

**REGIONAL GREENHOUSE GAS INITIATIVE, INC.  
MINUTES OF DIRECTORS' MEETING**

December 10, 2007

A special meeting of the Directors of Regional Greenhouse Gas Initiative, Inc. a Delaware non-profit corporation (the "Corporation") was held on December 10, 2007 at the offices of the New York Public Service Commission at 90 Church Street, New York, NY, pursuant to written notice sent to each Director via email on November 10, 2007.

The meeting was called to order by Chair Alexander Grannis at 1:00 p.m.

**Persons In Attendance**

The following Directors, constituting a quorum, were present for the meeting:

Gina McCarthy  
David Small  
Arnetta McRae  
David Littell  
Shari T. Wilson  
Susanne Brogan  
Laurie Burt  
Philip Giudice  
Thomas S. Burack  
Clifton Below  
Alexander B. Grannis  
Patricia L. Acampora (arriving at 1:20 pm)  
W. Michael Sullivan  
Andrew C. Dzykewicz  
George Crombie  
James Volz

Bruce Burcat was appointed to serve as an alternate director on behalf of Ms. McRae for this meeting and Julie Capobianco was appointed to serve as an alternate director on behalf of Mr. Dzykewicz for this meeting. The written designations of the alternates were duly received and are attached to the minutes of this meeting. Lisa P. Jackson was in attendance as an observer and did not participate in the discussion or Board actions.

Also present by invitation were the following people: Tracy Babbidge and Chris Nelson from the State of Connecticut; Phil Cherry and David Bloom from the State of Delaware; John DeFelice and Doug Nazarian from the State of Maryland; Bill Lamkin from the State of Massachusetts; Doug Mitarotonda, Lois New, Patricia Matrianni, Michael Sheehan, Kevin Hale, Mark Reeder, Jim Austin and Mark Lowery from the State of New York; Chris Sherry and

Sam Wolfe from the State of New Jersey; Joanne Morin from the State of New Hampshire; Tad Aburn and Diane Franks from the State of Maine; Stephen Majkut, Patty Allison Fairweather and Marisa Desautel from the State of Rhode Island; Dick Valentinetti, David Farnsworth and Laura Pelosi from the State of Vermont; Corey Buffo from the District of Columbia; and Clifford P. Case and Catherine B. Sheehy from Carter Ledyard & Milburn LLP.

**Quorum of Directors**

Mr. Below stated that a quorum of the directors was present. Ms. Sheehy kept the minutes of the meeting.

**September 25, 2007 Minutes**

Mr. Below stated that drafts of the Minutes of the Initial Meeting of the Board of Directors held on September 25, 2007 had been submitted to each Director prior to the meeting. The directors discussed one minor change in the new business section. On motion duly made and seconded, the Minutes as amended were unanimously approved.

Mr. Grannis called attention to the purposes of the meeting set forth in the notice of the meeting and the accompanying meeting materials.

**Executive Committee Update**

Mr. Grannis gave an update on the activities of the Executive Committee. The committee has had six meetings since the last full board meeting. The minutes of five of those meetings were distributed to the full board. The minutes of the sixth meeting will be distributed to the full board after they have been finalized. The Executive Committee will try to make sure that every board member receives the committee meeting minutes in a timely fashion.

Carter Ledyard & Milburn LLP (“CLM”) has been retained as counsel to the Corporation. A copy of the letter of engagement with CLM will be distributed to the full board.

The funding agreement between the New York State Energy Research and Development Authority (“NYSERDA”) and the Corporation is being reviewed. The NYSERDA funding agreement, once finalized, could be used by other states as a model for their own funding agreements. The first deposit from NYSERDA (in the amount of \$300,000) will be made to the Corporation’s bank account within ten days of NYSERDA’s receiving the signed contract.

A discussion ensued as to whether all states will require written funding agreements. It was generally agreed that getting the Corporation funded was a priority. However, requirements may vary from state to state as to what is required to get funding to the Corporation. It was generally agreed that the Transition Committee members would review the different state requirements and work with the directors so that the funding of the Corporation can happen as quickly and as seamlessly as possible.

