

10. Attachments: This contract consists of the following attachments which are incorporated herein:

- Attachment A - Specifications of Work to be Performed
- Attachment B - Payment Provisions
- Attachment C - Customary State Contract Provisions

WE, THE UNDERSIGNED PARTIES, AGREE TO BE BOUND BY THIS CONTRACT.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.

The State of Vermont by the Commissioner of the Department of Environmental Conservation in the Agency of Natural Resources and the Chairman of the Vermont Public Service Board, neither of whom incur any personal liability by reason of the execution hereof or anything herein contained, set their hands and seals to this Memorandum of Agreement, on the last day and year so indicated.

STATE of VERMONT

By: <u>[Signature]</u>	By: _____
Name (print): <u>James Volz</u>	Name (print): _____
Title: <u>Chairman</u>	Title: _____
Agency: <u>Vt. Public Service Board</u>	Agency: _____
Date: <u>3-30-11</u>	Date: _____

STATE OF Ut
) SS:
 COUNTY OF Washington

On the 30th day of March in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared James Volz, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the document.

[Signature]
 Notary Public

Commission Expires
2/11/15

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The State of Vermont by the Commissioner of the Department of Environmental Conservation in the Agency of Natural Resources and the Chairman of the Vermont Public Service Board, neither of whom incur any personal liability by reason of the execution hereof or anything herein contained, set their hands and seals to this Memorandum of Agreement, on the last day and year so indicated.


STATE of VERMONT

By: _____	By: <u><i>Justin G. Johnson</i></u>
Name (print): _____	Name (print): <u>JUSTIN JOHNSON</u>
Title: _____	Title: <u>DEPUTY COMMISSIONER</u>
Agency: _____	Agency: <u>DEPARTMENT OF ENVIRONMENTAL CONSERVATION</u>
Date: _____	Date: <u>4/5/2011</u>

STATE OF VT
) SS.;
COUNTY OF Washington

On the 5th day of April in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared Justin G. Johnson, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individuals(s), or the person upon behalf of which the individual(s) acted, executed the document.

Rinda L. Siddell
Notary Public
2



CONTRACTOR:

The provisions of this contract and attachments are agreed to and accepted.

Regional Greenhouse Gas Initiative, Inc.

By: [Signature]

Name (print): JONATHAN E. SCHRAG

Title: EXECUTIVE DIRECTOR

Agency: RGGI, INC

Date: 17 MARCH 2011 Date

STATE OF NY)
) SS.;
COUNTY OF NY)

On the 17 day of MARCH in the year 2011, before me, the undersigned, a Notary Public in and for said State, personally appeared J. E. SCHRAG, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individuals(s), or the person upon behalf of which the individual(s) acted, executed the document.

[Signature]
Notary Public
JAN GOORSKY
Notary Public, State of New York
No. 03-465910
Qualified in Westchester County
Commission Expires April 30, 2011

ATTACHMENT A

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT ("Agreement") is made and entered into as of this 5th day of APRIL, 2011, by and between the State of Vermont ("Vermont") through its Agency of Natural Resources' Department of Environmental Conservation and Public Service Board, having their principal places of businesses at, respectively, 103 So. Main Street, Center Building, Waterbury, Vermont, 05671 and 112 State Street, Drawer 20, Montpelier, Vermont, 05620 (hereafter collectively referred to as the "Agencies"); and the REGIONAL GREENHOUSE GAS INITIATIVE, INC (hereafter referred to as "RGGI, Inc."), a non-profit corporation having its principal place of business at 90 Church Street, New York, New York, 10007 (collectively referred to as the "Parties").

WITNESSETH:

WHEREAS, as of the date of this Agreement, the Governors of the States of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont (the "Signatory States") have entered into a Memorandum of Understanding to establish a multi-state greenhouse gas control program for carbon dioxide emissions from certain electric power plants (the "Regional Greenhouse Gas Initiative" or "RGGI");

WHEREAS, on July 12, 2007, RGGI, Inc. was incorporated in the State of Delaware as a non-profit corporation formed to serve as the sole regional organization for purposes of:
 (a) providing technical and scientific advisory services to the Signatory States in the development and implementation of a multi-state greenhouse gas control program, or its successor, under RGGI, (b) reducing air pollutants that contribute to climate change; and (c) performing other charitable or scientific functions related to the reduction of greenhouse gas emissions or the increase in carbon sequestration on behalf of the Signatory States;

WHEREAS Vermont promulgated and otherwise established its carbon dioxide cap and trade program (the "CO₂ Budget Trading Program") pursuant to 30 V.S.A. § 255, to stabilize and then reduce anthropogenic emissions of CO₂, a greenhouse gas, from CO₂ budget sources in an economically efficient manner.

