	72	155	12	
Total program revenues	48,157	165,371	13,925	182,826	15,949	149,206	365	50,560	
Excess Revenues / (Expenses)	(\$77,340)	50,991	11,644	102,837	3,542	(2,688)	(12,774)	38,818	

GENERAL REVENUES:

Unrestricted Interest
Net change in fair value of investments
Change in net assets
Net assets-beginning of period
Net assets-end of period

See accompanying notes to the basic financial statements.

(Continued on page 12)

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)
Statement of Activities
For the year ended March 31, 2012
(with summarized comparative totals for March 31, 2011)
(Amounts in thousands)

Functions/Programs (cont'd)

	<u>GJGNY</u>	<u>CAIR</u>	<u>Energy Analysis</u>	<u>West Valley</u>	<u>STEP</u>	<u>Bond Financing</u>	<u>Total March 31, 2012</u>	<u>Total March 31, 2011</u>
EXPENSES:								
Salaries and benefits	1,497	321	3,390	1,709	438	35	37,009	38,381
Program expenditures	9,665	1,694	399	8,992	600	-	488,369	413,871
Other operating costs	162	37	542	300	531	3	5,070	5,376
Depreciation	65	14	148	85	250	1	1,842	1,795
NY State Assessments	289	53	122	305	33	939	11,658	10,763
Total expenses	<u>11,678</u>	<u>2,119</u>	<u>4,601</u>	<u>11,391</u>	<u>1,852</u>	<u>978</u>	<u>543,948</u>	<u>470,186</u>
PROGRAM REVENUES:								
<i>Operating grants and contributions</i>								
State appropriations	-	-	4,271	12,991	-	-	30,463	31,915
System Benefits Charge	-	-	-	-	-	-	217,376	289,913
Renewable Portfolio Standard	-	-	-	-	-	-	178,585	126,012
Allowance proceeds	-	-	-	-	-	-	49,703	98,958
Third-party contributions	-	-	-	-	-	-	3,200	3,200
Third-party reimbursements	-	-	-	-	602	-	8,336	7,826
Federal Grants	6,474	-	48	-	-	-	148,841	62,051
<i>Charges for Services</i>								
Project repayments	-	-	-	-	-	-	383	972
Rentals from leases	-	-	-	-	244	1,000	1,244	1,238
Fees and other income	-	-	-	-	28	458	1,705	1,232
Restricted interest	698	341	-	-	-	-	11,563	8,066
Net change in fair value of investments	255	57	-	-	-	-	2,427	3,415
Total program revenues	<u>7,427</u>	<u>398</u>	<u>4,319</u>	<u>12,991</u>	<u>874</u>	<u>1,458</u>	<u>653,826</u>	<u>634,798</u>
Excess Revenues / (Expenses)	(4,251)	(1,721)	(282)	1,600	(978)	480	109,878	164,612
GENERAL REVENUES:								
Unrestricted Interest							185	479
Net change in fair value of investments							65	72
Change in net assets							<u>110,128</u>	<u>165,163</u>
Net assets-beginning of period							<u>862,664</u>	<u>697,501</u>
Net assets-end of period							<u>\$972,792</u>	<u>862,664</u>

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)
Balance Sheet - Governmental Funds
March 31, 2012
(with summarized comparative totals for March 31, 2011)
(Amounts in thousands)

	New York Energy Smart	Energy Efficiency Portfolio Standard	Renewable Portfolio Standard	Energy Efficiency Deployment	RGGI	GJGNY	Other Programs	Total March 31, 2012	Total March 31, 2011
ASSETS:									
Cash and investments	\$197,293	237,538	244,516	18,813	119,041	94,942	109,377	1,021,520	925,858
Receivables:									
New York State	-	-	-	6,289	-	-	2,323	8,612	13,912
Third-party billings	3,066	2,374	-	15,219	-	-	1,484	22,143	15,825
Interest on loans	-	-	-	-	-	19	-	19	2
Loans	-	-	-	-	-	11,949	-	11,949	1,141
Prepaid expense	-	-	-	-	155	-	282	437	227
Due from other funds	-	460	-	9,183	-	79	-	9,722	2,575
Total assets	<u>200,359</u>	<u>240,372</u>	<u>244,516</u>	<u>49,504</u>	<u>119,196</u>	<u>106,989</u>	<u>113,466</u>	<u>1,074,402</u>	<u>959,540</u>
LIABILITIES AND FUND BALANCES:									
Liabilities:									
Accounts payable	6,483	1,956	837	2,761	412	915	12,372	25,736	30,196
Con Edison payable	-	-	-	1,369	5,546	-	8,453	15,368	17,380
Accrued liabilities	12,710	10,711	9,777	15,438	1,160	1,088	5,826	56,710	50,137
Due to other funds	1,799	-	51	-	995	-	6,877	9,722	2,575
Deferred revenue	10	-	21	94	-	-	615	740	3,992
Total liabilities	<u>21,002</u>	<u>12,667</u>	<u>10,686</u>	<u>19,662</u>	<u>8,113</u>	<u>2,003</u>	<u>34,143</u>	<u>108,276</u>	<u>104,280</u>
Fund Balances:									
Nonspendable-not in spendable form	-	-	-	-	155	-	282	437	228
Restricted	179,357	227,705	233,830	29,842	110,928	104,986	77,528	964,176	854,050
Assigned	-	-	-	-	-	-	1,513	1,513	982
Total fund balances	<u>179,357</u>	<u>227,705</u>	<u>233,830</u>	<u>29,842</u>	<u>111,083</u>	<u>104,986</u>	<u>79,323</u>	<u>966,126</u>	<u>855,260</u>
Total liabilities and fund balances	<u>\$200,359</u>	<u>240,372</u>	<u>244,516</u>	<u>49,504</u>	<u>119,196</u>	<u>106,989</u>	<u>113,466</u>	<u>1,074,402</u>	<u>959,540</u>

Following is a reconciliation of amounts reported differently in the Statement of Net Assets:

Total fund balances	966,126	855,260
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	13,275	14,495
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(6,609)</u>	<u>(7,091)</u>
Net assets of governmental activities	<u>\$972,792</u>	<u>862,664</u>

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the year ended March 31, 2012
(with summarized comparative totals for March 31, 2011)
(Amounts in thousands)

