

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

**FINANCIAL STATEMENTS**

**March 31, 2015**

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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, 2015 were prepared in conformity with U.S. generally accepted accounting principles. Financial information contained elsewhere in the Annual Report is consistent with the financial statements. The Board of the Authority adopted these financial statements and the Annual Report at a meeting on June 18, 2015.

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 U.S. generally accepted accounting principles.



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, the 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, 2015, 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.



### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2015, 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 management's discussion and analysis and the Schedule of Funding Progress for Other Postretirement Benefits 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 19, 2015 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 19, 2015

**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, 2015**  
**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 NYSEDA's financial activities for the fiscal year ended March 31, 2015. The information contained in the MD&A should be considered in conjunction with the information presented as part of NYSEDA's basic financial statements as presented. Following this MD&A are the basic financial statements of NYSEDA with the notes thereto that are essential to a full understanding of the data contained in the financial statements. NYSEDA'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 NYSEDA's finances in a manner similar to a private-sector business. The *Statement of Net Position* presents information on all of NYSEDA's assets and liabilities, and the difference between the two is reported as *net position*. The *Statement of Activities* presents information showing how NYSEDA'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 NYSEDA as a whole. All of the activities of NYSEDA 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 NYSEDA charges fees to customers to recover costs of providing services. 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 NYSEDA 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 NYSEDA'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	Business-type	Total		% Change 2015-2014
	Activities March 31, 2015	Activities March 31, 2015	March 31, 2015	March 31, 2014	
Cash and investments	\$1,402,467	216,374	1,618,841	1,412,673	14.6%
Capital assets	14,843	-	14,843	12,980	14.4%
Other assets	118,007	-	118,007	189,263	-37.6%
Total assets	1,535,317	216,374	1,751,691	1,614,916	8.5%
Long-term liabilities	59,257	-	59,257	31,888	85.8%
Other liabilities	94,671	74	94,745	98,620	-3.9%
Total liabilities	153,928	74	154,002	130,508	18.0%
<u>Net Position:</u>					
Unrestricted	3,569	-	3,569	3,944	-9.5%
Net investment in capital assets	14,799	-	14,799	12,918	14.6%
Restricted	1,363,021	216,300	1,579,321	1,467,546	7.6%
Total Net Position	<u>\$1,381,389</u>	<u>216,300</u>	<u>1,597,689</u>	<u>1,484,408</u>	<u>7.6%</u>

Total assets increased \$136,775,000 (8.5%). Cash and investments increased \$206,168,000 (14.6%) primarily due to revenues exceeding expenses in the Renewable Portfolio Standard (RPS) and Regional Greenhouse Gas Initiative (RGGI) programs. Other assets decreased by \$71,255,000 (-37.6%) principally due to a \$94,019,000 decrease in the accrued receivable for Energy Efficiency Portfolio Standard (EEPS) program expenses in excess of collections and transfers. Partially offsetting the decrease in other assets was a \$30,789,000 increase in loans outstanding through the NY Green Jobs-Green New York program due to additional loans issued, and the procurement of strategic gasoline reserves valued at \$12,898,000 as of March 31, 2015.

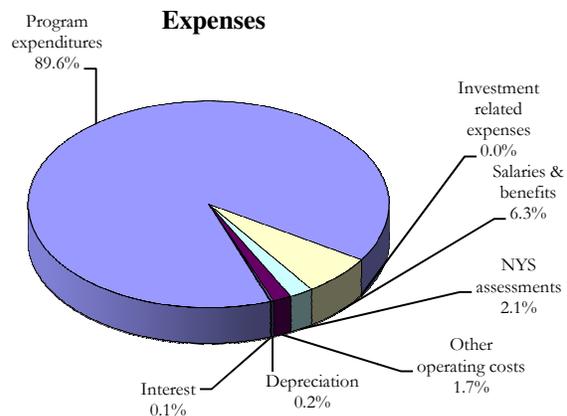
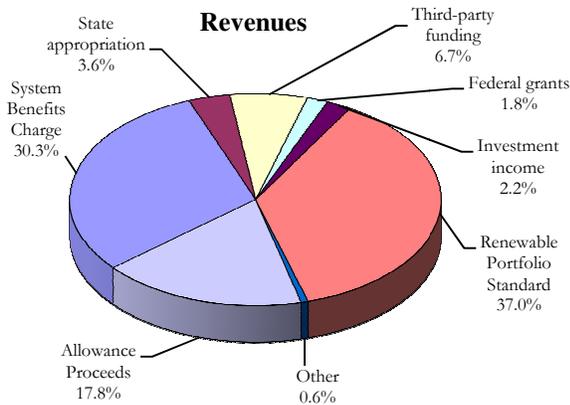
Total liabilities increased \$23,494,000 (18.0%). Long-term liabilities increased \$27,369,000 (85.8%) primarily due to \$30,000,000 in borrowing under a three year note to fund the NY Green Jobs-Green New York loan program. Other liabilities decreased by \$3,875,000 (-3.9%) primarily due to a reduction in the amount owed to Con Edison for the System Wide Demand Reduction program as the program winds down, and in the amount owed for the RGGI settlement agreement as the underlying contracts are slated to expire soon.

Net position, the difference between NYSERDA's assets and liabilities, increased by 7.6% from \$1,484,408,000 to \$1,597,689,000. Restricted net position (unexpended funds received for particular specified programmatic purposes) increased 7.6% to \$1,579,321,000. Unrestricted net position, which can be used to finance operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased by 9.5%, to \$3,569,000.

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(Amounts in thousands)

Summary of Changes in Net Position	Governmental	Business-type	Total	Total	% Change 2015-2014
	Activities March 31, 2015	Activities March 31, 2015	March 31, 2015	March 31, 2014	
<b>Program Revenues:</b>					
State appropriations	\$28,406	-	28,406	33,330	-14.8%
System Benefits Charge	238,834	-	238,834	387,605	-38.4%
Renewable Portfolio Standard	291,448	-	291,448	253,344	15.0%
Allowance proceeds	140,568	-	140,568	169,351	-17.0%
Third-party reimbursements	52,911	-	52,911	31,850	66.1%
Federal grants	14,384	-	14,384	11,757	22.3%
Interest subsidy	517	-	517	336	53.9%
Loan interest	1,655	-	1,655	1,154	43.4%
Investment income	15,866	1,176	17,042	2,906	486.4%
Other program revenue	2,664	-	2,664	2,722	-2.1%
<b>Total Revenues</b>	<b>787,253</b>	<b>1,176</b>	<b>788,429</b>	<b>894,355</b>	<b>-11.8%</b>
<b>Expenses:</b>					
Salaries and benefits	40,257	2,497	42,754	42,876	-0.3%
Program expenditures	604,803	-	604,803	464,638	30.2%
Investment related expenses	-	78	78	-	100.0%
Other operating costs	10,371	880	11,251	7,938	41.7%
Depreciation	1,264	60	1,324	2,086	-36.5%
NY State assessments	14,271	77	14,348	12,870	11.5%
Interest	590	-	590	375	57.3%
Payment to NY State	-	-	-	25,000	-100.0%
<b>Total Expenses</b>	<b>671,556</b>	<b>3,592</b>	<b>675,148</b>	<b>555,783</b>	<b>21.5%</b>
Increase in net position before transfers	115,697	(2,416)	113,281	338,572	-66.5%
Transfers	(500)	500	-	-	-
<b>Change in net position</b>	<b>\$115,197</b>	<b>(1,916)</b>	<b>113,281</b>	<b>338,752</b>	<b>-66.5%</b>



