

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

**FINANCIAL STATEMENTS**

**March 31, 2014**

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March 31, 2014

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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, 2014 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 24, 2014.

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 unmodified 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.



John B. Rhodes  
President and  
Chief Executive Officer



Jeffrey J. Pitkin  
Treasurer and  
Chief Financial Officer



KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the New York State Energy Research and Development Authority (a component unit of the State of New York) (the Authority) as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the New York State Energy Research and Development



Authority as of March 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the management's discussion and analysis 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.

#### ***Other Information***

The Responsibility for Financial Reporting section is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**KPMG LLP**

Albany, New York  
June 26, 2014

**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, 2014**  
**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 NYSERDA's financial activities for the fiscal year ended March 31, 2014. The information contained in the MD&A should be considered in conjunction with the information presented as part of NYSERDA's basic financial statements as presented. Following this MD&A are the basic financial statements of NYSERDA with the notes thereto that are essential to a full understanding of the data contained in the financial statements. NYSERDA's basic financial statements have the following components: (1) government-wide financial statements; (2) governmental fund financial statements; (3) proprietary fund financial statements; (4) fiduciary fund statements; and (5) notes to the financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of NYSERDA's finances in a manner similar to a private-sector business. The *Statement of Net Position* presents information on all of NYSERDA's assets and liabilities, and the difference between the two is reported as *net position*. The *Statement of Activities* presents information showing how NYSERDA's net position changed during each fiscal year. All changes in net position 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, or which already resulted in cash flows in a prior fiscal period. The government-wide financial statements present information about NYSERDA as a whole. All of the activities of NYSERDA are considered to be governmental activities, with the exception of the activities of NY Green Bank which are considered business-type 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. 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.

Proprietary fund financial statements provide information for business-type activities where NYSERDA charges fees to customers to recover costs of providing services. The NY Green Bank is reported as a Proprietary Fund. The Proprietary Fund financial statements include a *Statement of Net Position*, a *Statement of Revenue, Expenses and Changes in Net Position*, and a *Statement of Cash Flows*.

The fiduciary financial statements report assets held by NYSERDA in a fiduciary capacity for others, and consist of a *Statement of Fiduciary Net Position* and *Statement of Changes in Fiduciary Net Position*. These funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support NYSERDA'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, governmental fund, and proprietary fund financial statements.

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**CONDENSED FINANCIAL INFORMATION**

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

*(Amounts in thousands)*

Summary of Net Position	Governmental Activities March 31, 2014	Business-type Activities March 31, 2014	Total March 31, 2014	Total March 31, 2013	% Change 2014-2013
Cash and investments	\$1,205,669	207,004	1,412,673	1,081,170	30.7%
Capital assets	12,980	-	12,980	12,883	0.8%
Other assets	178,051	11,212	189,263	142,083	33.2%
Total assets	1,396,700	218,216	1,614,916	1,236,136	30.6%
Long-term liabilities	31,888	-	31,888	6,432	395.8%
Other liabilities	98,620	-	98,620	83,868	17.6%
Total liabilities	130,508	-	130,508	90,300	44.5%
<u>Net Position:</u>					
Unrestricted	3,944	-	3,944	3,568	10.6%
Net investment in capital assets	12,918	-	12,918	12,784	1.1%
Restricted	1,249,330	218,216	1,467,546	1,129,484	29.9%
Total Net Position	<u>\$1,266,192</u>	<u>218,216</u>	<u>1,484,408</u>	<u>1,145,836</u>	<u>29.5%</u>

Total assets increased \$378.8 million (30.6%). Cash and investments increased \$331.5 million (30.7%) primarily due to revenues exceeding expenses in the Renewable Portfolio Standard (RPS), Regional Greenhouse Gas Initiative (RGGI), and NY Green Bank programs. Other assets increased \$47.2 million (33.2%) principally due to a \$17.5 million increase in the accrued receivable for Energy Efficiency Portfolio Standard (EEPS) program expenses in excess of collections and transfers, a \$17.0 million increase in loans outstanding through NY Green Jobs-Green New York program, and an \$11.2 million accrual for funds due to NY Green Bank from a utility pursuant to a Public Service Commission (PSC) Order.

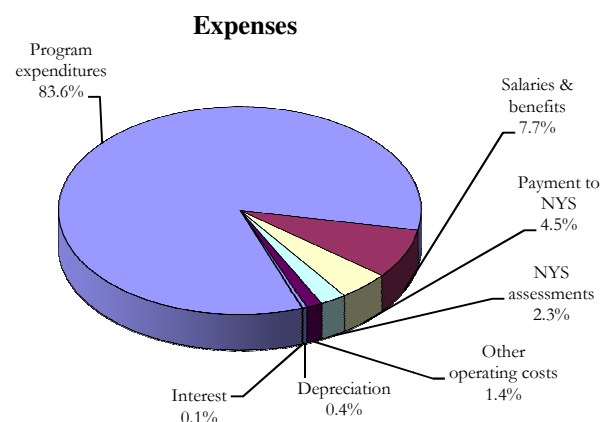
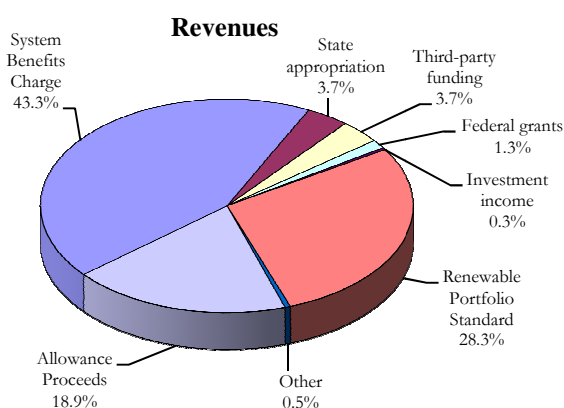
Total liabilities increased \$40.2 million (44.5%). Long-term liabilities increased \$25.5 million (395.8%) primarily due to a \$24.3 million bond issuance under NY Green Jobs-Green NY loan program, and from an increase in compensated absence balances due to actuarial changes in mortality rates. Other liabilities increased \$14.8 million (17.6%) primarily due to an increase in accrued liabilities resulting from higher estimates of outstanding invoices at March 31, 2014.

Net position, the difference between NYSERDA's assets and its liabilities, increased by 29.5% from \$1,145.8 million to \$1,484.4 million. Restricted net position (unexpended funds received for particular specified programmatic purposes) increased 29.9% to \$1,467.5 million. Unrestricted net position, which can be used to finance operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased 10.6%, to \$3.9 million.

