

Western Climate Initiative, Inc. Revised Budget for Calendar Year 2013

Adopted May 8, 2013

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Introduction

This document describes the calendar year 2013 budget for Western Climate Initiative, Inc. as adopted by the WCI, Inc. Board of Directors at its December 11, 2012 Board meeting. The budget is based on best estimates of the anticipated fiscal requirements for the operation of WCI, Inc. in 2013. All amounts shown are in U.S. dollars.

The total planned 2013 expenditures for WCI, Inc. are broken down into two categories – *Cap-and-Trade Services* and *Personnel and Direct Operations* – and summarized in Table 1. The *Cap-and-Trade Services* category includes expenditures for the contract services required to support the Participating Jurisdictions’ greenhouse gas emissions trading programs. The *Personnel and Direct Operations* category includes expenditures for operating WCI, Inc.

Table 1: Total Budget for WCI, Inc. for 2013

Cap-and-Trade Services	\$2,624,336
Personnel and Direct Operations	\$1,253,977
Total	\$3,878,313

Cap-and-Trade Services

The *Cap-and-Trade Services* category contains estimates for WCI, Inc. to accomplish its purpose to “provide technical and scientific advisory services” to its Participating Jurisdictions. WCI, Inc. contracts for services requested by the Participating Jurisdictions to support their programs. The 2013 budget for *Cap-and-Trade Services* is summarized in Table 2 and described in the text below.

Compliance Instrument Tracking System Service (CITSS) Application Development and Support

Since 2011, the Participating Jurisdictions, led by California Air Resources Board (CARB), have worked with Systems Research and Applications Corporation (SRA) to develop the Compliance Instrument Tracking System Service (CITSS). The CITSS provides accounts for market participants to hold and retire compliance instruments and to participate in transactions of compliance instruments with other account holders. The CITSS is supporting programs in California and Québec (in both English and French), requiring an estimated 900 accounts with 4,000 users during its initial years of operation.

Initial development of the CITSS was funded by CARB. In May 2012, WCI, Inc. contracted with SRA for additional application development and hosting (see CITSS Hosting, below). In December 2012, the contract with SRA was amended to support continued application development through December 2013. The budget for CITSS development in 2013 through the WCI, Inc. contract with SRA is \$834,983. The total value of the SRA contract is \$1,637,804, covering the period from May 2012 through December 2013 for both application development and hosting.

Once CITSS application development is completed in the first half of 2014, work will shift to application support necessary to operate and maintain the CITSS, and to conduct minor modifications. This support will be an ongoing expense for WCI, Inc., but is expected to require a reduced level of effort, and therefore a reduced level of expense. During the period of application development, SRA is also providing application support as needed.

Compliance Instrument Tracking System Service (CITSS) Hosting

CITSS hosting includes services and technology (hardware and software) necessary to ensure that the CITSS is online and available at specified levels of service to all market participants and the jurisdictions’ staff. As discussed above, in May 2012, WCI, Inc. contracted with SRA to host the CITSS and provide additional jurisdiction functionality. That contract was amended in December 2012 to

extend CITSS hosting by SRA until August 7, 2013. The 2013 budget for CITSS hosting through the SRA contract is \$332,749, covering the period January 1, 2013 through August 7, 2013. The service provider for CITSS hosting during the remainder of 2013 has not yet been selected. The budget for CITSS hosting for the remainder of 2013 is \$360,000, which includes funding for a transition and overlap period from SRA to a new contractor if one is selected.

Compliance Instrument Tracking System Service (CITSS) Help Desk

The WCI, Inc. Help Desk provides multi-jurisdictional telephone and online customer assistance for CITSS users. The help desk service provider fields inquiries from CITSS users, resolves user questions that fall within their scope of service, and refers inquiries that fall outside their scope of services to the appropriate staff designated by WCI, Inc. and the jurisdictions.

WCI, Inc. has contracted with ICF Incorporated, LLC for help desk services. The total value of the contract is \$361,126 over the period October 1, 2012 to September 30, 2015 (three years). The budget for help desk services in 2013 is \$84,000.

Compliance Instrument Tracking System Service (CITSS) Contingency Funds

Given that the CITSS is essential for the ongoing operation of the jurisdictions' programs, WCI, Inc. has budgeted funds to cover as-yet undefined CITSS-related needs in 2013. Such needs may include additional testing, security audits, or functionality upgrades that are not planned. The 2013 budget includes a \$100,000 reserve for CITSS contingencies.

