

**New York State
Energy Research and Development Authority**

2009-10 Annual Investment Report

NEW YORK STATE
ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

2009-10 ANNUAL INVESTMENT REPORT

A. EXPLANATION OF INVESTMENT GUIDELINES

A copy of the Investment Guidelines, Operative Policy and Instructions ("Guidelines") is included in the 2009-10 Annual Investment Report as required by PAL Section 2925. PAL Section 2925 provides that the investment guidelines of a public authority shall set forth, among other things, a detailed list of permitted investments, what types of investments shall be secured with collateral and to what extent, what types of investments shall be made pursuant to written contracts, how collateral shall be valued and monitored, standards for diversifying types of investments and for qualifying and diversifying firms with which business is transacted, requirements for Board verification of matters relating to investments, provisions for annual independent audit of all investments, and provisions for preparing and filing quarterly and annual investment reports.

The Guidelines explicitly require the Board to determine whether results are consistent with objectives, to review the independent audit of investments, to review the program for consistency with statutory requirements, and to verify collateral semi-annually (at least once on an unscheduled basis). The Guidelines permit delegation of these functions through the Audit and Finance Committee to the Authority's independent auditors.

The Guidelines provide that, where practicable, the Members shall review and approve at the June meeting an annual investment report and the investment guidelines.

B. AMENDMENTS

The Investment Guidelines were last approved by the Members in June 2009, and did not include any changes from those approved by the Members in June 2008.

C. INVESTMENT GUIDELINES, OPERATIVE POLICY AND INSTRUCTIONS

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

INVESTMENT GUIDELINES, OPERATIVE POLICY AND INSTRUCTIONS

(June 2009)

INVESTMENT GUIDELINES, OPERATIVE POLICY AND INSTRUCTIONS
(June 2009)

I. Introduction

These guidelines set forth the policy of the New York State Energy Research and Development Authority (hereafter "the Authority") and instructions to its officers and staff with regard to its investments and the monitoring and reporting of these investments. The guidelines are intended to meet or exceed the provisions of Public Authorities Law (hereafter, "PAL") Section 2925, the Office of the State Comptroller's Investment Guidelines for Public Authorities contained in 2 NYCRR Part 201, Section 201.3, and the provisions of the Authority's enabling legislation concerning Authority investments. In accordance with PAL Section 2925, the guidelines will be reviewed, revised, if necessary, and approved as frequently as necessary and appropriate, but not less frequently than annually, in the manner described hereafter.

The provisions of these guidelines apply to all monies for which the Authority is responsible for directing investment. This includes monies to which the Authority has legal title and which are held by the Commissioner of Taxation and Finance as fiscal agent of the Authority (PAL Section 1859(1)). It also includes monies to which the Authority does not have legal title, but for which it is responsible for directing investment such as monies held by the trustee for the State Service Contract Revenue (West Valley) Bonds.

The Authority conducts a Private Activity Bond Financing Program. Pursuant to this program, tax-exempt non-recourse securities are issued by the Authority, and the proceeds are made available to State utilities and other non-State entities to finance eligible projects. These securities do not constitute a debt of or charge against the credit of the Authority or the State. Rather, the utility or other entity for which the securities are issued is liable for payment of the principal, redemption premium, if any, and interest on the securities. The proceeds of each issuance are deposited with a trustee chosen by the participating utility or other entity, and are not available for investment by the Authority. Generally, the Indenture of Trust for the transaction will contain a list of securities in which the Trustee may invest these monies. The list of permitted investments is approved by the Commissioner of Taxation and Finance as part of the Commissioner's review pursuant to the enabling legislation of the Authority. Investments are made at the direction of the participating utility or other entity, and not at the direction of the Authority. Accordingly, the provisions of these Investment Guidelines do not apply to the investing of these monies. Nonetheless, when participating in the formulation of these financing transactions, staff are directed to pursue the objectives set forth in the Investment Guidelines and to require that prudent provisions as to permitted investments, collateral requirements and investment monitoring be included in the underlying documents, as appropriate.

II. Definitions

"Broker-Dealer" means any government bond trader approved by the Commissioner of Taxation and Finance reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York.

"Custodian" means the Commissioner of Taxation and Finance, or a bank, trust company or national banking association designated or approved to hold securities on behalf of or for the benefit of the Authority, as trustee or otherwise.

"Eligible Banking Institution" means any bank, trust company, or national banking association approved by the Commissioner of Taxation and Finance doing business through offices located within New York State. For the State of New York's Excelsior Linked Deposit Program only, Eligible Banking

Institution shall also includes savings and loan institutions.

"Federal Governmental Obligations" means obligations of the United States and obligations the principal and interest of which are unconditionally guaranteed by the United States.

"Repurchase Agreement" means a written contract whereby the Authority purchases securities, and the seller of the securities agrees to repurchase the securities at a future date for a specified price. Repurchase Agreements may be used to purchase only Federal Government Obligations. The Authority may enter into a Repurchase Agreement only with an Eligible Banking Institution or a Broker-Dealer.

"Money market funds" means shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, registered under the Federal Securities Act of 1933.

