

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

Minutes of the 183rd Meeting

Held on September 19, 2005

Pursuant to notice dated September 9, 2005, the Regular Meeting (the 183rd meeting) of the New York State Energy Research and Development Authority ("Authority") was convened on September 19, 2005, at 11:00 a.m. in the Authority's New York Office at 485 Seventh Avenue, 10th floor, New York, New York, and by video conference in the Authority's Albany Office at 17 Columbia Circle, Albany, New York.

The following Members of the Authority were present in New York City, unless otherwise indicated:

Vincent A. DeIorio, Esq., Chair
George F. Akel, Jr. (by video conference from Albany)
Robert B. Catell
Denise M. Sheehan (by video conference from Albany)
William F. Edwards (by video conference from Albany)
Jay L. Gottlieb
Thomas J. Marusak (by video conference from Albany)
Parker D. Mathusa
Elizabeth W. Thorndike, Ph. D.

Members Madison, Seymour, and Flynn did not attend.

Also present were Peter R. Smith, President; Robert G. Callender, Vice President for Programs; Wendy M. Shave, Vice President for Administration and Secretary; Jeffrey J. Pitkin, Treasurer; Roger D. Avent, Esq., General Counsel; and Cheryl L. Earley, Director of Contract Management. In addition, Joseph Osinski from the New York Power Authority; Bruce Van Dusen, Esq., and Thorne Clark, Esq., from Hawkins Delafield & Wood, LLP; and various members of the staff of the Authority were in attendance.

The Chair called the meeting to order and noted the presence of a quorum. He stated that the meeting notice and agenda were mailed to the Members and press on September 9, 2005. He directed that a copy of the notice be annexed to the minutes of the meeting.

Before beginning the formal agenda, the Chair congratulated Member Denise Sheehan who was recently nominated to the position of Commissioner of the New York State Department of Environmental Conservation by Governor Pataki.

The Chair also announced that Joseph Seymour, was recently appointed Chairman of the New York Power Authority ("NYPA") and is the Authority's newest Member. Mr. Seymour previously served as an Authority Member in 2000 and 2001 while he was formerly Chairman and the Chief Executive Director of NYPA. Most recently, he served as the Executive Director of the Port Authority of New York and New Jersey. The Chair said that the Authority looks forward to renewing its relationship with Mr. Seymour.

Mr. DeIorio then reported that Thomas Madison was recently nominated to the position of Commissioner of the New York State Department of Transportation by Governor Pataki. Mr. Madison previously served as the Governor's Deputy Secretary of Transportation and has served in several capacities in the Executive Chamber. Mr. Madison was unable to attend the meeting, but the Chair said, he looked forward to Mr. Madison's participation in future meetings.

Lastly, Mr. DeIorio announced that Mr. Carey resigned as a Member of the Authority effective September 15, 2005. The Chair said that the Authority will miss Mr. Carey and his counsel and that the Authority will memorialize its appreciation for Mr. Carey's past service at the next meeting.

Mr. DeIorio then called upon Authority President Peter R. Smith to make a few introductory remarks. President Smith updated the Members on the possible extension of the systems benefits charge ("SBC") program, which is currently scheduled to expire on June 30, 2006. On August 30, 2005, the Public Service Commission ("PSC") issued a staff proposal for the extension of the SBC-funded program, seeking written comments of interested parties through October 17, 2005. The staff proposal recommends that the SBC-funded program be extended for another 5 years. Additionally, the staff proposal recommends that the annual funding remain at its present level of \$150 million annually and that some of the funds be retained by certain utilities to fund remaining demand-side bidding contracts and obligations averaging about \$1.8 million per year. This would leave an average of about \$148.2 million per year to be administered by the Authority, which is a slight increase over the approximately \$144.2 million per year provided through the current PSC Order.

The staff proposal does not advocate major changes to the scope and objectives of the Authority's program portfolio, and recommends spending priorities at levels generally consistent with

the existing program. The staff proposal also recommends that the Authority conduct a review of its entire program portfolio.

Moreover, the staff proposal recommends that a limited amount of SBC funds be used for transmission and distribution (“T&D”) research, demonstration, and development (“RD&D”); that it be coordinated with related utility programs; and that a more streamlined evaluation and reporting process be used in connection with the program’s extension. Lastly, while PSC staff considered the expansion of the SBC program to provide services to New York’s natural gas customers, they are recommending that the determination be made after completion of an on-going study which is looking at the potential for a Statewide gas energy efficiency program.

In response to an inquiry by Mr. DeIorio, President Smith indicated that the Authority had developed an internal “vision paper”, compiled by Authority program staff, which was shared with the members of the SBC Advisory Group. This paper was also sent to the PSC. The Authority hopes that there will be a seamless transition from SBC2 to SBC3 on June 30, 2006.

In response to an inquiry from Mr. Mathusa, a general discussion ensued on the Program Planning Committee’s role in the SBC program implementation process and budget. The points made were that the PSC Order would likely establish maximum funding amounts; that the Authority Members, through the budgetary and program planning processes, will be involved in allocating funds among specific SBC program areas; that the PSC proceeding has an active and diverse list of persons involved in the proceeding; and that since the PSC process is an administrative proceeding, there are time limits governing the submittal of comments, but that Authority staff has been actively involved in following the proceeding; that following the PSC proceeding, the Authority will prepare a detailed plan, which will be made available to the Members; and that, as the administrator of the SBC program, it may be advisable for the Authority to refrain from taking any position on the staff proposal at this time, but that Authority program and other staff are still reviewing the staff proposal and have not made a final decision on whether to submit comments. Mr. DeIorio added at the end of the discussion that both President Smith and Authority staff continually update him on the progress of the PSC proceeding and seek his input in defining the Authority’s participation within the process.

