



Regional Greenhouse Gas Initiative, Inc.
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New York, NY 10007

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

June 14, 2010

A Special Meeting of the Directors of the Regional Greenhouse Gas Initiative, Inc., a Delaware non-profit corporation (the "Corporation"), was held on June 14, 2010, at the Hotel DuPont, 11th & North Market Street, Wilmington, DE, pursuant to written notice sent to each Director.

The meeting was called to order by the Chair, David Littell, at approximately 10:35 am.

Persons in Attendance

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

Amey Marrella, CT
John Betkoski III, CT
Collin O'Mara, DE
Arnetta McRae, DE
David Littell, ME
Sharon Reishus, ME
Shari T. Wilson, MD
Susanne Brogan, MD
Laurie Burt, MA
Philip Giudice, MA
Clifton Below, NH
Thomas Burack, NH
Nancy Wittenberg for Bob Martin, NJ
Alexander P. Grannis, NY
Shari T. Wilson, MD for W. Michael Sullivan, RI
Shari T. Wilson, MD for Lawrence Kunkel, RI
Justin Johnson for Jonathan Wood, VT
James Volz, VT

In addition, consulting Agency Head
Francis J. Murray, NY

In addition,

Nancy Wittenberg was appointed to serve as an alternate director on behalf of Mr. Martin; Shari T. Wilson was appointed to serve as an alternate on behalf of Mr. Sullivan; Shari

T. Wilson was appointed to serve as an alternate on behalf of Mr. Kunkel; and Justin Johnson was appointed to serve as an alternate director for Mr. Wood.

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

Also present by invitation were the following people: Peggy Diaz (CT), Tracy Babbidge (CT), Valerie Gray (DE), Jim Brooks (ME), Christine Cook (ME), Beth Nagusky (ME), Diane Franks (MD), Nancy Seidman (MA), Stephen Russell (MA), Christine Kirby (MA), Marjorie Kaplan (NJ), Christopher Sherry (NJ), Mike Fitzgerald (NH), Bob Scott (NH), Dave Coup (NY), Kevin Hale (NY), Jon Williams (NY), Alan Belenz (NY), Lois New (NY), Dick Valentinetti (VT), Mary Jo Krolewski (VT), Nicole Singh, RGGI, Inc. and Jonathan Schrag as Executive Director.

Quorum of Directors

In the absence of Mr. Sullivan, Mr. Below served as Secretary for the meeting. Mr. Below stated that a quorum of the Directors was present. Ms. Singh and Mr. Below kept the minutes of the meeting.

Introduction from the Chair

The Chair thanked all participants for joining the meeting. Mr. Littell noted that the meeting agenda was focused on preparations for comprehensive program review, including among other program components, the relationship between the cap and emissions over the medium and long term. Mr. Littell emphasized the common purpose of RGGI, Inc and the ten states to ensure the environmental integrity of state RGGI programs and a healthy market. The RGGI states will move forward in a deliberate manner to evaluate and address this core over allocation issue.

September 23, 2009 Meeting Minutes

Mr. Below stated that the draft of the Minutes of the Annual Meeting of the Board of Directors held on September 23, 2009 had been submitted to each director prior to the meeting. After a brief discussion, and on motion duly made (by Arnetta McRae) and seconded (by Clifton Below), the Minutes were unanimously approved.

Executive Committee Report

Mr. Below presented the Minutes of the Executive Committee meetings from September 14, 2009 through June 4, 2010 (September 14, 2009; October 19, 2009; November 16, 2009; November 30, 2009; December 22, 2009; January 4, 2010; February 8, 2010; February 22, 2010; March 8, 2010; April 12, 2010; April 19, 2010; May 17, 2010; June 4, 2010) and the Draft Minutes of the Executive Committee meeting of June 7, 2010. Mr. Below called the Board's attention to the approved travel policy and approval of RGGI, Inc. subcontractors.

RGGI Program Review

Mr. Littell requested that Mr. Schrag provide an overview of the supplemental program review meeting materials. Mr. Schrag began with an overview of historical and projected CO₂

emissions developed in collaboration with state agency staff. The materials compared the RGGI adjusted budget and projected CO₂ emissions, reflecting a projected surplus of allowances through 2018. It was noted that it remains uncertain whether those allowances would go unsold at auctions or would be held by private entities.

Mr. Littell opened the floor to discussion. Mr. Giudice, Mr. Murray, and Ms. McRae requested RGGI, Inc. staff complete an analysis on how energy consumption (kilowatt hours) had changed in the RGGI region and the reasons for the significant reduction in emissions. The economic recession, relative price of fuels, and temperature variables were identified as variables of the analysis. There was consensus that a better understanding of emission and energy dynamics is necessary.