	New York Energy Smart	Energy Efficiency Portfolio Standard	Renewable Portfolio Standard	Energy Efficiency Deployment	RGGI	GJGNY	Other Programs	Total March 31, 2012	Total March 31, 2011
REVENUES:									
State appropriations	\$ -	-	-	858	-	-	29,605	30,463	31,915
System Benefits Charge	42,719	160,732	-	-	-	-	13,925	217,376	289,913
Renewable Portfolio Standard	-	-	178,585	-	-	-	-	178,585	126,012
Allowance proceeds	-	-	-	-	49,703	-	-	49,703	98,958
Third-party contributions	-	-	-	-	-	-	3,200	3,200	3,200
Third-party reimbursements	479	1,349	-	5,854	-	-	654	8,336	7,826
Project repayments	-	-	-	-	-	-	383	383	972
Federal grants	-	-	-	142,319	-	6,474	48	148,841	62,051
Rentals from leases	-	-	-	-	-	-	1,244	1,244	1,238
Interest	4,094	2,550	2,753	103	845	698	705	11,748	8,545
Net change in fair value of investments	627	740	509	72	12	255	277	2,492	3,487
Fees and other income	238	-	979	-	-	-	488	1,705	1,232
Total revenue	48,157	165,371	182,826	149,206	50,560	7,427	50,529	654,076	635,349
EXPENDITURES:									
Current:									
New York Energy Smart	125,308	-	-	-	-	-	-	125,308	150,515
Energy Efficiency Portfolio Standard	-	114,088	-	-	-	-	-	114,088	75,792
Technology and Market Development Portfolio	-	-	-	-	-	-	2,240	2,240	-
Renewable Portfolio Standard	-	-	79,901	-	-	-	-	79,901	79,092
Energy Research and Development	-	-	-	-	-	-	12,292	12,292	17,646
Energy Efficiency Deployment	-	-	-	151,764	-	-	-	151,764	80,014
Con Edison System Wide Demand Reduction	-	-	-	-	-	-	13,139	13,139	12,366
RGGI	-	-	-	-	11,702	-	-	11,702	26,308
GJGNY	-	-	-	-	-	11,632	-	11,632	4,248
CAIR	-	-	-	-	-	-	2,110	2,110	1,062
Energy Analysis	-	-	-	-	-	-	4,498	4,498	4,160
West Valley	-	-	-	-	-	-	11,329	11,329	15,186
STEP	-	-	-	-	-	-	1,607	1,607	905
Bond Financing	-	-	-	-	-	-	977	977	976
Capital outlay	75	116	35	53	16	18	310	623	597
Total expenditures	125,383	114,204	79,936	151,817	11,718	11,650	48,502	543,210	468,867
Net change in fund balances	(77,226)	51,167	102,890	(2,611)	38,842	(4,223)	2,027	110,866	166,482
Fund balances, beginning of year	256,583	176,538	130,940	32,453	72,241	109,209	77,296	855,260	688,778
Fund balances, end of year	\$179,357	227,705	233,830	29,842	111,083	104,986	79,323	966,126	855,260

Following is a reconciliation of amounts reported differently in the Statement of Activities:

Net change in fund balances	110,866	166,482
Capitalization and depreciation of capital outlays, rather than recording as an expenditure	(1,220)	(1,237)
Expenses for compensated absences in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(225)	(756)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	707	674
Change in net assets of governmental activities	\$110,128	165,163

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

(A Component Unit of the State of New York)

Statement of Fiduciary Net Assets

March 31, 2012 (except for Other Postemployment Benefits Trust Fund which is as of December 31, 2011)

(Amounts in thousands)

	OPEB	
	<u>Trust Fund</u>	<u>Agency Fund</u>
<u>ASSETS:</u>		
Cash and investments	\$18,051	\$31,538
LLRW assessment billings receivable	-	2,343
Total assets	<u>18,051</u>	<u>\$33,881</u>
<u>LIABILITIES:</u>		
Accrued expenses	6	\$ -
Payable to New York State	-	702
LLRW escrow funds	-	4,737
Perpetual care of nuclear wastes	-	28,442
Total liabilities	<u>6</u>	<u>\$33,881</u>
<u>NET ASSETS:</u>		
Held in trust for other postemployment benefits	<u>\$18,045</u>	

See accompanying notes to the basic financial statements.

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)

Statement of Changes in Fiduciary Net Assets

March 31, 2012 (except for Other Postemployment Benefits Trust Fund which is as of December 31, 2011)

(Amounts in thousands)

		OPEB <u>Trust Fund</u>
<u>ADDITIONS:</u>		
Employer contributions	\$	3,900
Investment income:		
Dividend income		538
Net change in fair value of investments		446
Total investment income		<u>984</u>
Less investment management expenses		<u>(10)</u>
Net investment income		<u>974</u>
Total additions		<u>4,874</u>
 <u>DEDUCTIONS:</u>		
Benefits		659
Trustee management fees		5
Audit fees		<u>15</u>
Total deductions		<u>679</u>
Net change in net assets		4,195
 Net assets		
Net assets-beginning of year		<u>13,850</u>
Net assets-end of year	\$	<u><u>18,045</u></u>

See accompanying notes to the basic financial statements.

**NEW YORK STATE ENERGY
RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)**

**Notes to Basic Financial Statements
March 31, 2012**

(1) GENERAL

The New York State Energy Research and Development Authority (NYSERDA) is a public benefit corporation established in 1975 pursuant to Title 9 of Article 8 of the Public Authorities Law of the State of New York (the State). NYSEDA is included in the State's basic financial statements as a discretely presented component unit. NYSEDA's major functions and programs are summarized below. All programs are considered to be special revenue funds.

New York Energy \$martSM program

Pursuant to Orders of the State Public Service Commission (PSC), NYSEDA administers public benefit programs funded by a System Benefits Charge (SBC) on consumers of electricity sold in the State. The Orders provided funding through December 31, 2011. NYSEDA will continue to administer committed program funds as of this date until all funds are fully expended. The program, named the **New York Energy \$martSM** program, is designed to support certain public benefit programs, including energy efficiency, research and development, environmental protection, and low-income programs.

Energy Efficiency Portfolio Standard

Pursuant to a June 2008 and subsequent Orders, the PSC authorized an Energy Efficiency Portfolio Standard, which provided additional SBC funding for certain energy efficiency programs. In October 2011, the Commission reauthorized, through December 2015, the majority of the EEPS programs that were scheduled to expire December 31, 2011.

Technology and Market Development Portfolio

Pursuant to an October 2011 PSC Order, the Technology and Market Development Portfolio was established, with continued funding from the SBC through December 31, 2016. The portfolio's mission is to test, develop, and introduce new technologies, strategies and practices that build the statewide market infrastructure to reliably deliver clean energy to New Yorkers.

Renewable Portfolio Standard

Pursuant to a September 2004 and subsequent Orders, the PSC adopted a policy of increasing the percentage of electricity used by retail consumers in New York State, that is derived from renewable resources to at least 30 percent by 2015. The Commission adopted a Renewable Portfolio Standard (RPS) that sets annual, incremental, renewable energy targets for the years 2006 through 2015; requires the use of financial incentives to encourage the development and operation of renewable generation facilities; and adopts a central procurement model to be administered by NYSEDA. It is funded with a non-bypassable wires charge on certain customers of each of the State's investor-owned utilities.

