

**Regional Greenhouse Gas Initiative, Inc.
Minutes of Directors' Meeting**

January 28, 2008

A special meeting of the Directors of Regional Greenhouse Gas Initiative, Inc. a Delaware non-profit corporation (the "Corporation") was held on January 28, 2008 at the offices of the Connecticut Department of Environmental Conservation at 79 Elm Street, Hartford, CT, pursuant to written notice sent to each Director via email on January 18, 2008.

The meeting was called to order by Chair Alexander Grannis at 12:55 p.m.

Persons in Attendance

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

Gina McCarthy
Anne George
Phillip Cherry for David Small
Arnetta McRae
David Littell
Sharon Reiss
Shari T. Wilson
Laurie Burt
Philip Guidice
Thomas S. Burack
Clifton Below
Alexander B. Grannis
Tina Palmero for Patricia L. Acampora
W. Michael Sullivan
Andrew C. Dzykewicz
David Farnsworth for James Volz
Christopher Sherry for Lisa P. Jackson
Sam Wolfe for Jeanne Fox

Phillip Cherry was appointed to serve as an alternate director on behalf of Mr. Small for this meeting. Tina Palmero was appointed to serve as an alternate director on behalf of Ms. Acampora for this meeting. David Farnsworth was appointed to serve as an alternate director on behalf of Mr. Volz for this meeting. Sam Wolfe was appointed to serve as an alternate director on behalf of Ms. Fox for this meeting. Christopher Sherry was appointed as an alternate to serve on behalf of Ms. Jackson for this meeting.

The written designations of the alternates were duly received and are attached to the minutes of this meeting.

Laura Pelosi sat in on behalf of Mr. Crombie, but was not officially designated as an alternate so she was not counted for the quorum or for voting purposes.

Also present by invitation were the following people: John DeFelice from Maryland via telephone, Paul Farnell, Tom Caruso and Chris Nelson from the State of Connecticut; Bruce Burcat from the State of Delaware; Tad Aburn and Diane Franks from the State of Maryland; Bill Lamkin from the State of Massachusetts; Doug Mitarotonda, Lois New, Patricia Mastrianni, Kevin Hale, Kim Farrow, Peter Iwanowicz, Christina Palmero, Kevin McGarry and David Coup from the State of New York; Joanne Morin from the State of New Hampshire; Stephen Majkut and Julie Capobianco from the State of Rhode Island; David Farnsworth and Laura Pelosi from the State of Vermont; Jane Stahl and Catherine B. Sheehy from Carter Ledyard & Milburn LLP, counsel to the Corporation (“CLM”).

Quorum of Directors

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

December 10, 2007 Meeting Minutes

Mr. Below stated that the drafts of the Minutes of the Special Meeting of the Board of Directors held on December 10, 2007 had been submitted to each Director prior to the meeting. On motion duly made and seconded, the Minutes were unanimously approved.

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

Executive Committee Report

Mr. Grannis gave the report of the Executive Committee. The Executive Committee has bi-weekly phone calls and will continue to circulate the minutes of these meetings. The Committee will make every effort to circulate the minutes to the entire board more quickly.

The funding agreement between the New York State Energy Research and Development Authority (“NYSERDA”) and the Corporation has been finalized. The first deposit from NYSERDA (in the amount of \$300,000) has been made to the Corporation’s bank account.

Mr. Littell gave an update on the Corporation’s efforts to obtain insurance coverage for directors and officers. The Corporation has not yet been able to obtain satisfactory insurance. The directors from New York think that there should be \$5,000,000 of coverage. Many insurance companies will not insure a non-profit start-up at that amount. For example, AIG would not give \$5,000,000 in coverage. Two other

companies indicated that they might be willing to provide \$5,000,000 in coverage – Beasley Insurance, Inc. and Zurich North America. Zurich North America is the only company thus far that has guaranteed \$5,000,000 in coverage, but its contract has broader exclusions than others. Beasley Insurance, Inc. has not guaranteed that they will be willing to offer \$5,000,000 in coverage, but its contract has more narrow exclusions. Generally, there has been significant resistance to adding language dealing with sovereign immunity to the standard terms of the insurance contracts. In fact, any change to the standard terms of an insurance contract may prove burdensome. It was generally agreed that the Executive Committee should discuss potential alternatives to getting the required insurance coverage. If any state needs specific language in the contract, they should let Mr. Littell know as soon as possible. The Executive Committee appreciates the urgency of this matter.

