

Minutes Finance and Audit Committee Open Meeting

August 17, 2022 | 10:30-12:00 p.m. Pacific
In-Person Meeting

Hyatt Regency Vancouver
655 Burrard St.
Vancouver, BC V6C 2R7, Canada

Call to Order

Mr. Jim Piro, Chair, called to order a duly noticed open meeting of the Finance and Audit Committee (the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (NERC) on August 17, 2022 at approximately 10:30 a.m. Pacific, and a quorum was declared present.

Present at the meeting were:

Committee Members

Jim Piro, Chair
Robert G. Clarke
George S. Hawkins
Susan Kelly
Colleen Sidford
Roy Thilly
Kenneth W. DeFontes, *ex officio*

Board Members

Jane Allen
Robin E. Manning
Suzanne Keenan

NERC Staff

Tina Buzzard, Assistant Corporate Secretary
Manny Cancel, Senior Vice President and Chief Executive Officer, Electricity Information Sharing and Analysis Center
Howard Gugel, Vice President, Engineering and Standards
Kelly Hanson, Senior Vice President and Chief Administrative Officer
Stan Hoptroff, Vice President, Business Technology
Mark Lauby, Senior Vice President and Chief Engineer
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary
Kristin Miller, Director, Internal Audit
Bryan Preston, Vice President, People and Culture
Andy Sharp, Vice President, Chief Financial Officer
Janet Sena, Senior Vice President, External Affairs

NERC Antitrust Compliance Guidelines

Mr. Piro directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda, and directed all questions regarding antitrust compliance or related matters to Ms. Mendonça.

Minutes

Upon motion duly made and seconded, the Committee approved the minutes of the July 7, 2022 informational session and webinar and May 11, 2022 open meeting.

Second Quarter Statement of Activities

Mr. Sharp reviewed the second quarter statement of activities, noting that NERC was under budget year to date due to timing differences in spending, but expects to be over budget at year-end primarily due to increased CRISP expenses for PNNL due to higher membership levels (which will be funded by CRISP participant revenues) and the timing of costs expended for the cloud-based ISD project (which will be funded by CRISP reserves). NERC's net operating results (excluding CRISP) are projected to be close to budget at year-end. The Committee discussed NERC's efforts to increase CRISP membership while also right-sizing the budget. Upon motion duly made and seconded, the Committee approved a recommendation to the Board to accept the second quarter statement of activities.

NERC and Regional Entity Proposed 2023 Business Plans and Budgets and Associated Assessments

Mr. Sharp reviewed the NERC 2023 Business Plan and Budget (BP&B) noting that the final budget was \$101.0 million, which is \$12.2 million or 13.7% higher than 2022, final NERC assessments were slightly lower than in the initial draft, and 11.1% higher than last year. He reported that NERC received no significant negative feedback on the key focus areas and priorities outlined in the Business Plan and Budget (BP&B) after conducting extensive outreach with key stakeholders. He reviewed the stakeholder comments on the BP&B submitted to NERC and provided a summary response at the meeting. He also noted that a detailed management response to comments was available on the NERC web site. Stakeholder outreach groups have been very engaged, including at the July 13, 2022 Members Representative Committee (MRC) Business Plan and Budget input group call as well as the July 27, 2022 Trades & Forums and MEC calls. Stakeholders indicated that they want to see transparency in the investments NERC is making, linkages to the Long-Term Strategic Plan, metrics around the value added by these investments, and efforts to reduce duplication. Upon motion duly made and seconded, the Committee approved a recommendation to the Board to approve the NERC and Regional Entity business plans and budgets.

In reviewing the high levels of reserves across the ERO Enterprise, including receipts of significant penalty collections in certain regions, the committee requested that management consider what process and procedure changes would be necessary to pursue consolidating penalty revenues and use them to potentially offset ERO Enterprise projects or capital investments instead of reducing regional assessments. Management committed to discussing this issue with regional entity boards leadership.

Line of Credit Renewal

Mr. Sharp reviewed the line of credit renewal, noting that the Committee had previously given authorization to renew so long as there were not substantial changes. He noted that there was a material change due to a shift in the interest rate index from London Interbank Offered Rate (LIBOR) to the new

Secured Overnight Financing Rate (SOFR). Upon motion duly made and seconded, the Committee approved a recommendation to the Board to authorize NERC management to execute the updated renewal of the line of credit.

Other Matters and Adjournment

There being no further business, the meeting was adjourned.

Submitted by,



Sônia Mendonça
Corporate Secretary