The Corporation's application for tax-exempt status from the Internal Revenue Service has been signed and will be filed this month.

Mr. Grannis asked Mr. Littell to give the board an update on insurance. He stated that two bids have been received and the Executive Committee expects to receive two more bids before making a decision. The committee is reviewing these bids carefully, especially with regard to exemptions and exclusions. If states want or need specific provisions included in the insurance contract, a representative should contact Cathy Lee from Maine with the desired language. As soon as the Executive Committee has determined which of the bids is the most favorable, the committee will circulate the contract for each state to review. A contract should be circulated by the end of December. Once each state has received this contract, Mr. Littell requested that the state prioritize its review of this contract because the time to turn it around will be short. It was requested that the Executive Committee distribute all four insurance bids to the full board in addition to the carrier that is chosen.

Mr. Littell also discussed the importance of each state's coordinating with and engaging its respective Attorney General's office. A letter that the states can use in this effort was circulated to the directors after being reviewed and approved by the Executive Committee. Mr. Grannis stated that the New York Attorney General's office could also help other states engage their Attorney General. Mr. Littell offered his help as well and will try to oversee legal issues with respect to the Executive Committee.

Mr. Grannis then reported on the ongoing search for an Executive Director. The search has produced sixty-five applications, of which the Transition Committee has chosen five. Transition Committee members will reach out to those five applicants for an initial interview. Generally, he thinks that the applicants have strong credentials, but may not be exactly what the Corporation is looking for. The Corporation has put an advertisement for the position in *Environmental Finance*, a leading environmental publication that will be widely distributed at the United Nations Framework Conference on Climate Change held in Bali from December 3-14, 2007. It was stressed that it is important that the Corporation find someone who can both understand and manage the complex nature of the Corporation but also handle the detailed ministerial work involved with auctions and monitoring. There was a discussion as to whether it might be advisable to hire a headhunter to expand the search for a qualified executive director. The directors also discussed whether hiring an interim director would help ease the transition, but the consensus was that it would be most effective to hire an executive search firm.

Ms. Lois New reported on the scope of the search to date for the Executive Director: the job was advertised in the *New York Times*, the *Washington Post*, and the *Boston Globe*. In addition, the job was advertised with NESCAUM and the advertisement was placed on at least ten other organizations' webpages. It was suggested that it may be useful to focus the continued search in Washington DC and with organizations that might not have been initially targeted.

### **Finance Committee Report**

Mr. Grannis asked Mr. Guidice to give the report of the Finance Committee. Mr. Guidice said that the Finance Committee is currently in the process of choosing a bank to act as

depository for the Corporation's money. The most important factors the committee has considered in its evaluation of the banks are: 1) whether the bank has environmentally sound practices, 2) the bank's fee structure 3) the ease of working with the bank. A final decision has not yet been reached, but the committee is leaning towards HSBC. The plan is to set up a checking account and either a debit or credit card with the chosen bank.

The Finance Committee is also in the process of hiring an accounting firm. Mr. Guidice stressed the importance of hiring a firm to do the bookkeeping, set up internal controls, create software the Corporation might need and prepare tax returns. A request for proposals ("RFP") was drafted and sent out to ten firms. Two firms have provided proposals which the committee and staff are reviewing. The two proposals have fees close to \$100,000 for the first year of services. He expressed a concern that not enough money was budgeted to pay for the accounting firm in 2008.

Mr. Guidice then spoke about the Finance Committee's general concern over the 2008 budget. The committee believes the budget will have to be revised. For example, the line item budget for professional services (including auditing firm, accountants, lawyers and others) was \$50,000 for the whole year. Based on more current estimates of what professional fees will be, this amount should be revised. That being said, Mr. Guidice reported that the Corporation has under-spent the budget to date – but this is due to the fact that the Executive Director and staff have not yet been hired. It was suggested that the Executive Committee review the 2008 budget before finalizing an auction RFP and offset RFP.

