

MINUTES OF THE ONE HUNDRED SEVENTEENTH MEETING OF THE  
AUDIT AND FINANCE COMMITTEE  
HELD ON JUNE 17, 2013

Pursuant to a notice dated June 4, 2013, a copy of which is annexed hereto, the one hundred seventeenth (117<sup>th</sup>) meeting of the Audit and Finance Committee (“Committee”) of the NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY (“Authority”) was convened at 11:00 a.m. on Monday, June 17, 2013, in the Authority’s Albany office at 17 Columbia Circle, Albany, New York; and by video conference in the Authority’s New York City office at 485 Seventh Avenue, 10<sup>th</sup> floor, New York, New York, and by video conference in the Authority’s West Valley Office at 9030-B Route 219, West Valley, New York.

The following members of the Committee were present in Albany, unless otherwise indicated:

Robert B. Catell (*by video conference from New York City*)  
George F. Akel, Jr.  
David D. Elliman

In addition, Francis J. Murray, Jr., President and CEO; Janet Joseph, Vice President for Technology and Strategic Planning; Thomas Barone, Acting Vice President for Operations and Energy Services; Jeffrey J. Pitkin, Treasurer; Hal Brodie, Esq., General Counsel; Sara L. LeCain, Esq., Senior Counsel and Secretary to the Audit and Finance Committee; Peter V. Mahar, Controller and Assistant Treasurer; Mark B. Mitchell, Director of Internal Audit; Gary Miller from KPMG, LLP; James R. Levine from the New York State Environmental Facilities Corporation; Robert Lamb from Lamont Financial Services Corporation; John V. Connorton, Bruce Van Duesen, and Ernest Poole from Hawkins Delafield & Wood LLP; Daniel Tomson and Jennifer Conovitz from Citigroup Global Markets, Inc.; Deb Tabacco and Paula Mantey from Transcend Technology, LLC; and various other members of the staff of the Authority were present.

Mr. Catell called the meeting to order and noted the presence of a quorum. He stated that the meeting notice and agenda were mailed to the Committee members and press on June 4, 2013.

Mr. Catell indicated that the first item on the agenda concerned the approval of the minutes of the one hundred sixteenth (116<sup>th</sup>) meeting of the Committee held on April 23, 2013.

Whereafter, upon motion duly made and seconded, and by unanimous voice vote, the minutes of the one hundred sixteenth meeting of the Committee held on April 23, 2013, were approved.

Mr. Catell indicated that the next item to be considered was the Authority's Investment Guidelines, Operative Policy and Instructions (June 2013) ("Investment Guidelines") and the Annual Investment Report ("Investment Report"). Mr. Pitkin explained that the Investment Guidelines set forth the policies and procedures for the investing, monitoring, and reporting of the Authority's investments. The Authority is required to review and approve its investment policies, annually, pursuant to Public Authorities Law Section 2925. No substantive changes are recommended to the Investment Guidelines.

The Annual Investment Report summarizes the Authority's investments and the results of its investment activities. The Report notes that the Authority's overall investments increased \$63.5 million to \$1.081 billion, principally from collections for the Renewable Portfolio Standard ("RPS"), the System Benefits Charge ("SBC"), and Technology and Market Development ("T&MD") programs which were in excess of program costs for the year, and also from funding received from the sale of auction allowances under the Regional Greenhouse Gas Initiative ("RGGI"). The changes also reflect an Order issued by the Public Service Commission during the year that reauthorized uncommitted funds in the amount of \$85.9 million in the Energy Efficiency Portfolio Standard ("EEPS") programs and \$27.3 million in the SBC programs and directed them to be transferred to T&MD for approved program activities.

As noted in the memorandum, the Authority's investment balance of \$1.081 billion is offset by commitments for contractual obligations and pending contract awards totaling over \$2.0 billion, reflecting the nature of NYSERDA's performance-based funding arrangements and the timing differences between the receipt, commitment, and expenditure of funds it administers.

Interest earnings for the fiscal year that ended March 31, 2013 were \$10.6 million and the rate of return was about 1.0%, both of which were lower than the prior year due to overall reductions in market interest rates, partially offset by higher average investment balances.

The Investment Report includes a report from the independent auditors, KPMG, LLP, noting that the Authority has complied with the State Comptroller's Investment Guidelines for Public Authorities and relevant sections of the Public Authorities Law.

The Investment Guidelines set forth the policies and procedures for the investing, monitoring and reporting of the Authority's investments. The Members are required to review and approve the policy annually pursuant to statute. No changes are recommended to the Guidelines.

Mr. Catell stated that a resolution considering approval of the Authority's Investment Report and the Investment Guidelines would be considered after the Committee members meet in executive session with the independent auditors.

Mr. Catell stated that the next item on the agenda concerned the NYSERDA OPEB (Other Post-Employment Benefits) Trust ("Trust") Investment Policy Statement ("Investment Policy Statement") and its Annual Investment Report for the year ended March 31, 2013. Mr. Pitkin explained that the Trust was established in March 2010 and is used to fund payments for health insurance premiums for eligible Authority retirees and dependents for the Authority's share of retiree health insurance premiums provided through the New York State Health Insurance Program.

The Authority has contributed \$21.6 million to the Trust, has earned about \$1.5 million in investment income, has expended about \$1.9 million in benefit payments, and incurred about \$63,000 in administrative expenses, leaving a balance of \$21.3 million in the Trust as of March 31, 2013.

Investments of Trust assets have been carried out by the Officers, appointed as Plan Administrators by the Members, in consultation with the Chair of the Audit and Finance Committee. Investments have been made consistent with the Board-adopted Investment Policy Statement, which requires diversified investments in mutual funds and exchange traded funds. The market value of the Trust's assets at March 31, 2013 was \$25.2 million, reflecting an appreciation of \$3.8 million in the Trust's assets and resulting in a 27.4% total return on the Authority's contributions for the 3-year period. The long term expected return for the Trust is estimated at 7%.

No changes are recommended to the Investment Policy Statement.

Mr. Catell stated that a resolution considering approval of the Trust Investment Report and the Investment Policy Statement would be considered after the Committee members meet in executive session with the independent auditors.

Mr. Catell stated that the next item concerned the Authority's Financial Statements. Peter Mahar, the Authority's Controller and Assistant Treasurer, explained that the Committee members are requested to recommend adoption of a resolution approving the Authority's annual audited Financial Statements for the fiscal year ended March 31, 2013. The independent auditors will issue an unmodified opinion on the Financial Statements.

The Members are requested to adopt a resolution approving the annual audited financial statements for the fiscal year ended March 31, 2013. The financial statements include an unmodified, clean opinion from the independent auditors, KPMG, LLP.

The Members' meeting packet includes a detailed analysis of the financial statements, including explanations for fluctuations in comparison to the prior fiscal year. Therefore, Mr. Mahar only highlighted a few items.