III. Investment Objectives

The investment objectives of the Authority, listed in order of importance, are as follows: to conform with all applicable Federal, State and other legal requirements; to adequately safeguard investment principal; to earn reasonable rates of return; and to provide for portfolio liquidity. These investment objectives will likely be achieved through substantial reliance on Federal Governmental Obligations and minimal investment in long-term securities.

IV. Delegation of Authority

The responsibility for implementing the investment program is delegated to the Authority's Treasurer. All investment transactions shall be approved and authorized by the Treasurer or, in his/her absence the Controller and Assistant Treasurer, or any Officer of the Authority. Such authorized investment transactions shall be initiated and executed by the Commissioner of Taxation and Finance (or his/her authorized designees), the Authority's fiscal agent established pursuant to Section 1859 of the Public Authorities Law. The Treasurer shall establish written procedures for the operation of the investment program consistent with these Investment Guidelines. Such procedures shall include an internal control structure to provide a reasonable level of accountability over the authorization, recording and reporting of investment transactions, and to provide for a segregation of duties between authorization and accounting functions.

Investments shall be made in accordance with the Authority's Investment Guidelines, Operative Policy and Instructions using the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the objectives set forth herein. All Authority staff participating in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Authority's ability to effectively fulfill its responsibilities. All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

V. Types of Investments Authorized

The Authority may deposit monies in demand deposit (checking) and time deposit (savings) accounts with Eligible Banking Institutions located in New York State. Monies deposited in such accounts shall be fully secured as soon as practicable by Federal Deposit Insurance Corporation (FDIC) insurance or obligations of New York State or Federal Government Obligations, subject to approval of the Commissioner of Taxation and Finance, the Authority's fiscal agent, in consultation with the Authority.

Investments shall be limited to the following types of securities:

(1) Federal Governmental Obligations, provided that the term of each shall not exceed five (5) years;

(2) obligations of New York State and obligations the principal and interest of which are guaranteed by New York State, provided that the term of each shall not exceed five (5) years;

(3) certificates of deposit of Eligible Banking Institutions located in New York, provided that: the term of each shall not exceed five (5) years; pursuant to the limitations of a resolution adopted by the Members in June 1994, the Authority may invest in certificates of deposits through the State of New York's Excelsior Linked Deposit Program, whereby the Authority's deposit will earn a fixed rate of interest equal to 2% to 3% less than the institution's published certificate of deposit rate consistent with this program's criteria; and subject to all other provisions outlined in these Guidelines.

(4) Repurchase Agreements, provided that the term of each shall not exceed sixty (60) days and that no more than 40 percent of the Authority's total investments shall be invested in Repurchase Agreements at the time of purchase; and

(5) Money market funds whose investments are limited to the authorized investments described above and whose objective is to maintain a constant share value of \$1.00, provided that: (a) no more than 5 percent of the total amount of the Authority's investments shall be invested in money market funds for more than thirty consecutive business days; and (b) no more than 10 percent of the total amount of the Authority's investments shall be invested in money market funds at any time.

Nothing herein contained shall preclude the Authority from imposing further restrictions on the investing of funds in any Indenture of Trust relating to the issuance of bonds.

VI. Authorized Financial Institutions and Dealers

Eligible Banking Institutions and Broker-Dealers authorized for the Authority's investment purposes shall be approved based upon policies and procedures established by the Commissioner of Taxation and Finance. A list of Eligible Banking Institutions and Broker-Dealers authorized by the Commissioner as of the date of these Guidelines is contained in Appendix A, subject to change. The Authority will periodically consult with the Department of Taxation and Finance concerning their policies, practices and the resulting list.

VII. Diversity of Investments

To the extent practical, the Authority shall diversify its investments by financial institution, by investment instrument, and by maturity. The cash flow requirements of the Authority will be a significant determining factor in selecting the term of investment securities. Competitive quotations, pursuant to policies established by the Commissioner of Taxation and Finance and executed by his/her designated staff, shall be used to select the institution from which investments are purchased.

Except as otherwise required by any policies and practices of the Commissioner of Taxation and Finance, the Authority shall not invest more than 35 percent of its total investment portfolio with a single Eligible Banking Institution.

VIII. Collateral and Delivery of Securities

Collateral for investments shall be limited to: (i) obligations of New York State and obligations the principal and interest of which are guaranteed by New York State; and (ii) Federal Governmental Obligations. The Authority shall not accept a pledge of a proportionate interest in a pool of collateral. Collateral shall be segregated in the name of the Authority, and shall be in the custody of the Authority or a

third party Custodian pursuant to a written custodial agreement; provided, that if the Custodian is the Commissioner of Taxation and Finance, a written custodial agreement shall not be required. The written custodial agreement shall specify circumstances, if any, under which collateral may be substituted, and shall provide that the Custodian holds the collateral solely for the benefit of the Authority and makes no claim thereto. The market value of collateral and accrued interest, if any, shall equal or exceed the value of the secured investment and accrued interest, if any, at all times. Collateral shall be marked to market at the time of the initial investment and, thereafter, no less frequently than monthly using the bid or closing price as quoted in The Wall Street Journal.

In addition to collateral permitted for investments, collateral for deposits made with banks participating in the State's Excelsior Linked Deposit Program shall, subject to the discretion of the Commissioner of Taxation and Finance with confirmation to the Authority, include obligations permitted under Section 105 of the State Finance Law.