Energy Research & Development

The goals of this program are to promote energy efficiency, encourage economic development, expand the use of New York State's indigenous and renewable energy resources, and reduce or mitigate adverse environmental effects associated with energy production and use. Base funding for the program comes from State appropriations that are financed by an assessment on the intrastate gas and electricity sales of the State's investor-owned utilities and from other sources, including annual contributions from the New York Power Authority (NYPA) and the Long Island Power Authority (LIPA).

Energy Efficiency Deployment

NYSEDA provides financial and technical assistance to help businesses and institutions assess and implement cost-saving energy efficiency measures; help public and private fleets convert to alternative-fuel vehicles, and provides technical training to public and private building owners, helping them improve energy and environmental efficiency. These programs also strive to provide affordable energy and a cleaner environment for all New Yorkers, including low-income residents, by increasing public awareness of energy efficiency's multiple benefits, providing residential building performance services, and making energy-efficient appliances and other products more widely available to consumers. These activities are primarily funded through various third party reimbursements and federal energy grants, including six awards under the American Recovery and Reinvestment

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**Notes to Basic Financial Statements
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Act, or ARRA. Grant funding is received on a reimbursement basis, requires funds to be expended within three years of award, and include requirements for compliance with a number of federal regulations and reporting requirements.

Con Edison System-Wide Demand Reduction

This program, administered by NYSEERDA pursuant to a March 2005 and subsequent Orders of the PSC, provided funding of up to \$122.1 million for NYSEERDA to implement electric energy demand reductions in Con Edison's service territory over a four-year period ending March 2009, with a goal of achieving 150 megawatts of demand reductions. The terms of the Orders require NYSEERDA to return to Con Edison any monies no longer committed, until such time as all retained funds are fully expended. As of March 31, 2012 NYSEERDA has recorded \$15.4 million of unencumbered funds as a refund payable to Con Edison, which will be paid during the fiscal year beginning April 1, 2012.

Regional Greenhouse Gas Initiative (RGGI)

The Regional Greenhouse Gas Initiative, or RGGI, is an agreement among ten Northeastern and Mid-Atlantic States to reduce greenhouse gas emissions from power plants. The RGGI states (Participating States) have committed to cap and then reduce the amount of carbon dioxide that certain power plants are allowed to emit, limiting the region's total contribution to atmospheric greenhouse gas levels. The Participating States have agreed to implement RGGI through a regional cap-and-trade program whereby the Participating States have agreed to auction annual regional emissions. Rules and regulations promulgated by the NYS Department of Environmental Conservation (DEC) call for NYSEERDA to administer periodic auctions for annual emissions. Pursuant to these regulations, the proceeds will be used by NYSEERDA to administer energy efficiency, renewable energy, and/or innovative carbon abatement programs, and to cover the costs to administer such programs.

Green Jobs-Green New York (GJGNY)

GJGNY is a Statewide program created by legislation enacted in October 2009 to promote energy efficiency retrofits in residential, multifamily, small business and not-for-profit buildings, and authorizes NYSEERDA to establish innovative financing approaches through revolving loan funds to finance such projects. The program will also support sustainable community development and create opportunities for green jobs. The legislation funded the program with \$112 million from RGGI auction proceeds and restricts the use of interest earnings and revolving loan proceeds for additional programmatic spending.

Clean Air Interstate Rule (CAIR)

The Clean Air Interstate Rule, or CAIR, is an environmental program administered by DEC, designed to reduce NO_x and SO_x emissions through an emissions allowance cap-and-trade regime. NYSEERDA sold allowances allocated by DEC to the Energy Efficiency and Renewable Energy Technology Account and is applying the proceeds to support programs that encourage and foster energy efficiency measures and renewable energy technologies, specifically multi-year support for the New York Battery and Energy Storage Technology Consortium (NY-BEST™), an industry-focused coalition working to build a vibrant, world-class, advanced battery, and energy storage sector in New York.

Energy Analysis

Through this program, NYSEERDA provides objective and credible analyses of energy issues to various stakeholders. The program also includes activities for energy related emergency planning and response, and support for State energy planning. These program activities are funded primarily by a State assessment on the intrastate gas and electricity sales of the State's investor-owned utilities.

Furthermore, Energy Analysis staff provide oversight activities pursuant to the State Low-Level Radioactive Waste (LLRW) Management Act of 1986, whereby NYSEERDA is responsible for ultimately constructing and operating the State's LLRW disposal facilities, collecting information, and providing regular reports to the Governor and Legislature on LLRW generation in the State. These activities are funded annually by State Appropriations through a sub-allocation from the New York State Department of Health.

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NYSERDA is also responsible for coordination of nuclear material matters, including serving as the State liaison with the Nuclear Regulatory Commission.

West Valley

NYSERDA manages, on behalf of the State, the Western New York Nuclear Service Center (West Valley), the site of a former plant for reprocessing used nuclear fuel. Through 1972, the former plant operator, Nuclear Fuel Services, Inc., generated as a by-product of its reprocessing operations, more than 600,000 gallons of liquid, high-level radioactive waste, which were stored at the site. In 1980, Congress enacted the West Valley Demonstration Project Act (West Valley Act). Pursuant to the West Valley Act, the U.S. Department of Energy (DOE) is carrying out a demonstration project to: (1) solidify the liquid high-level radioactive waste at West Valley; (2) transport the solidified waste to a permanent federal repository; and (3) decontaminate and decommission the reprocessing plant and the facilities, materials, and hardware used in the project.

NYSERDA also maintains, on behalf of the State, the State-Licensed Disposal Area (SDA), a shut-down commercial low-level radioactive waste disposal facility at West Valley. NYSERDA is evaluating how to remediate and close this facility in accordance with regulatory requirements.

STEP (Saratoga Technology + Energy Park)

NYSERDA owns, on behalf of the State, a 280 acre parcel of land in Malta (Saratoga County), New York. The site, once used for rocket and weapons-testing programs and space-research activities, and later subject to certain remediation measures under a March 1998 Consent Decree as a "Superfund" site, was designated in 2001 as a business park devoted to the development of new, clean energy technologies. NYSERDA owns and operates a building on the site which is leased to various private company tenants.

Bond Financing

As part of its Bond Financing Program, NYSERDA issues bonds and notes for participating gas and electric utility companies and other private purpose users to finance certain energy-related projects. This program permits a private enterprise to obtain the benefits of tax-exempt financing for projects that qualify under NYSERDA's enabling statute and under relevant provisions of the Internal Revenue Code.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The basic financial statements include government-wide financial statements and governmental fund financial statements. The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities, and report overall information on NYSERDA without displaying individual funds. These statements exclude information about fiduciary activities where NYSERDA holds assets in a trustee or agency capacity for others since such assets cannot be used to support NYSERDA's own programs.