WHEREAS, in accordance with the requirements of 30 V.S.A. § 255, Vermont has determined that a multi-state auction can provide benefits to Vermont that meet or exceed the benefits conferred upon Vermont through a state-run auction process, and therefore enters into this contract with RGGI, Inc. to conduct one or more of the multi-state auctions;

WHEREAS, RGGI, Inc. shall administer the duties listed below and shall perform all duties in compliance with the terms and conditions contained in this Agreement;

WHEREAS, the Agencies are authorized to execute this Agreement on behalf of Vermont; and

NOW, THEREFORE, the Agencies and RGGI, Inc., for and in consideration of mutual covenants and other good and valuable consideration, do hereby agree to the terms of this Agreement, as follows.

ARTICLE 1. SCOPE OF SERVICES

1.1 The Agencies hereby contract with RGGI, Inc. to administer and otherwise manage the Auction Program, the Tracking System, the Offset Program and any and all services required under the aforementioned programs pursuant to the terms of this Agreement.

1.2 In accordance with RGGI, Inc.'s Certificate of Incorporation, and in order to fulfill its obligations under this Agreement, RGGI, Inc. may enter into contracts with any person, firm, association, corporation or body politic. Any subcontract entered into by RGGI, Inc. for the purposes of fulfilling its obligations under this Agreement must be in writing and shall be consistent with and subject to the provisions of this Agreement and Attachment C hereto. Subcontracts shall not relieve or discharge RGGI, Inc. from any duty, obligation, responsibility or liability arising under this Agreement. RGGI, Inc. shall provide the Agencies with copies of all subcontracts and shall not be bound by any provisions contained in a subcontract to which it is not a party. Neither of the Agencies shall be bound by any provisions contained in a subcontract to which it is not a party. The Agencies shall have access to any reports, financial records, books, accounting records, and documents prepared by the subcontractors for RGGI, Inc.

ARTICLE 2. RESPONSIBILITIES

2.1 Tracking System:

RGGI, Inc. shall design, develop, operate and maintain the Tracking System in accordance with Appendix A of this Agreement.

2.2 Auction Program:

RGGI, Inc. shall administer the Auction Program and conduct multi-state auctions in accordance with Appendix A of this Agreement.

2.3 Offset Program:

RGGI, Inc. shall provide services to administer the Offset Program in accordance with Appendix A of this Agreement.

2.4 Program Review:

RGGI, Inc. shall provide services associated with Program Evaluation in accordance with Appendix A of this Agreement.

ARTICLE 3. PAYMENT

3.1 For calendar year 2011, the Agencies agree to pay RGGI, Inc. an amount not to exceed \$28,000 for the Vermont portion of the total 2011 program and operating cost of RGGI, Inc., as these responsibilities are set forth in this Agreement.

3.2 For calendar year 2012, the Agencies agree to pay RGGI, Inc. an amount not to exceed \$28,000 for the Vermont portion of the total 2012 program and operating cost of RGGI, Inc., as these responsibilities are set forth in this Agreement.

3.3 The total amount paid by the Agencies to RGGI, Inc. over the course of this contract term shall not exceed \$56,000.

3.4 The payments described in Articles 3.1 and 3.2, above, will be made within 60 days of receiving the appropriate annual invoice from RGGI, Inc. These invoices should be sent to Richard Valentinetti, Director, Air Pollution Control Division, Agency of Natural Resources, 103 So. Main Street, Building 3 South, Waterbury, Vermont, 05671-0402.

3.5 Payments under this Agreement may be made by electronic fund transfer or check. Payments by check shall be payable to "RGGI, Inc.", and delivered to 90 Church Street, New York, New York 10119.

ARTICLE 4. REPORTS TO AGENCIES

4.1 Forty-five days after the end of each quarter, RGGI, Inc. shall provide the Agencies with quarterly progress reports that include the status of implementing the multi-state auction platform, the tracking system, the offset application and review process, and all reports from the market monitor, financial reports, and budget reports, all as described in Appendix A to this Agreement.

4.2 From time to time, the Signatory States in consultation with RGGI, Inc. may specify additional reports and information that may be required to monitor and effectively evaluate performance under this agreement.

ARTICLE 5. INDEMNIFICATION

5.1 RGGI, Inc. shall indemnify and hold harmless Vermont in accordance with the indemnification clause included in the Vermont Terms and Conditions attached to this Agreement as Attachment C.

ARTICLE 6. EFFECTIVE DATE OF AGREEMENT

6.1 The effective start date of performance under this Agreement shall be the date that the Agreement is executed by an authorized signatory for RGGI, Inc. and authorized signatories for the Agencies, whichever is later.

6.2 This Agreement shall expire December 31, 2012 unless otherwise renewed in accordance 6.3 below.

6.3 The Agencies have the option to renew the contract for an additional two-year term. Such renewal may be made by contract amendment specifying the sums that the Agencies will pay RGGI, Inc. during that additional term.

ARTICLE 7. PROJECT MANAGEMENT AND NOTICES

7.1 All notices, submissions, correspondence and other communications specifically provided for or required under this Agreement shall be made by hand-delivery, electronic mail or by First Class Mail to the person and addresses listed below, or their successors. Any notice shall be deemed delivered and received when submitted in writing in person or when delivered by another appropriate method evidencing actual receipt by the Agencies or RGGI, Inc.