Total revenue increased from \$654.1 million to \$659.3 million primarily due to increases in scheduled collections under the T&MD and the RPS programs, an increase in the SBC funding due to deferred collections received during the fiscal year, and larger than anticipated RGGI auction proceeds. These increases were offset in part by decreases in the federal American Recovery & Reinvestment Act ("ARRA") grant revenue due to wind-down of the ARRA programs and a decrease in the EEPS2 collections due to deferral of collections to better match the timing of expenditures.

Total Expenses decreased from \$543.9 million to \$486.2 million. Program expenditures decreased \$60.5 million primarily due to decreased expenditures funded through ARRA and the NY Energy Smart Program as these programs wind-down. Salaries and benefits increased primarily due to an increase in staff from filling vacancies. The New York State Assessment increased by \$900,000 over the prior year and Other Operating Costs increased by \$517,000 primarily due to timing of expenditures related to software license fees, service agreements and general authority operating costs.

Total assets increased by \$158.2 million to \$1.2 billion. The increase in cash and investments of \$59.6 million was principally due to scheduled collections under RPS not yet expended and from additional RGGI auction proceeds collected, but also not yet expended. Third party receivables increased by \$85.2 million principally due to an accrual of EEPS revenue reflecting the difference between scheduled EEPS collections received and expenses actually incurred through March 31, 2013 and an increase of \$15.5 million in new loans purchased during the fiscal year under the Green Jobs-Green New York ("GJGNY") Loan Program.

Total liabilities decreased by \$14.9 million to \$90.3 million. Short-term liabilities decreased by \$15.1 million primarily due to a net decrease of \$6.7 million in the Consolidated Edison Company of New York, Inc. payable; a decrease of \$5.0 million in accounts payable due

to the timing of vendor billings and payments; and a net decrease of \$3.2 million in Authority-wide accrued expenses.

During the fiscal year the Authority implemented Governmental Accounting Standard No. 63 which changed terminology on the Balance Sheet. Net Assets, which is the difference between the Authority's assets and its liabilities, is now called Net Position.

The Authority's Net Position increased overall from \$972.8 million to \$1.146 billion. Restricted Net Position increased from \$956.7 million to \$1.130 billion primarily from unexpended funds received for specified programmatic purposes such as RPS, EEPS, and RGGI programs which were offset by SBC expenditures in excess of revenues due to modifications of the SBC collection schedules.

Unrestricted Net Position, which can be used to finance operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from \$3.2 million to \$3.6 million. Unrestricted Net Position at March 31, 2013 represents .4% of total expenses budgeted for fiscal year 2013-14 and is anticipated to be sufficient to meet working capital needs and unanticipated expenditures, such as protecting public health and safety at the Western New York Nuclear Service Center.

NYSERDA's OPEB Trust is presented as a Fiduciary fund in the basic financial statements. Employer contributions to the OPEB Trust for the fiscal year ending March 31, 2013 were \$3.7 million. The fund has a Net Position of \$23.1 million.

Included in the meeting packet are additional reports issued by the independent auditors under governmental auditing standards. The auditors disclosed no instances of noncompliance or material weaknesses, found reasonable management's estimates and financial disclosures, found no misstatements or disagreements, and offered no management letter comments to address control weaknesses or suggestions for improvement.

In response to an inquiry from Mr. Elliman, Mr. Mahar indicated that there are two funding sources for West Valley. There is a State appropriation that covers the Authority's costs. The other source of funding is from the U.S. Department of Energy ("DOE") for the remaining costs. Mr. Pitkin indicated the difference in the Budget comes from the timing of receipts.

Mr. Catell stated that a resolution considering approval of the Authority's Financial Statements would be considered after the Committee members meet in executive session with the independent auditor.

Mr. Catell indicated that the next item on the agenda was a motion to convene in executive session for the purpose of reviewing the financial condition of the Authority.

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

#### Resolution No. 390

RESOLVED, that pursuant to Section 105 of the Public Officers Law, the Members of the Audit and Finance Committee of the New York State Energy Research and Development Authority shall convene in executive session for the purpose of reviewing the financial condition of the Authority.

The Committee members then met with only the independent auditors in executive session.

Mr. Catell reconvened the meeting in open session. Mr. Catell announced that no formal action was taken during the executive session. He said that the Committee members had a complete and thorough discussion with the independent auditor and that the independent auditor stated that Authority staff was responsive to its requests for information.

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

Resolution No. 391

RESOLVED, that the Audit and Finance Committee recommends that the Members of the Authority adopt a resolution in substantially the same form as the resolution submitted to the Committee (attached as Exhibit A), approving and adopting the 2012-2013 Annual Investment Report and the Investment Guidelines, Operative Policy and Instructions (June 2013), substantially in the form submitted to the Committee.

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

Resolution No. 392

RESOLVED, that the Audit and Finance Committee recommends that the Members of the Authority adopt a resolution in substantially the same form as the resolution submitted to the Committee (attached as Exhibit B), approving and adopting the NYSERDA OPEB Trust Investment Report for the year ended March 31, 2013 and the Policy Statement for the NYSERDA OPEB Trust (Retiree Health Insurance Benefits Trust), substantially in the form submitted to the Committee.

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

Resolution No. 393

RESOLVED, that the Audit and Finance Committee recommends that the Members of the Authority adopt a resolution in substantially the same form as the resolution submitted to the Committee (attached as Exhibit C), approving the Authority's Financial Statements as of March 31, 2013.

Mr. Catell then stated that the next agenda item concerned the appointment of an independent auditor. The Members are asked to approve a resolution appointing KPMG, LLP as the independent auditors of the Authority and for the independent audit of the NYSERDA OPEB Trust for the fiscal year ending March 31, 2014. Fees and expenses will not exceed \$64,900.

KPMG was competitively selected under an RFP issued in 2011. The Authority may renew the agreement annually for four, one-year extensions with annual adjustments to the fees. This would be the second renewal of the agreement.

The engagement letter from the auditors indicating the services they will provide in conjunction with the audit was provided to the Members and is consistent with the prior year's services.

Staff have been satisfied with the services rendered by the independent auditors and recommend their reappointment.

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

Resolution No. 394

RESOLVED, that the Audit and Finance Committee recommends that the Members of the Authority adopt a resolution in substantially the same form as the resolution submitted to the Committee (attached as Exhibit D), appointing KPMG, LLP as the Authority's independent auditor for fiscal year 2013-2014.

Mr. Catell indicated that the next agenda item was the Annual Bond Sales Report ("Bond Sales Report"), and he called upon Mr. Pitkin to discuss this item. In accordance with Public Authorities Law Section 2800 and the Authority's Financial Services Firms Guidelines, the Members are asked to adopt a resolution approving the Annual Bond Sales Report.

The report indicates that there were four conversions completed during the 2012-13 fiscal year.

The schedule of bonds outstanding reports information on the Authority's bonds outstanding as of March 31, 2013, which totaled about \$3.4 billion.

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

Resolution No. 395

RESOLVED, that the Audit and Finance Committee recommends that the Members of the Authority adopt a resolution in substantially the same form as the

resolution submitted to the Committee (attached as Exhibit E), adopting and approving for submission pursuant to Section 2800 of the Public Authorities Law, the Authority's Annual Bond Sales Report for the fiscal year April 1, 2012 through March 31, 2013.