Mr. Grannis reported on the search for the Executive Director. The seventy-five initial applications were narrowed down to nine. Staff conducted screening interviews by phone with seven candidates. Two candidates were not available for interview. The two most qualified of those interviewed by staff will have face to face interviews with the Executive Committee. One candidate was to be interviewed on Tuesday, January 29. The other candidate was not available on Tuesday but will be interviewed in the near future. It was suggested that the directors be provided with the written evaluations of the candidates, including resumes and evaluations from the phone interviews. These had previously been circulated to the Search Committee only. It was agreed that all directors would have access to the evaluations.

Finance Committee Report

Mr. Guidice gave the report of the Finance Committee. The committee is negotiating a contract on behalf of the Corporation with BTQ Financial for accounting services. The Committee is going to try to meet in the next few weeks to meet the BTQ Financial principals and finalize the contract. CLM and staff have reviewed the contract with BTQ Financial.

The Committee has also opened a bank account with HSBC. Lois New from New York State Department of Environmental Conservation has been given signing authority for all checks under \$25,000. Anything over that amount requires that signatures of Mr. Grannis and Mr. Guidice.

A new draft budget for the Corporation was not prepared for the meeting. The budget approved at the September 25, 2007 annual meeting of the board of directors needs to be revised. To avoid confusion with multiple budgets, the decision was made to wait on an official update of the budget until the information on insurance, financial services and project costs (auctions, offsets, and tracking system) are available. In lieu of an updated budget, the Treasurer presented a summary of the status of budgeted item changes to date. This draft was passed out to the directors and is attached to the minutes of this meeting. For example, the fees budgeted for professional services need to be increased. Also, the lease for the offices of the Corporation may result in higher monthly

costs than budgeted. In addition, personnel costs might be more than budgeted. However, it is not clear yet what the ultimate program costs will be, so the Committee has held off on revising the budget until it is clear what exactly will be needed for program costs. As of the meeting, the estimated cost of establishing an auction platform may actually be less than budgeted - proposals came in for approximately \$800,000. The cost for the offsets implementation services may be approximately \$345,000. Market Monitoring was not in the September 25, 2007 budget, but this may be an external service that the Corporation will want. A rough estimate of what a market monitoring service would cost is \$100,000. The Committee will work on a draft revision of the budget once program costs are finalized.

Audit Committee Report

Mr. Burack gave the report of the Audit Committee. The auditing services request for services (“RFS”) is to be sent out shortly. The RFS will ask for responses by February 19th and the Committee will try to have the auditing firm hired by the end of March 2008. Ms. New reviewed the evaluation process for the responses to the RFS.

Special Committee Reports: Program Committee

Mr. Sherry gave the report of the Program Committee. The request for proposals (“RFPs”) for an emissions allowance tracking system, auction implementation services and emissions offset implementation services have been sent out. All proposals for auctions and offsets were due in December 2007. Two technical evaluation panels (“TEP”) were formed - the first to evaluate auction proposals and the second to evaluate offsets proposals. Both TEPs had recommendations for the Corporation as to the treatment of these proposals. The Committee is on schedule to begin contract negotiations once a provider is selected. The TEP’s evaluations will be discussed in the New Business portion of this meeting. Emissions allowance tracking proposals were also due in December. A TEP is being formed to evaluate that proposal.

Special Committee: Emissions Leakage Committee

Mr. Farnsworth gave the report of the Emissions and Leakage Committee. At the last meeting, Mr. Farnsworth had proposed to circulate a draft of the final emissions and leakage report by the end of 2007. However, the draft of the final report has not been finalized. He said that the draft report should be circulated to the directors by March 31, 2008. He was not sure how long it would take after a draft was circulated to issue a final report, but most comments should be handled before the final draft is circulated so it should not take much more than a few weeks to issue the final report. He suggested May 1, 2008 as a possible date for the issuance of the final report. The report will cover two major issues: 1) what has been accomplished with the tracking systems; 2) proposals for policies to address leakage.

The directors discussed whether this report could be completed before March 31, 2007 due to the deadlines for the 2008 auctions. Mr. Farnsworth stated that the report deals with long term policies that should not affect auctions this year.

- It was discussed whether any proposals for policies to address leakage will be developed that do not deal with energy efficiency. Mr. Farnsworth explained that the current programs do involve energy efficiency. The directors from New Jersey were worried that state legislation may make it impossible to institute a program based on energy efficiency. The state only has eighteen months to have rules in effect for implementation of a program that would address leakage, so the directors stated their concern with the current time frame. It was generally agreed that anything the Committee can do to get the report out sooner than the end of March should be done. The Board directed staff to present the final Leakage report by the end of February, as several states need to incorporate the report in rule making.