Certificates of deposit, demand deposits and time deposits shall be fully collateralized for amounts in excess of Federal Deposit Insurance Corporation (FDIC) coverage.

Securities purchased through a Repurchase Agreement shall be marked to market at least monthly.

Collateral shall not be required with respect to the purchase of obligations of New York State, obligations the principal and interest of which are guaranteed by New York State, Federal Governmental Obligations, or money market funds.

Under any Repurchase Agreement, payment shall be made by or on behalf of the Authority to the seller upon the seller's delivery of obligations of the United States to the Custodian designated by the Authority, or, in the case of a book entry transaction, when the obligations of the United States are credited to the Custodian's Federal Reserve Bank account. Payment shall be made by or on behalf of the Authority for obligations of New York State, obligations the principal and interest of which are guaranteed by New York State, Federal Governmental Obligations, certificates of deposit, and other purchased securities upon the delivery thereof to the Custodian designated by the Authority, or, in the case of a book entry transaction, when the purchased securities are credited to the Custodian's Federal Reserve System account.

IX. Written Contracts

The Authority has determined that, with the exception of Repurchase Agreements, written contracts are not a regular business practice for the types of securities (obligations of New York State, Federal Governmental Obligations, etc.) in which Authority monies may be invested. The interests of the Authority will be adequately protected by conditioning payment by or on behalf of the Authority on the physical delivery of purchased securities to the Authority or its Custodian, or, in the case of book-entry transactions, on the crediting of purchased securities to the Custodian's Federal Reserve System account. In addition, all purchases will be confirmed in writing to the Authority.

Only an Eligible Banking Institution or a Broker-Dealer shall be qualified to enter into a Repurchase Agreement with the Authority's fiscal agent. The Authority's fiscal agent shall enter into a Master Repurchase Agreement, patterned after the Bond Market Association (formerly Public Security Association) model master repurchase agreement, with each Eligible Banking Institution or Broker-Dealer with which the fiscal agent enters into a specific Repurchase Agreement. The Master Repurchase Agreement shall include:

- (a) a description of the relationship of the parties as purchaser and seller;
- (b) a description of the events of default which would permit the purchaser to liquidate the pledged

collateral;

(c) procedures which ensure that the Authority obtains a perfected security interest in the underlying securities; and

(d) the method of computing margin maintenance requirements, including a limitation, based on policies established by the Commissioner of Taxation and Finance, that securities purchased and held as collateral for repurchase agreements shall be Federal Government Obligations maturing in twelve years or less, and provided that: (i) if such collateral has a maturity of seven years or less, the market value must equal or exceed 101% of the par value of the repurchase agreement; and (ii.) if such collateral has a maturity greater than seven years, the market value must equal or exceed 102% of the par value of the repurchase agreement.

X. Qualification of Custodians

The following shall be qualified to act as Custodian: the Commissioner of Taxation and Finance, any bank or trust company chartered by the State of New York which is not a member of the Federal Reserve System, or any bank, trust company, or national banking association which is a member of the Federal Reserve System, including an Eligible Banking Institution, which transacts business through offices located within the State of New York. During the time that any bank or trust company serves as Custodian, it must be rated at least "A", or its equivalent, by a nationally recognized independent rating agency. With respect to the holding of securities purchased by the Authority through a Repurchase Agreement, the Custodian may not be the Eligible Banking Institution with which the Authority or its fiscal agent has entered into such Repurchase Agreement, nor an agent of such Eligible Banking Institution for purposes of the Repurchase Agreement.

XI. Audit and Finance Committee

The functions of the Audit and Finance Committee with respect to investments are to:

(a) monitor the system of internal controls;

(b) verify relevant matters relating to securities purchased or held as collateral semi-annually and on an unscheduled basis;

(c) determine whether the investment results are consistent with the investment objectives set forth in these Investment Guidelines;

(d) review any independent audits of the investment program;

(e) review these Investment Guidelines periodically and recommend to the Members of the Authority such amendments thereto as may be necessary or appropriate; and

(f) evaluate systematically and periodically the investment program consistency with the provisions of PAL Section 2925, these Investment Guidelines, and the Office of the State Comptroller's Investment Guidelines for Public Authorities (2 NYCRR Part 201, Section 201.3).

In support of its functions, the Audit and Finance Committee shall:

(a) require the Authority's independent auditors to verify semi-annually, and at least once annually on an unscheduled basis, that the provisions of these Investment Guidelines relating to the delivery and

possession of and payment for securities, and custodial possession and periodic valuation of collateral are being met;

(b) review the quarterly, annual, and any other periodic investment reports, and recommend to the Members of the Authority such changes in the annual investment report as it deems necessary or appropriate;

(c) review the written annual audit report of the independent auditors;

(d) discuss with the independent auditors, with staff and officers not present, the results of the annual independent audit and the written annual audit report; and

(e) review not less frequently than annually these Investment Guidelines, and recommend to the Members of the Authority such changes in these Investment Guidelines as it deems necessary or appropriate.

