

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

Minutes of the 187th Meeting

Held on September 25, 2006

Pursuant to notice dated September 15, 2006, the Regular Meeting (the 187th meeting) of the New York State Energy Research and Development Authority ("Authority") was convened on September 25, 2006, at 11:30 a.m. in the Authority's Albany Office at 17 Columbia Circle, Albany, New York, by video conference in the Authority's New York City Office at 485 Seventh Avenue, 10th floor, New York, New York, and by video conference in the Authority's Buffalo Office at 617 Main Street, Suite 105, Buffalo, New York.

The following Members of the Authority were present in Albany, unless otherwise indicated:

Vincent A. DeIorio, Esq., Chair

George F. Akel, Jr.

William F. Edwards

Jay L. Gottlieb (by video conference from New York)

Parker D. Mathusa

Frank S. McCullough, Jr. (by video conference from New York)

Elizabeth W. Thorndike, Ph. D.

Members Catell, Flynn, Madison, Marusak, and Sheehan did not attend.

Also present were Peter R. Smith, President and CEO; Robert G. Callender, Vice President for Programs; Jeffrey J. Pitkin, Treasurer; Roger D. Avent, Esq., General Counsel; Cheryl L. Earley, Director of Contract Management; Richard Gerardi, Residential Energy Affordability Program Director; and various members of the staff of the Authority.

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 on September 15, 2006, and to the press on September 18, 2006. He directed that a copy of the notice be annexed to the minutes of the meeting.

Before beginning the formal agenda, the Chair announced that Peter R. Smith, the Authority's President, was re-elected as Chair of the Board of Directors of the National Association of State Energy Officials ("NASEO"). This is President Smith's second term as NASEO's Chair. On behalf of all the Members, Mr. DeIorio congratulated President Smith.

Next, the Chair congratulated Mr. Catell, who received the Business Council of New York's 2006 Corning Award for Excellence. Each year, this award is given to a New Yorker who has shown outstanding accomplishment and a deep and sustaining commitment to the people of New York. Mr. Catell was honored for achievements at the helm of the fifth largest natural gas company in the nation and the largest private sector electricity provider in New York State. Also recognized was his tireless service to business, civic, and philanthropic groups. Mr. DeIorio congratulated Mr. Catell on this well-deserved honor.

Mr. DeIorio then called upon Authority President Peter R. Smith to make a few introductory remarks. President Smith explained that the programs funded with system benefits charge ("SBC"), round three monies, are underway. Staff continues to work diligently to provide real and meaningful services to New York State ("State") ratepayers while coordinating efforts with the Department of Public Service ("DPS").

Under the Renewable Portfolio Standard, contracts are expected to be awarded by the end of the year. A total of \$270 million in funding is authorized. Commercial operation of the selected projects is expected to begin before November 1, 2008.

NYSERDA has been asked by the Governor to manage a \$30 million transportation initiative. Staff has prepared and released three of the four planned solicitations. Sixteen proposals to retrofit existing hybrid vehicles with plug-in electric capability were received. Staff, with the assistance of a technical review panel, will select the proposals that are best suited - - in terms of both performance and value - - to retrofit vehicles in the State Fleet for the purpose of testing and demonstrating the plug-in technology.

Awards for the conversion of internal combustion engines to hydrogen fuel, and the advancement of vehicle research and development will also be given. These awards are expected to be announced before the end of the year.

Last, but not least, a \$10 million biofuel station initiative to develop 300 new retail E85 or biodiesel fueling stations is under development. This solicitation will encourage both the installation of new dispensing equipment and the retrofit of existing equipment.

The New York State Department of Agriculture and Market's ("Ag & Markets") \$20 million cellulosic ethanol request for proposals ("RFP") received 10 proposals. The Authority is providing

technical expertise to Ag & Markets to assist in the selection process.