The Chair then called the first agenda item, which is a report from the Program Planning Committee (“PPC”), concerning their review of the Authority’s proposed 2006-07 budget (“Budget”). Parker Mathusa, Chair of the PPC, said that at the June 2005 meeting, Mr. Catell had expressed

interest in an analysis of the status of various alternative fuel technologies for motor vehicles. Following the June 2005 meeting, Authority staff began looking at the various technologies and fuels and is drafting an assessment that will describe each technology and will discuss the status of development and deployment, obstacles to future advancement, advantages and disadvantages, current Federal and New York State programs, and a comparative cost analysis of the technologies. The assessment will also highlight past and current Authority programs and accomplishments in this area as well as recent policy developments such as the renewable fuel requirements found in the Energy Policy Act of 2005. The assessment is expected to be provided to the PPC at its January 2006 meeting.

The PPC also discussed the need for the Authority to assess the future role of RD&D and the issues affecting the electric system, such as the Regional Greenhouse Gas Initiative (“RGGI”), and the increasing difficulty of installing both new electric transmission lines and new gas distribution lines.

In response to a PPC discussion on the Renewable Portfolio Standard (“RPS”) program, staff will prepare for the PPC a brief summary explaining how the RPS program works. This summary sheet will also be placed on the Authority’s website.

With respect to the Budget, the revenues are estimated at roughly \$254 million, a slight decrease from the fiscal year 2005-2006 budget revenues of roughly \$264 million. The decrease is primarily due to reductions in amounts budgeted for the Authority’s administration of demand reduction programs funded by the Consolidated Edison Company of New York, Inc. Rate Settlement. The decrease is partially offset by increased funding for the RPS.

The Budget continues to hold the line on controllable administrative costs and keeps staffing levels relatively constant. The Authority continues to exercise fiscal responsibility in delivering its programs in an effective and efficient manner.

Mr. Pitkin provided a detailed presentation of the Budget at the PPC meeting, including an explanation of the underlying assumptions for each program area. Those details are contained in the meeting packet.

Based upon the reports and discussions, the PPC voted unanimously to recommend that the Members approve the proposed budget for the programs within its areas of responsibility.

The Chair then asked Dr. Elizabeth Thorndike, Chair of the Waste and Facilities Management Committee (“W&FMC”), to report on the review of the proposed Budget by the W&FMC with respect to areas within W&FMC’s responsibility. Dr. Thorndike reported that the W&FMC reviewed the proposed Budget for the West Valley Program, including the West Valley Demonstration Project (“Project”) and non-Project activities at West Valley, and the Radioactive Waste Policy and Nuclear Coordination Program. Funding for the West Valley Program increased to \$14 million, an increase of \$2.65 million over last year’s budget. The majority of the Budget increase is for additional funding to meet the State’s 10% share of Project costs. A total of \$4.25 million is budgeted for monitoring and management activities at the State-licensed disposal area (“SDA”) and for other non-Project expenditures. This is a \$350,000 increase over last year’s budget, primarily due to anticipated increases in costs for environmental laboratory support and waste disposal. Included in the Budget is \$1 million to cover outside counsel support costs for ongoing regulatory, legislative, and litigation preparatory activities. For the Radioactive Waste Policy and Nuclear Coordination Program, proposed funding is about the same as the previous three fiscal years.

The W&FMC unanimously recommends that the Members approve the West Valley Program and the Radioactive Waste Policy and Nuclear Coordination Program portions of the Budget.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, the following resolution was adopted.

Resolution No. 1092

RESOLVED, that the proposed fiscal year 2006-07 operating budget submitted to the Members for consideration at this meeting, with such non-material, editorial changes and supplementary schedules as the Chair, in his discretion, may deem necessary or appropriate, be and it hereby is approved for submission, as appropriate, to the persons designated in Sections 1867(4) and 2801 of the Public Authorities Law.

The Chair then asked Dr. Thorndike to report on the remainder of the W&FMC meeting. Dr. Thorndike explained that President Smith advised the W&FMC that the West Valley legislation drafted by Authority staff (“draft Bill”), with input from the Citizen Task Force, was introduced in the United States House of Representatives on June 29, 2005, with Representative Kuhl as the sponsor and Representatives Tom Reynolds, Sherwood Boehlert, and Brian Higgins as cosponsors. The draft Bill was referred to the United State House of Representative’s Committee on Energy and Commerce and then to the Subcommittee on Energy and Air Quality.

As to potential litigation, Authority staff is currently reviewing a first draft of a complaint against the United States government concerning responsibilities for the cleanup at West Valley. Staff is concurrently working to set up a meeting with the Secretary of the United States Department of Energy (“DOE”) to determine whether there has been any change in DOE’s willingness to negotiate on the key West Valley issues.

The Authority’s West Valley staff has relocated to the Ashford office complex, as have some DOE and West Valley Nuclear Services Company (“WVNCo”) employees.

WVNCo’s workforce has declined by 126 workers since December 2004, and they are progressing with the removal of trailers from the site. WVNCo has completed the removal of all of the equipment from the vitrification cell. The high level radioactive waste (“HLRW”) continues to be processed through the remote-handled waste processing facility. WVNCo is also active in characterizing, packaging, and shipping low-level radioactive waste (“LLRW”) for off-site disposal.

The Project scope of work for 2006 will include, among other activities, resuming decontamination in the process building, performing additional cleaning in the interior of the HLRW tanks, and conducting additional characterization of the interior of the HLRW tanks for hazardous constituents. In addition, DOE has provided the Authority with a “Site Utilization Management Plan,” which describes three different “end state” phases for the future of the Project.

First, DOE plans to achieve an Interim End State by 2010. DOE has described the objective for this end state as doing as much cleanup as they believe they are authorized to do consistent with the West Valley Development Project Act, except for the HLRW tanks, process building, HLRW canisters, and lagoons, which are to be cleaned up later. DOE is planning to issue a solicitation for work during the period 2007 through 2010.

Under the second phase, the Environmental Management Completion End State, DOE would move forward with decommissioning the HLRW tanks and Project-supporting facilities in accordance with the Decommissioning Environmental Impact Statement Record of Decision, which it plans to publish in 2008. The HLRW canisters would be maintained in the process building awaiting transport to a federal repository. DOE still expects payment of the HLRW disposal fee before the canisters will be shipped.

Under the third phase, the Project Completion End State, after the HLRW canisters have been

shipped off-site for disposal, DOE activities would include demolishing and removing any other interim-storage support facilities and transitioning the site back to New York State. DOE has not advised the Authority of any budget plan or schedule for this phase.