XII. Operations and Procedures

The Treasurer, or in his/her absence the Controller and Assistant Treasurer or any Authority Officer, shall authorize the purchase and sale of all securities, authorize the disbursement of funds for delivery of securities, determine the selection of brokers, dealers and Custodians, and execute contracts for Repurchase Agreements and custodial services on behalf of the Authority. The process of initiating, reviewing and approving requests to purchase and sell securities shall be documented and retained for audit purposes. Oral directions concerning the purchase or sale of securities shall be confirmed in writing. The Authority shall pay for purchased securities upon the delivery or book-entry thereof, and the Authority will obtain written confirmation of each delivery or book-entry. Custodians must have prior authorization from the Authority to deliver securities and collateral, and shall not deliver securities except upon receipt of funds. Custodians shall confirm in writing all such transactions. Custodians shall report whenever activity has occurred in a custodial account of the Authority.

The Treasurer shall develop a detailed investment procedures implementing the Investment Guidelines as part of the Accounting Policy and Procedures Manual which shall include, but not be limited to, the following:

(a) the establishment and maintenance of a system of internal controls for investments;

(b) methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;

(c) a data base or record incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices and related information necessary to manage the portfolio; and

(d) requirements for periodic reporting and a satisfactory level of accountability.

Except in the purchase of government securities at their initial auction, the Authority will encourage investment selections utilizing competitive quotations based upon the procedures established by the Commissioner of Taxation and Finance and carried out by his/her designated personnel.

The Treasurer shall maintain a record of investments. The record shall identify each security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and

Custodian of the collateral.

At least monthly, the Authority shall verify the principal amount and market values of all investments and collateral. The Authority shall obtain appropriate listings from Custodians and compare such listings against the records of the Authority.

XIII. Audit

At the time the independent auditors to the Authority conduct the annual audit of the accounts and financial affairs of the Authority, the independent auditors shall audit the investments of the Authority for the subject fiscal year. The annual investment audit shall determine whether:

- (a) the Authority's investment practices and operations have been consistent with the provisions of PAL Section 2925, these Investment Guidelines, the Office of the Comptroller's Investment Guidelines for Public Authorities, and the Authority's investment operating procedures contained in its Accounting Policies and Procedures Manual;
- (b) adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the Authority's investment assets; and
- (c) a system of adequate internal controls for investments is maintained.

The independent auditors shall prepare a written annual audit report which presents the results of their annual investment audit, and shall include:

- (a) a description of the scope and objectives of the audit;
- (b) a statement that the audit was made in accordance with generally accepted government auditing standards;
- (c) a description of any material weaknesses found in the internal investment controls;
- (d) a description of all non-compliance with provisions of PAL Section 2925, these Investment Guidelines, the Office of the State Comptroller's Investment Guidelines for Public Authorities (2 NYCRR Part 201, Section 201.3), or the Authority's investment operating procedures contained in its Accounting Policies and Procedures Manual;
- (e) a statement of positive assurance of compliance on the items tested; and
- (f) a statement of any other material deficiency or finding identified during the audit not covered in (e) above.

XIV. Reporting

Within sixty (60) days of the end of each of the first three quarters of the Authority's fiscal year, the Treasurer shall prepare and submit to the Members of the Authority and to the Audit and Finance Committee of the Authority a quarterly investment report which indicates new investments, the inventory of existing investments, the selection of Custodians and Broker-Dealers, and such other matters as the Treasurer deems appropriate.

Within 120 days of the end of the fiscal year, the Treasurer shall prepare and submit to the Audit and Finance Committee an annual investment report, which shall include the Investment Guidelines, including any amendment to the Investment Guidelines since the last annual investment report; an explanation of the Investment Guidelines and amendments; the results of the annual independent audit; the investment income record; a list of total fees, commissions or other charges paid to each Broker-Dealer and Custodian; and such other matters as the Treasurer deems appropriate.

The Members of the Authority shall review and approve the annual investment report, if practicable, at the June meeting of the Authority, for submission thereof to the Division of the Budget, the Department of Audit and Control, the Senate Finance Committee, and the Assembly Ways and Means Committee.

The Authority's annual financial statements shall report the Authority's investments and provide such disclosure information as is required by applicable governmental accounting standards.

Not less frequently than annually, and if practicable, at the June meeting of the Authority, the Members of the Authority shall review, amend, if necessary or appropriate, and approve these Investment Guidelines.

The provisions of these Investment Guidelines and any amendments hereto shall take effect prospectively and shall not invalidate the prior selection of any Custodian, Broker-Dealer, any prior investment, nor any list of permitted investments set forth in any indenture of trust or similar document previously executed by the Authority.

Appendix A
Approved Eligible Banking Institutions and Broker-Dealers
As of June 1, 2009

For Federal and State Government Obligations:

Duetsche Bank
Dresdner Bank
Banc of America Securities LLC
HSBC Securities (USA) Inc.
Morgan Stanley & Co. Inc.
Salomon Smith Barney Inc.
Mizuho Securities USA Inc.

