

## DRAFT Minutes

# Finance and Audit Committee Meeting

May 8, 2019 | 9:45 – 10:45 a.m. Central

Ritz-Carlton, St. Louis  
100 Carondelet Plaza  
St. Louis, MO 63105

### Introduction and Chair's Remarks

Roy Thilly, Acting Committee 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" or the "Company") on May 8, 2019, at 9:00 a.m. Central, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

### Committee Members

Janice B. Case  
David Goulding  
Colleen Sidford  
Roy Thilly, Acting Committee Chair

### Board of Trustee Members

Kenneth W. DeFontes, Jr.  
Frederick W. Gorbet  
George S. Hawkins  
Suzanne Keenan  
Robin E. Manning  
James B. Robb, President and Chief Executive Officer  
Jan Schori

### Committee Members Not Present

Robert G. Clarke, Chair

### NERC Staff

Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary  
Tina Buzzard, Associate Director  
Scott Jones, Senior Vice President, Chief Financial and Administrative Officer, and Corporate Treasurer  
Mark G. Lauby, Senior Vice President and Chief Reliability Officer  
Janet Sena, Senior Vice President and Director of Policy and External Affairs  
Andy Sharp, Controller

### NERC Antitrust Compliance Guidelines

Mr. Thilly explained that he would serve as Acting Committee Chair, as Mr. Clarke could not be present. He directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda, and indicated that all questions regarding antitrust compliance or related matters should be directed to Mr. Berardesco.

**Minutes**

Upon motion duly made and seconded, the minutes from the February 6, 2019 meeting were approved as presented to the Committee.

**Report on April 24 and May 7, 2019 Closed Sessions**

Mr. Thilly reported that the Committee met in closed session on April 24, 2019 with the Corporate Governance and Human Relations Committee to discuss personnel assumptions for the preliminary 2020 budget. He also reported that the Committee met in closed session on May 7, 2019 with NERC's auditors to review audit matters.

**Second Quarter Calendar of FAC Responsibilities**

Mr. Thilly reported that the Committee reviewed the 2018 Audited Financial Statements in the May 7, 2019 closed session. Upon motion duly made and seconded, the Committee recommended the 2018 Audited Financial Statements for acceptance by the Board.

Mr. Sharp presented the First Quarter Unaudited Statement of Activities and variance reports for NERC and for the ERO Enterprise, referencing the materials included in the advance agenda package. He noted that NERC is on budget for funding, with total expenditures slightly under budget due to timing of expenditures. Mr. Sharp noted that NERC is projected to be near budget for funding, total expenditures, and operating reserves at year-end. He also summarized the status of working capital and operating reserves.

Mr. Sharp stated that the ERO Enterprise was under budget through the first quarter, primarily due to lower personnel expenses and timing differences between actual costs incurred and budgeted costs expected during the year. He noted that the ERO Enterprise is projected to be over budget at year-end, due to costs associated with the FRCC transition. Mr. Sharp summarized the aggregate working capital and operating reserves.

After discussion, and upon motion duly made and seconded, the Committee recommended the First Quarter Unaudited Statement of Activities for acceptance by the Board.

Mr. Thilly asked for clarification on funding issues related to the FRCC transition. Mr. Jones explained that some of the FRCC assessment funds for the third and fourth quarters of 2019 will instead be directed to SERC to cover increased responsibilities, and that any cash remaining at FRCC will be used to fund wind-down operations.

**2020 Business Plan and Budget (BP&B)**

Mr. Jones provided an overview of the preliminary 2020 BP&B, referencing the materials in the advance agenda package. He explained that NERC is considering changes in its BP&B process that may result in the discontinuation of the operating plan document, with NERC providing additional detail in support of NERC's long-term strategy in the BP&B itself. Mr. Jones highlighted that the proposed NERC budget reflects growth in E-ISAC costs, with a slight decline in non-E-ISAC costs. He reviewed the ERO Enterprise proposed budgets and assessments. Mr. Jones then reviewed the schedule for BP&B posting, comments, and approval.

Ms. Keenan congratulated NERC on achieving a diverse slate of candidates for open E-ISAC positions and inquired as to whether the budget is sufficient to attract and retain talent in light of broader market pressures for technical talent. Mr. Jones clarified that NERC assumed higher personnel cost increases in the preliminary 2020 BP&B, and NERC is trying to be as flexible as it can be on costs for individual positions. Mr. Lawrence added that the E-ISAC is also building its capabilities through employee training and engagement.

Mr. Thilly asked for clarification on the relationship between budget increases and assessment increases. Mr. Jones explained that assessment increases do not always correspond to budget increases due to year-over-year fluctuations in funding from other sources. He observed that, for many entities, year-over-year changes to the entity's Net Energy for Load may have a larger impact on the assessment changes than budget increases.

Mr. Thilly concluded the discussion by encouraging stakeholders to submit comments on the proposed 2020 BP&B and to be as specific as possible with any concerns.

#### **Adjournment**

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

Submitted by,



Charles A. Berardesco  
Corporate Secretary

## Agenda

# Finance and Audit Committee

May 8, 2019 | 9:45-10:45 a.m. Central

**(Please note the Schedule may be adjusted real-time should meetings conclude early and/or extend past their scheduled end time.)**

The Ritz-Carlton, St. Louis  
100 Carondelet Plaza  
St. Louis, MO 63105

Conference Room: Ritz-Carlton Ballroom (2<sup>nd</sup> Floor)

### Introduction and Chair's Remarks

### NERC Antitrust Compliance Guidelines and Public Announcement\*

#### Agenda Items

- 1. Minutes\*— Approve**
  - a. February 6, 2019 Meeting
- 2. Report on April 24 and May 7, 2019 Closed Sessions**
- 3. Second Quarter Calendar of FAC Responsibilities\***
  - a. 2018 Financial Statement Audit Results\* – **Review and Recommend Board of Trustees Acceptance**
  - b. First Quarter Statement of Activities\* – **Review and Recommend Board of Trustees Acceptance**
    - i. NERC Summary of Results as of March 31, 2019
    - ii. Total ERO Enterprise Summary of Results as of March 31, 2019
    - iii. Regional Entity Variance Reports as of March 31, 2019
- 4. 2020 Business Plan and Budget\* — Update**
- 5. Adjournment**

\*Background materials included.