Not included in the Site Utilization Management Plan is any additional cleanup of the ground water plume associated with the nuclear disposal area ("NDA"). Mr. Swailes, project manager for DOE, has stated that DOE may approach the New York State Department of Environmental Conservation ("DEC") for permission to put a cover system over the NDA as an interim measure.

DOE contractors have completed a preliminary draft of the Environmental Impact Statement ("draft EIS"), which is under review by DOE headquarters. DOE distributed the 1200 page document along with supporting documents to the Authority, the regulatory agencies, and other interested parties for comments. DOE is planning to issue the draft EIS in early 2007 to allow for a 6 month public review period. As part of this process, Authority staff is moving forward with assembling a Peer Review Group, a panel of nationally known technical experts, that will be asked to review the performance assessments contained in the draft EIS. A request for qualifications was issued by the Authority and the responses are currently being reviewed.

Authority staff continues to work on the environmental monitoring and maintenance at the SDA. There have been no unexpected results.

At the PPC meeting, Jack Spath, Energy Analysis Program Manager, provided a status report on Radioactive Waste Policy and Nuclear Coordination Program activities. Based on reports from 237 facilities, 750,000 cubic feet of LLRW, including a total of 940 curies, were shipped to out-of-state disposal facilities during 2004.

With respect to Nuclear Coordination Program Activities, staff is engaged in reviewing a variety of federal initiatives aimed at increasing security at nuclear power plants across the nation. Dr. Thorndike concluded her report by stating that implementation of those measures is likely to result in additional workload for New York agencies with oversight responsibilities and for the Authority as part of its coordination role.

The Chair said that the next item concerns the reappointment of Mr. Catell to the PPC. Mr. Delorio stated that Mr. Catell performs a great service as an active member of the PPC. His knowledge, advice, and expertise on the direction of the Authority's programs are very much

appreciated. Mr. DeIorio reported that he had spoken with Mr. Catell, and Mr. Catell was willing to continue to serve.

Whereafter, upon motion duly made and seconded, and by voice vote of the Members present, Mr. Catell was reappointed to the PPC for a three-year term, expiring September 19, 2008.

President Smith congratulated Mr. Catell on his reappointment. President Smith also thanked him for serving as the keynote speaker at the National Association of State Energy Officials (“NASEO”) Annual Meeting, indicating that Mr. Catell’s remarks were well received.

The Chair said that the next item was a report from the Audit and Finance Committee (“A&FC”). The Chair said he would begin the report since Mr. Catell, Chair of the A&FC, had been delayed and unable to attend the first part of the meeting. The first agenda item considered by the A&FC concerns two refundings on behalf The Brooklyn Union Gas Company, which is currently doing business as KeySpan Energy Delivery New York (“KeySpan”). KeySpan has requested adoption of two implementing resolutions in the total amount of up to \$137,000,000 to refund three series of bonds previously issued by the Authority in 1989 and 1990. Proceeds from the bonds were used to finance facilities for the local furnishing of gas within The City of New York. The 1989 bonds, in the outstanding principal amount of \$82,000,000, currently bear a fixed interest rate of 6.75%. They are currently callable at 100 ½%. The proposed 1989 refunding bonds would be issued at a fixed interest rate. The 1990 bonds, in the outstanding principal amount of \$55,000,000, currently bear a fixed interest rate of 5.60%. These bonds are currently callable at 101%. The proposed 1990 refunding bonds would be issued as multi-modal bonds and are initially expected to bear interest at an auction rate.

Based on current fixed interest rates, the 1989 refunding is estimated to save up to \$16.7 million in interest cost savings on a present value basis over the term of the refunding bonds. Based on historical auction interest rates, the 1990 refunding is estimated to save up to \$8.6 million in interest cost savings on a present value basis over the term of the refunding bonds. Interest savings from the refunding bonds will accrue to the benefit of KeySpan’s ratepayers in accordance with PSC rate making procedures.

The Audit and Finance Committee unanimously recommends approval of the resolutions.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the

Members present, the following resolutions were adopted.

Resolution No. 1093

WHEREAS, pursuant to special act of the Legislature of the State of New York (Title 9 of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the "Act"), the New York State Energy Research and Development Authority (the "Authority") has been established as a body corporate and politic, constituting a public benefit corporation; and

WHEREAS, pursuant to the Act, the Authority is empowered to contract with any power or gas company to participate in the construction of facilities to be used for the furnishing of electric energy or gas to the extent required by the public interest in development, health, recreation, safety, conservation of natural resources, and aesthetics; and

WHEREAS, pursuant to the Act, the Authority is also empowered to extend credit and make loans from bond proceeds to any person for the construction, acquisition, installation of, or for the reimbursement to any person for costs in connection with, any special energy project, including, but not limited to, any land, works, system, building, or other improvement, and all real and personal properties of any nature or any interest in any of them which are suitable for or related to the furnishing, generation, production, transmission, or distribution of energy or energy resources; and

WHEREAS, the Authority is also authorized under the Act to borrow money and issue its negotiable bonds and notes to provide sufficient moneys for achieving its corporate purposes, including the refunding of outstanding obligations of the Authority; and

WHEREAS, The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York, a public utility corporation doing business in the State of New York (the "Corporation") has requested that the Authority participate in the refunding of the Authority's Gas Facilities Revenue Bonds, Series 1989A (The Brooklyn Union Gas Company Project), and Gas Facilities Revenue Bonds, Series 1989B (The Brooklyn Union Gas Company Project); (collectively, the "Prior Bonds"), which were issued to finance a portion of the costs of the acquisition, construction, and installation of certain facilities for the furnishing of gas within the Corporation's service area (the "Project"), \$82,000,000 of which are currently outstanding; and

WHEREAS, the Corporation has requested that the Authority issue its bonds in one or more series in an aggregate principal amount not to exceed \$82,000,000 to be designated "Gas Facilities Revenue Bonds, Series 2005 A (The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York Project)" (the "Bonds") and with such additional designations as may be set forth in the Indenture (hereinafter defined) for the purpose of refunding the Prior Bonds; and

