

## **Justification of Competitive Procurement Process**

### **Cap-and-Trade Market Monitoring Services**

**October 8, 2015**

#### **Introduction**

In support of its purpose to “provide administrative and technical services” to its Participating Jurisdictions, WCI, Inc. proposes to procure Cap-and-Trade Market Monitoring Services. The scope of work is based on and defined to meet the specifications and requirements of the Participating Jurisdictions that are implementing cap-and trade programs. This document summarizes the justification for procuring this work through a competitive procurement process.

In accordance with the WCI, Inc. Procurement Policy, WCI, Inc. staff, with the assistance and involvement of Participating Jurisdictions, developed and executed an open competitive process for procuring the Cap-and-Trade Market Monitoring Services. The result of the procurement process is a unanimous recommendation that the contract be awarded to Monitoring Analytics, LLC. No material deviations from the planned procurement process were required and the procurement was consistent with the WCI, Inc. Procurement Policy.

#### **Description of Cap-and-Trade Market Monitoring Services**

The purpose of this work is to enable multi-jurisdictional monitoring among Participating Jurisdictions of auctions and markets in greenhouse gas compliance instruments and related derivatives. The services being procured in the proposed WCI, Inc. contract include:

- Develop Final Work Plan and Schedule
- Prepare and Maintain a Security Plan
- Prepare and Maintain a Monitoring Plan
- Monitor and report Compliance Instrument Holdings; CITSS Transfer Activity; Secondary, Derivative, and Related Market Activity; and Market Structure
- Provide Independent Review of Participant Corporate Structure
- Audit and Monitor the Auctions
- Audit and Monitor the Reserve Sales
- Participate in Auction Services Testing and Demonstration
- Review Participating Jurisdiction Regulations and Other Program Documentation
- Linking with Additional Jurisdictions
- Provide Knowledge Transfer and Ad Hoc Reports
- Optional Task: Transition Out

## **Process for Procuring the Services Using a Competitive Procurement Process**

The process for soliciting and recommending a contractor was done in accordance with the WCI, Inc. Procurement Policy. The key solicitation and evaluation requirements of the policy are provided below:

To obtain the best value for the Corporation, the procurement process shall ensure open and effective opportunities for competition, including but not limited to the following:

- A. Conduct procurement in a transparent and fair manner.
- B. Provide equal access and timely and accurate procurement information to potential suppliers prior to and during the procurement process.
- C. Make procurement documents and related materials electronically and publicly available in a timely manner, with sufficient time prior to a bid or proposal due date, taking into consideration the complexity of the procurement.
- D. Ensure all bid documents contain the necessary information for proposers to prepare a bid.
- E. Ensure that procurement is conducted in a geographically neutral manner.
- F. Provide flexibility to ensure goods and services are obtained in a timely manner.

To further support obtaining best value and providing a stable procurement environment, the procurement evaluation process will include but is not limited to the following:

- A. Defining administrative bidding requirements that are clear and fair, and applying the requirements consistently to all bidders.
- B. Tailoring technical evaluation criteria and scoring methods to each procurement to obtain best value for the Corporation.
- C. Comprising the evaluation team with personnel that have the requisite technical expertise to evaluate the proposals effectively.
- D. Ensuring that the evaluation process is free of conflicts of interest.

## **Rationale for Recommending Monitoring Analytics, LLC**

The Monitoring Analytics, LLC proposal meets all the administrative and technical requirements of the RFP. In addition, the Monitoring Analytics, LLC proposal scored higher than any other proposal received. In addition to the overall quality of the proposal, Monitoring Analytics demonstrated several factors that separated their proposal from others that were received, including: demonstrated experience in successfully providing market monitoring services; ability to extend work load to new jurisdictions; capabilities to develop and manage various reporting requirements of the participating Jurisdictions; extensive experience in the energy and carbon offsets industry; and an experienced project team. The Monitoring Analytics proposal also contains cost advantages over other proposals received.



**STANDARD AGREEMENT**  
**Cap and Trade Market Monitoring Services**

December 1, 2015

# STANDARD AGREEMENT ("Agreement")

	AGREEMENT NUMBER <b>2015-03</b>
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1. This Agreement is entered into between Western Climate Initiative, Inc. (WCI, Inc.) and the Contractor named below:

CONTRACTOR'S NAME  
**Monitoring Analytics, LLC**

2. The term of this Agreement is: **Forty Eight (48) months to begin December 1, 2015 to January 31, 2020 With one (1) two (2) year option to extend contract thru January 31, 2022**

3. The maximum amount of this Agreement is: **Base term \$691,390 (USD)  
2 year extension not to exceed \$324,127 (USD)**

4. The parties agree to comply with the terms and conditions of the following attachments, which are by this reference made a part of the Agreement. WCI, Inc. is not an agent of the WCI, Inc. Participating Jurisdictions or any of its funding entities.

- Attachment A – Scope of Work
- Attachment B – Budget Detail and Payment Provisions
- Attachment C – General Terms and Conditions
- Attachment D – Individual Conflict of Interest and Confidentiality
- Attachment D1 – Organization Conflict of Interest and Confidentiality
- Attachment E – Contract Insurance Requirements
- Attachment F – Contractor's Technical and Cost Proposal

**IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.**

## CONTRACTOR

CONTRACTOR'S NAME *(if other than an individual, state whether a corporation, partnership, etc.)*

**Monitoring Analytics, LLC**

BY *(Authorized Signature)*

*Joseph Bowring*

DATE SIGNED *(Do not type)*

PRINTED NAME AND TITLE OF PERSON SIGNING

ADDRESS

2621 Van Buren Avenue, Suite 160, Eagleville, PA 19403

## CONTRACTEE

CONTRACTEE'S NAME

**Western Climate Initiative, Inc.**

BY *(Authorized Signature)*

*Greg Tamblyn*

DATE SIGNED *(Do not type)*

PRINTED NAME AND TITLE OF PERSON SIGNING

ADDRESS

980 9<sup>th</sup> Street, Suite 1600, Sacramento, CA 95814

*WCI, Inc. Use Only*

Contractor agrees, as part of the Agreement, to provide to WCI, Inc. the services described in the Agreement and the Attachments to the Agreement, including the services described in Attachment A, Scope of Work, and in Attachment F, Contractor’s Technical and cost Proposal, (all such services, collectively, the “Work” or the “WorkSchedule”).

This Agreement includes 1 optional contract extension of 2 years each. The decision to exercise an optional extension is at the sole discretion of WCI, Inc. The scope of work of the extension shall be mutually agreed to by WCI, Inc. and the Contractor. The cost of the extension shall be mutually agreed to by WCI, Inc. and the Contractor based on the scope of work of the requested services.

Project Representatives are responsible for administrative and financial oversight and accountability. The Contractor Project Representative has the authority to make executive level administrative decisions for the Contractor and any subcontractor(s). The Project Representatives during the term of this Agreement will be:

Western Climate Initiative, Inc.		Contractor: Monitoring Analytics, LLC	
Name:	Greg Tamblyn	Name:	Joseph Bowring
Phone	916-449-9966	Phone:	610-271-8051
Fax	916-446-7104	Fax:	610-271-8057
Email:	gtamblyn@wci-inc.org	Email:	joseph.bowring@monitoringanalytics.com

Direct all administrative inquiries to:

Western Climate Initiative, Inc.		Contractor: Monitoring Analytics, LLC	
Attention:	Greg Tamblyn	Attention:	Joseph Bowring
Phone:	916-449-9966	Phone:	610-271-8051
Fax:	916-446-7104	Fax:	610-271-8057
Email:	gtamblyn@wci-inc.org	Email:	joseph.bowring@monitoringanalytics.com

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## **PURPOSE / BACKGROUND / OVERVIEW**

### **A. PURPOSE**

The purpose of this work is to enable multi-jurisdictional monitoring among Participating Jurisdictions of auctions and markets in greenhouse gas compliance instruments and related derivatives.

### **B. BACKGROUND**

WCI, Inc. supports the Participating Jurisdictions by contracting for analyses that support market monitoring. These analyses 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.

### **C. OVERVIEW**

This Agreement provides for multi-jurisdictional monitoring among Participating Jurisdictions of auctions and markets in greenhouse gas compliance instruments and related derivatives. The scope of work in this Agreement includes: developing a final work plan and schedule, preparing and maintaining a security plan, preparing and maintaining a monitoring plan, monitoring compliance instrument holdings; CITSS transfer activity; secondary, derivative, and related market activity; and market structure, providing independent review of participant corporate structure, auditing and monitoring the auctions, auditing and monitoring the reserve sales, participating in auction services testing and demonstration, reviewing Participating Jurisdiction regulations and other program documentation, the linking with additional jurisdictions, providing knowledge transfer and ad hoc reports, and transition out at the end of the contract.

## **ATTACHMENT A: SCOPE OF WORK**

This Scope of Work covers twelve (12) tasks. A brief description of each task is presented below:

**Task 1 – Develop Final Work Plan and Schedule.** Under this task the Contractor shall develop a Final Work Plan to reflect the final work schedule and task descriptions.

**Task 2 – Prepare and Maintain Security Plan.** Under this task the Contractor shall provide Participating Jurisdictions with a documented plan for handling and communicating confidential information submitted by and to Contractor. The plan must recognize that confidential information must be stored and shared only on servers located in the United States or Canada, and that Contractor will use any secure file sharing service that might be approved and in use by Participating Jurisdictions. The Security Plan must include procedures for communicating confidential information between Contractor and Participating Jurisdictions, between Contractor and WCI, Inc., and between Contractor and other WCI, Inc. contractors

**Task 3 – Prepare and Maintain a Monitoring Plan.** Under this task the Contractor shall provide Participating Jurisdictions with a plan for how Contractor will monitor Participating Jurisdictions' compliance instrument and related markets, including a description of the methods and metrics to be used. The Monitoring Plan must describe Contractor's plan for 1) monitoring holdings and transfers of compliance instruments recorded within the Compliance Instrument Tracking System Service (CITSS), 2) monitoring secondary and related markets, including derivative markets, and 3) auditing and monitoring allowance auctions and reserve sales. The auction and reserve sale portion of the Monitoring Plan must include Contractor's activities to monitor applicant approvals, criteria for bid flagging and bid rejection, and auction and reserve sale certification.

**Task 4 – Monitor Compliance Instrument Holdings; CITSS Transfer Activity; Secondary, Derivative, and Related Market Activity; and Market Structure.** Under this task the Contractor shall monitor, evaluate, and report relevant market activities, metrics, and structures, including any allowance holding positions that may violate Participating Jurisdictions' regulations or provide opportunity to exercise market power. Contractor shall conduct this task in accordance with the Monitoring Plan to be developed under Task 3. Contractor shall obtain primary and backup staff access to required systems and data, including CITSS; process the data using robust analytical tools and report results in usable formats (e.g., Excel); calculate appropriate metrics for analysis; and identify any issues found in allowance holdings and transfers. Contractor shall also monitor, identify, and report any issues found in allowance market activity outside of CITSS using secondary and derivatives market data sources. These efforts shall include any issues related to potentially fraudulent activity affecting the compliance instrument market. Contractor shall also monitor related markets that may significantly affect a compliance instrument market, such as related energy markets.

**Task 5 – Provide Independent Review of Participant Corporate Structure.** Under this



task the Contractor shall maintain a database of corporate structure information, such as corporate ownership and affiliates, which can be used to track ownership and identify when market participants may be in violation of Participating Jurisdictions' regulations or may be in a position to exercise market power. Contractor shall maintain access to relevant ownership data (Dun and Bradstreet, SEC 10k filings, etc.) and review ownership structures using such collected data. This review will occur on a routine basis, as described in the Monitoring Plan. Based on this review, Contractor shall revise its ownership structure database. Where additional data elements would be useful, e.g., the visual mapping of corporate structures to better understand potential inter-jurisdictional issues, the Contractor shall communicate suggested changes to data requirements to WCI, Inc. and Participating Jurisdictions. When requested by Participating Jurisdictions, Contractor shall compare its database with data submitted to jurisdictions for accuracy and communicate any inconsistencies to the Participating Jurisdictions.

**Task 6 – Audit and Monitor Auctions.** Under this task the Contractor shall monitor the administration of and participant conduct in allowance auctions sponsored by Participating Jurisdictions, and to provide an independent review of auction performance and results and a report on the outcomes. Contractor shall conduct this task in accordance with the Monitoring Plan to be developed under Task 3. Contractor monitoring of auctions shall include 1) observing auction conduct in real time on line and via conference call with jurisdiction authorities and the Auction Administrator, 2) reviewing auction processes and compliance with regulations, 3) acquiring auction data, and 4) calculating and reporting auction results and metrics.

**Task 7 – Audit and Monitor the Reserve Sales.** Under this task Contractor shall monitor the administration of and participant conduct in allowance reserve sales sponsored by Participating Jurisdictions, and to provide an independent review of reserve sale performance and results and a report on the outcomes. California and Québec regulations require separate reserve sales for each jurisdiction. Contractor shall conduct this task in accordance with the Monitoring Plan to be developed under Task 3. Contractor monitoring of reserve sales shall include 1) observing reserve sale conduct in real time on line and via conference call with jurisdiction authorities and the Auction Administrator, 2) reviewing reserve sale processes and compliance with regulations, 3) acquiring reserve sale data, and 4) calculating and reporting reserve sale results and metrics.

**Task 8 – Participate in Auction Services Testing Demonstration.** Under this task the Contractor shall assist WCI, Inc. and Participating Jurisdictions in the testing of any new or revised auction services and in the monitoring of any auction or reserve sale conducted for demonstration or training purposes. Contractor shall, upon request by WCI, Inc., evaluate the auction services algorithm, design test cases for algorithm and auction services testing, verify algorithm and auction services testing results, participate in auction services acceptance testing, participate in any auction or reserve sale conducted for demonstration or training purposes, and provide recommendations for improving the auction services.

**Task 9 – Review Participating Jurisdiction Regulations and Other Program Documentation.** Under this task the Contractor shall review cap-and-trade program documentation and provide an independent opinion of any issues that may interfere with the efficient operation of the program or the compliance instrument markets. Contractor

shall, upon request by WCI, Inc., review documentation and provide a written list of comments, issues, and any further clarifying questions that arise in its review of the documentation. Examples of such documentation may include jurisdictions' existing and proposed regulations, jurisdictions' draft guidance for market participants, auction and reserve sale settlement algorithms and/or algorithm descriptions, and auction and reserve sale procedures.

**Task 10 – Linking with Additional Jurisdictions.** Under this task the Contractor shall provide data and analysis to WCI, Inc. and the Participating Jurisdictions regarding any proposed linking of additional jurisdictions to the regional market already comprised of California and Québec programs.

**Task 11 – Provide Knowledge Transfer and Ad Hoc Reports.** Under this task the Contractor shall transfer knowledge between Contractor, Participating Jurisdictions, and, where appropriate, WCI, Inc. Contractor shall upon request by WCI, Inc. or a Participating Jurisdiction, be available to provide knowledge, advice, and recommendations based on experience with monitoring markets and based on observations and lessons learned from monitoring the compliance instrument markets of Participating Jurisdictions, including best practices for detecting and addressing potentially fraudulent activities.