For Certificates of Deposit:

Adirondack Bank	Greater Buffalo Savings Bank
Adirondack Trust Co.	HSBC
Alliance Bank, N.A.	Hudson River Bank & Trust Co.
Ballston Spa National Bank	Hudson United Bank
Bank of Akron	J. P. Morgan Chase Manhattan Bank
Bank of America	Key Bank
Bank of Castile	Lyons National Bank
Bank of New York	Manufacturers & Traders Bank
Beacon Federal	Mohawk Community Bank
Berkshire Bank	National Bank of Mount Vernon
Capital Bank & Trust	National Bank of Stamford
Cattaraugus County Bank	National Union Bank of Kinderhook
Chemung Canal Trust Co.	NBT Bank NA
Citi Bank	Northwest Savings Bank
Citizens Bank	Partners Trust Bank
Community Bank of Orange	Premier National Bank
Community Capital/ Community Bank, N.A.	Rome Savings Bank
Delaware National Bank of Delhi	Saratoga National Bank and Trust
Elmira Savings and Loan, F.A.	Savannah Bank, NA
Elmira Savings Bank FSB	Savings Bank of the Fingerlakes
Evans National Bank of Angola	Signature Bank
Evergreen Bank/ TD Bank North	Solvay Bank
First National Bank of Cortland	Suffolk County National Bank
First National Bank of Groton	TD BankNorth
First National Bank of Jeffersonville	Tioga State Bank
First National Bank of Lisbon	Tompkins County Trust Co.
First National Bank of Long Island	Trust Co. Bank
First National Bank of Scotia	Ulster Savings Bank
First Niagara Bank	Upstate National Bank
First State Bank, Canisteo	Walden Savings Bank
Five Star Bank	Wilber National Bank
Genesee Regional Bank	
Glens Falls National Bank & Trust Co.	

D. INVESTMENT SUMMARY AS OF MARCH 31, 2010

Following is summary and detail of the Authority's investments as of March 31, 2010

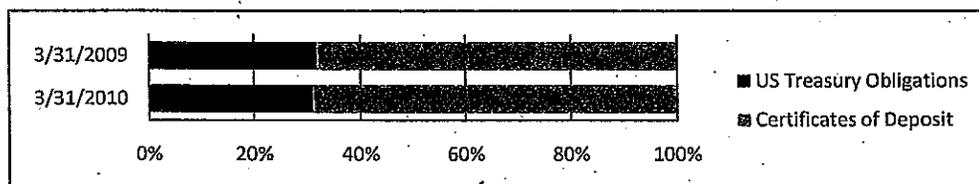
NYSERDA
Investment Report Summary
As of March 31, 2010

Summary of Investments by Fund

Fund	3/31/2010 Amortized Cost	3/31/2010 Market Value	3/31/2009 Amortized Cost	Increase/ Decrease
Operating Fund (including R&D program funds)	\$ 17,230,644	17,191,611	42,856,188	(25,625,544)
Restricted Funds (Misc. administered programs)	42,718,631	42,709,487	35,674,541	7,044,090
System Benefits Charge	303,584,241	304,719,645	303,776,523	(192,282)
Energy Efficiency Portfolio Standard	92,094,272	92,340,592	19,118,145	72,976,127
ConEdison System-Wide Demand Reduction Pgm	43,296,579	43,257,699	63,663,403	(20,366,824)
Renewable Portfolio Standard	96,196,531	96,541,475	78,741,502	17,455,029
RGGI	51,812,570	51,977,802	87,984,220	(36,171,650)
GJGNY	68,373,732	68,265,717	-	68,373,732
CAIR	23,746,886	23,672,734	23,992,662	(245,776)
Low Level Radioactive Waste Account	3,642,357	3,642,357	2,178,796	1,463,561
Perpetual Care Funds	28,221,066	28,199,688	27,756,258	464,808
Total Investments	770,917,509	772,518,807	685,742,238	85,175,271

Analysis: Operating Fund decrease largely due to transfer of funds to GASB45 Trust and decreases due to timing of expenditures and reimbursement billings; Restricted Funds increase due to additional gas efficiency and settlement funds received for administration; Energy Efficiency Portfolio Standard increase due to collection of assessments in excess of program expenses to date for these new programs; Renewable Portfolio Standard increase due to timing of collections compared to expenditures; RGGI decrease due to \$90M transfer to NYS for deficit reduction plan and \$68.3 million transfer to GJGNY fund, offset in part by \$125 million in auction proceeds collected. Market value is slightly above amortized cost due to changes in overall market rates from when investments were purchased.

Summary of Investments by Investment Type



	3/31/2010	3/31/2009
US Treasury Obligations	\$ 239,088,355	218,043,366
Certificates of Deposit	531,829,154	467,698,872
Total	770,917,509	685,742,238

Weighted average term of investments	23.4 months	12.5 months
Weighted average time to maturity	18.9 months	6.4 months

Analysis: Allocation relatively unchanged. Increase in term due to improvements in market interest rates which provided more attractive rates for longer term investments.

Income

Fund	Year Ended 3/31/2010	Year Ended 3/31/2009
Operating Fund (including R&D program funds)	\$ 589,803	1,730,755
Restricted Funds (Misc. administered programs)	256,551	270,574
Energy Efficiency Portfolio Standard	738,057	36,145
System Benefits Charge Funds	6,515,748	10,528,506
ConEdison System-Wide Demand Reduction Pgm	-	616,104
Renewable Portfolio Standard	1,520,006	1,654,925
RGGI	770,592	27,556
GJGNY	145,146	-
CAIR	340,410	24,162
Low Level Radioactive Waste Account	10,500	64,437
Perpetual Care Funds	464,808	1,015,048
West Valley Bond Funds	-	14,299
Total	\$ 11,351,621	15,982,511

Investment Yield	1.6%	2.7%
Weighted Average Yield of Current Investments	1.0%	2.9%

Analysis: Decrease in yield primarily due to changes in overall market interest rates.