The Fund financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances and report information concerning major funds:

New York Energy Smart - this fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for the **New York Energy SmartSM** program.

Energy Efficiency Portfolio Standard - this fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for the Energy Efficiency Portfolio Standard program.

Renewable Portfolio Standard - this fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for the Renewable Portfolio Standard program.

Energy Efficiency Deployment- this fund accounts for Federal grants, including American Recovery and Reinvestment Act ("ARRA") stimulus grants, as well as various special revenue funds restricted to energy efficiency program purposes.

RGGI - this fund accounts for the specific auction proceeds that are legally restricted to expenditure for the Regional Greenhouse Gas Initiative program.

GJGNY - this fund accounts for the Green Jobs-Green New York Statewide program, funded by a transfer

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**Notes to Basic Financial Statements
March 31, 2012**

from the RGGI fund.

Other Programs - these funds account for all of NYSERDA's activities, except those reported in one of the other funds.

Assets held by NYSERDA in a fiduciary capacity for others are reported in the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. NYSERDA's fiduciary funds include: (1) funds held for reimbursement to the State for costs associated with the Low-Level Radioactive Waste Management Act of 1986; (2) funds that, pursuant to a Cooperative Agreement, must be turned over to the U.S. Department of Energy upon delivery of the solidified high level radioactive waste from West Valley to a permanent federal disposal repository to provide for perpetual care and management of the waste; and (3) funds held in an irrevocable trust maintained by a third party trustee to receive employer contributions for NYSERDA's health insurance premiums for benefits provided to NYSERDA employees and/ or their eligible spouses and dependent children after active employment ends (postemployment).

The basic financial statements include certain prior-year summarized comparative information in total, but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NYSERDA's financial statements for the year ended March 31, 2011, from which the summarized information was derived.

(b) Basis of accounting

The Statement of Net Assets, Statement of Activities, Statement of Fiduciary Net Assets, and Statement of Changes in Fiduciary Net Assets are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues resulting from exchange transactions are recognized when the exchange takes place. Revenues resulting from non-exchange transactions, such as program funding received in the form of grants, contributions and State appropriations, are recognized when all eligibility requirements (if any) have been met.

NYSERDA's administrative overhead charges are included as program direct expenses in the Statement of Activities.

Financial statements for governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available (expected to be collected in the next twelve months).

(c) Investments

Investments are recorded at fair value, which reflects quoted market prices for U.S. government obligations, and amortized cost for all other investments.

(d) Capital Assets

Generally, assets with a cost of more than \$2,500 and an estimated useful life in excess of two years are capitalized and reported at historical cost in the government-wide financial statements. Depreciation is calculated using the straight line method over the estimated useful life of the capital assets ranging from three to 50 years and reported in the Statement of Activities. Capital asset purchases are recorded as expenditures in the governmental funds financial statements.

(e) Deferred Revenue

Deferred Revenue consists of funds received in advance of revenue recognition conditions having been met.

(f) Compensated Absences

NYSERDA employees are granted vacation and sick leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for accumulated vacation leave up to the equivalent of 45 days, and sick leave up to a maximum of five days. Retired employees may use additional accumulated sick leave to pay for the employee share of health insurance premiums.

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NYSERDA's accrual for compensated absences, included in the Statement of Net Assets amount for long-term liabilities, includes fringe benefits on compensated absences and estimated costs to use employee sick leave for post-retirement health benefits. Compensated absences are not accrued in the governmental funds financial statements.

(g) New York State Assessments

New York State Assessments for the year ended March 31, 2012 consisted of \$10,745,455 in fees paid to the State under Section 2975 of the Public Authorities Law (Governmental Cost Recovery System) for general governmental services, and \$913,000 paid to the state under a budget bill pursuant to Article VII of the New York State Constitution.

(h) Net Assets Restricted for Specific Programs

NYSERDA administers certain programs on behalf of the State Public Service Commission and others whereby funds are provided at program inception or on a fixed payment schedule over the program duration, but the terms of the program sponsor or enabling legislation limit the use of funds to certain program purposes. Frequently, the collection and recording of revenues does not occur in the same accounting period as the expenditure of such funds, and the difference is reported as Net Assets Restricted for Specific Programs on the Statement of Net Assets.

Following is a summary of Restricted Net Assets and related outstanding contractual commitments (less accrued expenses) as of March 31, 2012:

<u>FUNCTION/PROGRAM</u>	<i>(Amounts in thousands)</i>			
	Restricted Net Assets	Outstanding Contractual Obligations	Pre- Encumbrances	Total Commitments
New York Energy \$mart	\$181,176	210,232	67,513	277,745
Energy Efficiency Portfolio Standard	227,246	129,977	162,786	292,763
Technology and Market Development Portfolio	11,644	1,352	18,090	19,442
Renewable Portfolio Standard	233,902	659,693	175,377	835,070
Energy Research and Development	26,606	27,330	15,017	42,347
Energy Efficiency Deployment	20,751	49,234	8,565	57,799
Con Edison System-Wide Demand Reduction	14,501	13,239	-	13,239
RGGI	112,078	16,806	26,193	42,999
GJGNY	104,907	12,593	5,892	18,485
CAIR	21,700	9,998	5,400	15,398
Energy Analysis	633	67	353	420
West Valley	<u>1,596</u>	<u>17,159</u>	<u>405</u>	<u>17,564</u>
Total	<u>\$956,740</u>	<u>1,147,680</u>	<u>485,591</u>	<u>1,633,271</u>

The outstanding contractual commitments in excess of Restricted Net Assets under certain Functions/Programs will be funded from future scheduled collections and reimbursements.

(i) Adoption of New Accounting Pronouncement

For the fiscal year ended March 31, 2012, NYSERDA implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The new hierarchical fund balance classification is based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds and includes the terms: nonspendable, restricted, committed, assigned, and unassigned which are generally defined as follows:

Nonspendable – amounts that cannot be spent because they are not in spendable form.

Restricted – amounts with constraints placed on the use of resources that are legally imposed by creditors, grantors, contributors, or laws or regulations of other governments. They may be imposed by law through constitutional provisions or enabling legislation.

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Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making. Amounts cannot be used for any other purposes unless the government removes the specified use.

Assigned – amounts are constrained by the government’s intent to be used for specific purposes, but are neither restricted or committed.

Unassigned – residual balance is the amount not meeting other fund balance classifications.

The effect of implementation of GASB Statement 54 on the NYSERDA’s financial statements was limited to the use of the new fund balance classifications. Implementation did not affect the types of governmental funds reported by NYSERDA.