WHEREAS, the Bonds are to be issued pursuant to an Indenture of Trust between the Authority and Citibank, N.A., as trustee (Citibank, N.A. as trustee, or any successor trustee under such Indenture of Trust, hereinafter referred to as the "Trustee") (the "Indenture"), a copy of the draft form of which has been set before this meeting; and

WHEREAS, the Corporation will arrange for the delivery by Financial Guaranty

Insurance Company (the "Bond Insurer") of a municipal bond insurance policy insuring the timely payment of principal and interest on the Bonds (each hereinafter referred to as a "Municipal Bond Insurance Policy"); and

WHEREAS, the proceeds of the Bonds are expected to be advanced to the Corporation pursuant to a Participation Agreement between the Authority and the Corporation (the "Participation Agreement"), a copy of the draft form of which has been set before this meeting; and

WHEREAS, at the request of the Corporation, Morgan Stanley & Co. Incorporated, BNY Capital Markets, Inc., The Williams Capital Group, L.P., and Sovereign Securities Corporation, LLC, acting on behalf of themselves or as representatives of several underwriters (the "Underwriters"), pursuant to the terms of a Bond Purchase Agreement among the Authority, the Corporation, and the Underwriters (the "Purchase Contract"), propose to purchase the Bonds from the Authority and offer the Bonds to the public pursuant to the terms of such Purchase Contract, in substantially the form which has been set before this meeting; and

WHEREAS, it is expected that the Bonds will be offered by the Underwriters pursuant to a preliminary official statement relating thereto (each hereinafter referred to as a "Preliminary Official Statement"), in substantially the form of the related draft preliminary official statement set before this meeting and one or more final official statements (each being hereinafter referred to as an "Official Statement") to be approved by an Authorized Officer (hereinafter referred to) of the Authority;

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY AS FOLLOWS:

Section 1. The Authority hereby determines that the facilities comprising the Project constitute facilities which the Authority is authorized to finance by the issuance of Bonds and that the Authority's participation in the refunding of the Prior Bonds is in the public interest. In making such determination, the Authority makes no finding as to adequacy or appropriateness of the Project for the purposes for which they have been constructed or as to compliance of the Project or such facilities with statutes or regulations other than the Act.

Section 2. The offering, issuance, sale, and delivery of the Bonds upon the terms and conditions and for the purposes described in the Indenture, the Participation Agreement, and this resolution are hereby authorized. The Bonds shall be issued in one or more series in an aggregate principal amount not to exceed \$82,000,000, and shall bear interest at a rate initially determined by the Chair, the Vice Chair, the President, the Vice President, the Treasurer, or the Secretary of the Authority (collectively, the "Authorized Representatives") and thereafter determined from time to time in the manner described in the Indenture. The Bonds shall bear interest at a rate not to exceed five and one-half per centum (5.5%) per annum. The Bonds shall mature not later than February 1, 2024. The Bonds shall be dated, have a final maturity, have the designation or designations, be subject to redemption, be subject to mandatory purchase, be payable as to principal, premium, if any, and interest, and have such other provisions all as set forth in the Indenture. The form of the Bonds and all other provisions with respect thereto shall be as set forth in the Indenture or determined in the manner set forth therein. No Bonds shall be issued pursuant to this resolution after September 30, 2006.

Section 3. Subject to the limitations set forth in Section 2 hereof, the Authorized

Representatives are hereby authorized to determine on behalf of the Authority with respect to the Bonds: the aggregate principal amount, the initial interest rate the Bonds shall bear, and the particular redemption and purchase provisions of the Bonds. Any such determination shall be conclusively evidenced by the execution and delivery by an Authorized Representative of an indenture or other document setting forth such determination.

Section 4. The form and substance of the draft Indenture and the draft Participation Agreement presented to this meeting, and made part of this resolution as though set forth in full herein, are hereby approved. The Authorized Representatives are each hereby authorized to execute, acknowledge, and deliver the Indenture and the Participation Agreement, each with such amendments, supplements, changes, insertions, and omissions to or from the draft forms submitted to this meeting as may be approved by such Authorized Representative. Any Authorized Representative, the Assistant Treasurer, and the Assistant Secretary of the Authority are each hereby authorized to affix the seal of the Authority on such documents and attest the same.

Section 5. The form and substance of each draft Purchase Contract presented to this meeting are hereby approved. The Authorized Representatives of the Authority are each hereby authorized to determine the purchase price of the Bonds and are further authorized to execute, acknowledge, and deliver the Purchase Contract in substantially the form of the purchase agreements presented to this meeting with such amendments, supplements, changes, insertions, and omissions as may be approved by any such Authorized Representative, including, but not limited to, changes necessary to reflect any determination or approval required or authorized by this Section. The purchase price to the Underwriters of the Bonds shall not be less than 97% of the principal thereof. In no event shall the compensation paid to the Underwrites in connection with the initial offering of the Bonds exceed 1% of the principal amount thereof whether such compensation is paid directly by the Corporation or in the form of discount to the Underwriters.

Section 6. The Bonds shall be executed in the manner and upon the terms and conditions provided in the Indenture and shall be delivered to the Trustee for proper authentication and delivery at the direction of the Underwriters, upon instructions to that effect. Pursuant to the request of the Corporation, Citibank, N.A. is hereby designated Trustee and Registrar and Paying Agent for the Bonds. In the event that Citibank, N.A. shall resign as Trustee or Registrar and Paying Agent, or otherwise be unable to act as Trustee, the Authorized Representatives of the Authority are each authorized to designate a successor to act in such capacity. The Bonds shall be executed in the manner and upon the terms and conditions provided in the Indenture and shall be delivered to the Trustee for proper authentication and delivery to the Underwriters, upon instructions to that effect.