Another new initiative for the Authority is the Conservation Coordination Task Force (“Task Force”). The purpose of the Task Force is to develop recommendations for consideration by the Governor to facilitate the coordination of energy efficiency and distributed generation programs among various agencies. The Task Force includes the Chairs of the Authority, the Public Service Commission, the Power Authority of the State of New York, and the Long Island Power Authority; the Commissioners of the State Education Department, the Department of Environmental Conservation, and the Department of Housing and Community Renewal; and other State agencies or public authorities, as necessary. Authority staff will provide support services to the Task Force. The Task Force is to issue a report by January 30, 2007, on the status of energy efficiency and distributed generation programs, their related financial expenditures and encumbrances, and the energy savings resulting from the programs. In addition, the Task Force may develop recommendations to facilitate the coordination of the various energy programs and recommendations related to the expanded use and implementation of such energy programs.

President Smith concluded his presentation to the Members by informing them that Authority staff have organized a Technology Expo that will begin after the meeting. The Technology Expo provides an overview of the exciting and cutting-edge activities in which NYSERDA has played a significant development role.

The Chair indicated that the first item on the agenda is a report from the Audit and Finance Committee (“A&FC”). Mr. Gottlieb, the A&FC’s Vice-Chair, presented the report. Mr. Gottlieb explained that Jeffrey Pitkin, the Authority’s Treasurer, reported on the implementation of Governmental Accounting Standards Board Statement No. 45 (“GASB45”), *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. This standard changes the way in which employers record health insurance costs for retirees.

GASB45 requires health insurance costs to be recognized in the period when the related employment services are rendered, on an accrual basis, rather than on a pay-as-you-go basis when the benefits are paid. GASB45 is required to be incorporated into the Authority’s financial statements beginning April 1, 2007. The amount that is to be included is to be based on actuarial valuations to be calculated every two years. The Authority’s first valuation was determined by Milliman, Inc. (“Milliman”), an actuarial and consulting firm.

Like the State, for both active employees and retirees, the Authority pays 90% of the health insurance cost for single coverage and 75% of the additional cost for family coverage. In determining the amount to be recognized, Milliman reviewed census information concerning the Authority's current employees and retirees and then projected the future cost of insurance, factoring in various assumptions, such as inflation, employee turnover, retirements, and mortality. Since the liability is to be recognized over an employee's total expected employment with the Authority, an Accrued Liability first had to be calculated for retired and current employees, as of the valuation date (April 1, 2006). This Accrued Liability is to be recognized as an annual expense on a catch-up basis over an amortization period not to exceed 30 years. An annual expense must also be added to cover the costs associated with benefits earned in that year by existing employees.

The total amount to be recorded each year is highly dependent on two key assumptions - - the inflationary rate assumed with respect to health insurance costs and the discount rate. Authority staff compared Milliman's assumptions with the assumptions being used by the State. Milliman's assumptions were also reviewed with the independent auditors, and all agreed that they were reasonable.

A separate trust account could be set up to hold the funds. However, at this time, staff recommends following the State's lead by not establishing a separate account. This position will be reviewed periodically.

In determining the amount to be recorded, staff made additional recommendations concerning the amortization period and the amortization technique to be used. Staff recommends using the maximum 30-year amortization period permitted for reporting the Accrued Liability and also recommends using a level amortization. This would levelize the impact of the accounting change on the Authority's budget over time.

Based upon all of these factors, the Authority's Accrued Liability for retiree health insurance costs as of April 1, 2006, is calculated at \$23,638,800. Beginning April 1, 2007, this will result in the recording of an accrued expense in the amount of \$3,154,300 for each of the next two fiscal years. The valuation to be conducted two years from now will be used to determine the amounts included in the following two years, and so on.