There was some discussion as to whether it would be feasible to pay the Corporation's expenditures out of the revenues generated from the first auction. It was generally agreed that this should be investigated, but that it might not work.

The consensus was that the budget should be revisited in its entirety once there are exact figures or firm estimates for the budgeted items. It was generally agreed that the Finance Committee could recommend a revised budget after proposals were reviewed on auctions.

### **Audit Committee Report**

Mr. Grannis asked Mr. Burack to give the report of the Audit Committee. He reported that the Audit Committee has not had a formal meeting, but they have been working on a draft for a request for services ("RFS") to be submitted to auditing firms. The plan is to put out the RFS in early January, giving the firms two weeks to respond. With staff assistance the committee will review initial proposals and then will seek to select a firm by the end of February.

The Audit Committee expressed the desire to expand to add members to the committee who had more finance and accounting expertise. The Directors discussed the idea of adding additional members to the Audit Committee.

Upon motion duly made and seconded, it was unanimously

**RESOLVED** that the following people shall be added as members of the Audit Committee:

Susan Carlson  
Steve Chadwick

**Special Committee Reports: Program Committee**

Mr. Grannis asked Ms. New to give the report of the Program Committee. She stated that the Program Committee is working diligently on critical path items and coordinating with other committee chairs to accomplish those goals. The most important updates are as follows:

1. Establish Tracking System. An RFP will be done for the type of tracking system that the Corporation will use. The Program Committee will review the proposals and make recommendations to the Executive Committee.
2. Creation of Auction Platform. The Auction Committee is working on 3 tasks to establish the auction platform:
  - a. Review and Respond to research team design recommendations.
  - b. Discussion and agreement on core design principals.
  - c. Review of Proposals. The RFP for an agent to build an auction platform was sent out November 19, 2007. At this time, eighteen firms have indicated an interest in doing a proposal or working with another firm on doing a proposal. On December 5, 2007 a proposer's question and answer conference call was held. Proposals are due December 19, 2007. There will then be one month for the review and approval of the recommendations. The goal is to have a contract executed by February 19, 2008.
3. Offsets Program. An RFP has also been sent out for the Offsets Program. The timeline is the same as with the Auctions RFP. In addition to reviewing and discussing applications and accrediting third parties, the Offsets Committee needs to assess whether memoranda of understanding will be entered into with other states outside the RGGI region, the availability of offsets, and whether new offset categories will be added.

It was requested that the states consider what kind of boilerplate language needs to be in the contract for the tracking system, auctions, and offsets. It has not yet been decided how the contracting process will work, but the current plan is the Corporation will contract directly with the service providers and then each state will contract individually with the Corporation.

The directors discussed the question and answer session that was held with the potential providers on the offsets and auction RFPs. It was decided that in the future, question and answer sessions relating to RFPs should be documented in writing. The staff on the December 5 call will compile their notes so that a general outline of what happened can be maintained.

**Special Committee Reports: Emissions Leakage Committee**

Mr. Grannis asked Mr. Farnsworth to give the report. Mr. Farnsworth said the goal of the committee is to begin to monitor leakage in the RGGI region and to set out an array of leakage mitigation policies. As such, the committee will present a final report to the Board, following up on last year's draft interim report, which will discuss leakage monitoring. The draft of the final report should be distributed for review by the end of 2007. In the final report the committee will recommend that leakage mitigation measures be adopted such as improved building codes and appliance standards, and the use of revenue from the sale of RGGI emissions allowances for programs to increase energy efficiency.

The committee has been successful at convincing the New England Power Pool and PJM Interconnection to run a tracking system for emissions leakage. These tracking systems should be up and running by January of 2008 so that the Corporation will have data to use in preparation for the full program at its beginning date of January, 2009. Tracking in New York will begin the first quarter of 2008 as well. It was noted that this data should account for Canada emissions since it will include net imports on an annual basis.