**Task 12 – Optional Task: Transition Out.** Under this task the Contractor shall work with WCI, Inc. and any other vendor(s) selected by WCI, Inc., if applicable, at the conclusion of the contract, to smoothly transition market monitoring services to another service provider, including training and knowledge transfer. This is an optional task that will only be acted upon by Contractor with separate, written direction from the WCI, Inc. Executive Director.

## **ATTACHMENT B BUDGET DETAIL AND PAYMENT PROVISIONS**

### **A. Invoicing and Payment**

1. For services satisfactorily rendered, and upon receipt and approval of the invoice, WCI, Inc. agrees to compensate the Contractor in accordance with the Contractor's Technical and Cost Proposal, which is incorporated as Attachment F. The maximum payable will not exceed the value identified in the Standard Agreement. Compensation refers to the consideration to be paid to Contractor for all of Contractor's services provided and costs incurred to fulfill its duties and obligations in connection with the Agreement.

All tasks shall be payable in arrears for each month. Payment terms are NET 30.

Costs for travel will be incurred and charged for on a cost-reimbursable basis, at cost, and only if duly authorized in writing by the WCI, Inc. Project Manager. When traveling within the U.S., travel cost reimbursement must abide by U.S. Federal travel regulations and per diem rates published by the U.S. General Services Administration (<http://www.gsa.gov/portal/category/21287>). When traveling outside of the U.S., travel cost reimbursement must abide by the per diem rates used by the State Department ([http://aoprals.state.gov/web920/per\\_diem.asp](http://aoprals.state.gov/web920/per_diem.asp)).

Invoices shall include the Agreement Number and summary of services performed for the amount invoiced. Invoices shall be submitted monthly in arrears. Each item in the invoice must correspond to costs identified in this attachment and Attachment F. Invoices shall be submitted to the following address:

**Western Climate Initiative, Inc.  
980 Ninth Street, Suite 1600  
Sacramento, CA 95814**

### **B. Budget Detail**

Not-to-exceed time and material budget for the base term of this Agreement is \$691,390 (USD), and \$324,127 (USD) for the optional period. See Attachment F – Contractors Cost and Technical Proposal for invoice basis.

## **ATTACHMENT C GENERAL TERMS AND CONDITIONS**

### **1. APPROVAL; AUTHORIZATION**

The Agreement shall be of no force or effect until signed by both parties and approved by the Board of Directors of WCI, Inc., if required. Contractor may not commence performance until any such required written approval has been obtained. Contractor represents that the Agreement has been duly authorized by all necessary corporate or other action on the part of Contractor and that the officer or other person signing the Agreement and any documents related thereto on behalf of Contractor possessed full authority to do so.

### **2. INSURANCE**

Contractor shall, and shall cause any subcontractors to, carry and maintain in effect the insurance coverages set forth on Attachment E: Contract Insurance Requirements at all times while performing the Work. Contractor shall provide WCI, Inc. with current insurance certificates evidencing these required coverages prior to commencing the Work, and shall give at least 30 days' advance written notice to WCI, Inc. of the cancellation or material alteration of such policies. At WCI, Inc.'s request, Contractor shall provide WCI, Inc. with (i) evidence that the insurance coverages are being maintained and (ii) copies of the policies providing for such insurance coverages. WCI, Inc., each Participating Jurisdiction (as defined in Section 10 of these General Terms and Conditions), each funding entity and their respective directors, officers, representatives, agents, employees and volunteers shall be named as an additional insured and certificate holder on all such insurance policies and subrogation against WCI, Inc. shall be waived. Contractor shall pay any deductibles, and all insurance shall be primary, without right of contribution by any insurance carried by WCI, Inc. Contractor shall comply with all financial responsibility standards required by WCI, Inc., each of the Participating Jurisdictions and applicable law.

### **3. SUBSTITUTION OF KEY PERSONNEL**

Key Personnel includes.....

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

Key Personnel may be changed with prior written approval of WCI, Inc.

### **4. PERFORMANCE**

Contractor shall perform the Work safely, in accordance with the highest standard of care, skill, and diligence provided by a professional person or company in

performance of work similar to the Work, and all Work shall be of good quality and free from faults and defects. Time is of the essence for the Agreement, and Contractor shall perform the Work in accordance with the Work Schedule. Although the Work may be interrupted, altered, delayed, or accelerated due to a *force majeure* event as listed in Section 41 of these General Terms and Conditions, the conduct of WCI, Inc.'s business operations, governmental regulation or similar conditions, except as set forth in Sections 5 or 6 of these General Terms and Conditions, no changes in the Work Schedule or any compensation or reimbursement to be paid to Contractor shall be made as a result thereof.

## 5. CHANGE ORDERS

If either party proposes that changes be made in the scope of Work or the Work Schedule, Contractor shall submit a written change order request with the complete description of the proposed change, a statement of cost, revised Work Schedule impact, and any other information requested by WCI, Inc. Contractor bears all risks of performing, and WCI, Inc. shall be under no obligation to pay for, any changed Work without prior written approval of WCI, Inc. of the changes, which approval may be given or withheld at WCI, Inc.'s sole discretion.

## 6. FULL UNDERSTANDING; AMENDMENT

The Agreement contains the full and complete understanding of the parties and supersedes all prior understandings or agreements on the subject matter hereof. The language contained in the Agreement shall prevail over any other language, including that of any proposal submitted by Contractor. WCI, Inc. may amend or vary the terms of the Agreement unilaterally, without the need for a change order under Section 5 of these General Terms and Conditions, to allow for additional time or additional funding for performance by providing Contractor with a copy of the applicable amendment or variation signed by WCI, Inc. No other amendment or variation of the terms of the Agreement shall be valid unless made in writing and signed by WCI, Inc. and Contractor. No oral understanding or agreement outside of the Agreement is binding on any of the parties.

## 7. ASSIGNMENT

Neither the Agreement nor any interest in the Agreement is assignable by Contractor, either in whole or in part, without the prior written consent of, and on such terms as may be approved by, WCI, Inc. in the form of a formal written amendment signed by Contractor, WCI, Inc. and Contractor's assignee.

## 8. AUDITS

A. Financial Audit. If the Agreement allows for Contractor to be paid fees at a daily or an hourly rate or for Contractor to be paid or reimbursed for expenses, Contractor shall maintain time records and books of account, invoices, receipts

and vouchers of expenses in support of these payments, in form and content reasonably satisfactory to WCI, Inc. Contractor agrees that WCI, Inc. or its designated representative shall have the right to review and to copy any of Contractor's records and supporting documentation pertaining to the performance of tasks that are paid on the basis of a daily or an hourly rate or reimbursed as expenses. Contractor agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is required by WCI, Inc. Contractor agrees to allow the auditor(s) designated by WCI, Inc., any Participating Jurisdiction or any funding entity, and/or any of their respective duly authorized representatives, access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Contractor agrees to include a similar right of WCI, Inc., any Participating Jurisdiction or any funding entity, and/or any of their respective duly authorized representatives, to audit records and interview staff in any subcontract related to the performance of tasks that are paid on the basis of a daily or hourly rate or reimbursed as expenses. Contractor shall promptly reimburse WCI, Inc. for any expenditures judged by an audit conducted by any of the above to be not in compliance with the requirements of the Agreement. Contractor shall include the provisions of this Section 8.A in any subcontract executed in connection with the Agreement.

- B. Programmatic Audit. Contractor agrees that WCI, Inc. or its designated representative shall have the right to review and to copy any of Contractor's records and supporting documentation pertaining to the performance of tasks that are paid through the Agreement to ensure compliance with the Agreement and with regulations governing the greenhouse gas (GHG) reporting or cap-and-trade programs implemented by WCI, Inc., any Participating Jurisdiction or any funding entity.

Contractor agrees to maintain such records for possible audit for a minimum of three (3) years after final payment, unless a longer period of records retention is required by WCI, Inc. Contractor agrees to allow the auditor(s) designated by WCI, Inc., any Participating Jurisdiction or any funding entity, and/or any of their respective duly authorized representatives, access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Contractor agrees to include a similar right of WCI, Inc., any Participating Jurisdiction or any funding entity, and/or any of their respective duly authorized representatives, to audit records and interview staff in any subcontract related to the performance of tasks that are paid through the Agreement. Contractor shall include the provisions of this Section 8.B in any subcontract executed in connection with the Agreement.

## 9. GRATUITIES

If WCI, Inc. finds that Contractor or any of Contractor's employees, agents, or subcontractors offered or gave gratuities (in the form of entertainment, gifts or

otherwise) to any director, officer, employee or agent of WCI, Inc. or of any Participating Jurisdiction or of any funding entity in any attempt to secure the Agreement or favorable treatment in awarding, amending or making any determinations related to the performance of the Agreement, WCI, Inc. may, by written notice to Contractor, terminate the Agreement, and pursue such other rights and remedies that the law or the Agreement provides.

## 10. INDEMNIFICATION

- A. To the fullest extent permitted by law, Contractor shall indemnify, defend and hold harmless (i) the provinces of British Columbia and Quebec, the State of California and any other governmental jurisdiction participating in the greenhouse gas (GHG) reporting or cap-and-trade programs administered by WCI, Inc. (together, the "Participating Jurisdictions"), (ii) WCI, Inc., (iii) any funding entity and (iv) the directors, officers, employees and agents of each of the foregoing (clauses (i) through (iv) together, the "Indemnified Parties") from and against any and all debts, losses, claims, damages, costs, expenses, demands, fines, judgments, contracts (implied and expressed, written and unwritten), penalties, obligations, payments and liabilities of every type and nature (whether known or unknown, fixed or contingent), including any costs and expenses of any pending or threatened lawsuit, action or proceeding (including attorneys' fees, out-of-pocket expenses and other costs and expenses incurred in investigating, preparing or defending any such pending or threatened lawsuit, action or proceeding, whether brought by a party to the Agreement or by any other person), (collectively, the "Losses") incurred, suffered or sustained by any Indemnified Party by reason of or in connection with (y) any act or omission or alleged act or omission by Contractor or any of its subcontractor or any of their respective direct or indirect employees, contractors, subcontractors, suppliers or laborers or by any other person, firm or entity furnishing or supplying services, materials or supplies to, for or on behalf of Contractor or any of its subcontractors in connection with the Agreement or (z) any breach or alleged breach of the Agreement by Contractor or any of its subcontractors, including any breach or alleged breach of any representation, warranty, acknowledgement or covenant contained in these General Terms and Conditions or otherwise in the Agreement.
- B. Within a reasonable time after an Indemnified Party obtains actual knowledge of any claim, action, suit or proceeding by a third party (an "Action") as to which recovery may be sought against Contractor pursuant to this Section 10 or Section 24 of these General Terms and Conditions, the Indemnified Party shall give written notice of such Action to the Contractor, which written notice may be provided by WCI, Inc. on its behalf and on behalf of all other Indemnified Parties. Notwithstanding the foregoing, the right to indemnification under this Section 10 or Section 24 of these General Terms and Conditions shall not be affected by any failure or delay in giving such notice unless, and then only to the extent that, the rights and remedies of the Contractor have been materially prejudiced as a result of such failure or delay. If, within fifteen (15) days after such notice has been given, Contractor notifies the Indemnified Party of its election to defend any

Action, then, except as described below, the Contractor may control the defense of such Action at its own expense through counsel reasonably satisfactory to the Indemnified Party, provided that the Indemnified Party may participate in such defense at its own expense but, in any event, Contractor will have the right to control such defense as long as it is actively defending such Action. Failure by Contractor to so notify the Indemnified Party shall be deemed a waiver by Contractor of its rights to defend such Action. In such event, the Indemnified Party may tender the defense to Contractor or, at the Indemnified Party's option, select counsel of its own choosing.

- C. The Indemnified Party can take over and assume control of the defense of an Action, or seek a settlement of any Action, if (i) Contractor has failed to accept the defense of, or to actively defend, the Action, (ii) in the Indemnified Party's reasonable judgment there is a conflict of interest between Contractor and the Indemnified Party in conducting the defense, (iii) the Action relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation against Contractor, (iv) the Action seeks an injunction or equitable relief against an Indemnified Party or (v) Contractor fails to provide reasonable assurance to the Indemnified Party that it has the financial capacity to defend such Action. In any of the foregoing cases, Contractor will pay the fees and expenses of one (but no more than one) counsel to all Indemnified Parties.
- D. Except with the prior written consent of the Indemnified Party, Contractor shall not, in the defense of any Action, consent to the entry of any judgment (other than a judgment of dismissal on the merits without costs) or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to the Indemnified Party of a release from all Losses in respect of such Action.
- E. Contractor shall not be responsible for any settlement entered into by the Indemnified Party without the prior written consent of Contractor, which consent shall not be unreasonably withheld.
- F. Within ten (10) days of the Indemnified Party's written request, Contractor shall reimburse the Indemnified Party for the amount of any judgment or settlement rendered with respect to any Action and for all Losses incurred by the Indemnified Party relating to such Action.

## 11. TERMINATION FOR CAUSE

If Contractor fails to perform any of the requirements of this Agreement at the time and in the manner herein provided, including any failure to meet the performance standards set forth in Section 4 of these General Terms and Conditions, WCI, Inc. may notify Contractor in writing of such failure. If Contractor does not cure the failure within 15 days from the notice date, or if such failure is of such a nature that it cannot be cured within such 15-day period, and Contractor does not commence the



cure within such 15-day period and complete such cure within an additional 15-day period, WCI, Inc. may, upon an additional 5 days' written notice, terminate this Agreement and be relieved of any further obligation to make payments for Work performed after the termination date. Additionally, WCI, Inc. shall not be responsible for any additional fees, costs or expenses incurred by Contractor in connection with its efforts to cure any such failure unless WCI, Inc. has agreed to be so responsible in writing. In the event of any such termination, WCI, Inc. has the right to any remaining Work for which it has paid before the termination date. In the event of any such termination, the cost incurred by WCI, Inc. to take over and complete the Work on its own behalf, over and above the payments that would have been made to Contractor to complete the Work had there been no termination for cause, shall be deducted from any sums due Contractor under the Agreement, and the balance, if any, shall be paid to WCI, Inc. by Contractor upon demand.

## 12. INDEPENDENT CONTRACTOR

Contractor, and the agents and employees of Contractor, in the performance of the Agreement, shall act in an independent capacity and not as directors, officers, employees or agents of WCI, Inc. or the Participating Jurisdictions or any funding entity. Contractor is not entitled to receive employee benefits or insurance coverage including worker's compensation, disability insurance, Social Security, unemployment compensation coverage, or any other statutory benefit. Contractor will maintain control over its employees and its subcontractors and will comply with all tax withholding or contribution requirements, whether federal, state, local or foreign, applicable to its employees and subcontractors. Contractor will have the ability to obtain and maintain the required paperwork appropriate to perform the services required by the Agreement. Contractor will pay all the appropriate taxes on its compensation by WCI, Inc. and will indemnify WCI, Inc. for any unpaid tax obligations on fees paid to Contractor.