Implementation of GASB45 will have a significant impact on the Authority's annual budget. The Preliminary Spending Plan for fiscal year 2007-08 estimates an increase in current expenses for

health insurance costs of about \$2.9 million. This increase is the difference between the annual expense determined by the actuarial report and the \$250,000 which was previously recorded on the pay-as-you-go principle. The \$2.9 million cost is allocated across programs as a fringe benefit cost. Approximately \$1.6 million of the \$2.9 million increase will be allocated to SBC funded programs. The overall SBC program funding approved by the Public Service Commission (“PSC”) provided administrative funds of 7% of total SBC funding; the \$1.6 million allocation of health benefits costs will increase the Authority’s administrative costs as a percent of total funding in this program by nearly 1%. Staff will work with DPS staff to address this.

Lastly, approximately \$700,000 of the \$2.9 million increase in expenses will be allocated to programs funded by unrestricted revenues. This allocation will reduce the Authority’s balance of unrestricted net assets to less than the historical \$2 million. Staff is working with the Division of the Budget to address this issue.

Mr. DeIorio said that, if the methodology and assumptions are acceptable to the Members, staff will work with the independent auditors to implement the change. The Members indicated their concurrence with the assumptions and the proposed implementation of the standard.

Next, Mr. DeIorio asked Mr. Gottlieb to discuss the next agenda item, performance-based, lump-sum payments to the Officers and General Counsel. Mr. Gottlieb explained that Mr. DeIorio briefed the A&FC members on the proposed payments to the Officers and General Counsel. Recent changes to the Public Authorities Law require that merit increases for senior management be approved by the Members. The aggregate proposed performance-based, lump-sum payments payable to the Officers and General Counsel would not exceed \$36,843. This amounts to 5.5% of the total aggregate salaries for these employees and is consistent with the percentage awarded to these employees last year.

The performance-based, lump-sum payments are in recognition of the performance of each individual. The Chair, in consultation with the President and Chief Executive Officer, would make specific allocations. These funds are included in the previously approved fiscal year 2006-2007 Budget.

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

Resolution No. 1119

RESOLVED, that the Members of the Authority do hereby approve performance-based, lump-sum payments to the Authority's President and CEO, Vice President for Programs, Vice President for Administration and Secretary, Treasurer, and General Counsel in an aggregate amount not to exceed \$36,843, as allocated by the Chair in consultation with the President and CEO, payable on or about December 13, 2006

The Chair indicated that the next item discussed by the A&FC was a report on the recent audit by the Office of the State Comptroller ("OSC") on the implementation of Executive Order No. 111 ("EO111"). Mr. Gottlieb explained that EO111 pertains to the State's procurement of energy efficient products. The draft audit report states that the Authority had properly completed its responsibilities under EO111, and contains no exceptions or recommendations. The draft response letter, which is also in the Board packet, agrees with, and accepts the results of, the report.

The Chair asked for the Members' consensus on the proposed draft response and the Members indicated their concurrence.

Mr. DeLorio said that the last item on the A&FC agenda concerns a report from the Director of Internal Audit. Mr. Gottlieb explained that the A&FC heard a report from the Director of Internal Audit, Mark Mitchell. Mr. Mitchell reported that the audit of the Assisted Multifamily Program has been postponed. Recently, the Authority selected a new implementation contractor and, as a result, decided to postpone the audit at this time. Instead, an informal review of the new program's design will be conducted in order to provide input. An audit will be rescheduled after the new contractor has been implementing the program for a period of time.

Mr. Mitchell reported that the audit of the Communications Unit and the Legislative Affairs Unit is underway and is focusing on identifying opportunities to improve the ability of this staff to respond to requests for data. Results of this audit will be reported at the January 2007 meeting.

The Chair stated that next on the agenda is a report from the Program Planning Committee ("PPC"). Parker Mathusa, Chair of the PPC, explained that Mr. Pitkin reported on revisions to the Authority's budget for fiscal year 2006-07 ("Revised Budget"). The Revised Budget includes \$30 million in additional State appropriations - - \$15 million for establishing an international nanotechnology photovoltaic center at the Saratoga Technology + Energy Park ("STEP"), and \$15 million for a New York Investment in Conservation and Efficiency Pilot Program to install energy efficiency measures in public sector buildings.

