

Minutes

Finance and Audit Committee

October 27, 2016 | 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” or the “Company”) on October 27, 2016, 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

David Goulding
George 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
Mark Lauby, Senior Vice President and Chief Reliability Officer
Janet Sena, Senior Vice President and Director of Policy and External Affairs
Susan Turpen, Controller
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 any questions regarding antitrust compliance or related matters should be directed to Mr. Berardesco.

Minutes

Upon motion duly made and seconded, the minutes from the August 10, 2016 meeting were approved as presented to the Committee.

Report on Third Quarter Unaudited Results

Mr. Jones presented the unaudited third quarter variance reports for NERC and for the ERO Enterprise, referencing the materials included in the advance agenda package. NERC continues to be under budget, mostly due to timing. Personnel is slightly over budget, but management continues to take a careful approach to hiring that should bring personnel costs very close to budget by year end. Current

projections are that NERC will be slightly under budget at year end (prior to the use of authorized reserves and excluding the CRISP program). The CRISP program is projected to be over budget at year end, but this is due to additional CRISP participants which will provide fees to cover the additional costs. Mr. Jones reviewed the various reserve levels.

The ERO Enterprise continues to be under budget, primarily due to personnel costs, with current FTEs 4.3 percent under budget, as well as travel and consulting expenses. It is expected that the ERO Enterprise will be slightly under budget by year end. Mr. Jones reviewed reserve levels across the ERO Enterprise, noting that they were \$8 million over budget at the beginning of the year, and are currently \$15.7 million over expectations. It is expected that the ERO Enterprise reserve levels will be back to \$11.2 million over budget by year end. Management continues to focus closely on reserve levels and has experienced steady improvement in budgeting and projecting reserve levels across the ERO Enterprise.

Upon motion duly made and seconded, the Committee recommended the Third Quarter Unaudited Statement of Activities for acceptance by the Board.

2017 Business Plan and Budget Status

Mr. Walker noted that FERC had approved the 2017 Business Plans and Budgets in an Order that contained no directives or follow up items.

2018 Business Plan and Budget Schedule

Mr. Jones reviewed the tentative 2018 ERO Enterprise Business Plan and Budget Schedule, which had been included in the advance agenda package. He noted the consistent outreach to stakeholders and interactions with the MRC BP&B Input Group.

Review of Committee Mandate

Ms. Schori noted that the Committee is required to review its mandate on an annual basis. Based on Legal Department review and the recent updating of the mandate, no changes are recommended. The Committee concurred with the approach.

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

October 27, 2016 | 2:00-3:00 p.m. Eastern
Conference Call

Participant Dial-in: 1-855-331-9631 | Conference ID: 1874466

Call to Order

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

- 1. Minutes* — Approve**
 - a. August 10, 2016 Meeting
- 2. Fourth Quarter Calendar of FAC Responsibilities**
 - a. Third Quarter Statement of Activities* — **Review and Accept**
 - i. NERC Summary of Results as of September 30, 2016
 - ii. Total ERO Enterprise Summary of Results as of September 30, 2016
 - iii. Regional Entity Variance Reports as of September 30, 2016
- 3. 2017 Business Plan and Budget Status — Update**
- 4. 2018 Business Plan and Budget Schedule* — Review**
- 5. Review of Committee Mandate* — Review**
- 6. Adjournment**

*Background materials included.