Mr. Catell indicated that the next item on the agenda was approval of the issuance of bonds on behalf of the Authority. Mr. Pitkin explained that the Members are requested to adopt an implementing resolution authorizing the issuance of new bonds in an anticipated aggregate principal amount of \$24,300,000, but not to exceed \$24,362,450, to finance residential energy efficiency loans issued through the GJGNY Program. The bonds will be supported by a pledge of loan repayments from "Tier 1" residential energy efficiency loans issued with an outstanding balance of \$24,228,031.68 as of March 31, 2013 plus loans expected to be issued through September 30, 2013 in a principal amount not expected to exceed \$5,000,000. Proceeds from the bonds will be used to replenish the GJGNY revolving loan fund. The GJGNY Program was funded with \$112 million in proceeds from RGGI, of which \$42.5 million was allocated to establish the GJGNY Program revolving loan fund.

The bonds will be issued as fixed-rate, taxable bonds with scheduled serial maturities structured generally to correspond to scheduled cash flow payments from pledged loans. The final maturity will be no greater than fifteen years after the date of issuance of the Bonds. The weighted average maturity is anticipated to be approximately 6.7 years.

The bonds will use a portion of the State's Qualified Energy Conservation Bond ("QECCB") allocation. The Members passed a resolution in September 2010 authorizing the issuance of a declaration of intent for up to \$50 million in bonds to be issued by the Authority for green community program purposes, which include the issuance of loans to finance energy efficiency improvements through the GJGNY Program. The bonds will use a QECCB allocation of up to \$24.3 million. This includes \$20 million which was allocated for State purposes from the \$202.2 million in QECCB allocation received by the State, and approximately \$4.3 million reallocated from three local governments. QECCB bonds provide a direct subsidy reimbursement from the U.S. Treasury for the lesser of the interest which would have been payable on the bonds using 70% of a published benchmark interest rate or the interest paid on the Bonds, reduced

based on the impacts of the federal budget sequester (currently a reduction of 8.7%). QECCB subsidies are subject to federal appropriations, and therefore subsidies could be impacted further by future federal budgets.

The Indenture will require that the Authority determine on a quarterly basis that Projected Net Revenues, which are defined as payments expected to be received from pledged loans, less fees and expenses payable under the Indenture, plus pledged QECCB interest subsidies, are at least 110% of the maximum annual debt service for each future bond payment date. The Indenture will allow the Authority to draw down excess funds retained under the Indenture, subject to certain coverage requirements. The funds withdrawn would replenish the GJGNY revolving loan fund.

The bonds will be supported by a guarantee from the New York State Environmental Facilities Corporation (“EFC”) through its Clean Water State Revolving Fund (“SRF”) Program should repayments on loans be insufficient to meet scheduled payment of principal and interest on the bonds. The Indenture will require that any shortfalls in loan collections would first obligate the Authority to satisfy the shortfall using available revenues from the GJGNY revolving loan fund. If funding is not available in the revolving loan fund, or if the funds are insufficient, then the Trustee would require EFC, as Guarantor of the bonds, to provide funding to meet the scheduled principal and interest due on the bonds. Through a Reimbursement Agreement with EFC, the Authority will establish a collateral reserve account held by a custodian, funded with \$8,512,581 from the Authority’s U.S. Department of Energy Better Buildings grant, which will be used to secure the EFC Guarantee. The Authority would be obligated to replenish any draw-downs from the collateral reserve account from future loan collections or from a purchase of pledged loans from monies held in the GJGNY revolving loan fund. The collateral reserve account balance will be reduced pro-rata with the balance of outstanding bonds. The Reimbursement Agreement will allow withdrawal of excess funds provided that the funds retained under the Indenture plus Projected Net Revenues exceed 120% of the maximum annual debt service for each future bond payment date. The Authority will pay EFC an annual administrative fee of .25% of the outstanding principal amount of the guaranteed bonds and reimburse EFC for its expenses for rating agency fees, counsel fees, trustee and

trustee counsel fees, and financial advisor fees. The Guarantee from EFC is subject to approval by its Board which is scheduled to review the transaction at its meeting on June 27, 2013.

The bonds have been structured to achieve Projected Net Revenues of 124% of maximum annual debt service. The bonds have also been structured to achieve net cash flows of over \$4.0 million. Loan defaults are assumed at a cumulative net loss rate, after recoveries, of 2.35% for 5-year loans, 7% for 10-year loans, and 10% for 15-year loans. These net loss rates are based upon the loan portfolio loan terms and produce an overall cumulative loss rate of about 8.8%. These rates were informed by loss rates experienced to date through the Pennsylvania Keystone HELP program, which offers residential energy efficiency loans and has about five years of loss data on its portfolio. The rates were also informed by summary loan performance data by vintage received through a Non Disclosure Agreement with Fannie Mae for energy efficiency loans issued through the Authority's program from 2001-2011. The Authority has limited loss history on its own portfolio of loans issued through the GJGNY program. Through March 31, 2012, twelve loans have been charged off totaling about \$69,000, representing .26% of the aggregate amount of loans issued, but based on the average age of the portfolio at 10.9 months and an average original term of 149.8 months the extrapolation of these results over a full loan term based on the typical distribution of loan defaults supports Staff's estimate of cumulative losses. Loan defaults may over time be less than or more than anticipated. If loan defaults are higher than anticipated, the Authority will be required to pledge additional loans in order to meet debt service coverage ratio requirements in both the Indenture and Reimbursement Agreement.

The bonds are anticipated to achieve at least a "AA" category level rating. Based on the anticipated rating and current interest rate, staff estimates a weighted average coupon rate of about 3.2% on the bonds. The QECB subsidies are expected to reduce the net interest costs on the bonds to a rate of about 0.8%.

The proposed bonds will require the approval of the Public Authorities Control Board. The terms of the sale will require the approval of the State Comptroller. The appointment and duties and responsibilities of the Trustee relating to the custody and investment of moneys will require the approval of the Department of Taxation and Finance.

The resolution requests the Members' authorization to designate the officers, as Authorized Representatives, to execute agreements in connection with the bonds, including an Indenture of Trust, Supplement Indenture, Reimbursement Agreement, Bond Purchase Agreement, and Continuing Disclosure Agreement, and such other documents as may be necessary. Drafts of these agreements have been provided to the Members, and the resolution authorizes amending these agreements as necessary. The revised resolution placed before the Members also authorizes the Loan Originator for the portfolio and clarifies that the Board is being asked to authorize, not appoint, the Loan Servicer and Backup Loan Servicer for the portfolio.

Mr. Pitkin concluded his report by thanking the staff, management and Board from EFC for collaborating with the Authority on this financing. The Authority and EFC began discussions over a year ago to determine if using the SRF could help more effectively achieve the objectives of leveraging secondary markets financing for the GJGNY program, particularly given that this would be a new investment structure and a new asset class. The structure that the Authority created with EFC is an innovative structure that can be replicated nationally to allow other states to use clean water financing programs to support accessing bond market capital for clean energy.

