

Minutes of Board of Directors Meeting

May 8 & May 21, 2013

The Western Climate Initiative, Inc. Board of Directors (the “Board”) held an open session on May 8, 2013, in Sacramento, CA, as well as an executive (closed) session to discuss procurement and personnel matters. The Board reconvened the executive session by teleconference on May 21, 2013, to complete their consideration of procurement issues.

The meeting was called to order on May 8, 2013, by the Chair, Matthew Rodriguez, at 9:00 a.m. Pacific Time. Lydia Dobrovolny kept the minutes of the meeting. Consecutive interpretation between Canadian French and English was provided in the room and via teleconference during the open session. Approximately 15 stakeholders and members of the public attended the meeting in person, and approximately 25 attended by phone.

Attendance

The following Directors were present, constituting a quorum pursuant to the By-Laws:

- Matthew Rodriguez (Chair)
- Charles Larochelle (Vice Chair, by phone)
- Mary Nichols (Treasurer)
- Tim Lesiuk (Secretary, by phone)
- Jean-Yves Benoit
- Alain Houde (non-voting)
- Kip Lipper (non-voting, by phone)
- Michael Bedard (alternate for Nancy Skinner, non-voting, by phone)

Also present were:

- Mark Wenzel, State of California
- Guylaine Bouchard, Province of Québec (by phone)
- Dave Tiffin, Province of Ontario (by phone)
- Patrick Cummins, WCI, Inc. Executive Director
- Lee Alter, WCI, Inc. Project Manager
- Lydia Dobrovolny, Ross Strategic
- Bryan Lopuck, Lionbridge

1. Confirm New Directors and Alternates

Mr. Larochelle presented and Mr. Cummins confirmed receipt of documentation qualifying a new Class B Director for the Province of Québec and appointing a new alternate pursuant to the By-Laws:

- letters from Deputy Minister Clément D’Astous naming Alain Houde as a Class B Director and Guylaine Bouchard as alternate director for Mr. Larochelle.
- letters from Mr. Houde and Ms. Bouchard accepting their positions.

2. Board Meeting Minutes

With an amendment to note Ms. Nichols as treasurer in the December 20, 2012, Board meeting minutes, Ms. Nichols made a motion to approve the December 11, 2012, December 20, 2012, and February 13, 2013 Board meeting minutes. Mr. Benoit seconded the motion. Directors unanimously approved the minutes.

2. WCI, Inc. Open Meeting Policy

Mr. Cummins presented the WCI, Inc. Open Meeting Policy for Board adoption. The Directors had reviewed a draft of the policy at their meeting on December 11, 2012. The purpose of the policy is to ensure WCI, Inc. conducts its operations in a manner that is transparent and open. The policy was developed based on examples from other similar organizations, with some customization specific to the circumstances of WCI, Inc., such as accommodating French and English language requirements.

Directors commented that public engagement is important given that WCI, Inc. has been formed to achieve public purposes, and that the policy will support public confidence in the organization.

The Board invited stakeholder comments:

- Norman Pederson, Southern California Public Power Authority, expressed support for Board adoption of the open meeting policy. He stated that WCI, Inc. is the administrative glue that binds cap-and-trade jurisdictions together, and that the transparency that will result from adopting and implementing an open meeting policy will enhance public understanding of the critical functions of WCI, Inc. Enhanced public understanding will in turn strengthen public support for WCI, Inc. and its mission.
- Frank Harris, Southern California Edison, expressed support for the open meeting policy and encouraged adoption by the Board. He stated that transparency will increase the level of public trust and acceptance of the operations and responsibilities of WCI, Inc. As has been seen in the California cap-and-trade program, stakeholder input will contribute to the WCI, Inc. mission. With regards to the provisions for subjects that the Board may discuss in executive sessions, Mr. Harris expressed support for protecting sensitive market information, but asked for clarification about why discussions regarding jurisdiction participation would not be held in public. To the extent that the activities of jurisdiction participation or other elements of a climate policy are

public policy products, Mr. Harris encouraged the Board to offer an opportunity to hold those discussions in public.

Mr. Cummins clarified that while the policy contains a provision to allow discussion of certain subjects in executive session, the Board is not required to hold these discussions in executive session. There could potentially be sensitivities related to discussions about jurisdiction participation (e.g. rumors that a jurisdiction might be leaving or joining could impact the market) that warrant holding discussions within executive session prior to public discussion. With regards to discussions related to jurisdictional policy functions; these topics are outside of the scope of WCI, Inc. meetings. Mr. Rodriguez added that any consideration about potentially adding jurisdictions to WCI, Inc. will be a very public process within California.

Upon a motion by Ms. Nichols, seconded by Mr. Larochelle, Directors unanimously adopted the WCI, Inc. Open Meeting Policy.

3. By-laws Revisions

The Directors received a copy of proposed revisions to the WCI, Inc. By-laws, which were last amended on December 11, 2012. Edits were proposed to clarify the purpose of WCI, Inc., and to emphasize the intent to conduct the activities of the Corporation in a transparent and open manner.

Directors commented that the changes are helpful for clarifying the very precise technical mission and function of WCI, Inc.

There were no comments from stakeholders.

Upon a motion by Mr. Larochelle, seconded by Ms. Nichols, Directors unanimously adopted the revisions to the WCI, Inc. By-laws.