Section 7. The form and substance of the draft Preliminary Official Statements presented to this meeting are hereby approved and the Authority approves the use in accordance with the applicable legal requirements of preliminary official statements and official statements in connection with the offering and sale of the Bonds by the Underwriters, with such amendments, supplements, changes, insertions, and omissions to or from the draft form of the Preliminary Official Statement presented to this meeting as may be approved by an Authorized Representative including, but not limited to, changes necessary to reflect any determination made pursuant to the provision of Sections 2, 3, 4, or 5 hereof. Any Authorized Representative of the Authority is hereby authorized and directed to execute one or more Preliminary Official Statements and final Official Statements in the form approved pursuant to the preceding sentence, in the name and on behalf of the Authority, and thereupon cause such Preliminary Official Statement and final Official Statement to be delivered to the related

Underwriters. Any such approval shall be conclusively evidenced by such Authorized Representative's execution and delivery thereof. The foregoing approvals of the draft form of Preliminary Official Statements presented to this meeting shall not be deemed to constitute an acknowledgment by the Authority of any responsibility for information contained therein or in any subsequent preliminary or final Official Statement which has been furnished by the Corporation, the provider of any liquidity or support facility, the Underwriters, The Depository Trust Company, or any other party.

Section 8. Citibank, N.A. is hereby designated as Registrar and Paying Agent for the Bonds. In the event that any such entity shall resign, or the Corporation shall request the removal of any such entity, from any of its respective capacities or any such entity shall otherwise be unable to act in any of such capacities, the Authorized Representatives of the Authority are each authorized to designate a successor or successors to act as Registrar and Paying Agent. All capitalized terms used in this Section 8 which are not otherwise defined have the meaning given to such terms in the Indenture.

Section 9. The Authorized Representatives are each hereby authorized to qualify the Bonds, or such portion thereof as the Corporation, any remarketing agent, or the Underwriters may request, for offering and sale under the securities or Blue Sky Laws of any jurisdictions, provided that the Authority shall not be required to consent to local service of process in any jurisdiction. The Authorized Representatives are each hereby authorized to perform on behalf of the Authority in cooperation with the Underwriters any and all such acts as they may determine to be necessary or desirable in order to comply with the applicable laws of any states and in connection therewith to execute and file all appropriate papers and documents, including, but not limited to, applications and reports, the execution by an Authorized Representative of any such paper or document or the doing by such Authorized Representative of any such act to establish conclusively such Authorized Representative's authority therefor.

Section 10. The Authorized Representatives of the Authority, upon receipt of a request or direction from an Authorized Corporate Representative (as defined in the Indenture) in accordance with the provisions of the Indenture, are hereby authorized to approve, execute, and deliver any offering document authorized hereby or amendment or supplement to the Indenture and related financing documents in connection with any remarketing of the Bonds that he or she may determine to be necessary or desirable.

Section 11. The Authorized Representatives are each hereby authorized and directed to execute and deliver any such other agreements, documents, or certificates (including, but not limited to, any agreements, documents, or certificates deemed necessary or proper to evidence or establish compliance with applicable provisions of the Internal Revenue Code of 1986, as amended), to do and cause to be done any such other acts and things and to make such other changes, omissions, insertions, revisions, or amendments to the documents referred to in Sections 2 through 10 of this resolution as they may determine necessary or proper in connection with the issuance or the remarketing from time to time of the Bonds, including the appointment of remarketing agents and indexing agents, for carrying out, giving effect to, and consummating the transactions contemplated by this resolution, the Indenture, the Participation Agreement, the Bond Purchase Agreement, or the preliminary or final Official Statement delivered pursuant hereto, including but not limited to, such other documents, actions, and changes required in connection with obtaining the Municipal Bond Insurance Policy, any liquidity or support facility, any remarketing agreement, or placing the Bonds with a securities depository.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, the following resolutions was adopted.

Resolution No. 1094

WHEREAS, pursuant to special act of the Legislature of the State of New York (Title 9 of Article 8 of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the "Act"), the New York State Energy Research and Development Authority (the "Authority") has been established as a body corporate and politic, constituting a public benefit corporation; and

WHEREAS, pursuant to the Act, the Authority is empowered to contract with any power or gas company to participate in the construction of facilities to be used for the furnishing of electric energy or gas to the extent required by the public interest in development, health, recreation, safety, conservation of natural resources, and aesthetics; and

WHEREAS, pursuant to the Act, the Authority is also empowered to extend credit and make loans from bond proceeds to any person for the construction, acquisition, installation of, or for the reimbursement to any person for costs in connection with, any special energy project, including, but not limited to, any land, works, system, building, or other improvement, and all real and personal properties of any nature or any interest in any of them which are suitable for or related to the furnishing, generation, production, transmission, or distribution of energy or energy resources; and

WHEREAS, the Authority is also authorized under the Act to borrow money and issue its negotiable bonds and notes to provide sufficient moneys for achieving its corporate purposes, including the refunding of outstanding obligations of the Authority; and

WHEREAS, The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York, a public utility corporation doing business in the State of New York (the "Corporation"), has requested that the Authority participate in the refunding of the Authority's \$55,000,000 aggregate principal amount Gas Facilities Revenue Bonds, Series C (The Brooklyn Union Gas Company Project) (the "Prior Bonds"), which were issued to finance a portion of the costs of the acquisition, construction, and installation of certain facilities for the furnishing of gas within the Corporation's service area (the "Project"); and

WHEREAS, the Corporation has requested that the Authority issue its bonds in one or more series in an aggregate principal amount not to exceed \$55,000,000 to be designated "Gas Facilities Revenue Bonds, Series 2005 B (The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York Project)" (the "Bonds") and with such additional designations as may be set forth in the Indenture (hereinafter defined) for the purpose of refunding the Prior Bonds; and

WHEREAS, the Bonds are to be issued pursuant to an Indenture of Trust between the Authority and Citibank, N.A., as trustee (Citibank, N.A. as trustee, or any successor trustee under such Indenture of Trust, hereinafter referred to as the "Trustee") (the "Indenture"), a copy of the draft form of which has been set before this meeting; and

WHEREAS, the Bonds may be issued as Adjustable Rate Bonds or as Fixed Rate Bonds (as defined in the Indenture), as may be determined by an Authorized Representative

(hereinafter defined) at the request of the Corporation; and

WHEREAS, the initial interest rate mode expected to be applicable to such Bonds being an Auction Rate (as defined in the Indenture); and