Other State Appropriations added to the Revised Budget include \$100,000 to cover expenses of the Conservation Coordination Task Force, and \$3.9 million in incentives for the New York Investment in Conservation and Efficiency Pilot Program.

The Revised Budget also includes funding from an Industrial Access Program (“IAP”) grant and loan for infrastructure at STEP and will be discussed in more detail under the next agenda item.

The PPC unanimously recommends that the Members adopt the resolution.

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

Resolution No.1120

RESOLVED, that the revisions to the 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 President and Chief Executive Officer, in his discretion, may deem necessary or appropriate, be and it hereby is approved, and

IT IS FURTHER RESOLVED, that the three-year plan for New York’s energy, economic, and environmental future is hereby deemed amended and the members approve the expenditures in fiscal year 2006-07 of \$171,767,000 for the New York SmartSM Program; \$29,160,000 for the renewable portfolio standard program; \$40,256,000 for the energy research, development and deployment program; \$83,085,000 for energy efficiency deployment programs; \$15,954,000 for economic development programs, including Saratoga Technology + Energy Park; and \$2,023,000 for energy policy and planning; from various funds anticipated to be available and such additional amounts, as may be determined by the President and Chief Executive Officer, as may become available and not required for other purposes.

Mr. Delorio introduced the next action item, a resolution approving a New York State Department of Transportation grant and loan for the construction of infrastructure at STEP. Mr. Mathusa explained that Robert G. Callender, the Authority’s Vice President for Programs, gave a report on the continued development of STEP. The design of the Starfire Systems Inc. (“StarFire”) building is complete, and a lease between United Group of Companies, Inc. (“United”) and Starfire for Starfire’s office, laboratory, and manufacturing space has been executed. United has also executed leases with Building Performance Institute and the Center for Economic and Environmental Partnership, Inc. Most importantly, United expects to break ground on the new Starfire building shortly. United is also working with DayStar Technologies, Inc. on finalizing the design of its

building.

At a press conference held at STEP on August 3, 2006, Governor Pataki announced that the New York State Department of Environmental Conservation (“DEC”) Alternative Fuel Vehicle Research Laboratory will be located at STEP. Once the design of the laboratory is complete and has been accepted by DEC, an RFP will be issued for its construction.

As a result of all of these developments, the Authority needs to complete certain infrastructure improvements at STEP. The Authority therefore submitted an application to, and received a grant and loan from, the New York State Department of Transportation’s Industrial Access Program. The grant and loan will be used to cover costs associated with infrastructure improvements such as roadways, storm water management, drainage, grading, lighting, and landscaping. An award of \$618,500 was received, with \$371,100 in the form of a grant and \$247,400 in the form of an interest-free loan. The \$247,400 loan must be repaid after the work has been completed under a 5-year, graduated payment schedule.

The PPC unanimously recommends that the Members adopt the resolution approving the grant and loan.

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

Resolution No.1121

WHEREAS, in December 2005 the Authority submitted an application for funding under the Industrial Access Program administered by the New York State Department of Transportation which requested a grant in the amount of \$371,100 and an interest free loan in the amount of \$247,400, totaling \$618,500, to pay part of the costs of the construction of infrastructure, including excavation, storm water management, drainage, grading, gravel, paving, lighting, and landscaping at Saratoga Technology + Energy Park.

WHEREAS, by letter dated September 1, 2006 the Authority was advised that the application was approved and the interest- free loan of \$247,400 must be repaid under the Program over a five year graduated payment schedule.

RESOLVED, that the President is authorized to execute any necessary agreements to effectuate the grant and loan under the Program.

At the Chair’s request, Mr. Mathusa continued by explaining that President Smith reported that, for next fiscal year, and in the years to follow, the Authority will face significant budgetary

challenges. These challenges will include maintaining the ability to retain its limited unrestricted funds from requests for budgetary payments to, and assessments made by, the State, and in continuing to provide effective SBC program administration within the limits of the administrative funding cap.