7.2 Contact information:

For the Vermont Agency of Natural Resources:

Richard Valentinetti, Director, Air Pollution Control Division, Agency of Natural Resources, 103 So. Main Street, Building 3 South, Waterbury, Vermont, 05671-0402; dick.valentinetti@state.vt.us.

For the Vermont Public Service Board:

Mary Jo Krolewski, Utilities Analyst, Vermont Public Service Board, 112 State Street, Drawer 20, Montpelier, Vermont, 05620-2701;
Mary-Jo.Krolewski@state.vt.us.

For RGGI, Inc.

c/o Clifford P. Case, Esq., Carter Ledyard & Milburn LLP, 2 Wall Street, New York, NY 10005;
case@clm.com

ARTICLE 8. MAINTENANCE OF RECORDS

8.1 RGGI, Inc. shall keep, maintain and preserve at its principal offices, through the term of this Agreement and for a period of seven additional years thereafter, full and detailed books, accounts, and records pertaining to the performance of its obligations, including without limitation, all bills, invoices, payrolls, subcontracting records and other data related to the direct and indirect costs and expenses incurred by RGGI, Inc. in the course of such performance under this Agreement.

8.2 Due to the sensitive commercial information involved in the RGGI program, all documents generated or accepted in performance of this Agreement shall be confidential and shall not be released by RGGI, Inc. to anyone unless and until: (a) the Agencies determine that, under Vermont law, such documents would not be exempt from public inspection and thereafter authorized the release of such documents, or (b) unless directed by a court of competent jurisdiction. However, the Agencies provide limited authorization to RGGI, Inc. to release data contained in the RGGI COATS database that pertains to Vermont-based CO2 sources provided that no claim of confidentiality consistent with either 10 V.S.A. § 563(a) or 1 V.S.A. § 317(c)(9) has been made by the source. Such data shall only be released to representatives of state agencies from other Signatory States pursuant to the procedures detailed in the COATS Information Protocol, dated June 16, 2009, which only allows the disclosure of said data by such representatives to the extent necessary to comply with applicable public records law or other legal requirements.

8.3 All documents generated or accepted by RGGI, Inc. in performance of this contract shall be made available to the Agencies upon request.

ARTICLE 9. TERMINATION OR SUSPENSION

9.1 This Agreement may be terminated by the Agencies at any time during the term of this Agreement, with or without cause, upon 30 days prior written notice to RGGI, Inc. In such event, compensation shall be paid to RGGI, Inc. for allowable costs incurred prior to the effective date of termination. The Agencies and RGGI, Inc. shall jointly agree on the costs to be paid under this paragraph. In no event shall total payments, including costs paid under this paragraph, exceed the amount specified in Article 3 of this Agreement. The requirement for 30 days' notice shall not apply to termination under paragraph four of Attachment C.

9.2 If at any time Vermont is no longer a Signatory State, then the agreement may be terminated by RGGI, Inc.

9.3 If this Agreement is terminated then RGGI, Inc. shall be paid and compensated for the costs incurred up to the date of termination, and all remaining funds paid to RGGI Inc. pursuant to Article 3 shall be returned to the Agencies within 30 days of the date of termination. The Agencies and RGGI, Inc. shall jointly agree on the costs to be paid under this paragraph. In no event shall total payments, including costs paid under this paragraph, exceed the amount specified in Article 3 of this Agreement.

ARTICLE 10. NO THIRD PARTY RIGHTS

10.1 Nothing in this Contract shall create or give to third parties any claim or right of action against Vermont, the Agencies, or RGGI, Inc.

ARTICLE 11. INDEPENDENT CONTRACTOR

11.1 In carrying out the terms of this Agreement, RGGI, Inc. shall at all times be an independent contractor. Nothing contained in this Agreement shall be construed to create an employee-employer relationship between Vermont and RGGI, Inc.

ARTICLE 12. INTELLECTUAL PROPERTY.

12.1 With respect to any software computer programs, intellectual property and/or source codes developed under this contract, by RGGI, Inc. or any subcontractors thereunder, each Signatory State shall be entitled to worldwide, irrevocable, non-exclusive, license to use any such software computer programs, intellectual property and/or source codes without limitation and including all inventions, patents or patent applications derived from such inventions developed under this Agreement.

12.2 As used herein, "Intellectual Property" shall mean inventions (whether or not patentable), works of authorship, trade secrets, techniques, know-how, ideas, concepts, and algorithms.

ARTICLE 13. SEVERABILITY

13.1 If any part of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforceability of any other part of this Agreement, and the remaining parts of this Agreement shall be enforced as if the invalid, illegal or unenforceable part were not contained therein.

ARTICLE 14. COMPLIANCE WITH LAWS

14.1 RGGI, Inc. agrees to comply with the provisions of all Vermont and Federal laws, local statutes, ordinances, and regulations that are applicable to the performance of this Agreement.

