

Minutes

Board of Trustees

May 14, 2020 | 1:30–3:30 p.m. Eastern

Conference Call

Call to Order

Mr. Roy Thilly, Chair, called to order the duly noticed open meeting of the Board of Trustees (the “Board”) of the North American Electric Reliability Corporation (“NERC” or the “Corporation”) on May 14, 2020, at 1:30 p.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Board Members

Roy Thilly, Chair

Kenneth W. DeFontes, Chair-Elect and Vice Chair

Robert G. Clarke

George S. Hawkins

Suzanne Keenan

Robin E. Manning

Jim Piro

James B. Robb, President and Chief Executive Officer

Jan Schori

Colleen Sidford

NERC Staff

Tina Buzzard, Assistant Corporate Secretary

Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC

Howard Gugel, Vice President, Engineering and Standards

Stan Hoptroff, Vice President, Business Technology

Mark Lauby, Senior Vice President and Chief Engineer

Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary

Janet Sena, Senior Vice President, External Affairs

Andy Sharp, Vice President, and Interim Chief Financial Officer

Mechelle Thomas, Vice President, Compliance

NERC Antitrust Compliance Guidelines

Ms. Buzzard noted the public nature of the meeting and directed the participants’ attention to the NERC Antitrust Compliance Guidelines included in the advance meeting materials. She stated that any additional questions regarding these guidelines should be directed to Ms. Mendonça.

Introduction and Chair's Remarks

Mr. Thilly welcomed all of the attendees to the meeting, acknowledging the presence of Mr. Bruce Walker, from the Department of Energy, and Mr. David Morton, Canada's Energy and Utility Regulators ("CAMPUS") Representative to NERC. He reported that the August Board meetings will be held online.

Mr. Thilly recognized the passing of past NERC Trustee Bruce Scherr, highlighting his leadership, dedication to reliability, and 13 years of service on the NERC Board. Mr. Thilly called for a moment of silence.

Mr. Thilly thanked the Regional Entities, NERC staff, and industry for their work amid COVID-19, noting the continued importance of reliability. He thanked Mr. Robb, Mr. Hoptroff, and NERC IT staff for enabling NERC to work seamlessly offsite.

Consent Agenda

Upon motion duly made and seconded, the Board approved the consent agenda as follows:

Minutes

The draft minutes for the February 6, 2020 meeting were approved as presented to the Board at this meeting.

Committee Membership and Charter Amendments

Compliance and Certification Committee Charter Amendments

RESOLVED, that the Board hereby approves the amended Compliance and Certification Committee ("CCC") charter, substantially in the form presented to the Board at this meeting, to replace the CCC charter approved by the Board on February 8, 2018.

FURTHER RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolution.

Compliance and Certification Committee Membership

RESOLVED, that the Board hereby re-appoints the following individuals to the Compliance and Certification Committee ("CCC"), each for a two-year term effective July 1, 2020, as follows:

- Jennifer Flandermyer (Evergy), representing Investor Owned Utility, as CCC Chair
- Scott Tomashevsky (Northern California Power Agency), representing State/Municipal Utility, as CCC Vice Chair

FURTHER RESOLVED, that the Board hereby approves the re-appointment of Silvia Parada-Mitchell (NextEra Energy Resources), representing Merchant Electricity Generator, for a three-year term effective June 1, 2020.

Regular Agenda

Remarks and Reports

COVID-19 – Update on ERO Enterprise Response and Lessons Learned

Mr. Robb reported on the ERO Enterprise's response to and lessons learned from COVID-19. He discussed three priorities: i) lessening compliance burdens to allow entities to focus their resources on reliability; ii) collecting information to promote situational awareness; and iii) coordinating with government partners.

Mr. Robb commented on the May 15, 2019 Executive Order on Securing the Information and Communications Technology and Services Supply Chain. Mr. Bruce Walker, from the Department of Energy, provided remarks on the Executive Order, noting that the federal government's efforts will help support NERC's activities.

President's Report

Mr. Robb acknowledged the work of Mr. Sharp and the NERC officer team on the NERC budget, including finding savings, adding security capabilities, and process harmonization, while producing a flat assessment. He emphasized the commitment to develop the ERO Enterprise in responding to issues amid COVID-19.

Ms. Sara Patrick remarked on the ERO Enterprise transformation, including the leadership town hall and work to share knowledge and resources during COVID-19. She highlighted the ERO Enterprise's work leveraging expertise and sharing information and knowledge to provide innovative solutions.

Report on May 12, 2020 Annual Meeting of NERC Trustees and Regional Entity Boards

Mr. Thilly reported that the NERC Board of Trustees met with Regional Board officers on May 12, 2020 to discuss their COVID-19 responses, including how the Regional Entities are evaluating their budgets and work plans for 2020 and 2021. He noted the presentation by NERC External Affairs on enhancing ERO Enterprise communications on assessments and related activities.