Total Revenue decreased by 11.8% from \$894,355,000 to \$788,429,000. State appropriation revenue decreased by \$4,924,000 (-14.8%) primarily as a result of \$10,000,000 in non-recurring funding for the Strategic Fuel Reserve program in FY 13-14, offset in part by an increase for the West Valley program, since a portion of prior year costs were funded from reserves on hand which have since been depleted. System Benefits Charge revenue decreased by \$148,771,000 (-38.4%) principally due to \$90,000,000 of non-recurring revenues in the prior year provided by utility companies pursuant to a PSC Order for a portion of the initial capitalization of NY Green Bank; additionally, collections for the New York Energy Smart program expired during FY 14-15. Renewable Portfolio Standard revenue increased \$38,104,000 (15.0%) as a result of scheduled increases in utility assessment collections transferred to NYSERDA. Allowance proceeds decreased by

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\$28,783,000 (-17.0%) due to a smaller number of allowances being sold than in the prior fiscal year. Third-party reimbursements increased by \$21,062,000 (66.1%), principally related to new funding for the Indian Point Energy Center Reliability Contingency program as well as new funding of \$10,000,000 from the New York Power Authority for the Upstate Strategic Fuel Reserve. Federal grants revenue increased \$2,627,000 (22.3%) primarily due to an increase in revenue for expenses incurred under a Gas Station Transfer Switch program grant. Interest subsidy represents a payment from the Internal Revenue Service 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 income increased \$501,000 (43.4%) as a result of additional loans outstanding. Total investment income increased \$14,136,000 (486.4%) primarily due to an approximately \$12,572,000 change in the market value of investments held from April 1, 2013 to March 31, 2015.

Total Expenses increased 21.5% from \$555,783,000 to \$675,148,000. Program Expenditures increased \$140,164,000 (30.2%) primarily due to higher expenditures in the RPS, EEPS, T&MD and RGGI programs. Other Operating Costs increased \$3,314,000 (41.7%) primarily from information technology consulting services to support the development of several corporate technology initiatives. NY State Assessments increased by \$1,478,000 (11.5%) over the prior year due to an increase in NYSERDA's annual assessment.

**FINANCIAL ANALYSIS OF FUNDS**

Total fund balances for the Governmental Funds increased from \$1,285,087,000 to \$1,425,924,000 as further described below:

- The Energy Efficiency Portfolio Standard fund balance decreased from \$128,820,000 to \$100,675,000 principally due to expenses in excess of scheduled collections.
- The Technology & Market Development Portfolio fund balance decreased from \$196,647,000 to \$192,014,000, with expenses slightly outpacing scheduled collections.
- The Renewable Portfolio Standard fund balance increased from \$393,288,000 to \$491,241,000 principally as a result of funds received from scheduled collections, in excess of expenditures.
- The RGGI fund balance increased from \$208,554,000 to \$274,256,000 principally as a result of greater than anticipated additional allowance proceeds collected but not yet spent, offset in part by a transfer to the Green Jobs - Green NY program fund of \$5,227,000.
- The Other Programs fund balance increased from \$357,778,000 to \$367,756,000 principally as a result of the inflow of \$30,000,000 in funds from the issuance of Residential Energy Efficiency Financing Revenue Notes. Partially offsetting the aforementioned was the expenditure of funds previously collected in the New York Energy Smart program as the program winds down.

Total net position for the Proprietary Fund was \$216,300,000 at March 31, 2015 as described below:

- NY Green Bank was created in 2013 and was funded by a December 2013 Order of the Public Service Commission ("Commission") reallocating and repurposing \$165,600,000 in uncommitted utility EEPSI funds, uncommitted NYSERDA Systems Benefit Charge, Energy Efficiency Portfolio Standard, and Renewable Portfolio Standard funds, and from a \$52,926,000 NYSERDA RGGI contribution. Minimal other revenues were earned or expenses incurred during the fiscal years ended March 31, 2015 and 2014 for this start-up program. For the fiscal year ended March 31, 2015, NY Green Bank engaged in several start-up activities including: hiring additional staff; developing systems, policies and procedures; and making a number of critical filings with the Commission, including those relating to NY Green Bank's business plan and metrics. NY Green Bank issued a solicitation in February 2014 seeking ongoing proposals from private sector capital providers and clean energy industry participants to propose transactions involving partnerships with NY Green Bank. In March 2015, NY Green Bank committed capital to counterparties for its first four transactions totaling \$56,400,000. These transactions are in negotiation with counterparties and NY Green Bank anticipates finalizing the agreements and deploying capital for these transactions during the fiscal year ending March 31, 2016. Several other potential financing transactions are also subject to due diligence as of March 31, 2015.

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**Unaudited**

**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, 2015 were \$14,843,000, net of accumulated depreciation. Capital asset additions for the fiscal year ended March 31, 2015 were approximately \$3,222,000 primarily for leasehold improvements and furniture at a new location for the NYC office and for technology upgrades.

Total long-term liabilities increased from \$31,888,000 to \$59,257,000 primarily due to \$30,000,000 in Residential Energy Efficiency Financing Revenue Notes (Series 2014) issued to the New York State Environmental Facilities Corporation, secured with a pledge of payments from residential energy efficiency loans issued under the Green Jobs-Green New York program. Partially offsetting this increase was the scheduled principal payment on the Residential Energy Efficiency Financing Revenue Bonds (Series 2013A) issued in August 2013.

NYSERDA also issues tax-exempt bonds on a conduit basis on behalf of utility companies to finance certain eligible projects. As of March 31, 2015, approximately \$3,358,540,000 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 Commission, 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.

Pursuant to the Order Commencing Proceeding ("CEF Order") issued on May 8, 2014 by the Commission, NYSERDA filed a Clean Energy Fund ("CEF") Proposal seeking a 10-year program that will work in coordination with other State efforts to advance cleaner, more resilient, and more affordable energy infrastructure. In its CEF Order the Commission stated its intent that the CEF ensure the delivery and continuity of clean energy programs for the State's energy consumers, enhance program efficiency, and manage the transition of NYSERDA's program approaches to better align with the market outcomes envisioned through the Reforming the Energy Vision proceeding. No decision regarding the Proposal has been made by the Commission as of March 31, 2015.