Historically, the Members have approved at the September meeting the Authority's annual operating budget for the next fiscal year, including the State Appropriation Request. Staff is recommending that approval of the Authority's budget be postponed until the January meeting, so that it can be consistent with the contents of the Governor's Executive Budget released in January of each year, and be closer to the start of its fiscal year. This will also allow the Authority to comply with OSC's new regulations requiring advanced public notice of public authorities' proposed budgets.

Overall, the Preliminary Spending Plan for fiscal year 2006-07 includes funding estimated at approximately \$332.9 million, compared to \$385.6 million in the Revised Budget for fiscal year 2006-07. Some of the more significant differences in the Preliminary Spending Plan include a decrease in State appropriations of approximately \$66.7 million, due to the appropriations that have now been included in the Revised Budget. SBC revenue will increase by \$14 million due to scheduled utility payments and the implementation of an increase in funding approved by the PSC effective July 2006. RPS revenue will increase by \$19 million due to the schedule of utility payments. Lastly, funding from the Consolidated Edison Company of New York, Inc. Electric Rate Case Settlement is scheduled to decrease by \$20.3 million.

While salary costs are anticipated to increase by a relatively modest amount (\$748,000, or 4.3%), fringe benefit costs are anticipated to increase by nearly \$3.5 million. As previously explained, a majority of this increase represents the \$2.9 million required to be added as a result of implementing GASB45.

The State Appropriation Request which is being presented for approval includes no changes in State appropriations for programs under the PPC's purview. Mr. Mathusa concluded his presentation by stating that the PPC unanimously recommends adoption of the resolution.

The Chair then asked Dr. Elizabeth Thorndike, Chair of the Waste and Facilities Management Committee ("W&FMC"), to report on the W&FMC's review of the proposed Preliminary Spending Plan and State Appropriation Request with respect to areas within its responsibility. Dr. Thorndike

explained that the State Appropriation Request for the Western New York Nuclear Service Center (“West Valley”) program has been reduced by \$500,000, to \$13.5 million, due to revised assumptions regarding the United States Department of Energy’s (“DOE”) funding and carryover levels. The funding request for the State-licensed disposal area and other non-project costs is slightly higher than last year, and the request for the low-level radioactive waste program is unchanged.

The W&FMC unanimously recommends adoption of its portion of the Authority’s State Appropriation Request for fiscal year 2007-2008.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, the following resolution was adopted. Mr. McCullough stated that his vote in favor of the State Appropriation Request in no way committed him to vote in any particular way with respect to the New York Power Authority and the voluntary research and development contributions to NYSERDA.

Resolution No. 1122

RESOLVED, that the proposed State Appropriation Request for Fiscal Year 2007-08 submitted to the Members for consideration at this meeting, with such non-material, editorial changes and supplementary schedules as the President, in his discretion, may deem necessary or appropriate, be and it hereby is approved for submission to, and at the request of, the New York State Division of the Budget.

Mr. DeLorio then asked Dr. Thorndike to report on the remainder of the W&FMC meeting. Dr. Thorndike explained that the Authority is now involved in final preparations to move forward with litigation against the United States with respect to West Valley issues. At the June 2006 meeting of the Members, President Smith reported that the United States Environmental Protection Agency (“EPA”) had issued a proposal for a cleanup alternative that would have involved exhumation of the high-level waste tanks and complete decommissioning of the north plateau facilities. The Authority viewed the EPA proposal as a positive development, with the potential to help resolve many of the issues dividing the Authority and the DOE. However, President Smith advised, that his June 22, 2006, letter to David Garman, DOE Undersecretary, supporting the EPA initiative and requesting DOE’s support of the initiative has gone unanswered.

