

## Minutes

# Finance and Audit Committee Meeting

May 9, 2018 | 8:30-11:00 a.m. Eastern

The Ritz-Carlton, Pentagon City  
1250 S. Hayes Street  
Arlington, VA 22202

### Call to Order and Chair's Remarks

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 May 9, 2018, at 8:30 a.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  
Robert G. Clarke  
David Goulding  
Suzanne Keenan  
Roy Thilly

#### Board of Trustee Members

Janice B. Case  
Kenneth W. DeFontes  
Frederick W. Gorbet  
George S. Hawkins  
Rob Manning  
Jim Robb, President and Chief Executive Officer

#### NERC Staff

Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary  
Tina Buzzard, Associate Director  
Robert Goldfin, Associate Counsel  
Stan Hoptroff, Vice President, Chief Technology Officer, and Director of Information Technology  
Scott Jones, Senior Vice President, Chief Financial and Administrative Officer, and Corporate Treasurer  
Mark G. Lauby, Senior Vice President and Chief Reliability Officer  
Bill Lawrence, Senior Director of E-ISAC  
Sonia C. Mendonça, Vice President, Deputy General Counsel, and Director of Enforcement Janet Sena, Senior Vice President and Director of Policy and External Affairs  
Andy Sharp, Controller  
Michael Walker, Senior Vice President and Chief Enterprise Risk and Strategic Development Officer

#### NERC Antitrust Compliance Guidelines

Ms. Schori 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 7, 2018 meeting were approved as presented to the Committee.

**Report on April 17 and May 8, 2018 Closed Sessions**

Ms. Schori provided an update on the Committee's April 17 and May 8, 2018 meetings. She highlighted that the Committee discussed preliminary issues related to the 2019 Business Plan and Budget ("BP&B"), met with NERC staff and Grant Thornton, the Company's independent accountants, and received a clean financial opinion for 2017.

**Second Quarter Calendar of FAC Responsibilities**

The Committee reviewed the 2017 Audited Financial Statements, referencing the detailed information provided in the advance agenda package. Upon motion duly made and seconded, the Committee recommended the 2017 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 was slightly under budget, but noted that the first quarter financial information reflected early results for the year and was impacted by numerous timing differences between actual results and budgeted costs.. Mr. Sharp noted NERC is projected to be slightly over budget at year-end due to personnel, unbudgeted costs associated with the dissolution of SPP RE, and the cyber security supply chain risk study. He also summarized the status of working capital and operating reserves.

Mr. Sharp noted that the ERO Enterprise was under budget through the first quarter, primarily due to timing differences between actual costs incurred and budgeted costs expected during the year. He 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.

**2019 Business Plan and Budget**

Mr. Jones provided an overview of the preliminary 2019 BP&B, referencing the materials in the advance agenda package. He noted the primary areas of focus for 2019 were the continued commitment to cyber security and the E-ISAC, additional investments in technology and tools for the core business, and cost savings outside the E-ISAC department to control costs.

Mr. Jones reviewed the proposed Compliance Monitoring and Enforcement Program ("CMEP") technology project and its potential effect on the 2019 BP&B. Regarding the CMEP technology project, he noted that those investments, as well as those related to Registration and Standards databases should offset certain existing operating and licensing costs in the future.

Mr. Jones reviewed costs related to upgrading the Situational Awareness tool ("SAFNR"). He noted that NERC and the Regional Entities are current users of the tool, and E-ISAC, among others, are potential new users. He stated that the SAFNR tool upgrade has not undergone a RFP process yet, and the projected price may increase related to the development of the tool but not for its operation. Mr.

Jones also noted the SAFNR tool upgrade will go through the normal process of evaluating a business case and be subject to the Technology and Security Committee review and approval.

Mr. Jones reviewed the ERO Enterprise proposed budgets and assessments. He closed by reviewing the schedule for BP&B posting, comments, and approval. Ms. Schori expressed appreciation for the Member Representatives Committee budget policy input letter. She asked that the Members Executive Committee also provide input on the budget.

**Adjournment**

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

Submitted by,



Charles A. Berardesco  
Corporate Secretary

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## Agenda

# Finance and Audit Committee

May 9, 2018 | 8:30-9:30 a.m. Eastern

The Ritz-Carlton, Pentagon City  
1250 S. Hayes Street  
Arlington, VA 22202

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

### Call to Order

### Introductions and Chair's Remarks

### NERC Antitrust Compliance Guidelines

### Agenda

#### 1. Minutes\* – Approve

- a. February 7, 2018 Meeting

#### 2. Report on April 17 and May 8, 2018 Closed Sessions

#### 3. Second Quarter Calendar of FAC Responsibilities\*

- a. 2017 Financial Statement Audit Results – **Review and Recommend to Board of Trustees**
- b. First Quarter Statement of Activities – **Review and Recommend to Board of Trustees**
  - i. NERC Summary of Results as of March 31, 2018
  - ii. Total ERO Enterprise Summary of Results as of March 31, 2018
  - iii. Regional Entity Variance Reports as of March 31, 2018

#### 4. 2019 Business Plan and Budget\* – Update

#### 5. Adjournment

\*Background materials included.