

## Minutes

# Finance and Audit Committee Open Meeting

February 9, 2022 | 11:00 a.m. – 12:00 p.m. Eastern

### Virtual Meeting

Mr. Robert G. Clarke, Chair, called to order a duly noticed closed meeting of the Finance and Audit Committee (“FAC” or the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on February 9, 2022, at 11:00 a.m. Eastern, and a quorum was declared present.

Present at the meeting were:

#### **Committee Members**

Robert G. Clarke, Chair  
Suzanne Keenan  
Susan N. Kelly  
Jim Piro  
Colleen Sidford  
Kenneth W. DeFontes, Jr., *ex officio*

#### **Board of Trustees Members**

Jane Allen  
George S. Hawkins  
Robin E. Manning  
James B. Robb, President and Chief Executive Officer  
Roy Thilly

#### **NERC Staff**

Monica Bales, Senior Auditor, Internal Audit  
Tina Buzzard, Assistant Corporate Secretary  
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC  
Erika Chanzas, Manager of Business Planning  
Howard Gugel, Vice President of Engineering Standards, Reliability Standards  
Kelly Hanson, Senior Vice President and Chief Administrative Officer  
Stan Hoptroff, Vice President, Business Technology  
Nina Johnston, Assistant General Counsel  
David Kilgus, Principal Auditor  
Mark Lauby, Senior Vice President and Chief Engineer  
Meg Leonard, Controller  
Sonia Mendonca, Senior Vice President, General Counsel, and Corporate Secretary  
Kristin Miller, Director of Internal Audit  
Bryan Preston, Vice President, People and Culture  
Janet Sena, Senior Vice President, External Affairs, Policy and External Affairs  
Andy Sharp, Vice President and Chief Financial Officer  
Mechelle Thomas, Vice President and Chief Compliance Officer

## **Introduction and Chair's Remarks**

Mr. Clarke opened the meeting and noted that the Committee held a closed meeting the day before, including an executive session with the Director of Internal Audit.

## **NERC Antitrust Compliance Guidelines**

Ms. Buzzard directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda package, and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Mendonça.

## **Minutes**

Upon motion duly made and seconded, the Committee approved the minutes for the November 3, 2021, meeting as presented to the Committee.

## **2021 Year-End Unaudited Summary of Results**

Mr. Sharp provided an overview of the unaudited 2021 year-end financial results. He noted that for the quarter ending on December 31, 2021, total funding was \$300k (0.5%) over budget, total expenditures were \$2.8 million (3.3%) under budget, and total reserve increases were \$3.1 million over budget.

For expense categories, Mr. Sharp explained that the Company's personnel costs, meetings and travel and financing activity were under budget, and operating expenses were over budget, largely due to liability insurance and professional services. Fixed assets were also over budget, primarily due to carry over costs related to the construction of the Secure Evidence Locker but partially offset by information technology hardware spending.

Mr. Sharp reported the Company had a net increase of \$700,000 in operating contingency reserves. There were no releases or additions to the assessment stabilization reserve. He provided a projected reserve breakdown for 2022, noting the creation of a new CRISP operating reserve following the elimination of the true-up process for underruns not returned to the CRISP participants.

Mr. Sharp concluded by announcing the annual independent financial audit would begin in March, with findings presented to the Committee and Board in May.

## **ERO Enterprise Combined 2021 Year-End Report**

Mr. Sharp provided an overview of the unaudited 2021 year-end ERO Enterprise financial results. Overall, total expenditures were \$76 million (3.6%) under budget. Texas Regional Entity was slightly over budget and all other entities were under budget. By category, fixed assets were 46% over budget, primarily driven by an office expansion in Midwest Reliability Organization and member portal projects at SERC Reliability Corporation. Overall reserve balances increased during the year by \$5.5 million. Texas Regional Entity was the only entity with a reserve decrease for the year, which was planned in their 2021 budget.

Upon motion duly made and seconded, the Committee accepted the 2021 year-end unaudited summary of results.

### **Regional Entity 2021 Year-End Reports**

Mr. Sharp referenced materials included in the agenda package.

### **Renewal of Capital Financing Program**

Upon motion duly made and seconded, the Committee approved the \$5 million renewal of the Capital Financing Program for large technology and software projects. This approval includes the ability for management to automatically renew the program without seeking prior Committee approval, barring any material changes to the underlying financial terms.

### **Proposed Amendment to Committee Mandate**

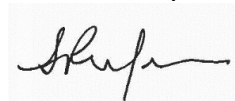
Upon motion duly made and seconded, the Committee approved and recommended Corporate Governance and Human Resources Committee approval of the proposed amendment to the Committee mandate to eliminate the three-year audit plan.

### **Other Matters / Final Remarks / Adjournment**

In his closing remarks, Mr. Clarke announced that it was his final meeting serving as the chair of the Committee, thanked NERC staff and Committee members for their support, and welcomed Mr. Piro as incoming Chair.

There being no further business before the Committee, the meeting was adjourned.

Submitted by,



Sônia Mendonça  
Corporate Secretary