## 13. ACKNOWLEDGEMENT

The parties acknowledge that WCI, Inc. is not an agent of any Participating Jurisdiction or any of its funding entities or of any combination of Participating Jurisdictions or its funding entities.

## 14. COMPENSATION

The consideration to be paid to Contractor, as provided in the Agreement, shall be in compensation for all of Contractor's expenses incurred in the performance hereof, including travel, per diem, and taxes, unless otherwise expressly provided to the contrary elsewhere in the Agreement. All compensation shall be paid in accordance with WCI, Inc.'s policies and procedures with respect to the compensation and payment of contractor business expenses. WCI, Inc. shall not be responsible for any expense incurred by Contractor that is not in accordance with WCI, Inc.'s policies and procedures.

## 15. UNENFORCEABLE PROVISIONS

If any provision of the Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, then the remaining provisions of the Agreement will remain in full force and effect as if such invalid or unenforceable provision had never been included. Notwithstanding the foregoing, if such invalid or unenforceable provision could be more narrowly drawn so as not to be invalid or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of the Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

## 16. SETTLEMENT OF DISPUTES

- A. In the event a dispute shall arise between Contractor and WCI, Inc. and the parties have not been able to resolve the dispute in good faith within thirty (30) days of the existence of the dispute, the dispute shall be arbitrated before three arbitrators, one to be selected by each party and the third to be selected by the other two selected arbitrators. Any such arbitration shall be held in Sacramento, California, and notwithstanding anything to the contrary set forth elsewhere in these General Terms and Conditions, this agreement to arbitrate shall be enforceable through a proceeding brought in any court of competent jurisdiction within the State of California. The arbitrators shall apply the substantive law of the State of California, without regard to its conflicts of laws provisions. Arbitration shall be conducted in accordance with the standard rules of the AAA Commercial Arbitration except that the arbitrators may not make any award not strictly in conformance with this Agreement. The decision of the arbitrators shall be final and conclusive upon the parties and may, notwithstanding anything to the contrary set forth elsewhere in these General Terms and Conditions, be entered and enforced in any court of competent jurisdiction within the State of California or elsewhere. In connection with any proceeding brought in accordance with this Section 16 in the State of California, Contractor and WCI, Inc. waive any objection to such jurisdiction on the grounds of venue or forum non conveniens and any similar grounds, consent to service of process by mail or in any other manner permitted by law, and agree to be bound by any judgment rendered by any such court in connection with the Agreement. Each party shall bear its own costs and expenses related to any arbitration, and the parties shall equally share the fees and expenses of the arbitrators and the arbitral body.
- B. The existence of a dispute not fully resolved shall not delay Contractor in its performance of the Agreement. Contractor shall continue with its responsibilities under the Agreement, which shall not be affected by the dispute.

## 17. POTENTIAL SUBCONTRACTORS

Contractor shall not subcontract or delegate any of its obligations under the Agreement without prior written approval of WCI, Inc. Contractor shall require all

subcontractors to comply with the obligations of Contractor in these General Terms and Conditions by incorporating the terms of these General Terms and Conditions into all subcontracts.

Nothing contained in the Agreement or otherwise shall create any contractual relation between WCI, Inc., any Participating Jurisdiction or any funding entity, on the one hand, and any subcontractor, on the other, and no subcontract shall relieve Contractor of its responsibilities and obligations under the Agreement. Contractor agrees to be as fully responsible to WCI, Inc. for the acts and omissions of its subcontractors and of persons employed by any of them in their performance of the subcontract as it is for the acts and omissions of persons directly employed by Contractor. Contractor's obligation to pay its subcontractors is an obligation independent from WCI, Inc.'s obligation to make payments to Contractor. As a result, WCI, Inc. shall have no obligation to pay or to enforce the payment of any moneys to any subcontractor.

## 18. STOP WORK ORDER

WCI, Inc. reserves the right to issue a written order to stop any or all Work in the event that a dispute should arise, WCI, Inc. receives a request to issue such an order from any Participating Jurisdiction or any funding entity or WCI, Inc. gives Contractor a notice that the Agreement will be terminated. The order to stop any or all Work will be in effect until WCI, Inc. sends a written order to resume the stopped Work.

## 19. TERMINATION

- A. WCI, Inc. reserves the right to terminate the Agreement in its sole discretion at any time upon thirty (30) days' prior written notice to Contractor.
- B. In the case of early termination, Contractor shall submit an invoice and a report covering services to the termination date, following the invoice and progress report requirements of the Agreement. A copy and description of any data collected up to the termination date shall also be provided to WCI, Inc., along with all other materials required by the Agreement.
- C. Upon receipt of such invoice, progress report, data and other materials, a final payment will be made to Contractor. This payment shall be for all WCI, Inc.-approved, actually incurred costs that in the opinion of WCI, Inc. are justified and conform to the requirements of the Agreement, and shall include labor and materials purchased or utilized (including all non-cancellable commitments) prior to the termination date, and any pro rata indirect costs as specified in the Agreement.

## 20. COUNTERPARTS

The Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

## 21. PROGRESS PAYMENTS

To the extent not provided otherwise elsewhere in the Agreement, in computing the amount of any progress payment, WCI, Inc. shall determine what Contractor has earned during the period for which payment is being made on the basis of the Agreement terms, but shall retain out of such earnings an amount equal to ten percent (10%) thereof, pending satisfactory completion of the entire task required under the Agreement. However, if the Agreement consists of the performance of separate and distinct tasks, then at the discretion of WCI, Inc., any funds so withheld with regard to a particular task may be paid upon completion of that task. A final invoice must be submitted by Contractor to WCI, Inc. and approved by WCI, Inc. to release the withheld funds.

## 22. FINAL PAYMENT

The acceptance by Contractor, or by anyone claiming by or through it, of final payment shall be and shall operate as a full and final release of the Indemnified Parties as to all claims by and all liability to Contractor for all things done or furnished in connection with the Agreement and for every act or neglect of the Indemnified Parties and others relating to or arising out of the Agreement, including claims arising out of breach of contract and claims based on claims of third persons.

## 23. COMPUTER SOFTWARE

Contractor certifies that it has appropriate systems and controls in place to ensure that WCI, Inc. funds will not be used in the performance of the Agreement for the acquisition, operation or maintenance of computer software in violation of patent or copyright laws or other intellectual property rights of any kind.

## 24. INTELLECTUAL PROPERTY

A. Except as set forth in the Work Schedule, the right to use all material, software, firmware, compositions of matter, manufactures, apparatus, appliances or processes required in connection with the Agreement and to which a patent, copyright or other intellectual property right applies or may apply shall be obtained by Contractor without separate or additional compensation whether the same is patented, copyrighted or otherwise protected as an intellectual property right before, during or after the performance of the Agreement.

- B. Contractor shall defend, indemnify and hold the Indemnified Parties harmless against all Losses promptly upon the incurrence thereof resulting from any third party claim that work product produced, used, created or delivered by Contractor, its employees or its subcontractors, including any documentation associated with any work product and any work product which includes any third party content, under the Agreement (the "Contractor Work Product") infringes, misappropriates or otherwise violates a trademark, copyright or other third party's proprietary right. Notwithstanding the foregoing, Contractor shall have no obligation or liability with respect to any such claim based upon: (i) Contractor Work Product that has been altered, modified or revised by anyone other than Contractor and such claim or liability would have been avoided but for the alteration, modification or revision; (ii) the combination, operation or use of Contractor Work Product with products not furnished by Contractor or set forth in the documentation accompanying the Contractor Work Product when such combination, operation or use is part of any allegedly infringing process; or (iii) use of the Contractor Work Product in a manner not authorized in the documentation accompanying the Contractor Work Product when such claim or liability would have been avoided but for such unauthorized use. Contractor will promptly notify the Indemnified Parties of any such claim. In addition to the obligations above, if any Contractor Work Product becomes the subject of any third party claim, demand or allegation that the Contractor Work Product infringes, misappropriates or otherwise violates any third party's patent, trademark, copyright or other proprietary right, then Contractor, at its sole option, shall: (i) promptly obtain, at no expense to WCI, Inc., the right for WCI, Inc. to continue exercising all rights and licenses in such Contractor Work Product in accordance with the terms of the Agreement; or (ii) replace the subject Contractor Work Product with non-infringing and substantially equivalent work.
- C. Except as set forth in the Work Schedule, Contractor agrees that all Contractor Work Product created, developed, conceived, made, invented or suggested during the term of the Agreement by or for Contractor, its employees or any of its subcontractors it engages to perform work for WCI, Inc. and relating generally to any matter or thing that may be connected with the Agreement or in any way with WCI, Inc.'s existing or contemplated products, services or business or containing WCI, Inc.'s proprietary or sensitive information shall become the absolute and exclusive property of WCI, Inc., including (i) concepts, trademarks, slogans, works, ideas, designs, discoveries, inventions, improvements, advances, methods, practices, techniques, and developments and relationships with customers and prospective customers, (ii) reports, drawings, studies, specifications, estimates, maps, computations and other data and correspondence, (iii) software, computer programs and similar processes and (iv) materials, including books, magazines and periodicals and office material, purchased under the Agreement for WCI Inc., (collectively, the "WCI, Inc. Intellectual Property"). All WCI, Inc. Intellectual Property shall automatically be deemed to become the property of WCI, Inc. immediately when made or conceived. Contractor shall, and shall cause its subcontractors to, agree to cooperate with and assist WCI, Inc. to apply for and to execute any applications

and/or assignments reasonably necessary to obtain any patent, copyright, trademark, or other statutory protection for any WCI, Inc. Intellectual Property. Contractor shall, and shall cause employees and subcontractors of Contractor to, promptly sign any and all lawful papers, take all lawful oaths and do all lawful acts, including giving testimony, upon request by WCI, Inc., in connection with any patent, trade name, trademark, service mark or copyright application or issued patent, or registered copyright or trademark and/or any divisions, continuations, renewals, re-examinations, reissues or the like of any of them. Such lawful papers include, but are not limited to, any and all declarations, powers, assignments, and other papers deemed by WCI, Inc. to be necessary or advisable in connection with the filing or prosecution of any patent, trademark, service mark or copyright application or in connection with the grant of any letters patent, trademark or service mark registration, or copyright registration, or in connection with the transfer of any rights to any invention, trademark, trade name, service mark, or copyright. Contractor agrees to keep and maintain adequate and current written records of the foregoing described in this paragraph and promptly to disclose to WCI, Inc. all WCI, Inc. Intellectual Property.

- D. WCI, Inc., at its discretion, may grant a nonexclusive and paid-up license to Contractor and its subcontractors to use any copyrightable materials or other intellectual property related to the WCI, Inc. Intellectual Property.
- E. Contractor and its subcontractors shall not disclose any of the WCI, Inc. Intellectual Property or any portion thereof, to any other organization or person without the prior written consent of WCI, Inc.
- F. Contractor and its subcontractors shall not use the WCI, Inc. Intellectual Property, or any portion thereof, in any other work without the prior written consent of WCI, Inc., subject to any license granted in writing to Contractor by WCI, Inc.

## 25. RIGHTS IN DOCUMENTS, MATERIALS, AND DATA PRODUCED

Contractor shall deliver or cause the delivery to WCI, Inc. of all WCI, Inc. Intellectual Property as soon as practical as and in any event no later than the termination or completion of the Work. WCI, Inc. shall have the right to use the WCI, Inc. Intellectual Property without restriction or limitation and without compensation to Contractor other than that provided for in the Agreement. Any document produced in whole or in part under the Agreement shall not be the subject of an application for copyright by or on behalf of Contractor or its subcontractors. All reports, maps and other documents completed by Contractor as a part of the Agreement shall bear on the title page of such report, map, or document, the following legend: *“Prepared by (Insert name of Contractor) for submission under Agreement with Western Climate Initiative, Inc. The preparation of this (insert report, map or document, as appropriate) was financed in part by funds provided by (insert name of the funding agency, if applicable).”* The month and year in which the document was prepared shall also be shown.

## 26.CONFIDENTIALITY

Contractor acknowledges that the Confidential Information (as hereinafter defined) of WCI, Inc. has independent economic value, is not known to other persons who might profit from its use and is the subject of efforts by WCI, Inc. to maintain its secrecy that are reasonable under the circumstances. Contractor agrees to use such Confidential Information solely for the purposes permitted by the Agreement and further agrees not to, directly or indirectly, disclose to any other person any Confidential Information except to the extent expressly required by law or authorized in writing by WCI, Inc. For the purposes of the Agreement, "Confidential Information" shall include any information so described elsewhere in the Agreement, all data stored or made accessible through the Compliance Instrument Tracking System Service or any additional or successor tracking system service, unless WCI, Inc. notifies Contractor in writing that such information is not confidential, any information identified as confidential in agreements entered into by WCI, Inc. with Participating Jurisdictions or any funding entity and identified elsewhere in the Agreement, and any confidential, proprietary or trade secret information of WCI, Inc., any Participating Jurisdiction and any funding entity that is disclosed to Contractor or Contractor otherwise obtains in the course of its performance of the Agreement, such as, but not limited to, information related to articles, electronic data, recordings, papers, bulletins, reports or other material reporting the plans, progress, analysis or results and findings of the Work, business plans, party lists, benefit plans, designs, pricing offered to or agreed upon by parties, commissions or commission structures, financial statements, software diagrams, flow charts, product plans and other items and information belonging to WCI, Inc., its personnel, customers and affiliates. Confidential Information shall not include any information: (i) that as of the time of receipt by Contractor is in the public domain or subsequently enters the public domain without breach of the Agreement by Contractor; (ii) that as of the time of receipt by Contractor, is already known to or in Contractor's possession other than as a result of an improper disclosure to Contractor; (iii) is independently developed by or for Contractor without the use of any Confidential Information as evidenced by Contractor's own files and records; (iv) is received in good faith by Contractor from a third party that was lawfully in possession of, and entitled to disclose, the information; or (v) that the parties mutually agree in writing to release from the terms of the Agreement. Contractor shall use best endeavors to prevent any disclosure of Confidential Information by Contractor, its subcontractors, or its or their agents and employees. Contractor further agrees to not deliver, "reverse engineer," reconstruct, reproduce or in any way allow such Confidential Information, knowledge, data or other information, or any documentation relating thereto to be delivered or used by any third party without specific direction or consent of WCI, Inc. In addition, Contractor shall:

- A. Notify WCI, Inc. promptly and in writing of the circumstances surrounding any possession, use or knowledge of Confidential Information or any part thereof by any person in a manner other than as authorized by this Section 26.
- B. Ensure that Contractor's and all subcontractors' senior management with operating knowledge of the Work, and all of their respective employees, agents, and representatives working directly on the tasks provided for in the Agreement, sign and submit to Contractor Attachment D: Individual Conflict of Interest and Confidentiality Statement. Contractor will then certify to WCI, Inc. as to the submission of such statements by all such required individuals, and will in addition sign and submit to WCI, Inc. Attachment D1: Organization Conflict of Interest and Confidentiality Statement on its own behalf, and obtain and submit to WCI, Inc. Attachment D1: Organization Conflict of Interest and Confidentiality Statement signed by each subcontractor.
- C. Adhere to all WCI, Inc. confidentiality and disclosure policies disclosed to Contractor in writing and, if directed by WCI, Inc., enter into agreements with Participating Jurisdictions and funding entities related to the management, sharing, and disclosure of information. Contractor and any subcontractor in connection with the performance of the Agreement must make available for WCI, Inc.'s inspection all requested background information on staff performing the Work employed by the Contractor and any subcontractor.
- D. Treat all Confidential Information, Work, and Contractor Work Product as Confidential Information in accordance with this Agreement. No Confidential Information, Work or Contractor Work Product may be disclosed in any form to any third party without the written consent of the Executive Director of WCI, Inc. or his or her authorized agent, except when required by law or legal process. Contractor is authorized to maintain a copy of all information necessary to comply with its contractual obligations and applicable professional standards. If WCI, Inc.'s Executive Director or his or her authorized agent so requires, the following disclaimer must accompany all Confidential Information prepared by Contractor or prepared or provided by WCI, Inc. and copied or reproduced in any form by Contractor: *"Publication of this document shall not be construed as endorsement of the views expressed therein by Western Climate Initiative, Inc. or any federal, state or provincial agency."*
- E. Not use, without WCI, Inc.'s written approval, any WCI, Inc. materials for any purpose other than performing the contracted services.
- F. Not remove any WCI, Inc. or Participating Jurisdiction or any funding entity equipment and/or data on any activities from WCI, Inc.'s secured environment without advance written approval from WCI, Inc.