Board Committee Reports

Corporate Governance and Human Resources Committee

Mr. Hawkins, Committee Chair, reported on the Committee's closed meeting on April 23, 2020 and open meeting on May 13, 2020. At the closed meeting, the Committee discussed the Committee self-assessment results, supported the severance policy, and reviewed the benefits plans. At the open meeting, the Committee deferred the trustee compensation study and received a staffing update.

Compliance Committee

Ms. Shori, Committee Chair, reported on the executive meetings of the Committee on March 19, 2020 and May 12, 2020. She discussed the Committee's approval of four Full Notices of Penalty and provided an update on facility ratings and the impact of COVID-19 on compliance with NERC's Reliability Standards.

Finance and Audit Committee

Mr. Clarke, Committee Chair, reported on the closed meeting held on May 12, 2020 and the open meeting held on May 13, 2020. At the closed meeting, the Committee reviewed the investment and funding strategy for the ERO Secure Evidence Locker and Align delay cost, which will be recommended for Board approval later in the meeting. In the open meeting, the Committee received an update on the results of internal audit activity.

Mr. Clarke presented the 2019 Financial Statement Audit Results and the First Quarter Statement of Activities for the Board's acceptance. Upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board, upon recommendation of the Finance and Audit Committee, hereby accepts the 2019 Audited Financial Statements, as presented to the Board at this meeting.

RESOLVED, that the Board, upon recommendation of the Finance and Audit Committee, hereby accepts the First Quarter 2020 NERC, Combined ERO Enterprise, and Regional Entity Unaudited Results, as presented to the Board at this meeting.

Mr. Clarke presented the Renewal of Capital Financing Agreement for the Board's approval. Upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board, upon recommendation of the Finance and Audit Committee, hereby approves extending the capital financing program.

FURTHER RESOLVED, that NERC management is hereby authorized to take such actions as are necessary to finalize and execute the credit facility documentation, consistent with the parameters of the confidential term sheet provided by the lender.

Enterprise-wide Risk Committee

Ms. Sidford, Committee Chair, reported that the Committee met in closed session on May 5, 2020. At its meeting, the Committee reviewed: (i) the results of the 2019 audit and work plans; (ii) the status of the 2020 audit and work plans; (iii) the NERC Corporate Risk Register and Heat Map; and (iv) Compliance and Certification Committee ("CCC") activities.

Technology and Security Committee

Ms. Keenan, Committee Chair, reported that the Committee met in open session on May 13, 2020 to discuss items including: (i) ERO Enterprise Business Technology Projects; (ii) ERO Enterprise Align project; and (iii) the establishment of the ERO Enterprise Secure Evidence Locker, which was recommended to the Finance and Audit Committee.

Nominating Committee

Mr. DeFontes, Committee Chair, reported on the parallel U.S. and Canadian Trustee searches.

Report by Rob Manning on Standards Quarterly Activities

Mr. Manning reported on the recent Standards Committee meetings, including supply chain activities and the Project Management and Oversight Subcommittee's work with NERC staff to develop a new project schedule amid COVID-19.

Standards Quarterly Report and Actions

Project 2016-02 Modifications to CIP Standards (CIP-002-6)

Mr. Gugel presented the proposed Reliability Standard. Upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-002-6, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the associated implementation plan, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-002-5.1a, as presented to the Board at this meeting.

FURTHER RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolutions.

VAR-001-6 Withdrawal

Mr. Gugel presented the proposed withdrawal of the Reliability Standard. Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board hereby withdraws Reliability Standard VAR-001-6, which was adopted by the Board on May 9, 2019, and authorizes NERC staff to make the necessary filings with the applicable regulatory authorities.

Other Matters and Reports

Policy Input and Member Representatives Committee Meeting

Mr. Thilly reported on the discussion of policy input items and technical updates at the MRC meeting.

Investment and Funding Strategy for the ERO Secure Evidence Locker and Align Delay Costs

Mr. Robb underscored the importance of the ERO Secure Evidence Locker ("ERO SEL"), noting that NERC engaged in a robust review in selecting the ERO SEL vendor. Ms. Keenan emphasized the importance of slowing down the Align project to address security issues, and expressed her confidence in the controls

and solutions identified. After discussion, and upon motion duly made and seconded, the Board approved the following resolutions:

Investment in the ERO Secure Evidence Locker

WHEREAS, in 2014, the ERO Enterprise initiated a series of strategic efforts to improve and standardize processes across the ERO Enterprise for the Compliance Monitoring and Enforcement Program (“CMEP”);

WHEREAS, each Regional Entity and NERC currently execute the CMEP supported by various internally developed systems and evidence collection practices, resulting in different experiences for registered entities;

WHEREAS, the ERO Enterprise developed the Align tool and the ERO Secure Evidence Locker (“ERO SEL”) to enable harmonization of Regional Entity practices and a common registered entity experience, with the ERO SEL designed to facilitate the secure submission, review, and retention of evidence generated in connection with CMEP activities;

NOW, THEREFORE, BE IT RESOLVED, that the Board, upon recommendation of the Finance and Audit Committee and the Technology and Security Committee, hereby approves the investment in the ERO SEL.