In response to an inquiry from Mr. Catell, Mr. Pitkin indicated that the Authorized Representatives will execute the final documents.

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

#### Resolution No. 396

RESOLVED, that the Audit and Finance Committee recommends that the Members of the Authority adopt a resolution authorizing the issuance of a series of bonds, substantially in the form submitted to the Committee (attached as Exhibit F).

Mr. Catell indicated that the next item was a request to adopt an implementing resolution, on behalf of the New York State Electric & Gas Corporation ("NYSEG") authorizing the

issuance of bonds in an aggregate principal amount not to exceed \$74,000,000 to refund two subseries of bonds previously issued by the Authority (the “Refunding Bonds”). Mr. Pitkin explained that Prior Bonds currently bear interest at a weekly rate. The Prior Bonds have a maturity date of October 1, 2029.

The Refunding Bonds are initially anticipated to be issued in a term rate. The Refunding Bonds are currently projected to save approximately \$10.7 million in interest cost savings on a present value basis over the term of such bonds when compared to the debt service on the Prior Bonds. Interest savings will accrue to the benefit of NYSEG’s ratepayers in accordance with the company’s rate plans as approved by the Public Service Commission.

The Refunding Bonds would be backed by an irrevocable promissory note issued by NYSEG.

When the Board considered the conversion of the Prior Bonds at the April 2010 Authority meeting, the Board authorized a waiver of the Authority’s requirement that the two particular subseries of bonds have an “A” rating at the time of conversion to a term rate in excess of 13 months or a fixed rate based on the limited availability and cost of letters of credit. The Board stipulated that the waiver would only remain effective for a period of one year.

NYSEG is currently rated BBB+ by Standard and Poor’s Financial Services, LLC (“S&P”) and Baa1 by Moody’s Analytics, Inc. (“Moody’s”). NYSEG once again advises that bond insurance and letters of credit are still not widely available at reasonable costs. Therefore, NYSEG requests that the Board grant another waiver, similar to the one granted in 2010, of the Authority’s rating requirements with respect to the Refunding Bonds if they are issued in a term rate in excess of 13 months or at a fixed rate. The Refunding Bonds would have to be rated at least BBB by S&P and Baa2 by Moody’s. The Refunding Bonds would be required to be issued on or before June 17, 2014 and achieve interest cost savings.

The proposed refunding will require the approval of the Public Authorities Control Board, approval of the terms of the sale by the State Comptroller, and approval of the Trustee by

the Department of Taxation and Finance. NYSEG advises that it has filed a petition with the New York Public Service Commission requesting the authority to refund the Prior Bonds.

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

Resolution No. 397

RESOLVED, that the Audit and Finance Committee recommends that the Members of the Authority adopt a resolution authorizing the refunding of a series of bonds previously issued by the Authority, on behalf of New York State Electric and Gas Corporation, substantially in the form submitted to the Committee (attached as Exhibit G).

Mr. Catell indicated that the next item on the agenda was the Annual Internal Audit Report and the Internal Audit Plan for fiscal year 2013-14 from Mark Mitchell, the Director of Internal Audit. Mr. Mitchell began his report with a brief overview of last year's activities.

During the fiscal year that ended on March 31, 2013, Internal Audit issued three audit reports. The first was an audit of the Authority's Benefits Administration and Benefits Expenditures which found that the Human Resources function has good internal controls in place. There were no recommendations that were made.

The second audit was a contract audit of a contractor which resulted in the recovery of almost \$295,000 as a result of adjustments made to billing rates. The audit also found that the Authority's project management team had good controls in place. The recovery was based on the review of the contractor's payroll records, which the project management team did not have access to. There were no recommendations in the report.

The last audit was of a contract that is managed and directed by the New York State Department of Public Service ("DPS"). The audit showed that both DPS and the contractor, GMMB, Inc. had good contract management controls in place. No recommendations were made.

Next, Mr. Mitchell discussed the draft Internal Audit Plan (the “Plan”), which was developed using a risk-based methodology. If approved, it will add four audits to the activities currently planned. This should result in completing at least 8 audits in the current fiscal year, which will end on April 30, 2014.

The first audit being proposed is an internal controls review of the Authority’s Multifamily Performance Program (“MPP”). Although its encumbrance levels have been audited in the past, MPP’s internal controls have not been audited before. Because MPP is operated by management and staff located in New York City, some travel most likely will be necessary.

The Plan also includes a follow up audit of the Photovoltaic Incentive Program audit, which was completed in February 2012, and had a number of recommendations. This audit would be to determine the extent to which the recommendations have been implemented.

The third audit being proposed would be a financial reporting audit that evaluates the Authority’s pre-encumbrance practices. This is intended to ensure that each major energy program has a reasonable basis for pre-encumbering funds, which will assist in assuring that reporting of program commitments is appropriate.

The fourth audit being proposed is a fraud controls assessment. It would assess whether controls over the Authority’s procurement-to-payment processes have been designed with controls that provide an adequate level of assurance that there is no fraud, waste or abuse of program or administrative funds. If approved, this audit is most likely to be conducted with assistance from a contractor who has experience conducting these types of assessments.

In addition to conducting these audits, a comprehensive business risk assessment will be completed, which is required by internal auditing standards.

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

Resolution No. 398

RESOLVED, that the Audit and Finance Committee approves the Internal Audit Plan for Fiscal Year 2013-14, as presented at this June 17, 2013 meeting, in the form submitted to the Committee.

Mr. Catell indicated that the next item on the agenda is a report from the Director of Internal Audit on recent internal audit activities. Mr. Mitchell began his report by discussing an audit that was recently provided to the Members on the results of the Data Quality audit. Mr. Mitchell explained that the Officers have been interested in obtaining insights into ways to make any necessary improvements to the Authority's data quality. In order to do so, they requested an audit of the Energy Efficiency Services ("EES") Existing Facilities Program ("EFP"). It is the single largest energy efficiency program within EES, representing approximately ten percent of all of the Authority's energy efficiency program expenditures. The audit reviewed the data quality of incentive payment information, which is within the Authority's financial payment system, and looked at energy savings and other key performance data housed within EES's database that is used to report program performance results.

The audit did not find any incentive payment errors in the audit sample. Internal Audit staff did not identify any instances in which the incentive payment amounts were incorrectly calculated or inaccurately recorded in the Authority's financial records. However, there is a need to improve the design of the payment process by further segregating the duties of project managers. The current design of controls relies so heavily on the activities and knowledge of Project Managers that the duties may be too concentrated with some of them. This is discussed further in the report. Because there were no significant issues with accounting for incentive payments, the vast majority of the report was focused on concerns about the quality of the performance data, which is used to provide DPS and the public with formal reports and to provide ad hoc information on an occasional basis.

Performance data was assessed to determine whether the automated and manual controls in place at the input, processing and output stages were adequate to provide reasonable assurance that data was complete, accurate, valid, and appropriately authorized.