ARTICLE 15. STANDARD CONTRACT CLAUSES

15.1 RGGI, Inc. will be required to comply with all provisions contained in Attachment C, State of Vermont Standard Terms and Conditions.

ARTICLE 16. ENTIRE AGREEMENT/CHANGES

16.1 This Agreement together with any Attachments hereto contains the entire agreement of the Parties with respect to the subject matter hereof, and supersedes all prior agreements or understanding regarding such subject matter, or any portion thereof.

16.2 This Agreement may be amended or supplemented only by a written instrument signed by duly authorized representatives for all Parties.

16.3 This Agreement shall be governed by and construed in accordance with the laws of the State of Vermont.

16.4 The Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Appendix A to Attachment A
Scope of Services in Support of Implementation of the CO₂ Budget Trading Program

Regional Greenhouse Gas Initiative, Inc. (“RGGI, Inc.”) will provide program implementation and program development services, as outlined in this scope of services, to the Vermont Agency of Natural Resources and Vermont Public Service Board (collectively “Agencies”) to support the State of Vermont participation in the Regional Greenhouse Gas Initiative (RGGI) and the implementation of regulations for the Vermont CO₂ Budget Trading Program. RGGI, Inc., a non-profit organization incorporated in the State of Delaware, was formed expressly to provide technical implementation and program development support services to signatories of the RGGI Memorandum of Understanding (the “participating states”), signed December 20, 2005, as amended.

Overview

RGGI, Inc. will provide services to support implementation of the Vermont CO₂ Budget Trading Program in the following five areas:

- I. Operation of a regional CO₂ emissions and allowance tracking system, for use by the Agencies in administering the CO₂ Budget Trading Program in coordination with the counterpart programs in other participating states;
 - II. Operation of a regional CO₂ allowance auction process and platform, for use by the Agencies in administering the CO₂ Budget Trading Program in coordination with the counterpart programs in other participating states;
 - III. Market monitoring services for monitoring of both CO₂ allowance auction conduct and outcomes and monitoring of the secondary CO₂ allowance market;
 - IV. Technical assistance in the review of offset project consistency applications and offset project monitoring and verification reports; technical assistance in the review of applications for accreditation of independent offset project verifiers; and
 - V. Provision of program development support on an as-requested basis, including but not limited to evaluation of additional offset categories; the development of technical and administrative recommendations related to specific CO₂ Budget Trading Program elements, for evaluation and consideration by the Agencies; electricity system modeling and macroeconomic analysis.
- I. Emissions and Allowance Tracking System Services and Platform

RGGI, Inc. shall provide services to support emissions and allowance tracking system implementation for the CO₂ Budget Trading Program. In any area where services involve the provision of specific deliverables, all deliverables will be presented to the Agencies in draft form for review and approval by the Agencies.

I-A. Tracking System Requirements

RGGI, Inc. shall provide an emissions and allowance tracking system software platform (Tracking System) that meets the following requirements necessary to support implementation of the CO₂ Budget Trading Program (“program”).

Tracking System Data Requirements

RGGI, Inc. shall develop the Tracking System to support the emissions and allowance tracking and compliance aspects of the program as well as the offsets component of the program. The Tracking System shall also be able to track CO₂ allowance prices as reported, applicable price triggers, and appropriate offsets limits. RGGI, Inc. shall provide similar functionality as the U.S. EPA's Emissions and Allowance Tracking System as a starting point for defining necessary system requirements. These requirements shall include, but not be limited to, functionality, security, reports, public access, and user interface.

CO₂ Emissions Data

Tracking System CO₂ emissions data reporting shall utilize the U.S. EPA Emissions Collection and Monitoring Plan System (ECMPS) and the U.S. EPA Clean Air Market Division Business System (CAMD CBS) emissions reporting and tracking platforms, respectively, to the extent practicable. To the extent necessary, any subcontractors engaged by RGGI, Inc. shall have strong working knowledge of 40 CFR Part 75 and the U.S. EPA's emissions data systems to ensure that the program implementation strategy takes into account the timeliness, data processing requirements, and data availability limitations associated with U.S. EPA's emissions reporting, tracking, analysis, and data storage procedures.

Tracking System Deployment

The Tracking System shall include a data model, user interface, and functionality to support emissions inventory management, CO₂ allowance trading, compliance and program analysis, and user security. RGGI Inc. shall also coordinate the operation of the Tracking System with the administration of a regional CO₂ allowance auction. RGGI, Inc. shall: (1) work with any independent third party hired by the Agencies to verify the Tracking System software is functioning properly, including potential redress; (2) if directed by the Agencies, to publicly post appropriate information about the Tracking System; and (3) to work with the Agencies to use ongoing experience to continuously improve the Tracking System.

As part of Tracking System deployment, RGGI, Inc. shall provide system documentation, user manuals, and other training tools, and update such materials on a regular basis as appropriate.

