

Minutes

Finance and Audit Committee Meeting

August 15, 2018 | 8:30-9:30 a.m. Mountain

The Westin Calgary
320 4th Avenue SW
Calgary, AB T2P 2S6, Canada

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 August 15, 2018, at 8:30 a.m. Mountain, 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, Jr.
Frederick W. Gorbet
George S. Hawkins
Robin E. Manning
James B. Robb, President and Chief Executive Officer

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
Michael Walker, Senior Vice President and Chief Enterprise Risk and Strategic Development Officer

Chair's Remarks

Ms. Schori welcomed the participants to the meeting and noted the Committee's responsibility at this meeting to recommend the 2019 Business Plans and Budgets for Board approval.

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 July 19, 2018, May 30, 2018, and May 9, 2018 meetings were approved as presented to the Committee.

Third Quarter Calendar of FAC Responsibilities

Mr. Jones reviewed the Second Quarter Unaudited Financial Statements for NERC and for the ERO Enterprise, referencing the materials included in the advance agenda package. He noted that NERC was slightly under budget for the quarter, but explained that this was largely due to the expected timing of expenditures, and that the net impact is a temporary increase in operating reserves. Mr. Jones noted that NERC's expenses are tracking as expected, and NERC is projected to be on budget for the year. He also stated that the company's cash position may be favorable, potentially allowing for reduced borrowing at year end. Mr. Jones noted that the timing of hiring for the E-ISAC is largely responsible for the lower-than-budgeted spending on E-ISAC staffing, but that there has been a recent acceleration in hiring and discussion of accelerating 2019 hiring to late 2018. Mr. Jones reported that the ERO Enterprise is expected to be under budget for the year, due largely to the effects of the SPP RE dissolution offset some by increased spending at MRO and SERC.

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

NERC and Regional Entity Proposed 2019 Business Plans and Budgets and Associated Assessments

Ms. Schori thanked everyone who worked on the budget, including NERC and Regional Entity staff, and all who provided input and comments. Ms. Schori highlighted several aspects of the budget, including the growth of the E-ISAC under the strategic plan endorsed by the Member Executive Committee ("MEC"), the ongoing investment in technology and tools, the implementation of cost controls and decreases in non-E-ISAC personnel, and a release from the assessment stabilization reserve that is consistent with past practice.

Mr. Jones provided an overview of the overall budget, referencing the materials in the advance agenda package. He summarized the ERO Enterprise's long-term strategy focus areas, operating plan goals, and the 2019 budget areas of focus. He reviewed the stakeholder comment process and how comments were addressed, including those regarding the CMEP technology project, the situational awareness tool ("SAFNR") upgrade project, office expansion, and achieving long-term savings for meetings. While reporting that the final budget was very close to the initial draft, he assured stakeholders that NERC takes comments seriously. He also described the release from the assessment stabilization reserve, medical benefit costs, and Canadian E-ISAC interaction.

Mr. Jones reviewed the NERC budget, reporting that the non-E-ISAC budget is up approximately 2.5%, with more aggressive E-ISAC growth. Mr. Jones reviewed the key aspects of the budget, including personnel costs, the CMEP Technology Project, the entity registration tool project, and the E-ISAC budget. He noted that, although funds are budgeted for the SAFNR project, the project will go through the standard vetting process before funds are disbursed. He also reviewed the budget by program areas and strategic goals. Assessments were reviewed by country. Mr. Jones provided the 2020 and 2021 projections, noting an expected decrease in growth but that it is subject to variance by continued

growth in the E-ISAC. He also discussed the factors regarding why assessments do not necessarily correspond with expenditures.

A member of the MRC thanked NERC management for being responsive to issues, including Canadian cost pressures. He noted that work would soon begin on the 2020 budget and this budget would hopefully reflect the work that has been done to improve effectiveness and efficiency. He suggested consideration of other budget development approaches for future years.

Mr. Jones then reviewed the ERO Enterprise budgets, noting that each Regional Entity budget had been approved by its respective board. He noted an increased budget at MRO due to the dissolution of the SPP RE. He summarized Regional Entity budgets for key program areas. Mr. Jones explained that NERC reviews regional budgets with a goal of ensuring that Regional Entities have the necessary resources to perform their functions and that items are described appropriately.

Mr. Jones also reviewed the assessments, noting that small corrections are made to the assessment schedules from time to time.

After discussion, and upon motion duly made and seconded, the Committee recommended the NERC and Regional Entity Proposed 2019 Business Plans and Budgets and Associated Assessments for approval by the Board.

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

August 15, 2018 | 8:30-9:30 a.m. Mountain

The Westin Calgary
320 4th Avenue SW
Calgary, AB T2P 2S6, Canada

Conference Room: Britannia/Belaire/Mayfair – Conference Level

Call to Order

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. Minutes* – Approve

- a. July 19, 2018 Meeting
- b. May 30, 2018 Meeting
- c. May 9, 2018 Meeting

2. Third Quarter Calendar of FAC Responsibilities

- a. Second Quarter Unaudited Financial Statements* – **Review and Recommend to Board of Trustees for Acceptance**
 - i. NERC Summary of Results as of June 30, 2018
 - ii. Combined ERO Enterprise Summary of Results as of June 30, 2018
 - iii. Regional Entity Variance Reports as of June 30, 2018
- b. NERC and Regional Entity Proposed 2019 Business Plans and Budgets and Associated Assessments* – **Review and Recommend to Board of Trustees for Approval**
 - i. NERC 2019 Business Plan and Budget
 - ii. Combined ERO Enterprise 2019 Business Plans and Budgets
 - iii. Regional Entity and WIRAB 2019 Business Plans and Budgets
 - iv. 2019 Assessment Schedule

3. Other Business

4. Adjournment

*Background materials included.