BE IT FURTHER RESOLVED, that the Board hereby approves the timeline for both the implementation of Release 1 of the Align tool and the ERO SEL, as presented to the Board at this meeting.

Funding Strategy

WHEREAS, costs and related funding for the ERO SEL project were not included in the 2020 Federal Energy Regulatory Commission (FERC)-approved business plan and budget, as the ERO SEL was not included in the initial design of the ERO Enterprise’s CMEP standardization effort;

WHEREAS, costs associated with the delay of the Align project were not previously anticipated or included in the original 2021 budget and assessment projects;

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the financing approach recommended by the Finance and Audit Committee, as presented to the Board at this meeting, which would include financing approximately \$2.0 million of the ERO SEL investment in 2020, and an approximately \$1.8 million draw from operating contingency reserves in 2020 to fund part of the ERO SEL investment, as well as the use of operating contingency reserves up to approximately \$1.8 million in 2021 to cover costs associated with the delay of the Align project.

FURTHER RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolutions.

Regional Delegation Agreement

Ms. Mendonça presented the Regional Delegation Agreement, referencing the materials provided in the advance agenda package. After discussion, and upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby approves the Amended and Restated *pro forma* Regional Delegation Agreement (“RDA”) between the North American Electric Reliability Corporation (“NERC”) and the Regional Entities, substantially in the form presented to the Board at this meeting.

FURTHER RESOLVED, that NERC senior management is hereby authorized to enter into individualized RDAs, adapted from the revised, *pro forma* RDA, with each Regional Entity to incorporate the Regional Entity-specific deviations.

FURTHER RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolutions.

E-ISAC Coronavirus Update

Mr. Cancel provided the E-ISAC Coronavirus update, highlighting the coordination with industry and the Electricity Subsector Coordinating Council (“ESCC”). He noted the cyber and physical threat landscape; described extracting additional value from the Cyber Security Risk Information Sharing Program (“CRISP”); and provided an update on E-ISAC engagement activities.

Reliability and Security Technical Committee

Mr. Greg Ford, Committee Chair, referenced the written report and summarized the topics discussed at the March 4, 2020 meeting. He highlighted the Committee’s Transition Plan and initiatives for 2020.

2020 ERO Enterprise Reliability Indicators

Mr. Thilly reported that the 2020 ERO Enterprise Reliability Indicators update was postponed, noting that the report is in the agenda package.

Committee Reports

Representatives of the Standing Committees provided reports to the Board, highlighting items from their written reports, which had been included with the advance meeting materials.

Operating Committee

Mr. David Zwergel, Committee Chair, referenced the written report and highlighted certain items, including the Operating Committee’s discussion on pandemic preparation and procedures and approval to convert the Personnel Subcommittee to the Reliability Training Working Group.

Planning Committee

Mr. Thilly noted that Mr. Brian Evans-Mongeon, Committee Chair, was absent, but that the written report is in the advance agenda package.

Critical Infrastructure Protection Committee

Mr. Marc Child, Committee Chair, referenced the written report and highlighted the activities of the Supply Chain Working Group, Security Training Working Group, and Compliance Input Working Group.

Member Representatives Committee

Ms. Jennifer Sterling, Committee Chair, summarized the topics that had been discussed at the April 15, 2020 and May 14, 2020 MRC meetings.

Personnel Certification Governance Committee

Mr. Cory Danson, Committee Chair, provided an update on the activities of the Committee, referencing the materials provided in the advance agenda package. He discussed the Committee's approval of the Credential Maintenance Working Group scope.

Standards Committee

Ms. Amy Casuscelli, Committee Chair, referenced the written report and highlighted a special election and other Committee activities over the last quarter.

Reliability Issues Steering Committee

Mr. Nelson Peeler, Committee Chair, provided an update on the activities of the Committee. He highlighted the Committee's discussion of its 2020 proposed work plan activities and reviewed the framework to address known and emerging reliability and security risks.

Compliance and Certification Committee

Ms. Jennifer Flandermyer, Committee Chair, referred to the written report included in the advance agenda package, highlighting the Committee's work on Facility Ratings.

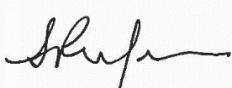
Electricity Subsector Coordinating Council

Mr. Robb reported on recent Electricity Subsector Coordinating Council activities.

Adjournment

There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,



Sônia Mendonça
Corporate Secretary