Tracking System Hosting

To support the web application and database in a secure environment, RGGI, Inc. shall contract with a third party vendor to maintain dedicated hosting for the database. Hosting requirements shall include all appropriate security requirements for Application Service Providers (ASPs). Prior to executing any subcontract, RGGI, Inc. shall provide all relevant information relating to capability, cost, and subcontract terms for the recommended ASP and two alternatives, to the Agencies' for approval. The successful subcontracted ASP will have acceptable plans, to be reviewed by both the Agencies and RGGI, Inc., for loss or disaster recovery and business continuance.

Emissions Data Processing

In order to use the emissions data reported to U.S. EPA under 40 CFR Part 75 for purposes of determining program compliance, RGGI, Inc. shall maintain a process and supporting data management tools and software that allow for transfer of emissions data from CAMD CBS to the Tracking System. The procedures relating to this task area shall include any necessary coordination or agreement with U.S. EPA regarding use and access to emissions data. To the extent possible, RGGI, Inc. shall use existing emissions management routines to accomplish this objective.

Offsets Module

RGGI, Inc. shall provide a Tracking System software platform that includes an offsets module to track and maintain CO₂ allowances awarded for approved offset projects. RGGI, Inc. shall coordinate with the appropriate representatives of the Agencies to support administration of the offsets component of the program to ensure that the offsets applications and submittal materials used by the Agencies align with the capabilities and needs of the Tracking System.

The offsets module shall have the functionality to track and monitor offset project status details, such as the status of consistency applications and monitoring and verification submittals. This shall include capability to upload and manage application documents in the Tracking System, as well as provide for public access to project application and submittal materials and documentation supporting such applications and submittals.

Tracking System Reports

The Tracking System software provided by RGGI, Inc. shall include a reports module to provide system users with reports of system data. These shall include, but may not be limited to: account allowance transfer reports, account holdings reports, CO₂ emissions reports, offsets reports, and source compliance summary reports.

I-B. Tracking System Operation

RGGI, Inc. shall provide ongoing implementation support for the program and operational support for the Tracking System, including the following tasks.

CO₂ Allowance Management

RGGI, Inc. shall provide implementation support for all program activities relating to emissions source management, CO₂ allowance allocations to compliance and general accounts, and CO₂ allowance transfers for both general and compliance accounts. This shall include the activity necessary to support the assignment of allowances to appropriate accounts following the successful completion of all CO₂ allowance auctions, as well as the population of user accounts after approval of offset projects and award of CO₂ offset allowances.

Emissions Data Management and Analysis

RGGI, Inc. shall perform all data management and quality assurance tasks necessary to ensure the availability of annual CO₂ emissions data from all affected emission units. RGGI, Inc. shall prepare and send communications to industry relating to the interim, draft, and final emissions values. RGGI, Inc. shall

work with the Agencies to identify and resolve any issues relating to the submission of emissions data, and the accuracy and completeness of the data. To the extent requested by the Agencies, RGGI, Inc. shall contact industry representatives directly to resolve any outstanding issues. RGGI, Inc. shall document all issues, their resolution, and all contacts with industry representatives.

Reconciliation (True-up)

RGGI, Inc. shall assist the Agencies with periodic compliance assessment for the program, as specified under program regulations. RGGI, Inc. shall support data entry of compliance certifications required by the program and the identification of CO₂ allowances to be deducted during the compliance process. This assessment shall factor in appropriate offsets limits as a function of a source's reported emissions. These limits will be adjusted appropriately to address the price trigger mechanisms in the program regulations. The Tracking System shall provide for the preparation of draft and final compliance reports and provision of information to the Agencies' staff contacts regarding possible non-compliance.

User Technical Support

RGGI, Inc. shall provide technical support to industry, the Agencies, and public users of the Tracking System. RGGI, Inc. shall record all technical support requests, inquiries, or other occurrences in a log that identifies the nature of the request or events, requestor, respondent, response provided, date(s) and time(s) of response, and amount of chargeable time expended on the request and response. Records shall be provided on a periodic basis, or on demand, to the Agencies'.

As necessary, RGGI, Inc. shall provide assessments and recommendations relating to performance of the system based on the technical support levels that were provided and user feedback. In the course of provision of technical support, RGGI, Inc. shall not be responsible for interpretation of the Agencies' regulations, and/or interpretation of actions taken by the Agencies in enforcement of those regulations.

System and Database Support

RGGI, Inc. shall be responsible for all aspects of system maintenance and database support and management. This shall include database initialization and setup, ongoing database quality assurance activities, management of all user accounts and security, coordination and monitoring of the Application Service Provider support activities, database security, application performance, and all other tasks required to ensure high system availability and performance. RGGI, Inc. shall provide reports to the Agencies' on all routine activities and on any events or technical issues that will affect the operation or performance of the system. RGGI, Inc. shall oversee all data backup and audit procedures to ensure the ongoing integrity of the data.

II. CO₂ Allowance Auction Services and Platform

RGGI, Inc. shall implement and administer a process and platform for the auctioning of CO₂ allowances to support implementation of the auction component of the CO₂ Budget Trading Program ("program"). RGGI, Inc. shall provide services in three general areas: pre-auction, auction implementation, and post-auction. In any area where services are requested, all deliverables will be presented the Agencies in draft form for review and approval by the Agencies. Services shall provide for CO₂ allowance auctions to be held quarterly (four auction cycles per calendar year).

