



Regional Greenhouse Gas Initiative, Inc.
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**Regional Greenhouse Gas Initiative, Inc.
Minutes of Board of Directors' Meeting
ADOPTED
June 15, 2009**

A special meeting of the Directors of the Regional Greenhouse Gas Initiative, Inc., a Delaware non-profit corporation (the "Corporation"), was held on June 15, 2009 at the CT DEP Headquarters, Phoenix Auditorium, 79 Elm Street in Hartford, CT, pursuant to written notice sent to each Director via email on Thursday, May 28, 2009.

The meeting was called to order by the Chair Alexander Grannis at approximately 12:45 pm on June 15, 2009.

Persons in Attendance

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

Amey Marrella, CT
Thomas Caruso for John Betkoski, CT
Collin O'Mara, DE
David Littell, ME
Sharon Reishus, ME
Shari T. Wilson, MD
Susanne Brogan, MD
Philip Giudice, MA
Philip Giudice for Laurie Burt, MA
Clifton Below, NH
Robert Scott for Thomas Burack, NH
Alexander B. Grannis, NY
Garry Brown, NY
Samuel Wolf for Jeanne Fox, NJ
James Volz, VT

In addition, Director Jeanne Fox, NJ, and Director Tom Burack were present on the phone for some or all of the meeting.

Thomas Caruso was appointed to serve as an alternate director on behalf of Mr. Betkoski; Philip Giudice was appointed to serve as an alternate director on behalf of Laurie Burt; Robert Scott was appointed to serve as an alternate director on behalf of Mr. Burack; and Samuel Wolfe was appointed to serve as an alternate director on behalf of Ms. Fox.

The written designations of the alternates were duly received and are attached to the minutes of this meeting, along with the following letters received by the Secretary:

- A letter of acceptance of appointment of position of Director by Amey Marrella, CT DEP, dated June 11, 2009
- A letter of acceptance of appointment of position of Director by Colin P. O'Mara of the DE DNREC, dated May 5, 2009

Also present by invitation were the following people: Justin Johnson (for VT ANR Secretary Jonathan Wood), Chris Nelson, Joe Fontaine, Chris Sherry, Lois New, Jared Snyder, Kevin Hale, Michael Sheehan, Rachel Evans, Mary Jo Krolewski, Jim Brooks, Dick Valentinetti, Phil Cherry, Valerie Gray, Ed McNamara, Diane Franks, Nancy Seidman, Dave Coup, Emilee Pierce, and Jonathan Schrag as Executive Director.

Quorum of Directors

The Secretary, Mr. Below, stated that a quorum of the Directors was present. Ms. Pierce and Mr. Below kept the minutes of the meeting.

Introduction from the Chair

The Chair thanked everyone for joining and discussed the evolution of the RGGI programs throughout the course of the year. He remarked that RGGI is now a recognized force in the climate change policy arena. RGGI, Inc. has established itself as a source of administrative and technical support; and state programs continue to demonstrate the role that states can play as national legislation is debated.

Dec. 18, 2008 Meeting Minutes

Mr. Below stated that the draft of the Minutes of the Annual Meeting of the Board of Directors held on Dec. 18, 2008 had been submitted to each director prior to the meeting. After a brief discussion, Ms. Brogan made motion to change the date on page two from 2008 to 2009. The motion was seconded by Mr. Giudice and the Minutes were unanimously approved (with Amey Marrella abstaining).

Executive Committee Report

Mr. Below presented the Minutes of Executive Committee meetings held since the last Board Meeting (1/26, 2/9, 2/23, 3/9, 3/23, 4/13, 4/27, 5/11, and draft of 6/1). In particular, Mr. Below called the Board's attention to:

- Jan 26th – The Executive Committee approved the revised Policy for Compliance with Requests for Documents from Participating States and the revised Auction Proceed Account Protocol.

- Feb 23rd – The Executive Committee reviewed and adopted the QA/QC procedures for auction financial settlement.
- March 30th – The Executive Committee reviewed and approved the RGGI, Inc. Employee Handbook (personnel policies).
- April 13th – The Executive Committee approved the Policy on Pre-Employment Criminal and Financial Background Checks
- April 27th – The Executive Committee discussed the evidence received by BNYM of fraudulent checks attempted to be drawn against RGGI, Inc.’s auction proceeds account.
- May 11th – The Executive Committee approved the proposal for RGGI, Inc. to switch web server host.

Executive Director

The Executive Director discussed new developments within RGGI, Inc. In particular, he highlighted the addition of new staff, the selection of an offsets program manager, technical and administrative accomplishments, process improvement, codification of processes and procedures, relationship with the Staff Working Group, and the work of RGGI, Inc.’s contractors. He reminded the Board that RGGI, Inc.’s contract with World Energy Solutions will expire in July 2010, and requested that the Board begin considering a new contract. He also reported that PQA is doing well, that COATS is up and running and under budget, and that model documents for all five categories of offsets projects are now posted on the web. Lastly, Mr. Schrag said that RGGI, Inc is in the process of transferring its web host, and recommended that a Subcommittee review and refine the conflict of interest policy.

