

## CONTRACT

This CONTRACT ("Contract") is made and entered into as of this 14<sup>th</sup> day of November, 2014, by and between the State of Delaware through its Department of Natural Resources and Environmental Control ("Department") having its principal place of business at 89 Kings Highway, Dover, Delaware 19901; and the REGIONAL GREENHOUSE GAS INITIATIVE, INC ("RGGI, Inc."), a non-profit corporation having its principal place of business at 90 Church Street, New York, New York, 10119.

### WITNESSETH:

WHEREAS, as of the date of this Agreement, the Governors of the states and commonwealths of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont ("Signatory States") have entered into a Memorandum of Understanding ("MOU") to establish a multi-state greenhouse gas control program for carbon dioxide emissions from certain electric power plants ("Regional Greenhouse Gas Initiative" or "RGGI");

WHEREAS, on July 12, 2007, RGGI, Inc. was incorporated in the State of Delaware as a non-profit organization, , was formed for purposes of: (a) providing technical and scientific advisory services to the Signatory States in the development and implementation of a multi-state greenhouse gas control program, or its successor, under RGGI, (b) reducing air pollutants that contribute to climate change; and (c) performing other charitable or scientific functions related to the reduction of greenhouse gas emissions or the increase in carbon sequestration on behalf of the Signatory States;

WHEREAS Delaware is a Signatory State to the RGGI MOU and has established its carbon dioxide cap and trade program (the "CO<sub>2</sub> Budget Trading Program") pursuant to the Department's authorities under 7 Del C Chapter 60.

WHEREAS the Signatory States have completed a comprehensive program review and have agreed to: (a) continue to reduce anthropogenic emissions of CO<sub>2</sub>, a greenhouse gas, from CO<sub>2</sub> budget sources in an economically efficient manner; (b) update the regional CO<sub>2</sub> emissions cap to reflect market changes, new technologies and investments in energy efficiency and clean energy; (c) update the CO<sub>2</sub> Allowance Tracking System ("COATS"), an electronic system to track CO<sub>2</sub> emissions, CO<sub>2</sub> allowances and CO<sub>2</sub> Offset allowances to reflect the amendments as outlined in the comprehensive program review; (d) establish a program that provides compliance flexibility by awarding CO<sub>2</sub> offset allowances to projects that reduce and/or sequester emissions of greenhouse gases (the "Offset Program") and establish a market monitoring program to insure successful conduct of the auction.

WHEREAS, the Department has determined that a multi-state auction can and does provide benefits to Delaware and affected CO<sub>2</sub> sources within this state that meet or exceed the

benefits conferred upon Delaware and those CO<sub>2</sub> sources through a state-run auction process and therefore, enters into this contract with RGGI, Inc. to continue to oversee the multi-state auctions, in conformance with Design Elements for Regional Allowance Auctions under the Regional Greenhouse Gas Initiative published by the Signatory States on March 17,2008 and attached hereto as Appendix A;

WHEREAS, the Department has determined that services ancillary and complimentary to the RGGI Regional Auction, including but not limited to the COATS system, the Offset Program and a market Monitoring Program are also best done on a regional scale, providing an efficiency and consistency of services necessary for the success of the program.

WHEREAS, RGGI, Inc. shall administer the duties listed below and shall perform all duties in compliance with the terms and conditions contained in this Agreement;

NOW, THEREFORE, the Department and RGGI, Inc., for and in consideration of mutual covenants and other good and valuable consideration, do hereby agree to the terms of this Agreement, as follows.

#### **ARTICLE 1. RESPONSIBILITIES**

1.1 The Department hereby contracts with RGGI, Inc. to administer and otherwise manage the Auction Program, the Tracking System, the Offset Program, the Market Monitoring Program and any and all services required under the aforementioned programs pursuant to the terms of this Agreement and as further described in the attached Scope of Services.

1.2 In accordance with the Certificate of Incorporation and Bylaws of RGGI, Inc., and in order to fulfill its obligations under this Agreement, RGGI, Inc. may enter into contracts with any person, firm, association, corporation or body politic. Any subcontract entered into by RGGI, Inc. for the purposes of fulfilling its obligations under this Agreement must be in writing and shall be consistent with and subject to the provisions of this Agreement. Subcontracts shall not relieve or discharge RGGI, Inc. from any duty, obligation, responsibility or liability arising under this Agreement. RGGI, Inc. shall not subcontract any of the work or services covered by this contract without the prior written approval of the Department and shall provide the Department with copies of all subcontracts. The Department shall not be bound by any provisions contained in a subcontract to which it is not a party.

