

DRAFT Minutes

Finance and Audit Committee

August 11, 2021 | 2:30–3:30 p.m. Eastern

Virtual Meeting

Mr. Robert G. Clarke, Chair, called to order a duly noticed open meeting of the Finance and Audit Committee (“FAC” or the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on August 11, 2021, at 2:30 p.m. Eastern, and a quorum was declared present.

Present at the meeting were:

Committee Members

Robert G. Clarke, Chair
Larry Irving
Suzanne Keenan
Susan N. Kelly
Jim Piro
Colleen Sidford
Kenneth W. DeFontes, Jr., *ex officio*

Board of Trustees Members

Jane Allen
George S. Hawkins
Robin E. Manning
James B. Robb, President and Chief Executive Officer
Roy Thilly

NERC Staff

Tina Buzzard, Assistant Corporate Secretary
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
Erika Chanzas, Manager of Business Planning
Howard Gugel, Vice President, Engineering & Standards
Kelly Hanson, Senior Vice President and Chief Administrative Officer
Stan Hoptroff, Vice President, Business Technology
Nina Johnston, Assistant General Counsel
Mark Lauby, Senior Vice President and Chief Engineer
Meg Leonard, Controller
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary
Kristin Miller, Director, Internal Audit
Janet Sena, Senior Vice President, External Affairs
Andy Sharp, Vice President and Chief Financial Officer
Mechelle Thomas, Vice President, Compliance Assurance

Introduction and Chair’s Remarks

Mr. Clarke outlined the agenda, noting the presentation of the second quarter statement of activities and final draft of the business plan and budget (BP&B), to include the process followed in finalizing the 2022

business plan and budget. In addition, Mr. Clarke summarized the July 7 and August 9, 2021 closed Committee meetings.

NERC Antitrust Compliance Guidelines

Mr. Clarke 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 Ms. Mendonça.

Minutes

Upon motion duly made and seconded, the Committee approved the May 12, June 3, and July 22, 2021 minutes as presented in the advance agenda package.

NERC Summary of Unaudited Results as of June 30, 2021

Mr. Sharp presented the second quarter year-to-date unaudited results. He noted that total funding for the Company is \$200,000 under budget and total expenditures are also under budget due to a decrease in travel and lower medical insurance premiums. Mr. Sharp noted that there is an increase in reserves through the second quarter due to several factors, including lower than budgeted personnel, meetings and travel, operating expenses, fixed assets, and net financing activity.

In his year-end projection, he noted that NERC expects funding to be under budget, but over budget on expenditures due to a delayed CRISP operational pilot program. Mr. Sharp summarized the amounts in the operating contingency reserves as well as the assessment stabilization reserves. He also presented year-end projections for each category of reserves.

Mr. Sharp also presented a summary for the ERO Enterprise's year-to-date results for the second quarter. Total expenditures are under budget across the ERO Enterprise, while MRO and Texas RE are the only Regional Entities that saw increases.

In his year end projections for the ERO Enterprise, Mr. Sharp noted that NERC and Texas RE are expected to be over budget. All Regional Entities, except MRO, are expected to have flat reserve balances. He presented a new table showing reserve usage for NERC and each Regional Entity.

NERC 2022 Business Plan and Budget

Mr. Sharp noted the risks that the ERO Enterprise seeks to address through the budget including supply chain, energy and fuel assurances, and extreme weather-related events. He explained that budget priorities for the 2022 fiscal year include Critical Infrastructure Protection and Operations and Planning Reliability Standard revisions, the E-ISAC long-term strategy, information technology security and partial return to work and meetings.

Mr. Sharp also highlighted some budget efficiencies attained through moderate full-time employee (FTE) growth, collaboration groups across the ERO Enterprise sharing knowledge and lessons learned, and compliance monitoring and enforcement consistency strengthened by the ALIGN tool.

He noted that the final budget shows a 6.2% increase to budget, an 8.9% increase to assessments, and a 4.8% increase to FTEs as compared to 2021. The final draft contained no changes from the second draft.

Mr. Sharp explained that projected 2022 reserve balances will be finalized once a final determination is made regarding the Atlanta lease.

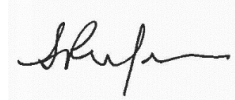
Mr. Sharp also provided preliminary 2023 and 2024 budget projections which have yet to be reviewed by the Board. Mr. Sharp expects FTE increases in both years as well as budget and assessment increases; however, he noted that resource needs are subject to ongoing strategic review as well as scoping of information technology system enhancements.

Mr. Sharp concluded by presenting the ERO Enterprise long-term strategy focus areas.

Adjournment

There being no further business before the Committee, the meeting was adjourned.

Submitted by,



Sônia Mendonça
Corporate Secretary