NYSERDA administers certain programs on behalf of the State Public Service Commission and others whereby the terms of the program sponsor or enabling legislation limit the use of funds to certain program purposes, and as such, the funds are reported as restricted. Since NYSERDA has multiple constraints on its resources, restricted funds are considered spent first, committed funds second, assigned funds third, and unassigned funds last.

(j) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(k) Reclassifications

Certain amounts for the fiscal year ended March 31, 2011 have been reclassified to conform with the amounts presented as of March 31, 2012.

(3) CASH AND INVESTMENTS

Pursuant to Public Authorities Law Section 1859(1), the Commissioner of the New York State Department of Taxation and Finance serves as fiscal agent for NYSERDA’s cash and investments, maintaining such funds on NYSERDA’s behalf and implementing investments subject to the Department’s policies and with direction and authorization from NYSERDA. NYSERDA has a written investment policy that applies to all its investments. The policy permits deposits with financial institutions approved by the fiscal agent and permits investments in: certificates of deposit of bank or trust companies located in New York State; obligations of New York State and the United States government and certain of their agencies; repurchase agreements subject to certain limitations; and money market funds subject to certain limitations.

The following schedule presents cash and investments as of March 31, 2012 (except for Other Postemployment Benefits within Fiduciary Funds, which is as of December 31, 2011).

(Amounts in thousands)

	<u>NYSERDA Funds</u>			<u>Fiduciary Funds</u>		
	<u>Fair Value</u>	<u>% of Total</u>	<u>Weighted Average Maturity (months)</u>	<u>Fair Value</u>	<u>% of Total</u>	<u>Weighted Average Maturity (months)</u>
Cash and money market	\$27,511	2.7	n/a	\$353	0.7	n/a
Repurchase Agreements	1,400	0.1	0.1	-	-	-
Certificates of deposit	949	0.1	5.6	-	-	-
Mutual funds	-	-	-	4,862	9.8	n/a
Exchange traded funds	-	-	-	12,839	25.9	n/a
U.S. Treasury Bills	56,873	5.6	11.2	3,095	6.2	4.8
U.S. Treasury Strips	<u>934,787</u>	<u>91.5</u>	<u>23.9</u>	<u>28,440</u>	<u>57.4</u>	<u>4.6</u>
Total	<u>\$1,021,520</u>	<u>100.0%</u>	<u>23.1</u>	<u>\$49,589</u>	<u>100.0%</u>	<u>4.6</u>

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Following is a summary of cash and investments of NYSERDA Funds by funding source and related outstanding contractual commitments as of March 31, 2012 (excludes Fiduciary Funds):

<u>Funding source</u>	<u>Cash and Investments</u>	<u>Contractual Obligations</u>	<u>Pre- encumbrances</u>	<u>Total Commitments</u>
New York Energy Smart (SBCIII)	\$197,293	229,425	67,513	296,938
Energy Efficiency Portfolio Standard	237,538	142,644	162,786	305,430
Technology and Marketing Development	11,180	1,489	18,090	19,579
Renewable Portfolio Standard	244,515	670,307	175,377	845,684
Energy Research and Development, Energy Analysis and Operating	48,962	61,861	16,121	77,982
Energy Efficiency Deployment	22,726	68,803	8,565	77,368
Con Edison System-Wide Demand Reduction	23,069	22,512	-	22,512
RGGI	119,041	23,924	26,193	50,117
GJGNY	94,942	14,596	5,892	20,488
CAIR	22,254	10,552	5,400	15,952
Total	\$1,021,520	1,246,113	485,937	1,732,050

Interest Rate Risk. NYSERDA investment policies limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investment maturities are selected based on anticipated cash flow needs.

The NYSERDA OPEB Trust's risk tolerance is understood by the Plan Administrator such that achieving the Plan's investment objectives is not guaranteed and there will be time periods for which these objectives will not be met. The Plan Administrator also recognizes that some risk must be assumed to achieve the Trust's long-term investment objectives and accepts the inevitable fluctuations in returns that will occur. While it is understood that a certain level of risk is expected in the Trust's portfolio, the ability to withstand short and intermediate term variability was specifically considered in the development of the Investment Policy Statement risk tolerances.

Credit Risk. Money market fund investments consist of non-rated funds whose investments are restricted to U.S. government obligations.

The Trust's investment policy places limitations on the concentration of investments in certain industries, with certain companies, and among asset classes and within investment policy ranges.

Concentration of Credit Risk. NYSERDA's investment policy limits investments with any single eligible banking institution to no more than 35% of its total investment portfolio, except as otherwise required by any policies and practices of the Commissioner of Taxation and Finance. As of March 31, 2012, NYSERDA did not have any investments with institutions that were individually in excess of 5% of total investments.

Custodial Credit Risk for Deposits. Deposits are exposed to custodial credit risk if the deposits are not covered by depository insurance or deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging institution's trust department or agent, but not in the name of NYSERDA.

In accordance with existing policies and procedures, the Commissioner of the New York State Department of Taxation and Finance, as Fiscal Agent for NYSERDA, monitors deposit balances for the purpose of determining collateralization levels. Collateral sufficient to cover all uninsured deposits is held at the New York State Department of Taxation and Finance's custodial bank.

Custodial Credit Risk for Investments. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of NYSERDA and are held either by the counterparty or the counterparty's trust department or agent, but not in the name of NYSERDA.

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Equity and fixed income investments owned directly by NYSERDA, which trade in the United States (U.S.) markets, are held at our Fiscal Agent's custodian, in separate accounts, in the name of the Comptroller of the State of New York in Trust for NYSERDA. These securities are typically held in electronic form through the Federal Book Entry System and by the Depository Trust Company (DTC) and its subsidiaries acting as an agent of our Fiscal Agent's custodian bank.

(4) RECEIVABLE FROM NEW YORK STATE

As of March 31, 2012, the amount due from New York State is \$8.6 million, which represents grant receivables and other contractual provisions.

(5) LOANS RECEIVABLE

Loans receivable exist under the Green Jobs-Green New York program to finance energy efficiency retrofits in residential, multifamily, small business, and not-for-profit buildings. The residential component offers unsecured loans originated by a lender using pre-established loan underwriting criteria, which are then purchased by NYSERDA and serviced by a third-party loan servicer. Multifamily and small business/not-for-profit loans are provided through participating lenders with NYSERDA providing 50% of the principal, subject to certain limits, at 0% interest. As of March 31, 2012, 1,302 loans are outstanding and 99.9% of the loan portfolio value is current on payment requirements.