With regard to the litigation, the New York State Attorney General (“Attorney General”) has expressed interest in joining the Authority as a co-plaintiff in the lawsuit. The Attorney General believes that the State has an independent interest in West Valley site issues, because the Authority

uses State appropriated funds to pay for West Valley expenses and because the site's groundwater and other natural resources that could be affected belong to the State.

The Attorney General's representatives have indicated that they concur with the causes of action and strategy of the draft complaint. Authority staff believes that the addition of the State as a plaintiff will strengthen the litigation. Discussions are currently underway between Authority staff and the Attorney General's representatives. Once these discussions are completed, the Authority will serve and file the Complaint.

With respect to West Valley Site Management Program activities, DOE has appointed a new Director of the West Valley Demonstration Project ("WVDP"). DOE has also issued an RFP for WVDP site operations. Authority staff have commented on the technical portions of the proposals submitted in response to the RFP and DOE expects to award a contract by the end of this calendar year. The contract period would begin in January 2007 and extend through December 2010.

DOE has also prepared and issued a draft Environmental Assessment for the demolition of 42 facilities that DOE contends will no longer be needed for the WVDP, including six facilities to be demolished this year. Authority staff expressed concern with the draft Environmental Assessment, because it proposes to remove all waste storage facilities, warehouse capacity, the sewage treatment plant, training equipment and maintenance facilities, but fails to address the possible use of these facilities in future decommissioning activities.

The Citizen Task Force ("CTF") and others have told DOE that it should abandon the activities proposed in the draft Environmental Assessment and that it should address early removal of the facilities through the Decommissioning Environmental Impact Statement. The draft Environmental Assessment is now in DOE Headquarters for review.

In regard to the contaminated-groundwater plume, in April 2006, the Nuclear Regulatory Commission ("NRC") reviewed both the environmental monitoring being conducted at West Valley and the spread of the plume off the WVDP premises onto the Authority retained portions. In a recent letter, however, the NRC concluded that "the current monitoring program is adequate to ensure the health and safety of the public." Staff believes DOE's management of the plume is inadequate. In addition, the CTF has repeatedly questioned the continuing spread of the plume and it is currently drafting a letter to NRC to express its concerns.

With respect to the eventual redevelopment of the West Valley site, Dr. Piciulo reported that Bell Independent Power Corp. (“Bell IPC”) has requested that the Authority sell it 50 acres. Bell IPC proposes to use the land to construct a cellulosic ethanol demonstration plant and has asked DOE to fund the proposal. The Ashford Town Supervisor and members of the CTF Board support the proposal and Authority staff is reviewing the proposal. NRC approval would be required before the Authority could release the property.

The W&FMC also discussed a proposed resolution terminating the Authority’s agreement with DOE concerning preparation of a joint environmental impact statement (“EIS”) for closure of the West Valley site. President Smith explained that the Authority recently received a draft letter from the CTF expressing serious concerns about the Authority’s proposed withdrawal from the process. The CTF recommends that the Authority continue with the EIS process and resolve the outstanding issues with DOE. President Smith and Authority staff disagree with the CTF recommendation.

Dr. Thorndike then called upon President Smith. President Smith explained to the Members that he will not be attending the September 27, 2006, CTF meeting to discuss the issue with CTF, as originally planned. After further internal consideration, it was determined that it would be premature for President Smith to attend this particular meeting and more productive for staff to attend and discuss the Authority’s position. If circumstances warrant, President Smith will attend a later meeting.

President Smith then explained that he had written a letter to David Garman, DOE Undersecretary, supporting EPA’s proposed cleanup alternative to exhume the high-level radioactive waste tanks, and asking for DOE’s support for that alternative. President Smith recently received a communication from Mr. Garman, but Mr. Garman failed to respond to Mr. Smith’s request for DOE support of the EPA alternative. A second letter has recently been sent requesting an immediate response to Mr. Smith’s request. Mr. Smith concluded his presentation by stating that his letter indicated that the Authority will take all action necessary, including commencing litigation, in the absence of a response.