Auction and Reserve Sale Services

WCI, Inc. is developing the capability to support Participating Jurisdictions in executing coordinated auctions of greenhouse gas emission allowances that conform to the jurisdictions' requirements. WCI, Inc. will also support the execution of reserve sales from the Participating Jurisdictions' programs. In 2011, CARB contracted with MARKIT to develop and implement an auction and reserve sale platform, and to serve as auction and reserve sale administrator. In January 2013, WCI, Inc. contracted with MARKIT to build on its work with CARB and develop and implement the auction and reserve sale platform to support auctions and reserve sales among linked programs in California and Québec. The total value of the contract with MARKIT is \$400,562, covering the period of January 1, 2013 to December 1, 2013. The budget for auction and reserve sale services in 2013 is \$400,000.

Financial Administrative Services

As part of supporting the execution of auctions and reserve sales, WCI, Inc. will provide financial administrative services, which includes evaluation of bid guarantees and conduct of settlement for auctions and reserve sales. In collaboration with the Participating Jurisdictions, CARB has contracted with Deutsche Bank to provide these services for CARB auctions and reserve sales. WCI, Inc. intends to

build on the existing CARB contract to support coordinated auctions among linked jurisdictions. The 2013 budget for financial administrative services is \$240,000.

Market Monitor

WCI, Inc. will support the Participating Jurisdictions by contracting for analyses that support market monitoring. These analyses will include review and evaluation of auctions and reserve sales to identify any inappropriate market activity or deviations from the requirements of each Participating Jurisdiction’s program. Also, the analyses will include ongoing examination of allowance and offset holdings and transfer activity to identify any potentially inappropriate market activity. The results of the analyses will be provided to the Participating Jurisdictions, each of which retains its market monitoring responsibilities and authorities.

In collaboration with the Participating Jurisdictions, CARB has established a contract with Monitoring Analytics to conduct analyses in support of market monitoring. WCI, Inc. intends to build on the existing CARB contract to provide expanded analyses to cover monitoring for all the Participating Jurisdictions. The 2013 budget for market monitor services is \$137,604.

Data Analysis for Public Information Release

The Participating Jurisdictions have recognized the need to release program information publicly in a coordinated and consistent manner. The jurisdictions are continuing to collaborate to define the manner and schedule for information release. To respond to the jurisdiction requests for supporting the release of information, the 2013 budget includes \$135,000 for contractor services. However, the jurisdictions’ requirements have not yet been defined, and a contractor has not yet been engaged.

Table 2: 2013 Cap-and-Trade Services Budget

CITSS Application Development and Support	\$834,983
CITSS Hosting	\$692,749
CITSS Help Desk	\$84,000
CITSS Contingency Fund	\$100,000
Auction Services	\$400,000
Financial Administrative Services	\$240,000
Market Monitor	\$137,604
Data Analysis for Public Information Release	\$135,000
Subtotal	\$2,624,336

Personnel and Direct Operations

The *Personnel and Direct Operations* category contains cost estimates for the operation of WCI, Inc. This category includes expenditures for staff salaries and benefits, office rent and equipment, professional and administrative support services, insurance fees, travel and meeting expenses, and other direct operating expenses. The 2013 budget is summarized in Table 3 and described in the text below.

Personnel

WCI, Inc. personnel report to the Board of Directors and are responsible for day-to-day operation of the organization and for oversight and management of the contractors hired to provide cap-and-trade services as described above. The 2013 budget includes four staff positions and a half-time business manager on contract. The four staff positions are:

- an Executive Director located in the U.S.;
- an Assistant Director located in Canada to support the Executive Director with all operational and business requirements (budgeted for a start date in the second quarter of 2013);
- one Project Manager to coordinate CITSS-related services (budgeted as a part-time contractor at the start of 2013, and as full-time staff position in the second quarter of 2013); and
- one Project Manager to coordinate auction, reserve sale, and market monitor services (budgeted as a part-time staff position at the start of 2013, and as a full-time staff position in the second quarter of 2013).

The 2013 personnel budget includes salary and benefits for employees and payments to contractors providing project management and business management services. The 2013 budget for personnel and staffing is \$633,677.

