

# Minutes

## Finance and Audit Committee Meeting

May 13, 2020 | 1:45 - 3:00 p.m. Eastern

Conference Call

### Introduction

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 May 13, 2020, at approximately 1:45 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 Trustee Members

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

#### NERC Staff

Tina Buzzard, Assistant Corporate Secretary  
Howard Gugel, Vice President, Engineering and Standards  
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 and Interim Chief Financial Officer  
Mechelle Thomas, Vice President, Compliance

#### 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.

#### Chair’s Remarks

Mr. Clarke reported that the Committee met in closed session on April 23, 2020 to discuss funding the Align tool delay and the establishment of the ERO Enterprise Secure Evidence Locker (ERO SEL), and

the 2021 Business Plan and Budget. He also reported that the Committee met in closed session on May 12, 2020 with NERC's auditors to review audit matters.

### **Minutes**

Upon motion duly made and seconded, the minutes from the February 5, 2020 meeting were approved as presented to the Committee.

### **Second Quarter Calendar of FAC Responsibilities**

Mr. Sharp reported that the Committee reviewed the 2019 Audited Financial Statements in the May 12, 2020 closed session. Upon motion duly made and seconded, the Committee recommended the 2019 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 is on budget for funding, with total expenditures \$1.5 million under budget due to timing of expenditures. Mr. Sharp noted that NERC is projected to be under budget for funding and total expenditures, and with a projected \$3.3 million increase in operating reserves at year-end.

Mr. Sharp stated that the ERO Enterprise was under budget through the first quarter. He noted that the ERO Enterprise is projected to be under budget at year-end.

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

### **Investment and Funding Strategy for the ERO Secure Evidence Locker and Align Delay Cost**

Mr. Sharp presented on the investment and funding strategy for the ERO SEL and Align delay costs, referencing the materials included in the advance agenda package. He highlighted that NERC proposed to draw \$1.8 million from its operating contingency reserves in 2020 to fund a portion of the ERO SEL initial project investment estimated at \$3.8 million. Additionally, Mr. Sharp presented NERC's proposal to draw up to \$2 million from the operating contingency reserves to fund the Align tool project delay costs in 2021. After discussion, and upon motion duly made and seconded, the Committee recommended the investment and funding strategy for the ERO SEL and Align delay cost for approval by the Board.

### **Extension of Capital Financing Program**

Mr. Sharp presented on the proposed extension of NERC's capital financing program, referencing the materials in the advance agenda package. He emphasized the importance of establishing a new credit facility to facilitate financing for the purchase and installation of the ERO SEL; potential refinancing of existing capital leases; and possible funding of software development, enhancements, and equipment acquisitions in future years' business plans and budgets. Mr. Sharp noted that the lender pre-approved NERC for an \$8 million credit facility with up to a 60-month term. After discussion, and upon motion duly made and seconded, the Committee recommended the extension of NERC's capital financing program for approval by the Board.

### **2021 Business Plan and Budget**

Mr. Sharp presented the draft 2021 Business Plan and Budget, referencing the materials in the advance agenda package. He highlighted NERC's 2021 budget goal of achieving a minimal assessment increase in response to the potential economic impact on the industry of COVID-19. Mr. Sharp reviewed the 2021 budget major programs, including the ERO SEL, Align delay costs, and E-ISAC and CRISP. He reviewed the ERO Enterprise proposed budgets and assessments. Mr. Sharp then reviewed the schedule for the Business Plan and Budget posting, comments, and approval.

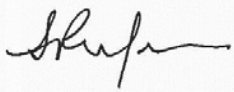
#### **Policy on Executive Management Expenses**

Mr. Sharp reviewed NERC's executive management expense policy, noting that there were no changes to the policy. The Committee discussed the frequency of executive management expense audits.

#### **Adjournment**

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

Submitted by,



Sônia Mendonça  
Corporate Secretary

## Agenda

# Finance and Audit Committee

May 13, 2020 | 1:45-3:00 p.m. Eastern  
Conference Call

**Attendee Dial-in:** 1-415-655-0002 | **Access code:** 470 742 959#

**Webex:** [Link](#)

### Introduction and Chair's Remarks

### NERC Antitrust Compliance Guidelines\*

### Agenda Items

1. **Minutes\* – Approve**
  - a. February 5, 2020 Meeting
2. **Second Quarter Calendar of FAC Responsibilities**
  - a. 2019 Financial Statement Audit Results\* – **Review and Recommend Board of Trustees Acceptance**
  - b. First Quarter Statement of Activities\* – **Review and Recommend Board of Trustees Acceptance**
    - i. NERC Summary of Results as of March 31, 2020
    - ii. Total ERO Enterprise Summary of Results as of March 31, 2020
    - iii. Regional Entity Variance Reports as of March 31, 2020
3. **Investment and Funding Strategy for the ERO Secure Evidence Locker and Align Delay Cost \* – Review and Recommend Board of Trustees Approval**
4. **Extension of Capital Financing Program\* – Review and Recommend Board of Trustees Approval**
5. **2021 Business Plan and Budget\* – Update**
6. **Policy on Executive Management Expenses\* – Update**
7. **Other Business**
8. **Adjournment**

\*Background materials included.