Fund	Subacct	Bank	Investment Type	Purchase Date	Maturity Date	Cost	Principal	Yield	Amortized Cost	Market Value
CAIR			US Treasury Bill	10/28/09	09/26/10	\$1,815,343	\$1,820,000	0.31%	\$1,817,749	\$1,816,118
CAIR		Fleet	US Treasury Strip	12/16/09	02/15/12	\$4,311,736	\$4,400,000	0.94%	\$4,323,540	\$4,321,548
CAIR			US Treasury Strip	02/10/10	05/15/13	\$8,566,560	\$9,000,000	1.52%	\$8,584,260	\$8,540,370
CAIR			US Treasury Strip	02/10/10	11/15/13	\$9,003,567	\$9,640,000	1.45%	\$9,021,337	\$8,994,698
CAIR Total						\$23,697,207	\$24,860,000		\$23,746,886	\$23,672,734
ConEd SW			US Treasury Bill	11/16/09	05/13/10	\$4,641,325	\$4,645,000	0.16%	\$4,644,128	\$4,641,403
ConEd SW			US Treasury Bill	08/19/09	08/17/10	\$16,086,518	\$16,140,000	0.40%	\$16,126,693	\$16,095,111
ConEd SW			US Treasury Bill	12/23/09	08/26/10	\$9,483,446	\$9,500,000	0.26%	\$9,490,121	\$9,485,548
ConEd SW		HSBC	Certificate of Deposit	01/06/10	09/08/10	\$13,025,000	\$13,025,000	0.35%	\$13,035,637	\$13,035,637
ConEd SW Total						\$43,236,290	\$43,310,000		\$43,296,579	\$43,257,699
EEPS		HSBC	Certificate of Deposit	08/05/09	04/07/10	\$8,043,342	\$8,043,342	0.85%	\$8,088,541	\$8,088,541
EEPS			US Treasury Bill	10/29/09	10/21/10	\$737,265	\$740,000	0.38%	\$738,437	\$737,837
EEPS		Wilber National	Certificate of Deposit	01/27/10	11/10/10	\$11,219,000	\$11,219,000	0.65%	\$11,231,762	\$11,231,762
EEPS			US Treasury Strip	10/30/09	02/15/12	\$5,551,620	\$5,684,000	1.03%	\$5,575,631	\$5,580,722
EEPS			US Treasury Strip	10/30/09	02/15/12	\$14,329,949	\$14,670,000	1.03%	\$14,391,629	\$14,403,446
EEPS			US Treasury Strip	11/02/09	02/15/12	\$912,476	\$935,000	1.07%	\$916,495	\$918,329
EEPS			US Treasury Strip	12/16/09	02/15/12	\$3,527,784	\$3,600,000	0.94%	\$3,537,370	\$3,535,812
EEPS			US Treasury Strip	01/29/10	02/15/13	\$15,205,777	\$15,890,000	1.45%	\$15,243,277	\$15,208,955
EEPS			US Treasury Strip	02/01/10	02/15/13	\$11,672,255	\$12,185,000	1.42%	\$11,699,047	\$11,662,751
EEPS			US Treasury Strip	07/31/09	08/15/13	\$20,353,222	\$22,290,000	2.26%	\$20,672,082	\$20,972,438
EEPS Total						\$91,552,690	\$95,256,342		\$92,084,272	\$92,340,592
GJGNY (Mac28)			US Treasury Bill	07/02/09	07/01/10	\$39,010,761	\$39,205,000	0.50%	\$39,155,907	\$39,044,031
GJGNY (Mac28)			US Treasury Bill	03/31/10	09/23/10	\$29,217,825	\$29,250,000	0.23%	\$29,217,825	\$29,221,686
GJGNY (Mac28) Total						\$68,228,586	\$68,455,000		\$68,373,732	\$68,265,717
LLRW		Wilber National	Certificate of Deposit	02/05/10	05/07/10	\$2,017,274	\$2,017,274	0.30%	\$2,018,182	\$2,018,182
LLRW		Wilber National	Certificate of Deposit	03/11/10	05/07/10	\$819,983	\$819,983	0.30%	\$820,119	\$820,119
LLRW		Wilber National	Certificate of Deposit	03/12/10	05/07/10	\$803,928	\$803,928	0.30%	\$804,056	\$804,056
LLRW Total						\$3,641,185	\$3,641,185		\$3,642,357	\$3,642,357
Perpetual Care		Wilber National	Certificate of Deposit	11/16/09	10/21/10	\$2,253,673	\$2,253,673	0.90%	\$2,261,279	\$2,261,279
Perpetual Care			US Treasury Bill	11/16/09	10/21/10	\$25,932,671	\$26,000,000	0.28%	\$25,959,767	\$25,938,409
Perpetual Care Total						\$28,186,343	\$28,253,673		\$28,221,066	\$28,199,688
R&D	ESLDP	First Niagara	Certificate of Deposit	05/12/09	05/12/10	\$381,432	\$381,432	0.00%	\$381,432	\$381,432
R&D	ESLDP	M & T Trust	Certificate of Deposit	05/29/08	05/29/10	\$436,000	\$436,000	0.63%	\$441,120	\$441,120
R&D	ESLDP	HSBC	Certificate of Deposit	07/24/09	07/23/10	\$15,000	\$15,000	3.00%	\$15,313	\$15,313
R&D	ESLDP	M & T Trust	Certificate of Deposit	07/24/09	07/23/10	\$360,000	\$360,000	2.92%	\$367,300	\$367,300