#### **ARTICLE 2. SCOPE OF SERVICES**

2.1 The Scope of Services under this Contract is as provided in Appendix A.

2.2 Changes to the Scope of Services attached hereto are permissible upon mutual agreement of both parties and do not require modification of this Contract.

### **ARTICLE 3. PAYMENT**

3.1 The Department will pay RGGI, Inc. a total of \$87,693.93 in exchange for RGGI Inc. carrying out its obligations under this Agreement. Pursuant to 7 Del Code §6046 (c)(5). RGGI, Inc., is hereby authorized to withdraw one third (\$29,231.31) of that total following the certification of each of the first three quarterly auctions scheduled for 2014, thereby receiving 100% of the amount owed to RGGI Inc. following the third scheduled auction of 2014. If additional services are requested, this amount may be increased by mutual agreement.

3.2 The Department will receive all revenues from the sale of all auction allowances by electronic fund transfer from RGGI, Inc. RGGI, Inc. will not retain any payments from the sale of allowances under this agreement other than those outlined in Section 3.1 above.

### **ARTICLE 4. REPORTS TO DEPARTMENT**

4.1 RGGI, Inc. shall, no less than quarterly, provide the Department with a detailed report of the activities undertaken by RGGI, Inc. or its subcontractors to meet its responsibilities under Article 1 during the preceding calendar quarter.

4.2 RGGI Inc. shall provide to the Department a copy of the year end audit conducted by an independent auditing firm and financial statements for the calendar year.

### **ARTICLE 5. INDEMNIFICATION**

5.1 Unless otherwise exempted by law, RGGI, Inc. shall indemnify and hold harmless the State of Delaware including the Department, their agents, officers and employees against any and all claims, liabilities, losses, damages, judgments, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) and costs for any personal injury or property damage, patent or copyright infringement or other damages ("Claims") that the State of Delaware may sustain arising out of or in connection with RGGI, Inc.'s performance of this Agreement. This includes, without limitation, claims related to the negligence, reckless or intentional conduct of RGGI, Inc., its agents, officers, employees or subcontractors. After notification of a claim by Delaware, RGGI, Inc. shall have an opportunity to participate in the defense of such claim and any negotiated settlement or judgment. Delaware shall not be liable for any costs incurred by RGGI, Inc. arising under this paragraph. The obligations of RGGI, Inc. under this Article shall survive any expiration or termination of this Agreement, and shall not be limited by any enumeration herein of required insurance coverage.

5.2 RGGI Inc. shall indemnify, save and hold harmless and defend the Department, its directors, employees, representatives or agents against any demand, claim, suit, loss, costs, or damages sustained in connection with performance of services provided under this agreement.

5.3 RGGI Inc. shall require each and every contractor or subcontractor for the project to indemnify, save and hold harmless, and defend the State of Delaware and the Department, and its directors, employees, representatives, or agents against any demand, claim, suit, loss, costs, or damages sustained in connection with performance of services provided under this agreement.

#### **ARTICLE 6. EFFECTIVE DATE OF AGREEMENT**

6.1 The effective start date of performance under this Agreement shall be the date that the Agreement is executed by an authorized signatory for RGGI, Inc. and authorized signatories for the Department, whichever is later.

6.2 This Agreement shall extend through 12/31/2017. This contract may be extended by mutual agreement by the Department and RGGI, Inc. Modifications to annual budgets will be negotiated by December 31 of each calendar year and made as an amendment to the contact as mutually agreed to by the Department and RGGI, Inc.

6.3 The timeframe for RGGI Inc. to fulfill its obligations under this agreement may be extended as mutually agreed to by the Department and RGGI, Inc.

#### **ARTICLE 7. PROJECT MANAGEMENT AND NOTICES**

7.1 The Department shall, notify RGGI Inc. of Department program staff for the program elements critical to implementation of the program including but not limited to the Tracking System, the CO2 Allowance Auction Program, the CO2 Offsets Program and for communications at the beginning of each calendar year.

7.2 RGGI, Inc. shall, within 30 days of execution of this Agreement, designate a contact person for all communications, questions and submittals by the Department.