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(Amounts in thousands)

	Governmental Activities March 31, <u>2014</u>	Business-type Activities March 31, <u>2014</u>	Total March 31, <u>2014</u>	Total March 31, <u>2013</u>	% Change <u>2014-2013</u>
<b>Summary of Changes in Net Position</b>					
Program Revenues:					
State appropriations	\$33,330	-	\$33,330	29,311	13.7%
System Benefits Charge	297,605	90,000	387,605	262,046	47.9%
Renewable Portfolio Standard	253,344	-	253,344	213,228	18.8%
Allowance proceeds	169,351	-	169,351	88,447	91.5%
Third-party reimbursements	31,850	-	31,850	14,821	114.9%
Federal grants	11,757	-	11,757	37,234	-68.4%
Interest subsidy	336	-	336	-	100.0%
Loan interest	1,154	-	1,154	576	100.5%
Investment income	2,687	219	2,906	6,795	-57.2%
Other program revenue	2,722	-	2,722	6,835	-60.2%
Total Revenues	804,136	90,219	894,355	659,293	35.7%
Expenses:					
Salaries and benefits	42,449	427	42,876	38,433	11.6%
Program expenditures	464,638	-	464,638	427,896	8.6%
Other operating costs	7,867	71	7,938	5,587	42.1%
Depreciation	2,067	19	2,086	1,779	17.2%
NY State assessments	12,857	13	12,870	12,554	2.5%
Interest	375	-	375	-	100.0%
Payment to NYS	25,000	-	25,000	-	100.0%
Total Expenses	555,253	530	555,783	486,249	14.3%
Increase in Net Position before transfers	248,883	89,689	338,572	173,044	95.7%
Transfers	(128,527)	128,527	-	-	100.0%
Change in net position	<u>\$120,356</u>	<u>218,216</u>	<u>338,572</u>	<u>173,044</u>	<u>95.7%</u>



Total Revenue increased 35.7% from \$659.3 million to \$894.4 million. State appropriation revenue increased \$4.0 million (13.7%) primarily as a result of \$10.0 million in new funding for the Strategic Fuel Reserve program, offset in part by a reduction for the West Valley program, since a portion of costs were funded from prior year revenues. System Benefits Charge revenue increased \$125.6 million (47.9%) principally due to \$90 million provided by utility companies pursuant to a PSC Order for a portion of the initial capitalization of the NY Green Bank. Additionally, an increase of \$17.5 million occurred in the accrued revenues for Energy Efficiency Portfolio Standard program expenses in excess of collections and transfers. Renewable Portfolio Standard revenue increased \$40.1 million (18.8%) as a result of scheduled increases in utility assessment collections transferred to NYSERDA. Allowance proceeds increased by \$80.9 million (91.5%) due to both higher auction clearing prices for allowances being sold, and the sale of approximately 37% more allowances than in the



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prior fiscal year. Third-party reimbursements increased by \$17.0 million (114.9%), principally related to new funding of \$20.0 million from a Federal Energy Regulatory Commission settlement with a third-party, to be used to fund a smart grid program. Federal grants revenue decreased by \$25.5 million (-68.4%) primarily due to the winding down of certain American Recovery and Reinvestment Act grants. Interest subsidy represents a payment from the IRS of a portion of the interest expense paid for bonds issued in August 2013 to finance residential energy efficiency loans, which were issued as Qualified Energy Conservation Bonds. Loan interest increased \$0.6 million (100.5%) as a result of additional loans outstanding. Total investment income decreased by \$3.9 million (-57.2%) primarily due to an approximately \$5.1 million change in the market value of investments held, partially offset by an increase in investment income from higher average balances of investments held. Other Program Revenues decreased by \$4.1 million (-60.2%) primarily due to the loss of third-party contributions totaling \$3.2 million from the New York Power Authority and the Long Island Power Authority.

Total Expenses increased 14.3% from \$486.2 million to \$555.8 million. Salaries and benefits increased \$4.4 million (11.6%), principally due to an increase in full-time equivalent employees, and from an increase in the cost of compensated absences resulting from actuarial changes in life expectancy and an increase in the number of hours accrued. Program Expenditures increased \$36.7 million (8.6%) primarily due to higher expenditures in the RPS program. Other Operating Costs increased \$2.4 million (42.1%) primarily from information technology consulting services to support the development of several corporate technology initiatives. NY State Assessments increased by \$0.3 million (2.5%) over the prior year due to an increase in NYSERDA's annual assessment. Payment to NYS represents a \$25 million disbursement made to NYS under the RGGI program pursuant to a provision of the New York State fiscal year 2013-14 enacted budget.

Transfers from Governmental activities to Business-type activities represents funds transferred as part of the initial capitalization of the NY Green Bank as further discussed in the Fund analysis below.

#### **FINANCIAL ANALYSIS OF FUNDS**

Total fund balances for the Governmental Funds increased from \$1,139.4 million to \$1,285.1 million as further described below:

- The New York Energy Smart fund balance, which accounts for the New York Energy Smart<sup>SM</sup> Program funded through the System Benefits Charge, decreased from \$182.4 million to \$156.0 million due to expenditure of funds as the program winds down, as well as to two transfers totaling \$22.7 million (to NY Green Bank and EEPS), as directed by Public Service Commission (PSC) Orders.
- The Energy Efficiency Portfolio Standard fund balance increased from \$101.1 million to \$128.8 million principally due to scheduled collections in excess of expenses. The increase was partially offset due to a transfer of \$3.5 million to NY Green Bank as directed by a PSC Order.
- The Technology & Market Development Portfolio fund balance increased from \$168.6 million to \$196.7 million and reflects the second full fiscal year of scheduled collections, which exceeded expenditures.
- The Renewable Portfolio Standard fund balance increased from \$338.1 million to \$393.3 million principally as a result of funds received from scheduled collections, in excess of expenditures. The increase was partially offset due to a transfer of \$50.0 million to NY Green Bank as directed by a PSC Order.
- The RGGI fund balance increased from \$168.1 million to \$208.6 million principally as a net result of greater than anticipated additional allowance proceeds collected but not yet spent, offset in part by transfers to NY Green Bank of \$52.9 million.
- The Other Programs fund balance increased from \$181.0 million to \$201.8 million principally as a result of the inflow of \$24.3 million in funds from the issuance of Residential Energy Efficiency Financing Revenue bonds.

Total net position for the Proprietary Fund was \$218.2 million at March 31, 2014 as described below:

- NY Green Bank was created in 2013, and was funded by a December 2013 Order of the PSC reallocating and repurposing \$165.6 million in uncommitted utility EEPSE funds, uncommitted NYSERDA Systems Benefit Charge, Energy Efficiency Portfolio Standard, and Renewable Portfolio Standard funds and from a \$52.9 million NYSERDA RGGI contribution. Minimal other revenues were earned or expenses incurred during the fiscal year ended March 31, 2014 for this start-up program.

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**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, 2014, were \$13.0 million, net of accumulated depreciation. Capital asset additions for the fiscal year ended March 31, 2014, were approximately \$2.2 million, primarily for leasehold improvements and furniture at a new location for the NYC office, technology equipment upgrades, and land improvements at STEP.

Total long-term liabilities increased from \$6.4 million to \$31.9 million primarily due to \$24.3 million Residential Energy Efficiency Financing Revenue bonds issued in August 2013. A small portion of the overall increase was from an increase in compensated absence balances primarily due to changes in mortality estimates.

NYSERDA also issues tax-exempt bonds on a conduit basis on behalf of utility companies to finance certain eligible projects. As of March 31, 2014, 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, unless extended, as follows: Energy Efficiency Portfolio Standard funds in December 2018, Technology and Market Development Portfolio funds in December 2017, and Renewable Portfolio Standard funds in October 2024.

On behalf of the State, NYSERDA manages the Western New York Nuclear Service Center in West Valley, New York, 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. Revenues in the Regional Greenhouse Gas Initiative program in particular can be highly sensitive to some of the aforementioned factors.

