

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

June 23, 2008

A special meeting of the Directors of the Regional Greenhouse Gas Initiative, Inc., a Delaware non-profit corporation (the "Corporation") was held on June 23, 2008 and June 24, 2008 at the Basin Harbor Club, 4800 Basin Harbor Road, Vergennes, Vermont 05491.

Persons in Attendance

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

Anne George, CT
Gina McCarthy, CT (not present on 6/24)
Philip Cherry for John Hughes/David Small, DE
Bruce Burcat for Arnetta McRae, DE
David Littell, ME, joined at 1:15 pm, 6/23
Laurie Burt, MA
Philip Giudice, MA
Susanne Brogan, MD, joined at 1:35 pm, 6/23, (not present on 6/24)
Shari T. Wilson, MD, joined at 1:35 pm, 6/23, (not present on 6/24)
Clifton Below, NH
Thomas S. Burack, NH
Jeanne Fox, NJ, by speaker phone
Lisa Jackson, NJ
Garry Brown, NY
Alexander B. Grannis, NY
W. Michael Sullivan, RI
George Crombie, VT
James Volz, VT

Phillip Cherry was appointed to serve as an alternate director on behalf of Mr. Small for this meeting. Bruce Burcat was appointed to serve as an alternate director on behalf of Arnetta McRae for this meeting.

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

Jean Guzzetti was present for Sharon Reishus of Maine but she 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: Nancy Seidman, Bill Lamkin, and Drew McConville from the State of Massachusetts; Lois New, Patricia Mastrianni, Peter Iwanowicz, Christina Palmero, John Williams, Doug Mitarotonda, Kevin Hale, Jared Snyder, Janet Joseph and Dave Coup from the State of New York; Joe Fontaine and Joanne Morin from the State of New Hampshire; James Brooks and Benjamin J. Smith from the State of Maine; Dick Valentinetti, Mary Jo Krolewski and Ed McNamara from the State of Vermont; Chris Sherry from the State of New Jersey; and Jonathan Schrag, Executive Director of the Corporation;

Call to Order and Quorum of Directors

Chair Pete Grannis called the meeting to order at 1:08 pm on 6/23/08. Mr. Below stated that a quorum of the Directors was present. Mr. McNamara and Mr. Below kept the minutes of the meeting.

April 29, 2008 Meeting Minutes

Mr. Below stated that the draft of the Minutes of the Special Meeting of the Board of Directors held on April 29, 2008 had been submitted to each director prior to the meeting. After a brief discussion and on motion duly made by Mr. Below and seconded by Mr. Giudice the Minutes were unanimously approved.

Introduction

Mr. Grannis welcomed everyone and spoke of the importance of the RGGI efforts and the importance of completing preparations for the September 10 auction.

Executive Committee

Mr. Grannis briefly referenced the work of the Executive Committee which is summarized in the minutes of Executive Committee meetings for 3/31, 4/21, 5/13, 5/19, 5/27, 6/2, and 6/16 (draft only), which were sent to members of the Board before the meeting. Review of the contract with Carter, Ledyard & Milburn (CLM) was deferred until later in the meeting.

Finance Committee

Mr. Giudice gave the report of the Finance Committee. The BTQ finance report was sent to directors before the meeting. Attached to the Budget Report was a sheet with 3 columns showing the Sept. 2007 approved budget for the initial 13 months of operations (Dec. 1, 2007-December 31, 2008), proposed modifications, and a June 2008 revised budget proposed by the Finance Committee. Operating costs for 2007 are below projected costs, particularly salary and wages.

Mr. Giudice reported that actual program costs are at \$1.4 million, compared to projected program costs of \$2.6 million. In addition, the EATS contract was less than expected.