7.2 All notices, submissions, correspondence and other communications specifically provided for or required under this Agreement shall be made by hand-delivery, electronic mail or by First Class Mail to the names and addresses listed in ARTICLE 7, above, or their successors. Any notice shall be deemed delivered and received when submitted in writing in person or when delivered by an other appropriate method evidencing actual receipt by the Department or RGGI, Inc.

#### **ARTICLE 8. MAINTENANCE OF RECORDS**

8.1 RGGI, Inc. shall keep, maintain and preserve at its principal offices, through the term of this Agreement and for a period of seven additional years thereafter, full and detailed books, accounts, and records pertaining to the performance of its obligations hereunder which shall be made available to the Department upon written request to RGGI, Inc. at the contact listed above.

8.2 All documents generated or accepted in performance of this contract shall be confidential and shall not be released to anyone without prior authorization by the Department unless it is done pursuant to state law. RGGI, Inc. shall not release documents according to state law without prior notice to the Department.

#### **ARTICLE 9. DATA OWNERSHIP**

9.1 With respect to any software computer programs, intellectual property and/or source codes developed under this contract, by RGGI, Inc. or any subcontractors thereunder, each Signatory State shall be entitled to worldwide, irrevocable, non-exclusive, license to use any such software computer programs, intellectual property and/or source codes without limitation and including all inventions, patents or patent applications derived from such inventions developed under this Agreement.

9.2 As used herein, "Intellectual Property" shall mean inventions (whether or not patentable), works of authorship, trade secrets, techniques, know-how, ideas, concepts, and algorithms.

#### **ARTICLE 10. TERMINATION OR SUSPENSION**

##### **10.1 Termination of Contract for Cause.**

If, for any reasons, or through any cause, RGGI, Inc., shall fail to fulfill in timely or proper manner its obligations under this Contract, or if RGGI, Inc., shall violate any of the covenants, agreements, or stipulations of this Contract, the Department shall then have the right to terminate this Contract by giving written notice to RGGI, Inc., of such termination and specifying the effective date, at least 5 days before the effective date of such termination. In that event, all finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs, and reports or other material prepared by RGGI, Inc., under this Contract shall, at the option of Department, become its property, and RGGI, Inc., shall be entitled to receive reasonable compensation as determined by the Department in its sole discretion for any satisfactory work completed on such documents and other materials which is usable to the Department. Whether such work is satisfactory and usable is determined by the Department in its sole discretion.

##### **10.2 Termination for Convenience of Department**

The Department may terminate this Contract in its sole discretion at any time for any reason by giving written notice of such termination and specifying the effective date, at least 15 days before the effective date of such termination. In that event, all finished or unfinished documents, data, studies, surveys, drawings, models, photographs, reports, supplies, and other materials shall, at the option of the Department, become its property and RGGI, Inc., shall be entitled to receive reasonable compensation as determined by the Department in its sole discretion for any satisfactory work completed on such documents and other materials which is usable to the Department. Whether such work is satisfactory

and usable is determined by the Department in its sole discretion. Such reasonable compensation shall be RGGI, Inc., sole compensation. Exercise of this right by the Department shall not be deemed a breach of this Contract, and no damages shall be awarded to RGGI, Inc., for exercise of this paragraph. If this Contract is terminated due to the fault of RGGI, Inc., Article 9.1 hereof relative to termination shall apply.

#### 10.3 Termination Because No Longer Signatory State

If at any time Delaware is no longer a Signatory State, then the Agreement may be terminated by the Department and/or RGGI, Inc.

### **ARTICLE 11. NO THIRD PARTY RIGHTS**

11.1 Nothing in this Contract shall create or give to third parties any claim or right of action against the Department or RGGI, Inc.

### **ARTICLE 12. INDEPENDENT CONTRACTOR**

12.1 In carrying out the terms of this Agreement, RGGI, Inc. shall at all times be an independent contractor. Nothing contained in this Agreement shall be construed to create an employee-employer relationship with RGGI, Inc. or the Department.

### **ARTICLE 13. SEVERABILITY**

13.1 If any part of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforceability of any other part of this Agreement, and the remaining parts of this Agreement shall be enforced as if the invalid, illegal or unenforceable part were not contained therein.

### **ARTICLE 14. COMPLIANCE WITH LAWS**

14.1 RGGI, Inc. agrees to comply with the provisions of the (applicable labor law) and all Delaware and Federal laws, local statutes, ordinances, and regulations that are applicable to the performance of this Agreement.

