

Minutes of the Board of Directors

Thursday, October 12, 2017

The Western Climate Initiative, Inc. Board of Directors (the “Board”) held a meeting on October 12, 2017, via teleconference. After an announcement of actions taken by the Board in executive (closed) session preceding the public session, the Board approved the April 20th meeting minutes, reviewed corporate policies, elected officers and appointed members to standing committees, approved a grant to support Oregon’s carbon pricing discussions, approved the California Carbon Information Agreement, and adopted the 2018 budget.

The meeting was called to order by the Chair, Matt Rodriguez, at 10:42 a.m. Pacific Time/1:42 p.m. Eastern Time. Jen Major kept the minutes of the meeting. The meeting was conducted in English only. Two members of the public, Dave Tiffin of Ontario and Jason Hollett of Nova Scotia, attended the meeting via teleconference.

Attendance

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

- Matthew Rodriguez (Chair)
- Robert Fleming (Vice Chair)
- Jean-Yves Benoit (Secretary)
- Tim Lesiuk
- Jim Whitestone
- Alex Wood

Also present were:

- Mark Wenzel, State of California
- France Delisle, Province of Québec
- Stephane Legros, Province of Québec
- Tom Johnson, Province of Ontario
- Greg Tamblyn, WCI, Inc.
- Eric Turcotte, WCI, Inc.
- Jen Major, Ross Strategic
- Chris Delfino, WCI, Inc. Corporate Counsel.

Mr. Rodriguez opened the meeting and roll call was taken by Mr. Tamblyn. A quorum was established. Mr. Rodriguez asked if any Board members had any changes or additions to the agenda. Hearing none, the Board moved to the first agenda item.

I. Actions Taken by the Board in the Executive Session

During Executive Session, the Board approved an amendment of the SRA CITSS Agreement to extend the term of the agreement to December 31, 2018. The amendment also added \$1,968,496 to the agreement to support hosting and development work necessary to support the cap-and-trade programs being implemented by the Participating Jurisdictions.

The Board also approved a proposal from WCI, Inc. staff to offer group health insurance to full time employees.

II. Approve April 20, 2017 Board Meeting Minutes

The April 20, 2017 meeting minutes were presented in both English and French. Mr. Rodriguez asked if there were any questions or corrections to the minutes as they were presented. Hearing no comments from the Board, Mr. Rodriguez asked for a motion to approve the minutes as they were presented.

Mr. Benoit made a motion to approve the minutes as presented. The motion was seconded by Mr. Wood and unanimously approved by the Board.

III. WCI, Inc. Corporate Policies

a) WCI, Inc. Ethical Guidelines and Conflict of Interest Policy

WCI, Inc. Corporate Counsel, Chris Delfino, gave an overview of the Ethical Guidelines and Conflict of Interest Policy. Mr. Delfino reminded the members of the Board that the Ethical Guidelines and Conflict of Interest policy must be signed annually by each Director. Mr. Tamblyn will be collecting all signed copies and report back to the Chair once all the documents have been received. Mr. Tamblyn noted that any questions can be directed to either Mr. Delfino or himself.

b) Amendments to WCI, Inc. By-laws and Procurement Policy

A summary document was provided for Board consideration of proposed amendments to the By-laws for clarity and efficiency in governance and operations. Mr. Tamblyn explained that if the Board decides to make changes to the By-laws, there are additional changes that the Board may want to consider related to the Procurement Policy.

Quorum and the use of the term “Entire Board”

Currently the term Entire Board means all director positions, whether filled or vacant. The Quorum rules require a majority of the Entire Board, if there are vacancies it may be difficult to establish a quorum.

Solution: remove the word “Entire” and define the Board as those directors currently in office.

Approval of Contracts

Currently, contracts over \$50,000 require a two-thirds vote of the Board and does not allow for the Executive Committee to approve contracts over \$50,000. As the organization has grown, the issue is whether or not \$50,000 is the appropriate threshold given the other protections the organization has in place, including oversight by the Finance Committee and Executive Committee, Audited Financials reviewed by the Audit Committee and the Board and the burden on staff and the Board required to get to a two-thirds vote of the Board.

Solution: Increase the amount required for two-third vote to \$250,000 or up to \$1,000,000 and allow for the Executive Committee to act on those contracts below the approved threshold. Above this threshold the Board would act.

A corresponding change in the Procurement Policy would be required to define the threshold for approval of contracts.

Dissenting Votes on Contracts and Approval of Executive Director

In section 4.11, approval of contracts above \$50,000 requires that no dissenting votes be cast. In section 5.9, the approval of the Executive Director must be done with no dissenting votes.

