NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

Minutes of the 206th Meeting

Held on August 30, 2010

Pursuant to notice and an agenda dated August 12, 2010, a Special Meeting (the 206th meeting) of the New York State Energy Research and Development Authority ("Authority") was convened on August 30, 2010, at 10:30 a.m., in the Authority's Albany Office at 17 Columbia Circle, Albany, New York; by video conference in the Authority's New York City Office at 485 Seventh Avenue, 10th floor, New York, New York; and by video conference in the Authority's Buffalo Office at 726 Exchange Street, Suite 821, Buffalo, New York.

The following Members of the Authority were present in Albany, unless otherwise indicated:

Vincent A. DeIorio, Esq., Chair
George F. Akel, Jr.
Garry A. Brown
Kevin Burke
David D. Elliman (by video conference in NYC)
Stanley Gee
Roger B. Kelley (by video conference in Buffalo)
Elizabeth W. Thorndike, Ph. D.
Mark A. Willis (by video conference in NYC)

Members Catell, Grannis, and Townsend were unable to attend.

Also present were Francis J. Murray, Jr., President and CEO; Robert G. Callender, Vice President for Operations and Energy Services; Janet Joseph, Vice President for Technology and Strategic Planning; Jeffrey J. Pitkin, Treasurer; Hal Brodie, Esq., General Counsel and Secretary; and various other members of the staff of the Authority.

The Chair called the meeting to order and noted the presence of a quorum. He stated that the meeting notice and agenda were mailed to the Members and press on August 12, 2010. He directed that a copy of the notice and agenda be annexed to the minutes of the meeting.

Before turning to the formal agenda, the Chair asked Francis J. Murray, Jr., the Authority's President and Chief Executive Officer (CEO), to provide the Members with an update on the Authority's recent activities. President and CEO Murray reported that the Authority has drafted a white paper detailing the Authority's vision for the fourth generation of the system benefits charge program; the Authority has shared the white paper with staff from the New York State Department of Public Service. The white paper is expected to be published in the near future and the public will be given an opportunity to comment on the new proposed program.

Next, Mr. Murray indicated that the Authority's Residential Efficiency and Affordability Program is moving forward with the Green Jobs - Green New York initiative and that, at the Authority's September 2010 meeting, the Members will be given an update on the progress of the initiative.

Mr. Murray then reported that the U.S. District Court has approved the Authority's settlement agreement with the U.S. Department of Energy regarding certain issues associated with the Western New York Nuclear Service Center.

Mr. Murray continued his update by stating that the Authority has executed an agreement with the Long Island Power Authority ("LIPA") through which LIPA will contribute $1.6 million for the Authority's research and development programs. Both LIPA and the New York Power Authority ("NYPA") have been contributing annually over the past several years, and the Authority is also negotiating a similar agreement with NYPA.

Lastly, Mr. Murray reported that the Authority's Energy Efficiency Services Program and the Counsel's Office have been working diligently to negotiate scopes of work and execute

contracts that obligate funding provided by the American Reinvestment and Recovery Act of 2009 ("ARRA"). Staff expects to have all contracts executed by the end of September 2010.

Chair DeIorio thanked the staff for their hard work and indicated that the commitment of the Members makes the Authority's work possible.

Mr. DeIorio then turned to the first agenda item, participation by the Authority in an early retirement incentive program. The Chair asked Mr. Murray to discuss the item. Mr. Murray first thanked the Members for their support and guidance. He then explained that the Members are requested to adopt resolutions electing to provide Part A and Part B early retirement incentives to eligible employees of the Authority. Recently enacted State legislation allows the Authority to opt into an early retirement incentive program. There are two types of incentives available and they are similar to incentives approved by the Members in 2000 and 2002.

Part A allows employees to receive one additional month of service credit for each year of service as of the date of retirement, up to an additional thirty-six months of credit. The Authority must target the positions eligible for the incentive and, to achieve the broadest savings possible, Management recommends targeting all positions within the Authority.

As part of its participation in Part A, the Authority must prepare a savings plan demonstrating that the total amount of base salary paid to replacement employees results in a minimum savings of 50% of the targeted employees' combined two year salaries during the following two years. Management has concluded that the Authority would be able to meet this target.

Part B allows Tier 2, 3, and 4 members, who are at least 55 years of age and have 25 or more years of service, to retire without any reduction in benefits. Under Part B, the incentive must be offered to all qualifying employees, but no savings plan is required.

The Authority understands that other public authorities are also offering this benefit to their employees, including NYPA and LIPA.

In June 2010, in response to an informal internal survey, 16 employees expressed some degree of interest in the retirement incentives and follow-up conversations indicated that eight to ten employees would seriously consider retiring under the Part A incentive. A couple of employees have expressed interest in the Part B incentive. Since Authority information only relates to the number of years of Authority employment, it is not possible to determine the number of employees who qualify for the Part B incentive. There are 46 employees between the ages of 55 and 62 that could qualify based solely on age, and there are six employees who have Authority service exceeding 25 years.

Although the Authority would likely lose valuable employees, Management has concluded that the operational impacts are manageable.

With respect to employees who take the incentive, the Authority would have to reimburse the New York State and Local Retirement System ("Retirement System") for costs associated with the early retirements. The Retirement System allows these payments to be made in either a lump sum prior to March 31, 2011, or to be paid in five annual installments with interest accruing at approximately 7.75%. If all 16 employees took the incentive, the lump sum payment would be about $1.1 million, or the payment could be paid in five annual installments of about $286,000 per year. If only the eight to ten employees retire, the cost would be about $614,000, which could be paid either in one lump sum or in five annual installments of about $154,000 per year.