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**BUDGETARY INFORMATION**

The following table summarizes actual revenues and expenses, as reported in the Statement of Activities, for the fiscal year ended March 31, 2014, in comparison to amounts included in the final Budget approved by NYSERDA's Board:

*(Amount in thousands)*

	Actuals			Budget	
	Governmental	Business-type	Total	Total	Variance
	Activities	Activities			
Revenues:					
State appropriations	33,330	-	\$33,330	39,639	(6,309)
System Benefits Charge	297,605	90,000	387,605	288,153	99,452
Renewable Portfolio	253,344	-	253,344	253,344	-
Standard					
Allowance proceeds	169,351	-	169,351	94,375	74,976
Third-party contributions	-	-	-	1,600	(1,600)
Third-party	31,850	-	31,850	119,395	(87,545)
reimbursements					
Federal grants	11,757	-	11,757	28,867	(17,110)
Interest subsidy	336	-	336	325	11
Project repayments	998	-	998	789	209
Rentals from leases	1,208	-	1,208	1,224	(16)
Fees and other income	516	-	516	2,219	(1,703)
Loan interest	1,154	-	1,154	1,610	(456)
Investment income	2,687	219	2,906	10,238	(7,332)
Total Revenues	804,136	90,219	894,355	841,778	52,577
Expenses:					
Salaries and benefits	42,449	427	42,876	44,197	(1,321)
Program expenditures	464,638	-	464,638	759,649	(295,011)
Other operating costs	7,867	71	7,938	9,954	(2,016)
Depreciation	2,067	19	2,086	1,828	258
NY State Assessments	12,857	13	12,870	13,827	(957)
Interest	375	-	375	386	(11)
Payment to NYS	25,000	-	25,000	-	25,000
Total Expenses	555,253	530	555,783	829,841	(274,058)
Excess	248,883	89,689	338,572	11,937	326,635
Revenues/(Expenses)					
Net Position, beginning of year	1,145,836	-	1,145,836	1,145,836	-
Transfers	(128,527)	128,527	-	-	-
Net Position, end of year					
Net investments in capital assets	12,918	-	12,918	13,208	(290)
Restricted for specific programs	1,249,330	218,216	1,467,546	1,141,565	325,981
Unrestricted	3,944	-	3,944	3,000	944
Total Net Position, end of year	<u>\$1,266,192</u>	<u>218,216</u>	<u>\$1,484,408</u>	<u>\$1,157,773</u>	<u>326,635</u>

Total revenues were approximately \$52.6 million, or 6.2% higher than Budget. State appropriation revenues were less than budgeted principally due to the level of reimbursable expenditures for certain programs funded through State re-appropriations. System Benefits Charge collections were higher than anticipated since the budget did not attempt to estimate the change in the accrual of revenues for expenses in excess of deferred collections for the Energy Efficiency Portfolio Standard program. Allowance auction proceeds were greater than budget due principally to significantly higher clearing

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prices for allowances sold than had been estimated. Third-party contributions anticipated from the New York Power Authority to partially fund Energy Research and Development program activities did not materialize as an agreement on the contribution was not reached between the parties. Federal grants revenue was lower than budget due to the level of actual reimbursable expenditures being less than anticipated, principally for the two Fuel NY programs initiated during the fiscal year. Fees and other income were lower than budget principally due to cancellation of an anticipated sale of real property at STEP, as well as fees anticipated from a utility bond re-financing which did not occur. Investment income was lower than budget principally due to a \$5.1 million decrease in the fair value of investments held, which was not budgeted. Additionally, despite higher average investment balances than budgeted, lower investment yields than anticipated resulted in lower income than budget.

Total expenses were approximately \$274.1 million, or 33.0%, below the approved Budget. Salaries and benefits were lower than anticipated principally due to vacancies not filled. Fringe benefit costs were over budget primarily due to greater than expected accrued expenses for compensated absences, primarily due to a change in actuarial assumptions. Program expenditures were less than budgeted primarily due to timing of anticipated expenditures for several programs. Other Operating Costs were less than budgeted primarily due to lower than expected costs incurred for various information technology consultant services and travel costs, as well as timing differences. NY State Assessments was higher than budgeted due to an unanticipated increase of \$316,000 in the annual assessments.

**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  
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Statement of Net Position  
March 31, 2014  
(with comparative totals for March 31, 2013)  
(Amounts in thousands)

			March 31, 2014	March 31, 2013
	Governmental Activities	Business-type Activities	Total	Total
<b><u>ASSETS:</u></b>				
Current assets:				
Cash and investments	\$268,269	92,872	361,141	235,025
New York State receivable	7,361	-	7,361	5,826
Third-party billings receivable	124,339	11,212	135,551	107,328
Interest receivable on loans	122	-	122	37
Loans receivable due within one year	3,586	-	3,586	2,274
Prepaid expense	540	-	540	242
Total current assets	<u>404,217</u>	<u>104,084</u>	<u>508,301</u>	<u>350,732</u>
Noncurrent assets:				
Investments	937,400	114,132	1,051,532	846,145
Loans receivable- long term	42,103	-	42,103	26,376
Capital assets, net of depreciation	12,980	-	12,980	12,883
Total noncurrent assets	<u>992,484</u>	<u>114,132</u>	<u>1,106,615</u>	<u>885,404</u>
Total assets	<u>1,396,700</u>	<u>218,216</u>	<u>1,614,916</u>	<u>1,236,136</u>
<b><u>LIABILITIES:</u></b>				
Current liabilities:				
Long-term liabilities due within one year	4,822	-	4,822	2,540
Accounts payable	20,137	-	20,137	20,607
Con Edison payable	10,932	-	10,932	8,700
Accrued liabilities	65,496	-	65,496	53,513
Deferred revenue	2,055	-	2,055	1,048
Total current liabilities	<u>103,442</u>	<u>-</u>	<u>103,442</u>	<u>86,408</u>
Noncurrent liabilities:				
Bonds Payable	22,105	-	22,105	-
Other long-term liabilities	4,961	-	4,961	3,892
Total long tem liabilities	<u>27,066</u>	<u>-</u>	<u>27,066</u>	<u>3,892</u>
Total liabilities	<u>130,508</u>	<u>-</u>	<u>130,508</u>	<u>90,300</u>
<b><u>NET POSITION:</u></b>				
Net investment in capital assets	12,918	-	12,918	12,784
Restricted for specific programs	1,249,330	218,216	1,467,546	1,129,484
Unrestricted	3,944	-	3,944	3,568
Total net position	<u>\$1,266,192</u>	<u>218,216</u>	<u>1,484,408</u>	<u>1,145,836</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 Activities

For the year ended March 31, 2014

(with summarized comparative totals for March 31, 2013)

(Amounts in thousands)