Special Committees: Model Rule

Mr. Lamkin gave the report of the Model Rule Committee. The Massachusetts Department of Environmental Protection's cap and trade rule was finalized Friday, January 25. It was suggested that an additional Model Rule Committee also be formed to deal with auctions, since this committee has only dealt with the development of a model rule for cap and trade programs. No decision was made as to whether such a committee should be formed.

Special Committees: Transition Committee

Ms. New gave the report of the Transition Committee. Currently, the Committee is involved with four major activities: 1) finalizing legal and financial services; 2) the executive director search; 3) finalizing the lease for the office space; and 4) developing and reviewing funding agreements between the states and the Corporation.

Ms. Palmero gave an update on office space at 90 Church Street. New York State Public Service Commission ("NYSPSC") has been working with the Corporation to finalize a floor plan for the Corporation's offices. The original space available to the Corporation was not a cohesive area, so they are trying to establish a separate space for the Corporation that can accommodate all of the staff and equipment in one area. NYSPSC will need to move some its offices to accommodate this cohesive floor plan, but it should be finalized soon. The cost to the Corporation of these offices will be pro rated based on what the NYSPSC pays for the rent. The Corporation's space will occupy .03% of the NYSPSC's offices. As such, the Corporation will pay that proportion in rents, utilities and other costs associated with the space.

New Business

State Funding Agreements

Mr. Littell discussed state funding agreements and contracts between the states and the Corporation. The state Attorneys General want it to be very clear that the Corporation has no regulatory authority. Any state funding that comes to the Corporation through state funding agreements will be used for technical and advisory assistance only. However, the Corporation still follows an RFP process similar to the process used by many states in order that services and products provided to the Corporation will be a result of a formal and fair review process. It was stated that some states may need to contract directly with service providers rather than contracting with the Corporation. The funding from these states will have to go directly to the chosen contractors so as not to upset state procurement laws. Currently, the directors from Connecticut believe they will have to contract directly with the auction implementation service provider (but a contract with the Corporation would be permissible for offsets and emissions tracking).

The Corporation must be sensitive to the fact that every contract will need a certain amount of input from each state so that each state's needs are met as each state has to respect its respective Attorney General's recommendations. It was generally agreed that a system should be set up so that states can contract directly with the Corporation or the contractor, depending on the state's needs.

The Executive Committee members affirmed that they will set up flexibility within the contracts so that the state can decide whether to contract directly with the Corporation or with the individual contractor. Each state has to have flexibility to satisfy its individual requirements and the Corporation will build in this flexibility for all contracts. Included in any Corporation contract with service providers must be a term that the provider will negotiate with individual states if necessary, and that the vendor will offer an identical service to each member state that will be contracting with the vendor directly.

Each individual state will pay its share of each contract, but it might be possible that the Corporation could pay on the contract up front and the states will reimburse. This is something that can be discussed further if states are interested in this kind of a set-up. The general consensus was that most states will contract directly with the Corporation. But all states felt strongly that there needed to be a reciprocal agreement so that the individual state could move forward with the contractor in the event that the Corporation could not perform under the contract for any reason.

Auction Implementation Services RFP

Mr. Hale reviewed the process for analyzing RFPs for the auctions implementation services and post-auction services. A memorandum summarizing the process of review for the proposals received and summarizing the TEP's recommendations were distributed to the directors and is attached to the minutes of this meeting.

The RFP was marketed on the RGGI website, a notice was sent directly to companies who provide auction type services and an advertisement was sent to *SNL Weekly*, a national industry publication. As a result of these efforts, eight proposals were received. A TEP was established that consisted of Phillip Cherry, Alvaro Pereira, Diane Franks, Michael Karagiannes, Chris Sherry, Kevin Hale, Julie Capobianco and David Farnsworth. In addition, an attorney from NYSERDA was present to oversee the process.

The process for reviewing the proposals was as follows: each TEP member individually reviewed and scored each proposal. The proposals were then discussed in depth at the meeting of the TEP and each proposal was given a final score and rank. Then the TEP made a final ranking of the proposals based on the scores and discussions that took place. Recommendations were then based on the final rankings.

The Directors discussed the TEP's recommendations in depth and came to a decision regarding the contract based on their concerns regarding the practicality of a timely execution of the contract and effective implementation of the contract.

It was noted that the Executive Committee would be in charge of approving the final language of any contract that was entered into.