Loans receivable at March 31, 2012 include the following:

(Amounts in thousands)

	<u>Number of Loans</u>	<u>Loans Outstanding</u>
Residential Energy Efficiency	1,300	\$11,436
Small Business/Not-for-Profit	1	21
Multifamily Building	<u>1</u>	<u>492</u>
	<u>1,302</u>	<u>\$11,949</u>

NYSERDA has been allocated \$9,262,581 from a grant received from the U.S. Dept. of Energy for a loan loss reserve or to fund debt service reserve funds in connection with loan-backed bonds which may be issued.

Loans receivable at March 31, 2012 mature as follows:

(Amounts in thousands)

Fiscal year ending	Residential Energy Efficiency	Small Business/Not-for-Profit	Multifamily Building	<u>Total</u>
<u>March 31,</u>				
2013	\$974	4	77	1,055
2014	1,010	4	71	1,085
2015	1,044	4	71	1,119
2016	1,073	5	71	1,149
2017	961	4	71	1,036
2018-2022	4,003	-	131	4,134
2023-2027	<u>2,371</u>	=	=	<u>2,371</u>
Total	<u>\$11,436</u>	<u>21</u>	<u>492</u>	<u>11,949</u>

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(6) CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2012 was as follows:

(Amounts in thousands)

	Beginning <u>Balance</u>	<u>Additions</u>	Ending <u>Balance</u>
Land	\$685	-	685
Land improvements	4,474	184	4,658
Buildings	9,381	-	9,381
Machinery and equipment	10,084	426	10,510
Leasehold improvements	<u>555</u>	<u>12</u>	<u>567</u>
	25,179	622	25,801
Less accumulated depreciation for:			
Land Improvements	(401)	(161)	(562)
Buildings	(3,665)	(285)	(3,950)
Machinery and equipment	(6,227)	(1,338)	(7,565)
Leasehold improvements	<u>(391)</u>	<u>(58)</u>	<u>(449)</u>
Capital assets, net	<u>\$14,495</u>	<u>(1,220)</u>	<u>13,275</u>

(7) LONG-TERM LIABILITIES

Long-term liability activity for the year ended March 31, 2012 was as follows:

(Amounts in thousands)

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
Mortgage note payable	\$831	-	(599)	232	232
Capital lease obligations	337	-	(107)	230	110
Compensated absences	5,923	3,407	(3,183)	6,147	2,639
Post-employment benefits (see note 11)	<u>-</u>	<u>3,906</u>	<u>(3,906)</u>	<u>-</u>	<u>-</u>
Long-term liabilities	<u>\$7,091</u>	<u>7,313</u>	<u>(7,795)</u>	<u>6,609</u>	<u>2,981</u>

Mortgage note payable reflects a Bank Qualified Mortgage Note (Mortgage Note) dated July 18, 2002, maturing August 1, 2012, at an annual interest rate of 4.65%. The Mortgage Note is secured by a Mortgage of NYSERDA's main corporate offices at 17 Columbia Circle, Albany, New York. The Mortgage Note is payable in monthly installments of approximately \$52,182 consisting of principal and interest.

Capital lease obligations reflects two capital leases. The first is a capital lease with a bank, dated October 27, 2004 and maturing October 29, 2014 at an annual interest rate of 5.90%, used to finance certain building improvements at Saratoga Technology + Energy Park. The lease is payable in monthly installments of approximately \$6,631 consisting of principal and interest.

The second capital lease is with a vendor, dated February 28, 2010 and maturing February 28, 2013 at an annual interest rate of 4.48%, used to finance the purchase of a network storage device. The lease is payable in monthly installments of approximately \$3,662 consisting of principal and interest.

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As of March 31, 2012, future debt service requirements on the Mortgage note and Capital lease obligations are:

(Amounts in thousands)

Fiscal year ending <u>March 31,</u>	<u>Mortgage note payable</u>		<u>Capital lease obligations</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$232	2	110	10	354
2014	-	-	74	5	79
2015	=	=	46	1	47
Total	<u>\$232</u>	<u>2</u>	<u>230</u>	<u>16</u>	<u>480</u>

(8) DEFINED BENEFIT PENSION PLAN

Nearly all employees of NYSERDA are members of the New York State and Local Employees' Retirement System (System), a cost-sharing, multiple-employer public employee retirement system. The State Comptroller is sole trustee and administrative head of the System. The System issues a publicly available financial report including financial statements and required supplementary information that may be obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, New York 12244.

The System provides retirement benefits, as well as death and disability benefits. Retirement benefits are established by the New York State Retirement and Social Security Law. Retirement benefits, contributory requirements and vesting depend on the point in time at which an employee first joined the System (membership "tier"). Members of the System who joined before July 27, 1976 are enrolled in a noncontributory plan; NYSERDA contributes the entire amount determined to be payable to the System. Personnel who joined the System after July 27, 1976 through January 1, 2010 and who have less than ten years of accredited service are required by law to contribute three percent of their gross salary; NYSERDA contributes the balance payable to the System during that period, and the full amount determined to be payable thereafter. Members who joined the system after January 1, 2010 contribute three percent of their gross salary during the full term of employment. Retirement benefits vest after five to ten years of accredited service, depending on the applicable tier.

NYSERDA's contributions to the System, expressed in dollars and as a percentage of salary, for each of the years ended March 31, 2010 through March 31, 2012 were:

(Amounts in thousands)

Fiscal year ended <u>March 31,</u>	<u>Contributions</u>	<u>Contribution Rate</u>
2012	\$4,301	12.7 – 21.5%
2011	2,948	11.3 – 15.3%
2010	1,529	7.0 – 9.3%

NYSERDA made 100% of the required contribution for each of the years displayed above.

(9) LEASES

In addition to the capital leases recorded as assets and capital lease obligations within Long-Term Liabilities, NYSERDA has multi-year operating leases expiring May 31, 2016, June 30, 2012, March 31, 2013, September 14, 2013, and September 30, 2013 for office space in West Valley, NY; Buffalo; 15 Columbia Circle, Albany; 210 Washington Ave Ext., Albany; and New York City, respectively. For the year ended March 31, 2012, rental expense for all office facilities was \$868,702.

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The following is a schedule by year of future minimum rental payments for NYSERDA's office space as of March 31, 2012:

(Amounts in thousands)

Fiscal year ending	
<u>March 31,</u>	
2013	\$815
2014	379
2015	98
2016	100
2017	8
Thereafter	<u>-</u>
Total	<u>\$1,400</u>

NYSERDA is also the lessor of certain equipment comprising a cooling water structure at the Indian Point Nuclear Power Plant in Buchanan, New York under a lease that expires on March 31, 2017 with annual future minimum lease rental payments of \$999,600 for the fiscal years ending March 31, 2013-2017.