- G. Upon full payment to Contractor, surrender all documents, property (whether in written or electronic form) and transportable recorded media of any kind belonging to WCI, Inc. or containing WCI, Inc. Confidential Information at the conclusion of the engagement, upon termination of the Agreement, or upon the written request of WCI, Inc.
- H. Upon confirmation of loss or theft of Confidential Information in any form, immediately report to WCI, Inc. the occurrence of such loss or theft.
- I. Provide WCI, Inc. all pass phrases/passwords used as private keys to encrypt data used, produced or acquired in the course of performing duties under the Agreement.
- J. Use best practices to make security arrangements to protect Confidential Information from unauthorized access, collection, use, disclosure, alteration or disposal. Upon WCI, Inc.'s written request, Contractor shall provide a reasonably detailed report of the security arrangements it maintains to protect Confidential Information. WCI, Inc. or its representatives may conduct security inspections of such security arrangements upon reasonable notice to Contractor during normal business hours.
- K. Not damage or harm WCI, Inc.'s reputation, goodwill and business relations with any person or entity, including but not limited to customers, official bodies, governmental agencies and WCI, Inc. employees.

## 27. CONFLICTS OF INTEREST

- A. Contractor must ensure that no conflicts of interest exist between the services required under the Agreement and services provided by Contractor to other clients or Contractor's other business operations.
- B. Contractor must not have any financial interests in the outcome of any services it provides under the Agreement except for fees for service under the Agreement.
- C. Contractor must have in place formal policies and procedures to identify and mitigate conflicts of interest and ensure that Contractor's organization, management and employees avoid financial interests and activities that potentially create conflicts of interest. Complete copies of all such formal policies and procedures shall be provided to WCI, Inc. prior to Contractor's commencement of Work under the Agreement.
- D. Contractor and its subcontractors must not be subject to any laws or regulations specific to any greenhouse gas (GHG) reporting or cap-and-trade program implemented by WCI, Inc., any Participating Jurisdiction or any funding entity. Contractor and its subcontractors must not be a beneficial owner of more than 5% of the voting

interests of any entity subject to any of the provisions of any GHG reporting or cap-and-trade program implemented by WCI, Inc., any Participating Jurisdiction or any funding entity. In addition, the Contractor and its subcontractors must not be a beneficial owner of more than 5% of the voting interests of any direct parent company, direct subsidiary or sister company of an entity subject to any of the provisions of any GHG reporting or cap-and-trade program implemented by WCI, Inc., any Participating Jurisdiction or any funding entity.

- E. Contractor must ensure that its employees and subcontractors meet and comply with the requirements described in Sections 27.A through 27.C above.
- F. Notwithstanding the foregoing, WCI, Inc. reserves the right to determine, at its sole discretion, whether information received from any source indicates the existence of an actual or potential conflict of interest. If WCI, Inc. determines that a conflict of interest exists, or that there is an unavoidable appearance of a conflict of interest that cannot be resolved to the satisfaction of WCI, Inc., WCI, Inc. may terminate the Agreement immediately upon written notice to Contractor.
- G. Contractor will advise WCI, Inc. if performing services for other clients could potentially interfere with Contractor's duties pursuant to this Agreement.

## 28. PUBLICITY

Neither Contractor nor any of its subcontractors shall issue or permit to be issued any press release, advertisement, or literature of any kind that refers to WCI, Inc., any Participating Jurisdiction or any funding entity or the Work performed in connection with the Agreement without first obtaining the written approval of WCI, Inc. Such approval may be withheld for any reason.

## 29. NO CONFLICT

[Intentionally Left

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## 30. COMPLIANCE WITH LAWS, SAFETY

Contractor shall give all necessary notices, secure all necessary permits, and comply with all applicable federal, state, provincial and local laws, ordinances, rules and regulations applicable to the Work including, without limitation, all nondiscrimination in employment, safety, health, and environmental laws, rules, and regulations.

### 31. NO VIOLATION OF OTHER AGREEMENTS OR COVENANTS

32.

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

### 32. STATUS

Contractor has the power and authority to enter into and perform its obligations under this Agreement. Contractor's performance pursuant to this Agreement will not violate the legal or equitable rights of any third party.

### 33. RIGHTS AND REMEDIES

Contractor has no recourse against the Participating Jurisdictions or any funding entities or the elected officials, commissioners, employees or agents of any Participating Jurisdiction or funding entity for any claim, right or demand arising out of or related to the Agreement.

### 34. LIMITATION OF DAMAGES

WCI, Inc., its directors, officers, employees and agents and any other Indemnified Party shall not be liable for any special, indirect, incidental, or consequential damages, including economic damages such as lost profits, arising out of or in connection with the Agreement or the performance of the Work, regardless of whether any such person or entity has been told, has reason to know or, in fact, knows of the possibility of any such damages or whether any related claim sounds in tort, contract, breach of warranty or any other theory.

### 35. THIRD PARTIES

The parties agree that the Participating Jurisdictions and any funding entity are intended third-party beneficiaries of the Agreement. Other than the Participating Jurisdictions and any funding entity, there are no other third party beneficiaries with any rights under the Agreement.

### 36. RESTRICTIONS ON CONTACT WITH WCI, INC. EMPLOYEES AND CONSULTANTS

Unless otherwise agreed to in writing, the parties hereto agree that during the term of this Agreement and for a period of one (1) year after the expiration or termination of this Agreement, neither party shall knowingly solicit for employment any person employed by the other working under this Agreement. This Section 36 shall not restrict in any way the right of either party to solicit or recruit generally in the media, and shall not prohibit either party from hiring an employee of the other who answers any advertisement or who otherwise voluntarily applies for hire without having been personally solicited by the hiring party.

### 37. REMEDIES OF WCI, INC.

Contractor agrees that it would be impossible or inadequate to measure and calculate WCI, Inc.'s damages from a breach of the covenants of the Agreement. Accordingly, Contractor agrees that if Contractor breaches or threatens to breach any of such covenants in the Agreement, WCI, Inc. will have available in addition to any other right or remedy available to it at law or in equity, the right to seek an injunction from a court of competent jurisdiction restraining such breach or threatened breach and ordering specific performance of any such provision of this Agreement. Contractor further agrees that no bond or other security shall be required in obtaining such equitable relief, and Contractor hereby consents to the issuance of such injunction and to the ordering of specific performance.

### 38. GOVERNING LAW; FORUM

This Agreement shall be governed by, and construed in accordance with, the laws of the State of California without reference to its conflict-of-law principles. Subject to the requirements of Section 16 of these General Terms and Conditions, Contractor and WCI, Inc. consent to the exclusive jurisdiction of the federal and state courts of California, in connection with any action or proceeding arising out of the Agreement, or any document or instrument delivered in connection with the Agreement. Contractor and WCI, Inc. waive any objection to such jurisdiction on the grounds of venue or forum non conveniens and any similar grounds, consent to service of process by mail or in any other manner permitted by law, and agree to be bound by any judgment rendered by any such court in connection with the Agreement.

### 39. NOTICES

All notices or other communications required or to be given under the Agreement shall be given in writing and delivered personally or by nationally recognized overnight courier or by certified mail, postage prepaid, return receipt requested, to the receiving party at the address set forth in the Agreement. Notice shall be deemed given on the date of delivery in the case of personal delivery, on the date of delivery or refusal of delivery in the case of delivery by overnight courier or on the delivery or refusal date as specified on the return receipt in the case of certified mail.

### 40. CONSTRUCTION

The Agreement shall be construed neutrally and without regard to the party that drew it, and any ambiguity shall not be interpreted against the drafting party. Headings used in the Agreement are provided for convenience only and shall not be used to construe meaning or intent. Where the context allows, the word "including" shall mean "including without limitation." The word "or" not exclusive.

#### 41. FORCE MAJEURE

Neither Contractor nor WCI, Inc. shall be responsible or liable for any failure or delay in the performance of its obligations under the Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God, earthquakes, fires, floods, wars, civil or military disturbances, sabotage, epidemics, riots, loss or malfunctions of utilities, computer (hardware or software) or communications service disruptions, labor disputes, acts of civil or military authority, governmental, judicial or regulatory actions, or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility. Each party shall notify the other of the occurrence of a *force majeure* event as soon as possible after learning of same, and any notifying party shall resume or begin the performance of any delayed or unperformed obligations as soon as reasonably practicable after the end of the *force majeure* event.

#### 42. PARTICIPATING JURISDICTIONS' AND FUNDING ENTITIES' POLICE POWER AND OTHER SOVEREIGN POWERS UNIMPAIRED

Notwithstanding any provision to the contrary elsewhere in this Agreement or these General Terms and Conditions, nothing in this Agreement or these General Terms and Conditions shall limit or otherwise impair in any respect any Participating Jurisdiction's or any funding entity's future exercise of their police power or any other sovereign powers.

#### 43. WAIVER

Each party may extend or waive compliance with any of the agreements of the other party or conditions to such other party's obligations contained in the Agreement. Any such extension or waiver shall be valid only if set forth in a writing signed by the party to be bound thereby. Any waiver of any term or condition of the Agreement shall not be construed as a subsequent waiver of the same term or condition or a waiver of any other term or condition of this Agreement. The delay or failure of any party to assert any of its rights under the Agreement shall not constitute a waiver of any such rights or in any way affect the validity of such rights. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

#### 44. SURVIVAL

The provisions of Sections 8, 10, 15, 16, 24, 25, 26, 28, 33, 34, 35, 36, 37, 38, 39, 40, 42, 43 and 44 hereof shall survive the expiration or termination of the Agreement.

## **ATTACHMENT D INDIVIDUAL CONFLICT OF INTEREST AND CONFIDENTIALITY STATEMENT**

I certify that I and any member of my immediate family (parents, siblings, spouse, children, or domestic partner) are not a partner, director, manager, officer, key employee, or beneficial owner of more than 5% of the voting interests of any entity that is subject to any of the provisions of the greenhouse gas (GHG) reporting or cap-and-trade programs implemented by WCI, Inc., any Participating Jurisdiction or any funding entity.

I certify that if I or any member of my immediate family becomes a partner, director, manager, officer, or key employee or acquire beneficial ownership of more than 5% of the voting interests of any entity that is subject to any of the provisions of the GHG reporting or cap-and-trade programs implemented by WCI, Inc., any Participating Jurisdiction or any funding entity, I will immediately disclose this information to \_\_\_ who will disclose this information to WCI, Inc.

I certify that I and any member of my immediate family are not a partner, director, manager, officer or key employee of, or a beneficial owner of more than 5% of the voting interests of, any entity that owns, trades, facilitates trades, or advises on trades in instruments (such as derivatives) that derive their value in whole or in part from the greenhouse gas (GHG) reporting or cap-and-trade programs implemented by WCI, Inc., any Participating Jurisdiction or any funding entity.

I certify that if I or any member of my immediate family becomes a partner, director, manager, officer or key employee of, or a beneficial owner of more than 5% of the voting interests of, any entity that owns, trades, facilitates trades, or advises on trades in instruments (such as derivatives) that derive their value in whole or in part from the greenhouse gas (GHG) reporting or cap-and-trade programs implemented by WCI, Inc., any Participating Jurisdiction or any funding entity, I will immediately disclose this information to \_\_\_\_\_ who will disclose this information to WCI, Inc.

I certify that I will not accept any gift, benefit, gratuity or consideration from anyone other than my employer, based on any understanding that it would influence my performance under this Agreement.

I certify that I will keep confidential and secure and will not copy, give, or otherwise disclose to any other person or entity who has not signed a copy of this Conflict of Interest and Confidentiality Statement, all appropriately marked or verbally deemed confidential information concerning the Project (as defined in the Work Schedule) and any other confidential or proprietary information which I learn or acquire in the course of performing duties under the Agreement, and I will follow any instructions provided by the WCI, Inc. Project Manager relating to the confidentiality of Project information. I understand that the information that must be kept confidential (“confidential information”) includes, but is not limited to:

- A. All data, analyses, specifications, requirements, concepts and discussions received from WCI, Inc., any Participating Jurisdiction or any funding entity in the course of performing requirements under the Project.
- B. Any personally identifying information, proprietary process or sensitive, non-public market data.
- C. Any third-party confidential information included with, or incorporated in, information provided by WCI, Inc., any Participating Jurisdiction or any funding entity, or otherwise obtained in the course of performing requirements under the Project.
- D. Communications with staff of WCI, Inc., any Participating Jurisdiction or any funding entity related to any of the requirements under the Project, including oral discussions, telephone conversations, emails, attachments, letters and faxes.
- E. All notes, data, analyses, compilations or reports prepared by me that contain or are based upon confidential information.

I certify that I will not use confidential information, or any part thereof, in the performance of services or for the benefit of any person or entity, in any form, whether gratuitously or for valuable consideration, except as provided under the Project, without the prior written consent of WCI, Inc. I understand that \_\_\_\_\_ is authorized to disclose information pursuant to law or legal process.

I certify that if I leave this Project before it ends, or at the termination of the Project, I will return all confidential information and copies thereof in my possession or control to \_\_\_\_\_, and I will not disclose such information or otherwise make it available, in any form or manner, to any other person or entity. I certify that I have read and understand this Conflict of Interest and Confidentiality Statement, including the requirements set forth therein related to conflict of interest, confidentiality and limitations on the use of confidential information.

I certify that I understand that any unauthorized disclosure of confidential information will be handled in accordance with Section 26 of the Agreement.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Organization: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Fax No.: \_\_\_\_\_

Email Address: \_\_\_\_\_

Capitalized terms used but not defined in this Conflict of Interest and Confidentiality Statement shall have the meanings assigned to such terms in the Standard Agreement, dated \_\_, between Western Climate Initiative, Inc. and \_\_\_\_\_.