Upon motion duly made and seconded, it was

RESOLVED that the Corporation shall contract with World Energy Solutions, Inc., for auction implementation services subject to the conditions set forth in the TEP recommendation memorandum (attached to the minutes of this meeting) and if those conditions cannot be met then to pursue a contract with the Chicago Climate Exchange or APX as the second and third choices, and to empower the Executive Committee to finalize a contract for auction implementation services in a timely fashion.

Ms. McRae, Mr. Burack and Mr. Below voted against the resolution. Mr. Sherry and Mr. Wolfe abstained from the vote.

Auction payment options

Mr. Hale asked the board to discuss generally whether they would prefer a fee for services or whether they would like to pursue alternative payment options for the auction services. The board discussed the alternative payment options and some board members thought that alternative payment options might be necessary. However, the general preference of the board was a flat fee or service payment schedule. Any state that needs things done differently should advise the special committee members and the Corporation's counsel, so that an alternative payment mechanism can be built into the contract.

Emissions Offset Component Implementation Services RFP

Mr. Sherry presented the TEP's recommendations for the emissions offset component implementation services. The RFP was released on November 19, 2007 and proposals submitted in response to the RFP were reviewed in exactly the same way that they were for the auction implementation services. The TEP consisted of Phillip Cherry, Nicholas Bianco, Liz Entwisle, John Sherwell, Michael Karagannes, Joe Fontaine, Chris Sherry, John Marschilok and Julie Capobianco.

A memorandum summarizing the TEP's evaluations of the submitted proposals and the TEP's recommendations was handed out to the Directors and is attached to the minutes of this meeting.

The directors discussed the recommendations. Mr. Wolfe recused himself from all discussions and resolutions on this matter.

Upon a motion duly made and seconded, it was unanimously

RESOLVED that the Corporation shall proceed with the TEP's recommendation to contract with ICF International for Scope of Work Items #1 and #2 (as defined in the memorandum attached to the minutes of this meeting) and to empower the Executive Committee to finalize the contract.

After additional discussion, and upon motion duly made and seconded, it was unanimously

RESOLVED that the Corporation shall proceed with the TEP's recommendation to contract with GHG Management Institute for Scope of Work Item #3 (as defined in the memorandum attached to the minutes of this meeting) and to empower the Executive Committee to finalize the contract.

Ms. George left the meeting at this time.

Revision of Work Plan

At the initial board of directors meeting on September 25, 2007 the directors adopted a work plan for the Corporation. The work plan stated that the Corporation approved the use of the emissions allowance tracking system developed by Perrin Quarles Associates ("PQA") for emissions allowance tracking. Since that time, the Executive Committee decided to follow competitive procurement procedures by issuing an RFP for these services.

Upon motion duly made and seconded, it was unanimously

RESOLVED that the work plan adopted at the Initial Board Meeting shall be amended so that the emissions allowance tracking system will be established as a result

of a competitive bid and that any actions previously taken to initiate the RFP for said services are so ratified.

Communications Update

Letters were sent on behalf of the agencies participating in RGGI (these were not sent on the Corporation's letterhead) to the provinces of Ontario and Quebec regarding observer status. Those letters are attached to the minutes of this meeting. The directors generally agreed that whether or not to authorize observer status is an issue for the RGGI states and not an issue for the Corporation. Observer status will be discussed at the agency heads meeting.

The directors also briefly discussed the RGGI states' opinions on federal climate legislation. A memorandum summarizing potential federal legislation was handed out to the directors and is attached to the minutes of this meeting. It was generally decided that RGGI states' responses to federal climate legislation is not an issue for the Corporation and that it will be discussed in the appropriate venue.

It was generally agreed that any communications to provinces, states or other regions outside of the Signatory States and/or communications with the federal government must be made by the agency heads on behalf of their states, not on behalf of the Corporation.

Other New Business

The directors generally agreed that because the Corporation is most concerned with transparency and public awareness, they will make public (at www.rggi.com) a list of the Corporation's directors, the certificate of incorporation of the Corporation, the by-law of the Corporation.

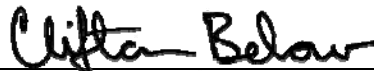
Next Meeting Date

The directors discussed possible dates for the next meeting. It was decided that the next meeting of the board of directors of the Corporation shall be held March 12, 2008 in Boston, MA. It was also agreed that the following meeting will take place on April 29, 2008 in Providence, RI.

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 4:15 p.m.

Respectfully submitted,



Clifton Below, Secretary