

NEW YORK STATE
ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

FY 2017-18 ANNUAL INVESTMENT REPORT

A. EXPLANATION OF INVESTMENT GUIDELINES

Public Authorities Law 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 2017. Two changes were proposed and approved. The first change modified the provisions for money market accounts as permitted investments. Previously, the Investment Guidelines limited money market account investments to not more than 5% of the total portfolio if maintained for more than 30 days, and not more than 10% at any time. Based on discussions with our fiscal agent, staff identified the opportunity to use these accounts to improve cash management liquidity and reduce transactional expenses and provide higher returns than the traditional approach of maintaining uninvested cash balances. Staff proposed to change the limitation to a 10% limit at any time, which would serve to meet cash management needs for NYSERDA and NY Green Bank, without using these accounts for primary investment purposes. The second change included revisions to the responsibilities for the independent auditors' review of investments which were incorporated into the changes to the Audit and Finance Committee charter approved by the Members at the April 2017 meeting.

C. INVESTMENT GUIDELINES, OPERATIVE POLICY AND INSTRUCTION

Following is the Investments Guidelines, Operative Policy and Instruction as of June 2017.

INVESTMENT GUIDELINES, OPERATIVE POLICY AND INSTRUCTIONS
(June 2017)

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 include 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 safeguard adequately 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 registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended, whose investments are limited to investments in obligations issued or guaranteed by the United States of America or in obligations of agencies or instrumentalities of the United States of America where the payment of principal and interest are guaranteed by the United States of America (including contracts for the sale and repurchase of any such obligations), and are rated in the highest rating category by at least one nationally recognized rating organization, provided that 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. 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 perform a review of, and issue a report on, the Authority's compliance with Section 201.3 of Title Two of the New York Codes, Rules, and Regulations, under Government Auditing Standards issued by the Comptroller General of the United States;
- (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 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.

D. INVESTMENT SUMMARY AS OF MARCH 31, 2018

Following is summary and detail of the Authority's investments as of March 31, 2018

NYSERDA			
Investment Report Summary			
As of March 31, 2018			
Summary of Investments by Functions/Programs			
	3/31/2018	3/31/2017	Increase/ Decrease
	Market Value	Market Value	
Other/Operating	\$ 175,020,151	658,994,261	(483,974,110)
Regional Greenhouse Gas Initiative (RGGI)	69,675,428	136,146,427	(66,470,999)
Low Level Radioactive Waste Account - Fiduciary Fund	4,409,628	4,801,459	(391,831)
Perpetual Care Funds - Fiduciary Fund	29,546,803	29,287,706	259,096
NY-Sun	27,406,313	-	27,406,313
Market Development/Innovation & Research	45,462,383	-	45,462,383
Clean Energy Standard	80,605,544	10,392,339	70,213,205
NY Green Bank	172,424,071	102,052,852	70,371,219
Total Investments	\$ 604,550,321	941,675,044	(337,124,723)

Analysis: The large reduction in Other/Operating, which includes legacy funds SBCIII, EEPS, T&MD, and RPS was primarily the result of program of program expenditures and transfers to the CEF's Market Development/Innovation & Research, NY-Sun and NY Green Bank funds pursuant to the Clean Energy Fund Bill-As-You-Go (BAYG) funding mechanism. The decrease in RGGI was due to transfers and expenses exceeding revenues, consistent with the approved RGGI operating plan. The increase in NY-Sun and the Market Development/Innovation & Research balances was principally due to transfers made from the legacy funds pursuant to the BAYG funding mechanism. The increase in Clean Energy Standard reflects the April, 2017 beginning of the Zero-Emission Credit program and reflects timing differences between the collection of monthly installments from Load Serving Entities and the lag in quarterly payments to the nuclear generation facilities. NY Green Bank's balance increased due to transfers from legacy funds pursuant to the BAYG funding mechanism based on additional capital commitments made, less capital amounts deployed plus repayments received.

Summary of Investments by Investment Type			
	3/31/2018	3/31/2017	
US Treasury Obligations	\$ 596,392,081	940,079,388	
Certificates of Deposit	587,998	695,640	
Repurchase Agreements	-	900,016	
Money Market Deposit	7,570,242	-	
Total	\$ 604,550,321	941,675,044	
Weighted average term of investments	6.0 months	15.6 months	
Weighted average time to maturity	2.3 months	4.9 months	

Analysis: The decreases noted were principally the result of spending down certain investment balances in recognition of the CEF's "Bill-As-You-Go" approach, as well as managing NY Green Bank investments in recognition of capital deployed and expected to be deployed.