## ATTACHMENT D1 ORGANIZATION CONFLICT OF INTEREST AND CONFIDENTIALITY STATEMENT

I certify that **Monitoring Analytics, LLC** is not a beneficial owner of more than 5% of the voting interests of any entity that is subject to any of the provisions of the greenhouse gas (GHG) reporting or cap-and-trade programs implemented by WCI, Inc., any Participating Jurisdiction or any funding entity.

I certify that if **Monitoring Analytics, LLC** acquires beneficial ownership of more than 5% of the voting interests of any entity that is subject to any of the provisions of the GHG reporting or cap-and-trade programs implemented by WCI, Inc., any Participating Jurisdiction or any funding entity, I will immediately disclose this information to WCI, Inc.

I certify that **Monitoring Analytics, LLC** is not a beneficial owner of more than 5% of the voting interests of any entity that owns, trades, facilitates trades, or advises on trades in instruments (such as derivatives) that derive their value in whole or in part from the greenhouse gas (GHG) reporting or cap-and-trade programs implemented by WCI, Inc., any Participating Jurisdiction or any funding entity.

I certify that if **Monitoring Analytics, LLC** acquires beneficial ownership of more than 5% of the voting interests of any entity that owns, trades, facilitates trades, or advises on trades in instruments (such as derivatives) that derive their value in whole or in part from the greenhouse gas (GHG) reporting or cap-and-trade programs implemented by WCI, Inc., any Participating Jurisdiction or any funding entity, I will immediately disclose this information to WCI, Inc.

I certify that **Monitoring Analytics, LLC** will not accept any gift, benefit, gratuity or consideration from anyone, based on any understanding that it would influence **Monitoring Analytics, LLC's** performance under this Agreement.

I certify that **Monitoring Analytics, LLC** will keep confidential and secure and will not copy, give, or otherwise disclose to any other person or entity who has not signed a copy of this Conflict of Interest and Confidentiality Statement, all appropriately marked or verbally deemed confidential information concerning the Project and any other confidential or proprietary information which **Monitoring Analytics, LLC** learns or acquires in the course of performing duties under the Agreement, and will follow any instructions provided by the WCI, Inc. Project Manager relating to the confidentiality of Project information. **Monitoring Analytics, LLC** understands that the information that must be kept confidential ("confidential information") includes, but is not limited to:

- A. All data, analyses, specifications, requirements, concepts and discussions received from WCI, Inc., any Participating Jurisdiction or any funding entity in the course of performing requirements under the Project.
- B. Any personally identifying information, proprietary process or sensitive, non-



- public market data.
- C. Any third-party confidential information included with, or incorporated in, information provided by WCI, Inc., any Participating Jurisdiction or any funding entity, or otherwise obtained in the course of performing requirements under the Project.
- D. Communications with staff of WCI, Inc., any Participating Jurisdiction or any funding entity related to any of the requirements under the Project, including oral discussions, telephone conversations, emails, attachments, letters and faxes.
- E. All notes, data, analyses, compilations or reports prepared by **Monitoring Analytics, LLC** that contain or are based upon confidential information.
- F. All other information identified in the Agreement as Confidential Information.

I certify that **Monitoring Analytics, LLC** will not use confidential information, or any part thereof, in the performance of services or for the benefit of any person or entity, in any form, whether gratuitously or for valuable consideration, except as provided under the Project, without the prior written consent of WCI, Inc. I understand that is authorized to disclose information pursuant to law or legal process.

I certify that **Monitoring Analytics, LLC** understands that any unauthorized disclosure of confidential information will be handled in accordance with Section 26 of the Agreement.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Organization: \_\_\_\_\_

Telephone No.: \_\_\_\_\_

Fax No.: \_\_\_\_\_

Email Address: \_\_\_\_\_

Capitalized terms used but not defined in this Conflict of Interest and Confidentiality Statement shall have the meanings assigned to such terms in the Standard Agreement, dated \_\_\_\_\_, between Western Climate Initiative, Inc. and **Monitoring Analytics, LLC**.

## **ATTACHMENT E CONTRACT INSURANCE REQUIREMENTS**

WCI, Inc. retains the right to increase insurance requirements when additional risk exposures are evident.

Throughout the life of the Agreement, the Contractor shall pay for and maintain in full force and effect with an insurance company(s) (Company) rated not less than "A: VII" in Best Insurance Key Rating Guide, the following policies of insurance:

1. **Commercial General Liability Insurance** Commercial General Liability insurance written on an occurrence basis (Insurance Services Office, Form CG 00 01 or equivalent) with limits per occurrence and products/completed operations aggregate and a general aggregate limit. Contractor shall not provide general liability insurance under any Claims Made General Liability form. The General Liability Insurance policy must expressly cover, without limitation, all liability to third parties arising out of or related to Contractor's services or other activities associated with the Agreement, including, without limitation, Contractor's indemnification obligations under the Agreement. Contractor's liability insurance must be issued by responsible insurance companies, maintaining an A.M. Best's Rating of A-VII or better. The insurance policy shall waive right of recovery (waiver of subrogation) against WCI, Inc., each Participating Jurisdiction and each funding entity.
2. **Additional Insured on General Liability Policy** WCI, Inc., each Participating Jurisdiction and each funding entity and their respective directors, officers, representatives, agents, employees and volunteers as additional insureds under each commercial general liability policy identified in the preceding paragraph above. The additional insured status shall include ongoing operations and completed operations coverage. Specifically, the policy shall include a combination of ISO forms CG2010 10/01 and CG 2037 10/01 or is equivalent and shall stipulate that the insurance afforded the additional insureds shall apply as primary insurance, and that any other insurance coverage carried by or otherwise available to an "Additional Insured" will be excess only and will not contribute with this insurance.
3. **Workers Compensation Insurance** Contractor's Workers Compensation Insurance with minimum limits of each for bodily injury by accident (per accident per person), bodily injury by disease (policy limit) and bodily injury by disease (each employee). Contractor must maintain such a policy and provide a certificate of insurance and must provide a waiver of subrogation endorsement.
4. **Automobile Insurance** If applicable, Automobile Liability Insurance, including liability for all owned, hired and non-owned vehicles, with minimum limits of for bodily injury per person, property damages and combined single limit per occurrence; such coverage must be for (A) "any auto" or (B) "all owned autos, hired autos and non-owned autos".

5. **Professional E&O Insurance** Professional Liability Insurance in an amount of not less than per claim and written on a claims made bases.
6. **CYBER LIABILITY COVERAGE** Insurance with limit no less than per occurrence or claim, aggregate that includes:
  - Security and privacy liability
  - Media liability
  - Business interruption and extra expense
  - Cyber extortion
7. If the **PROFESSIONAL LIABILITY (ERRORS AND OMISSIONS)** and/or **CYBER LIABILITY COVERAGE** insurance above is written on a claims-made basis, it shall be maintained continuously for a period of no less than 3 years after the date of Final Completion. The insurance shall have a retroactive date of placement prior to or coinciding with the date services are first provided that are governed by the terms of the Agreement and shall include, without limitation coverage for professional services as called for in the Agreement.
8. **General Insurance Provisions**
  - Certificates of Insurance, as evidence of the insurance required by this Contract Insurance Requirements Attachment shall be submitted by Contractor to WCI,, Inc. The Certificates of Insurance shall provide for no cancellation or modification of coverage without prior written notice to WCI, Inc. in accordance with policy provisions.
  - Proper Address for Mailing Certificates, Endorsements and Notices shall be:

**Western Climate Initiative, Inc.**  
**980 Ninth Street, Suite 1600**  
**Sacramento, CA 95814**
  - If at any time during the life of the Agreement or any extension, the Contractor fails to maintain the required insurance in full force and effect, all work under the Agreement shall be discontinued immediately, and all payments due or that may become due to the Contractor shall be withheld until acceptable replacement coverage notice is received by WCI, Inc. Any failure to maintain the required insurance shall be sufficient cause for WCI, Inc. to immediately terminate the Agreement.
  - Contractor shall ensure that its sub-contractors of every tier also carry insurance with the provisions of this Contract Insurance Requirements Attachment.

*Some details have been removed from the public document for business confidentiality and competitiveness reasons.*

**ATTACHMENT F**  
**CONTRACTOR'S TECHNICAL AND COST PROPOSAL**



# Monitoring Analytics, LLC

## Proposal for Cap and Trade Market Monitoring Services

Presented to the Western Climate  
Initiative, Inc. in Response to WCI RFP  
#2015-03

August 26, 2015



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## Proposal Letter

August 26, 2015

WCI, Inc.  
980 Ninth Street  
Suite 1600  
Sacramento, CA 95814

Dear Western Climate Initiative:

Monitoring Analytics, LLC is pleased to submit this proposal for “Cap and Trade Market Monitoring Services” to the Western Climate Initiative, Inc. in response to WCI RFP #2015-03.

This proposal documents our qualifications as a market monitor, including our record of independence and integrity, our key proposed personnel and qualifications, our experience applicable to the scope of work, and our proposed work plan and cost.

The enclosed proposal is submitted in response to the above-referenced Request for Proposal #2015-03, including any addenda. Through submission of this proposal we agree to all of the terms and conditions of the Request for Proposal, and agree that any inconsistent provisions in our proposal may result in a lower score, up to and including disqualification. We have carefully read and examined the Request for Proposal, and have conducted such other investigations as were prudent and reasonable in preparing the proposal. We agree to be bound by statements and representations made in our proposal.

This proposal includes no exceptions to the WCI, Inc. General Terms and Conditions.

The offer contained in this proposal constitutes an irrevocable offer for a period of 180 days after proposal submission.

We sincerely appreciate the opportunity to be of service to the Western Climate Initiative, Inc., and we look forward to continuing to provide our market monitoring services.

Sincerely,

Joseph Bowring

President  
Monitoring Analytics, LLC  
2621 Van Buren Avenue, Suite 160  
Eagleville, Pennsylvania 19403  
United States of America

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

## **Proposal Summary**

Monitoring Analytics proposes to provide market monitoring services to the Western Climate Initiative, Inc. (WCI) in response to Request for Proposal RFP 2015-03. Monitoring Analytics currently serves as the Market Monitor for the WCI (the California Air Resources Board (ARB) since 2012, and the Québec Ministry of Développement Durable Environnement et Lutte Contre les Changements Climatiques (MDDELCC) since 2013.)

As the incumbent Market Monitor for WCI, Inc., Monitoring Analytics has supported and contributed to the development of the ARB and MDDELCC cap-and-trade programs, and has detailed knowledge of the complex regulations and processes that have made the WCI program a success to date.

With the potential that WCI will contract with a new auction administrator, and that new jurisdictions may join, WCI and its jurisdictions will benefit from the continuity provided by maintaining a trusted market monitor. Monitoring Analytics has worked with the WCI, ARB and MDDELCC to develop WCI's complex market and monitoring program, and can continue to build on this foundation of expertise and experience.

The total proposed not-to-exceed cost for the Cap and Trade Market Monitoring Service for the duration of December 1, 2015, through January 31, 2020 is \$691,390. The proposed not-to-exceed cost to extend the contract an additional two years, through January 31, 2022, is \$324,127.

We expect that the steady-state monitoring program will continue to operate efficiently and cost effectively in future years. The not-to-exceed total included in this proposal also provides the required flexibility to accommodate the increased work load that would result from changes in program scope anticipated in the RFP, including the addition of new jurisdictions and the potential engagement of a new auction administrator. Under the current contract, this flexibility has allowed WCI jurisdictions to include Monitoring Analytics in ad-hoc investigations and analyses that add value to the cap-and-trade program.



## ***Technical Proposal***

### **A. Technical Approach and Understanding**

Monitoring Analytics presents a Technical Approach, responsive to the elements specified in the RFP:

**Demonstrated sound, feasible, and achievable technical approach to accomplishing the project, which clearly describes the project's objectives and needs and the manner in which they shall be addressed, not merely repeating the Statement of Work;**

Monitoring Analytics proposes to continue to provide market monitoring services to WCI consistent with the current level of service being provided. Monitoring Analytics proposes to use the following approach to monitoring the WCI CO<sub>2</sub> allowance auctions, subject to agreement with the WCI and its participating jurisdictions.<sup>1</sup> Monitoring Analytics has the demonstrated experience and the technical infrastructure to implement all of the following recommendations in the market monitoring service we are proposing for the WCI. This summary specifies the role of the monitor as Monitoring Analytics proposes to implement it.

#### ***Market Monitoring***

##### ***Role of market monitoring***

The monitor will be responsible for monitoring, and reporting on, compliance with the rules, standards, procedures, and practices of the direct markets and secondary markets. The monitor will observe and comment on actual and potential design flaws in market rules, standards, and procedures, and identify structural problems in the markets that may inhibit robust and competitive markets. The monitor will screen for the potential of market participants to exercise market power or manipulate the market, the behavior of market participants that is consistent with attempts to exercise market power or manipulate the market and the market performance that results from the interaction of market structure with participant behavior.

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<sup>1</sup> This approach to monitoring was contributed by Monitoring Analytics to the Western Climate Initiative in a published comment about the WCI's Market Oversight White Paper in December 2009.

When significant problems arise in the markets, the monitor has the responsibility to notify the appropriate oversight entities to prompt further investigation, regulatory action, or modification of market rules.

The monitor is responsible for reviewing available data, designing market metrics based on the available data and proposing the collection and creation of new data items as necessary.

In examining markets, Monitoring Analytics analyzes market structure, the behavior of market participants in that market structure and the resultant performance of markets. The monitor will develop and employ metrics and analytical tools applicable to market structure, participant behavior and market performance. Where established metrics and thresholds do not exist or do not apply, the monitor has the expertise to develop new metrics based in the actual operations of markets.

### ***Data Handling Requirements for Market Monitoring***

The monitor has experience handling, processing, storing and securing the data and creating the metrics required to carry out its function.

### ***Conflicts of Interest***

The monitor should have no real or perceived conflicts of interest with any of the participants in the markets it is monitoring. The monitor of a market should not act on behalf of any party directly involved in the market. The monitor's staff should not have financial interests in any company participating in the markets monitored by the monitor. The absence of any conflict of interest is essential to assuring the impartiality of the market monitor and contributing to the confidence of market participants and the public in the market.

### ***Monitoring the Primary Market***

The monitor will independently verify the outcomes of the auctions. The monitor will evaluate price formation in the auctions, including examining the auctions for accurate price discovery or any impediments to accurate price discovery.

### ***Benchmarks for monitoring the primary market: Price formation***

The monitor will develop and employ metrics and screens for accurate price discovery, or any impediments to accurate price discovery. This includes an evaluation of the basic auction mechanics and operation. This also includes, but is not limited to, comparisons of the auction outcomes and underlying bids relative to estimated and/or market based incremental cost of CO<sub>2</sub> credit allowances and/or credit alternatives.

***Benchmarks for monitoring the primary market: Market Structure***

The monitor will examine the structure of the market. This entails examining the patterns of ownership of existing CO<sub>2</sub> allowances and net positions (allowance holdings relative to accrued compliance obligations) among the authorized entities (e.g., an organization and its authorized participant and/or agents) participating in the current auction, to the extent that such data is available. The monitor will examine the potential and actual patterns of ownership of CO<sub>2</sub> allowances and net positions that result from the auctions.