### **ARTICLE 15. ENTIRE AGREEMENT/CHANGES**

15.1 This Agreement together with any Appendices annexed hereto contains the entire agreement of the Parties with respect to the subject matter hereof, and supersedes all prior agreements or understanding between the parties regarding such subject matter, or any portion thereof.

15.2 This Agreement may be amended or supplemented only by a written instrument signed by duly authorized representatives for all Parties.

15.3 This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

15.4 The Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives.



SIGNATURE PAGE

Agency Certification:

The State of Delaware, by the Secretary of the Department of Natural Resources and Environmental Control, without incurring any personal liability by reason of the execution hereof or anything herein contained, sets his hand to this Contract, on the last day and year so indicated.

STATE of DELAWARE

By: Casie R. Anthony (name)

DNREC (Agency)

Dated: 12/19/13

STATE OF Delaware  
) SS.;  
COUNTY OF Kent

On the 19<sup>th</sup> day of December in the year 2013, before me, the undersigned, a Notary Public in and for said State, personally appeared Collin P. O'Mara, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individuals(s), or the person upon behalf of which the individual(s) acted, executed the document.

Casie R. Anthony  
Notary Public





## APPENDIX A

### Regional Greenhouse Gas Initiative, Inc.

#### Scope of Services in Support of the Delaware Department of Natural Resources and Environmental Control's Implementation of the CO<sub>2</sub> Budget Trading Program

Regional Greenhouse Gas Initiative, Inc. ("RGGI, Inc.") will provide program implementation and program development services, as outlined in this scope of services, to the Delaware Department of Natural Resources and Environmental Control to support the State of Delaware's participation in the Regional Greenhouse Gas Initiative (RGGI) and the implementation of regulations for the Delaware CO<sub>2</sub> Budget Trading Program. RGGI, Inc., a non-profit organization incorporated in the State of Delaware, was formed expressly to provide technical implementation and program development support services to signatories of the RGGI Memorandum of Understanding (the "participating states"), signed December 20, 2005, as amended.

#### Overview

RGGI, Inc. will provide services to support implementation of the Delaware CO<sub>2</sub> Budget Trading Program in the following five areas:

- I. Operation of a regional CO<sub>2</sub> emissions and allowance tracking system known as the CO<sub>2</sub> Allowance Tracking System (COATS), for use by the Department in administering the Delaware CO<sub>2</sub> Budget Trading Program in coordination with the counterpart programs in other participating states
- II. Operation of the regional CO<sub>2</sub> allowance auction platform, for use by the Department in administering the Delaware CO<sub>2</sub> Budget Trading Program in coordination with the counterpart programs in other participating states
- III. Market monitoring services for monitoring of both CO<sub>2</sub> allowance auction conduct and outcomes and monitoring of the secondary CO<sub>2</sub> allowance market for the CO<sub>2</sub> Budget Trading Program
- IV. Technical assistance in the review of offset project consistency applications and offset project monitoring and verification reports; technical assistance in the review of applications for accreditation of independent offset project verifiers; and
- V. Provision of program development support services on an as-requested basis, including but not limited to evaluation of additional offset categories, the development of technical and policy recommendations related to specific CO<sub>2</sub> Budget Trading Program elements, for evaluation and consideration by the Department.

## **I. Emissions and Allowance Tracking System**

RGGI, Inc. shall provide services to support emissions and allowance tracking for the Delaware CO<sub>2</sub> Budget Trading Program. In any area where services are requested, all deliverables, where deemed appropriate in consultation with the Department, shall be presented to the Department in draft form for review and approval by the Department.

### **I-A. Tracking System Requirements**

RGGI, Inc. shall provide an emissions and allowance tracking system software platform (Tracking System) that meets the following requirements necessary to support implementation of the CO<sub>2</sub> Budget Trading Program.

#### Tracking System Requirements

RGGI, Inc., shall develop the Tracking System to support the emissions and allowance tracking and compliance aspects of the program, as well as the offsets component, of the Delaware CO<sub>2</sub> Budget Trading Program. The Tracking System shall also be able to track CO<sub>2</sub> allowance prices, as reported during the transfer of CO<sub>2</sub> allowances, applicable price triggers, and appropriate offsets limits.

RGGI, Inc. shall use the U.S. EPA's Emissions and Allowance Tracking System operated by its Clean Air Markets Division (CAMD) as a starting point for defining and implementing system requirements. These requirements shall include, but not be limited to, functionality, security, reports, public access, and user interface.