WHEREAS, under the terms of the Indenture, under certain circumstances the Bonds may be tendered at the option of the holders thereof and under certain conditions the Bonds may be subject to mandatory tender by such holders; and

WHEREAS, in order to set forth certain provisions relating to the purchase of Bonds so tendered and the application of moneys available to pay the purchase price of Bonds so tendered, the Authority and Citibank, N.A., as registrar and paying agent (Citibank, N.A., as registrar and paying agent, or any successor as registrar and paying agent, hereinafter referred to as the "Registrar and Paying Agent") are expected to enter into a Bond Purchase Trust Agreement (the "Bond Purchase Trust Agreement"), a copy of the draft form of which has been set before this meeting; and

WHEREAS, a liquidity facility shall be delivered in certain circumstances, as set forth more fully in the draft form of Indenture which has been set before this meeting; and

WHEREAS, the Corporation will arrange for the delivery by Financial Guaranty Insurance Company (the "Bond Insurer") of a municipal bond insurance policy insuring the timely payment of principal and interest on the Bonds (each hereinafter referred to as a "Municipal Bond Insurance Policy"); and

WHEREAS, the proceeds of the Bonds are expected to be advanced to the Corporation pursuant to a Participation Agreement between the Authority and the Corporation (the "Participation Agreement"), a copy of the draft form of which has been set before this meeting; and

WHEREAS, at the request of the Corporation, Goldman, Sachs & Co., BNY Capital Markets, Inc., The Williams Capital Group, L.P., and Sovereign Securities Corporation, LLC, acting on behalf of themselves or as representatives of several underwriters (the "Underwriters"), pursuant to the terms of a Bond Purchase Agreement among the Authority, the Corporation, and the Underwriters (the "Purchase Contract"), propose to purchase the Bonds from the Authority and offer the Bonds to the public pursuant to the terms of such Purchase Contract, in substantially the form which has been set before this meeting; and

WHEREAS, it is expected that the Bonds will be offered by the Underwriters pursuant to an official statement (the "Official Statement") to be approved by an Authorized Representative (hereinafter referred to) of the Authority, in substantially the form which has been set before this meeting; and

WHEREAS, the Corporation and Goldman, Sachs & Co., BNY Capital Markets, Inc., The Williams Capital Group, L.P., and Sovereign Securities Corporation, LLC, as Remarketing or Market Agents, are expected to enter into one or more remarketing or market agreements in connection with the Bonds, pursuant to the terms of which Goldman, Sachs & Co., BNY Capital Markets, Inc., The Williams Capital Group, L.P., and Sovereign Securities Corporation, LLC are expected to agree to act as Remarketing or Market Agents for such Bonds (the "Remarketing Agreement");

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NEW

YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY AS FOLLOWS:

Section 1. The Authority hereby determines that the facilities comprising the Project constitute facilities which the Authority is authorized to finance by the issuance of Bonds and that the Authority's participation in the refunding of the Prior Bonds is in the public interest. In making such determination, the Authority makes no finding as to adequacy or appropriateness of the Project for the purposes for which they have been constructed or as to compliance of the Project or such facilities with statutes or regulations other than the Act.

Section 2. The offering, issuance, sale, and delivery of the Bonds upon the terms and conditions and for the purposes described in the Indenture, the Participation Agreement, and this resolution are hereby authorized. The Bonds shall be issued in one or more series in an aggregate principal amount not to exceed \$55,000,000 and shall bear interest at a rate initially determined by the Chair, the Vice Chair, the President, the Vice President, the Secretary, or the Treasurer of the Authority (collectively, the "Authorized Representatives") and thereafter determined from time to time in the manner described in the Indenture. The Bonds shall bear interest at rates not to exceed fifteen per cent (15%) per annum, unless a Fixed Rate of interest shall be established with respect to such Bonds after their issuance, in which event such Bonds shall bear interest at a rate not to exceed eighteen per cent (18%) per annum, and unless an Auction Rate Period shall be applicable to such Bonds, in which event such Bonds shall bear interest at an Auction Rate, determined in accordance with the Indenture. The initial interest rate on the Bonds shall not exceed five per cent per annum (5%), if issued in an Adjustable Rate and shall not exceed five and one-half per cent (5.5%) per annum, if issued at a Fixed Rate. The Bonds shall mature not later than June 1, 2025. The Bonds shall be dated, have a final maturity, have the designation or designations, be subject to redemption, be subject to mandatory purchase, be payable as to principal, premium, of any, and interest, and have such other provisions all as set forth in the Indenture. The form of the Bonds and all other provisions with respect thereto shall be as set forth in the Indenture or determined in the manner set forth therein. No Bonds shall be issued pursuant to this resolution after September 30, 2006.

Section 3. Subject to the limitations set forth in Section 2 hereof, the Authorized Representatives are hereby authorized to determine on behalf of the Authority with respect to the Bonds: the aggregate principal amount, the initial interest rate the Bonds shall bear, the method of determination of the rates of interest the Bonds shall bear after the initial period, the intervals at which such rates shall be determined, and the particular redemption and purchase provisions of the Bonds. Any such determination shall be conclusively evidenced by the execution and delivery by an Authorized Representative of an indenture or other document setting forth such determination.

Section 4. The form and substance of the draft Indenture, the draft Bond Purchase Trust Agreement, and the draft Participation Agreement presented to this meeting and made part of this resolution as though set forth in full herein are hereby approved. The Authorized Representatives are each hereby authorized to execute, acknowledge, and deliver the Indenture, the Bond Purchase Trust Agreement, and the Participation Agreement, each with such amendments, supplements, changes, insertions, and omissions to the draft forms submitted to this meeting as may be approved by such Authorized Representative. The execution of such documents by an Authorized Representative shall be conclusive evidence of any approval required by this Section. Any Authorized Representative, the Assistant Treasurer, and the Assistant Secretary of the Authority are each hereby authorized to affix the seal of the Authority on such documents and attest the same.