(10) CONTINGENCIES

(a) Western New York Nuclear Service Center

Under the federal West Valley Demonstration Project Act and an implementing Cooperative Agreement between DOE and NYSERDA, the federal government pays 90 percent of the West Valley Demonstration Project (WVDP) costs, and NYSERDA, on behalf of the State of New York, pays the remaining 10 percent. In addition, in 2010, the U.S. District Court for the Western District of New York approved an agreement between New York State and the federal government that resolved most of the claims asserted in a 2006 lawsuit filed by NYSERDA and New York State against the federal government and DOE regarding the financial responsibility for cleaning up certain facilities at West Valley. The agreement defines a specific cost share for the cleanup of a number of facilities that had long been in dispute between NYSERDA and DOE. For example, under this agreement, the federal government will pay a 30 percent share of costs associated with the State Licensed Disposal Area (SDA), and NYSERDA, on behalf of the State, will pay the remaining 70 percent. Remediation costs for the North Plateau Groundwater Plume will be split equally between the State and federal government, and costs for remediating the NRC-Licensed Disposal Area will also be a 50/50 split. The two governments agreed that other facilities are covered by the WVDP Act, such as the Main Process Plant building, and thus the federal government will pay 90% of the cleanup costs.

In January 2010, NYSERDA and DOE issued a final Environmental Impact Statement, which identifies and assesses the potential environmental impacts of a range of reasonable alternatives proposed to meet DOE's responsibilities under the WVDP Act and options for the State of New York, acting through NYSERDA, for management of West Valley. In April and May 2010, respectively, DOE and NYSERDA issued decision documents that formally selected the Phased Decision making alternative for continuing the cleanup. Under Phased Decision making, decommissioning work will be conducted in two phases. During Phase 1, which will take approximately 10 years, the Main Process Plant building and several other highly contaminated facilities will be removed at an estimated cost of approximately \$1 billion. As the Phase 1 cleanup work is proceeding, DOE and NYSERDA will conduct additional scientific studies to reduce uncertainties in the decisions for the Phase 2 portion of the cleanup. The Phase 2 decisions, which will be made within 10 years of the Phase 1 decisions- i.e. by May 2020- will address the remaining facilities, including the High-Level Waste Tanks, State-Licensed Disposal Area, NRC-Licensed Disposal Area, and the main body of a groundwater contamination plume. Total costs for completing the Phase 2 work range from \$500 million to \$8.2 billion, and are dependent on the alternative selected for the remaining facilities. It should be noted that the 10 year, \$1 billion estimate for completing Phase 1 work is from the 2010 EIS which assumed that the West Valley Demonstration Project would receive an annual federal appropriation of \$75 million for the clean-up work.

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In accordance with Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, no liability has been included in NYSERDA's financial statements as of March 31, 2012 or 2011 for this contingency because NYSERDA expects to continue to be reimbursed from State appropriations for the State's share of the costs of the Demonstration Project, any costs NYSERDA may incur in relation to the SDA, and any other costs allocated to NYSERDA under the agreement resolving the lawsuit referenced above.

(b) Low-Level Radioactive Waste

Pursuant to the Low-Level Radioactive Waste (LLRW) Management Act of 1986, NYSERDA annually assesses licensees of operating nuclear power plants an amount sufficient to reimburse the State for the LLRW disposal facilities development activities of the Departments of Health and Environmental Conservation, and must provide nuclear power plant licensees with a user-fee reduction, when the disposal facilities are operational, equal to the statutory assessments collected plus interest at a fair market rate. During the year ended March 31, 2012, NYSERDA paid, from the agency fund, a total of \$3,148,967 to reimburse the State for such costs pursuant to Public Authorities Law Section 1854-d(2)(a).

(c) Bond Financing Program

The principal and interest on obligations issued for participating gas and electric utility companies and other private purpose users are payable solely from payments made by participating companies. They are not general obligations of NYSERDA nor do they constitute an indebtedness of or a charge against the general credit of NYSERDA, or cause any monetary liability to NYSERDA. These bonds and notes are not a debt of the State of New York.

The bonds and notes issued bear the name of NYSERDA and the participating company. NYSERDA assigns most of its rights and obligations to a trustee who is responsible for, among other things, disbursing bond and note proceeds and handling principal and interest payments. As of March 31, 2012, all participating companies were current in their debt service payments for these bonds and notes, the principal of which totaled approximately \$3.4 billion.

(d) Risk Management

NYSERDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NYSERDA maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to NYSERDA. NYSERDA has not experienced any reductions in coverage and has not had any insurance settlements exceeding the coverage in the past three years.

(e) Renewable Portfolio Standard (RPS) Program

Pursuant to Orders of the PSC, NYSERDA is the central procurement administrator to manage an incentive-based procurement mechanism to support the development of additional renewable energy resources. The Orders directed each of the State's six investor-owned electric utility companies to collect an RPS surcharge to fund the program through a volumetric charge applied to the delivery portion of customer bills, commencing October 1, 2005. Each utility was directed to establish RPS collection rates sufficient to collect certain amounts specified in the Order for each of the years 2005 through 2024, with any over or under collections being trued up on an annual basis. In the aggregate, future scheduled collections total approximately \$2.45 billion over the remaining 13 year collection period.

Pursuant to requirements of the Order, each utility has entered into a contractual agreement with NYSERDA to make quarterly payments to NYSERDA, continuing through October 31, 2024, based on the annual collection amounts prescribed in the Order. Each utility's payment obligation is fixed and is not adjusted for actual RPS surcharge collections. Procurement contracts entered into by NYSERDA and funded with RPS funds become general obligations of NYSERDA, payable pursuant to such contract terms. NYSERDA intends to ensure that procurement contracts entered into shall not cause amounts payable under such contracts to exceed at any time the amounts due and payable under the funding agreements with the utility companies. As of March 31, 2012, NYSERDA has contractual obligations totaling approximately \$659.7 million payable at varying dates upon

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successful operation of the renewable generation facilities, which will be funded in part from RPS surcharge collections to be received in the future pursuant to Order of the PSC.

(f) Regional Greenhouse Gas Initiative

On January 29, 2009, a lawsuit was initiated in State Supreme Court against the Governor, NYSERDA and other State entities, claiming that the RGGI regulations are unlawful and discriminatory. The original parties to the lawsuit as well as others that were joined as parties, including Consolidated Edison, entered into a settlement agreement resolving the litigation that was approved on October 1, 2010 by the court. Under the terms of the settlement, NYSERDA will utilize proceeds from RGGI auctions to meet its obligations to pay Con Edison in accordance with a formula set forth in the settlement agreement. Con Edison, in turn, will use the monies provided by NYSERDA to fund energy efficiency and renewable energy programs with significant carbon reduction potential within its service territory.

NYSERDA has paid Con Edison approximately \$7.7 million to date related to this settlement. The remaining obligation, as recorded in the financial statements under Con Edison payable at March 31, 2012, of \$5.5 million, represents all estimated remaining payments due Con Edison.