Functions/Programs	Governmental Activities							
	New York Energy Smart	Energy Efficiency Portfolio Standard	Technology and Market Development Portfolio	Renewable Portfolio Standard	Energy Research & Development	RGGI	GJGNY	Energy Analysis
<b>EXPENSES:</b>								
Salaries and benefits	\$810	13,061	6,930	4,145	4,115	2,413	1,378	3,260
Program expenditures	42,700	148,562	23,687	140,133	9,640	47,640	13,791	(110)
Other operating costs	126	2,207	1,158	1,106	642	385	199	655
Depreciation	34	552	293	175	174	102	58	138
NY State Assessments	1,155	3,998	740	3,590	367	1,131	400	98
Interest	-	-	-	-	-	-	375	-
Payment to NYS	-	-	-	-	-	25,000	-	-
Total expenses	44,825	168,380	32,808	149,149	14,938	76,671	16,201	4,041
<b>REVENUES:</b>								
<i>Operating grants and contributions</i>								
State appropriations	-	-	-	-	12,892	-	-	4,009
System Benefits Charge	40,891	196,664	60,050	-	-	-	-	-
Renewable Portfolio Standard	-	-	-	253,344	-	-	-	-
Allowance proceeds	-	-	-	-	-	169,351	-	-
Third-party contributions	-	-	-	-	-	-	-	-
Third-party reimbursements	61	2,070	-	-	81	-	-	-
Federal grants	-	-	-	-	-	-	-	24
Interest subsidy	-	-	-	-	-	-	336	-
<i>Charges for Services</i>								
Project repayments	-	-	-	-	909	-	-	-
Rentals from leases	-	-	-	-	-	-	-	-
Fees and other income	-	44	20	-	-	-	-	-
Loan interest	-	-	-	-	-	-	1,154	-
<i>Other</i>								
System Benefits Charge	-	-	-	-	-	-	-	-
Investment income	257	(70)	731	871	(60)	597	263	-
Total revenues	41,209	198,708	60,801	254,215	13,822	169,948	1,753	4,033
Net (Expense) Revenue and change in net position	(\$3,616)	30,328	27,993	105,066	(1,116)	93,277	(14,448)	(8)
Transfers								
Change in net position								
Net position-beginning of period								
Net position-end of period								

See accompanying notes to the basic financial statements.

	Governmental Activities					Business-type	March 31,	March 31,
	Functions/Programs (cont'd)					Activities	2014	2013
	West	STEP	Utility Bond	Other	Total	Green	Total	Total
	Valley		Financing			Bank		
<b>EXPENSES:</b>								
Salaries and benefits	2,122	404	36	3,775	42,449	427	42,876	38,433
Program expenditures	9,865	-	-	28,730	464,638	-	464,638	427,896
Other operating costs	448	360	5	576	7,867	71	7,938	5,587
Depreciation	98	281	2	160	2,067	19	2,086	1,779
NY State Assessments	313	26	1	1,038	12,857	13	12,870	12,554
Interest	-	-	-	-	375	-	375	-
Payment to NYS	-	-	-	-	25,000	-	25,000	-
Total expenses	12,846	1,071	44	34,279	555,253	530	555,783	486,249
<b>REVENUES:</b>								
<i>Operating grants and contributions</i>								
State appropriations	5,990	-	-	10,439	33,330	-	33,330	29,311
System Benefits Charge	-	-	-	-	297,605	-	297,605	262,046
Renewable Portfolio Standard	-	-	-	-	253,344	-	253,344	213,228
Allowance proceeds	-	-	-	-	169,351	-	169,351	88,447
Third-party contributions	-	-	-	-	-	-	-	3,200
Third-party reimbursements	2,159	-	-	27,479	31,850	-	31,850	14,821
Federal grants	-	-	-	11,733	11,757	-	11,757	37,234
Interest subsidy	-	-	-	-	336	-	336	-
<i>Charges for Services</i>								
Project repayments	-	-	-	89	998	-	998	765
Rentals from leases	-	208	-	1,000	1,208	-	1,208	1,280
Fees and other income	-	-	450	2	516	-	516	1,590
Loan interest	-	-	-	-	1,154	-	1,154	576
<i>Other</i>								
System Benefits Charge	-	-	-	-	-	90,000	-	-
Investment income	-	-	-	98	2,687	219	2,906	6,795
Total revenues	8,149	208	450	50,840	804,136	90,219	894,355	659,293
Net (Expense) Revenue and change in net position	(4,697)	(863)	406	16,561	248,883	89,689	338,572	173,044
Transfers					(128,527)	128,527	-	-
Change in net position					120,356	218,216	338,572	173,044
Net position-beginning of period					1,145,836	-	1,145,836	972,792
Net position-end of period					\$1,266,192	218,216	1,484,408	1,145,836

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, 2014  
(with summarized comparative totals for March 31, 2013)  
(Amounts in thousands)

	New York Energy Smart	Energy Efficiency Portfolio Standard	Technology & Market Development	Renewable Portfolio Standard	RGGI	Other	Total March 31, 2014	Total March 31, 2013
<b><u>ASSETS:</u></b>								
Cash and investments	\$166,270	33,384	196,938	413,860	220,036	175,181	1,205,669	1,081,170
Receivables:								
New York State	-	-	1,400	1,000	-	4,961	7,361	5,826
Third-party billings	1,152	114,620	3,907	-	-	4,660	124,339	107,328
Interest on loans	-	-	-	-	-	122	122	37
Loans	-	-	-	-	-	45,689	45,689	28,650
Prepaid expense	-	-	-	-	-	540	540	242
Due from other funds	-	1,032	239	105	11	385	1,772	3,785
Total assets	<u>\$167,422</u>	<u>149,036</u>	<u>202,484</u>	<u>414,965</u>	<u>220,047</u>	<u>231,538</u>	<u>1,385,491</u>	<u>1,227,038</u>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>								
Liabilities:								
Accounts payable	\$4,673	4,130	1,100	4,993	851	4,390	20,137	20,607
Con Edison payable	-	-	-	-	5,896	5,036	10,932	8,700
Accrued liabilities	4,936	16,085	3,336	16,683	4,746	19,710	65,496	53,513
Due to other funds	1,785	-	-	-	-	-	1,785	3,785
Deferred revenue	-	-	1,400	-	-	655	2,055	1,048
Total liabilities	<u>11,394</u>	<u>20,215</u>	<u>5,836</u>	<u>21,676</u>	<u>11,493</u>	<u>29,791</u>	<u>100,405</u>	<u>87,653</u>
Fund Balances:								
Nonspendable-not in spendable form	-	-	-	-	-	540	540	242
Restricted	156,028	128,821	196,648	393,289	208,554	199,378	1,282,718	1,138,209
Assigned	-	-	-	-	-	169	169	558
Unassigned	-	-	-	-	-	1,660	1,660	376
Total fund balances	<u>156,028</u>	<u>128,821</u>	<u>196,648</u>	<u>393,289</u>	<u>208,554</u>	<u>201,747</u>	<u>1,285,087</u>	<u>1,139,385</u>
Total liabilities and fund balances	<u>\$167,422</u>	<u>149,036</u>	<u>202,484</u>	<u>414,965</u>	<u>220,047</u>	<u>231,538</u>	<u>1,385,491</u>	<u>1,227,038</u>

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

Total fund balances	1,285,087	1,139,385
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	12,980	12,883
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(31,875)	(6,432)
Net position of governmental activities	<u>\$1,266,192</u>	<u>1,145,836</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, 2014  
(with summarized comparative totals for March 31, 2013)  
(Amounts in thousands)