There was some discussion regarding the CLM contract. CLM requested an additional \$75,000 beyond the contract price due to additional services. Mr. Giudice stated that CLM was willing to reduce that amount to \$70,000. Mr. Giudice recommended settling with CLM for \$70,000 and, in the future, ensuring that tighter controls would be kept on the use of CLM. Mr. Little volunteered to help manage the budget relationship with CLM. Mr. Giudice noted two significant reasons for the overspending of the CLM contract: 1) there was no Executive Director in place and CLM was being doing some work that might otherwise be done by RGGI, Inc. staff and 2) CLM was reviewing and negotiating state contracts beyond the original scope of work. Mr. Giudice expected that the budget for CLM's services was not likely to be overspent in the future, and if the budget is expected to go over in the future, all Directors should have input, not just the Executive Committee.

Mr. Little provided the following clarification regarding methods to control CLM costs. CLM and RGGI have clarified that the contract is not an hourly one. CLM would notify any requesting party when requested work is outside the scope of the contract. In addition, there must be more clarity in regard to when it is appropriate for states to provide their own legal work versus when CLM would be requested to perform work.

After a brief discussion, and upon motion duly made by Mr. Below and seconded by Ms. McCarthy, it was unanimously

RESOLVED that the Corporation accept the recommendation of the Finance Committee to substitute the June 2008 modified budget, as detailed in the June 2008 financial report from BTQ Financial, for the budget approved on September 25, 2007 and adopt the Executive Committee practices with regard to managing the budget discussed at this meeting

Audit Committee

Mr. Burack gave the report of the Audit Committee. Minutes of the 6/18/08 Audit Committee meetings were sent to Directors in advance of the meeting. The Audit Committee will be interviewing two firms for auditing services. Mr. Schrag will also meet with the engagement teams for the firms. The Audit Committee expects to meet by July 18 to select a firm. Mr. Burack also recommended that the Audit Committee should have independent discretion to select a firm, provided the contract amount does not exceed budget

There was some discussion regarding whether all reporting burdens have been determined. CLM and Mr. Schrag will review this issue and discuss with states as to whether there are other ongoing requirements per individual state law.

A question was raised as to whether another audit function might be necessary to evaluate the flow of dollars from RGGI, Inc. to states. The response was that the audit would review only the books of RGGI, Inc., not the flow of auction proceeds to the states. It was suggested that the interview with the auditing firms should focus on the task at hand, and a future determination could be made as to whether the contract should be expanded in 2009 or a separate firm should be engaged for the review of the flow of auction.

Upon motion duly made by and seconded, it was unanimously

RESOLVED that Audit Committee, consistent with its charter, is authorized to select, appoint and engage an independent auditor for the corporation.

Special Committee reports

Auction Committee

Mr. Iwanowicz stated that the Auction Committee was moving forward with engaging a market monitor and the firm had signed off on a confidentiality agreement. In addition, the firm was providing information on beneficial interests and other issues.

The contract with World Energy has need been finalized. There are two issues standing in the way of finalizing the contract.

- 1) There was discussion of whether World Energy would be able to use the auction platform in the future – World Energy created the platform but it is the property of RGGI, Inc. The Auction Committee recommended that the Board grant the license for the auction platform back to World Energy on the condition that World Energy not profit from its use by other governmental entities.
- 2) There was a discussion of whether World Energy would have a conflict of interest if it engaged in work for other governmental entities, such as individual RGGI states or the Western Climate Initiative.

These two issues stand in way of finalizing the contract. There was a lengthy discussion of these two issues. Several Board members made the point that the purpose of RGGI is to move the issue of greenhouse gases forward and to the extent that RGGI's work could benefit other states, such efforts should be made.

After a lengthy discussion, there emerged a

CONSENSUS that RGGI, Inc.'s intellectual property in the form of its auction platform could be licensed back to Work Energy and provided to other governmental entities or initiatives, like RGGI, Inc., without profit, provided that there is reciprocity with the beneficiary entities with regard to upgrades and modifications to the software and that there be a blanket

waiver on conflicts of interest with regard to World Energy working with other governmental entities or initiatives like RGGI.

Offsets Committee

Mr. Sherry stated that offset projects would need to be submitted for approval by June 30 2009, and an accreditation process must be created by that date.