(g) Con Edison System-Wide Demand Reduction and Gas Efficiency Programs

The terms of the Orders for these programs require NYSERDA to return to Con Edison any monies no longer committed, until such time as all retained funds are fully expended. As of March 31, 2012 retained funds subject to possible refund, not including the amount already recorded in the financial statements as Con Edison payable at that date, are \$14.4 and \$4.7 million, respectively for the Demand Reduction and Gas Efficiency Programs. Any future refunds due would be recognized as program expenditures in the fiscal year the related commitments are disencumbered.

(11) POSTEMPLOYMENT HEALTHCARE BENEFITS

The New York Civil Service Law, Section 163(2), provides for health insurance coverage for retired employees of New York State including their spouses and dependent children. The law extends to public benefit corporations. NYSERDA maintains a single-employer defined benefit plan (the Plan) providing this benefit to eligible retirees and/or their spouses and dependent children. Eligibility is determined by membership in the New York State and Local Employees' Retirement System, enrollment in the New York State Health Insurance Program at the time of retirement and the completion of a minimum number of years of service as required by the employee's membership tier in the retirement system. The plan provides that retired employees pay the same percentage share of the health insurance premiums as that charged for active State management confidential employees. Plan members presently contribute 10% of the premium for individual coverage and 25% of the incremental premium for family coverage. NYSERDA is billed by the New York State Department of Civil Service monthly for pay-as-you-go funding requirements, however payments are made from an irrevocable Other Postemployment Benefit (OPEB) Trust account established in March 2010. The purpose of the OPEB Trust is for the accumulation of funds to pay future benefit costs. The Trust's funds are held by a third-party trustee. The Trust is managed by a five-member Plan Administrator, consisting of NYSERDA officers, in consultation with the Chair of the Audit and Finance Committee or his or her designee. As of March 31, 2012, the Authority has contributed \$18.0 million to the OPEB Trust to fully fund the actuarially determined accumulated OPEB obligation as calculated under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. As of March 31, 2012, the value of the OPEB Trust investments totals \$19.9 million.

The Authority's OPEB Trust is recorded as a fiduciary fund within NYSERDA's financial statements and reflects the Trust's legal fiscal year-end of December 31.

NYSERDA's annual other postemployment benefit (OPEB) expense for the year ended March 31, 2012 is calculated based on the annual required contribution (ARC) of NYSERDA. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years.

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The following table summarizes NYSERDA's annual OPEB expense for the year ended March 31, 2012, the amount contributed to the Plan, and changes in NYSERDA's OPEB obligation:

(Amounts in thousands)

Annual required contribution	
Normal cost	\$2,279
Amortization of unfunded actuarial accrued liability	<u>1,627</u>
Total annual OPEB cost	3,906
Contributions made	<u>(3,906)</u>
Change in net OPEB obligation	-
Net OPEB obligation- beginning of year	<u> -</u>
Net OPEB obligation- end of year	<u>\$ -</u>

NYSERDA's annual OPEB cost amounted to \$3,906,000, \$3,839,700, and \$3,666,000 for the years ended March 31, 2012, 2011, and 2010, the percentage of annual OPEB cost contributed to the Plan was 100%, 100%, and 292%, respectively, and the net OPEB obligation was \$0 for each of the years ended March 31, 2012, 2011, and 2010.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and ARC of NYSERDA are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the Plan as understood by NYSERDA and Plan members and include the types of benefits provided at the time of valuation and the historical pattern of sharing benefit costs between NYSERDA and Plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential of legal or contractual funding limitations on the pattern of cost sharing between the employer and Plan members in the future.

The methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following significant assumptions were made in the actuarial valuation:

Retirement age for active employees – based on assumptions used under the New York State and Local Employees' Retirement System (ERS), since eligibility for NYSERDA employees covered under this plan is based on membership in that system. The ERS assumptions were based on extensive analysis of their covered populations.

Marital status – Assumed 80% of future retirees will be married, with male spouses assumed to be three years older than female spouses.

Mortality – RP 2000 mortality tables issued by the Society of Actuaries.

Turnover – Rates were based on age and length of service for the first ten years and age thereafter as the basis for assigning active members a probability of remaining employed until the assumed retirement age.

Healthcare cost trend rate – The expected rate of increase in healthcare premiums was based on projections developed by the actuary's healthcare specialists. A rate of 8.1% initially, reduced to an ultimate rate of 4.7% after fifty-two years was used.

Health insurance premiums – 2010 health insurance premiums were used as the basis for calculation of the present value of total benefits to be paid.

Investment return – As of March 2011, Plan benefits are pre-funded in a segregated Trust, and a discount rate of 6.5% was used, representing the long-term earnings potential of investments in the Trust.

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The actuarial cost method used was the projected unit credit method. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a period of 30 years. The remaining amortization period at March 31, 2012 was 25 years.

As of March 31, 2012, there were 65 retirees and dependent survivors actively receiving benefits and 285 active plan members.

The plan also provides that the dollar value, subject to certain limitations, of member's accumulated sick leave credits at the time of retirement may be used to offset the portion of health insurance premiums paid by retirees. NYSERDA's estimated liability associated with sick leave credits is recorded as a Compensated Absence within "Other long-term liabilities" in accordance with the requirements of GASB Statement No. 16. The Trust does not accumulate resources for the purpose of paying this portion of the health insurance premiums, nor does it pay any benefits for this purpose. NYSERDA's liability for that portion of the premiums is not included in the actuarially determined liabilities of the Plan or the ARC or OPEB expense calculations.

The cost of third-party administrators, actuarial reports, audits and similar costs incurred exclusively for the Trust are paid from resources of the Trust. Routine daily administrative costs of administering the benefit plans, accounting services and similar costs are absorbed by NYSERDA.

The Trust has no legally required reserves.

(12) INTERFUND BALANCES AND TRANSFERS

The balances reflected in Due to Other Funds and Due from Other Funds reflect the timing difference of when expenditures are incurred and when interfund reimbursement occurs. These balances are expected to be liquidated within a year.

**NEW YORK STATE ENERGY
RESEARCH AND DEVELOPMENT AUTHORITY
(A Component Unit of the State of New York)**

**Required Supplementary Information (Unaudited)
March 31, 2012**

Schedule of Funding Progress for Other Postemployment Benefits

(Amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Fiscal Year Ending</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c)</u>
4/1/2010	3/31/2011	\$10,285	\$33,921	\$23,636	30%	\$24,244	97.5%
4/1/2009	3/31/2010	\$0	\$29,131	\$29,131	0%	\$23,404	124.5%
4/1/2008	3/31/2009	\$0	\$34,449	\$34,449	0%	\$20,406	168.9%

See accompanying independent auditors' report.