	New York Energy Smart	Energy Efficiency Portfolio Standard	Technology and Market Development Portfolio	Renewable Portfolio Standard	RGGI	Other Funds	Total March 31, 2014	Total March 31, 2013
<b>REVENUES:</b>								
State appropriations	\$ -	-	-	-	-	33,330	33,330	29,311
System Benefits Charge	40,891	196,664	60,050	-	-	-	297,605	262,046
Renewable Portfolio Standard	-	-	-	253,344	-	-	253,344	213,228
Allowance proceeds	-	-	-	-	169,351	-	169,351	88,447
Third-party contributions	-	-	-	-	-	-	-	3,200
Third-party reimbursements	61	2,070	-	-	-	29,719	31,850	14,821
Federal grants	-	-	-	-	-	11,757	11,757	37,234
Interest subsidy	-	-	-	-	-	336	336	-
Project repayments	-	-	-	-	-	998	998	765
Rentals from leases	-	-	-	-	-	1,208	1,208	1,280
Fees and other income	-	44	20	-	-	452	516	1,590
Loan interest	-	-	-	-	-	1,154	1,154	-
Investment income	257	(70)	731	871	597	301	2,687	7,371
Total revenue	41,209	198,708	60,801	254,215	169,948	79,255	804,136	659,293
<b>EXPENDITURES:</b>								
Current:								
New York Energy Smart	44,769	-	-	-	-	-	44,769	69,071
Energy Efficiency Portfolio Standard	-	167,476	-	-	-	-	167,476	148,653
Technology and Market Development Portfolio	-	-	32,328	-	-	-	32,328	15,276
Renewable Portfolio Standard	-	-	-	148,862	-	-	148,862	114,102
Energy Research and Development	-	-	-	-	-	14,654	14,654	16,391
RGGI	-	-	-	-	76,504	-	76,504	33,197
GJGNY	-	-	-	-	-	14,712	14,712	16,338
Energy Analysis	-	-	-	-	-	3,815	3,815	4,180
West Valley	-	-	-	-	-	12,690	12,690	13,314
STEP	-	-	-	-	-	779	779	923
Utility Bond Financing	-	-	-	-	-	42	42	978
Other	-	-	-	-	-	34,018	34,018	52,193
Debt Service:	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	375	375	-
Bond issuance costs	-	-	-	-	-	1,019	1,019	-
Capital outlay	34	543	288	172	100	1,027	2,164	1,418
Total expenditures	44,803	168,019	32,616	149,034	76,604	83,131	554,207	486,034
<b>OTHER FINANCING SOURCES (USES):</b>								
Residential Energy Efficiency bonds issued	-	-	-	-	-	24,300	24,300	-
Operating transfers, net	(22,814)	(3,016)	(96)	(50,000)	(52,927)	326	(128,527)	-
Net change in fund balances	(26,408)	27,673	28,089	55,181	40,417	20,750	145,702	173,259
Fund balances, beginning of period	182,436	101,148	168,559	338,108	168,137	180,997	1,139,385	966,126
Fund balances, end of period	\$156,028	128,821	196,648	393,289	208,554	201,747	1,285,087	1,139,385
Following is a reconciliation of amounts reported differently in the Statement of Activities:								
Net change in fund balances							145,702	173,259
Capitalization and depreciation of capital outlays, rather than recording as an expenditure							97	(505)
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							(1,182)	(185)
Bonds proceeds are a current financial resource in the governmental funds, but are not reported as revenues in the Statement of Activities							(24,300)	-
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position							37	475
Change in net position of governmental activities							120,356	173,044

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 Net Position  
Proprietary Funds  
March 31, 2014  
(Amounts in thousands)

	NY Green <u>Bank</u>
<b><u>ASSETS:</u></b>	
Current assets:	
Cash and investments	\$92,872
Third-party billings receivable	11,212
Total current assets	<u>104,084</u>
Non-current assets:	
Investments	114,132
Total non-current assets	<u>114,132</u>
Total assets	<u>218,216</u>
 <b><u>NET POSITION:</u></b>	
Net position restricted for specific programs	<u><u>\$218,216</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)  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the year ended March 31, 2014  
(Amounts in thousands)

	NY Green <u>Bank</u>
<b><u>OPERATING EXPENSES:</u></b>	
Salaries and benefits	\$427
Other operating costs	90
NY State Assessments	13
Total operating expenses	<u>530</u>
<b><u>NON-OPERATING REVENUES:</u></b>	
Investment income	219
System Benefits Charge	90,000
Total non-operating revenues	90,219
Transfers in	128,527
Change in net position	218,216
Net position, beginning of period	<u>-</u>
Net position, end of period	<u><u>\$218,216</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)  
Statement of Cash Flows  
Proprietary Funds  
For the year ended March 31, 2014  
(Amounts in thousands)

	NY Green <u>Bank</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Payments to employees & employee benefit providers	(\$427)
Payments to suppliers	(90)
Payments to NYS	<u>(13)</u>
Net cash used in operating activities	<u>(530)</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Ssytem Benefits Charge	78,788
Transfers from other funds	<u>128,527</u>
Net cash provided by non-capital financing activities	<u>207,315</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of investments	<u>(204,895)</u>
Net cash used in investing activities	<u>(204,895)</u>
 <b>Net increase in cash and cash equivalents:</b>	1,890
Cash and cash equivalents, beginning of period	<u>-</u>
Cash and cash equivalents, end of period	<u><u>\$1,890</u></u>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating loss	(\$530)
Adjustments to reconcile operating loss to net cash used by operating activities	<u>-</u>
Net cash used in operating activities	<u><u>(\$530)</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)  
Statement of Fiduciary Net Position  
March 31, 2014 (except for Other Postemployment Benefits Trust Fund which is as of December 31, 2013)  
(Amounts in thousands)

	OPEB	
	<u>Trust Fund</u>	<u>Agency Fund</u>
<b><u>ASSETS:</u></b>		
Cash and investments	\$29,125	\$31,693
LLRW assessment billings receivable	-	2,540
Total assets	<u>\$29,125</u>	<u>\$34,233</u>
<b><u>LIABILITIES:</u></b>		
Accrued expenses	\$12	\$ -
Payable to New York State	-	703
LLRW escrow funds	-	4,783
Perpetual care of nuclear waste	-	28,744
Federal Energy Regulatory Commission	-	3
Total liabilities	<u>12</u>	<u>\$34,233</u>
<b><u>NET POSITION:</u></b>		
Held in trust for other postemployment benefits	<u>\$29,113</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 Position  
For the year ended December 31, 2013  
(Amounts in thousands)

	OPEB <u>Trust Fund</u>
<b><u>ADDITIONS:</u></b>	
Employer contributions	\$3,585
Investment income:	
Dividend income	612
Net change in fair value of investments	2,542
Total investment income	<u>3,154</u>
Less investment management expenses	<u>(10)</u>
Net investment income	<u>3,144</u>
Total additions	<u>6,729</u>
<b><u>DEDUCTIONS:</u></b>	
Benefits	707
Trustee management fees	5
Audit fees	8
Total deductions	<u>720</u>
 Net change in net position	 6,009
<b>Net position</b>	
Net position-beginning of period	<u>23,104</u>
Net position-end of period	<u><u>\$29,113</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, 2014**

**(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.

New York Energy Smart<sup>SM</sup> 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 for program activities committed through December 31, 2011, although collections continued until January 2014 after a period of deferral. NYSEDA is authorized to administer committed program funds until fully expended. The program, named the New York Energy Smart<sup>SM</sup> 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 for program activities committed through December 31, 2011, but deferred certain collections until January 2015. NYSEDA is authorized to administer committed program funds until fully expended. In October 2011, the PSC authorized additional energy efficiency programs from January 1, 2012, through December 2015, with collections for program funding continuing through December 2018.

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 for program activities through December 31, 2016, and with program funding collections scheduled through December 2017. 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 PSC 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 scheduled through October 2024.

Energy Research and 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.

Regional Greenhouse Gas Initiative (RGGI)

The Regional Greenhouse Gas Initiative, or RGGI, is an agreement among nine 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

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

**Notes to Basic Financial Statements  
March 31, 2014**

Conservation (DEC) call for NYSERDA to administer periodic auctions for annual emissions. Pursuant to these regulations, the proceeds will be used by NYSERDA 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 NYSERDA 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.