***Benchmarks for monitoring the primary market: Behavior***

The monitor will examine the behavior of the participants in the market. The monitor will examine the demand bids (price and quantity pairs) by authorized entities, by groups of entities and by individual participants. The monitor will examine demand bids and net allowance positions for activity consistent with attempts to manipulate auction results.

***Monitoring the Secondary Markets***

In order to effectively monitor the auctions, the monitor will actively screen and report on activity in the secondary market for allowances. The monitor will track and examine trades of allowances between account holders and the timing of the trades within the CO<sub>2</sub> emission allowance tracking system. The monitor will track allowance transactions by entities, sets of entities and individual participants before, during and after auctions to monitor for potential secondary market transactions which may interfere with accurate price discovery within the auction.

***Benchmarks for Monitoring Secondary Markets***

The monitor will examine secondary market transactions by entities, sets of entities and individual participants to evaluate price formation and price discovery in the secondary markets, and the interaction between the auction and the secondary markets in terms of price formation and price discovery. The monitor will screen for activity and/or performance consistent with attempts to manipulate prices and, depending on data availability, attempts to leverage secondary and associated market (energy markets, CO<sub>2</sub> offset markets or interests) positions.

***The Market Monitoring Function: Reporting***

Reporting market findings and the basis of those findings is one of the primary roles of market monitoring. To the extent that some aspects of market activity are kept confidential to preserve the efficiency of the market, it is important that the monitor provide the results of its oversight of primary and secondary markets in

the form of comprehensive reports on the metrics it is using to screen the market structure, participant behavior and market performance. The monitor has a responsibility to explain market outcomes. The monitor will provide the result of its review of the operation of each auction and identify any potential design flaws in operating rules, standards, procedures, market power mitigation or practices as set forth in the auction rules which may negatively impact the outcome of the auctions. The monitor will confirm the outcome of the auctions and provide a review of the structure of the auctions, behavior of the participants in each auction and performance of each auction. The monitor will identify any issues with the structure of the auctions, the behavior of the auction participants or the performance of the auctions and provide a review of auction price formation and price discovery. The monitor will identify and report on any concerns regarding the potential ability or probable attempts to leverage secondary and associated market positions over the previous year.

**Demonstrated solid grasp of the subject area, including familiarity with regulatory and market-based issues related to Market Monitoring Services for market-based environmental compliance programs;**

Monitoring Analytics solid grasp of the subject area is demonstrated by our experience serving as the market monitor for the WCI cap-and-trade program since 2012 and the deliverables that have been provided to WCI and the jurisdictions, including:

- Auction Reports (16)
- Quarterly Reports (11)
- Annual Reports (4)
- FAQ Proposed Questions and Answers
- MAP Auction User Guide Edits and Comments
- MAP Prototype Review
- Review of Ownership Data
- Review of Auction and Reserve Sale Procedures
- Review of Market Cap and Trade Design and Technical Requirements
- Review of QC C&T Regulation
- Auction Requirements Review
- Review of Proposed Algorithm and Report Changes
- Reserve Sale Reports Design Review
- Review of Auction Reports Designs
- Review of QC C&T Regulation Proposed Changes
- Algorithm test cases for individual auction
- Algorithm test cases for linked auction
- MA memo on AA Test Case Results
- MA memo on WCI UAT Results
- MA memo on Exchange Rate Recommendation in Linked Auction

- MA memo on Bid Report Issue
- MA memo on Auction Summary Report Statistics Issues
- MA memo on Median Metrics
- MA memo on application of bid guarantee
- MA memo on At Risk Entity Review
- MA memo on Minimizing and resolving rounding error issues in linked auction
- MA memo on Post auction allowance allocation methodology suggestions
- Review of Regulation Updates
- User Acceptance Test Issues

### **Discussion of any technical barriers/anticipated major difficulties, and recommendations for their resolution; and**

There are no anticipated technical barriers or major difficulties associated with this proposal.

### **Demonstrated ability to work with organizations responsible for designing and implementing market-based environmental compliance mechanisms.**

Monitoring Analytics only business is market monitoring and market design, and our experience with WCI, ARB, MDDELCC, PJM and other ISOs/RTOs demonstrates our grasp of the issues involved and our ability to work with these organizations. Monitoring Analytics, working closely with WCI, ARB and MDDELCC, has contributed to the development of the ARB and MDDELCC cap-and-trade programs. Further details of this demonstrated ability are included throughout this proposal.

### **Conflicts of Interest and Confidentiality**

Monitoring Analytics takes pride in our independence from conflicts of interest. Monitoring Analytics is an independent consulting firm that serves as the Independent Market Monitoring Unit for PJM Interconnection. In our role as the PJM Market Monitor, Monitoring Analytics monitors the market in accordance with our governing tariff and does not act on behalf of any party within the PJM footprint.<sup>2</sup>Monitoring

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<sup>2</sup> See PJM Open-Access Transmission Tariff Attachment (OATT) M §§ I & III.C (“The Market Monitoring Unit shall be independent from, and not subject to, the direction or supervision of any person or entity, with the exception of the PJM Board as specified in Section III.D, and the Commission. No person or entity shall have the right to preview, screen, alter, delete, or otherwise exercise editorial control over or delay Market Monitoring Unit actions or investigations or the findings, conclusions, and recommendations developed by the Market Monitoring Unit that fall within the scope of market monitoring responsibilities contained in this Plan.”).

Analytics staff cannot have financial interests in any company in the markets monitored by Monitoring Analytics and cannot receive or provide gifts to any market participant.<sup>3</sup>

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<sup>3</sup> See OATT Attachment M §IX:

**A. Conflicts of Interest:**

1. The Market Monitoring Unit will use its best efforts to assure that all of its employees comply with this Code of Ethics and shall take appropriate disciplinary actions against employees who violate the policy.
2. The Market Monitoring Unit and its employees assisting on market monitoring matters for PJM, and their spouses and dependent children, may not have a direct equity or other financial interest in a Market Participant or in a parent, subsidiary, or affiliate of a Market Participant. (The term “direct” is meant to exclude investments such as mutual funds in which a person has no direct control, with the exception of sector-specific mutual funds.)
3. The Market Monitoring Unit and its employees assisting on market monitoring matters for PJM, may not undertake a matter for a third party where such representation would require disclosure of market-sensitive or proprietary information of PJM.

**B. Prohibited Engagements and Conduct by the Market Monitoring Unit:**

1. Neither the Market Monitoring Unit nor its employees will be engaged to provide advice to, or undertake a matter for or on behalf of, any entity on any entity’s participation in the PJM Markets, except as otherwise authorized under subparagraphs 3 and 5 below.
2. Neither the Market Monitoring Unit nor its employees will be engaged by any entity in any litigation, open regulatory docket, alternative dispute resolution procedure, or arbitration with PJM, except as otherwise authorized under subparagraphs 3 and 5 below.
3. Neither the Market Monitoring Unit nor its employees will be engaged to appear on behalf of or against any entity before a state regulatory commission within the PJM Region in any new engagement in the electricity business except as authorized under the PJM Tariff, as requested by a state regulatory commission, or as otherwise required by law.

4. Neither the Market Monitoring Unit nor its employees shall accept any engagement by any market participant outside of the PJM Region that would require the Market Monitoring Unit to take a position adverse to any PJM member or inconsistent with any position taken by the Market Monitoring Unit in the PJM Region.

5. Neither the Market Monitoring Unit nor its employees will be engaged to appear on behalf of or against any entity before the Commission on any matter within the PJM Region in any new engagement in the electricity business except as authorized under the PJM Tariff, as requested by the Commission, or as otherwise required by law.

6. Before the Market Monitoring Unit accepts any engagement on behalf of or against an Interested Party, it must inform the PJM General Counsel and the PJM Board of such potential engagement and provide the PJM Board with an opportunity to state its objection to such representation on the ground the engagement would present a conflict of interest or result in the material appearance of conflict. At the discretion of the Market Monitoring Unit, the Market Monitoring Unit may notify the PJM General Counsel that the proposed engagement is confidential and request that the General Counsel disclose the proposed engagement only to a PJM Board subcommittee in a manner which limits the disclosure of nonpublic information. Within seven (7) business days of being informed of the potential engagement by the Market Monitoring Unit, the PJM Board shall state any objection to such potential engagement. If the Market Monitoring Unit disagrees with the PJM Board's determination regarding the potential engagement by the Market Monitoring Unit, the Parties shall jointly engage the Commission's Dispute Resolution Service to determine whether the engagement would present a conflict of interest or result in the material appearance of a conflict. Unless the Commission's Dispute Resolution Service finds no conflict of interest the Market Monitoring Unit shall be precluded from accepting the challenged engagement. For these purposes, the term "Interested Party" means (x) a Market Participant; (v) a state regulatory commission within the PJM Region; or (z) a person or entity with a significant direct financial interest in the organization, governance or operation of PJM but shall not include PJM itself.

7. Employees of the Market Monitoring Unit shall not accept gifts, payments, favors, meals, transportation, entertainment, or services (individually, "Gift," and collectively, "Gifts"), of other than nominal value within a calendar year from PJM, Authorized Government Agencies, any market participant, contractor, supplier or vendor to the Market Monitoring Unit. Except that "Gifts" shall not include any of the foregoing that is generally provided to the attendees of business meetings (e.g. PJM stakeholder meetings). Gifts not exceeding One Hundred Fifty Dollars (\$150) shall be deemed to be of "nominal value." Similarly, neither the Market Monitoring Unit nor any employee of the Market Monitoring Unit shall offer any Gift to any public official or Market Participant unless such Gifts: are legal; not offered for specific gain or reciprocal action; follow generally accepted ethical standards; and are of nominal value.

8. Neither the Market Monitoring Unit nor its employees shall serve as an officer, employee or partner of a Market Participant.
9. Neither the Market Monitoring Unit nor its employees shall engage in any transactions in the PJM markets other than the performance of their duties under the PJM Tariff.

Monitoring Analytics continues to observe the highest possible standards for confidentiality and avoiding conflicts of interest in our ongoing work for WCI, Inc. Every Monitoring Analytics staff member involved in analysis of WCI information must first sign the confidentiality statement that is included in the contract between WCI and Monitoring Analytics. These signed statements are kept on file, and are sent to the WCI Executive Director. Monitoring Analytics will continue to take the same approach to independence and conflict disclosure for the WCI, Inc. as we have as Market Monitor for the PJM markets.

In our role as PJM Market Monitor, we perform the monitoring function in a way that handles confidential information, meeting the same data security requirements met by PJM. Monitoring Analytics, in our role as PJM Market Monitor is subject to IT security audits and hires an IT security consultant to penetration test and evaluate our security. Monitoring Analytics maintains data security while providing public market measures that permit insight into the functioning of the competitive markets and ensuring that the public interest is served.

As Market Monitor for WCI, Monitoring Analytics has developed a Security Plan which defines how we will apply our information security practices with our interactions with WCI and jurisdiction staffs, and with personnel from the auction administration and financial services contractors.

## **B. Corporate Experience**

### **Corporate Experience Example 1: Western Climate Initiative (WCI)**

Since 2012, Monitoring Analytics has served as the Market Monitor for the WCI cap- and-trade program. The market monitor role started with the California Air Resources Board (ARB) in 2012, and expanded to include the Québec MDDELCC in 2013. Details of our role as market monitor are included throughout this proposal.



10. Neither the Market Monitoring Unit nor its employees shall be compensated, other than by PJM, for any expert witness testimony or commercial services, either to PJM or to any other party, in connection with legal or regulatory proceeding or commercial transaction relating to PJM or to PJM's markets.

11. Employees of the Market Monitoring Unit must advise their supervisor(s) in the event they seek employment with a Market Participant, and must disqualify themselves from participating in any matter that would have an effect on the financial interest of the Market Participant while still in the employ of the Market Monitoring Unit.

## **Corporate Experience Example 2: PJM Interconnection**

Monitoring Analytics has fifteen years of experience as the independent market monitor for PJM. Monitoring Analytics, LLC was established as a separate company in 2008, created by spinning off the Market Monitoring Unit of PJM Interconnection. PJM Interconnection, a regional transmission organization, ensures the reliability of the electric power supply system in 13 states and the District of Columbia. Since 1999, the PJM Market Monitoring Unit has been responsible for promoting a robust, competitive and nondiscriminatory electric power market in PJM by implementing the PJM Market Monitoring Plan. Monitoring Analytics continues to serve as the Independent Market Monitor for PJM under a long-term contract. Monitoring Analytics has extensive experience producing reports on a variety of market topics. Our reports and presentations can be found on the Monitoring Analytics web site at: <http://www.monitoringanalytics.com>.

## **Corporate Experience Example 3: Southwest Power Pool (SPP)**

Since 2013, Monitoring Analytics has advised SPP on the establishment of SPP's internal Market Monitoring Unit (MMU), and continues to provide consulting to SPP MMU staff. Monitoring Analytics has assisted the SPP MMU in defining standard practices for calculating generator costs for purposes of developing cost based offers and market power mitigation tools.

Monitoring Analytics developed a Java-based web application for collecting generator cost and performance data from hundreds of market participant companies for thousands of generating units in SPP and PJM. This Market Monitoring Data Depository (MMDD) also includes an opportunity cost calculator (OCC) which is coded in SAS and uses GAMS optimization to simulate the optimal dispatch of environmentally constrained generating units for the purpose of calculating the foregone future revenue resulting from being dispatched in the current hour.

For details, see <http://www.monitoringanalytics.com/tools/sppmddhelp.shtml>

## **Corporate Experience Example 4: New Zealand Electricity Authority**

Monitoring Analytics was hired in 2014 by the New Zealand Electricity Authority to a review its spot market with the goal of determining any modifications that could be taken to improve competition across the electricity industry, with an emphasis on improvements that would facilitate retail competition.

Monitoring Analytics provided a report that reviewed critical aspects of New Zealand's existing spot market design and provided a number of market design suggestions aimed at achieving the Authority's goals to reduce barriers to entry; facilitate consumer participation; provide efficient price transparency and efficiency; improve competition in the wholesale, retail and hedge markets; and promote flexibility and resiliency. Monitoring Analytics is continuing to provide advice as New Zealand Electricity Authority begins taking steps to implement the suggested changes.

## References

See references in Attachment B.

## Work Plan and Work Schedule

The following twelve tasks are proposed to be performed as specified in Appendix A of the RFP. Monitoring Analytics includes the following additional details as explanation for how we will satisfy the scope of the RFP, but for purposes of reducing the length of the proposal, the scope of work in the RFP is included by reference, rather than including it word for word in this document.

The following sections also present the anticipated subtasks and resource hours estimated for each of the twelve tasks.

The approximate time frame for each of the tasks and associated subtasks is also included in Appendix D.

### Task 1: Develop Final Work Plan and Schedule

The first task in January 2016 will be to complete a work plan and schedule. Throughout the period of the contract, the work plan and schedule will be revisited and maintained consistent with the needs of WCI and the participating jurisdictions.

