

Minutes

Finance and Audit Committee

November 3, 2021 | 1:00–2:00 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 November 3, 2021, at 1:00 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
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
Bryan Preston, Vice President, People & Culture
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 and noted that three closed meetings occurred since the last open FAC meeting.

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.

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Upon motion duly made and seconded, the Committee approved the September 28, 2021, and August 11, 2021, minutes as presented in the advance agenda package.

Amendment to Investment Policy

Mr. Sharp described proposed changes to the cash and reserve investment policy, noting that in addition to administrative changes, other changes to the policy would allow for investment in highly-rated corporate bonds or mortgage-backed securities within policy limits and would clarify that the average portfolio duration should not exceed 12 months. He received input on these changes from NERC's investment advisor. Upon motion duly made and seconded, the FAC accepted the changes to the policy and recommended approval of the policy to the Board.

Third Quarter Calendar of FAC Responsibilities

Ms. Leonard provided a summary of unaudited financial results as of September 30, 2021, noting that total funding for NERC is \$200,000 under budget due to lower interest rates leading to lower investment income and lower system operator certification program revenues. She reported that as of the end of the third quarter, there are also lower total expenditures due in part to decreased travel and meetings. When examined by category, Ms. Leonard noted that personnel, operating expenses, meetings, travel and net financing are under budget. Fixed assets are over budget due to Secure Evidence Locker costs carried over from fiscal year 2020, which will be funded from loan borrowing capacity that was also carried over from 2020. Operating Contingency Reserves are \$3.4 million over budget year to date.

For year-end, NERC projects that it will be \$400,000 (0.5%) under budget in funding and expected to be \$500,000 (0.6%) under budget in total expenditures. When examined by category, operating expenses and fixed assets are expected to be over budget while personnel, meetings, travel and net financing are expected to be under budget. Ms. Leonard projected a net increase of \$1.2 million in operating contingency reserves at year-end. There are no planned releases or additions to the assessment stabilization reserve in 2021. She also presented an overview of all NERC reserve funds, including System Operator Certification and CRISP reserves.

Ms. Leonard provided a summary of unaudited financial results for the ERO Enterprise as of September 30, 2021. The ERO Enterprise is under budget \$7.9 million (5.0%) year-to-date, which is generally driven by pandemic causes. By year-end, the ERO Enterprise is projected to be under budget by \$4.3 million (2.0%). She also reviewed beginning and projected reserve balances for the ERO.

Mr. Clarke referenced the Regional Entity variance reports included in the agenda package.

Upon motion duly made and seconded, the FAC reviewed and recommended acceptance of the Third Quarter Statement of Activities, inclusive of NERC and the Regional Entities by the Board.

2022 Business Plan and Budget Status

Mr. Sharp noted that FERC accepted the 2022 Business Plan and Budget (BP&B) on November 2, 2021. He noted that although the BP&B amendment was approved, NERC will not move forward with the proposed relocation of the Atlanta office due to not being able to reach mutually agreeable terms with the landlord. Instead, Mr. Sharp informed the FAC that some savings will be achieved at the existing Atlanta location through the remainder of the lease term.

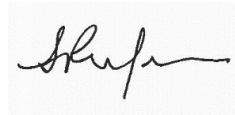
2023 Business Plan and Budget Schedule

Mr. Sharp noted that in 2022 NERC and the Regional Entities will be exploring ways to make the budget preparation more efficient. He provided an overview of NERC process enhancements for the 2023 BP&B schedule, which include multi-year planning and identifying significant budget drivers early in the process for the next three years. Mr. Sharp is proposing to discontinue the second draft of the BP&B and the webinar and second draft comment period. These enhancements will continue to be socialized with stakeholders. He also presented the summary proposed preparation schedule for the 2023 BP&B.

Other Matters and Adjournment

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

Submitted by,



Sônia Mendonça
Corporate Secretary