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, 2015, in comparison to amounts included in the final Budget approved by NYSERDA's Board:

*(Amount in thousands)*

	Actuals			Budget <u>Total</u>	<u>Variance</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>		
Revenues:					
State appropriations	\$28,406	-	28,406	42,923	(14,517)
System Benefits Charge	238,834	-	238,834	238,834	-
Renewable Portfolio Standard	291,448	-	291,448	291,448	-
Allowance proceeds	140,568	-	140,568	103,054	37,514
Third-party contributions	-	-	-	-	-
Third-party reimbursements	52,911	-	52,911	54,817	(1,906)
Federal grants	14,384	-	14,384	20,641	(6,257)
Interest subsidy	517	-	517	508	9
Project repayments	408	-	408	775	(367)
Rentals from leases	1,438	-	1,438	1,407	31
Fees and other income	818	-	818	2,657	(1,839)
Loan interest	1,655	-	1,655	1,676	(21)
Investment income	15,866	1,176	17,042	9,609	7,433
Total Revenues	<u>787,253</u>	<u>1,176</u>	<u>788,429</u>	<u>768,349</u>	<u>20,080</u>
Expenses:					
Salaries and benefits	40,257	2,497	42,754	46,412	(3,658)
Program expenditures	604,803	-	604,803	634,305	(29,502)
Investment related expenses	-	78	78	156	(78)
Other operating costs	10,371	880	11,251	11,519	(268)
Depreciation	1,264	60	1,324	1,403	(79)
NY State assessments	14,271	77	14,348	16,451	(2,103)
Interest	590	-	590	586	4
Total Expenses	<u>671,556</u>	<u>3,592</u>	<u>675,148</u>	<u>710,832</u>	<u>(35,684)</u>
Excess Revenues/(Expenses)	115,697	(2,416)	113,281	57,517	55,764
Net Position, beginning of year	1,266,192	218,216	1,484,408	1,484,408	-
Transfers	(500)	500	-	-	-
Net Position, end of year					
Net investments in capital assets	14,799	-	14,799	15,831	(1,032)
Restricted for specific programs	1,363,021	216,300	1,579,321	1,523,614	55,707
Unrestricted	3,569	-	3,569	2,480	1,089
Total Net Position, end of year	<u>\$1,381,389</u>	<u>216,300</u>	<u>1,597,689</u>	<u>1,541,925</u>	<u>55,764</u>

Total revenues were approximately \$20,080,000, or 2.6% 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. Allowance auction proceeds were greater than budget due principally to significantly higher clearing prices for allowances sold than had been estimated. Federal grants revenue was lower than budget due to the level of actual reimbursable expenditures being less than anticipated, principally for the Fuel NY Gas Station Transfer Switch program. Fees and other income was lower than budget principally due to NY Green Bank not deploying capital as soon as anticipated. Investment income was higher than budget almost entirely due to a \$7,470,000 increase in the fair value of investments held, which was not budgeted.

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Total expenses were approximately \$35,684,000, or 5.0%, below the approved Budget. Salaries and benefits were lower than anticipated principally due to vacancies not filled. Program expenditures were less than budgeted primarily due to expenditures for the New York Energy Smart and Indian Point Energy Center Reliability Contingency programs being less than budgeted. Other Operating Costs were less than budgeted primarily due to lower than expected costs incurred for professional services related to NY Green Bank. NY State Assessments was lower than budgeted due to the assessment being less than anticipated.

**CONTACT FOR AUTHORITY'S FINANCIAL MANAGEMENT**

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

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

(A Component Unit of the State of New York)

Statement of Net Position

March 31, 2015

(with comparative totals for March 31, 2014)

(Amounts in thousands)

			March 31, <u>2015</u>	March 31, <u>2014</u>
	Governmental Activities	Business-type Activities	Total	Total
<b><u>ASSETS:</u></b>				
Current assets:				
Cash and investments	\$240,066	97,622	337,688	361,141
New York State receivable	16,598	-	16,598	7,361
Third-party billings receivable	11,361	-	11,361	135,551
Interest receivable on loans	111	-	111	122
Loans receivable due within one year	5,695	-	5,695	3,586
Prepaid expense	488	-	488	540
Other assets	12,898	-	12,898	-
Due from business-type activities	74	-	74	-
Total current assets	<u>287,291</u>	<u>97,622</u>	<u>384,913</u>	<u>508,301</u>
Noncurrent assets:				
Investments	1,162,401	118,752	1,281,153	1,051,532
Loans receivable- long-term	70,782	-	70,782	42,103
Capital assets, net of depreciation	14,843	-	14,843	12,980
Total noncurrent assets	<u>1,248,026</u>	<u>118,752</u>	<u>1,366,778</u>	<u>1,106,615</u>
Total assets	<u>1,535,317</u>	<u>216,374</u>	<u>1,751,691</u>	<u>1,614,916</u>
<b><u>LIABILITIES:</u></b>				
Current liabilities:				
Long-term liabilities due within one year	5,933	-	5,933	4,822
Accounts payable	8,752	-	8,752	20,137
Con Edison payable	5,531	-	5,531	10,932
Accrued liabilities	74,455	-	74,455	65,496
Unearned revenue	5,933	-	5,933	2,055
Due to governmental activities	-	74	74	-
Total current liabilities	<u>100,604</u>	<u>74</u>	<u>100,678</u>	<u>103,442</u>
Noncurrent liabilities:				
Bonds and notes payable	48,917	-	48,917	22,105
Other long-term liabilities	4,407	-	4,407	4,961
Total long-term liabilities	<u>53,324</u>	<u>-</u>	<u>53,324</u>	<u>27,066</u>
Total liabilities	<u>153,928</u>	<u>74</u>	<u>154,002</u>	<u>130,508</u>
<b><u>NET POSITION:</u></b>				
Net investment in capital assets	14,799	-	14,799	12,918
Restricted for specific programs	1,363,021	216,300	1,579,321	1,467,546
Unrestricted	3,569	-	3,569	3,944
Total net position	<u>\$1,381,389</u>	<u>216,300</u>	<u>1,597,689</u>	<u>1,484,408</u>

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, 2015

(with summarized comparative totals for March 31, 2014)

(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	\$684	11,252	6,344	4,117	3,838	2,986	1,237	2,322
Program expenditures	20,048	197,994	49,484	190,313	10,640	69,494	14,088	366
Investment related expenses	-	-	-	-	-	-	-	-
Other operating costs	142	2,646	1,444	1,537	827	781	275	682
Depreciation	17	272	153	100	93	72	30	56
NY State assessments	510	4,467	1,199	4,168	333	1,563	334	75
Interest	-	-	-	-	-	-	590	-
Payment to NY State	-	-	-	-	-	-	-	-
Total expenses	21,401	216,631	58,624	200,235	15,731	74,896	16,554	3,501
<b>REVENUES:</b>								
<i>Operating grants and contributions</i>								
State appropriations	-	-	-	-	14,043	1,276	-	3,447
System Benefits Charge	-	186,959	51,875	-	-	-	-	-
Renewable Portfolio Standard	-	-	-	291,448	-	-	-	-
Allowance proceeds	-	-	-	-	-	140,341	-	-
Third-party contributions	-	-	-	-	-	-	-	-
Third-party reimbursements	39	1,850	364	-	-	-	-	-
Federal grants	-	-	-	-	-	-	-	24
Interest subsidy	-	-	-	-	-	-	517	-
<i>Charges for services</i>								
Project repayments	-	-	-	-	408	-	-	-
Rentals from leases	-	-	-	-	-	-	-	-
Fees and other income	-	-	-	284	-	-	7	-
Loan interest	-	-	-	-	-	-	1,655	-
<i>Other</i>								
System Benefits Charge	-	-	-	-	-	-	-	-
Investment income	1,556	351	2,131	6,702	334	4,387	163	-
Total revenues	1,595	189,160	54,370	298,434	14,785	146,004	2,342	3,471
Net (Expense) Revenue and change in net position	(\$19,806)	(27,471)	(4,254)	98,199	(946)	71,108	(14,212)	(30)