R&D			US Treasury Bill	01/06/10	08/26/10	\$439,376	\$440,000	0.22%	\$439,604	\$439,411
R&D		HSBC	Certificate of Deposit	02/10/10	10/13/10	\$5,000,000	\$5,000,000	0.32%	\$5,002,178	\$5,002,178
R&D	ESLDP	Key	Certificate of Deposit	12/31/09	12/31/10	\$462,000	\$462,000	2.87%	\$465,315	\$465,315
R&D			US Treasury Strip	02/10/10	11/15/12	\$4,834,300	\$5,000,000	1.22%	\$4,842,348	\$4,821,750
R&D			US Treasury Strip	02/10/10	11/15/13	\$5,262,977	\$5,635,000	1.82%	\$5,276,035	\$5,257,793
R&D Total						\$17,191,085	\$17,729,432		\$17,230,644	\$17,191,611
Restricted	CHGE Gas Efficiency	Wilber National	US Treasury Bill	11/18/09	05/13/10	\$90,935	\$91,000	0.15%	\$90,985	\$90,935
Restricted	Croton MOU		US Treasury Bill	11/16/09	05/13/10	\$6,699,696	\$6,705,000	0.16%	\$6,703,741	\$6,699,807
Restricted	ConEd Gas		US Treasury Bill	10/02/09	06/10/10	\$4,417,696	\$4,425,000	0.24%	\$4,422,969	\$4,418,422
Restricted	Am Elec Power Heating Oil Eff Pilot	Wilber National	Certificate of Deposit	03/24/10	06/23/10	\$1,857,000	\$1,857,000	0.25%	\$1,857,090	\$1,857,090
Restricted	ConEd Gas	Wilber National	Certificate of Deposit	01/09/10	07/07/10	\$7,000,000	\$7,000,000	0.50%	\$7,008,167	\$7,008,167
Restricted	IP2	Wilber National	Certificate of Deposit	01/08/10	07/07/10	\$354,000	\$354,000	0.50%	\$354,413	\$354,413
Restricted	AES Env Mitigation	Wilber National	Certificate of Deposit	01/13/10	07/14/10	\$576,000	\$576,000	0.50%	\$576,616	\$576,616
Restricted	NFG Gas Eff	Wilber National	Certificate of Deposit	01/13/10	07/14/10	\$766,000	\$766,000	0.50%	\$766,819	\$766,819
Restricted	Ohio Edison Green Affordable Housing	Wilber National	Certificate of Deposit	01/13/10	07/14/10	\$3,231,000	\$3,231,000	0.50%	\$3,234,455	\$3,234,455
Restricted	NFG Gas Eff		US Treasury Bill	03/03/10	07/15/10	\$1,299,274	\$1,300,000	0.15%	\$1,299,428	\$1,299,258
Restricted	NatGrid gas2		US Treasury Bill	12/23/09	08/28/10	\$921,392	\$923,000	0.26%	\$922,040	\$921,596
Restricted	NYC Newton Creek Settlement	HSBC	Certificate of Deposit	12/30/09	09/01/10	\$2,000,000	\$2,000,000	0.30%	\$2,001,517	\$2,001,517
Restricted	RG&E School Bus Emission Reduction Pilot	Wilber National	Certificate of Deposit	03/10/10	09/08/10	\$453,000	\$453,000	0.50%	\$453,132	\$453,132
Restricted	ConEd Gas	HSBC	Certificate of Deposit	01/06/10	09/08/10	\$9,205,000	\$9,205,000	0.35%	\$9,212,517	\$9,212,517
Restricted	NIMO WNY	Citizens	Certificate of Deposit	03/03/10	09/22/10	\$1,950,000	\$1,950,000	0.25%	\$1,950,379	\$1,950,379
Restricted	Ohio Edison	Citizens	Certificate of Deposit	03/03/10	09/22/10	\$1,001,000	\$1,001,000	0.25%	\$1,001,195	\$1,001,195
Restricted	VEPCO	Citizens	Certificate of Deposit	03/03/10	09/22/10	\$863,000	\$863,000	0.25%	\$863,168	\$863,168
Restricted Total						\$42,684,892	\$42,700,000		\$42,718,631	\$42,709,497
RGGI		Citizens	Certificate of Deposit	10/28/09	04/28/10	\$9,274,000	\$9,274,000	0.25%	\$9,283,918	\$9,283,918
RGGI			US Treasury Bill	07/02/09	07/01/10	\$11,419,641	\$11,480,000	0.53%	\$11,464,744	\$11,430,253
RGGI			US Treasury Bill	03/31/10	07/01/10	\$3,393,915	\$3,395,000	0.13%	\$3,393,915	\$3,393,915
RGGI			US Treasury Strip	09/23/09	11/15/12	\$27,427,834	\$28,900,000	1.67%	\$27,669,992	\$27,869,715
RGGI Total						\$51,515,390	\$53,049,000		\$51,812,570	\$51,977,802
RPS		HSBC	Certificate of Deposit	01/06/10	09/08/10	\$13,973,000	\$13,973,000	0.35%	\$13,984,411	\$13,984,411
RPS		TD Bank North	Certificate of Deposit	01/27/10	01/26/11	\$6,665,000	\$6,665,000	0.40%	\$6,669,666	\$6,669,666
RPS			US Treasury Strip	11/02/09	02/15/12	\$3,162,189	\$3,230,000	1.07%	\$3,166,074	\$3,172,409