Finance Committee

Mr. Giudice gave the report of the Finance Committee, including the 2009 Year-to-date Financial Report prepared by BTQ Financial, dated 6/5/09, a copy of which is attached. Mr. Giudice discussed payments from states and recommended that the states pay one full period ahead of the due date to mitigate cash flow deficits.

Mr. Giudice also discussed the financial results for the period ending April 30 and fiscal policies and procedures in the Manual which the Finance Committee adopted on May 27th and which adjusts the financial controls to be in conformity with the recommendations of the auditor, as outlined in the audit management letter. The financial results show that RGGI, Inc. continues to operate within the 2009 approved budget for both operation and program expenses.

In particular, Mr. Giudice reported that:

- The operating bank account for RGGI, Inc. held 1.135 million dollars on April 30, 2009, an amount sufficient to fund current operations.

- Management achieved a \$144,683 (36%) savings in operational expenses over the period due to reduced legal fees, the delayed hire of an Offsets Manager and frugal management of travel, personnel and meeting expenses.
- Management achieved a \$63,318 (10%) real savings in program expenses over the period due to efficiencies in building RGGI COATS, lower than anticipated costs for auctioning future control period allowances and the decision by state agency staff to indefinitely delay offset verification training classes.
- Management changed how it reports revenue received from states. It now recognizes revenue as expenses are incurred, designating any additional contributions received from states as deferred revenue.
- The Finance Committee reviewed services provided by BTQ Financial and recommended that the Executive Director develop a list of other candidate firms, develop an RFP and solicit proposals for services.
- The Finance Committee reviewed BNYM auction financial settlement services. Although there are some inconsistencies in the use interface, there was consensus against changing providers at this time.
- The Finance Committee reviewed revenue from states. Although the balance sheet is significantly improved, we need to ensure that RGGI Inc has a continuing flow of funds to do its work, especially looking toward the first quarter of 2010.

Audit Committee

Mr. Burack provided a report by telephone on behalf of the Audit Committee. Condon, O'Meara, McGinty and Donnelly initiated the 2008 audit in April and filed a three month extension on the IRS 990 and NY State CHAR 500, now due August 15, 2009.

Mr. Burack, as Chair, has been in direct contact with the auditor at important milestones to oversee the preparation of the 2008 audit. The full Audit Committee met by teleconference on June 5, 2009. The Committee reviewed the draft responses to Condon O'Meara's 2007 management letter and unanimously adopted the responses (attached). Although the management letter is associated with the 2007 audit, the final letter was transmitted on January 28, 2009. The Chair is transmitting the management responses to Condon O'Meara.

The 2008 audit will address financial operations, auction financial settlement and management controls. Although the fieldwork has been completed, the auditors are working through some additional documentation. The Committee asked Mr. Schrag to facilitate the collection and transmittal of documents required by the auditor. That has been done, and we expect a draft audit by late June, notwithstanding any additional requests from Condon.

The Committee has reviewed the billing and performance history of Condon O'Meara and found them to be in line with expectations of the engagement letter through mid May, 2009.

Nominating Committee

The Board designated by unanimous consent Director Shari Wilson to serve as the Nominating Committee for Board Officer and Executive Committee elections to be held at the next Annual Meeting of the Board in September 2009.

COI Disclosure Forms

The Board reviewed the Conflict of Interest disclosure by the Executive Director related to the employment of his wife by a qualified applicant to the RGGI auctions. Clifford Case, of Carter, Ledyard & Milburn, in a letter dated 6/12/09 to Chair Grannis, reviewed Ms. Hill's position and found that her responsibilities are in no way related to the buying and selling of RGGI CO₂ allowances, either in the auctions or on the secondary market, and that neither Ms. Hill nor Mr. Schrag stands to earn financial gains from allowance transitions.

The Board reviewed Mr. Case's findings and made a determination to accept Mr. Schrag's disclosure as not a conflict of interest, provided that the Board requires Mr. Schrag to report any material changes to his wife's circumstances and/or responsibilities at Merrill Lynch. On a motion duly made by Mr. Littell and seconded by Mr. Giudice the COI forms submitted by RGGI, Inc. employees and Directors were unanimously accepted by the Board.

New Business

The Board discussed the status of the RGGI, Inc. business plan. At this time, the business plan is narrow and may expand depending on what agency heads decide.

There being no other business before the Directors, and with unanimous consent, Chair Grannis adjourned the meeting at 1:45 pm.

Respectfully submitted,

Clifton Below, Secretary