#### CO<sub>2</sub> Emissions Data

Tracking System CO<sub>2</sub> emissions data reporting shall utilize the U.S. EPA Emissions Collection and Monitoring Plan System (ECMPS) and the U.S. EPA Clean Air Market Division Business System (CAMD CBS) emissions reporting and tracking platforms, respectively, to the extent practicable. To the extent necessary, any subcontractors engaged by RGGI, Inc. shall have strong working knowledge of 40 CFR Part 75 and the U.S. EPA's emissions data systems to ensure that the program implementation strategy takes into account the timeliness, data processing requirements, and data availability limitations associated with U.S. EPA's emissions reporting, tracking, analysis, and data storage procedures.

### Tracking System Deployment

The Tracking System shall include a data model, user interface, and functionality to support emissions inventory management, CO<sub>2</sub> allowance trading, compliance and program analysis and user security. RGGI Inc. shall also coordinate the operation of the tracking System with the administration of a regional CO<sub>2</sub> allowance auction. RGGI, Inc. shall (1) work with any independent third party hired by the Department to verify the Tracking System software is functioning properly, including potential redress; (2) if directed by the Department, to publicly post appropriate information about the Tracking System; and (3) to work with the Department to use ongoing experience to continuously improve the Tracking System.

As part of Tracking System deployment, RGGI, Inc. shall provide system documentation, user manuals, and other training tools, and update such materials on a regular basis as appropriate.

### Tracking System Hosting

To support the web application and database in a secure environment, RGGI, Inc. shall contract with a third party vendor to maintain dedicated hosting for the database. Hosting requirements shall include all appropriate security requirements for Application Service Providers (ASPs). Prior to executing any subcontract, RGGI, Inc. shall provide all relevant information relating to capability, cost, and subcontract terms for recommended ASP and two alternatives, to the Department's Project Manager for approval. The successful subcontracted ASP will have acceptable plans, to be reviewed by both the Department and RGGI, Inc. for loss or disaster recovery and business continuance.

### Emissions Data Tracking and Processing

In order to use the emissions data reported to U.S. EPA, under 40 CFR Part 75 for purposes of determining source compliance, RGGI, Inc. shall maintain a process and supporting data management tools and software that allow for transfer of emissions data from CAMD CBS to the Tracking System and include any necessary coordination or agreement with U.S. EPA regarding use and access to the emissions data. To the extent possible, RGGI, Inc. shall use existing emissions management routines to accomplish this objective.

### Offsets Module

RGGI, Inc. shall provide and maintain a Tracking System software platform that includes an offsets module to track and maintain CO<sub>2</sub> allowances awarded to approved offset projects. RGGI, Inc. shall coordinate with the appropriate representatives of the Department to support

administration of the offsets component of the Delaware CO<sub>2</sub> Budget Trading Program and to ensure that the offsets applications and submittal materials used by the Department align with the capabilities and needs of the Tracking System.

The offsets module shall have the functionality to track and monitor offsets project status details, such as the status of consistency applications and monitoring and verification submittals, as well as provide for public access to project documentation supporting such applications and submittals.

#### Tracking System Reports

The Tracking System software provided by RGGI, Inc. shall include a reports module to provide system users with reports of system data. These reports shall include, but may not be limited to: account allowance transfer reports, account holdings reports, CO<sub>2</sub> emissions reports, offsets status reports, and source compliance summary reports.

### ***I-B. Program Operation***

RGGI, Inc. shall provide ongoing implementation and operational support for the Delaware CO<sub>2</sub> Budget Trading Program, including the following tasks.

#### CO<sub>2</sub> Allowance Program Management

RGGI, Inc. shall provide support to the Department for all program activities relating to source management, allowance allocations to compliance and general accounts, and trades for both general and compliance accounts. This shall include the activity necessary to support the assignment of allowances to appropriate accounts following the successful completion and Department approval of all allowance auctions, as well as the population of user accounts after Department award of each offset allowance.

#### Emissions Data Management and Analysis

RGGI, Inc. shall perform all data management and quality assurance tasks necessary to ensure the availability of annual CO<sub>2</sub> emissions data from all affected units. RGGI, Inc. shall prepare and send communications to the account representatives for affected sources relating to the interim, draft, and final emissions values. RGGI, Inc. shall work with the Department to identify and resolve any issues relating to the submission of emissions data, and the accuracy and completeness of the data. To the extent requested by the Department, RGGI, Inc. shall contact industry representatives directly to resolve any outstanding issues. RGGI, Inc. shall document all issues, their resolution, and all contacts with industry representatives.