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

#### BASE PERIOD

		Name:						
		Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
	Task 1. Develop Final Work Plan and Schedule							
1-1	Develop Final Work Plan and Schedule							
1-2	Maintain Work Plan							

#### OPTION PERIOD

		Name:						
		Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
	Task 1. Develop Final Work Plan and Schedule							
1-1	Develop Final Work Plan and Schedule							
1-2	Maintain Work Plan							

## Task 2: Prepare and Maintain a Security Plan

Security and confidentiality are part of the culture of Monitoring Analytics. Under the direction of the CIO of Monitoring Analytics, we have developed information systems architecture and processes, policies, and procedures to be compliant with the NERC CIP requirements of PJM Interconnection. Monitoring Analytics will maintain the same high level of organizational capability, maturity and security for the WCI as is done for PJM Interconnection.

Monitoring Analytics proposes to use our existing policies and procedures, information systems and security assets, documentation, and organizational experience for this WCI Market Monitoring engagement. We have the opportunity to provide this high level of security assurance without having to develop it from the ground up. As a result, we can offer this capability without passing additional costs on to the WCI.

The existing system security plan includes the following sections, which will be reviewed in detail to determine if updates are necessary:

- 1) Security Policy
- 2) Organizational Responsibility
- 3) Points of Contact and Escalation
- 4) Interactions with WCI, Contractor, and Jurisdiction Staff
- 5) Confidential Data Handling
- 6) Security Incident Reporting
- 7) Data Storage Security and Protection
- 8) Backups
- 9) Data Access Control
- 10) Operational Data Handling

The following is the work plan for the sub tasks described for this Task 2, "Prepare a System Security Plan".

BASE PERIOD								
		Name:						
Task 2. Prepare and Maintain a Security Plan		Role:	Project Manager	Senior	Senior Systems Consultant	Senior	Consultant	Total Hours
2-1	Prepare Security Plan							
2-2	Ongoing Maintenance							

OPTION PERIOD								
		Name:						
Task 2. Prepare and Maintain a Security Plan		Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
2-1	Prepare Security Plan							
2-2	Ongoing Maintenance							

### Task 3: Prepare and Maintain a Monitoring Plan

The foundation of a market monitoring program is a well-defined monitoring plan, understood by the market monitor, the responsible regulators, and the market administrator. The object of the Market Monitoring Plan is to define the responsibilities to objectively monitor, investigate, evaluate and report on the Cap and Trade program.

Monitoring Analytics has developed a Market Monitoring Plan for the WCI, and proposes to continue to execute that plan. Monitoring Analytics will also take the opportunity to review the existing monitoring plan and make updates as deemed appropriate in consultation with the WCI and the jurisdictions.

The monitoring plan includes the following elements:

- Roles and responsibilities
- Levels of authority
- Areas of coordination with regulators and the Auction Administrator (AA)
- Avenues for referral to regulators
- Data requirements of market administrators and participants
- Resources to be applied to monitoring (staff, systems, software and processes)
- Metrics proposed to be used, and proposed sources of information
- Reporting requirements of the market monitor
- Procedures for monitoring auctions, analyzing results, and assessing the effectiveness of market rules
- Procedures for monitoring and analyzing secondary market activity and assessing the effectiveness of the market rules regarding secondary market activity.

The following is the work plan and schedule for the sub tasks described for this Task 3, "Prepare a Monitoring Plan".

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

BASE PERIOD								
		Name:						
Task 3. Prepare and Maintain a Monitoring Plan		Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
3-1	Prepare Monitoring Plan							
3-2	Ongoing Maintenance							

OPTION PERIOD								
		Name:						
Task 3. Prepare and Maintain a Monitoring Plan		Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
3-1	Prepare Monitoring Plan							
3-2	Ongoing Maintenance							

### **Task 4: Monitor Compliance Instrument Holdings; CITSS Transfer Activity; Secondary, Derivative, and Related Market Activity; and Market Structure**

Monitoring Analytics has, in its role as the market monitor, created and maintained an Oracle database to contain data gathered from CITSS and other data relevant to monitoring the WCI Cap-and-Trade program. Monitoring Analytics will, in its role as the market monitor, continue to populate and maintain an Oracle database containing data gathered from CITSS and other data relevant to monitoring the WCI Cap-and- Trade program, including data from public and commercial sources.

Monitoring Analytics will maintain the database to track allowance transactions, and will follow the holdings of auction and post-auction market participants.

Monitoring Analytics currently monitor for anti-competitive behavior. Monitoring Analytics currently assists and will continue to assist the jurisdictional tracking of corporate relationships for purposes of verifying corporate associations.

Monitoring Analytics currently reviews and will continue to review anomalous behavior in allowance holdings, as well as review potential market activity rule violations. Any anomalies of potential violations that are discovered will be reported to the jurisdictions.

Monitoring Analytics has performed each required element under this task for WCI jurisdictions and performs similar data handling, tracking and analysis functions for the PJM markets on a daily basis.

The following is the work plan and schedule for the sub tasks described for this Task 4, “Monitor Allowance Holdings and Transfer Activity”.

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

		BASE PERIOD						
		Name:						
Task 4. Monitor Compliance Instrument Holdings; CITSS Transfer Activity; Secondary, Derivative, and Related Market Activity; and Market Structure		Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
4-1	Capture & Convert CITSS Data, Update Infrastructure							
4-2	Analyze Holdings, Secondary Market Data							
4-3	Weekly Meetings with Jurisdictions, WCI							
4-4	Quarterly Reports							
4-5	Annual Reports							

OPTION PERIOD

		Name:						
Task 4. Monitor Compliance Instrument Holdings; CITSS Transfer Activity; Secondary, Derivative, and Related Market Activity; and Market Structure		Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
4-1	Capture & Convert CITSS Data, Update Infrastructure							
4-2	Analyze Holdings, Secondary Market Data							
4-3	Weekly Meetings with Jurisdictions, WCI							
4-4	Quarterly Reports							
4-5	Annual Reports							

**Task 5: Provide Independent Review of Participant Corporate Structure**

Monitoring Analytics staff is currently responsible for processing parent information provided by WCI and the jurisdictions, and comparing that information to information collected from public or commercial sources. Monitoring Analytics will continue to use this information to assist the jurisdictional tracking of corporate relationships for purposes of verifying corporate associations. Monitoring Analytics will continue to maintain a database to track corporate structure and ultimate parent assignment for market power analysis. Monitoring Analytics will confirm the results of this analysis with the jurisdictions.

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

BASE PERIOD

		Name:						
Task 5. Provide Independent Review of Participant Corporate Structure		Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
5-1	Receive, Manage, and Process Jurisdiction, CITSS, Internet, and Subscription Data							
5-2	Perform Ultimate Parent Market Power Analysis							
5-3	Review and Confirm Analysis with Jurisdictions							

OPTION PERIOD

		Name:						
Task 5. Provide Independent Review of Participant Corporate Structure		Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
5-1	Receive, Manage, and Process Jurisdiction, CITSS, Internet, and Subscription Data							
5-2	Perform Ultimate Parent Market Power Analysis							
5-3	Review and Confirm Analysis with Jurisdictions							

## Task 6: Audit and Monitor the Auctions

Monitoring Analytics staff currently monitors and will continue to monitor the structure, conduct, and performance of the Cap and Trade auctions. This monitoring takes place prior to the auctions (in the auction design and participant registration and qualification stages); during the auctions (on conference calls with the Auction Administrator and jurisdiction staffs, and observing bids through the auction application); and after the auctions (reviewing post auction results and activity in the secondary markets.)

**Structure:** Monitoring auction, or market, structure consists of identifying the number of market participants, the types of organizations that are participating (e.g. compliance entities versus non-compliance entities, physical hedge versus financial speculation) other structural metrics that indicate the presence of market power and the potential ability to manipulate prices. The analysis of market structure can provide the basis for proposing market power mitigation strategies when appropriate.

In our experience, an important purpose of analyzing market structure is understanding the relationships that exist between and among market participants. Extra care will be taken to understand the relationships between and among qualified market participants.

**Conduct:** Monitoring conduct has two major elements: 1) analyzing participant conduct or behavior, and 2) reviewing the performance of the auction administrator.

Analysis of participant behavior includes in the auctions and participants' compliance with auction rules and timelines. Market participants may try to exploit flaws in the auction design and rules and behave in an unexpected manner.

Analysis of auction administrator conduct includes reviewing performance of the auction administration and auction clearing software and processes, reviewing procedures followed to register and qualify auction participants, reviewing procedures to ensure appropriate handling of confidential auction information, transparent compliance with auction rules, and ensuring that unexpected circumstances throughout the auction are handled in a fair and transparent manner.



**Performance:** Monitoring auction performance provides insight into the outcomes of the auctions: Do the auctions result in prices that reflect the economic fundamentals of the market for allowances?

The following is the work plan and schedule for the sub tasks described for this Task 6, “Audit and Monitor the Auctions.”

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

BASE PERIOD							
Name:							
	Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
Task 6. Audit and Monitor the Auctions							
6-1	Gather and Process Auction Data						
6-2	Monitor Conduct of Auction						
6-3	Analysis of Auctions						
6-4	Auction Report						

OPTION PERIOD							
Name:							
	Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
Task 6. Audit and Monitor the Auctions							
6-1	Gather and Process Auction Data						
6-2	Monitor Conduct of Auction						
6-3	Analysis of Auctions						
6-4	Auction Report						

### Task 7: Audit and Monitor the Reserve Sales

The effort for this task is proposed to match that of monitoring the auctions. The reserve sales will follow different procedures, and will be conducted independently by jurisdiction, and so have the potential to occur more frequently than the joint auctions. However, to date, the WCI jurisdiction reserve sales have not required market monitoring effort, so these labor estimates may be conservative, and in the absence of a reserve sale event, not expected to be incurred.

The following is the work plan and schedule for the sub tasks described for this Task 7, “Audit and Monitor the Reserve Sales.”

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

BASE PERIOD								
Name:								
	Task 7. Audit and Monitor the Reserve Sales	Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
7-1	Gather and Process Reserve Sale Data							
7-2	Monitor Conduct of Reserve Sales							
7-3	Analysis of Reserve Sales							
7-4	Reserve Sale Report							

OPTION PERIOD								
Name:								
	Task 7. Audit and Monitor the Reserve Sales	Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
7-2	Monitor Conduct of Reserve Sales							
7-3	Analysis of Reserve Sales							
7-4	Reserve Sale Report							

### Task 8: Participate in Auction Services Testing and Demonstration

Under the current contract with WCI and the jurisdictions, Monitoring Analytics has played a significant role in evaluating the auction platform functionality and auction clearing logic.

Should a new Auction Administrator be contracted by WCI, Monitoring Analytics expects that there will be a need for significant additional testing as the new auction application is developed.

The following is the work plan and schedule for the sub tasks described for this Task 8, "Participate in Auction Services Testing and Demonstration."

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

BASE PERIOD								
Name:								
	Task 8. Participate in Auction Services Testing and Demonstration	Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
8-1	Consultation on Auction Algorithms		■	■	■	■	■	■
8-2	Development of Auction Test Cases		■	■	■	■	■	■
8-3	Auction Platform Testing - Monitoring		■	■	■	■	■	■
8-4	Meetings with AA and Jurisdictions re AA Development		■	■	■	■	■	■
8-5	Observation of and Memoranda on AA Development		■	■	■	■	■	■
8-6	Support for Ongoing AA Enhancements		■	■	■	■	■	■

		OPTION PERIOD						
		Name:						
	Task 8. Participate in Auction Services Testing and Demonstration	Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
8-1	Consultation on Auction Algorithms							
8-2	Development of Auction Test Cases							
8-3	Auction Platform Testing - Monitoring							
8-4	Meetings with AA and Jurisdictions re AA Development							
8-5	Observation of and Memoranda on AA Development							
8-6	Support for Ongoing AA Enhancements							

### Task 9: Review Participating Jurisdiction Regulations and Other Program Documentation

Monitoring Analytics has provided and will continue to provide the advice requested in the RFP. The delivery of this task will consist of a thorough review of the documented auction rules, followed by a written memorandum of recommendations and questions for the considerations listed in the RFP.

Consideration is given to the possibility that new jurisdictions will be added to the WCI, and the effort required to harmonize the regulations of new jurisdictions with the regulations of existing participating jurisdictions.

The following is the work plan and schedule for the sub tasks described for this Task 9, "Review Participating Jurisdiction Regulations and Other Program Documentation".

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

		BASE PERIOD						
		Name:						
	Task 9. Review Participating Jurisdiction Regulations and Other Program Documentation	Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
9-1	Review CA regulations							
9-2	Review QC regulations							
9-3	Review New Jurisdiction Regulations							
9-4	Review Other Documentation							

		OPTION PERIOD						
		Name:						
	Task 9. Review Participating Jurisdiction Regulations and Other Program Documentation	Role:						
9-1	Review CA regulations							
9-2	Review QC regulations							
9-3	Review New Jurisdiction Regulations							
9-4	Review Other Documentation							

**Task 10: Linking with Additional Jurisdictions**

The addition of new jurisdictions to the WCI program would require additional effort for integrating the new jurisdictions into existing processes, as well as updating and testing existing analytical and data infrastructure.

The following is the work plan and schedule for the sub tasks described for this Task 10, “Linking with Additional Jurisdictions.”

Details have been removed from the public document for business confidentiality and competitiveness reasons.

		BASE PERIOD						
		Name:						
	Task 10. Linking with Additional Jurisdictions	Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
10-1	Meetings with Linking Jurisdictions							
10-2	Impact on Analytic Work (Code and Processes)							
10-3	Impact on Infrastructure							
10-4	Testing AA Algorithms							

		OPTION PERIOD						
		Name:						
	Task 10. Linking with Additional Jurisdictions	Role:	Project Manager	Senior Consultant	Senior Systems Consultant	Senior Consultant	Consultant	Total Hours
10-1	Meetings with Linking Jurisdictions							
10-2	Impact on Analytic Work (Code and Processes)							
10-3	Impact on Infrastructure							
10-4	Testing AA Algorithms							

**Task 11: Provide Knowledge Transfer and Ad Hoc Reports**

**Task 12: Optional Task: Transition Out**

The level of effort for Tasks 11 and 12 remain undefined, as specified in the RFP. The following are the hours allocated to these tasks, as required in the RFP.

Details have been removed from the public document for business confidentiality and competitiveness reasons.

Labor Category	Base	Option	Base	Option
Project Manager				
Senior Consultant				
Consultant				
Junior Consultant				
Senior Systems Consultant				
Systems Consultant				
Systems Analyst				
Clerical/Admin Support				

*Pages 24 – 26 of the proposal from Monitoring Analytics contains information about key personnel, organizational and references. Details have been removed from the public document for business confidentiality and competitiveness reasons.*

## **C. Personnel**

The following profiles provide a summary of the Monitoring Analytics leadership team and selected staff. For further detail, please see full resumes provided in Appendix A.

The tasks assigned to each resource, and associated hours are detailed in the “Work Plan and Work Schedule” section of the Technical Proposal.

In addition to the staff profiled here, Monitoring Analytics also employs staff analysts with significant education and employment experience, who will be assigned to support the WCI contract as necessary.

