



DRAFT Minutes

Board of Directors • Finance and Audit Committee and Compensation Committee

March 17, 2023 • 2:30 pm – 4:30 pm (ET)

Teleconference

Closed Meeting

Call to Order – Chair Patrick Cass called to order a duly noticed closed meeting of the Finance and Audit Committee (FAC) and Compensation Committee on March 17, 2023, at 2:34 pm. A quorum was present, consisting of the following members: Chair Patrick Cass, Vice Chair Jennifer Sterling, Joanna Burkey, Scott Etnoyer, Nelson Peeler, Joseph Trentacosta, Chair Lesley Evancho, Vice Chair Ken Seiler, and Courtney Geduldig. A list of others present during the meeting is set forth in Attachment A.

Appoint Secretary to Record Minutes – Chair Cass designated Chelsey Eppich, ReliabilityFirst's (RF) Managing Corporate Counsel, as the secretary to record the meeting minutes.

Antitrust Statement – Chair Cass advised all present that this meeting is subject to, and all attendees must adhere to, RF's Antitrust Compliance Guidelines.

Tim Gallagher, RF's President & CEO, noted that Board Chair Antonio Smyth is traveling but that he endorses what is proposed by staff for purposes of developing the budget. Mr. Gallagher shared that every year staff asks the FAC to share input and feedback during the budget process and that the FAC works with the Compensation Committee for input on staffing conditions, merit increases, and benefits. Mr. Gallagher acknowledged that the FTE ask for this year is large for an organization of our size and the purpose of the meeting is to walk through the need for the resources and what is driving them.

FTE Discussion - Beth Dowdell, Senior Director, Corporate Services, began by explaining that RF is entering the year with higher numbers, including the 4% average merit increase, a slight increase in benefits (8% medical and 3% dental and vision) and increases in travel, contracts, and security hardware and software.

Ms. Dowdell then discussed staffing needs, noting that the staffing analysis process included reviewing timecards to evaluate workload, projects, and other factors that impact time. She discussed the impact of inflation and prevailing market rates, and noted that 86% of RF's cost is staffing. There was a clarifying discussion of the role of overlap positions, and Ms. Dowdell explained they are used for critical roles to ensure knowledge transfer takes place. Ms. Dowdell then discussed the proposal to bring in nine positions, seven of which would impact the budget. She noted the areas most impacted are Data and Analytics, Enforcement and Compliance Monitoring, External Affairs, and State Outreach.

There was a general discussion on concerns with the number of positions requested, and RF staff then discussed the details behind each position requested. Mr. Gallagher began with the business case for a position in External Affairs, noting that the activities in this area are increasing, and discussing the requested overlap position. Next, Jeff Craigo, RF's SVP Reliability & Risk, discussed the business case for a position in data analytics. He shared the history of the data warehouse developer and noted that there would be a steep learning curve to have another person in this position. He explained that demand was up internally for more productivity enhancements and analytics from this department. Mr. Gallagher noted the analytics department can help identify risks and communicate those to key stakeholders. There was a discussion of the value of analytics work and potential efficiency gains from that work.

Ms. Dowdell discussed the IT position, noting the IT team has many projects on their plate and are seeking an employee to help analyze and implement automatic tools across the company to decrease manual tasks. Marcus Noel, RF's CSO, noted that a system administrator who knows how to optimize and automate processes will always be a need and that this helps to free up time for high value work. There was a discussion of future of IT roles, and creating a multiyear roadmap on how this position would alleviate work in other places.

Mr. Noel then discussed the requested position in the security department. He began by explaining the push and pull of protecting RF, and serving RF's greater mission to help educate the member utilities on security matters. He has seen a rise in opportunities for his team to do both of those things. There was a question on the metrics of the decision to add two positions and Mr. Noel explained that need is based on use of current resources, opportunities, and the desire to have an employee focused on security controls. Mr. Noel addressed a question around the balance of internal vs. external efforts and what that mix should look like.

Niki Schaefer, RF's Vice President & General Counsel, then discussed the request from the Compliance Monitoring group to add two CIP auditors and one O&P auditor, in large part due to the loss of efficiencies from Align and the Secure Evidence Locker (SEL) tools. Ms. Schaefer shared that staff ran a comparison of the hours needed using the new tools during a test audit, noting a 40% increase in the time it will take for each engagement because of having to use these tools.

There was discussion around the number of staff hours available and the planned number of compliance monitoring engagements both with and without these additional positions. Ms. Schaefer shared that even with having two of the three requested positions, the compliance monitoring plan would still be cut by 10% because of the constraints of Align and the SEL. However, she shared that this 10% would still allow RF to remain within the range of what we are used to performing from a compliance monitoring perspective. There was a discussion around how RF's audit level compares to the other regions, and a discussion on concerns with the Align and SEL tools' efficiency and security.

Ms. Schaefer then presented the case for the additional enforcement position, noting that the request is in part because of the Align and SEL tools, but also due to the unprecedented amount of violations RF is receiving. She noted RF has more violations than any other region,

with over nine hundred violations on RF's books. She explained that the universe of violations are mostly minimal risk and that RF as a region generally processes more moderate risk violations and settlements than other Regions. While the inventory is growing, the processing time of each violation is taking longer due to the difficulties of using the SEL tool (due to screensharing and copy paste limitations) and other factors. Ms. Schaefer explained that the RF footprint is made up of multiple larger entities with more complex issues, and large entities have a lot of compliance history to analyze, which makes each case more time consuming. Ms. Schaefer noted the team also receives additional questions from FERC and NERC, which are not confined to high-risk matters. She further explained that considering our complex entities and new standards coming into play, the future is unlikely to involve less violations coming in. She presented a high-level overview of the enforcement processing goals, and noted that with the nine hundred on our books, RF will likely be carrying over many into 2024, so we are looking at creating another backlog, which we just cleared over the past few years.

At the end of the presentations, the FAC and Compensation Committee requested a prioritized list of FTE positions ranked from most crucial to least crucial. Mr. Gallagher responded, noting his thoughts that the four CMEP positions, one IT position and two of the security positions were most crucial, followed by the analytics and the state outreach positions. He also agreed to provide a detailed priority ranking prior to the budget meeting. Mr. Gallagher clarified that the immediate vote is for the budget assumptions, and that the full budget will be approved by the full Board at a later meeting.

2024 FTE Budget Assumption Vote:

Chair Cass then proposed for the FAC to approve the FTE budget assumptions with the nine requested FTEs, with the additional qualification that management will consider other options to reduce the cost and personnel impact of such a sizeable addition when preparing the draft budget. Upon a motion duly made and seconded, the FAC approved the FTE portion of 2024 budget assumptions.

Next Meeting – Chair Cass noted that the next meeting will occur on April 5, 2023.

Adjourn – Upon a motion duly made and seconded, Chair Cass adjourned the meeting at 4:29 (ET).

As approved on this 26th day of April, 2023 by the
Board of Directors,



Niki Schaefer
*Vice President, General Counsel & Corporate
Secretary*

ATTACHMENT A

Others Present During the Board of Directors Meeting

Carol Baskey • ReliabilityFirst
Jeff Craigo • ReliabilityFirst
Beth Dowdell • ReliabilityFirst
Chelsey Eppich • ReliabilityFirst
Tim Gallagher • ReliabilityFirst
Marcus Noel • ReliabilityFirst
Niki Schaefer • ReliabilityFirst
Jody Tortora • ReliabilityFirst