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OFFICE OF THE STATE COMPTROLLER

February 10, 2010

Paul T. Williams, Jr.
Executive Director
Dormitory Authority of the State of New York
515 Broadway
Albany, NY 12207

Re: Report 2009-F-47

Dear Mr. Williams:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Dormitory Authority the State of New York State (Authority) to implement the recommendations contained in our audit report, *Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Sources* (Report 2008-S-77).

Background, Scope and Objectives

Executive Order 111 (Order) was issued in June 2001 and required that by 2005 all State agencies and certain public authorities, including the Authority, seek to purchase sufficient quantities of electricity produced by certain specified renewable technologies so that 10 percent of the overall annual electric energy consumption of the buildings they own, operate or lease would come from renewable sources. The target percentage increases to 20 percent by 2010. Guidelines issued by the New York State Energy Research and Development Authority (NYSERDA), the lead agency to assist with this Order, generally require covered agencies to apply these percentages against all facilities where their power is separately metered and billed, regardless of whether they own or lease the property. Eligible renewable technologies specified in the Order include power generated from wind, solar thermal, photovoltaics, sustainably managed biomass, tidal, geothermal, methane waste and fuel cells.

The Authority is a public benefit corporation, created in 1944 to construct dormitories for State teachers' colleges. The Authority's mission is to be the public finance and construction partner of choice, providing its customers with low cost, quality sources of capital and facilities delivered on time by a responsive, innovative team of professionals. The Authority owns three buildings including its headquarters in Albany, and offices in Delmar and Buffalo. The Authority also leases space in a building in New York City. In 2002, the Authority acquired a 40 kilowatt photovoltaic system for its headquarters building. The Authority entered into a direct agreement to purchase

renewable energy in October 2006, and renewed this contract in October 2007. The renewable energy provider provided 5.3 million kilowatt hours (kWhs) of renewable energy to the Authority for the period covering October 1, 2007 through September 30, 2009. The Authority has taken an active role in reducing its electricity consumption through energy saving practices. According to its Annual Energy Report for fiscal year 2007-2008, it used about 7.5 percent less electricity than it did during fiscal year 2005-2006. The Authority used 3 million kWhs of electricity in State fiscal year 2008-09.

Our initial audit report, which was issued on November 6, 2008, determined whether the Authority was meeting the current 10 percent target for purchasing power from renewable sources, increasing to a 20 percent target level by 2010 as specified in Executive Order 111. We found that the Authority's Energy Management Committee evaluated options to comply with the Order and took action to purchase sufficient amounts of renewable energy on time. We also found that the Authority met the reporting requirements of the Order and already had substantially exceeded the 20 percent target. The objective of our follow-up was to assess the extent of implementation as of January 7, 2010, of the two recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found the Authority has made significant progress in addressing the issues we identified. Of the two prior audit recommendations, both have been implemented.

Follow-up Observations

Recommendation 1

Continue to comply with the requirement in the Order to procure renewable energy.

Status - Implemented

Agency Action - The Authority purchased renewable energy certificates (RECs) from a renewable energy provider for the two year period of October 1, 2007 through September 30, 2009. The amount of RECs purchased equated to 2.65 million kWhs per year. In addition, the Authority annually generates approximately 35,000 kWhs of electricity from solar panels located on the roof of its Albany headquarters building. In State fiscal year 2008-09, the Authority used about 3 million kWhs of electricity at all of the buildings it owns. Thus, the Authority's renewable energy purchases constituted approximately 88 percent of its total electrical consumption for State fiscal year 2008-09, well exceeding the 10 percent requirement for that period.

Recommendation 2

Periodically check the renewable energy mix being supplied to ensure compliance with the 20 percent target and accurate reporting to NYSERDA.

Status - Implemented

Agency Action - Authority officials have taken action to check the renewable energy mix that is being supplied. For example, in July 2009, the Authority requested and received a proposal from the renewable energy provider whose contract expired in September 2009. Upon reviewing the proposal, Authority officials noted that the premium cost of New York wind power was decreasing. As such, the officials decided to develop a request for proposal (RFP) that looks at more renewable energy mix combinations, since the decreasing wind power prices gave the Authority more selection within its budget constraints. As of December 2009, the Authority was developing this RFP.

Major contributors to this report were Karen Bogucki and Kathleen Hotaling.

We thank the management and staff of the Authority for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Edward J. Durocher, CIA
Audit Manager

cc: Mr. Joel Brophy, DASNY Internal Audit
Mr. Thomas Lukacs, Division of the Budget