**Special Committee Reports: Model Rule**

Mr. Grannis asked Mr. Bianco to report on the Model Rule Committee. Mr. Bianco said that the Model Rule Committee has been working to maintain consistency amongst states. A chart was distributed to the directors demonstrating where each state is in its rule-making process. This handout is attached to the minutes of this meeting. Mr. Bianco also discussed issues that should be resolved in the Model Rule, including:

1. Definition of biomass and whether it should include liquid bio fuels. There is no recommendation at this point, but this issue should be considered and discussed.
2. Offsets. It needs to be decided which states should be involved via memoranda of understanding with respect to offsets. It is not clear whether the Model Rule should deal with this or not.
3. Quality Assurance/Quality Control

It was also mentioned that sustainable forestry is a hot topic that may need to be explored before it can be properly defined in a model rule.

**Special Committee Reports: Transition Committee**

Mr. Grannis asked Ms. New to give the Transition Committee report. Ms. New said that the following issues are of note:

1. Contracts. A legal services contract has been signed. A financial services contract should be completed in the near future (see Finance Committee report). Ms. New again stressed that funding agreements with the states need to be taken care of as soon as possible.
2. Offices. The Corporation has started on the lease for space at 90 Church Street. This space will be on the same floor as the NYPSC, but the Corporation's space will be separate suite.

3. Staff. Ms. New referenced Mr. Grannis's earlier comments on the search for an Executive Director.
4. Procurements. As reported by the Program Committee, RFPs have been distributed for critical path items. The committees have worked together on a framework for how the Corporation would solicit products and services: procedures will be developed so that all RFPs, all RFSs, all request for quotes ("RFQs") and all single source contracts are handled consistently. Generally, the Corporation has been following NYSERDA policies in evaluating of RFPs, RFSs and RFQs. A timeline chart entitled "RGGI Inc., Board Meeting – December 10 & 11, 2007. Critical Path to Launch RGGI: December 3, 2007 – December 31, 2008" was distributed.

### **Old Business**

Mr. Below reminded all committee chairs to submit written reports from committees on a regular basis. Mr. Below will make these reports available to the full board.

It was mentioned that Conflict of Interest Disclosure Forms must be completed by all Board Members, committee members and alternates. Ms. New collected the completed forms.

No agreement has been reached with Washington DC as to whether it will join the RGGI Memorandum of Understanding and become involved with Corporation. Negotiations are expected to continue.

### **New Business**

Mr. Grannis then entertained discussion of new business.

Kevin Hale from NYSERDA explained its process for reviewing RFPs. A handout which summarizes these procedures was distributed to the directors and is attached to the minutes of this meeting. The directors discussed the procedure. It was further explained that the review process takes cost into account, but it is not necessarily the deciding factor. Other factors such as experience, skills and participation in similar projects are weighted heavily. The process also allows for those evaluating the proposal to take a step back and evaluate the proposals on a macro level. The procedure was well received by the directors. It was acknowledged that these procedures may need to be fine tuned or adapted to fit the needs of the Corporation, but it was generally agreed that this should be the format the Corporation uses to evaluate proposals at this time.

The directors then discussed the prospect of hiring an executive recruiting firm to search for an executive director. It was noted that an executive search firm could cost approximately \$50,000. It was generally agreed that a contract should be worked out with any search firm that would only compensate them if they actually found the Executive Director for the Corporation (not, for example, if the Corporation hired an Executive Director from its previous search efforts).

Upon motion duly made and seconded, it was unanimously

**RESOLVED** that the Executive Committee is authorized to engage the services of an executive search firm for the purposes of locating candidates for the position of an Executive Director of the Corporation and that the Executive Committee will report back to the full board on the status of its search.

**Next Meeting Date**

Discussion began with regard to the next meeting date for the Board. The first week in February of 2008 was tentatively suggested but a final decision was deferred to the Chair until after discussion of issues by RGGI Agency Heads after the Board meeting. [After consulting with RGGI Agency Heads the next day the Chair set January 28, 2008 as the date for the next Board meeting, with the location to be determined.]

**Adjournment**

There being no other business before the Directors, upon a motion duly made and seconded, it was resolved to adjourn the Directors' meeting at 3:30 p.m.

Respectfully submitted,



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Clifton Below, Secretary