Mr. Mitchell identified a need for an understanding of data quality to evolve much further than it has, and, with it, improvements in the design and execution of processes and controls intended to ensure data quality of performance information, such as energy savings, and project costs. The risk of not having adequate data quality over performance reporting is a strategic business risk.

The audit found that as of May 6, 2012, there were numerous control deficiencies in the design and operation of both automated and manual data controls. Internal Audit found that the system has limited automated controls. Additionally, over the course of time, data clean-up efforts and various manual compensating controls existed and had been improved. For example, in Spring 2010, EES management formed an Operations Group and gave it responsibility to support EFP and other EES program teams by augmenting their efforts to perform various data integrity and business process enhancement related tasks. However, these activities were not effectively designed and implemented. The number and combination of deficiencies is important enough to merit the attention by those responsible for oversight of the Authority's operational reporting.

Because there was no trail of evidence that Internal Audit could use to evaluate control activities during 2008-2009, Internal Audit was unable to formulate an opinion about the effectiveness of controls over completeness, accuracy, validity and authorization of performance data processed and reported during that period of time. Internal Audit was also not able to determine the accuracy of performance results reported.

During the period 2010 - 2012, due to efforts to enhance controls and audit trails, Internal Audit was able to formulate an opinion about the effectiveness of control processes over the completeness, accuracy, validity and authorization of data processed and reporting. However, they were not able to determine the accuracy of reported performance results.

Although nothing has come to the attention of Internal Audit to support an overall conclusion that a material misstatement of reporting occurred during the period July 1, 2008, through March 31, 2012, because of the factors described in the report, Internal Audit was not

able to conclude that there was not a material misstatement in the performance reports issued during this period of time.

To ensure that the proper focus and attention would be given to data quality, in the spring of 2012, while the audit was still in progress, the Authority's management established the Performance Management and Evaluation Systems ("PMES") group. PMES has been assigned with the responsibility for designing and implementing a system that supports high levels of data quality, proper data governance and accurate and timely reporting of formal performance reporting. Because PMES is newly formed, it did not have an effect on the results of the audit.

This strategic realignment of responsibility for data governance and data quality standards at the enterprise level has the potential to make a significant contribution to improving data quality by providing guidance indicating what constitutes good data quality and how to achieve it, and by fostering a culture that views data as a critical business asset and that holds people accountable for the caretaking of data.

In response to management's request to assist by prioritizing the numerous recommendations contained in the audit report, Internal Audit developed an Opportunities Matrix and categorized the issues identified by priority. The Opportunities Matrix identified four broad opportunities that would go a long way towards improving the quality of performance data.

The first opportunity is to provide internal controls training to program management and staff. The training should be targeted to deepen staff's knowledge about internal controls. During the audit, there was a transformation within EES management as it acquired a more complete understanding of the value, efficiency, and assurances provided by well designed internal controls, and how these assurances provide the ability to make assertions about the quality of the Authority's performance information. This training should be conducted with the intention of providing a similar degree of knowledge transformation to each of the Authority's program management teams.

Once the training has occurred, the second opportunity is for the program management teams to re-evaluate and improve the design and effectiveness of the data quality processes and controls of their respective programs. Based on the current state of automated controls, staff should develop and implement manual controls that adequately compensate for any lack of automated controls.

Third, to enable management to direct and control the flow of information, and to permit reconstruction of reports, records must be retained that provide a continuous trail of evidence that links varying key aspects of each project to a corresponding key data element in the program's database. This trail of evidence is frequently referred to as an audit trail. Because the EES Buildings Portal and other Authority databases electronically create, update, and delete data in computer-based data fields without any visible evidence of a change being made, there is an immediate need to develop a way to maintain a record of changes made to data elements in a way that provides an audit trail. The audit trail may be created either electronically or manually. Management should determine a practical, resource-effective approach, and each program should establish an audit trail for itself as soon as possible.

Lastly, Internal Audit identified on the Opportunities Matrix that effective immediately, change management controls should be followed whenever a change to a report needs to be made, a database data element needs to be changed or added, or the operation of a program within a database that supports performance reporting needs to be changed. In addition, a more detailed organization-wide Information Technology change control policy should be developed and implemented as soon as possible. It should provide a clear set of Information Technology change control standards for the organization to adhere to and should encompass the recommendations provided in the April 4, 2012 Change Management Internal Audit report. Without a disciplined adherence to change control practices, other controls can easily be overridden or undermined without being detected. Effective immediately, change management controls should be followed by all Authority program staff, without exception.

Authority Management should ensure that change management training is provided to all program staff involved with assuring data quality. The training should include a discussion of acceptable standards, practices and protocols for determining data quality, and the importance of following a disciplined change management set of protocols when changing databases.

As each of these four opportunities is implemented, controls should improve, which, in turn, should have a favorable impact on the quality of the data.

When Internal Audit provided management with a listing of 20 issues in priority order, it used four categories. The first was improvements that require immediate attention. These are areas that would have the most direct and significant impact on improving data quality and integrity. The second is improvements and corrections that are in the process of being performed. These are steps that EES either began during the audit or has recently begun to undertake. Third is specific exceptions that need to be corrected, which were identified during the audit. The final category is opportunities to make improvements over a period of time.

Mr. Mitchell indicated that EFP staff need to assess the reporting impact of the audit findings and need to prioritize the recommendations provided throughout the audit report.

In response to an inquiry from Mr. Elliman, Mr. Mitchell indicated that an audit trail was not built into the existing EES Buildings Portal.

In response to an inquiry from Mr. Catell, Mr. Murray indicated that to the best of management's knowledge there have been no material misstatements of fact. Mr. Murray also noted that the data is also shared with DPS, and it has not identified any material misstatement of fact.

In response to an inquiry from Mr. Catell, Mr. Mitchell indicated that several recommendations from the April 4, 2012 Change Management Internal Audit Report, still need to be implemented, including that a change management process be developed. Mr. Pitkin explained that these recommendations are being implemented as part of the Authority-wide data

warehouse project which is still in process. PMES is developing a schedule, but the Authority does not have the resources to implement all of the recommendations at once. Therefore, the recommendations from the prior audit have not yet been completed. The Authority is currently working through this process. Mr. Pitkin indicated that a report will be provided to the Committee on how to remediate the situation.

Mr. Mitchell indicated that recommendations to follow database change management processes are routine and commonly adopted immediately, but that staff do not respect or understand the need for this change in practices.

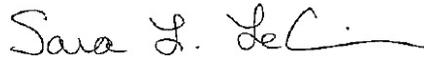
Mr. Murray explained that Mr. Mitchell has identified a general problem that was identified by management almost two years ago while attempting to compile data across the Authority for required program reports. This is the reason the Officers recommended that the Authority develop PMES. PMES is attempting to identify all of the issues, but with limited resources. Management feels this has been a valuable audit and agrees with the recommendations. The Officers understand that the quality of the Authority's data is vital to its success and its image. Mr. Murray commended Mr. Mitchell and Internal Audit for its invaluable work and encouraged Internal Audit to leave no stone unturned in its examination. Mr. Murray noted how valuable this audit process is for unless the Authority knows there is a problem, it cannot be fixed. Management will implement recommendations as quickly as possible with limited interruption and limited resources. Mr. Catell emphasized that quality of data is important for the credibility of the Authority and the changes should be done as expeditiously as possible.

