

Minutes

Finance and Audit Committee

August 19, 2020 | 2:30-3:30 p.m. Eastern

Conference Call

Mr. Robert G. Clarke, 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 August 19, 2020, at approximately 2:30 p.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Committee Members

Robert G. Clarke, Chair
Suzanne Keenan
Robin E. Manning
Jim Piro
Roy Thilly, *ex officio*

Board of Trustees Members

Kenneth W. DeFontes
George Hawkins
James B. Robb, President and Chief Executive Officer
Jan Schori
Colleen Sidford

NERC Staff

Tina Buzzard, Assistant Corporate Secretary
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
Kelly Hanson, Senior Vice President and Chief Administrative Officer
Mark Lauby, Senior Vice President and Chief Engineer
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary
Janet Sena, Senior Vice President, External Affairs
Andy Sharp, Vice President, Finance

Introduction and Chair’s Remarks

Mr. Clarke welcomed the participants to the meeting and provided an overview of the agenda. He welcomed Ms. Hanson to the meeting in her role as Senior Vice President and Chief Administrative Officer.

NERC Antitrust Compliance Guidelines

Ms. Buzzard 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 Ms. Mendonça.

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Upon motion duly made and seconded, the Committee approved the July 23, 2020, June 4, 2020, and May 13, 2020 meeting minutes, as presented.

Second Quarter Statement of Activities

Mr. Sharp reviewed the year to date Second Quarter Unaudited Financial Statements for NERC and for the ERO Enterprise, referencing the materials included in the advance agenda package.

Mr. Sharp noted that NERC is under budget for funding, with total expenditures \$4.1 million under budget due to timing of expenditures, lower spending on meetings and travel, and cost savings efforts. He highlighted that NERC is projected to be under budget for funding and total expenditures, with a projected \$1.4 million increase in operating reserves at year-end.

Mr. Sharp reviewed the ERO Enterprise results year to date and projections for year end. He stated that the ERO Enterprise was under budget through the second quarter, noting that MRO was at budget and WECC and Texas RE were over budget. He highlighted that the ERO Enterprise is projected to be under budget by \$7.9 million at year-end.

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

NERC and Regional Entity Proposed 2021 Business Plans and Budgets and Associated Assessments

Mr. Sharp reviewed the NERC 2021 Business Plan and Budget (BP&B), referencing the material provided in the advance agenda package. He noted the budget goal of achieving little to no assessment increase in response to pandemic impacts despite significant budget pressures. Mr. Sharp highlighted the budget drivers, NERC and E-ISAC budget change between 2020 and 2021, projected reserve balances, and preliminary 2022 and 2023 projections.

Mr. Sharp reviewed the ERO Enterprise combined 2021 budgets and assessments, referencing the material included in the advance agenda package. He emphasized the creation and use of a new document summarizing NERC's review process for the Regional Entity budgets and assessments. Mr. Sharp clarified that the procedural document focuses on evaluating the adequacy of resources and activities to perform delegated functions and the alignment of the Regional Entity's goals, objectives, and activities to the ERO Enterprise Long-Term Strategy and related focus areas. He reviewed the ERO Enterprise long-term strategy focus areas, the ERO Enterprise 2021 budget by program area, the ERO Enterprise 2021 assessments, and the ERO Enterprise weighted average budget and assessment increases. The Committee expressed its appreciation of the Regional Entity budget review process.

After discussion, and upon motion duly made and seconded, the Committee recommended the NERC and Regional Entity Proposed 2021 Business Plans and Budgets and Associated Assessments for approval by the Board.

Annual Renewal of Unsecured Line of Credit

Mr. Sharp presented on the annual renewal of an unsecured line of credit, highlighting that NERC has maintained an unsecured line of credit with a lender for emergency working capital needs or unforeseen contingencies since 2007. He noted that the currently effective line of credit expires August 29, 2020. Mr. Sharp emphasized that the lender pre-approved NERC for a new \$4 million unsecured line of credit with a maturity date of June 20, 2021. After discussion, and upon motion duly made and seconded, the Committee recommended the renewal of the unsecured line of credit for approval by the Board.

Adjournment

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

Submitted by,



Sônia Mendonça
Corporate Secretary