

PROGRAM PLANNING COMMITTEE
OF THE
NEW YORK STATE
ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

Minutes of the 74th Meeting
Held on September 13, 2010

Pursuant to a Notice and Agenda dated September 3, 2010, the 74th meeting of the Program Planning Committee ("Committee") of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY was convened at 10:30 a.m. on Monday, September 13, 2010, at the Authority's New York City Office, located at 485 Seventh Avenue, 10th floor, New York, New York, and by video conference in the Authority's Board Room at 17 Columbia Circle, Albany, New York, and by video conference in the Authority's Buffalo Office at 726 Exchange Street, Suite 821, Buffalo, New York.

The following members of the Committee were present in New York City, unless otherwise indicated:

George F. Akel, Jr., Committee Chair (by video conference in Albany)
Vincent A. DeIorio, Esq., Authority Chair (ex officio)
Kevin Burke
Robert B. Catell
David D. Elliman
Elizabeth W. Thorndike, Ph.D.

Also present in either New York City or Albany were Robert G. Callender, Vice President for Operations and Energy Services; Janet Joseph, Vice President for Technology and Strategic Planning; Jeffrey J. Pitkin, Treasurer; Hal Brodie, General Counsel; David A. Munro, Deputy Counsel and Secretary to the Committee; and various other members of the Authority staff.

Chair Akel called the meeting to order, noted the presence of a quorum, and stated that a Notice of the meeting (see Exhibit A) was mailed to Committee members and the press on September 3, 2010. Each of the Committee members introduced themselves.

Authority Chair DeIorio thanked all NYSERDA management and staff for their recent hard work and welcomed everyone back from the summer.

The first agenda item concerned the approval of the minutes of the 73rd meeting of the Committee held on June 7, 2010. Upon motion duly made and seconded, and by unanimous voice vote, the minutes of the 73rd meeting of the Committee were approved.

Revised Budget for FY 2010-11

Chair Akel then introduced Treasurer Jeff Pitkin to report on the resolution recommending that the full Board approve revisions to the Authority's Budget for the current 2010-2011 Fiscal Year, which was originally approved at the January 2010 Board meeting.

Overall, the revisions increase the budgeted revenues by \$65.8 million - from \$671.7 million to \$737.5 million - and increase budgeted expenditures by \$35.9 million to \$724.8 million. Mr. Pitkin summarized some of the more significant changes.

Mr. Pitkin explained that the majority of the increase in revenues is due to additional funding approved by the Public Service Commission ("PSC") in the Energy Efficiency Portfolio Standard, or EEPS proceeding. The PSC approved an additional \$96.7 million in funding, of which \$47.5 million will be received during this fiscal year. Revenue for the Renewable Portfolio Standard, or RPS, program increased by \$19.8 million due to a PSC Order issued in February 2010 extending the RPS program through 2024 and increasing total collections from \$741.4 million to \$2.9 billion over that time period. These increases were partially offset by a reduction in budgeted revenue for the Energy R&D program resulting from \$1 million in State appropriation funding being suballocated to the Department of Environmental Conservation for its Climate Change office.

The majority of the increase in expenditures was due to increased program costs associated with the increased EEPS and RPS funding. The budget for salaries was decreased by \$3.4 million (12%) due to the elimination of additional positions which had been expected to be added to administer RGGI-funded programs, but which have been eliminated due to anticipated reductions in RGGI auction proceeds. In addition, certain planned new hires and some vacancies were eliminated in order to maintain costs within approved administrative budgets for the System Benefits Charge and EEPS programs. The budget for fringe benefit costs was reduced by \$1.4 million, or 10%, primarily due to the reduction in staffing levels, but was increased by \$615,000 to fund the anticipated 2010 retirement incentive. The budget for other operating costs was increased by \$718,000, or 12%, primarily to fund costs associated with redesigning NYSERDA's website and to launch social media marketing efforts.