Transfers

Change in net position  
 Net position-beginning of period  
 Net position-end of period

	Governmental Activities					Business-type Activities	March 31, 2015 Total	March 31, 2014 Total
Functions/Programs (cont'd)	West Valley	STEP	Utility Bond Financing	Other	Total	NY Green Bank		
<b>EXPENSES:</b>								
Salaries and benefits	1,900	171	35	5,371	40,257	2,497	42,754	42,876
Program expenditures	8,969	-	-	43,407	604,803	-	604,803	464,638
Investment related expenses	-	-	-	-	-	78	78	-
Other operating costs	531	278	7	1,221	10,371	880	11,251	7,938
Depreciation	55	284	1	131	1,264	60	1,324	2,086
NY State assessments	250	16	2	1,354	14,271	77	14,348	12,870
Interest	-	-	-	-	590	-	590	375
Payment to NY State	-	-	-	-	-	-	-	25,000
Total expenses	11,705	749	45	51,484	671,556	3,592	675,148	555,783
<b>REVENUES:</b>								
<i>Operating grants and contributions</i>								
State appropriations	9,171	-	-	469	28,406	-	28,406	33,330
System Benefits Charge	-	-	-	-	238,834	-	238,834	297,605
Renewable Portfolio Standard	-	-	-	-	291,448	-	291,448	253,344
Allowance proceeds	-	-	-	227	140,568	-	140,568	169,351
Third-party contributions	-	-	-	-	-	-	-	-
Third-party reimbursements	1,802	-	-	48,856	52,911	-	52,911	31,850
Federal grants	-	-	-	14,360	14,384	-	14,384	11,757
Interest subsidy	-	-	-	-	517	-	517	336
<i>Charges for services</i>								
Project repayments	-	-	-	-	408	-	408	998
Rentals from leases	-	176	-	1,262	1,438	-	1,438	1,208
Fees and other income	-	-	437	90	818	-	818	516
Loan interest	-	-	-	-	1,655	-	1,655	1,154
<i>Other</i>								
System Benefits Charge	-	-	-	-	-	-	-	90,000
Investment income	-	-	-	242	15,866	1,176	17,042	2,906
Total revenues	10,973	176	437	65,506	787,253	1,176	788,429	894,355
Net (Expense) Revenue and change in net position	(732)	(573)	392	14,022	115,697	(2,416)	113,281	338,572
Transfers					(500)	500	-	-
Change in net position					115,197	(1,916)	113,281	338,572
Net position-beginning of period					1,266,192	218,216	1,484,408	1,145,836
Net position-end of period					\$1,381,389	216,300	1,597,689	1,484,408

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY  
(A Component Unit of the State of New York)  
Balance Sheet - Governmental Funds  
March 31, 2015  
(with summarized comparative totals for March 31, 2014)  
(Amounts in thousands)

	Energy Efficiency Portfolio Standard	Technology & Market Development	Renewable Portfolio Standard	RGGI	Other	Total March 31, 2015	Total March 31, 2014
<b>ASSETS:</b>							
Cash and investments	\$115,967	199,174	514,707	281,356	291,263	1,402,467	1,205,669
Receivables:							
New York State	-	1,351	1,000	1,276	12,971	16,598	7,361
Third-party billings	6,405	669	-	-	4,287	11,361	124,339
Interest on loans	-	-	-	-	111	111	122
Loans	-	-	-	-	76,477	76,477	45,689
Prepaid expense	-	-	-	-	488	488	540
Other assets	-	-	-	-	12,898	12,898	-
Due from other funds	139	-	-	-	524	663	1,772
Total assets	<u>122,511</u>	<u>201,194</u>	<u>515,707</u>	<u>282,632</u>	<u>399,019</u>	<u>1,521,063</u>	<u>1,385,491</u>
<b>LIABILITIES AND FUND BALANCES:</b>							
Liabilities:							
Accounts payable	-	1,138	2,107	777	4,730	8,752	20,137
Con Edison payable	-	-	-	2,786	2,745	5,531	10,932
Accrued liabilities	21,836	5,515	22,217	4,645	20,242	74,455	65,496
Due to other funds	-	140	142	168	-	450	1,785
Unearned revenue	-	2,387	-	-	3,546	5,933	2,055
Total liabilities	<u>21,836</u>	<u>9,180</u>	<u>24,466</u>	<u>8,376</u>	<u>31,263</u>	<u>95,121</u>	<u>100,405</u>
Fund Balances:							
Nonspendable-not in spendable form	-	-	-	-	488	488	540
Restricted	100,675	192,014	491,241	274,256	364,226	1,422,412	1,282,718
Assigned	-	-	-	-	38	38	169
Unassigned	-	-	-	-	3,004	3,004	1,660
Total fund balances	<u>100,675</u>	<u>192,014</u>	<u>491,241</u>	<u>274,256</u>	<u>367,756</u>	<u>1,425,942</u>	<u>1,285,087</u>
Total liabilities and fund balances	<u>\$122,511</u>	<u>201,194</u>	<u>515,707</u>	<u>282,632</u>	<u>399,019</u>	<u>1,521,063</u>	<u>1,385,491</u>

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

Total fund balances	1,425,942	1,285,087
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	14,719	12,980
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(59,272)	(31,875)
Net position of governmental activities	<u>\$1,381,389</u>	<u>1,266,192</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, 2015  
(with summarized comparative totals for March 31, 2014)  
(Amounts in thousands)

	Energy Efficiency Portfolio Standard	Technology and Market Development Portfolio	Renewable Portfolio Standard	RGGI	Other Funds	Total March 31, 2015	Total March 31, 2014
<b>REVENUES:</b>							
State appropriations	\$ -	-	-	1,276	27,130	28,406	33,330
System Benefits Charge	186,959	51,875	-	-	-	238,834	297,605
Renewable Portfolio Standard Allowance proceeds	-	-	291,448	-	-	291,448	253,344
Third-party reimbursements	-	-	-	140,341	227	140,568	169,351
Third-party reimbursements	1,850	364	-	-	50,697	52,911	31,850
Federal grants	-	-	-	-	14,384	14,384	11,757
Interest subsidy	-	-	-	-	517	517	336
Project repayments	-	-	-	-	408	408	998
Rentals from leases	-	-	-	-	1,438	1,438	1,208
Fees and other income	-	-	284	-	534	818	516
Loan interest	-	-	-	-	1,655	1,655	1,154
Investment income	351	2,131	6,702	4,387	2,295	15,866	2,687
<b>Total revenue</b>	<b>189,160</b>	<b>54,370</b>	<b>298,434</b>	<b>146,004</b>	<b>99,285</b>	<b>787,253</b>	<b>804,136</b>