For the WCI engagement, he has served as project manager and provided overall strategic direction. Since 1999, has been the Market Monitor for PJM, responsible for all market monitoring activities of PJM Interconnection. He has extensive experience in applied energy and regulatory economics. He is called upon to testify before state and federal regulators.

Has served as the ARB/WCI, Inc. Market Monitor team lead since 2012.

For the WCI engagement, he has served as the project lead consultant and day-to-day point of contact for WCI, ARB, and MDDELCC staff.

He has served as the ARB/WCI, Inc. Market Monitor technology lead since 2012, and is responsible for managing CITSS data for the ARB jurisdiction.

A project manager at Monitoring Analytics. Since 2005, he has provided project and process management support, coordinating software and database development, as well as managing the timely delivery of key Monitoring Analytics products. For the WCI engagement, he has served in an operations support and alternate project manager role, monitoring auctions, managing data and communications, and managing deliverable quality.

He has served as ARB/WCI, Inc. Market Monitor operations support and alternate project manager since 2012, and is responsible for managing CITSS data for the MDDELCC jurisdiction.

She is an Analyst at Monitoring Analytics. For the WCI engagement, she has been responsible for coding, analysis, confirming auction results, developing reporting metrics, and tracking the secondary market. She is responsible for monitoring PJM generator performance, analyzing generator reliability models, and performing outage risk analysis. She is also involved in the development and analysis of net revenue models.

He is an Analyst at Monitoring Analytics. For the WCI engagement, he has been responsible for independent entity corporate association research, analysis of bilateral trades reported through CITSS, and entity emissions obligations and compliance. His primary areas of focus include market power mitigation in the PJM Energy Market, generator offers and operational flexibility, tracking ownership of PJM participants, and interaction between natural gas and power markets.

## **References**

See Technical Proposal Attachment B “Proposer References Form” of this proposal.

## **Subcontract/Subcontractors**

No subcontractors are included in this proposal.

## **D. Management Plan**

The Monitoring Analytics team will be as Project Manager. Will provide guidance and direction to the Monitoring Analytics team, and will be available to advise WCI, Inc., and the jurisdictions will be involved in the design and production of all deliverables and analytical work product.

Day-to-day direction for this project will be provided by the Chief Economist for Monitoring Analytics.

Will be responsible for communications with WCI and jurisdiction staff and developing and coordinating analysis. Regularly coordinates progress, planning, and implementation of tasks through weekly calls with WCI and jurisdiction staff.

Staff analysts will provide the day to day execution of the monitoring plan.

Information Technology support will be provided Monitoring Analytics has a full staff of IT and analytical resources available to support the project team in setting up a technical environment, executing analysis or developing work product.

Day to day operations support will be provided by a project manager at Monitoring Analytics.

The specific task by task roles and responsibilities and labor hours proposed are detailed in the "Work Plan and Work Schedule" section of this proposal.

This proposal defines the budgets for each of the twelve proposed tasks, and breaks each of the twelve tasks into sub-tasks, which can be used to track progress and to support the billing process.

Monitoring Analytics will provide billing data based on Work Breakdown Structure codes in our time reporting system, into which our project team report their labor hours.

This management structure and the associated processes have been in place and successfully supported the WCI market monitoring effort since our work with WCI began in 2012.

In Table 13A and Table 14A of this proposal, we estimate the percent of work hours that each resource will bill WCI for the market monitoring effort, as well as the hours per month. Monitoring Analytics staff will be available for 100 percent of the hours required to complete the WCI market monitoring task.

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

## **Cost Proposal**

The total maximum cost for this proposal is \$691,390 for the base period and \$324,127 for the option period, not including any applicable sales tax.

As specified in the RFP 2015-03, for each task, the cost will be specified on a Time and Materials (T&M) basis. The total proposed price for each task shall be considered a Not-to-Exceed (NTE) limit unless approved in writing by WCI.

The total proposed cost represents our conservative estimate for completion of each task. Most, if not all, of the tasks are expected to come in under the individual task's budget. The WCI, Inc. RFP has established the requirement that individual task budgets are not to exceed the proposed limit for each task (notwithstanding the overall project budget) unless approved in writing by WCI, Inc. Should an individual task consume more budget than originally proposed for that task, Monitoring Analytics and WCI, Inc. will work together to reallocate the total budget to reflect the relative effort of each task.

We expect that the steady-state monitoring program will continue to operate efficiently and cost effectively in future years. The not-to-exceed total included in this proposal also provides the required flexibility to accommodate the increased work load that would result from changes in program scope anticipated in the RFP, including the addition of new jurisdictions and the engagement of a new auction administrator. Under the current contract, this flexibility has allowed WCI jurisdictions to include Monitoring Analytics in ad-hoc investigations and analyses that add value to the cap-and-trade program.

The offer contained in this proposal constitutes an irrevocable offer for a period of 180 days after proposal submission.

The details of the Cost Proposal are included in the cost tables in Appendix C

## **Exceptions to WCI, Inc. Standard Contract Form**

Monitoring Analytics accepts the WCI, Inc. Standard Terms and Conditions.



## **Appendix A: Resumes of Proposed Resources**

*Pages 28 – 42 of the proposal from Monitoring Analytics contains information about key personnel, organizational and references. Details have been removed from the public document for business confidentiality and competitiveness reasons.*

**Appendix C – Cost Tables**

*Details have been removed from the public document for business confidentiality and competitiveness reasons.*

**Table 1 Billing rates by labor category, base period and option period**

Labor Category	Base Period Rate	Option Period Rate
Project Manager		
Senior Consultant		
Consultant		
Junior Consultant		
Senior Systems Consultant		
Systems Consultant		
Systems Analyst		
Clerical/Admin Support		

**Table 2 Personnel labor category assignment**

Name	Labor Category
	Project Manager
	Senior Consultant
	Senior Systems Consultant
	Senior Consultant
	Consultant

**Table A-1 Hours and Cost for Task 1, Develop Final Work Plan**

Table A-1 (Develop Final Work Plan)	Base Period			Option Period		
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**Table A-2 Hours and Cost for Task 2, Develop Security Plan**

Table A-2 (Security Plan)	Base Period			Option Period		
Labor Category	Proposed Hours	Rate(\$/hour)	Total Cost(\$)	Proposed Hours	Rate(\$/hour)	Total Cost(\$)

**Table A-3 Hours and Cost for Task 3, Develop Monitoring Plan**

Table A-3 (Monitoring Plan)	Base Period			Option Period		
Labor Category	Proposed Hours	Rate(\$/hour)	Total Cost(\$)	Proposed Hours	Rate(\$/hour)	Total Cost(\$)

**Table A-4 Hours and Cost for Task 4, Monitor Holdings and Secondary Market**

Table A-4 (Monitor Holdings and Secondary Market)	Base Period			Option Period		
	Proposed Hours	Rate (\$/hour)	Total Cost (\$)	Proposed Hours	Rate (\$/hour)	Total Cost (\$)

**Table A-5 Hours and Cost for Task 5, Corporate Structure Review**

Table A-5 (Corporate Structure Review)	Base Period			Option Period		
	Proposed Hours	Rate (\$/hour)	Total Cost (\$)	Proposed Hours	Rate (\$/hour)	Total Cost (\$)

**Table A-6 Hours and Cost for Task 6, Monitor Auctions**

Table A-6 (Monitor Auctions)	Base Period			Option Period		
	Proposed Hours	Rate (\$/hour)	Total Cost (\$)	Proposed Hours	Rate (\$/hour)	Total Cost (\$)

**Table A-7 Hours and Cost for Task 7, Monitor Reserve Sales**

Table A-7 (Monitor Reserve Sales)	Base Period			Option Period		
	Proposed Hours	Rate (\$/hour)	Total Cost (\$)	Proposed Hours	Rate (\$/hour)	Total Cost (\$)

**Table A-8 Hours and Cost for Task 8, Auction Services Testing**

Table A-8 (Auction Services Testing)	Base Period			Option Period		
	Proposed Hours	Rate (\$/hour)	Total Cost (\$)	Proposed Hours	Rate (\$/hour)	Total Cost (\$)

**Table A-9 Hours and Cost for Task 9, Regulation Review**

Table A-9 (Review Regulations)	Base Period			Option Period		
	Proposed Hours	Rate (\$/hour)	Total Cost (\$)	Proposed Hours	Rate (\$/hour)	Total Cost (\$)

**Table A-10 Hours and Cost for Task 10, Linking Jurisdictions**

Table A-10 (Linking Jurisdictions)	Base Period			Option Period		
	Labor Category	Proposed Hours	Rate (\$/hour)	Total Cost (\$)	Proposed Hours	Rate (\$/hour)

**Table A-11 Hours<sup>4</sup> and Cost for Task 11, Knowledge Transfer**

Table A-11 (Knowledge Transfer)	Base Period			Option Period		
	Labor Category	Proposed Hours	Rate (\$/hour)	Total Cost (\$)	Proposed Hours	Rate (\$/hour)

**Table A-12 Hours<sup>5</sup> and Cost for Task 12, Transition Out**

Table A-12 (Transition Out)	Base Period			Option Period		
	Labor Category	Proposed Hours	Rate (\$/hour)	Total Cost (\$)	Proposed Hours	Rate (\$/hour)

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<sup>4</sup> The hours for this task 11 were prescribed in the RFP.

<sup>5</sup> The hours in this task 12 were prescribed in the RFP.

**Table A- 13 Task hours and total cost by resource, BasePeriod**

Staff Name	Labor Category	Rate (\$/hr)	Task 1 (Hrs.)	Task 2 (Hrs.)	Task 3 (Hrs.)	Task 4 (Hrs.)	Task 5 (Hrs.)	Task 6 (Hrs.)	Task 7 (Hrs.)	Task 8 (Hrs.)	Task 9 (Hrs.)	Task 10 (Hrs.)	Task 11 (Hrs.)	Task 12 (Hrs.)	Total Hour	Total Cost

**Table A- 14 Task hours and total cost by resource, OptionPeriod**

Staff Name	Labor Category	Rate (\$/hr)	Task 1 (Hrs.)	Task 2 (Hrs.)	Task 3 (Hrs.)	Task 4 (Hrs.)	Task 5 (Hrs.)	Task 6 (Hrs.)	Task 7 (Hrs.)	Task 8 (Hrs.)	Task 9 (Hrs.)	Task 10 (Hrs.)	Task 11 (Hrs.)	Task 12 (Hrs.)	Total Hour	Total Cost

**Table A-13A Total hours, percent of hours, and hours by month by resource, Base Period<sup>6</sup>**

Staff Name	Total Hours	Percent Hours Proposed	Number of Hours Per Month

**Table A-14A Total hours, percent of hours, and hours by month by resource, Option Period<sup>7</sup>**

Staff Name	Total Hours	Percent Hours Proposed	Number of Hours Per Month

**Table B Other Direct Costs, Base Period and Option Period**

Other Direct Cost (Special)	Unit Cost (\$)	Annual Cost (\$)	Total Program Cost (\$)	
			Base Period*	Option Period**

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<sup>6</sup> Percent of hours estimated based on dividing by 2,000 hours worked per year.

<sup>7</sup> Percent of hours estimated based on dividing by 2,000 hours worked per year.

**Table C Summary of Costs by Task**

Description of Services	Total Costs (\$)	
	Base Period	Option Period
Task 1. Develop Final Work Plan and Schedule		
Task 2. Prepare and Maintain a Security Plan		
Task 3. Prepare and Maintain a Monitoring Plan		
Task 4. Monitor Compliance Instrument Holdings; CITSS Transfer Activity; Secondary, Derivative, and Related Market Activity; and Market Structure		
Task 5. Provide Independent Review of Participant Corporate Structure		
Task 6. Audit and Monitor the Auctions		
Task 7. Audit and Monitor the Reserve Sales		
Task 8. Participate in Auction Services Testing and Demonstration		
Task 9. Review Participating Jurisdiction Regulations and Other Program Documentation		
Task 10. Linking with Additional Jurisdictions		
Task 11. Provide Knowledge Transfer and Ad Hoc Reports		
Task 12. Optional Task: Transition Out		
Other Direct Costs (from Table B)		

Total:

## Appendix D – Task Timing

	Task/Subtask Description	Start Date	End Date
	Task 1. Develop Final Work Plan and Schedule		
1-1	Develop Final Work Plan and Schedule	January 1, 2016	January 15, 2016
1-2	Maintain Work Plan	Ongoing	
	Task 2. Prepare and Maintain a Security Plan		
2-1	Prepare Security Plan	January 1, 2016	January 15, 2016
2-2	Ongoing Maintenance	Ongoing	
	Task 3. Prepare and Maintain a Monitoring Plan		
3-1	Prepare Monitoring Plan	January 1, 2016	January 15, 2016
3-2	Ongoing Maintenance	Ongoing	
	Task 4. Monitor Compliance Instrument Holdings; CITSS Transfer Activity; Secondary, Derivative, and Related Market Activity; and Market Structure		
4-1	Capture & Convert CITSS Data, Update Infrastructure	Monthly	
4-2	Analyze Holdings, Secondary Market Data	Monthly	
4-3	Weekly Meetings with Jurisdictions, WCI	Weekly	
4-4	Quarterly Reports	Quarterly	
4-5	Annual Reports	Annually	
	Task 5. Provide Independent Review of Participant Corporate Structure		
5-1	Receive, Manage, and Process Jurisdiction, CITSS, Internet, and Subscription Data	Monthly	
5-2	Perform Ultimate Parent Market Power Analysis	Quarterly	
5-3	Review and Confirm Analysis with Jurisdictions	Quarterly	
	Task 6. Audit and Monitor the Auctions		
6-1	Gather and Process Auction Data	Quarterly	
6-2	Monitor Conduct of Auction	Quarterly	
6-3	Analysis of Auctions	Quarterly	
6-4	Auction Report	Quarterly	
	Task 7. Audit and Monitor the Reserve Sales		
7-1	Gather and Process Reserve Sale Data	Quarterly	
7-2	Monitor Conduct of Reserve Sales	Quarterly	
7-3	Analysis of Reserve Sales	Quarterly	
7-4	Reserve Sale Report	Quarterly	
	Task 8. Participate in Auction Services Testing and Demonstration		
8-1	Consultation on Auction Algorithms	As needed	
8-2	Development of Auction Test Cases	As needed	
8-3	Auction Platform Testing - Monitoring	As needed	
8-4	Meetings with AA and Jurisdictions re AA Development	As needed	
8-5	Observation of and Memoranda on AA Development	As needed	
8-6	Support for Ongoing AA Enhancements	As needed	
	Task 9. Review Participating Jurisdiction Regulations and Other Program Documentation		
9-1	Review CA Regulations	As needed	
9-2	Review QC Regulations	As needed	
9-3	Review New Jurisdiction Regulations	As needed	
9-4	Review Other Documentation	As needed	
	Task 10. Linking with Additional Jurisdictions		
10-1	Meetings with Linking Jurisdictions	As needed	
10-2	Impact on Analytic Work (Code and Processes)	As needed	
10-3	Impact on Infrastructure	As needed	
10-4	Testing AA Algorithms	As needed	