Solution: remove no dissenting votes from contracts and approval of the Executive Director but apply the “no dissenting votes” requirement to the approval on the Budget. For consistency with the removal of the “no dissenting votes” on contracts from the By-laws, apply a corresponding change to the Procurement Policy to allow Participating Jurisdictions to comment on finalists and require Board approval if a finalist is ineligible to participate in public procurements.

Membership of the Executive Committee

The By-laws currently require that officers of the Corporation and at least one Class A Director from each Participating Jurisdiction be named to the Executive Committee. In recent years, it has been the practice to name all of the Directors to the Executive Committee.

Solution: remove the requirement that at least one Class A Director from each Participating Jurisdiction be on the Executive Committee. Allow the Board to name additional members as it deems necessary. Allow for a simple majority of the officers to establish a quorum at Executive Committee meetings.

Questions and discussion

Mr. Whitestone asked for an example of the types of contracts the Executive Committee could approve under the proposed changes. Mr. Tamblyn answered that the GGA agreement for the CITSS information technology assessment and Ross agreement for administrative services are examples of contracts below the \$250,000 threshold, which could be handled by the Executive Committee.

Mr. Wood had questions about dissenting votes, and the implications of tracking and providing an assessment of whether a contractor should be considered eligible for contracting. He expressed concern that changes to NAFTA and the procurement rules attached to it may affect state and provincial policies, and that it would be important to consider any potential implications from the Procurement Policy perspective in each jurisdiction. Mr. Tamblyn acknowledged this concern and added that the proposed changes to procurement would apply to the Procurement Policy itself. Before entering into agreements, WCI, Inc. would review procurement finalists with the Participating Jurisdictions to make sure prospective contractors are eligible to receive public funds. The mechanism is intended to allow the Participating Jurisdictions to provide feedback on the procurement process, and allow Board input on mission-critical issues.

Mr. Benoit said he was comfortable with the recommended threshold and asked about thresholds for approval in other Participating Jurisdictions. In Québec, the Deputy Minister can approve contracts up to \$100,000, and amounts above that to \$1 million must go to Treasury Board, and require a Board of Ministers decree for amounts over \$1 million. Mr. Whitestone indicated that Ontario’s thresholds are higher than Québec’s; the Deputy Minister can approve up to \$1 million. Mr. Rodriguez said he is comfortable with the \$250,000 threshold presented, which can be revisited in the future if it is determined that contracts are being hindered at this level.

Mr. Rodriguez asked if there were further comments or questions; there were none. Mr. Rodriguez asked for a motion to approve the changes to the By-laws as presented by Mr. Tamblyn. A motion was made from Mr. Whitestone and seconded by Ms. Delisle. Mr. Delfino asked whether the motion includes the attached procurement policy, and Mr. Rodriguez clarified that it does. There were no other comments or questions and the motion was unanimously approved.

IV. Elect Officers and Appoint Standing Committee Members for 2018

a) Officers

As provided for in the By-Laws, the Board elects officers and appoints members to standing committees annually. Mr. Wood made a motion on the following resolution:

RESOLVED that the following-named persons are elected to the offices set forth beside their respective names, to serve until the next annual meeting of the Directors and until their successors are duly elected and qualified:

- **Chair:** Matt Rodriguez
- **Vice Chair:** Jim Whitestone
- **Treasurer:** Jean-Yves Benoit
- **Secretary:** Mary Nichols

Mr. Rodriguez asked if there were any comments by the Board. Hearing none, the motion proposed by Mr. Wood was seconded by Ms. Delisle and unanimously approved by the Board. Mr. Rodriguez asked if there were any comments from the public. There were no comments.

b) Appointment of Standing Committee Members

i. **Executive Committee**

The membership of the Executive Committee is established in the By-Laws, and consists of the four officers. The Chair of the Board serves as chairperson of the Executive Committee. The Board may also appoint additional Directors to the Executive Committee.

ii. **Audit Committee**

The Audit Committee shall consist of no fewer than two and no more than six independent non-compensated Class A directors. This Committee shall oversee the quality and integrity of the Corporation's accounting, auditing and reporting practices. The specific powers and responsibilities of the Audit Committee shall be specified in an Audit Committee Charter, which shall be adopted from time to time by the Board.

Upon a motion by Mr. Whitestone and seconded by Mr. Benoit, the Board unanimously approved the following resolution:

RESOLVED that the Audit Committee shall be comprised of the following Directors: Matt Rodriguez, France Delisle, Alex Wood.

iii. **Finance Committee**

The Finance Committee shall advise the Treasurer and the Board as to the investments, budget, and general fiscal policy of the Corporation. The Finance Committee shall consist of at least two Class A directors, one of whom shall be the Treasurer, who shall serve as chairperson of such Committee.