II-A. Pre-Auction Services

Consultation

RGGI, Inc. shall work with Agencies staff to modify existing auction administrative procedures as necessary to improve administration of quarterly auctions, and to develop new auction procedures as appropriate.

Auction Notices

RGGI, Inc., in consultation with the Agencies, shall create documents and associated information necessary to inform auction participants about all relevant details of the auction process and requirements for each auction event. Each auction notice shall provide a specific description of the auction format that will be used, the quantities of CO₂ allowances to be auctioned, all applicable participation requirements, and the process for administering the auction. Such information shall be made available on a website created, maintained, and hosted by RGGI, Inc. specifically dedicated to RGGI auctions. RGGI, Inc. shall prepare for, host, and facilitate at least one conference call for prospective auction participants prior to each auction, as well as receive and respond to written questions submitted by conference call participants.

Participant Qualification and Bidder Approval

RGGI, Inc., in consultation with the Agencies, shall assist in the development of all qualification application materials and documents, and shall manage, under the direction of the Agencies, the application process, including receiving and reviewing each qualification application to determine completeness and accuracy of the information submitted. RGGI, Inc. shall also provide for an application resubmission process to remediate qualification applications and related submittals. RGGI, Inc. shall be responsible for collecting and managing all auction surety payments and/or escrow accounts on behalf of the Agencies. RGGI, Inc., in consultation with the Agencies, shall be responsible for notifying bidders of their qualification status and auction-specific participation status and maintaining a database of all qualified parties and bidders approved to participate in each auction.

RGGI, Inc. shall administer a process for the provision of financial security by qualified parties prior to each auction. This process shall include a process for review of the negotiability of provided financial security to eliminate the possibility of financial default by approved auction bidders.

Auction Documentation and Training

To prepare for each auction event, RGGI, Inc. shall create and distribute auction materials, such as participation instructions, final auction procedures and manuals, as well as the distribution of user codes and passwords to qualified auction participants. In addition, RGGI, Inc. shall be responsible for training auction participants in the use of the auction software platform.

II-B. Auction Implementation Services

Auction Platform

RGGI, Inc. shall provide and administer, on behalf of the Agencies, a secure online auction platform capable of accommodating an auction in the following formats:

- A sealed bid, uniform-price auction
- An ascending price, multiple-round auction

Furthermore, the online auction platform shall be capable of managing CO₂ allowance purchase limits based on specifications provided by the Agencies, and simultaneous auctions of current year and future year vintage CO₂ allowances. Such platform shall be capable of tracking bidding activity and auction results, and must provide for audit-level documentation of such activity and results, in accordance with auction monitoring protocols established by RGGI, Inc. in consultation with the Agencies.

II-C. Post-Auction Services

RGGI, Inc. shall, on behalf of the Agencies, arrange for and facilitate the transfer of funds from successful auction bidders to an account designated by the Agencies, and arrange for the return of financial security to bidders, if applicable, based on the amount of financial security posted and the amount of payment due for successful bids. RGGI, Inc. shall also be responsible for coordinating the operation of the Tracking System for the transfer of CO₂ allowances awarded for each auction, at the direction of the Agencies, to the Tracking System compliance or general accounts of winning bidders. RGGI, Inc. shall be required to: (1) work with any independent third party hired by the Agencies to verify the results of the auction, including potential redress; (2) if directed by the Agencies, post appropriate information about auction results; and (3) work with the Agencies to use ongoing auction experience to continuously improve subsequent auctions.

RGGI, Inc. shall administer a bank account for holding financial security from bidders as agent for the State. RGGI, Inc. shall impose access security controls on such account to the satisfaction of the Agencies. RGGI, Inc. shall transfer the proceeds from the sale of CO₂ allowances at auction to an account to be designated by the Agencies using an ACH transaction no later than one business day following the transfer of CO₂ allowances to winning bidders.

III. MARKET MONITORING

RGGI, Inc. shall provide market monitoring services in three general areas: monitoring and auditing of CO₂ allowance auctions, monitoring of relevant secondary CO₂ allowance market activity, and provision of consultative services addressing market monitoring.

III-A. Monitoring and Auditing of CO₂ Allowance Auctions

RGGI, Inc. shall provide professional monitoring of all CO₂ allowance auctions, some of which may involve a subset of the participating states and may or may not include CO₂ allowances submitted for auction by the Agencies. RGGI, Inc. shall develop data collection methods, metrics, and analytic techniques for monitoring CO₂ allowance auction performance and thresholds for identifying any collusion, market power, and/or market manipulation that may have a material impact on the efficiency and competitive performance of CO₂ allowance auctions.

III-B. Monitoring of Secondary Market Behavior

RGGI, Inc. shall monitor all relevant publicly available data (available through both public and private sources) and indicators of market behavior in the secondary CO₂ allowance markets and related financial derivatives markets that may be expected to significantly impact the performance of CO₂ allowance auctions and the secondary CO₂ allowance market.