Energy Analysis

Through this program, NYSERDA 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 NYSERDA 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.

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), which is 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), which is 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 was once used for rocket and weapons-testing programs and space-research activities. It was later subject to certain remediation measures under a March 1998 Consent Decree as a "Superfund" site. It 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 that is leased to various private company tenants.

Utility 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.



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Other

Other programs represent an aggregate of smaller programs/initiatives. These activities are primarily funded through various third-party reimbursements and federal energy grants.

NY Green Bank

The NY Green Bank, a division of NYSERDA, is a \$1 billion initiative created in 2013. Its mission is "to accelerate clean energy deployment in New York State by working in partnership with the private sector to transform financing markets".

The key elements of the NY Green Bank's mission are partnering with private sector participants, implementing structures that overcome barriers and address gaps in current clean energy financing markets, and transforming those markets by enabling greater scale, new and expanded asset classes and liquidity. These factors combined have the objectives to motivate faster and more extensive implementation of clean energy assets within New York State, foster greater energy choices, reduce environmental impacts and accrue more green energy advantages per public dollar spent for the benefit of all New Yorkers.

Pursuant to a December 2013 Order of the PSC, initial funding of \$165.6 million was made available to the NY Green Bank. The funding consisted of \$3.5 million in uncommitted NYSERDA Energy Efficiency Portfolio Standard I (EEPS 1) funds; \$22.1 million in uncommitted NYSERDA System Benefits Charge (SBC) funds; \$50.0 million in NYSERDA Renewable Portfolio Standard (RPS) funds; and \$90.0 million in uncommitted utility EEPS I funds. In addition to the PSC Order, NYSERDA also contributed \$52.9 million of its own Regional Greenhouse Gas Initiative (RGGI) revenues to the NY Green Bank for a total initial capitalization of \$219 million.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of presentation**

The basic financial statements include government-wide financial statements, governmental fund financial statements, proprietary fund financial statements, and fiduciary fund financial statements.

The government-wide financial statements report information on governmental and business-type activities, and consist of a Statement of Net Position and a Statement of Activities. 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 Governmental Fund financial statements report governmental activities, and consist of a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance. The funds presented in the Governmental Funds statements are categorized as either major or non-major funds (the latter are aggregated as "Other") as required by accounting principles generally accepted in the United States of America (GAAP).

The Proprietary Fund financial statements, based on an Enterprise type fund, report business-type activities for which a fee is charged to external users for goods or services, and consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash flows. The NY Green Bank is presented in the Proprietary Fund financial statements.

The fiduciary fund financial statements report assets held by NYSERDA in a fiduciary capacity for others, and consist of a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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).

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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 GAAP. Accordingly, such information should be read in conjunction with NYSERDA's financial statements for the year ended March 31, 2013, from which the summarized information was derived.

**(b) Basis of accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and accrual basis of accounting, as are the Enterprise Funds, and the Fiduciary Funds financial statements. 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 12 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, which range from three to 50 years, and is reported in the government-wide and proprietary fund financial statements. Capital asset purchases are recorded as expenditures in the governmental funds financial statements.

**(e) Deferred revenue**

Deferred revenue consists of funds received or receivable 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.

NYSERDA's accrual for compensated absences, included in the government-wide financial statement 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, 2014 consisted of \$12,476,157 in fees assessed by the State under Section 2975 of the Public Authorities Law (Governmental Cost Recovery System) for general governmental services, and \$394,000 paid to the State under a budget bill pursuant to Article VII of the New York State Constitution.

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**(h) Payment to NYS**

Pursuant to the enacted State Budget for fiscal year 2013-14, NYSERDA made a payment of \$25 million to the state general fund from RGGI program funds. The Budget also provided an appropriation of \$25 million to NYSERDA which may be used to reimburse eligible costs under the RGGI Cleaner Greener Communities program, which was re-appropriated in the fiscal year 2014-15 State Budget.

**(i) Net position restricted for specific programs**

NYSERDA administers certain programs on behalf of the PSC 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 Position Restricted for Specific Programs on the Statement of Net Position.

Following is a summary of Restricted Net Position and related commitments as of March 31, 2014:

	<i>(Amounts in thousands)</i>			
	Restricted	Contractual Obligations less Accounts Payable & Accrued	Pre-	Total
	<u>Position</u>	<u>Expenses</u>	<u>Encumbrances</u>	<u>Commitments</u>
<u>Governmental Activities:</u>				
New York Energy Smart	\$158,482	92,291	16,296	108,587
Energy Efficiency Portfolio Standard	127,186	214,483	229,435	443,918
Technology and Market Development Portfolio	196,332	68,789	106,516	175,305
Renewable Portfolio Standard	393,184	772,791	105,291	878,082
Energy Research and Development	26,010	21,123	11,404	32,528
RGGI	208,543	31,002	65,906	96,908
GJGNY	75,960	8,304	15,410	23,714
Energy Analysis	601	149	250	399
West Valley	844	6,334	253	6,587
Other	<u>62,188</u>	<u>26,645</u>	<u>38,239</u>	<u>64,884</u>
Total Governmental Activities:	<u>\$1,249,330</u>	<u>1,241,911</u>	<u>589,000</u>	<u>1,830,911</u>
<u>Business-type Activities:</u>				
NY Green Bank	<u>218,216</u>	=	=	=
Total Business-type Activities:	<u>218,216</u>	=	=	=

Pre-encumbrances consist of planned funding for contracts awarded and under negotiation; and planned funding under active development through open solicitations with upcoming proposal due dates.

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

**(j) Use of estimates**

The preparation of financial statements in conformity with GAAP 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.

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**(3) CASH AND INVESTMENTS**

Pursuant to Public Authorities Law Section 1859(1), the Commissioner of the New York State Department of Taxation and Finance (the Department) 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, 2014 (except for Other Postemployment Benefits within Fiduciary Funds, which is as of December 31, 2013).

*(Amounts in thousands)*

**Governmental Funds**

	<u>Fair Value</u>	<u>% of Total</u>	<u>Weighted Average Maturity (months)</u>
Cash and money market	\$49,958	4.2	n/a
Repurchase agreements	3,200	0.3	0.1
Certificates of deposit	112	<0.1	5.6
U.S. Treasury Bills	41,522	3.4	2.9
U.S. Treasury Strips	<u>1,110,877</u>	<u>92.1</u>	<u>24.6</u>
Total	<u>\$1,205,669</u>	<u>100.0</u>	<u>23.7</u>
Current portion	<u>\$268,381</u>		

*(Amounts in thousands)*

**Proprietary Funds**

	<u>Fair Value</u>	<u>% of Total</u>	<u>Weighted Average Maturity (months)</u>
Cash and money market	\$1,890	0.9	n/a
U.S. Treasury Bills	65,366	31.6	6.5
U.S. Treasury Strips	<u>139,748</u>	<u>67.5</u>	<u>18.5</u>
Total	<u>\$207,004</u>	<u>100.0</u>	<u>14.7</u>
Current Portion	<u>\$92,872</u>		

*(Amounts in thousands)*

**Fiduciary Funds**

	<u>Fair Value</u>	<u>% of Total</u>	<u>Weighted Average Maturity (months)</u>
Cash and money market	\$1,138	<0.1	n/a
Mutual funds	6,237	10.4	n/a
Exchange traded funds	21,755	36.5	n/a
U.S. Treasury Bills	2,945	4.9	1.3
U.S. Treasury Strips	<u>28,743</u>	<u>48.2</u>	<u>16.7</u>
Total	<u>\$60,818</u>	<u>100.0</u>	<u>15.3</u>