Upon a motion by Mr. Rodriguez and seconded by Mr. Wood, the Board unanimously approved the following resolution:

RESOLVED that the Finance Committee will be chaired by the Treasurer and shall be comprised of the following Directors: Jean-Yves Benoit (Chair of the Committee), Mary Nichols, Jim Whitestone.

V. **Discuss and Approve Grant to Support Carbon Pricing Discussions for the State of Oregon**

The Board was asked to consider a \$15,000 grant to Ross Strategic to support carbon pricing discussions for the State of Oregon. The funding for this grant is part of the \$191,871 of Board Designated funds held by WCI, Inc. These funds were set aside by the Board in May 2014 as Board Designated funds to support logistical and technical support for discussions about carbon pricing among US States and Canadian Provinces. The proposed use of the funds in the grant are in line with the intended use as designated by the Board in 2014.

Prior to making this recommendation to the Board, Mr. Tamblyn reviewed the requirements of the WCI, Inc. Procurement Policy. The Policy allows for the use of non-competitive procurement processes under certain conditions, including “as determined by the Board.”

The justification outlines policy and operational reasons for this procurement. Ross is uniquely qualified to provide this service because they are the Secretariat for the Pacific Coast Collaborative (PCC), of which Oregon is a part, and have existing relationships with the members. Bringing in a new party would complicate the work being done by the PCC and cause delays while bringing a new party up to speed on complex discussion. In addition, the time and expense required to go through a competitive procurement, would likely cost more than the total grant amount and further delay the opportunity to do this work. The Board was asked to approve the grant.

Mr. Whitestone asked about the duration of the agreement. Mr. Tamblyn indicated it would not be for longer than a year, at which point significant work will have been completed and any new work identified. Mr. Benoit added that Québec generally supports the grant and the intended purpose. If possible, Québec would like to be part or at least be informed of the discussion with Oregon in the future. Regarding the grant itself, \$15,000 will help promote discussion around carbon pricing. Mr. Benoit asked whether the Board would see a report on how the money was spent. Mr. Wenzel referred the Board to section D in the scope of work provided, which describes how Ross will manage the project and provide quarterly reports on project progress.

Mr. Benoit and Mr. Wood both asked that Ross brief the Board on the status of the project. This would help Ontario and Québec better understand discussions with Oregon, how they are developing and how engagement is progressing. More broadly, this offers a potential policy

forum through which current and potential WCI, Inc. members can come together. Further, as a model for engagement of a broad set of jurisdictions across America who want to come together, this could serve as a template or model for replication. Mr. Whitestone added that, because Ontario does not participate in PCC, they might also like to participate in these carbon pricing discussions. Mr. Wenzel said California participates in PCC and WCI, Inc., as does British-Columbia. California invited Ross to do this on behalf of the PCC and the PCC will direct the work. It is presumed that broader participation would be beneficial, so Mr. Wenzel will take that back to the PCC and see if Québec and Ontario could be invited to participate, as long as aspects of this work and policy work are kept separate.

Mr. Lesiuk emphasized the need for appropriate involvement, as the balance between supporting and advising can be subtle. PCC jurisdictions are cautious in crossing that line with Oregon and Washington. Caution should likewise be exercised in the carbon pricing discussions to avoiding signaling that WCI, Inc. is pushing or endorsing a policy, or interfering with decisions that are Oregon's to make. Mr. Rodriguez added that the Board is not proposing a formal change to the grant but wants the progress reports to be substantive and detailed regarding progress and outcomes.

Mr. Rodriguez asked if there were any questions. There were no questions. Mr. Benoit made a motion to approve the grant from; Mr. Lesiuk seconded the motion and it was unanimously approved by the Board.

VI. Discuss and Approve the California Carbon Information Agreement

Mr. Tamblyn provided background on the California Carbon Information (CCI) Agreement. CCI provides market data for the cap-and-trade market, which is used by jurisdiction staff to monitor the activities of market participants. This subscription-based service would provide access to California, Québec, Ontario and WCI, Inc. staff for 12 months at a non-profit/government rate of \$15,000.

The WCI, Inc. Procurement Policy provides for certain instances where a non-competitive procurement can be undertaken and approved by the Board, such as for proprietary subscriptions, which this contract falls under.

Mr. Rodriguez asked if there were questions from the Board. Hearing none, Mr. Rodriguez made a motion to approve the agreement. Ms. Delisle seconded the motions, and it was unanimously approved by the Board.

VII. Finance Committee Report

a) Treasurer's Evaluation of Compliance with Funds Management Policy

WCI, Inc. maintains a Funds Management Policy that establishes requirements for the management of the Corporation's funds, including that the Treasurer shall prepare and present to the Board an evaluation of the compliance with the policy at least annually.