III-C. Consultative Services

RGGI, Inc. shall provide expert advice to the Agencies regarding how any aspects of the CO₂ allowance auction process should be altered in order to improve the performance and efficiency of the auctions and ensure the functioning of a fair and competitive CO₂ allowance market. Such services may also include review and analysis of the functioning of CO₂ allowance auctions and the secondary CO₂ allowance market to support policy analysis by the Agencies.

IV. Offset Project Application Technical Review Services

RGGI, Inc. shall provide technical services to support the Agencies' review of offset project consistency applications and monitoring and verification report submittals, as well as applications for accreditation from prospective independent offset project verifiers. RGGI, Inc. shall also facilitate a process that provides for coordinated application and submittal review across the participating states.

V. PROGRAM EVALUATION AND DEVELOPMENT SUPPORT

RGGI, Inc. shall provide program evaluation and development support services to the Agencies on an as-requested basis to facilitate Agencies consideration of modifications and/or expansion of the CO₂ Budget Trading Program. Such services may include but are not limited to:

- Evaluation of program implementation and identification of areas for potential improvement
- Electricity simulation modeling and macroeconomic analysis
- Evaluation of program design options
- Evaluation of program implementation options
- Evaluation of additional eligible offset categories

VI. PROJECT REPORTING

RGGI, Inc. shall designate a Project Manager, who shall be the primary point of contact with the Agencies related to the scope of services specified herein. The Project Manager shall be responsible for monitoring and ensuring progress for all tasks and subtasks, and for ensuring timely delivery of all deliverables outlined in the scope of services. The RGGI, Inc. Project Manager shall be responsible for all project reporting to the Agencies.

RGGI, Inc. shall submit biannual progress reports every six months to the Agencies during the project term. These progress reports shall outline the status of progress in providing the deliverables specified in the scope of services, including identification of all completed/not completed work during the preceding six-month period for every major task identified in the scope of services. These progress reports shall also note any problems encountered by RGGI, Inc. in the course of providing services specified herein and their actual or proposed resolution. At the end of the project term, RGGI, Inc. shall prepare and submit a draft final report by December 31, 2012, that provides a description and summary of all major work tasks and submitted deliverables. The draft final report shall be revised within 60 days to address all Agencies comments, and RGGI, Inc. shall submit a final report addressing all such comments.

In any area where deliverables will be provided, such deliverables shall be presented to the Agencies in draft form for review and approval by the Agencies.

**ATTACHMENT B
PAYMENT PROVISIONS & BUDGET**

1. The State shall pay contractor as provided in Article 3 of Attachment A
2. If the work described in any invoice as provided by the contractor, has not been completed to the satisfaction of the State, as determined by the project manager, the State reserves the right to withhold payment until the invoiced work has been satisfactorily completed. Overdue balances resulting from non-payment for unsatisfactory work will not be subject to interest or finance charges.

The State shall not be responsible for expenses of the Contractor.
3. The Contractor agrees to a 10% retainage of each invoiced amount, which will be retained subject to review, approval and acceptance of Contractor's final report by the State. Retainage will be released once a retainage statement is submitted and signed by both the Contractor and State.
4. Contractor will submit all invoices to the State's Project Manager:
Name: Dick Valentinetti
Department: Department of Environmental Conservation
Address: Air Pollution Control Division, 103 South Main St., Bldg. 3 South, Waterbury, VT 05671

**ATTACHMENT C: STANDARD STATE PROVISIONS
FOR CONTRACTS AND GRANTS (Revised 01/11)**

- 1. Entire Agreement:** This Agreement, whether in the form of a Contract, State Funded Grant, or Federally Funded Grant, represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.
- 2. Applicable Law:** This Agreement will be governed by the laws of the State of Vermont.
- 3. Definitions:** For purposes of this Attachment, "Party" shall mean the Contractor, Grantee or Subrecipient, with whom the State of Vermont is executing this Agreement and consistent with the form of the Agreement.
- 4. Appropriations:** If this Agreement extends into more than one fiscal year of the State (July 1 to June 30), and if appropriations are insufficient to support this Agreement, the State may cancel at the end of the fiscal year, or otherwise upon the expiration of existing appropriation authority. In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, and in the event federal funds become unavailable or reduced, the State may suspend or cancel this Grant immediately, and the State shall have no obligation to pay Subrecipient from State revenues.
- 5. No Employee Benefits For Party:** The Party understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation or sick leave, workers compensation or other benefits or services available to State employees, nor will the state withhold any state or federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of the Agreement. The Party understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the Party, and information as to Agreement income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.
- 6. Independence, Liability:** The Party will act in an independent capacity and not as officers or employees of the State.

The Party shall defend the State and its officers and employees against all claims or suits arising in whole or in part from any act or omission of the Party or of any agent of the Party. The State shall notify the Party in the event of any such claim or suit, and the Party shall immediately retain counsel and otherwise provide a complete defense against the entire claim or suit.

