

Minutes

Finance and Audit Committee

May 12, 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 May 12, 2021, at 2:30 p.m. Eastern, and a quorum was declared present.

Present at the meeting were:

Committee Members

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

Board of Trustees Members

George 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, Reliability 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, Compliance Assurance

Introduction and Chair’s Remarks

Mr. Clarke welcomed the participants to the meeting and provided an overview of the agenda.

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 February 3, 2021, open meeting minutes were approved as presented at the meeting.

Second Quarter Calendar of FAC Responsibilities

Mr. Sharp presented the results of 2020 financial statement independent audit, noting that there had been no findings by Grant Thornton.

Mr. Sharp reviewed the 2021 First Quarter statement of activities for NERC, highlighting that funding was close to budget and that expenditures were under budget. Mr. Sharp compared budget to actual expenditures for various categories of activities. He noted that regarding year end projections, funding is projected to be lower than budgeted due to lower investment returns and system operator certification revenues and that NERC is projecting to be 1.0% over budget due to the postponed CRISP operational technology pilot project which was funded in 2020, but will not incur costs until 2021. Mr. Sharp explained that there will be no assessment impact since CRISP reserves will be used to fund the project costs.

Mr. Sharp reviewed the first quarter results for the rest of the ERO Enterprise, highlighting variances and projected reserve balances by Regional Entity. Mr. Thilly inquired about whether events on the Bulk Power System have affected collection of assessments. Mr. Sharp noted that there have been no significant collection issues to date and there are mechanisms in place to recover unpaid assessments, if needed. NERC is also researching options to potentially help manage future collection risks.

Upon motion duly made and seconded, the Committee approved recommendation of the 2020 financial statement independent audit and first quarter statement of activities for NERC and the ERO Enterprise for approval by the Board.

2022 Business Plan and Budget (BP&B)

Mr. Sharp reviewed the first draft of the NERC 2022 BP&B, highlighting proposed additional resources to help NERC focus on priority risks to the bulk power system, and provided an overview of historical resource allocations. Mr. Sharp also summarized the Total ERO Enterprise 2022 BP&B, noting a budget increase of 7% versus prior year and an assessment increase of 9.9% versus prior year. He also reviewed the budget assumptions and key drivers to the budget and noted that the impact of the ongoing office facility negotiations will be reflected in the second draft of the budget.

Mr. Sharp reviewed the ERO Enterprise Draft 1 budget of \$226.0 million, noting a 7.0% increase from prior year, and assessments of \$201.1 million, a 6.5% increase from prior year. He concluded with a review of the remaining schedule for the 2022 BP&B process.

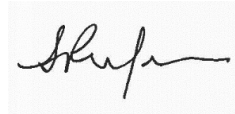
Renewal of Line of Credit

Mr. Sharp reviewed NERC's line of credit renewal, referencing the bank term sheet reviewed in closed session on May 11, 2021. Mr. Sharp requested that the Committee recommend for the Board to approve the renewal of NERC's line of credit and requested authorization for NERC management to take necessary actions to renew this credit facility each year, barring any material changes. Upon motion duly made and seconded, the Committee approved these requests.

Closing Remarks and Adjournment

There being no further business, Mr. Clarke adjourned the meeting.

Submitted by,



Sônia Mendonça
Corporate Secretary