**EXPENDITURES:**

Current:

New York Energy Smart	-	-	-	-	21,391	21,391	44,769
Energy Efficiency Portfolio Standard	216,464	-	-	-	-	216,464	167,476
Technology and Market Development Portfolio	-	58,529	-	-	-	58,529	32,328
Renewable Portfolio Standard	-	-	200,173	-	-	200,173	148,862
Energy Research and Development	-	-	-	-	15,674	15,674	14,654
RGGI	-	-	-	74,852	-	74,852	76,504
GJGNY	-	-	-	-	15,946	15,946	14,712
Energy Analysis	-	-	-	-	3,467	3,467	3,815
West Valley	-	-	-	-	11,668	11,668	12,690
STEP	-	-	-	-	466	466	779
Utility Bond Financing	-	-	-	-	44	44	42
Other	-	-	-	-	51,405	51,405	34,018
Debt Service:							
Principal	-	-	-	-	2,195	2,195	-
Interest	-	-	-	-	588	588	375
Bond issuance costs	-	-	-	-	-	-	1,019
Capital outlay	841	474	308	223	1,190	3,036	2,164
<b>Total expenditures</b>	<b>217,305</b>	<b>59,003</b>	<b>200,481</b>	<b>75,075</b>	<b>124,034</b>	<b>675,898</b>	<b>554,207</b>

**OTHER FINANCING SOURCES (USES):**

Residential Energy Efficiency Financing Revenue Notes issued	-	-	-	-	30,000	30,000	24,300
Operating transfers, net	-	-	-	(5,227)	4,727	(500)	(128,527)
<b>Net change in fund balances</b>	<b>(28,145)</b>	<b>(4,633)</b>	<b>97,953</b>	<b>65,702</b>	<b>9,978</b>	<b>140,855</b>	<b>145,702</b>
<b>Fund balances, beginning of period</b>	<b>128,820</b>	<b>196,647</b>	<b>393,288</b>	<b>208,554</b>	<b>357,778</b>	<b>1,285,087</b>	<b>1,139,385</b>
<b>Fund balances, end of period</b>	<b>\$100,675</b>	<b>192,014</b>	<b>491,241</b>	<b>274,256</b>	<b>367,756</b>	<b>1,425,942</b>	<b>1,285,087</b>

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

Net change in fund balances	140,855	145,702
Capitalization and depreciation of capital outlays, rather than recording as an expenditure	1,739	97
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	391	(1,182)
Bonds proceeds are a current financial resource in the governmental funds, but are not reported as revenues in the Statement of Activities	(30,000)	(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	2,212	37

Change in net position of governmental activities	<b>\$115,197</b>	<b>120,356</b>
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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, 2015  
(with comparative totals for March 31, 2014)  
(Amounts in thousands)

	March 31, <u>2015</u>	March 31, <u>2014</u>
<b><u>ASSETS:</u></b>		
Current assets:		
Cash and investments	\$97,622	92,872
Third-party billings receivable	<u>-</u>	<u>11,212</u>
Total current assets	97,622	104,084
Non-current assets:		
Investments	<u>118,752</u>	<u>114,132</u>
Total non-current assets	<u>118,752</u>	<u>114,132</u>
Total assets	<u>216,374</u>	<u>218,216</u>
<b><u>LIABILITIES:</u></b>		
Current liabilities:		
Due to governmental activities	<u>74</u>	<u>-</u>
Total current liabilities	<u>74</u>	<u>-</u>
Total liabilities	<u>74</u>	<u>-</u>
<b><u>NET POSITION:</u></b>		
Net position restricted for specific programs	<u>\$216,300</u>	<u>218,216</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, 2015  
(with comparative totals for March 31, 2014)  
(Amounts in thousands)

	March 31, <u>2015</u>	March 31, <u>2014</u>
<b><u>OPERATING EXPENSES:</u></b>		
Salaries and benefits	\$2,497	427
Investment related expenses	78	-
Other operating costs	880	72
Depreciation	60	18
NY State assessments	<u>77</u>	<u>13</u>
Total operating expenses	<u>3,592</u>	<u>530</u>
<b><u>NON-OPERATING REVENUES:</u></b>		
Investment income	1,176	219
System Benefits Charge	<u>-</u>	<u>90,000</u>
Total non-operating revenues	1,176	90,219
Transfers	<u>500</u>	<u>128,527</u>
Change in net position	(1,916)	218,216
Net position, beginning of period	<u>218,216</u>	<u>-</u>
Net position, end of period	<u>\$216,300</u>	<u>218,216</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, 2015  
(with comparative totals for March 31, 2014)  
(Amounts in thousands)

	March 31, <u>2015</u>	March 31, <u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Payments to employees & employee benefit providers	(\$2,497)	(427)
Payments to suppliers	(958)	(72)
Payment for allocated depreciation	(60)	(18)
Payments to NYS	(77)	(13)
Advance from governmental activities	74	-
Net cash used in operating activities	<u>(3,518)</u>	<u>(530)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
System Benefits Charge	11,212	78,788
Transfers from other funds	500	128,527
Net cash provided by non-capital financing activities	<u>11,712</u>	<u>207,315</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(104,460)	(204,895)
Proceeds from sale of investments	94,282	-
Investment income	94	-
Net cash used in investing activities	<u>(10,084)</u>	<u>(204,895)</u>
<b>Net change in cash and cash equivalents:</b>	(1,890)	1,890
Cash and cash equivalents, beginning of period	<u>1,890</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ -</u>	<u>1,890</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	(\$3,592)	(530)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Advance from governmental activities	74	-
Net cash used in operating activities	<u>(3,518)</u>	<u>(530)</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, 2015 (except for Other Postemployment Benefits Trust Fund which is as of December 31, 2014)  
(Amounts in thousands)

	OPEB <u>Trust Fund</u>	<u>Agency Fund</u>
<b><u>ASSETS:</u></b>		
Cash and investments	\$33,992	\$32,310
LLRW assessment billings receivable	-	2,414
Total assets	<u>\$33,992</u>	<u>\$34,724</u>
<b><u>LIABILITIES:</u></b>		
Accrued expenses	\$4	\$ -
Payable to New York State	-	693
LLRW escrow funds	-	5,204
Perpetual care of nuclear waste	-	28,824
Federal Energy Regulatory Commissior	-	3
Total liabilities	<u>4</u>	<u>\$34,724</u>
<b><u>NET POSITION:</u></b>		
Held in trust for other postemployment benefits	<u>\$33,988</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, 2014  
(Amounts in thousands)

	OPEB <u>Trust Fund</u>
<b><u>ADDITIONS:</u></b>	
Employer contributions	\$3,569
Investment income:	
Dividend income	761
Realized gain on sale of investments	3,154
Net change in fair value of investments	<u>(1,798)</u>
Total investment income	2,117
Less investment management expenses	<u>(19)</u>
Net investment income	2,098
Total additions	<u>5,667</u>
 <b><u>DEDUCTIONS:</u></b>	
Benefits	778
Trustee management fees	5
Audit fees	<u>9</u>
Total deductions	<u>792</u>
Net change in net position	4,875
 <b>Net position</b>	
Net position-beginning of period	<u>29,113</u>
Net position-end of period	<u><u>\$33,988</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, 2015**

**(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). NYSERDA is included in the State's basic financial statements as a component unit. NYSERDA's major functions and programs are summarized below.