The result of the changes in revenues and expenditures is to increase the budgeted balance of unrestricted net assets at the end of the fiscal year by \$602,000 to slightly more than \$2 million, rather than the \$1.4 million balance originally anticipated. Mr. Pitkin noted that as the Committee has discussed in the past, the Authority has historically maintained a balance of unrestricted net assets of generally not less than \$2 million, which NYSERDA management believes is fiscally prudent and reasonable. These funds are needed to meet general working capital needs, and they also provide a reserve in the event that additional unanticipated expenditures are necessary to protect public health and safety at the West Valley site. The \$2 million balance anticipated represents approximately three-tenths of one percent of budgeted expenditures. Authority management believes this balance allows the Authority to maintain an appropriate level of funding to address short-term unforeseen expenditures and allows NYSERDA to use limited unrestricted revenues to fund critical programs. If NYSERDA reduced the use of these revenues to fund these programs and instead increased the level of

unrestricted net assets, management is concerned that these programs would suffer, and the resulting increase in the balance of unrestricted net assets might become a more attractive target for such funds to be redirected.

Several Committee members inquired as to how much money NYSERDA intends to spend on "smart grid" projects over the next few years. Mr. Pitkin and Mr. Callender responded by committing to have NYSERDA staff address that topic at the upcoming Board meeting.

Mr. Akel asked if there was any further discussion or questions regarding a recommendation by the Committee that the Board approve the resolution regarding the revisions to the FY 2010-11 Budget. There being none and based on all the reports and discussions as presented, upon motion duly made and seconded, and by unanimous voice vote, the Committee recommended that the full Board adopt the revisions to the FY 2010-11 Budget. A copy of said resolution is attached hereto as Exhibit B.

State Appropriation Request/Preliminary Spending Plan for FY 2011-12

Mr. Pitkin further reported on NYSERDA's State Appropriation Request for the next fiscal year which is submitted annually to the Division of the Budget ("DOB"), and sets forth the Authority's requests for state appropriations.

For FY 2011-12, NYSERDA is requesting appropriations totaling \$31,685,000, an 11.1% decrease from \$35,622,000 approved in the current state budget. The decrease is attributable to a decrease in funding for West Valley which Mr. Pitkin advised would be addressed by the Waste and Facilities Management Committee. No change is included in the request for the R&D and Energy Analysis program areas, consistent with directives from the DOB that requests not include increases in appropriations. However, Authority staff is continuing to have discussions with DOB staff about the \$4,147,000 in State appropriation funding included for the Energy Analysis policy and planning function. The Legislature has directed that the State Energy Plan be updated again in 2012, and staff is beginning work to support the next update to the plan. Staff had determined that consultant support will be needed to complete certain analytical studies in support of the Plan, as was required for the Plan recently completed, and has estimated the cost of these studies at \$1.3 million, which would be incurred principally during fiscal year 2011-12.

The State Appropriation Request also includes requests to reappropriate amounts included in the current fiscal year budget but not fully expended through March 31, 2011, for a variety of energy and environmental projects. Based on additional expenditures, the amount requested for reappropriation is about \$43.3 million.

The Preliminary Spending Plan for FY 2011-12 includes all revenues and expenses by program area. Overall, the Plan estimates total expenditures at \$744 million, compared to \$724.8 million for the current fiscal year revised budget. The increase is primarily due to the annualization of additional funding provided in this fiscal year for the EEPS and RPS programs.

The appropriations provided for the Energy R&D and Energy Analysis programs total \$16,230,000. However, budget cuts enacted in the current year's budget reduced the cash available from these appropriations by \$542,000 to \$15,688,000. These same reductions have been anticipated for fiscal year 2011-12 and have been factored into the appropriation revenues anticipated for the Preliminary Spending Plan.

