

Minutes

Finance and Audit Committee

February 2, 2017 | 2:00–3:00 p.m. Eastern

Conference Call

Ms. Jan Schori, 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 February 2, 2017, at 2:00 p.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Committee Members

Jan Schori, Chair
Janice B. Case
Robert G. Clarke
Kenneth W. DeFontes, Jr.
Frederick W. Gorbet
Kenneth G. Peterson

Board Members

Gerald W. Cauley, President and Chief Executive Officer
David Goulding
George S. Hawkins
Roy Thilly

NERC Staff:

Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary
Tina Buzzard, Associate Director
Scott Jones, Vice President of Finance and Treasurer
Janet Sena, Senior Vice President and Director of Policy and External Affairs
Michael Walker, Senior Vice President and Chief Financial and Administrative Officer

NERC Antitrust Compliance Guidelines

Ms. Schori 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 Mr. Berardesco.

Minutes

Upon motion duly made and seconded, the Committee approved the minutes of the October 27, 2016 meeting.

2015 Year-End Unaudited Statement of Activities

Mr. Jones reviewed the NERC 2016 Unaudited Statement of Activities and variance report referencing the detailed information provided in the advance Committee materials. He reported that NERC would end the year under budget, both before and after the CRISP program, and noted the reasons for the better than forecasted results, including a review of individual program variances. It was noted that the IT program was under budget, in part because of the permitted capitalization of certain expenses,

and

the Committee discussed how to present such information in the future so as to maintain transparency around IT costs. The Committee reviewed the year-end reserves, noting that the operating contingency reserve would be higher than budgeted. As a result, management reduced planning borrowing levels.

Mr. Jones reviewed the ERO Enterprise results, which were also under budget, largely due to lower than budgeted personnel costs. He did note that the variance for personnel costs had been reduced compared to past years. The Committee requested that in future reports, management provide separate information for regional rate stabilization reserves from other reserves. Management also reviewed a potential approach to addressing higher reserve levels, potentially providing an option to ERO entities to reduce their assessments if warranted before final budget approval each year. Management is working with FERC on this option and will keep the Committee informed.

The Committee discussed the reports, and upon motion duly made and seconded, the Committee recommended Board acceptance of the 2016 Year-end Unaudited Statement of Activities.

Investment Performance and Policy

Mr. Walker reviewed the company's Investment Policy and the performance of invested funds, noting that the current approach has been to invest funds in vehicles with a high degree of liquidity and security. He reported that management continues to consult with PNC Bank, as financial consultant, on potential investment options. The Committee discussed whether, given the level of funds and continuing low interest rate environment, a different approach should be considered. It was determined that management will examine alternatives and report back to the Committee.

Committee Self-Assessment Results

Ms. Schori reviewed the Committee self-assessment results, referencing the presentation included in the advance Committee materials, noting the results tended to be lower for areas where the Committee is not required to exercise significant oversight on a regular basis.

Procedures for Approval of Senior Management Expenses

Mr. Jones reviewed the procedures for review of senior management expenses. The Committee requested a future report on procedures for review of trustee expenses.

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

February 2, 2017 | 2:00-3:00 p.m. Eastern
Conference Call

Participant Dial-in: 1-855-331-9631 | Conference ID: 62361127

[Webex Link](#)

Call to Order

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. **Minutes* — Approve**
 - a. October 27, 2016 Conference Call
2. **2016 Year-End Unaudited Statement of Activities* — Review and Recommend Board Acceptance**
 - a. NERC 2016 Unaudited Results—Actual to Budget Variance Analysis
 - b. Combined ERO Enterprise 2016 Unaudited Results—Actual to Budget Variance Analysis
 - c. Regional Entity 2016 Unaudited Results—Actual to Budget Variance Analysis
3. **Investment Performance and Policy* — Review**
4. **Finance and Audit Committee Self-Assessment Results* — Review**
5. **Procedures for Approval of Senior Management Expenses* — Review**
6. **Other Business**
7. **Adjournment**

*Background materials included.