Mr. Tamblyn presented the memo, which indicated that WCI, Inc. is in compliance with the policy. There are certain instances where WCI, Inc. funds exceed the approved thresholds in the checking account because of holds placed on funds by Bank of the West. Mr. Rodriguez asked if there were any questions from the Board; there were no questions.

- b) **Finance Committee presentation of the 2018 budget and projected expenses for 2019 and 2020**
Included in the materials for Board discussion were the 2018 Budget and Projected Expenses for 2019 and 2020. The budget and projected expenses were developed with input from the Participating Jurisdictions based on the needs for their cap-and-trade programs. The resulting budget and projected expenditures presented to the Board provide the best estimates of anticipated fiscal requirements for operation of WCI, Inc. All of the amounts are in US dollars.

The budget and projections were presented in two categories, Cap-and-Trade Services and Personnel and Operations. The 2018 budget is approximately \$3.3 million for Cap-and-Trade Services and around \$1.3 million for Personnel and Operations. The 2019 projections is approximately \$3.2 million for Cap-and-Trade Services and around \$1.4 million for Personnel and Operations. The 2020 projection is approximately \$3.1 million for Cap-and-Trade Services and around \$1.4 million for Personnel and Operations.

Cap-and-trade services include the Compliance Instrument Tracking System Service (CITSS), Auction and Reserve Sale Services, Financial Administrative Services, and Market Monitoring services. Mr. Tamblyn also noted that by the end of 2018, WCI, Inc. will evaluate if there is a need to have a centralized help desk.

Personnel and Operations includes personnel, office rent, professional services and other expenses necessary for the operations of WCI, Inc.

The Budget and Projected Expenses document also describes how the corporation manages a cash flow reserve. A cash flow reserve is recommended in cases in which an unexpected expense or a delay in receipt of funds from a Participating Jurisdiction could impede the ability of the Corporation to provide service to the Participating Jurisdictions. For 2018 the cash flow reserve is approximately \$2.3 million.

Also included in the meeting materials was the Financial Status Report, which documents the expenses incurred through August 31, 2017, the projected expenses through the end of 2017, as well as the proposed budget for 2018.

The resolution presented was to approve the 2018 Budget.

Mr. Wood asked about the decline in the costs associated with cap-and-trade services. Mr. Tamblyn explained that the decline is due to the anticipated completion of development associated with the auction platform and Ontario onboarding activities. Mr. Benoit added that WCI, Inc. transitioned to the CITSS platform for auction registration, and awarded the contract with Gelder, Gingras and Associates (GGA) to assess the scalability of the CITSS infrastructure. Regarding the declining cap-and-trade budget, WCI, Inc. may decide, after seeing the results of the CITSS information technology assessment, that minor to more substantive improvements to CITSS may or may not be needed. He then asked whether the 2019-2020 budget projections would accommodate the improvements that the assessment may recommend. Mr. Tamblyn said that the SRA agreement, a time and materials contract, may offer flexibility to redirect funds, but the Board would need to discuss and approve these expenditures. Significant capital outlays are not reflected in the budget presented to the Board. If substantive changes to CITSS are recommended, further discussion with the Finance Committee and the Board would be required.

Ms. Delisle asked if it would be possible to add this clarifying language to the budget document to make clear that the CITSS assessment will inform potential future discussion and/or actions by the Board. Mr. Tamblyn said the language on page 3, which references the GGA CITSS information technology assessment, could be made more explicit if needed. Mr. Rodriguez clarified that the added language would not need approval by the Board.

Mr. Rodriguez asked about the \$1.2 million budgeted for CITSS hosting and the rationale for the cost differential between what was projected and what was presented. Mr. Tamblyn explained that in 2016 budget WCI, Inc. underspent on CITSS by approximately \$400,000, and therefore some of the work planned in 2016 was completed in 2017. In addition, there was unanticipated work with CSRA, including a threat risk assessment, the development of additional documentation to support the technology review, and a required software upgrade.

Mr. Rodriguez requested clarification regarding the lower expenses associated with the Financial Services Administrator. Mr. Tamblyn explained that the underspend was due to not holding reserve sales during 2017.

Mr. Rodriguez requested a motion to approve the budget, subject to the clarifying language being added as needed for the GGA recommendation, and an update being provided at a future Board meeting. Mr. Whitestone made the motion; Mr. Benoit seconded the motion, and the Board unanimously approved the budget as presented.

There being no other business, the public session adjourned at 11:51 a.m. Pacific Time/
2:51 p.m. Eastern Time.

Respectfully submitted,

Mary Nichols, Secretary