



RELIABILITY FIRST

Minutes

Board of Directors • Finance and Audit Committee

April 5, 2023 • 2:00 pm – 3:30 pm (ET)

Teleconference

Closed Meeting

Call to Order – Chair Patrick Cass called to order a duly noticed open meeting of the Finance and Audit Committee (Committee) on April 5, 2023, at 2:01 pm (ET). A quorum was present, consisting of the following members of the Committee: Chair Patrick Cass, Vice Chair Jennifer Sterling, Scott Etnoyer, Nelson Peeler, and Joseph Trentacosta. A list of others present during the Committee meeting is set forth in Attachment A.

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

Antitrust Statement – Chair Cass advised those present of the need to adhere to RF's Antitrust Compliance Guidelines.

Approve Minutes - Chair Cass presented the draft minutes from the December 7, 2022 meeting and the draft minutes for the March 10, 2023 meeting, which were included in the agenda package. Upon a motion duly made and seconded, the Committee approved both minutes as presented.

2024 Budget Assumptions – Beth Dowdell, RF's Senior Director Corporate Services, began by noting RF has been reviewing the budget numbers and will be presenting multiple scenarios. Ms. Dowdell began by presenting information on the other Regions budgets and their increases from renewables, pulling work in-house, and additional FTE's for CMEP functions. Tim Gallagher, RF's President & CEO, added information from a recent meeting with his peers regarding additional FTE numbers for other Regions and their plan to stagger asks.

Ms. Dowdell then spoke to growth projections, future predictions, and the budget analysis process. She proposed cutting the overlap FTE to focus on internal affairs, and she discussed the future need based on the state energy policies and timelines as well as resource sharing that requires many in the organization to build webinars and content and consider stakeholder feedback and engagement.

Ms. Dowdell moved onto the FTE outcomes, which have been discussed in other meetings, to clarify the need for the positions. On the Compliance Monitoring side RF is requesting two CIP auditors, reiterating that adding the two people will help reduce the amount of reductions in oversight for 2024. She presented a mix of oversight activities that could accomplish the reductions, indicating the plan is 20% of low-impact and 50% spot checks to accomplish an 11%

reduction. The Rules of Procedure (ROP) require RF to perform certain audits every year, which impacts our ability to touch certain lower impact entities. She shared the need is also due to the changing CIP standards and virtualization on the horizon. In 2022 due to FAC-008 we had to do more spot checks than planned. There was a question on CIP low impact engagements and a response and discussion that followed noting that the NERC 4A Audit of Regional Entity Compliance Programs does look at the touchpoints with low impact entities. There was also a discussion on self-certifications and the consideration to expand self-certifications if pressed for time and resources. The Committee expressed discomfort with the double-digit reduction in oversight and emphasized the statutory responsibility making the approval of these FTE's necessary. Ms. Dowdell also indicated there is a similar picture when looking at Operations & Planning.

Ms. Dowdell then moved onto FTE outcomes for Enforcement, explaining that if an FTE wasn't added, the inventory would continue to rise. Enforcement is currently down one attorney, which will make it challenging to hit goal numbers. She also provided an overview of how Enforcement has worked through the older inventory and the risk of not adding the FTE is watching the inventory continuing to grow. The case managers are currently working on 300 cases each and the focus is on the backlog. Ms. Dowdell discussed the alternatives, indicating they had considered outside counsel but found it made more sense to use other lawyers on staff given the cost and training involved in hiring outside counsel.

Ms. Dowdell moved onto Information Technology, noting how the role will drive optimization and the outcome of not having it would not allow for as many projects aligned with RF's strategic vision. She covered the consideration of an IT alternative, perhaps using a contractor, but shared it was not only cost prohibitive, but the need is for someone to have to all systems and understand the knowledge of the team and the projects.

Next, Ms. Dowdell discussed RF's data analytics strategy, indicating the initiative was started in 2019 to fill a gap and continues to allow predictions for risks to occur. She shared that data analytics helps others in the organization make data driven decisions and helps create IRA's. An additional role request for data team would be to help support and grow data warehouse, support existing data, and identify anomalies. She shared the consideration of alternatives and their reasons for not continuing with an outsourced contractor and the expectation that this type of work will not slow down.

Ms. Dowdell then presented the budget scenarios with various FTE counts and then shared other budget cuts that were taken into account, including travel, removing a CIP lab project, and realistically staggering start dates over Q1. Ms. Dowdell moved onto the budget recommendations, indicating the recommendation to the FAC Committee is to add 8 FTE's and RF can use reserves to keep assessment as low as possible. She noted the minimal decrease in budget dollars in moving from 8 to 6 and the similar increases in other regions. Chair Cass said it was a reasonable approach, mentioning leadership was looking for Committee feedback on direction. There was clarification that the recommendation included the 8 FTE's for an overall 12.6% budget increase and the additional budget reductions projected and also that this meeting was to provide the Committee reasoning and numbers to build the budget so that at the FAC meeting on April 26th the Committee is prepared to approve it. Ms. Schaefer explained RF is

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looking directionally to the Committee to see which way we should build the budget, whether it is built with 8 or the 6, deferring two of the FTE's until 2025. There was substantial committee discussion on the number of FTE's and ensuring that RF can still meet its mission. Members raised various scenarios and priorities. Ultimately, on a motion duly made and seconded, the committee supported adding 7 FTE's with the agreement they would defer the second security role to 2025. Chair Cass reiterated that they would approve 7 FTE employees now, which includes the enforcement FTE, and the outward facing second security person is endorsed for 2025. Mr. Gallagher thanked the Committee for its confidence and trust, indicating RF would make the 7 FTE's work. He also thanked them for the multiple rounds of discussion and analysis and confirmed that the 7 FTE's will make the organization stronger and healthier.

Adjourn – Upon a motion duly made and seconded, Chair Cass adjourned the meeting at 3:17 p.m. (ET).

As approved on this 26th day of April, 2023 by the
Finance and Audit Committee,

A handwritten signature in blue ink, appearing to read "Niki Schaefer".

Niki Schaefer
*Vice President General Counsel & Corporate
Secretary*

Attachment A

Others Present During the Finance and Audit Committee Meeting

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