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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 19, 2010

Dr. Nancy L. Zimpher
Chancellor
State University of New York
State University Plaza
Albany, NY 12246

Re: Report 2010-F-15

Dear Chancellor Zimpher:

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 State University of New York (SUNY) to implement the recommendations contained in our audit report, *Compliance with Executive Order 111 Requirements to Purchase Power from Renewable Sources* (Report 2008-S-76).

Background, Scope and Objective

Executive Order 111 (Order) was issued in June 2001 and requires that by 2005 all State agencies and certain public authorities 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. The agencies can acquire qualifying electric energy by generating it themselves, or by purchasing it either through their electrical supplier or through a third party provider in the form of a Renewable Energy Certificate.

The Order designates the New York State Energy Research and Development Authority (NYSERDA) as the lead agency responsible for coordinating implementation and assisting other agencies to fulfill their responsibilities. To assist NYSERDA in this role, the Order also created the State Energy Efficiency Advisory Council (Advisory Council), headed by the President of NYSERDA and composed of the heads of 13 other agencies and authorities, including the SUNY Chancellor. NYSERDA and the Advisory Council have developed guidelines that, among other things, interpret the requirements of the Order and specify criteria for periodic reporting and possible exemption of certain facilities or operations. NYSERDA guidelines require every State agency and other affected entities to submit an Annual Energy Report to NYSERDA by December 1st following the close of each fiscal year.

SUNY consists of 64 autonomous campuses (including 29 State operated campuses, 5 statutory colleges affiliated with universities, and 30 community colleges) located throughout the State. The community colleges are not required to comply with the renewable energy requirements of the Order as they are not considered an affected entity.

SUNY's Office of Energy Management and Planning purchases renewable energy to comply with the Order. The University at Buffalo (Buffalo) also purchases renewable energy for its campus. Certain SUNY campuses also generate renewable energy in the form of photovoltaics, fuel cells, and wind power. For example, both Buffalo and Farmingdale generate power from photovoltaics and the College of Environmental Science and Forestry generates power from a fuel cell. Additionally, Morrisville and Alfred University both generate energy from wind power.

Our initial audit report, which was issued on November 6, 2008, determined whether SUNY met the 10 percent target for purchasing power from renewable sources, increasing to a 20 percent target level by 2010 as specified in Executive Order 111. SUNY reported that it did not meet the 10 percent requirement in fiscal year 2005-06. Officials told us they tried to buy both electricity and renewable energy but did not receive acceptable bids to make a purchase on time. We found SUNY took action to comply with the Order in fiscal year 2006-07, but did not procure or generate a sufficient amount of renewable electricity to fully comply with the 10 percent requirement. This occurred because some of the renewable energy SUNY reported it purchased was generated and delivered subsequent to fiscal year 2006-07, and some energy SUNY reported it generated did not comply with the Order because it was a reduction in electricity usage, not a generation of renewable electricity. We found SUNY submitted its Annual Energy Reports for 2006 and 2007. However, we found several inaccuracies in the amount of renewable energy purchased and generated on the report. The objective of our follow-up was to assess the extent of implementation as of August 10, 2010, of the three recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that University officials have made progress in addressing the matters we identified in our initial report. However, additional improvements are needed. Of the three prior audit recommendations, two recommendations have been implemented and one recommendation has not been implemented.

Follow-up Observations

Recommendation 1

Monitor the level of renewable energy purchased and generated in each fiscal year to determine if compliance is being achieved.

Status - Implemented

Agency Action - SUNY's Office of Energy Management and Planning has revised its energy consumption and cost report submitted monthly by each campus. The new report captures information about renewable energy generated or purchased, in addition to previously required information about energy consumption. SUNY officials expect that campuses will

start using the new report in September 2010. Officials also indicate that they are in the process of issuing a Request for Proposal to purchase a web-based energy management and reporting software system. This system will permit the campuses to report energy consumption from all sources, including renewable sources. The officials expect this system to facilitate more immediate and precise energy reporting. SUNY's goal is to have the system running in September 2011. According to SUNY officials, the University at Buffalo plans to start using similar software on their campus to capture and manage campus energy information. Buffalo is viewed as a prototype program which will be rolled out to the other campuses when the web-based system is in place.

Recommendation 2

Maximize renewable energy purchases and generation each year until the 2010 compliance date to attempt to meet the target levels within fiscal constraints.

Status - Implemented

Agency Action - SUNY officials attempted to maximize renewable energy purchases and generation each year to meet Executive Order 111 target levels, but indicate they have been limited by fiscal constraints. We found that they evaluated the possibility of purchasing renewable energy credits (REC) to meet the 2010 goal of acquiring 20 percent of SUNY's energy from renewable sources, but determined the cost was prohibitive. Additionally, because these RECs would need to be purchased from an out of state source, SUNY officials were concerned that the added cost would not benefit the New York State economy. Instead, SUNY officials have decided to pursue a process of developing renewable energy sources within New York State to provide greater long-term benefits. To this end, some campuses are developing plans to generate their own renewable energy, including SUNY New Paltz and the University at Albany, which are each working on projects to generate electricity from photovoltaic sources.

Recommendation 3

Complete the Annual Energy Reports accurately.

Status - Not Implemented

Agency Action - SUNY officials did not accurately report renewable energy amounts in their 2008 and 2009 Annual Energy Reports. The 2008 Annual Report was overstated by a total of 4,750 mWhs (9 percent) of electricity generated by renewable energy, while the 2009 report was understated by a similar amount (4,682 mWhs). SUNY officials attributed the reporting omissions to having incomplete information from the campuses at the time the reports were prepared.

Major contributors to this report were Karen Bogucki and Donald Collins.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the University for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Edward J. Durocher, CIA
Audit Manager

cc. Mr. Michael Abbott, State University of New York
Mr. Thomas Lukacs, Division of the Budget