Section 5. The form and substance of each draft Purchase Contract presented to this meeting are hereby approved. The Authorized Representatives of the Authority are each hereby authorized to determine the purchase price of the Bonds and are further authorized to execute, acknowledge, and deliver the Purchase Contract in substantially the form presented to this meeting with such amendments, supplements, changes, insertions, and omissions as may be approved by any such Authorized Representative, including, but not limited to, changes necessary to reflect any determination or approval required or authorized by this Section. The purchase price to the Underwriters of the Bonds shall not be less than 97% of the principal thereof. In no event shall the compensation paid to the Underwriters in connection with the initial offering of the Bonds exceed 1% of the principal amount thereof whether such compensation is paid directly by the Corporation or in the form of discount to the Underwriters.

Section 6. The Bonds shall be executed in the manner and upon the terms and conditions provided in the Indenture and shall be delivered to the Trustee for proper authentication and delivery at the direction of the Underwriters, upon instructions to that effect. Pursuant to the request of the Corporation, Citibank, N.A. is hereby designated Trustee and Registrar and Paying Agent for the Bonds. In the event that Citibank, N.A. shall resign as Trustee or Registrar and Paying Agent, or otherwise be unable to act as Trustee, the Authorized Representatives of the Authority are each authorized to designate a successor to act in such capacity. The Bonds shall be executed in the manner and upon the terms and conditions provided in the Indenture and shall be delivered to the Trustee for proper authentication and delivery to the Underwriters, upon instructions to that effect.

Section 7. The form and substance of the draft Official Statement presented to this meeting is hereby approved and the Authority approves the use in accordance with the applicable legal requirements of Official Statements in connection with the offering and sale of the Bonds by the Underwriters, with such amendments, supplements, changes, insertions, and omissions to or from the draft form of the Official Statement presented to this meeting as may be approved by an Authorized Representative, including, but not limited to, changes necessary to reflect any determination made pursuant to the provisions of Sections 2, 3, 4, or 5 hereof. Any Authorized Representative of the Authority is hereby authorized and directed to execute the final Official Statement in the form approved pursuant to the preceding sentence, in the name and on behalf of the Authority, and thereupon cause such final Official Statement to be delivered to the Underwriters. Any such approval shall be conclusively evidenced by such Authorized Representative's execution and delivery thereof. The foregoing approval of the draft form of the Official Statement presented to this meeting shall not be deemed to constitute an acknowledgment by the Authority of any responsibility for information contained therein or in any subsequent preliminary or final Official Statement which has been furnished by the Corporation, an issuer of a liquidity or credit facility, the Underwriters, The Depository Trust Company, or any other party.

Section 8. Goldman, Sachs & Co., BNY Capital Markets, Inc., The Williams Capital Group, L.P., and Sovereign Securities Corporation, LLC are hereby appointed Remarketing Agents and Market Agents for the Bonds. Kenney Information Systems, Inc. is hereby appointed as Indexing Agent for the purpose of determining the Daily Rate Index, Fixed Rate Index, Term Rate Index, Semi-Annual Rate Index, Commercial Paper Rate Index, Monthly Rate Index, and Weekly Rate Index. The Remarketing Agents and Market Agents are hereby appointed Indexing Agents for the purpose of determining, under the circumstances provided in the Indenture, the Commercial Paper Rate Index, Daily Rate Index, and Weekly Rate Index. In the event that any such entity shall resign, or the Corporation shall request the removal of any such entity, from any of its respective capacities or any such entity shall

otherwise be unable to act in any such capacity, the Authorized Representatives of the Authority are each authorized to designate a successor or successors to act as Remarketing Agent, Market Agent, or Indexing Agent, as the case may be. All capitalized terms used in this Section 8 which are not otherwise defined have the meaning given to such terms in the Indenture.

Section 9. The Authorized Representatives are each hereby authorized to qualify the Bonds, or such portion thereof as the Corporation or the Underwriters may request, for offering and sale under the securities or Blue Sky Laws of any jurisdictions, provided that the Authority shall not be required to consent to local service of process in any jurisdiction. The Authorized Representatives are each hereby authorized to perform on behalf of the Authority in cooperation with the Underwriters any and all such acts as they may determine to be necessary or desirable in order to comply with the applicable laws of any states and in connection therewith to execute and file all appropriate papers and documents, including, but not limited to, applications and reports, the execution by an Authorized Representative of any such paper or documents or the doing by him or her of any such act to establish conclusively his or her authority therefor.

Section 10. The Authorized Representatives of the Authority, upon receipt of a request or direction from an Authorized Corporate Representative (as defined in the Indenture) in accordance with the provisions of the Indenture, are hereby authorized to give notice of, or direct, the conversion of the method of determining the interest rate applicable to the Bonds. The Authorized Representatives are each, upon request of the Corporation in accordance with the provisions of the Indenture, hereby authorized to approve, execute, and deliver any offering document authorized hereby or amendment or supplement to the Indenture and related financing documents in connection with any conversion and remarketing of the Bonds that he or she may determine to be necessary or desirable, including, but not limited to, the designation of an Auction Agent and Broker-Dealers.

Section 11. The Authorized Representatives are each hereby authorized and directed to execute and deliver any such other agreements, documents, or certificates (including, but not limited to, any agreements, documents, or certificates deemed necessary or proper to evidence or establish compliance with applicable provisions of the Internal Revenue Code of 1986, as amended), to do and cause to be done any such other acts and things and to make such other changes, omissions, insertions, revisions, or amendments to the documents referred to in Sections 2 through 10 of this resolution as they may determine necessary or proper for carrying out, giving effect to, and consummating the transactions contemplated by this resolution, the Indenture, the Bond Purchase Trust Agreement, the Participation Agreement, the Purchase Contract, or the Official Statement delivered pursuant thereto.

Mr. Delorio turned to the next agenda item concerning the Office of the State Comptroller's ("OSC") audit. Mr. Delorio explained that OSC remains on-site performing its audit of the SBC-funded program. They have indicated that they expect to complete their on-site field work by the end of September 2005 and will report on the results of their findings shortly thereafter. Staff expects to receive a recommendation that the Authority increase monitoring of its contractor's indirect cost rates, such as overhead. Staff agree that increased monitoring over these cost rates would be beneficial and are revising solicitation and contracting procedures accordingly. In addition, a new Contract Audit position has recently been added, and a certified public accountant hired to fill the position. This new

staff person will be performing periodic audits of contractor billings and will monitor indirect cost rates.