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The following is a summary of cash and investments of Governmental and Proprietary Funds by funding source and related contractual commitments as of March 31, 2014 (excludes Fiduciary Funds):

*(Amounts in thousands)*

	<u>Cash and Investments</u>	<u>Contractual Obligations</u>	<u>Pre- Encumbrances</u>	<u>Total Commitments</u>
<u>Governmental Funds:</u>				
New York Energy Smart (SBCIII)	\$166,872	101,901	16,296	118,197
Energy Efficiency Portfolio Standard	32,782	234,699	229,435	464,134
Technology and Market Development	196,938	73,226	106,516	179,742
Renewable Portfolio Standard	413,860	794,467	105,291	899,758
RGGI	220,036	36,599	65,906	102,505
Other	<u>175,181</u>	<u>74,135</u>	<u>66,024</u>	<u>140,159</u>
Total Governmental Funds:	<u>\$1,205,669</u>	<u>1,315,027</u>	<u>589,468</u>	<u>1,904,495</u>
<u>Proprietary Funds:</u>				
NY Green Bank	<u>207,004</u>	=	=	=
Total Proprietary Funds:	<u>207,004</u>	=	=	=

*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 Other Postemployment Benefit Trust's (OPEB) 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, 2014, 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 Department's custodial bank.

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*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.

Equity and fixed income investments owned directly by NYSERDA, which trade in the United States (U.S.) markets, are held at NYSERDA's 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, 2014, the amount due from New York State is \$7.4 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 or funded 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, 2014, 4,866 loans are outstanding and 99.9% of the loan portfolio value is current on payment requirements.

Loans receivable at March 31, 2014 include the following:

*(Amounts in thousands)*

	<u>Number of Loans</u>	<u>Loans Outstanding</u>
Residential Energy Efficiency	4,841	\$42,931
Small Business/Not-for-Profit	11	267
Multifamily Building	<u>14</u>	<u>2,491</u>
	<u>4,866</u>	<u>\$45,689</u>

Loans receivable at March 31, 2014 mature as follows:

*(Amounts in thousands)*

Fiscal year ending <u>March 31,</u>	Residential Energy <u>Efficiency</u>	Small Business/ Not-for- <u>Profit</u>	Multifamily <u>Building</u>	<u>Total</u>
2015	\$3,184	51	351	3,586
2016	3,324	56	366	3,746
2017	3,311	54	367	3,732
2018	3,162	41	367	3,570
2019	3,098	37	399	3,534
2020-2024	15,124	28	621	15,773
2025-2029	11,693	-	20	11,713
2030-2034	<u>35</u>	<u>=</u>	<u>=</u>	<u>35</u>
Total	<u>\$42,931</u>	<u>267</u>	<u>2,491</u>	<u>45,689</u>

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**(6) CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2014 was as follows:

*(Amounts in thousands)*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Land	\$685	-	-	685
Land improvements	5,342	414	-	5,756
Buildings	8,982	-	-	8,982
Machinery and equipment	10,981	871	(73)	11,779
Leasehold improvements	<u>586</u>	<u>898</u>	<u>(5)</u>	<u>1,479</u>
	26,576	2,183	(78)	28,681
<u>Less accumulated depreciation for:</u>				
Land Improvements	(732)	(197)	-	(929)
Buildings	(3,944)	(278)	-	(4,222)
Machinery and equipment	(8,509)	(1,558)	73	(9,994)
Leasehold improvements	<u>(508)</u>	<u>(53)</u>	<u>5</u>	<u>(556)</u>
Capital assets, net	<u>\$12,883</u>	<u>97</u>	<u>=</u>	<u>12,980</u>

**(7) LONG-TERM LIABILITIES**

Long-term liability activity for the year ended March 31, 2014 was as follows:

*(Amounts in thousands)*

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Notes payable	\$100	-	(38)	62	18
Compensated absences	6,332	4,532	(3,338)	7,526	2,609
Bonds payable	-	24,300	-	24,300	2,195
Postemployment benefits (see note 11)	<u>-</u>	<u>3,569</u>	<u>(3,569)</u>	<u>-</u>	<u>-</u>
Long-term liabilities	<u>\$6,432</u>	<u>32,401</u>	<u>(6,945)</u>	<u>31,888</u>	<u>4,822</u>

Notes Payable reflects the purchase of eight Xerox copiers under a Xerox payment plan with a term of 60 months, at an annual interest rate of 0.0%.

Bonds payable represents Residential Energy Efficiency Financing Revenue Bonds (Series 2013A) issued in August 2013, secured with a pledge of payments from residential energy efficiency loans issued under the Green Jobs-Green New York program. The bonds have semi-annual interest payments each January and July 1st, and annual principal payments each July 1st from January 1, 2014 to July 1, 2028. The bonds were issued with serial maturities with interest rates from 0.55 to 4.106%. The bonds were issued as Qualified Energy Conservation Bonds, which provide an interest subsidy from the federal government for a portion of the interest costs on the bonds. Such interest subsidies are subject to the federal sequester and future subsidies may be affected by changes in the federal sequester. Debt service accounts for the payment of principal and interest are maintained with the Trustee, The Bank of New York Mellon. Loan repayments from pledged loans are transferred to the Trustee monthly. The bonds require that NYSERDA maintain cash and future scheduled repayments in each bond year that are not less than 110% of annual debt service, and surplus funds on hand with the Trustee may be withdrawn by NYSERDA provided that cash and scheduled repayments are not less than 120% of annual debt service. Payment of principal and interest on the bonds are guaranteed by the New York State Environmental Facilities Corporation. Under the terms of an agreement with the guarantor, NYSERDA deposited with an escrow agent,

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The Bank of New York Mellon, approximately \$8.5 million in a Collateral Reserve account, which may be used by the guarantor to fund or reimburse its guarantee if loan repayments and interest subsidies are insufficient to meet scheduled payments on the bonds, and if there are insufficient additional funds available from the Green Jobs-Green New York program revolving loan fund.

The Series 2013A Bonds include various debt covenants of NYSERDA: enforce the conditions of loan agreements which are the source of pledged revenues; appoint and enforce the obligations of a servicer for the pledged loan payments; prepare and furnish to the Trustee a projection of pledged revenues, administrative expenses, debt service, scheduled credit facility fees and projected net revenues by January 15, April 15, July 15, and October 15 of each year; and no later than 30 days after furnishing the projection cause additional pledged loans or deposits to be provided, as necessary, such that projected net revenues, together with amounts held by the Trustee, will equal at least 110% of projected annual debt service in each bond year.

As of March 31, 2014, future debt service requirements on the Notes and Bonds Payable are:

*(Amounts in thousands)*

Fiscal year ending <u>March 31,</u>	<u>Note Payable</u>		<u>Bonds Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$18	-	2,195	588	2,801
2016	16	-	2,080	578	2,674
2017	16	-	2,105	562	2,683
2018	12	-	1,930	535	2,477
2019	-	-	1,775	502	2,277
2020-24	-	-	8,370	1,828	10,198
2025-29	=	=	<u>5,845</u>	<u>529</u>	<u>6,374</u>
Total	<u>\$62</u>	=	<u>24,300</u>	<u>5,122</u>	<u>29,484</u>

**(8) RETIREMENT PLAN**

There are two retirement plans for NYSERDA employees: the New York State and Local Employees' Retirement System (System), and the New York State Voluntary Defined Contribution Plan (VDC). Nearly all employees of NYSERDA participate in one of these two plans.