RPS			US Treasury Strip	03/29/10	02/15/13	\$14,420,670	\$15,065,000	1.44%	\$14,455,984	\$14,419,314
RPS			US Treasury Strip	02/01/10	02/15/13	\$10,767,021	\$11,240,000	1.42%	\$10,791,735	\$10,758,254
RPS			US Treasury Strip	08/17/09	02/15/13	\$14,065,050	\$15,000,000	1.85%	\$14,230,385	\$14,357,100
RPS			US Treasury Strip	02/10/10	05/15/13	\$8,295,286	\$8,715,000	1.52%	\$8,312,425	\$8,269,925
RPS			US Treasury Strip	08/17/09	05/15/13	\$7,266,065	\$7,805,000	1.92%	\$7,355,165	\$7,406,399
RPS			US Treasury Strip	07/31/09	08/15/13	\$10,857,710	\$11,890,000	2.26%	\$11,027,660	\$11,187,182
RPS			US Treasury Strip	07/02/09	11/15/13	\$6,086,636	\$6,770,000	2.45%	\$6,203,026	\$6,316,816
RPS Total						\$95,548,627	\$100,353,000		\$96,196,531	\$96,541,475
SBC		Fleet	Certificate of Deposit	05/20/09	05/19/10	\$23,500,000	\$23,500,000	0.95%	\$23,695,344	\$23,695,344
SBC		Citizens	Certificate of Deposit	01/27/10	08/18/10	\$28,000,000	\$28,000,000	0.25%	\$28,012,250	\$28,012,250
SBC		HSBC	Certificate of Deposit	01/06/10	09/08/10	\$84,344,000	\$84,344,000	0.35%	\$84,412,881	\$84,412,881
SBC		TD Bank North	Certificate of Deposit	01/27/10	01/26/11	\$18,923,000	\$18,923,000	0.40%	\$18,936,246	\$18,936,246
SBC			US Treasury Bill	02/17/10	02/10/11	\$10,634,719	\$10,670,000	0.34%	\$10,638,914	\$10,633,859
SBC			US Treasury Strip	11/02/09	02/15/12	\$1,580,974	\$1,620,000	1.07%	\$1,587,972	\$1,591,115
SBC			US Treasury Strip	03/03/10	08/15/12	\$13,397,588	\$13,750,000	1.06%	\$13,408,660	\$13,358,813
SBC			US Treasury Strip	08/17/09	02/15/13	\$18,436,390	\$19,655,000	1.84%	\$18,651,888	\$18,812,587
SBC			US Treasury Strip	01/29/10	02/15/13	\$20,378,037	\$21,295,000	1.45%	\$20,428,293	\$20,382,296
SBC			US Treasury Strip	02/01/10	02/15/13	\$21,864,524	\$22,825,000	1.42%	\$21,914,711	\$21,846,721
SBC			US Treasury Strip	07/31/09	11/15/13	\$18,061,600	\$20,000,000	2.39%	\$18,353,115	\$18,661,200
SBC			US Treasury Strip	07/31/09	11/15/13	\$21,186,177	\$23,435,000	2.37%	\$21,524,538	\$21,866,261
SBC			US Treasury Strip	07/01/09	11/15/13	\$17,425,062	\$19,475,000	2.56%	\$17,775,270	\$18,171,344
SBC			US Treasury Strip	07/01/09	11/15/13	\$4,160,541	\$4,650,000	2.56%	\$4,244,169	\$4,338,729
SBC Total						\$301,892,612	\$312,142,000		\$303,584,241	\$304,719,645
Grand Total						\$767,374,908	\$789,749,632		\$770,917,508	\$772,518,806

E. AUDITOR'S REPORT ON COMPLIANCE WITH INVESTMENT GUIDELINES

As part of the annual audit of the financial statements of the Authority, the independent auditors audited the Authority's investments and its compliance with its Investment Guidelines for the fiscal year ended March 31, 2010. Following is the report expected to be issued by the independent auditors.

INDEPENDENT ACCOUNTANTS' REPORT

Members of the Authority
New York State Energy Research and Development Authority
Albany, New York

We have examined New York State Energy Research and Development Authority's (the Authority) (a component unit of the State of New York) compliance with Section 2925(3)f of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations during the year ended March 31, 2010. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the year ended March 31, 2010.

This report is intended solely for the information and use of the Members and management of the Authority and certain New York State Departments and Agencies. It is not intended to be and should not be used by anyone other than these specified parties.



June 21, 2010

F. LIST OF FEES AND CHARGES RELATED TO INVESTMENTS

Operating Fund

NYS Department of Taxation and Finance - fiscal agent fees and expenses \$258,008

Total Fees and Charges \$258,008