

# DRAFT Minutes

## Finance and Audit Committee

November 3, 2021 | 1:00–2:00 p.m. Eastern

### Virtual Meeting

Mr. Robert G. Clarke, Chair, called to order a duly noticed open 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 November 3, 2021, at 1:00 p.m. Eastern, and a quorum was declared present.

Present at the meeting were:

#### Committee Members

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

#### Board of Trustees Members

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

#### NERC Staff

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, Engineering & Standards  
Kelly Hanson, Senior Vice President and Chief Administrative Officer  
Stan Hoptroff, Vice President, Business Technology  
Nina Johnston, Assistant General Counsel  
Mark Lauby, Senior Vice President and Chief Engineer  
Meg Leonard, Controller  
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary  
Kristin Miller, Director, Internal Audit  
Bryan Preston, Vice President, People & Culture  
Janet Sena, Senior Vice President, External Affairs  
Andy Sharp, Vice President and Chief Financial Officer  
Mechelle Thomas, Vice President, Compliance Assurance

#### Introduction and Chair’s Remarks

Mr. Clarke outlined the agenda and noted that three closed meetings occurred since the last open FAC meeting.

### **NERC Antitrust Compliance Guidelines**

Mr. Clarke 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 September 28, 2021, and August 11, 2021, minutes as presented in the advance agenda package.

### **Amendment to Investment Policy**

Mr. Sharp described proposed changes to the cash and reserve investment policy. In addition to administrative changes, other changes to the policy would allow for investment in highly-rated corporate bonds or mortgage-backed securities, within policy limits, and would clarify the average portfolio duration should not exceed 12 months. He received input on these changes from NERC's investment advisor. Upon motion duly made and seconded, the FAC accepted the changes to the policy and recommended approval of the policy to the Board.

### **Third Quarter Calendar of FAC Responsibilities**

Ms. Leonard provided a summary of unaudited financial results as of September 30, 2021. She noted that total funding for NERC is \$200,000 under budget due to lower interest rates leading to lower investment income and lower system operator certification program revenues. As of the end of the third quarter, there are also lower total expenditures due in part to decreased travel and meetings. When examined by category, Ms. Leonard noted that personnel, operating expenses, meetings, travel and net financing are under budget. Fixed assets are over budget due to Secure Evidence Locker costs carried over from fiscal year 2020, which will be funded from loan borrowing capacity that was also carried over from 2020. Operating Contingency Reserves are \$3.4 million over budget year to date.

For year end, NERC projects that it will be \$400,000 (0.5%) under budget in funding and total expenditures are expected to be \$500,000 (0.6%) under budget. When examined by category, operating expenses and fixed assets are expected to be over budget while personnel, meetings, travel and net financing are expected to be under budget. Ms. Leonard projected a net increase of \$1.2 million in operating contingency reserves at year end. There are no planned releases or additions to the assessment stabilization reserve in 2021. She also presented an overview of all NERC reserve funds, including System Operator Certification and CRISP reserves.

Ms. Leonard provided a summary of unaudited financial results for the ERO Enterprise as of September 30, 2021. The ERO Enterprise is under budget \$7.9 million (5.0%) year to date, which is generally driven by pandemic causes. By year end, the ERO Enterprise is projected to be under budget by \$4.3 million (2.0%). She also reviewed beginning and projected reserve balances for the ERO.

Mr. Clarke referenced the Regional Entity variance reports included in the agenda package.

Upon motion duly made and seconded, the FAC reviewed and recommended acceptance of the Third Quarter Statement of Activities, inclusive of NERC and the Regional Entities by the Board.

### **2022 Business Plan and Budget Status**

Mr. Sharp noted that FERC accepted the 2022 Business Plan and Budget (BP&B) on November 2, 2021. He noted that although the BP&B amendment was approved, the proposed relocation of the Atlanta office will not move forward because we were unable to reach mutually agreeable terms with the landlord. Instead, Mr. Sharp informed the FAC that some savings will be achieved at the existing Atlanta location through the remainder of the lease term.

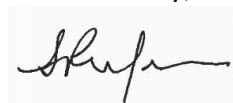
### **2023 Business Plan and Budget Schedule**

Mr. Sharp noted that in 2022 NERC and the Regional Entities will be exploring ways to make the budget preparation more efficient. He provided an overview of NERC process enhancements for the 2023 BP&B schedule, which include multi-year planning and identifying significant budget drivers early in the process for the next three years. Mr. Sharp is proposing to discontinue the second draft of the BP&B and the webinar and second draft comment period. These enhancements will continue to be socialized with stakeholders. He also presented the summary proposed preparation schedule for the 2023 BP&B.

### **Other Matters and Adjournment**

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

Submitted by,



Sônia Mendonça  
Corporate Secretary