

Minutes

Finance and Audit Committee Meeting

August 14, 2019 | 9:15-10:00 a.m. Eastern

Hilton Québec
1100 Boulevard René-Lévesque E
Québec, QC G1R 4P3, Canada

Call to Order and Chair's Remarks

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 14, 2019, at 9:15 a.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
Janice B. Case
Dave Goulding
Colleen Sidford
Roy Thilly, *ex officio*

Board of Trustee Members

Kenneth W. DeFontes
Frederick W. Gorbet
George S. Hawkins
Suzanne Keenan
Robin E. Manning
James B. Robb, President and Chief Executive Officer
Jan Schori

NERC Staff

Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary
Tina Buzzard, Associate Director
Mark G. Lauby, Senior Vice President and Chief Engineer
Sônia Mendonça, Vice President, Deputy General Counsel, and Director of Enforcement
Janet Sena, Senior Vice President and Director of Policy and External Affairs
Andy Sharp, Interim Chief Financial Officer and Controller

Introduction and Chair's Remarks

Mr. Clarke welcomed the participants to the meeting. He thanked the Regional Entities, NERC Finance staff, and the MRC business Plan Budget and Business group for their work. Mr. Clarke noted that the assessments are lower than projected last year, and that changes between the initial draft and current version were minor.

NERC Antitrust Compliance Guidelines

Mr. Clarke 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 18, 2019, May 30, 2019, and May 8, 2019 meetings were approved as presented to the Committee.

Third Quarter Calendar of FAC Responsibilities

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 was slightly over budget in funding year to date, primarily due to higher investment income, and funding is projected to be over budget at year-end. He stated that NERC expenditures are under budget year to date, primarily due to timing differences of expenditures versus budget. Mr. Sharp stated that NERC is projected to be slightly over budget in expenditures at year end, primarily due to personnel costs, contracts & consultants, and meeting expenses, which are being partially offset by projected lower spending on fixed assets. He stated that NERC's net financing activity for 2019 is projected to be favorable to budget due to debt service being lower than budget.

Mr. Sharp reviewed the ERO Enterprise results year to date and projections for year end. He noted that year to date expenditures for the ERO Enterprise are under budget in total, but FRCC and SERC are over budget because of their dissolution and transition expenditures. Mr. Sharp stated that the ERO Enterprise is projected to be over budget by approximately one percent at year end. He also noted that year-end operating reserves for the ERO Enterprise are projected to be over budget as a result of starting the year higher than budgeted.

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 2020 Business Plans and Budgets and Associated Assessments

Mr. Sharp 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 2020 budget areas of focus. Mr. Sharp noted that using working capital reserves and not using the assessment stabilization reserves benefits all entities, not just those in the United States.

Mr. Sharp reviewed the NERC budget, noting the focus on E-ISAC's long-term strategy and key budget assumptions. Mr. Sharp reviewed the 2021 and 2022 projections, noting that the numbers do not include use of the assessment stabilization reserve. He highlighted the effectiveness and efficiency gains projected for 2021, including in meeting expenses and joint licensing costs. Mr. Sharp stated that there are no anticipated changes in expenses related to Mexico.

Mr. Sharp reviewed the ERO Enterprise budgets, noting the significant budget increase for SERC due to SERC acquiring FRCC's responsibilities. He noted that the primary growth in budget for the next several years stems from staffing at the E-ISAC. Mr. Sharp stated that a drop-off in IT expenditures should partially offset future E-ISAC cost increases.

Mr. Thilly emphasized stakeholders' support for the E-ISAC budget increase. He expressed his appreciation for the MRC Budget group and for Mr. Sharp in handling this process. Mr. Clarke noted that prior surveys expressed the need for transparency, and a desire for no major changes between drafts one and two of the budget, and that those objectives were met.

After discussion, and upon motion duly made and seconded, the Committee recommended the NERC and Regional Entity Proposed 2020 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 14, 2019 | 9:15-10:00 a.m. Eastern

Hilton Quebec
1100 Boulevard René-Lévesque E
Québec, QC G1R 4P3

Conference Room: TBD

Call to Order

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. Minutes* – Approve
 - a. July 18, 2019 Meeting
 - b. May 30, 2019 Meeting
 - c. May 8, 2019 Meeting
2. **Third Quarter Calendar of FAC Responsibilities (Andy Sharp)**
 - a. **Second Quarter Statement of Activities* – Review and Recommend to Board of Trustees for Acceptance**
 - i. NERC Summary of Results as of June 30, 2019
 - ii. Combined ERO Enterprise Summary of Results as of June 30, 2019
 - iii. Regional Entity Variance Reports as of June 30, 2019
 - b. **NERC and Regional Entity Proposed 2020 Business Plans and Budgets and Associated Assessments* – Review and Recommend to Board of Trustees for Approval**
 - i. NERC 2020 Business Plan and Budget
 - ii. Combined ERO Enterprise 2020 Business Plans and Budgets
 - iii. Regional Entity and WIRAB 2020 Business Plans and Budgets
 - iv. 2020 Assessment Schedule
3. Other Business
4. Adjournment

*Background materials included.