Investment Income			
	Year Ended	Year Ended	
	3/31/2018	3/31/2017	
Functions/Programs	(Including adjustments to fair market value)	(Including adjustments to fair market value)	
Other/Operating	\$ 3,685,267	4,521,944	
Regional Greenhouse Gas Initiative	838,920	1,052,251	
Low Level Radioactive Waste Account - Fiduciary Fund	36,295	10,154	
Perpetual Care Funds - Fiduciary Fund	259,096	63,659	
NY-Sun	270,171	-	
Market Development/Innovation & Research	376,661	3,947	
Clean Energy Standard	751,257	6,114	
NY Green Bank	1,354,065	920,522	
Total	\$ 7,571,731	6,578,591	
Investment Yield (Annualized)	1.0%	0.5%	
Weighted Average Yield to Maturity of Current Investments	1.5%	0.7%	

Analysis: The annualized yield inclusive of fair market value was slightly higher than the prior year, primarily due to the prior fiscal year investment income including a downward adjustment in unrealized fair market value.

NYSERDA Investments

03/31/18

Fund3	-Investment Type-	-Purchase Date-	-Maturity Date-	Values		Average of Yield	-Market Value-
				-Cost-	-Principal-		
Other/Operating							
	Certificate of Deposit	08/02/17	08/02/18	587,998	587,998	0.00%	587,998
	US Treasury Bill	01/18/18	04/19/18	9,887,357	9,923,000	1.43%	9,915,359
		02/15/18	05/24/18	3,585,512	3,601,000	1.57%	3,592,430
		02/22/18	05/24/18	7,161,644	7,191,000	1.60%	7,173,885
		03/22/18	06/21/18	4,818,567	4,839,000	1.72%	4,820,805
			07/26/18	16,597,947	16,702,000	1.82%	16,607,968
		03/29/18	06/21/18	4,209,434	4,226,000	1.73%	4,210,110
			07/12/18	1,201,938	1,208,000	1.76%	1,202,105
		01/25/18	04/26/18	11,410,303	11,451,000	1.41%	11,438,862
		02/01/18	04/26/18	13,937,322	13,983,000	1.39%	13,968,178
			06/28/18	1,061,586	1,068,000	1.48%	1,063,653
		02/08/18	05/10/18	25,002,202	25,098,000	1.50%	25,054,831
		03/08/18	05/24/18	1,160,936	1,165,000	1.66%	1,162,227
			06/07/18	24,209,541	24,311,000	1.70%	24,236,851
			04/05/18	2,275,271	2,278,000	1.60%	2,277,704
		03/15/18	06/14/18	2,645,398	2,657,000	1.77%	2,648,072
		01/12/18	04/12/18	3,017,319	3,028,000	1.42%	3,026,637
		01/04/18	04/05/18	8,207,374	8,236,000	1.38%	8,234,929
		03/01/18	06/28/18	1,031,507	1,037,000	1.64%	1,032,779
		01/09/18	06/28/18	14,945,784	15,049,000	1.47%	14,987,751
	US Treasury Strip	05/15/15	05/15/18	2,599,466	2,673,000	0.93%	2,667,681
		10/15/15	08/15/18	375,195	384,000	0.82%	381,416
		11/17/16	08/15/18	257,614	262,000	0.97%	260,237
		01/30/18	02/15/19	2,380,129	2,429,000	1.96%	2,387,537
			02/15/20	2,380,328	2,483,000	2.08%	2,379,608
		01/31/18	02/15/21	2,131,937	2,281,000	2.24%	2,130,294
	Money Market	N/A		7,570,242	7,570,242	0.00%	7,570,242
Other/Operating Total				\$174,649,849	\$175,721,240	1.24%	\$175,020,151

Regional Greenhouse Gas Initiative

US Treasury Bill	02/15/18	05/24/18	7,557,355	7,590,000	1.57%	7,571,936
	02/22/18	05/24/18	719,053	722,000	1.60%	720,282
	03/22/18	06/21/18	16,362,613	16,432,000	1.72%	16,370,216
	01/04/18	04/05/18	7,986,146	8,014,000	1.38%	8,012,958
	03/27/18	09/20/18	20,174,538	20,362,000	1.93%	20,180,575
US Treasury Strip	04/16/15	05/15/18	2,011,788	2,066,000	0.87%	2,061,889
	06/16/16	05/15/18	14,603,937	14,787,000	0.65%	14,757,574

Regional Greenhouse Gas Initiative Total			\$69,415,429	\$69,973,000	1.39%	\$69,675,428
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Low Level Radioactive Waste Account

US Treasury Bill	02/08/18	04/19/18	574,359	576,000	1.45%	575,556
	03/15/18	07/26/18	613,844	618,000	1.86%	614,521
	01/12/18	04/12/18	3,209,638	3,221,000	1.42%	3,219,551

Low Level Radioactive Waste Account Total			\$4,397,841	\$4,415,000	1.58%	\$4,409,628
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Perpetual Care Funds

US Treasury Strip	08/17/15	08/15/18	28,828,710	29,747,000	1.05%	29,546,803
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Perpetual Care Funds Total			\$28,828,710	\$29,747,000	1.05%	\$29,546,803
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NY-SUN