After a final judgment or settlement the Party may request recoupment of specific defense costs and may file suit in Washington Superior Court requesting recoupment. The Party shall be entitled to recoup costs only upon a showing that such costs were entirely unrelated to the defense of any claim arising from an act or omission of the Party.

The Party shall indemnify the State and its officers and employees in the event that the State, its officers or employees become legally obligated to pay any damages or losses arising from any act or omission of the Party.

7. Insurance: Before commencing work on this Agreement the Party must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Party to maintain current certificates of insurance on file with the state through the term of the Agreement. No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the Party for the Party's operations. These are solely minimums that have been established to protect the interests of the State.

Workers Compensation: With respect to all operations performed, the Party shall carry workers' compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage: With respect to all operations performed under the contract, the Party shall carry general liability insurance having all major divisions of coverage including, but not limited to:

- Premises - Operations
- Products and Completed Operations
- Personal Injury Liability
- Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

- \$1,000,000 Per Occurrence
- \$1,000,000 General Aggregate
- \$1,000,000 Products/Completed Operations Aggregate
- \$ 50,000 Fire/ Legal/Liability

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

Automotive Liability: The Party shall carry automotive liability insurance covering all motor vehicles, including hired and non-owned coverage, used in connection with the Agreement. Limits of coverage shall not be less than: \$1,000,000 combined single limit.

Party shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Agreement.

8. Reliance by the State on Representations: All payments by the State under this Agreement will be made in reliance upon the accuracy of all prior representations by the Party, including but not limited to bills, invoices, progress reports and other proofs of work.

9. Requirement to Have a Single Audit: In the case that this Agreement is a Grant that is funded in whole or in part by federal funds, and if this Subrecipient expends \$500,000 or more in federal assistance during its fiscal year, the Subrecipient is required to have a single audit conducted in accordance with the Single Audit Act, except when it elects to have a program specific audit.

The Subrecipient may elect to have a program specific audit if it expends funds under only one federal program and the federal program's laws, regulating or grant agreements do not require a financial statement audit of the Party.

A Subrecipient is exempt if the Party expends less than \$500,000 in total federal assistance in one year. The Subrecipient will complete the Certification of Audit Requirement annually within 45 days after its fiscal year end. If a single audit is required, the sub-recipient will submit a copy of the audit report to the primary pass-through Party and any other pass-through Party that requests it within 9 months. If a single audit is not required, the Subrecipient will submit the Schedule of Federal Expenditures within 45 days. These forms will be mailed to the Subrecipient by the Department of Finance and Management near the end of its fiscal year. These forms are also available on the Finance & Management Web page at: <http://finance.vermont.gov/forms>

10. Records Available for Audit: The Party will maintain all books, documents, payroll papers, accounting records and other evidence pertaining to costs incurred under this agreement and make them available at reasonable times during the period of the Agreement and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved. The State, by any authorized representative, shall have the right at all reasonable times to inspect or otherwise evaluate the work performed or being performed under this Agreement.

11. Fair Employment Practices and Americans with Disabilities Act: Party agrees to comply with the requirement of Title 21 V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Party shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990, as amended, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Party under this Agreement. Party further agrees to include this provision in all subcontracts.

12. Set Off: The State may set off any sums which the Party owes the State against any sums due the Party under this Agreement; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.

13. Taxes Due to the State:

a. Party understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, corporate and/or personal income tax on income earned within the State.

b. Party certifies under the pains and penalties of perjury that, as of the date the Agreement is signed, the Party is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.

c. Party understands that final payment under this Agreement may be withheld if the Commissioner of Taxes determines that the Party is not in good standing with respect to or in full compliance with a plan to pay any and all taxes due to the State of Vermont.

d. Party also understands the State may set off taxes (and related penalties, interest and fees) due to the State of Vermont, but only if the Party has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Party has no further legal recourse to contest the amounts due.

14. Child Support: (Applicable if the Party is a natural person, not a corporation or partnership.) Party states that, as of the date the Agreement is signed, he/she:

a. is not under any obligation to pay child support; or

b. is under such an obligation and is in good standing with respect to that obligation; or

c. has agreed to a payment plan with the Vermont Office of Child Support Services and is in full compliance with that plan.

Party makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Party is a resident of Vermont, Party makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

15. Sub-Agreements: Party shall not assign, subcontract or subgrant the performance of his Agreement or any portion thereof to any other Party without the prior written approval of the State. Party also agrees to include in all subcontract or subgrant agreements a tax certification in accordance with paragraph 13 above.

16. No Gifts or Gratuities: Party shall not give title or possession of any thing of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this Agreement.

17. Copies: All written reports prepared under this Agreement will be printed using both sides of the paper.

18. Certification Regarding Debarment: Party certifies under pains and penalties of perjury that, as of the date that this Agreement is signed, neither Party nor Party's principals (officers, directors, owners, or partners) are presently debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in federal programs or programs supported in whole or in part by federal funds.