New York Energy \$mart<sup>SM</sup> program

Pursuant to Orders of the State Public Service Commission (Commission), NYSERDA 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. NYSERDA is authorized to administer committed program funds until fully expended. The program, named the New York Energy \$mart<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 Commission 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. NYSERDA is authorized to administer committed program funds until fully expended. In October 2011, the Commission 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 Commission 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 Commission adopted a policy of increasing the percentage of electricity used by retail consumers in New York State, that is derived from renewable resources to at least 30 percent by 2015. The Commission adopted a Renewable Portfolio Standard (RPS) that sets annual, incremental, renewable energy targets for the years 2006 through 2015; requires the use of financial incentives to encourage the development and operation of renewable generation facilities; and adopts a central procurement model to be administered by NYSERDA. 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

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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 \$112,000,000 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

NY Green Bank, a division of NYSERDA, is a state-sponsored, specialized financial entity working in partnership with the private sector to increase investments into New York's clean energy markets, creating a more efficient, reliable and sustainable energy system. NY Green Bank's 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 Commission, initial funding of \$165,600,000 was made available to the NY Green Bank. The funding consisted of \$3,500,000 in uncommitted NYSERDA Energy Efficiency Portfolio Standard I (EEPS 1) funds; \$22,100,000 in uncommitted NYSERDA System Benefits Charge (SBC) funds; \$50,000,000 in NYSERDA Renewable Portfolio Standard (RPS) funds; and \$90,000,000 in uncommitted utility EEPS I funds. In addition to the Commission Order, NYSERDA also contributed \$52,926,000 of its own Regional Greenhouse Gas Initiative (RGGI) revenues to the NY Green Bank for a total initial capitalization of \$219,026,000.

On October 30, 2014, NYSERDA filed a petition with the Commission to complete the capitalization of NY Green Bank, seeking an order authorizing the balance of the intended capitalization of NY Green Bank. The petition requests that the Commission authorize the remaining capitalization in four annual installments in June of each of 2015, 2016, 2017, and 2018. No decision regarding the Petition has been made by the Commission as of June 18, 2015.

**(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 U.S. generally accepted accounting principles (GAAP).

Fund balance classifications used in the Governmental Fund financial statements are as follows:

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

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

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

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

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

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

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).

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, 2014, 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

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straight-line method over the estimated useful life of the capital assets, which ranges 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) Unearned revenue**

Unearned revenue consists of funds received or receivable in advance of revenue recognition conditions having been met for the underlying exchange transactions.

**(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, 2015 consisted of \$13,977,000 in fees assessed by the State under Section 2975 of the Public Authorities Law (Governmental Cost Recovery System) for general governmental services, and \$371,000 paid to the State under a budget bill pursuant to Article VII of the New York State Constitution.

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

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

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Following is a summary of Restricted Net Position and related commitments as of March 31, 2015:  
(Amounts in thousands)

	Restricted Net Position	Committed Capital	Contractual Obligations less Accounts Payable & Accrued Expenses	Approved Investments	Pre- Contractual Obligations	Total Commitments
<u>Governmental Activities:</u>						
New York Energy Smart	\$138,073	-	54,320	-	8,618	62,938
Energy Efficiency Portfolio Standard Technology and Market Development Portfolio	100,536	-	274,789	-	211,620	486,409
Renewable Portfolio Standard	192,078	-	84,024	-	124,959	208,983
Energy Research and Development	491,383	-	988,287	-	206,133	1,194,420
RGGI	24,025	-	16,463	-	6,567	23,030
GJGNY	274,425	-	53,264	-	102,439	155,703
Energy Analysis	66,973	-	11,335	-	17,365	28,700
West Valley	584	-	61	-	40	101
Other	111	-	2,498	-	200	2,698
Total Governmental Activities:	<u>\$1,363,021</u>	<u>=</u>	<u>1,576,906</u>	<u>=</u>	<u>729,704</u>	<u>2,306,610</u>
<u>Business-type Activities:</u>						
NY Green Bank Investments	216,300	500	-	56,400	-	56,900
Operating expenses	=	=	281	=	3,081	3,362
Total Business-type Activities:	<u>\$216,300</u>	<u>500</u>	<u>281</u>	<u>56,400</u>	<u>3,081</u>	<u>60,262</u>

Committed Capital reflects investments NY Green Bank has legally executed, but where capital has not been deployed. Approved Investments reflects NY Green Bank investment transactions, which have been approved through its Investment Review Committee and where a commitment letter has been issued to its counterparty. Pre-contractual obligations 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 are scheduled to be funded from future collections and reimbursements (see note 11). Individually significant encumbrances exist in certain programs. The restricted fund balance of each program (see note 1 for program purpose restrictions), and in certain cases, future collections and reimbursements, is anticipated to fund the expenditure of these encumbrances.

**(i) 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 of 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.

Cash and Investments of the Other Post-Employment Benefits (OPEB) Trust (see note 12) are held with the Bank of New York Mellon Trust Company. All OPEB Trust investments are made consistent the investment policy statement based on target percentages established for each asset class.

The following schedule presents cash and investments as of March 31, 2015 (except for Other Postemployment Benefits within Fiduciary Funds, which is as of December 31, 2014).