#### Reconciliation (True-up)

RGGI, Inc. shall assist the Department in assessing compliance of affected sources with the Delaware CO<sub>2</sub> Budget Trading Program. The Tracking System shall support data entry of compliance certifications required by the program and the identification of CO<sub>2</sub> allowances to be

deducted during the compliance process. The Tracking System shall provide for the preparation of draft and final compliance reports and will provide information to the Department's staff contacts regarding possible non-compliance.

#### User Technical Support

RGGI, Inc. shall provide technical support to industry, the Department, and public users of the Tracking System. RGGI, Inc. shall record all technical support requests, inquiries, or other occurrences in a log that identifies the nature of the request or events, requestor, respondent, response provided, date(s) and time(s) of response, and amount of chargeable time expended on the request and response. Records shall be provided to the Department's Project Manager on a periodic basis, or on demand, as requested.

As necessary, RGGI, Inc. shall provide assessments and recommendations relating to performance of the system based on technical support levels and user feedback. RGGI, Inc. shall not be responsible for interpretation of the Department's regulations, and/or interpretation of actions taken by the Department in enforcement of those regulations.

#### System and Database Support

RGGI, Inc. shall be responsible for all aspects of the Tracking System maintenance and database support and management. This shall include database initialization and setup, ongoing database quality assurance activities, management of all user accounts and security, coordination and monitoring of the Application Service Provider support activities, database, security, application performance, and all other tasks required to ensure high system availability and performance. RGGI, Inc. shall provide reports to the Department's Project Manager on all routine activities and on any events or technical issues that will affect the operation or performance of the system. RGGI, Inc. shall oversee all data backup and audit procedures to ensure the ongoing integrity of the data.

## **II. Allowance Auction Platform**

RGGI, Inc. shall implement and administer a process and platform for the auctioning of CO<sub>2</sub> allowances. RGGI, Inc. shall provide services in three general areas: pre-auction, auction implementation, and post-auction. In any area where services are requested, all deliverables will be presented in draft form for review and approval by the Department. Services shall provide for CO<sub>2</sub> allowance auctions to be held quarterly (four auction cycles per calendar year).

### **II-A. Pre-auction Services**

#### Consultation

RGGI, Inc. shall work with the Department to modify existing auction administrative procedures, as necessary to improve administration of quarterly auctions, and to develop new

auction procedures as appropriate

#### Auction Notices

RGGI, Inc., in consultation with the Department, shall create documents and associated information necessary to inform auction participants about all relevant details of the auction process and requirements for each auction event. Each notice of auction shall provide a specific description of the auction format that will be used, the quantities of CO<sub>2</sub> allowances to be auctioned, all applicable participation requirements, and the process for administering the auction. Such information shall be made available on a website maintained, and hosted by RGGI, Inc. specifically dedicated to RGGI auctions. RGGI, Inc. shall prepare for, host, and facilitate at least one conference call for prospective auction participants prior to each auction, , as well as receive and respond to written questions submitted by conference call participants.

#### Participant Qualification

RGGI, Inc., in consultation with the Department, shall assist in the development of all qualification application materials and documents and shall manage, under the direction of the Department, the application process, including receiving and reviewing each qualification application to determine completeness and accuracy of the information submitted. RGGI, Inc. shall be responsible for collecting and managing all auction financial security submissions and/or escrow accounts on behalf of the Department. RGGI, Inc., in consultation with the Department, shall be responsible for notifying bidders of their qualification status and auction specific participation status and maintaining a database of all qualified parties and bidders approved to participate in each auction.

#### Auction Documentation and Training

To prepare for each auction, RGGI, Inc. shall create and distribute auction materials, such as participation instructions, final auction procedures and manuals, as well as the distribution of user codes and passwords to qualified auction participants. In addition, RGGI, Inc. shall be responsible for training auction participants in the use of the auction software platform.

