



## Auction Proceeds Account Protocol

This memo outlines the proposed procedures for management of RGGI auction proceeds.

- 1) Financial security will be deposited into an account established at the New York Bank of Mellon in the name of “RGGI Inc. as agent for the Signatory States of the Regional Greenhouse Gas Initiative”. There are two important aspects of this account. First, the account will be used exclusively for management of auction proceeds and funds will not commingle with RGGI, Inc. operational or program funds. Second, the name of the account legally separates the auction proceeds from the assets of RGGI, Inc. Any creditors of RGGI, Inc. would have no legal claim to auction proceeds.
- 2) Funds held in the account will be held in cash.
- 3) The transfer of funds will occur in the first instance by an Automated Clearinghouse transaction (ACH) transaction. ACH requires the upload of an excel spreadsheet file as a basis for issuing payment to multiple parties at once. World Energy will create that excel spreadsheet and provide it to RGGI, Inc. After review for accuracy, RGGI, Inc. will transmit the excel spreadsheet according to the controls described below.
- 4) The capability to execute an ACH transaction will be controlled by the Bank’s itelecash system.
- 5) RGGI, Inc. will configure its itelecash profile to require three steps for file import processing. The three steps will be entry (upload of the spreadsheet), review, and release.
- 6) Each step will require a separate user, each with their own user id and password to the itelecash system.
- 7) Six individuals will be provided with a user-id and password. The six individuals will be: the RGGI, Inc. Chairman, Treasurer, Secretary, First Vice Chair and Second Vice Chair and Executive Director. These user ids and passwords will be kept strictly confidential.

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- 8) Any combination of three of the six individuals named in paragraph 7 above can together execute an ACH transaction. However, it is expected that the Treasurer, Chair and the Executive Director will act in the first instance. It is further expected that the Executive Director will act in a support capacity to the Board's Officers and will be trained in using the electronic banking interface.
- 9) Each state will receive proceeds from each auction in proportion to its share of the total number of allowances offered for sale in each auction.
- 10) Flow of Funds and Authorizations
  - a) Receipt of financial security: Mellon evaluates source of all deposits and screens based on Homeland Security guidelines. Funds are not "received" until cleared.
  - b) Financial settlement: cash deposits by bidders or RGGI, Inc. execution of LOC.
  - c) ACH transaction to return cash to bidders who "lost" or who used less financial security than they had posted.
  - d) ACH transaction to transfer funds to a bank account designated by each state selling allowances in that auction.
  - e) ACH transaction to transfer any accumulated interest to RGGI, Inc.
  - f) Account will return to zero balance before financial security for next auction is received.
- 11) Should a transaction to one or more parties fail as a result of faulty information provided by the party, RGGI, Inc. will resubmit the transaction for processing with corrected information one time.
- 12) Should a party not have a bank account compatible with ACH transactions, or should a party experience a second ACH failure, the Executive Director will present a memo to that effect to at least two of the authorized persons identified in paragraph 7 above detailing the name of the party, amount of the transaction, and reason for the failure. The Executive Director will obtain signatures on this memo from the two authorized persons.
- 13) The signed memo will be presented to Mellon Bank for preparation of a cashier check and a copy kept on file with RGGI, Inc. for audit purposes.