Mr. DeIorio said that the next agenda item was a report from the Director of Internal Audit, Mark Mitchell. Mr. Mitchell presented the A&FC with an interim internal audit plan for the remainder of fiscal year 2005-2006. The audit plan was based upon a preliminary assessment of the Authority's business risks, with input from the results of a internal risk assessment and an employee survey. The risk assessment incorporated the views expressed by management and employees during oral interviews. The assessment identified areas that could benefit from a more detailed review, but did not provide definitive conclusions as to the effectiveness of business processes and controls.

The employee survey revealed that employee morale is good. Some suggestions for internal process improvements were also made, which management is addressing. Based on the survey, the internal control climate was found to be more than satisfactory.

As part of the development of the interim internal audit plan, the results from the assessment and survey were taken into consideration. The initial internal audit efforts will focus on reviewing the Authority's contract reporting database system and the data entering and funds authorization processes. Once these efforts have been completed, Mr. Mitchell will proceed with reviewing the new electronic invoice process and testing the effectiveness of those controls; reviewing the adequacy of the process for initially approving an invoice at the program level; and reviewing whether the controls Finance has over receiving and paying invoices are adequate. Lastly, an update of the business risk assessment protocol will be conducted. The results of the revised protocol will be used to develop an internal audit plan for fiscal year 2006-2007, which is scheduled to be presented to the A&FC at the April 2006 meeting.

The Chair concluded his remarks by stating that Mr. Catell presided over the voting on this agenda item and he called upon Mr. Catell to describe the rest of the A&FC meeting activities. Mr. Catell then reported to the Authority Members that the A&FC unanimously adopted the interim internal audit plan.

The Chair then asked Mr. Catell to report on the next agenda item, which concerned a report on the Authority's principles of model governance. Mr. Catell reported that the A&FC received an update on the implementation of model governance principles from President Smith. President Smith explained that, at the June 2005 meeting, he had reported on the proposed Public Authority

Accountability Act of 2005 (“Act”) and the creation of the New York State Commission on Public Authority Reform established by Executive Order No. 135. The proposed Act would change the Authority’s enabling statute to re-designate the Chair as the primary liaison between the Members and staff and name the President as the Chief Executive Officer. In August, the Chair sent the Members a letter describing the terms of the proposed legislation and the actions that the Authority would have to take in order to meet the Act’s requirements. Staff has since monitored the progress of the bill, which is not yet effective. Once the Act is in effect, and the Authority’s enabling statute amended, staff will ask the Members to approve the actions required by the Act and described in the Chair’s letter.

Mr. Pitkin, then reported to the A&FC that, at the June 2005 meeting, the Members received a work plan for implementing an assessment and report on internal controls over financial reporting, which included an attestation on the report by the independent auditors. The plan was developed in response to a recommendation from the predecessor to the New York State Commission on Public Authority Reform. The proposed Act has not included this as a requirement, however, and staff proposes to redirect its efforts. Mr. Pitkin advised that staff intends to move forward consistent with the internal work plan presented at the June meeting for reviewing and documenting the effectiveness of financial reporting controls, but this will be done as part of an internal review process, not a process that will result in an attestation by the independent auditors. Staff believes that the cost of having the independent auditors perform an overview of staff’s analyses would exceed its benefit.

The Chair then called on Cheryl Earley, the Director of Contract Management, to discuss the Periodic Procurement Contracts Report. Ms. Earley said that the Members are requested to adopt a resolution approving the Periodic Procurement Contracts Report covering the period April 16, 2005, through August 15, 2005. The report summarizes the more than 510 procurement contracts initiated or modified during the period April 16, 2005, through August 15, 2005. About 96% of the procurement contracts were competitively selected and all of the actions were in compliance with the Guidelines. The report also summarizes an additional 308 procurement contracts that are expected to be executed by the Authority and that have a period of expected performance in excess of one year and total approximately \$24 million.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, the following resolution was adopted.

Resolution No. 1095

RESOLVED, that the Periodic Procurement Contracts Report, dated as of August 15, 2005, covering the period April 1, 2005 through August 15, 2005, as presented at this meeting, including but not limited to the contracts identified therein which have been, or are expected to be, executed and which do have, or are expected to have, a period of performance in excess of one year, is hereby approved in accordance with Public Authorities Law Section 2879(3)(b)(ii).

The Chair noted for the record that Mr. Marusak's vote is not to reflect anything with respect to MTI contracts.

The Chair then asked if there was any further business. There being no other business, upon motion duly made and seconded, and by unanimous voice vote of the Members, the meeting was adjourned.



Wendy M. Shave
Secretary

September 9, 2005

NOTICE AND AGENDA

TO THE MEMBERS OF THE NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY:

PLEASE TAKE NOTICE that a regular meeting (the 183rd meeting) of the New York State Energy Research and Development Authority will be held in the Authority's New York Office at 485 Seventh Avenue, 10th floor, New York, New York, and by video conference in the Authority's Albany Office at 17 Columbia Circle, Albany, New York, on Monday, September 19, 2005, commencing at 11:00 a.m. for the following purposes:

1. To receive reports on the proposed FY 2006-07 Budget of the Authority from the Program Planning Committee and the Waste and Facilities Management Committee and to consider and act upon the Budget.
2. To consider and act upon the reappointment of Robert B. Catell to the Program Planning Committee.
3. To receive a report from the Audit and Finance Committee:
 - (a) to consider and act upon implementing resolutions authorizing the refunding of three series of bonds previously issued by the Authority on behalf of The Brooklyn Union Gas Company to refinance facilities for the local furnishing of gas;
 - (b) to receive a report on an audit of the Authority's internal controls by the State Comptroller;
 - (c) to receive a report from the Director of Internal Audit; and
 - (d) to receive a report on the principles of model governance.

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4. To consider and act upon a resolution approving a periodic procurement contracts report.
5. To transact such other business as may properly come before the meeting.

Members of the public may attend the meeting at either of the above locations.



Wendy M. Shave
Secretary