The System is a cost-sharing, multiple-employer, defined benefit public employee retirement plan. 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 for those members. Personnel who joined the System after July 27, 1976 through January 1, 2010 and who have less than 10 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 between January 1, 2010 and March 31, 2012 contribute three percent of their gross salary during the full term of employment. Members who joined the System after April 1, 2012 contribute between three percent and six percent, depending on their salary, during the full term of employment. Retirement benefits vest after five to 10 years of accredited service, depending on the applicable tier.



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NYSERDA's contributions to the System, expressed in dollars and as a percentage of salary, for each of the years ended March 31, 2012 through March 31, 2014 were:

*(Amounts in thousands)*

Fiscal year ended  
March 31,

	<u>Contributions</u>	<u>Contribution Rate</u>
2014	\$4,947	11.4%-28.8%
2013	4,378	10.1%-25.4%
2012	4,301	12.7%-21.5%

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

The VDC is a multiple-employer, defined contribution plan administered by the Director of University Benefits for the State University of New York (SUNY); TIAA-CREF serves as the third-party administrator. On July 1, 2013, the VDC option was made available to NYSERDA employees hired on or after that date whose annual salary is \$75,000 or more. Those employees voluntarily electing the VDC plan are prohibited from joining the System (defined benefit plan) at a later date (and the opposite also applies; plan participation elections are irrevocable). VDC provides benefits through annuity contracts and provides retirement and death benefits to those employees who elected to participate in the VDC. Employees have the ability to choose from a variety of investment providers for the VDC. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits generally vest after the completion of one year of service if the employee is retained thereafter. Employees electing to participate in the VDC plan are required to contribute between 3% and 6% of gross earnings, dependent upon their salary, for their entire working career; NYSERDA contributes 8%.

No employees were vested in the VDC at March 31, 2014 and therefore no employer contributions were made to the VDC during the fiscal year end March 31, 2014.

**(9) LEASES**

NYSERDA has multi-year operating leases expiring May 31, 2016; July 7, 2017; September 30, 2018; and October 30, 2027, for office space in West Valley, Buffalo, Albany, and New York City, respectively. For the year ended March 31, 2014, rental expense for all office facilities was approximately \$841,000.

The following is a schedule by year of future minimum rental payments for NYSERDA's office space as of March 31, 2014:

*(Amounts in thousands)*

Fiscal year ending  
March 31,

2015	\$1,050
2016	1,498
2017	1,363
2018	1,341
2019	1,102
Thereafter	<u>8,255</u>
Total	<u>\$14,609</u>

NYSERDA is also the lessor of certain equipment comprising a cooling water structure at the Indian Point Energy Center 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, 2015-2017.

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**(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 Nuclear Regulatory Commission 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, 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 2010 Environmental Impact Statement states that the Phase 1 work would take 10 years and cost approximately \$1 billion based on a federal funding level of \$75 million per year. Since 2010, actual federal funding levels have been closer to \$65 million, and the proposed budget for FFY 2015 is only \$60.5 million. A funding level of \$65 million through the end of Phase 1 will extend the duration of the Phase 1 work to about 15 years and will add about \$100 million to the cost of the work. Funding at \$60 million through the end of Phase 1 will extend the duration of the Phase 1 work to 20 years and will add about \$200 million to the total project cost. 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.

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, 2014 or 2013 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) Energy Analysis- 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, 2014, NYSERDA paid, from the agency fund, a total of \$4,272,249 to reimburse the State for such costs pursuant to Public Authorities Law Section 1854-d(2)(a).

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(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, 2014, 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 \$1.98 billion over the remaining 11 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, 2014, NYSERDA has outstanding contractual obligations totaling approximately \$794.5 million payable at varying dates upon 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) Energy Efficiency Portfolio Standard

Pursuant to Orders of the PSC, the EEPs program was extended until December 31, 2015, with Systems Benefit Charge (SBC) collections from utilities scheduled through December 31, 2018. The collections were scheduled on a deferred basis taking into consideration the unexpended balance of previous EEPs collections prior to the extension of the program, as well as the projected timing of anticipated future expenditures. In the aggregate, future scheduled collections total approximately \$959.6 million over the remaining five year collection period.

Procurement contracts entered into by NYSERDA and funded with EEPs 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, 2014, NYSERDA has outstanding contractual obligations totaling approximately \$234.7 million payable at varying dates, which will be funded in part from SBC surcharge collections to be received in the future pursuant to Orders of the PSC.

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(g) Regional Greenhouse Gas Initiative

On January 29, 2009, a lawsuit was initiated in State Supreme Court against the Governor, NYSEERDA, 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, NYSEERDA 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 NYSEERDA to fund energy efficiency and renewable energy programs with significant carbon reduction potential within its service territory.

NYSEERDA has paid Con Edison approximately \$13.0 million to date related to this settlement. The remaining obligation, as recorded in the financial statements under Con Edison payable at March 31, 2014, of \$5.9 million, represents all estimated remaining payments due Con Edison.

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

The terms of the Orders for these programs 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, 2014, retained funds subject to possible refund, not including the amount already recorded in the financial statements as Con Edison payable at that date, are \$5.2 and \$1.5 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. NYSEERDA 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 16% of the premium for individual coverage and 31% of the incremental premium for family coverage. NYSEERDA 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 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 NYSEERDA officers, in consultation with the Chair of the Audit and Finance Committee or his or her designee. As of March 31, 2014, the Authority has contributed \$25.2 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, 2014, the value of the OPEB Trust investments totals \$30.6 million.

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

NYSEERDA's annual other postemployment benefit (OPEB) expense for the year ended March 31, 2014 is calculated based on the annual required contribution (ARC) of NYSEERDA. 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, 2014, the amount contributed to the Plan, and changes in NYSERDA's OPEB obligation:

*(Amounts in thousands)*

Annual required contribution	
Normal cost	\$2,381
Amortization of unfunded actuarial accrued liability	<u>1,188</u>
Total annual OPEB cost	3,569
Contributions made	<u>(3,569)</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 \$3,569,200; \$3,631,900; and \$3,906,000 for the years ended March 31, 2014; 2013; and 2012, respectively. The percentage of annual OPEB cost contributed to the Plan was 100% and the net OPEB obligation at the end of each fiscal year was \$0.

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 75% 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 10 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. Rates of 8.6 and 8.7% for the two plans with the highest enrollment were assumed initially, reduced to an ultimate rate of 5.2% for both plans after 54 years was used.

*Health insurance premiums* – A Blend of actual 2013 and projected 2014 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 2014, 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, 2014, was 23 years.

As of March 31, 2014, there were 72 retirees and dependent survivors actively receiving benefits and 300 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.

Transfers between funds were made as directed by various PSC orders.

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**Required Supplementary Information (Unaudited)  
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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>
4/1/2013	3/31/2014	\$25,166	\$41,696	\$16,530	60.4%	\$27,207	60.8%
4/1/2012	3/31/2013	\$19,891	\$39,388	\$19,497	50.5%	\$24,282	80.3%
4/1/2011	3/31/2012	*	*	*	*	*	*
4/1/2010	3/31/2011	\$10,285	\$33,921	\$23,636	30%	\$24,244	97.5%

*\*Valuation was not performed at this date.*

See accompanying independent auditors' report.