	Fair Value <i>(in thousands)</i>	% of Total	Weighted Average Maturity <i>(months)</i>
<u>Governmental Funds</u>			
Cash and money market	\$84,876	6.1	n/a
Certificates of deposit	88	<0.1	5.5
U.S. Treasury Bills	62,797	4.5	4.9
U.S. Treasury Strips	<u>1,254,706</u>	<u>89.4</u>	<u>23.2</u>
Total	<u>\$1,402,467</u>	<u>100.0</u>	<u>22.3</u>
Current portion	<u>\$240,066</u>		
<u>Proprietary Funds</u>			
U.S. Treasury Bills	10,717	5.0	1.1
U.S. Treasury Strips	<u>205,657</u>	<u>95.0</u>	<u>15.4</u>
Total	<u>\$216,374</u>	<u>100.0</u>	<u>14.7</u>
Current Portion	<u>\$97,622</u>		
<u>Fiduciary Funds</u>			
Cash and money market	\$675	1.0	n/a
Mutual funds	10,079	15.2	n/a
Exchange traded funds	23,243	35.0	n/a
U.S. Treasury Bills	3,482	5.3	1.1
U.S. Treasury Strips	<u>28,823</u>	<u>43.5</u>	<u>4.6</u>
Total	<u>\$66,302</u>	<u>100.0</u>	<u>4.2</u>

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The following is a summary of cash and investments by funding source and related contractual commitments as of March 31, 2015 (excluding Fiduciary Funds):

<i>(Amounts in thousands)</i>						
<u>Governmental</u> <u>Activity/Funds:</u>	<u>Cash and</u> <u>Investments</u>	<u>Committed</u> <u>Capital</u>	<u>Contractual</u> <u>Obligations</u>	<u>Approved</u> <u>Investments</u>	<u>Pre-Contractual</u> <u>Obligations</u>	<u>Total</u> <u>Commitments</u>
Energy Efficiency Portfolio Standard	\$115,967	-	296,625	-	211,620	508,245
Technology and Market Development	199,174	-	90,677	-	124,959	215,636
Renewable Portfolio Standard	514,707	-	1,012,611	-	206,133	1,218,744
RGGI	281,356	-	58,686	-	102,439	161,125
NY Energy Smart Program	141,861	-	58,813	-	8,618	67,431
Other	<u>149,402</u>	<u>=</u>	<u>133,005</u>	<u>=</u>	<u>76,093</u>	<u>209,098</u>
Total Governmental Funds:	<u>\$1,402,467</u>	<u>=</u>	<u>1,650,417</u>	<u>=</u>	<u>729,862</u>	<u>2,380,279</u>
 <u>Business Type</u> <u>Activity/Proprietary</u> <u>Funds:</u>						
NY Green Bank						
Investments	216,374	500	-	56,400	-	56,900
Operating expenses	-	-	<u>281</u>	-	<u>3,081</u>	<u>3,362</u>
Total Proprietary Funds:	<u>\$216,374</u>	<u>500</u>	<u>281</u>	<u>56,400</u>	<u>3,081</u>	<u>60,262</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, 2015, 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

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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.

*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.

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, 2015, the amount due from New York State is \$16,598,000, which represents appropriation and grant receivables.

**(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, generally at 0% interest. As of March 31, 2015, 7,678 loans are outstanding and 99.9% of the loan portfolio value is current on payment requirements.

Loans receivable at March 31, 2015 include the following:

*(Amounts in thousands)*

	<u>Number of Loans</u>	<u>Loans Outstanding</u>
Residential Energy Efficiency	7,644	\$73,508
Small Business/Not-for-Profit	18	468
Multifamily Building	<u>16</u>	<u>2,501</u>
Total	<u>7,678</u>	<u>\$76,477</u>

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Loans receivable at March 31, 2015 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>
2016	\$5,235	79	381	5,695
2017	5,423	129	438	5,990
2018	5,374	70	438	5,882
2019	5,393	62	468	5,923
2020	5,359	40	294	5,693
2021-2025	25,936	86	468	26,490
2026-2030	20,679	2	14	20,695
2031	<u>109</u>	=	=	<u>109</u>
Total	<u>\$73,508</u>	<u>468</u>	<u>2,501</u>	<u>76,477</u>

**(6) OTHER ASSETS**

As of March 31, 2015 the Other Assets balance of \$12,898,000 represents the market value of the Upstate and Downstate New York State Strategic Gasoline Reserves which were established during the fiscal year ended March 31, 2015 to provide an emergency supply of finished motor gasoline in case of a significant disruption to petroleum fuels supply or distribution.

**(7) CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2015 was as follows:

*(Amounts in thousands)*

	Beginning <u>Balance</u>	<u>Additions</u>	Retirements/ <u>Reclassifications</u>	Ending <u>Balance</u>
Land	\$685	-	-	685
Land improvements	5,756	28	-	5,784
Buildings	8,982	-	-	8,982
Machinery and equipment	11,779	1,242	(1,020)	12,001
Leasehold improvements	<u>1,479</u>	<u>1,952</u>	<u>(505)</u>	<u>2,926</u>
	28,681	3,222	(1,525)	30,378
<u>Less accumulated depreciation for:</u>				
Land Improvements	(929)	(217)	-	(1,146)
Buildings	(4,222)	(275)	-	(4,497)
Machinery and equipment	(9,994)	(651)	985	(9,660)
Leasehold improvements	<u>(556)</u>	<u>(181)</u>	<u>505</u>	<u>(232)</u>
Capital assets, net	<u>\$12,980</u>	<u>1,898</u>	<u>(35)</u>	<u>14,843</u>

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**(8) LONG-TERM LIABILITIES**

Long-term liability activity for the year ended March 31, 2015 was as follows:

*(Amounts in thousands)*

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Amounts Due within <u>One Year</u>
Notes payable	\$62	30,000	(18)	30,044	1,152
Compensated absences	7,526	3,225	(3,643)	7,108	2,701
Bonds payable	24,300	-	(2,195)	22,105	2,080
Postemployment benefits (see note 12)	-	<u>2,915</u>	<u>(2,915)</u>	-	-
Long-term liabilities	<u>\$31,888</u>	<u>36,140</u>	<u>(8,771)</u>	<u>59,257</u>	<u>5,933</u>

In September 2014, NYSERDA issued \$30,000,000 in Residential Energy Efficiency Financing Revenue Notes (Series 2014) to the New York State Environmental Facilities Corporation, secured with a pledge of payments from residential energy efficiency loans issued under the Green Jobs-Green New York program with a final maturity date of September 30, 2017. The notes provide 0% interest on the first \$15,000,000 drawn under the note and carry an annual interest rate of .35% for the next \$15,000,000 drawn under the note. The notes require that NYSERDA maintain cash and future scheduled repayments in each bond year that are not less than 110% of annual debt service. 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.

Notes payable also 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 maturing July 1, 2028. 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. 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 has deposited with an escrow agent, The Bank of New York Mellon, approximately \$7.8 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 amount required to be deposited under the Collateral Reserve account is reduced pro-rata with principal payments on the bonds.

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As of March 31, 2015, future debt service requirements on the notes and bonds payable are:  
(Amounts in thousands)

Fiscal year ending <u>March 31,</u>	<u>Notes Payable</u>		<u>Bonds Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$1,152	42	2,080	578	4,468
2017	2,364	43	2,105	562	4,458
2018	26,528	24	1,930	535	29,017
2019	-	-	1,775	502	2,277
2020	-	-	1,755	464	2,219
2021-25	-	-	8,000	1,576	9,576
2026-29	=	=	<u>4,460</u>	<u>318</u>	<u>4,778</u>
Total	<u>\$30,044</u>	<u>109</u>	<u>22,105</u>	<u>4,535</u>	<u>56,793</u>

**(9) 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.

NYSERDA's contributions to the System, expressed in dollars and as a percentage of salary, for each of the years ended March 31, 2013 through March 31, 2015 were:

<u>March 31,</u>	<i>(Amounts in thousands)</i>	
	<u>Contributions</u>	<u>Contribution Rate</u>
2015	\$5,431	10.9%-27.7%
2014	4,947	11.4%-28.8%
2013	4,378	10.1%-25.4%

NYSERDA made 100% of the required contributions 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

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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 5.75% and 6% of gross earnings, dependent upon their salary, for their entire working career; NYSERDA contributes 8%.