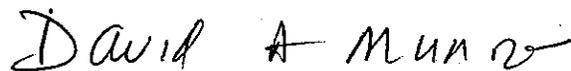
The preliminary spending amount for salaries and benefits reflects annual salaries for all staffing positions budgeted in the revised budget for this year, but reflects full year levels. The Plan does not include any amounts for cost of living adjustments or performance-based salary increases, assuming that these will not be approved for State Management/Confidential employees for next fiscal year.

The Preliminary Spending Plan projects the balance of unrestricted net assets at the end of the fiscal year will increase slightly to \$2,077,000. Mr. Pitkin noted that as previously discussed, this amount is in line with the \$2 million historic balance.

Mr. Akel asked if there was any further discussion or questions regarding a recommendation by the Committee that the Board approve the resolution regarding the State Appropriation Request for FY 2011-12. There being none and based on all the reports and discussions regarding the State Appropriation Request and Spending Plan as presented, upon motion duly made and seconded, and by unanimous voice vote, the Committee recommended that the full Board adopt the resolution approving the Authority's State Appropriation Request for FY 2011-12. A copy of said resolution is attached hereto as Exhibit C.

Mr. Akel asked if there was any other business before the Committee. There being none, upon motion duly made and seconded, and by unanimous voice vote of the Members, the 74th meeting of the Program Planning Committee was adjourned.

Respectfully submitted,



David A. Munro
Secretary to the Program Planning Committee

NYSERDA New York State Energy Research and Development Authority

Vincent A. DeLorio, Esq., *Chairman*

Francis J. Murray, Jr., *President and CEO*

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NOTICE OF MEETING AND AGENDA

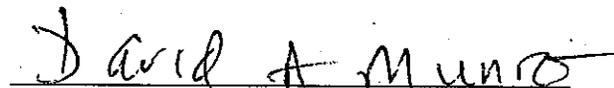
September 3, 2010

TO THE MEMBERS OF THE PROGRAM PLANNING COMMITTEE:

PLEASE TAKE NOTICE that a meeting of the Program Planning Committee (the 74th meeting) of the New York State Energy Research and Development Authority will be held in the Authority's New York City Office, located at 485 Seventh Avenue, 10th floor, New York, New York, and by video conference at the Authority's: (1) Albany Office at 17 Columbia Circle, Albany, New York, and (2) Buffalo Office at 726 Exchange Street, Suite 821, Buffalo, New York; on Monday, September 13, 2010, commencing at 10:30 a.m., for the following purposes:

1. To consider and act upon the Minutes of the seventy-third (73rd) meeting of the Program Planning Committee held on June 7, 2010.
2. To receive a report from the Treasurer and to consider and act upon recommending approval of a resolution approving revisions to the Authority's Fiscal Year 2010-11 budget.
3. To receive a report from the Treasurer regarding the Authority's Fiscal Year 2011-12 Preliminary Spending Plan and the Authority's State Appropriation Request For Fiscal Year 2011-12 and act upon recommending approval of a resolution approving the State Appropriation Request for Fiscal Year 2011-12.
4. To transact such other business as may properly come before the Committee.

Members of the public may attend the meeting at any of the above locations. In accordance with guidance from the Office of Taxpayer Accountability, the Authority will be posting a video of the meeting to the web within two business days of the meeting. The video will be posted at <http://www.nysesda.org/governancemeetings2.asp>.



David A. Munro

Secretary to the Program Planning Committee

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Exhibit B

Resolution No. _____

RESOLVED, that the Fiscal Year 2010-11 Budget and Financial Plan (Revised September 2010) submitted to the Members for consideration at this meeting, with such non-material, editorial changes and supplementary schedules as the President and CEO, in his discretion, may deem necessary or appropriate, be and it hereby is approved.

Exhibit C

Resolution No. _____

RESOLVED, that the proposed State Appropriation Request for Fiscal Year 2011-12 submitted to the Members for consideration at this meeting, with such non-material, editorial changes and supplementary schedules as the President and CEO, 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.