In response to an inquiry from Mr. Elliman, Mr. Pitkin indicated that staff would provide the Committee with a timeline and updates to ensure the Authority is addressing the concerns.

Mr. Mitchell indicated that staff were very professional and dedicated. For that reason the training will go a long way to assist them. He added that the audit report was hard on the problem, not on the staff involved.

Mr. Catell then asked if there were any other matters the Committee members wished to discuss. There being none, upon motion duly made and seconded, and by unanimous voice vote, the meeting was adjourned.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sara L. LeCain". The signature is written in black ink and includes a long, sweeping horizontal line at the end.

Sara L. LeCain  
Secretary to the Committee

**NOTICE OF MEETING AND AGENDA**

June 4, 2013

TO THE MEMBERS OF THE AUDIT AND FINANCE COMMITTEE:

PLEASE TAKE NOTICE that the one hundred seventeenth (117<sup>th</sup>) meeting of the AUDIT AND FINANCE COMMITTEE of the New York State Energy Research and Development Authority will be held in the Authority's Albany Office at 17 Columbia Circle, Albany, New York, and by video conference in the Authority's New York City Office at 485 Seventh Avenue, 10<sup>th</sup> Floor, New York, New York, and by video conference in the Authority's West Valley Office at 9030-B Route 219, West Valley, New York, on Monday, June 17, 2013, commencing at 11:00 a.m., for the following purposes:

1. To consider the Minutes of the 116<sup>th</sup> meeting held on April 23, 2013.
2. To consider and act upon a resolution recommending approval of the Annual Investment Report of the Authority and the "Investment Guidelines, Operative Policy and Instructions (June 2013)".
3. To consider and act upon a resolution recommending approval of the Annual Investment Report for the NYSERDA OPEB (Other Post-Employment Benefits) Trust for the year ended March 31, 2013 and the "Investment Policy Statement for the NYSERDA OPEB Trust (June 2013)".
4. To consider and act upon a resolution recommending approval of the Financial Statements of the Authority for fiscal year 2012-13.
5. To consider and act upon a motion to enter into executive session for the purpose of reviewing the financial condition of the Authority.
6. To consider and act upon a resolution recommending approval of the appointment of the Authority's independent auditors for fiscal year 2013-14.
7. To consider and act upon a resolution recommending approval of an annual bond sale report.
8. To consider and act upon an implementing resolution recommending authorization of the issuance of a series of bonds by the Authority to finance the Green Jobs – Green New York Program.

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

**Albany**

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Francis J. Murray, Jr., President and CEO

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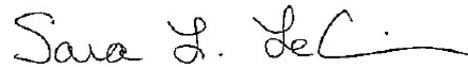
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**West Valley Site**

**Management Program**  
9030-B Route 219  
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14171-9500  
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(F) (716) 942-9961

9. To consider and act upon an implementing resolution recommending authorization of the refunding of two series of bonds previously issued by the Authority, on behalf of New York State Electric & Gas Corporation, to refinance a portion of the cost of construction of certain pollution control and other facilities.
10. To receive an Annual Internal Audit Report from the Director of Internal Audit and to consider and act upon a resolution approving an Internal Audit Plan for fiscal year 2013-14.
11. To receive a report from the Director of Internal Audit on recent internal audit activities.
12. To transact such other business as may properly come before the meeting.

Members of the public may attend the meeting at any of the above locations. 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.nyserda.ny.gov/en/About/Board-Governance/Board-and-Committee-Meetings.aspx>.



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Sara L. LeCain  
Secretary to the Committee

Exhibit A

Resolution No. \_\_\_\_

RESOLVED, that the “Investment Guidelines, Operative Policy and Instructions (June 2012),” as presented at this June 17, 2013 meeting, are approved and adopted; and

BE IT FURTHER RESOLVED, that the Authority's “2012-2013 Annual Investment Report,” for the year ended March 31, 2013, as presented at this June 17, 2013 meeting, is approved and adopted as the annual investment report of the Authority required by Section 2800 and Section 2925(6) of the Public Authorities Law.

Exhibit B

Resolution No. \_\_\_\_

RESOLVED, that the “NYSERDA OPEB Trust Investment Report” for the year ended March 31, 2013, as presented at this June 17, 2013 meeting, is approved and adopted as the annual investment report of the NYSERDA OPEB Trust required by Section 2800 and Section 2925(6) of the Public Authorities Law; and

BE IT FURTHER RESOLVED, that the “Policy Statement for the NYSERDA OPEB Trust (Retiree Health Insurance Benefits Trust)” as presented at this June 17, 2013 meeting, is approved and adopted.

Exhibit C

Resolution No. \_\_\_\_

RESOLVED, that the Authority's Financial Statements as of March 31, 2013, as presented at this June 17, 2013 meeting, are adopted and approved as the financial reports required by Sections 1867(1) and 2800 of the Public Authorities Law.

Exhibit D

Resolution No.\_\_\_\_

RESOLVED, that the Chair is authorized to retain the firm of KPMG, LLP as independent auditors for the Authority and for the NYSERDA OPEB (Other Post-Employment Benefits) Trust for the fiscal year ending March 31, 2014.

Exhibit E

Resolution No. \_\_\_\_

RESOLVED, that the Authority's Annual Bond Sales Report for the fiscal year April 1, 2012 through March 31, 2013, and the information contained therein, as presented at this June 17, 2013 meeting, is adopted and approved for submission pursuant to Section 2800 of the Public Authorities Law.

Exhibit F

Resolution No. \_\_\_\_\_

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

WHEREAS, pursuant to the Act, the Authority is authorized to issue bonds and notes to provide sufficient moneys for achieving the Authority’s corporate purposes, including the establishment of reserves to secure the bonds and notes and the payment of interest on bonds and notes; and

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

WHEREAS, pursuant to special act of the Legislature of the State of New York (Title 9-A of Article of the Public Authorities Law of New York, as from time to time amended and supplemented, herein called the “Green Jobs – Green New York Program”), the Authority has been authorized to use innovative financing mechanisms to finance energy efficiency improvements through energy cost savings; and

WHEREAS, the Authority will issue bonds in one or more series in an aggregate principal amount not to exceed \$24,362,450 to be designated “Residential Energy Efficiency Financing Revenue Bonds, Series 2013A” (the “Bonds”) and with such additional or different designations as may be set forth in the Indenture (hereinafter defined) for the purpose of financing residential energy efficiency loans through the Green Jobs – Green New York Program; and

WHEREAS, the Bonds are to be issued pursuant to an Indenture of Trust (the “Master Indenture”), as supplemented by a First Supplemental Indenture of Trust (the First Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), between the Authority and The Bank of New York Mellon, as trustee (The Bank of New York Mellon as trustee, or any successor trustee under such Indenture, hereinafter referred to as the “Trustee”), a copy of the draft forms of which have been set before this meeting; and