Management has concluded that the incentive costs that would have to be paid to the Retirement System would be more than offset by the savings that would be achieved as a result of the retirements.

Staff recommends funding the retirement incentive through a lump sum payment. This would result in an additional cost in the current fiscal year, but it could be offset by salary cost savings resulting from vacancies during the remainder of the fiscal year, and it would avoid the added interest costs.

Under the resolutions, the Authority would establish an open period of 90 days, from October 1, 2010, to and including December 29, 2010, that would allow eligible employees to participate in one of the retirement options. At the conclusion of the incentive program, the Authority would make the required lump sum payment.

In response to an inquiry from Mr. Burke, Mr. Murray explained that under the legislation, unlike State agencies, the Authority is not required to abolish positions. Instead, the Authority must demonstrate that participating in the early retirement incentive program would result in savings. Consistent with this requirement, the Authority's Preliminary Spending Plan that will be presented to the Members at the September 2010 meeting will show a reduction in the number of authorized positions.

In response to an inquiry from Mr. Elliman, Mr. Pitkin reported that most of the employees who are eligible for the early retirement incentives are at the highest salary level for their grade. If the Authority were to hire individuals to fill any of these positions it would be at lower salary levels, in the range of annual savings of $20,000 to $30,000. In addition, because of the time involved in filling any position, additional one-time savings will accrue while the position is vacant. Although the legislation requires that the Authority demonstrate savings over the following two-year period, the Authority expects to realize savings well beyond that period of time.

In response to an inquiry from Mr. Willis, Mr. Pitkin confirmed that there is a cost associated with the early retirement program. The Retirement System has advised that the Authority must make a one-time, lump-sum payment to the Retirement System equal to 68% of each retirees final one year salary.

Chair DeIorio added that participation in the early retirement incentive would also result in a morale boost and will provide legitimate room for promotion for deserving employees.

Mr. Gee indicated that the early retirement incentive should reduce Authority operating costs. The Department of Transportation is also offering the early retirement incentive to a high

percentage of employees and approximately 750 employees are taking advantage of the program. He concurred that the program should save money, is a morale booster, and provides promotion opportunities where appropriate.

Mr. Akel added that, based on his experience with other early retirement opportunities, costs are reduced.

Whereafter, upon motion duly made and seconded, and by voice vote of the Members present, except Mr. Brown, the Members adopted the following resolution. Mr. Brown abstained from voting.

Resolution No. 1273

BE IT RESOLVED that the Members of the New York State Energy Research and Development Authority do hereby elect to provide the benefits of Part A of Chapter 105 of the Laws, 2010, commencing on October 1, 2010, to and including December 29, 2010, for all eligible employees who retire with an effective date of retirement set during the 90-day period beginning with and immediately following the commencement date and who are otherwise eligible as specified in Part A of Chapter 105, Laws of 2010.

Whereafter, upon motion duly made and seconded, and by voice vote of the Members present, except Mr. Brown, the Members adopted the following resolution. Mr. Brown abstained from voting.

Resolution No. 1274

BE IT RESOLVED that the Members of the New York State Energy Research and Development Authority do hereby elect to provide the benefits of Part B of Chapter 105 of the Laws, 2010, commencing on October 1, 2010, to and including December 29, 2010, for all eligible employees who retire with an effective date of retirement set during the 90-day period beginning with and immediately following the commencement date and who are otherwise eligible as specified in Part B of Chapter 105, Laws of 2010.

The Chair said that the next item on the agenda was other business and asked if there was any further business.

Mr. Gee reported that he attended the first climate change and carbon footprint reduction meeting. Also attending were representatives from the eleven states participating in the Regional Greenhouse Gas Initiative, including staff from various transportation, environmental, and energy agencies. He praised the cooperative effort of the New York State Department of Transportation, Department of Environmental Conservation, and indicated that the Authority was a primary motivator in bringing the group together. In addition, the Authority has submitted an ARRA grant application on behalf of the eleven states to further an electric vehicle infrastructure. The Authority is a primary promoter of the effort and should be recognized for its efforts.

Mr. Murray added that he would also like to thank Mr. Gee for his advocacy and leadership in promoting the regional approach to reducing carbon in the transportation sector.

In response to an inquiry from Dr. Thorndike, Ms. Joseph indicated that the economics for developing a hydrogen infrastructure within the transportation sector do not exist yet. Modeling and analytical efforts indicate that electrification is the most effective next step in reducing carbon output, using the limited resources that are currently available. Once the electric infrastructure is in place, promoting hydrogen may be more feasible.

Thereafter, there being no further business, and upon motion duly made and seconded, and by unanimous voice vote of the Members, the meeting was adjourned.

Hal Brodie
Secretary

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

**Vincent A. DeIorio, Esq.,** ***Chairman***
**Francis J. Murray, Jr.,** ***President and CEO***
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August 12, 2010

NOTICE AND AGENDA

TO THE MEMBERS OF THE NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY:

PLEASE TAKE NOTICE that a Special Meeting (the 206th meeting) 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, 10th floor, New York, New York, and by video conference in the Authority's Buffalo Office at 726 Exchange Street, Suite 821, Buffalo, New York, on Monday, August 30, 2010, commencing at 10:30 a.m., for the following purposes:

1. To consider and act upon resolutions approving participation in an early retirement incentive program.

2. 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. In accordance with guidance from the Office of Taxpayer Accountability, 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.org/governancemeetings2.asp.

Hal Brodie
Secretary

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