Dr. Thorndike then continued the discussion by stating that the W&FMC voted unanimously to table withdrawal from the draft EIS process, pending further developments. She then proceeded to discuss radioactive waste policy and nuclear coordination activities.

The Annual Low-Level Radioactive Waste (“LLRW”) Status Report for 2005 was delivered to the Governor and legislative leaders. The report indicates that 42,000 cubic feet of LLRW, containing about 5,300 curies of radioactivity, were shipped to out-of-State disposal facilities. Of that amount, 60% of the volume and nearly 100% of the radioactivity came from nuclear power plants.

The report also indicates that NRC’s recent Semi-Annual Performance Assessment found all New York nuclear power plants to be at the highest level of performance. Dr. Thorndike concluded her presentation by explaining that Authority staff is currently working with the NRC, the Governor’s Office, and the State’s radioactive materials regulating agencies to clarify the regulatory relationship between the federal government and the State.

Mr. DeIorio indicated that the next item on the agenda concerns the reappointment of Dr. Thorndike to the PPC and the W&FMC and her reappointment as Chair of the W&FMC. The Chair continued by explaining that Dr. Thorndike performs a great service as an active member of both committees; her knowledge, advice, and expertise on the direction of the Authority’s programs are very much appreciated; and she is willing to continue to serve.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, Dr. Thorndike was reappointed to the PPC and the W&FMC and was reappointed as Chair of the W&FMC for a three-year term, expiring September 25, 2009.

Mr. DeIorio indicated that the next item on the agenda is the appointment of Mr. Akel, Mr. DeIorio, and Mr. Gottlieb to the Governance Committee (“GC”) and the appointment of Mr. Akel as the GC’s Chair. This new committee is to oversee the various aspects of good governance. The Chair said that Mr. Akel, Mr. Gottlieb, and he are willing to serve in this capacity.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote of the Members present, Mr. Akel, Mr. DeIorio, and Mr. Gottlieb were appointed to the GC, and Mr. Akel was appointed as its Chair for a three-year term, expiring September 25, 2009.

Mr. Mathusa congratulated the newly appointed GC members and indicated that the PPC is willing to provide any assistance the GC may need in establishing its protocols and procedures. The Chair thanked Mr. Mathusa, adding that the GC will be working to ensure that the Authority’s work remains transparent and open.

Mr. DeIorio then asked President Smith to discuss the next item, the Authority's Annual Report. President Smith briefly explained that the Annual Report was sent to the Members for their review and approval. It looks back on some of the changes seen in the energy industry, and highlights some of the accomplishments of the Authority.

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

Resolution No. 1123

RESOLVED, that the text of the Annual Report of the Authority, as presented at this meeting, with such non-substantive, editorial changes and supplementary schedules as the President and Chief Executive Officer, in his or her discretion, may deem necessary or appropriate, is adopted and approved; and that the text of such report of the Authority shall be submitted as required by Sections 1867(1) and 2800 of the Public Authorities Law for the fiscal year ending March 31, 2006.

The Chair then called on Cheryl Earley, the Director of Contract Management. Ms. Earley said that the Members are requested to adopt a resolution approving the Periodic Procurement Contracts Report covering the period April 16, 2006, through August 15, 2006. The report summarizes the more than 773 procurement contracts initiated or modified during the period. About 95% of the procurement contracts were competitively selected and all of the actions were in compliance with the procurement contract guidelines. The report also summarizes an additional 204 procurement contracts that are expected to be executed by the Authority, have a period of expected performance in excess of one year, and total approximately \$22 million.

In response to an inquiry from Dr. Thorndike, Mr. Pitkin indicated that the \$6 million contract described as "General Awareness and Education of Energy-Related Issues for NYS Consumers" is an SBC program that is administered by the Authority in consultation with the PSC. President Smith stated that the contract is used to fund the **New York Energy SmartSM** program's Energy Saving Tips. These tips are issued each summer and winter, and the funds pay for print and radio advertisements.

