



RELIABILITY FIRST

PUBLIC

Minutes Board of Directors

March 21, 2023

ReliabilityFirst Corporation
3 Summit Park Drive, Suite 600 • Cleveland, OH 44131

Closed Agenda

Call to Order – Chair Antonio Smyth called to order a duly noticed open meeting of the Board of Directors (Board) on March 21, 2023 at 1:00 pm. A quorum was present, consisting of the following members of the Board: Chair Antonio Smyth, Vice Chair Nelson Peeler; Joanna Burkey; Patrick Cass; Lesley Evancho; Tim Gallagher; Courtney Geduldig; Scott Hipkins; Jason Marshall; Ken Seiler; Rachel Snead; Jennifer Sterling; and Simon Whitelocke.

A list of others present during the Board meeting is set forth in Attachment A.

Appoint Secretary to Record Minutes – Chair Smyth designated Niki Schaefer, ReliabilityFirst's (RF) Vice President and General Counsel, as the secretary to record the meeting minutes.

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

Consent Items – Chair Smyth introduced the following consent agenda items for approval:
Agenda Item 3(a): Draft Minutes from the December 8, 2022 Annual Meeting of Members
Agenda Item 3(b): Draft Minutes from the December 8, 2022 Board of Directors Meeting

Upon a motion duly made and seconded, the Board approved the consent agenda items.

2024 Business Plan and Budget Assumptions: Beth Dowdell began with the business plan and budget schedule and followed by explaining that the compensation committee approved non-budgeted salary increases for 2023 put RF 2.28% over budget going into 2023. She then noted the estimates made for 2024 when the budget was assembled in 2023, which had a range of a 4.5%-7.8% increase. The high end of that estimate was that RF would be requesting 5 additional FTEs.

Ms. Dowdell reminded the board that approximately 86% of RF's budget are driven by fixed costs related to staffing/salaries/benefits (84%) and RF's lease (2%).

She then described the analysis RF management does to determine its FTE requests.

From there, she specifically addressed the main drivers of the 2024 FTE requests. She spoke to the inefficiencies of Align and the Secure Evidence Locker (SEL) as the impetus for the compliance monitoring requests, and Ms. Schaefer explained how those systems, particularly the SEL, do not have the same functionality as the Governance, Risk Management and Compliance (GRC) tool that RF has traditionally used and customized for itself, MK Insight, which allowed for a leaner compliance monitoring staff.

Ms. Schaefer then discussed the enforcement attorney FTE request being driven in part by SEL inefficiencies, but also by RF's increasing violation inventory, which is now at approximately 900 violations, an unprecedented high. She also discussed slower processing times driven by the need to analyze all relevant compliance history for every violation, including minimal risk ones, and increased scrutiny from NERC and FERC.

A discussion ensued about the impact of Align and the SEL on the way RF has traditionally approached its CMEP work.

Ms. Dowdell explained the security related FTE requests, based on the need for cybersecurity governance, monitoring, logging, annual penetration testing, and anticipated security tabletop exercises. She also discussed that the IT resource needs to focus on automation of manual tasks.

Ms. Dowdell then discussed the data analytics FTE request, and the ways in which it could help streamline work across the organization. Currently the data analytics team is using a contractor which it requested to convert to a FTE.

Ms. Dowdell then talked about the increasing amount of work in the state outreach space supporting the state outreach strategy.

Ms. Dowdell went on to discuss the 2024 budget impact of the data analytics request given RF has been using a contractor since 2022, and the existence of an overlap position which if the state outreach FTE were approved, the overlap position would be converted to that.

Ms. Dowdell indicated that the budget impact for a fully salaried data analytics employee would be less than the impact of a contractor because RF would not be paying the recruiting firm.

As for the overlap position, Ms. Dowdell explained that once that position was converted to an official FTE, RF would likely come to the board and ask for an additional FTE when the person the overlap position was initially designed for retired.

A discussion then ensued regarding whether the inefficiencies RF is experiencing as a result of Align/ the SEL (primarily the SEL) should be shared by the RF board with a broader audience.

Mr. Smyth took it on as an action item to address how to best communicate those issues to NERC at the next board officers meeting.

Mr. Smyth also recommended a discussion at the next Compensation Committee meeting regarding RF's philosophy of hiring for present FTE need as opposed to building bench strength for future needs.

There was also a discussion amongst board members about the large number of additional headcount requests and a request to RF staff for a ranking of the positions by criticality of the need.

Ms. Dowdell then went on to discuss trends in personnel costs as well as the initiatives planned over the coming years in the various departments across RF, including security enhancements, implementation of new IT systems, and workshops.

She also highlighted industry trends for the board's awareness.

Ms. Dowdell then explained the rest of the budget assumptions previously approved by the FAC with input from the compensation committee.

Mr. Cass pointed out that the FAC approved the assumptions but asked management to look harder at alternatives when putting together the draft budget.

Ms. Dowdell then discussed RF's assessment strategy, or use of penalty income to offset cost to stakeholders.

She then went on to an explanation of the FAC approval of the \$1 million operating reserve which was now before the full board for approval.

A motion to approve the \$1 million operating reserve was then made, seconded and unanimously approved.

Next Meeting – Chair Smyth noted that the next meeting of the Board of Directors will occur on April 27, 2023.

Adjourn – Upon a motion duly made and seconded, Chair Smyth adjourned the meeting at 1:56 p.m. (ET).

As approved on this 27th 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
Diane Holder • ReliabilityFirst
Marcus Noel • ReliabilityFirst
Niki Schaefer • ReliabilityFirst
Jody Tortora • ReliabilityFirst