Eleven employees have vested in the VDC as of March 31, 2015. NYSERDA's contribution to the VDC, expressed in dollars and as a percentage of salary, for the year ended March 31, 2015 was:

<u>March 31,</u>	<i>(Amounts in thousands)</i>	<u>Contribution Rate</u>
2015	\$146	8%

**(10) 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, 2015, rental expense for all office facilities was approximately \$1,059,000.

The following is a schedule by year of future minimum rental payments for NYSERDA's office space as of March 31, 2015:

<u>March 31,</u>	<i>(Amounts in thousands)</i>
Fiscal year ending	
2016	\$1,498
2017	1,363
2018	1,341
2019	1,102
2020	941
Thereafter	<u>7,314</u>
Total	<u>\$13,559</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 \$1,000,000 for the fiscal years ending March 31, 2016-2017.

**(11) 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), which is solely owned and managed by NYSERDA, 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

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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 between \$60 million and \$65 million, and the proposed budget for FFY 2016 is \$61.1 million. Federal 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 in the 2020 timeframe, will address the remaining facilities, subject to the parties' discretion, including the High-Level Waste Tanks, the SDA, the NRC-Licensed Disposal Area, and the main body of a plume of contaminated groundwater. Total estimated 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 (GASB) 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, 2015 or 2014 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, 2015, NYSERDA paid, from the agency fund, a total of \$2,808,000 to reimburse the State for such costs pursuant to Public Authorities Law Section 1854-d(2)(a).

(c) Bond Financing Program

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

The bonds and notes issued bear the name of NYSERDA and the participating company. NYSERDA assigns most of its rights and obligations to a trustee who is responsible for, among other things, disbursing bond and note proceeds and handling principal and interest payments. As of March 31, 2015, all participating companies were current in their debt service payments for these bonds and notes, the principal of which totaled approximately \$3,358,540,000.

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(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 Commission, 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 \$1,693,677,000 over the remaining 10 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, 2015, NYSERDA has outstanding contractual obligations totaling approximately \$1,012,611,000 payable at varying dates upon successful operation of the renewable generation facilities, which are scheduled to be funded in part from RPS surcharge collections to be received in the future pursuant to Order of the Commission.

(f) Energy Efficiency Portfolio Standard

Pursuant to Orders of the Commission, 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 \$678,600,000 over the remaining four 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, 2015, NYSERDA has outstanding contractual obligations totaling approximately \$296,625,000 payable at varying dates, which are scheduled to be funded in part from SBC surcharge collections to be received in the future pursuant to Orders of the Commission.

(g) Regional Greenhouse Gas Initiative

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

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NYSERDA has paid Con Edison approximately \$17,996,000 to date related to this settlement. The remaining obligation, as recorded in the financial statements under Con Edison payable at March 31, 2015 of \$2,786,000, represents all estimated remaining payments due to Con Edison.

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

The terms of the Orders for these programs require NYSERDA to return to Con Edison any monies no longer committed, until such time as all retained funds are fully expended. As of March 31, 2015, retained funds subject to possible refund, not including the amount already recorded in the financial statements as Con Edison payable at that date, are \$1,651,000 and \$166,000, 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.

**(12) POSTEMPLOYMENT HEALTHCARE BENEFITS**

The New York Civil Service Law, Section 163(2) provides for health insurance coverage for retired employees of New York State, including their spouses and dependent children. The law extends to public benefit corporations. NYSERDA maintains a single-employer defined benefit plan (the "Plan"), providing this benefit to eligible retirees and/or their spouses and dependent children. Eligibility is determined by membership in the New York State and Local Employees' Retirement System, enrollment in the New York State Health Insurance Program at the time of retirement, and the completion of a minimum number of years of service as required by the employee's membership tier in the retirement system. The Plan provides that retired employees pay the same percentage share of the health insurance premiums as that charged for active State management confidential employees. Plan members generally contribute 16% of the premium for individual coverage and 31% of the incremental premium for family coverage. NYSERDA is billed by the New York State Department of Civil Service monthly for pay-as-you-go funding requirements; however, payments are made from an irrevocable OPEB Trust account established in March 2010. The purpose of the OPEB Trust is for the accumulation of funds to pay future benefit costs. The Trust's funds are held by a third-party trustee. The Trust is managed by a five-member Plan Administrator, consisting of NYSERDA officers, in consultation with the Chair of the Audit and Finance Committee or his or her designee. As of March 31, 2015, the Authority has contributed \$28.2 million to the OPEB Trust to fully fund the actuarially determined accumulated OPEB obligation as calculated under the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. As of March 31, 2015, the fair value of the OPEB Trust investments totals \$34,752,000.

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

NYSERDA's annual other postemployment benefit (OPEB) expense for the year ended March 31, 2015 is calculated based on the annual required contribution (ARC) of NYSERDA. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities over 30 years.

The following table summarizes NYSERDA's annual OPEB expense for the year ended March 31, 2015, the amount contributed to the Plan, and changes in NYSERDA's OPEB obligation:

*(Amounts in thousands)*

Annual required contribution	
Normal cost	\$2,192
Amortization of unfunded actuarial accrued liability	<u>723</u>
Total annual OPEB cost	2,915
Contributions made	<u>(2,915)</u>
Change in net OPEB obligation	-
Net OPEB obligation- beginning of year	<u>-</u>
Net OPEB obligation- end of year	<u>\$ -</u>

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NYSERDA's annual OPEB cost amounted to \$2,915,000; \$3,569,000; and \$3,632,000 for the years ended March 31, 2015; 2014; and 2013, 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.

A Schedule of Funding Progress for the Plan is included as unaudited Required Supplementary Information following the Notes to Basic Financial Statements.

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 6.6 and 6.5% for the two plans with the highest enrollment were assumed initially, reduced to an ultimate rate of 5.1% for both plans after 54 years.

*Health insurance premiums* – A Blend of actual 2014 and projected 2015 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 2015, 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.

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, 2015 was 22 years.

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As of March 31, 2015, there were 79 retirees and dependent survivors actively receiving benefits and 301 active plan members.

The plan also provides that the dollar value, subject to certain limitations, of members' 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.

**(13) 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 represents \$5,227,000 in RGGI proceeds transferred to the GJGNY residential energy efficiency financing program, and \$500,000 in federal grant funds transferred to the NY Green Bank to provide a letter of credit to support Energy Improvement Corporation's Energize NY commercial property assessed clean energy financing program.

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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>
4/1/2014	3/31/2015	*	*	*	*	*	*
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.