4. 2012 Audit Report and Audited Year End Financial Statement

Jennifer Hill, with Crowe Horwath LLP, presented the final 2012 audit report and audited financial statement to the Board. The WCI, Inc. Audit Committee retained Crowe Horwath, LLP, to conduct an independent audit of the Corporation's 2012 financial statements, tax filings, and financial controls. Crowe Horwath, LLP, performed the audit in accordance with auditing standards generally accepted in the United States, and issued WCI, Inc. an unqualified opinion with no adjustments or findings, which is considered the best outcome.

Directors thanked the WCI, Inc. staff and accountants for their work on the audit and congratulated them on the audit outcome.

There were no comments from stakeholders.

Mr. Rodriguez made a motion for the Board to accept the 2012 audit report, which was seconded by Mr. Benoit. Directors unanimously approved the motion.

5. 2012 Tax Filings

Bill Simi, with CPA Corporation, presented completed drafts of the information returns that WCI, Inc. will need to file with the U.S. Internal Revenue Service (Form 990), the California Franchise Tax Board (Form 199), and the California Registry of Charitable trusts (RRF-1). The forms report financial and other information about the organization, were prepared by CPA Corporation, and have been reviewed in detail by WCI, Inc. and jurisdiction staff. The filing deadline is May 15, 2013.

Directors thanked the WCI, Inc. staff and accountants for their work, and noted the importance of having an entity like WCI, Inc. to administer the jurisdictional cap-and-trade programs.

There were no comments from stakeholders.

Mr. Benoit made a motion for the Board to approve the 2012 tax forms, which was seconded by Ms. Nichols. Directors unanimously approved the motion. The forms were filed following the meeting in advance of the May 15, 2013, deadline.

6. Audit Committee Presentation of Internal Controls

Mr. Cummins presented the WCI, Inc. Accounting Policies and Procedures manual, which describes the responsibilities of the Board, management, and independent accountant in evaluating and managing the WCI, Inc. finances. The manual defines the fiscal and accounting operations as well as the corporate chart of accounts. A draft was prepared by Bill Simi, the WCI, Inc. accountant, and further reviewed and edited by the WCI, Inc. Audit and Finance Committees, and WCI, Inc. and jurisdiction staff. The manual will be reviewed annually by the Executive Director and the Finance committee, who will recommend any amendments and updates as needed for approval by the Board of Directors.

Directors noted the importance of having these policies and procedures that allow WCI, Inc. to clearly account for and rigorously examine the use of its funds.

There were no comments from stakeholders.

Ms. Nichols made a motion for the Board to approve the WCI, Inc. Accounting Policies and Procedures manual, which was seconded by Mr. Larochelle and unanimously approved by the Directors.

7. Finance Committee Report

Ms. Nichols reported that the Finance Committee has reviewed the revised 2013 budget and prepared a narrative description of the budget; once approved by the Board, the narrative will be posted to the WCI, Inc. website. The Finance Committee has also reviewed a cash flow analysis for the period from April 1, 2013 through December 30, 2014, as required by the WCI, Inc. Funds Management Policy. The

cash flow analysis was presented for Board information; the analysis is updated on a quarterly basis, and there have been no notable changes from the previous versions reviewed by the Board. Current projections anticipate a surplus at the end of 2013, but additional funding will be needed in 2014; the funding agreements currently in place are for calendar year 2012 and 2013 expenses. Staff will work with the Finance Committee to prepare a 2014 budget, and participating jurisdictions will prepare funding agreements to cover these expenses.

Mr. Bedard left the meeting at 10:30 am.

There were no comments from stakeholders.

With a motion by Mr. Benoit seconded by Ms. Nichols, the Board unanimously approved the 2013 budget narrative.

8. Update on Cap-and-Trade Program Services

Mr. Cummins provided a brief status update to the Board on the cap-and-trade program services being provided through WCI, Inc. contracts:

- Work is continuing on administering and refining the Compliance Instrument Tracking System Services (CITSS), which is system for managing and tracking accounts and compliance instruments issued by the participating jurisdictions. WCI, Inc. has established a Help Desk to support the CITSS, which is staffed Monday through Friday and accessible for messages 24 hours a day, seven days a week.
- Work is underway to expand the auction services previously procured by CA in order to provide similar services in Quebec, and to prepare for conducting linked auctions in 2014, including support for and expansion of the Market Auction Platform services, market monitoring services, and financial services.
- WCI, Inc. and jurisdiction staff have formed working groups to organize and coordinate the cap-and-trade program services.

There were no questions or comments from Directors or stakeholders.

The Board decided to move into the executive session next, and table the agenda item about the date and location for the next meeting

9. Executive Session to Discuss Procurement and Personnel Matters

At 11:00 am, Mr. Rodrigue convened an executive (closed) session to discuss procurement and personnel matters. During the executive session, the Board approved amendments to two existing contracts: one for additional market monitoring and one for continued WCI, Inc. program management staff support for the Compliance Instrument Tracking System Services (CITTS). The Board decided to complete their consideration of remaining procurement issues at a later date.

There being no other business and upon unanimous consent, at 12:35 pm the executive session was recessed for continuation on May 21, and the public session reconvened. A brief summary of the executive session was provided to the public and the meeting adjourned at 12:40 pm.

The Board continued the executive session on May 21, 2013, at 3:00 pm. During the session, the Board approved an amendment to an existing contract for implementation of individual and multi-jurisdiction allowance auctions and reserve sales. There being no other business and upon unanimous consent, the executive session was adjourned at 3:30 pm.

Respectfully submitted,

Tim Lesiuk, Secretary