WHEREAS, the Authority has entered into an agreement with Wisconsin Energy Conservation Corporation d/b/a Energy Finance Solutions, a not-for-profit corporation, to serve as a loan originator under the Green Jobs – Green New York Program; and

WHEREAS, the Authority has entered into an agreement with Concord Servicing Corporation who will act as the loan servicer and will be the custodian of the original promissory notes for the loans issued under the Green Jobs – Green New York Program; and

WHEREAS, the Authority will enter into an agreement with First Associates Loan Servicing, LLC to act as the back-up loan servicer and custodian should Concord Servicing Corporation be unable to act as loan servicer; and

WHEREAS, the proceeds of the Bonds will be used to reimburse the Green Jobs-Green New York Program revolving loan fund for loans originated and outstanding through March 31, 2013 and to provide funding for new loans originated and to be originated under the Green Jobs – Green New York Program thereafter; and

WHEREAS, the Authority will pledge repayment of loans that are issued under the Green Jobs – Green New York Program as security for the Bonds; and

WHEREAS, the Bonds will be supported by a guarantee from the New York State Environmental Facilities Corporation (“EFC”) issued under its Clean Water State Revolving Fund Program for the scheduled payment of principal and interest on the Bonds and the Authority will enter into a Reimbursement Agreement (the “Reimbursement Agreement”) with EFC relating thereto; and

WHEREAS, pursuant to the Reimbursement Agreement the Authority will commit to reimburse EFC in the event such guarantee is drawn upon and establish a collateral reserve account (the “Collateral Reserve Account”), initially funded with \$8,512,581 from the Authority’s U.S. Department of Energy Better Buildings Grant, which will be used to reimburse EFC if repayments on loans and other available Authority moneys are insufficient to meet bond principal and interest payments; and

WHEREAS, Citigroup Global Markets Inc., as lead manager, acting on behalf of itself or as representatives of several underwriters (the "Underwriters"), pursuant to the terms of a Bond Purchase Agreement among the Authority and the Underwriters (the "Purchase Contract"), propose to purchase the Bonds from the Authority and offer the Bonds to the public pursuant to the terms of such Purchase Contract, a copy of the draft form which has been set before this meeting; and

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

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

Section 1. The offering, issuance, sale, and delivery of the Bonds upon the terms and conditions and for the purposes described in the Indenture and this resolution are hereby authorized. The Bonds shall be issued in one or more series in an aggregate principal amount not to exceed \$24,362,450 and shall bear interest at rates determined by the Chair, the Vice Chair, the President and CEO, the Vice Presidents, the Treasurer, or the Secretary of the Authority (collectively, the "Authorized Representatives"). The Bonds shall bear interest at a fixed rate of interest not to exceed seven per cent (7%) per annum. The Bonds shall mature no later than fifteen years after the date of issuance thereof. The Bonds shall be dated, have the final maturity, have the designation or designations, be subject to redemption, be payable as to principal, premium, if any, and interest, and have such other provisions all as set forth in the Indenture. The form of the Bonds and all other provisions with respect thereto shall be as set forth in the Indenture or determined in the manner set forth therein. No Bonds shall be issued pursuant to this resolution after June 17, 2014.

Section 2. Subject to the limitations set forth in Section 1 hereof, the Authorized Representatives are each hereby authorized to determine on behalf of the Authority with respect to the Bonds: the aggregate principal amount, the interest rates the Bonds shall bear and the particular redemption and purchase provisions of the Bonds. Any such determination shall be conclusively evidenced by the execution and delivery by an Authorized Representative of an indenture or other document setting forth such determination.

Section 3. The Authorized Representatives are each hereby authorized to execute, acknowledge, and deliver the Indenture, the Reimbursement Agreement, and a Continuing Disclosure Agreement, each with such amendments, supplements, changes, insertions, and omissions to as such Authorized Representative shall approve. Execution of such documents by an Authorized Representative shall be conclusive evidence of any approval required by this Section. Any Authorized Representative, the Assistant Treasurer, and the Assistant Secretary of the Authority are each hereby authorized to affix the seal of the Authority on such documents and attest the same.

Section 4. The Authority hereby approves the transfer of \$8,512,581 from moneys derived from the Authority's U.S. Department of Energy Better Buildings Grant, to the Collateral Reserve Account as security for the obligations of the Authority under the Reimbursement Agreement and the Authorized Representatives are each hereby authorized to execute and deliver a custodial agreement (the "Custodial Agreement") relating to such Collateral Reserve Account.

Section 5. The Authority authorizes each Authorized Representative to enter into the Purchase Contract. The Authorized Representatives of the Authority are each hereby authorized to determine the purchase price of the Bonds and are further authorized to execute, acknowledge, and deliver the Purchase Contract with such amendments, supplements, changes, insertions, and omissions to the draft form presented to this meeting as may be approved by any such Authorized Representative, including, but not limited to, changes necessary to reflect any determination or approval required or authorized by this Section. The execution of a Purchase Contract by any Authorized Representative shall be conclusive evidence of any determination or approval required or authorized by this Section. The purchase price to the Underwriters of the

Bonds shall not be less than 97% of the principal thereof. In no event shall the compensation paid to the Underwriters in connection with the initial offering of the Bonds exceed 1% of the principal amount thereof whether such compensation is paid directly by the Authority or in the form of discount to the Underwriters.

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

Section 7. The Authority authorizes the Authorized Representatives to approve the Preliminary Official Statement and the Authority approves the use in accordance with the applicable legal requirements of Preliminary Official Statements and Official Statements in connection with the offering and sale of the Bonds by the Underwriters, with such amendments, supplements, changes, insertions, and omissions to or from the draft form of the Preliminary Official Statement presented to this meeting as may be approved by an Authorized Representative, including, but not limited to, changes necessary to reflect any determination made pursuant to the provisions of Sections 1, 2, 3, or 4 hereof. Any Authorized Representative of the Authority is hereby authorized and directed to execute one or more final Official Statements in the name and on behalf of the Authority, and thereupon cause such final Official Statements to be delivered to the Underwriters. Any such approval shall be conclusively evidenced by such Authorized Representative's execution and delivery thereof. The Authorized Representatives are hereby authorized to provide any appropriate disclosure as part of the Preliminary Official Statements and Official Statements, including but not limited to the use of the Authority's financial statements. The foregoing approvals shall not be deemed to constitute an acknowledgment by the Authority of any responsibility for information contained therein which has been furnished by the Underwriters, The Depository Trust Company, or any other party.

Section 8. The Authorized Representatives are each hereby authorized to qualify the Bonds, or such portion thereof as the Underwriters may request, for offering and sale under the securities or Blue Sky Laws of any jurisdiction, provided that the Authority shall not be required to consent to local service of process in any jurisdiction. The Authorized Representatives are each hereby authorized to perform on behalf of the Authority in cooperation with the Underwriters any and all such acts as they may determine to be necessary or desirable in order to comply with the applicable laws of any states and in connection therewith to execute and file all appropriate papers and documents, including, but not limited to, applications and reports, the execution by an Authorized Representative of any such paper or documents or the doing by him or her of any such act to establish conclusively his or her authority therefor.