Mr. Littell, Ms. Reishus, and Mr. Below expressed concern over unsold current control period allowances in upcoming auctions. Mr. Giudice commented that any program review implementation would take place too late to prevent unsold allowances.

Ms. Burt commented that when considering program revisions it was important to look at a long time horizon (not just the current and next control period) and to consider long-term program integrity.

Discussion then addressed the potential impacts of the surplus of allowances on the RGGI market and several hypothetical approaches to mitigate any negative impacts. There was consensus that the Executive Director should continue to work with state agency staff to develop and analyze hypothetical approaches. Mr. Burack stated that regardless of whether potential solutions require statutory or regulatory changes, the focus should be on finding the appropriate solution. Mr. O'Mara commented that potential solutions should be generally consistent with potential federal action on climate change in terms of scope and magnitude.

Discussion then addressed whether program review and associated modeling was focused exclusively on the projected surplus of allowances. Mr. Schrag clarified that there were near term issues, such as the projected surplus of allowances, within the context of a broader program review. Mr. Burack stated that a comprehensive program review was important, but the projected surplus of allowances is the immediate core issue for RGGI.

Meeting adjourned by Mr. Littell at 12:15 PM. Meeting reconvened by Mr. Littell at 3:50 PM

Modeling Analysis Proposal

Mr. Littell opened a discussion on the modeling analysis proposal. Mr. Coup reviewed the key steps in the modeling analysis, including the development of the IPM reference case. The IPM tool models the impact of different allowance scenarios on wholesale electricity prices and generation mix. This output is then fed into the REMI tool, which is also designed with specific assumptions.

Mr. Schrag stated that RGGI, Inc. would act as project manager and would prepare, administer, and financially manage contracts with subcontractors. Mr. Schrag then reviewed the proposed subcontractors for the IPM analysis (ICF) and REMI analysis (NESCAUM and EDR

Group). Mr. Schrag stated that the IPM tool was proprietary to ICF, that NESCAUM held the RGGI REMI license and together with EDR Group was already working on REMI analysis for the Low Carbon Fuel Standard working group.

Mr. Littell and Mr. Schrag stated that the estimated budget for the modeling analysis was \$500,000 (\$400,000 for the ICF IPM work and \$100,000 for the NESCAUM/EDR Group REMI work). Mr. Schrag stated that there was \$230,000 in the RGGI, Inc. budget that could be reapportioned, but an additional \$270,000 would have to be authorized with the RGGI states invoiced for their corresponding portion.

Mr. Giudice, Mr. Murray, Mr. Johnson, Mr. Below and Mr. Burack stated that close communication and coordination between state staff and Agency Heads would be critical to manage costs. Ms. Burt suggested an Agency Head modeling advisory group of between 1-3 members.

Ms. Brogan, Ms. Reishus, Ms. Wittenberg and Mr. Little stated that the modeling schedule was ambitious and the analysis expensive, but necessary. Mr. Volz, Ms. Brogan and Mr. Johnson stated that if approved the modeling analysis costs would have to be capped. Ms. Marrella stated that the reasons for selecting a sole source contractor and costs of the modeling would need to be well documented. Ms. Burt commented that foundations which provide support for the Three Regions meetings may be able to fund some of the modeling costs and/or additional modeling analysis.

Mr. Grannis, Mr. Below, and Mr. Burack all supported stakeholder engagement for modeling in September. Mr. Grannis proposed that in September, stakeholders comment on a reference case as part of the RGGI program review. There would be no discussion of a cap adjustment or policy options. Mr. Giudice agreed with this proposed approach.

Mr. Littell invited a motion on the modeling proposal. Mr. Giudice made a motion to approve the modeling analysis. Mr. Grannis seconded the motion. Upon motion duly made and seconded, it was unanimously

RESOLVED that \$230,000 shall be reallocated in the RGGI, Inc. 2009 budget and the RGGI, Inc. 2009 budget shall be increased by \$270,000 for the modeling analysis; and be it further

RESOLVED that no more than \$400,000 shall be allocated to ICF for IPM analysis and no more than \$100,000 shall be allocated to NESCAUM/EDG for REMI analysis; and be it further

RESOLVED that the \$270,000 RGGI, Inc. budget increase shall be reduced by any received foundation support and the modeling analysis budget and/or scope can be exceeded if there is additional foundation support; and be it further

RESOLVED that modeling analysis budget oversight will be coordinated with the RGGI, Inc. Executive Committee.

New Business

There being no other business before the Directors, and with unanimous consent, Mr. Littell adjourned the meeting at 5:15pm.

Respectfully submitted,

A handwritten signature in cursive script that reads "W. Michael Sullivan". The signature is written in black ink and is positioned above a horizontal line.

W. Michael Sullivan