US Treasury Bill	02/22/18	05/24/18	3,864,160	3,880,000	1.60%	3,870,766
	03/22/18	06/21/18	12,985,932	13,041,000	1.72%	12,991,966
	01/25/18	04/26/18	5,237,320	5,256,000	1.41%	5,250,429
	03/08/18	05/24/18	2,820,127	2,830,000	1.66%	2,823,265
	01/12/18	04/12/18	2,462,284	2,471,000	1.42%	2,469,888

NY-SUN Total			27,369,824	27,478,000	1.56%	\$27,406,313
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Market Development/Innovation & Research

US Treasury Bill	01/18/18	04/19/18	1,406,928	1,412,000	1.43%	1,410,913
	02/15/18	05/24/18	11,306,161	11,355,000	1.57%	11,327,975
	02/22/18	06/21/18	23,189,825	23,317,000	1.66%	23,229,328

		03/22/18	06/21/18	9,489,758	9,530,000	1.72%	9,494,167
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Market Development/Innovation & Research Total				45,392,672	45,614,000	1.59%	\$45,462,383
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Clean Energy Standard

US Treasury Bill	02/22/18	05/24/18	2,698,937	2,710,000	1.60%	2,703,550
		05/03/18	5,328,839	5,345,000	1.54%	5,337,517
	03/22/18	05/03/18	2,305,580	2,310,000	1.68%	2,306,766
	03/29/18	05/03/18	1,351,904	1,354,000	1.64%	1,352,104
	01/25/18	04/26/18	817,086	820,000	1.41%	819,131
	02/01/18	05/03/18	24,612,959	24,702,000	1.42%	24,667,417
	02/08/18	05/03/18	1,590,414	1,596,000	1.49%	1,593,766
	03/08/18	05/03/18	778,119	780,000	1.58%	778,908
	03/15/18	05/03/18	4,667,430	4,678,000	1.70%	4,671,451
	01/12/18	04/12/18	4,116,428	4,131,000	1.42%	4,129,141
	03/01/18	05/03/18	32,205,106	32,291,000	1.55%	32,245,793

Clean Energy Standard Total				\$80,472,802	80,717,000	1.55%	\$80,605,544
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Green Bank

US Treasury Bill	12/14/17	04/19/18	3,629,155	3,646,000	1.34%	3,643,189
	12/07/17	04/12/18	10,399,019	10,446,000	1.30%	10,441,258
	12/21/17	04/19/18	9,598,654	9,642,000	1.38%	9,634,566
	01/18/18	04/19/18	1,799,513	1,806,000	1.43%	1,804,608
	03/29/18	07/12/18	16,246,064	16,328,000	1.76%	16,248,254
	01/25/18	05/31/18	16,097,603	16,180,000	1.46%	16,135,764
	02/01/18	05/03/18	21,198,312	21,275,000	1.42%	21,245,215
	02/08/18	06/14/18	40,661,052	40,885,000	1.57%	40,747,545
	03/08/18	06/07/18	23,832,123	23,932,000	1.70%	23,859,079
	03/15/18	07/26/18	15,898,348	16,006,000	1.86%	15,915,918
	01/12/18	04/12/18	6,947,406	6,972,000	1.42%	6,968,835
	03/01/18	05/31/18	5,119,134	5,140,000	1.63%	5,125,947
US Treasury Strip	11/16/15	11/15/18	137,162	142,000	1.16%	140,437
	07/23/15	08/15/18	499,913	517,000	1.10%	513,457

Green Bank Total	\$172,063,459	\$172,917,000	1.47%	\$172,424,071
Grand Total	\$602,590,586	\$606,582,240	1.34%	\$604,550,321

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, 2018. Following is the report issued by the independent auditors.



KPMG LLP
515 Broadway
Albany, NY 12207-2974

**Independent Accountant's Report on Compliance with Section 201.3 of Title Two of the
*Official Compilation of Codes, Rules and Regulations of the State of New York***

Members of the Authority
New York State Energy and Research Development Authority:

We have examined the New York State Energy Research and Development Authority's (the Authority) compliance with the requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules and Regulations of the State of New York* during the year ended March 31, 2018. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance with those requirements 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements referenced above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules and Regulations of the State of New York* for the year ended March 31, 2018.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws and regulations that have a material effect on the Authority's compliance with Section 201.3 of Title Two of the *Official Compilation of Codes, Rules and Regulations of the State of New York* and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information and use of the Members and management of the Authority, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authorities Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

KPMG LLP

Albany, New York
June 26, 2018

F. LIST OF FEES AND CHARGES RELATED TO INVESTMENTS

Operating Fund

NYS Department of Taxation and Finance - fiscal agent fees and expenses \$315,410

Total Fees and Charges \$315,410