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

Section 9. The Authorized Representatives are each hereby authorized and directed to execute and deliver any such other agreements, documents, or certificates (including, but not limited to, any agreements, documents, or certificates deemed necessary or proper to evidence or establish compliance with applicable provisions of the Internal Revenue Code of 1986, as amended relating to Qualified Energy Conservation Bonds), to do and cause to be done any such other acts and things and to make such other changes, omissions, insertions, revisions, or amendments to the documents referred to in Sections 1 through 8 of this resolution as they may determine necessary or proper for carrying out, giving effect to, and consummating the transactions contemplated by this resolution, the Indenture, the Purchase Contract, the Official Statement, the Reimbursement Agreement, the Custodial Agreement, or the Continuing Disclosure Agreement delivered pursuant thereto.

Section 10. Wisconsin Energy Conservation Corporation d/b/a Energy Finance Solutions has been authorized to serve as loan originator for the pledged loans. Concord Servicing Corporation has been authorized to serve as loan servicer for the pledged loans and First Associates Loan Servicing, LLC is hereby authorized to serve as backup servicer. The Authorized Representatives are hereby authorized to approve the appointment of a successor loan originator, loan servicer and backup loan servicer for the pledged loans as necessary.

## Exhibit G

Resolution No. \_\_\_\_\_

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

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

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

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

WHEREAS, New York State Electric & Gas Corporation, a public utility corporation doing business in the State of New York (the "Corporation") has requested that the Authority participate in the refunding of the Authority's \$74,000,000 Pollution Control Refunding Revenue Bonds (New York State Electric & Gas Corporation Project) 1994 Series D-1 and 1994 Series D-2 (the "Prior Bonds"), which were issued to finance a portion of the costs of construction of certain pollution control and other facilities (the "Project"), \$74,000,000 of which is currently outstanding; and

WHEREAS, the Corporation has requested that the Authority issue its bonds in one or more series in an aggregate principal amount not to exceed \$74,000,000 to be designated "Pollution Control Revenue Bonds, 201\_ Series \_\_ (New York State Electric & Gas Corporation Project)" (the "Bonds") and with such additional designations as may be set forth in the Indenture (hereinafter defined) for the purpose of refunding the Prior Bonds; and

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

WHEREAS, the proceeds of the Bonds are expected to be advanced to the Corporation pursuant to a Participation Agreement between the Authority and the Corporation (the

"Participation Agreement"), a copy of the draft form of which has been set before this meeting; and

WHEREAS, at the request of the Corporation, one or more of Banc of America Securities LLC and Citigroup Global Markets Inc., acting on behalf of themselves or as representatives of several underwriters (the "Underwriters"), pursuant to the terms of a Bond Purchase Agreement among the Authority, the Corporation, and the Underwriters (the "Purchase Contract"), propose to purchase the Bonds from the Authority and offer the Bonds to the public pursuant to the terms of such Purchase Contract, in substantially the form which has been set before this meeting; and

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

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

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

Section 2. The offering, issuance, sale, and delivery of the Bonds upon the terms and conditions and for the purposes described in the Indenture, the Participation Agreement, and this resolution are hereby authorized. The Bonds shall be issued in one or more series in an aggregate principal amount not to exceed \$74,000,000, and shall bear interest at a rate initially determined by the Chair, the Vice Chair, the President and CEO, the Vice Presidents, the Treasurer, or the Secretary of the Authority (collectively, the "Authorized Representatives") and thereafter determined from time to time in the manner described in the Indenture. The Bonds shall bear interest at a Term Rate not to exceed three and one-half per cent (3.5%) per annum. The Bonds shall mature no later than October 1, 2029, or such later final maturity date approved by an Authorized Representative and not adversely affecting the tax-exempt status of the Bonds under Federal tax laws. The Bonds shall be dated, have a final maturity, have the designation or designations, be subject to redemption, be subject to mandatory purchase, be payable as to principal, premium, if any, and interest, and have such other provisions all as set forth in the Indenture. The form of the Bonds and all other provisions with respect thereto shall be as set forth in the Indenture or determined in the manner set forth therein. No Bonds shall be issued pursuant to this resolution after June 17, 2014.

Section 3. Subject to the limitations set forth in Section 2 hereof, the Authorized Representatives are hereby authorized to determine on behalf of the Authority with respect to the

Bonds: the aggregate principal amount, the initial interest rate the Bonds shall bear, and the particular redemption and purchase provisions of the Bonds. Any such determination shall be conclusively evidenced by the execution and delivery by an Authorized Representative of an indenture or other document setting forth such determination.

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

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

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

Section 7. The form and substance of the draft Preliminary Official Statement presented to this meeting are hereby approved and the Authority approves the use in accordance with the applicable legal requirements of preliminary official statements and official statements in connection with the offering and sale of the Bonds by the Underwriters, with such amendments, supplements, changes, insertions, and omissions to or from the draft form of the Preliminary Official Statement presented to this meeting as may be approved by an Authorized Representative including, but not limited to, changes necessary to reflect any determination made

pursuant to the provisions of Sections 2, 3, 4, or 5 hereof. Any Authorized Representative of the Authority is hereby authorized and directed to execute one or more Preliminary Official Statements and final Official Statements in the form approved pursuant to the preceding sentence, in the name and on behalf of the Authority, and thereupon cause such Preliminary Official Statement and final Official Statement to be delivered to the related Underwriters. Any such approval shall be conclusively evidenced by such Authorized Representative's execution and delivery thereof. The foregoing approvals of the draft form of Preliminary Official Statements presented to this meeting shall not be deemed to constitute an acknowledgment by the Authority of any responsibility for information contained therein or in any subsequent preliminary or final Official Statement which has been furnished by the Corporation, the provider of any liquidity or support facility, the Underwriters, The Depository Trust Company, or any other party.

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

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

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

Section 11. The Authorized Representatives are each hereby authorized and directed to execute and deliver any such other agreements, documents, or certificates (including, but not limited to, any agreements, documents, or certificates deemed necessary or proper to evidence or establish compliance with applicable provisions of the Internal Revenue Code of 1986, as amended), to do and cause to be done any such other acts and things and to make such other changes, omissions, insertions, revisions, or amendments to the documents referred to in

Sections 2 through 10 of this resolution as they may determine necessary or proper in connection with the issuance or the remarketing from time to time of the Bonds, including the appointment of remarketing agents and indexing agents, for carrying out, giving effect to, and consummating the transactions contemplated by this resolution, the Indenture, the Participation Agreement, the Purchase Agreement, or the Preliminary Official Statement or Final Official Statement delivered pursuant hereto, including but not limited to, such other documents, actions, and changes required in connection with obtaining any liquidity or support facility, any remarketing agreement, or placing the Bonds with a securities depository.