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

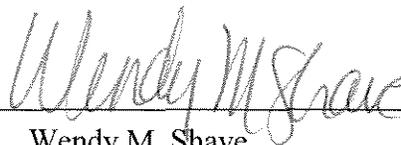
Resolution No. 1124

RESOLVED, that the Periodic Procurement Contracts Report, dated as of September 1, 2006, covering the period May 16, 2006 through August 15, 2006, 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).

Mr. DeIorio then asked Richard Gerardi, Program Director for the Residential Energy Affordability Program ("REAP"), to provide the Members with an update on REAP's recent activities. Mr. Gerardi reported that some REAP programs are going through a transition. One of the biggest changes has occurred within the Assisted Multifamily Program ("AMP"). Under a recent solicitation, a new contractor was awarded the contract to oversee the implementation of AMP. This new contractor will bring a new perspective, updating the operation and procedures of the program.

The Chair reminded the Members that a Technology Expo was set up outside the building and invited them to tour the exhibits, where program staff will be available to answer any questions.

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 15, 2006

NOTICE AND AGENDA

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

PLEASE TAKE NOTICE that a regular meeting (the 187th meeting) of the New York State Energy Research and Development Authority will be held in the Authority's Albany Office at 17 Columbia Circle, Albany, New York and by video conference in the Authority's New York City Office at 485 Seventh Avenue, 10th floor, New York, New York, and by video conference in the Authority's Buffalo Office at 617 Main Street, Suite 105, Buffalo, New York, on Monday, September 25, 2006, commencing at 11:30 a.m. for the following purposes:

1. To receive from the Audit and Finance Committee:
 - (a) a report on the implementation of General Accounting Standards Board Statement No. 45, concerning retiree health insurance accounts;
 - (b) a report on, and to consider and act upon a resolution approving, a one-time, lump sum payment to senior management;
 - (c) a report on an audit by the State Comptroller on the implementation of Executive Order No. 111; and
 - (d) a report on a presentation by the Director of Internal Audit.

2. To receive from the Program Planning Committee:
 - (a) a report on, and to consider and act upon a resolution approving revisions to the Authority's fiscal year 2006-07 budget;
 - (b) a report on, and to consider and act upon a resolution approving, the execution of any necessary agreements to effectuate the grant and loan under the Industrial Access Program administered by the New York State Department of

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Transportation for a grant in the amount of \$371,100 and an interest free loan in the amount of \$247,400, totaling \$618,500, to pay part of the costs of the construction of infrastructure at Saratoga Technology + Energy Park; and

- (c) a report on the Authority's FY 2007-08 Preliminary Spending Plan and the Authority's State Appropriation Request For Fiscal Year 2007-08 and to consider and act upon a resolution approving the State Appropriation Request for Fiscal Year 2007-08.
- 3. To receive from the Waste and Facilities Management Committee a report on the Authority's FY 2007-08 Preliminary Spending Plan and the Authority's State Appropriation Request For Fiscal Year 2007-08 and to consider and act upon a resolution approving the State Appropriation Request for Fiscal Year 2007-08.
- 4. To consider and act upon the reappointment of Elizabeth W. Thorndike to the Program Planning Committee and the Waste and Facilities Management Committee and to reappoint her as Chair of the Waste and Facilities Management Committee.
- 5. To consider and act upon the appointment of George F. Akel, Jr., Vincent A. DeIorio, and Jay L. Gottlieb to the Governance Committee and to appoint Mr. Akel as the Chair.
- 6. To consider and act upon a resolution approving the text of the Annual Report.
- 7. To consider and act upon a resolution approving a periodic procurement contracts report.
- 8. To receive a report on the Residential Energy Affordability Program.
- 9. To transact such other business as may properly come before the meeting.

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



Wendy M. Shave
Secretary