ICF wants to build upon materials to develop training materials going forward. There is a distinction between RGGI, Inc deliverables for underlying work that ICF could have rights to, versus having RGGI, Inc deliverables owned by RGGI, Inc. Some states have legal issues regarding rights to property created by states. Final language to address the public nature of the work must be developed.

The **Emissions Leakage Committee** had nothing new to report as their final report had been filed.

The **Model Rule Committee** is working on issues related to biomass cogeneration.

The **Transition Committee** stated that RGGI, Inc. has occupied office space and provided details of insurance coverage and premiums and the status of state contracts.

New Business

Jurisdiction Language. Mr. Littell raised the issue of appropriate jurisdictional language in EATS applications. There was some discussion as to whether RGGI, Inc. or the Agency Heads should resolve this issue.

The Board meeting was **RECESSED** by the Chair at 2:26 pm.

The Chair brought the Board meeting **OUT OF RECESS** at 2:30 pm.

Management of Auction Proceeds. There was some discussion of whether RGGI, Inc. could manage auction proceeds for individual states. It was expected that additional controls would be required for such a service. Rhode Island resolved their concern by a recent change in their statute.

Communications

The Press statement announcing Mr. Schrag's appointment as Executive Director was nearly final. Any revisions would need to be submitted by June 26.

There was discussion of whether RGGI, Inc. should develop a communications strategy, that would provide a plan for talking about what RGGI is doing going forward. The question was whether RGGI should have professional help on this issue. Staff proposed that Mr. Schrag talk with communication professionals regarding how to communicate the purpose of RGGI to the public. Ms. McCarthy offered to organize a call among the Governors' offices of the ten states.

After a discussion and upon motion duly made by Ms. McCarthy and seconded by Mr. Giudice, it was unanimously

RESOLVED that the Executive Committee be authorized to work with the Executive Director on a communications strategy and spend no more to implement such strategy than what is already budgeted.

The Chair **RECESSED** the Board meeting for the day at 3:07 pm until the next afternoon, following the completion of the Agency Heads meeting.

The Chair brought the Board **OUT OF RECESS** at 2:45 pm on June 24. A quorum was still present with all Directors from the previous day still present, including Jeanne Fox on the phone, except for Gina McCarthy, Susanne Brogan and Shari Wilson, who had to leave.

Upon motion duly made by Mr. Sullivan and seconded by Ms. George, it was unanimously

RESOLVED that Alexander 'Pete' Grannis, in his capacity as Chair, is hereby duly authorized to enter into any contracts on behalf of RGGI, Inc. with the State of New Hampshire and is further authorized to execute any documents which may in his judgment be desirable or necessary to effect the purpose of this vote.

Upon motion duly made by Mr. Giudice and seconded by Mr. Sullivan, it was unanimously

RESOLVED that Vice Chair Lisa Jackson and Vice Chair David Littell are hereby authorized to certify Board resolutions to the State of New Hampshire and are further authorized to execute any documents which may in their judgment be desirable or necessary to effect the purpose of this vote.

There was a **CONSENSUS** of the Board that the Executive Director work with the Executive Committee and the Finance Committee to develop and implement appropriate controls for the management of auction financial security payments and auctions proceeds, and with the Audit Committee to recommend audit or certification procedures as appropriate for such functions.

There was a **CONSENSUS** of the Board that the Executive Committee have the authority to bring together state staff to address critical path items for the auction during the month of August as needed.

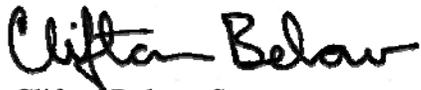
Next Meeting

The next meeting of the Board was tentatively scheduled for 1 pm, September 11, 2008, following the first auction, at a place to be determined. [As the first auction date was subsequently moved to September 25, 2008, the Executive Committee subsequently moved the date of the next Board meeting to September 27, 2008 at 3 pm in Baltimore, MD.]

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 approximately 3:00 pm.

Respectfully submitted,

A handwritten signature in black ink that reads "Clifton Below". The signature is written in a cursive, flowing style.

Clifton Below, Secretary