### **II-B. Auction Implementation Services**

#### Auction Platform

RGGI, Inc. shall provide and administer, on behalf of the Department, an secure online auction platform capable of accommodating an auction in all of the following formats:

- A sealed bid, uniform price auction
- An ascending price, multiple-round auction

Furthermore, the online auction platform shall be capable of managing CO<sub>2</sub> allowance



purchase limits based on specifications provided by the Department, and simultaneous auctions of current year allowances and future vintage year CO<sub>2</sub> allowances. Such platform shall be capable of tracking bidding activity and must provide for audit level documentation of such activity, in accordance with auction monitoring protocols established by RGGI, Inc. in consultation with the Department.

### ***II-C. Post-Auction Services***

RGGI, Inc. shall, on behalf of the Department, arrange for and facilitate the transfer of funds from successful bidders to an account designated by the Department and arrange for the return of financial security to bidders, RGGI, Inc. shall also be responsible for coordinating the operation of the Tracking System for the transfer of CO<sub>2</sub> allowances awarded at each auction at the direction of the Department, to the Tracking System compliance or general accounts of the winning bidders. RGGI, Inc. shall also be required to: (1) work with any independent third party hired by the Department to verify the results of the auction, (2) if directed by the Department, to post appropriate information about auction results; and (3) to work with the Department to use ongoing auction experience to continuously improve subsequent auctions.

## **III. -Market Monitoring**

RGGI, Inc. shall provide market monitoring services in three general areas: monitoring and auditing of CO<sub>2</sub> allowance auctions, monitoring of relevant secondary CO<sub>2</sub> allowance market activity, and provision of consultative services addressing market monitoring.

### **III-A. Monitoring and Auditing of Allowance Auctions**

RGGI, Inc. shall provide professional monitoring of all CO<sub>2</sub> allowance auctions, some of which may involve a subset of participating states and may or may not include CO<sub>2</sub> allowances submitted for auction by the Department. RGGI, Inc. shall develop data collection methods, metrics, and analytic techniques for monitoring CO<sub>2</sub> allowance auction performance and thresholds for identifying any collusion, market power, and/or market manipulation that may impact the efficiency and performance of the CO<sub>2</sub> allowance auctions.

### **III-B. Monitoring of Secondary Market Behavior**

RGGI, Inc. shall monitor all relevant publicly available data and indicators of market behavior in the secondary CO<sub>2</sub> allowance market that may be expected to significantly impact the performance of CO<sub>2</sub> allowance auctions and the secondary CO<sub>2</sub> allowance market.

### **III-C. Consultative Services**

RGGI, Inc. shall provide expert advice to the Department regarding how any aspects of the CO<sub>2</sub> allowance auction process should be altered in order to improve the performance and

efficiency of the auctions and ensure the functioning of a fair and competitive CO<sub>2</sub> allowance market.

#### **IV. Program Development Support**

RGGI, Inc. shall provide program development support to the Department on an as-requested basis to facilitate Department consideration of modifications to and/or expansion of the Delaware CO<sub>2</sub> Budget Trading Program. Such services may include but are not limited to the following:

- Evaluation of program implementation and identification of areas for potential improvement
- Electricity simulation modeling and macroeconomic analysis
- Evaluation of additional offset categories
- Development of technical and policy recommendations related to specific CO<sub>2</sub> Budget Trading Program elements

#### **V. Budget**

The budget for contract year one (1/1/2014-12/31/2014) is \$87,693.93.

#### **VI. Project Term**

The project term under this contract is 1/1/2014 – 12/31/2017.

#### **VII. Project Reporting**

RGGI, Inc. shall designate a Project Manager, who shall be the primary contact with the Department. The Project Manager shall be responsible for monitoring and ensuring progress for all tasks and subtasks, and for ensuring timely delivery of all deliverables outlined in this scope of services. The RGGI, Inc. Project Manager shall be responsible for all project reporting to the Department.

RGGI, Inc. shall submit quarterly progress reports every three months to the Department during the project term. These progress reports shall outline the status of progress in providing the deliverables specified in this scope of services, including identification of all completed/not completed services during the preceding three month period for every major task identified in the scope of services. These progress reports shall also note any problems encountered by RGGI, Inc. and their actual or proposed resolution. At the end of the project term, RGGI, Inc. shall prepare and submit a draft final report that provides a description and summary of all major work tasks and submitted deliverables. The draft final report shall be revised within 60 days to address all Department comments, and RGGI, Inc. shall submit a final report to the Department addressing all such comments.

In any area where deliverables will be provided, such deliverables shall be presented to the Department in draft form for review and ultimate approval by the Department.