Office Rent and Equipment

WCI, Inc. opened an office in Sacramento, California, in September 2012, and has budgeted for a second office in Québec in the second quarter of 2013 (the specific office location will be selected once the Assistant Director is hired). The Sacramento office is located in an executive office suite that is fully furnished; rent includes access to a copier, telephone, internet and other standard office amenities. It is expected that a similar arrangement can be established in Québec, and so the expenses for office furniture and amenities have been zeroed out of the 2013 budget.

The 2013 budget for office rent, as well as computers, office supplies, and other equipment, totals \$59,800.

Professional and Administrative Support Services

WCI, Inc. has engaged the services of several professionals to support WCI, Inc. operations, including:

- legal counsel;
- an accountant to set up the accounting systems, advise on accounting procedures, and to report on the financial activities of the corporation;
- an auditor to provide audit and tax services; and
- a payroll service that also supports all payroll tax filings and the management of several human resources activities, including employee benefits.

WCI, Inc. has also budgeted for translation (French and English), information technology (IT), and outreach and communications services. The budget for IT services primarily covers the purchase of security certificates (SSL) for the WCI, Inc. websites maintained to administer the program. The budget for outreach and communications could cover the costs of stakeholder engagement sessions, communication of key program information, and hosting, maintenance, and updates to the WCI, Inc. website, as determined by the Board and Executive Director.

The total estimate for these professional and administrative support services in 2013 is \$360,500, including \$116,000 for legal services, \$36,000 for accountant services, \$36,000 for auditor services, \$72,000 for translation services, \$45,500 for IT services, and \$55,000 for outreach and communications. Payroll services are budgeted at \$5,400 for 2013, which is included in the budget for personnel.

Insurance Fees

WCI, Inc. has obtained corporate insurance policies including coverages for general liability, professional liability, directors and officers liability, employment practices liability, and workers compensation to meet needs for both U.S. and Canadian coverage. The total costs for insurance coverage in 2013 is budgeted at \$40,000.

Travel and Meeting Expenses

The 2013 budget covers travel by U.S. and Canadian staff as necessary to carry out their project management responsibilities and to attend organizational meetings. The budget for U.S. staff travel is \$48,000 and the budget for Canadian staff travel is \$24,000. All WCI, Inc. staff travel must be approved in advance, and is limited by *per diem* rates equal to those established by the US federal government.

The 2013 budget also covers expenses associated with WCI, Inc. meetings in the U.S. and Canada, including meetings of the Board of Directors. In anticipation of adoption of an Open Meeting Policy in 2013, the budget for meeting expenses includes costs associated with hosting public meetings,

including conference room rental, audio-visual equipment, reproduction of documents, and other direct expenses. The \$20,000 for U.S. meetings and \$20,000 for meetings in Canada budgets for up to four meetings in each country in 2013.

Other Expenses and Contingency Funds

The budget includes a category for other operating costs that are not yet otherwise included or anticipated. The budget also includes a contingency reserve fund to cover 1) budgeted costs that turn out to be higher than was expected, and 2) potential program infrastructure upgrades not included in the CITSS contingency described above. The budget for other expenses is \$12,000 and the contingency reserve fund in 2013 is \$36,000. Any proposed use of the contingency reserve funds will be presented to the Board for approval prior to expenditure.

Table 3: 2013 Personnel and Direct Operations Budget

Personnel		\$633,677
Office Rent and Equipment		\$59,800
<i>Office Rent – US</i>	\$15,600	
<i>Office Rent – Canada</i>	\$9,000	
<i>Equipment, supplies, telephone</i>	\$35,200	
Professional and Administrative Support		\$360,500
<i>Legal Services</i>	\$116,000	
<i>Accountant Services</i>	\$36,000	
<i>Auditor Services</i>	\$36,000	
<i>Translation Services</i>	\$72,000	
<i>IT Services</i>	\$45,500	
<i>Communications/Outreach</i>	\$55,000	
Insurance Fees		\$40,000
Travel and Meeting Expenses		\$112,000
<i>US Staff Travel</i>	\$48,000	
<i>Canadian Staff Travel</i>	\$24,000	
<i>US Meeting Costs</i>	\$20,000	
<i>Canadian Meeting Costs</i>	\$20,000	
Other Expenses and Contingency Funds		\$48,000
<i>Other Expenses</i>	\$12,000	
<i>Contingency Funds</i>	\$36,000	
Total		\$1,253,977