



RELIABILITY FIRST

PUBLIC

Agenda

Board of Directors • Finance and Audit Committee

December 6, 2023 • 3:10 PM – 5:20 PM (ET)

Market Square Conference Center
Concourse Level
801 Pennsylvania Ave. NW
Washington, DC 20004

Room: Boardroom A
Attire: Business

Open Agenda

1. **Call to Order** 3:10 PM
Presenter: Patrick Cass, Chair
2. **Appoint Secretary to Record Minutes**
Presenter: Patrick Cass, Chair
3. **Antitrust Statement**
Presenter: Patrick Cass, Chair
4. **Approve Finance and Audit Committee Meeting Minutes** 3:15 PM
Presenter: Patrick Cass, Chair
Reference: [Draft Minutes for the August 23, 2023 Finance and Audit Committee](#)
Action: **Approve Minutes**
5. **Financial Update** 3:20 PM
Presenter: Beth Dowdell, Senior Director Corporation Services
Description: Ms. Dowdell will present the 2023 3rd Quarter Statement of Activities to advise the Committee of ReliabilityFirst's financial status and effective use of funds by identifying budget to actual trends.
Reference: a) Summary of Results
 b) 2023 3rd Quarter Statement of Activities
Action: Information and Discussion

- 6. Working Capital and Investment Analysis** 3:30 PM
- Presenter: Beth Dowdell, Senior Director Corporation Services and Glenmede Representative (call in)
- Description: Ms. Dowdell will present an analysis on the working capital and investment account to advise the Committee on the effective use of operating cash and reserves. A Glenmede representative will discuss the performance and oversight of ReliabilityFirst's Operating Reserve Portfolio.
- Reference: a) Working Capital and Investment Account Analysis
b) Glenmede Presentation
- Action: Information and Discussion
- 7. Finance and Audit Committee 2023 Charter Performance of Duties, and 2024 Charter Planner** 3:50 PM
- Presenter: Beth Dowdell, Senior Director Corporation Services
- Description: Ms. Dowdell will lead the annual evaluation of the Finance and Audit Committee's performance of its duties set out in the Charter, and discuss any changes to the 2024 Planner.
- Reference: a) Finance and Audit Committee Charter Planner and Performance of Specific Duties for 2023
b) Finance and Audit Committee Charter Planner and Performance of Specific Duties for 2024
- Action: Information and Discussion
- 8. Next Regularly Scheduled Meeting** 3:55 PM
TBD

Closed Agenda

- 9. Enterprise Risk Management Program** 4:00 PM
- Presenter: Diane Holder
- Description: Ms. Holder will discuss ReliabilityFirst's Enterprise Risk Management Program, top risks and controls identified for the upcoming year, and follow up on the completion of Enterprise Risk Management 2023 controls in progress.
- Reference: Enterprise Risk Management Presentation
- Action: Information and Discussion
- 10. Corporate Insurance Program Review** 4:20 PM
- Presenter: Patrick O'Neill, President, O'Neill Insurance
- Description: Mr. O'Neill will review ReliabilityFirst's corporate insurance program to inform the committee on the corporate policies held by ReliabilityFirst and trends in the industry.
- Reference: Corporate Insurance Program Review
- Action: Information and Discussion

Finance and Audit Committee • Agenda
December 6, 2023

- 11. Cyber Liability Insurance Program Review** 4:35 PM
 Presenter: Beth Dowdell
 Description: Ms. Dowdell will provide an overview of the requirements and coverage provided by ReliabilityFirst's cyber liability insurance policy.
 Reference: a) 2023- 2024 Cyber Liability Insurance Policy
 b) Cyber Security Review
 Action: Information and Discussion
- 12. Review IRS Form 990 and Ohio Tax Filings** 4:50 PM
 Presenter: Patrick Cass, Chair
 Description: Chair Cass will discuss his pre-filing review and the filing of the 2022 IRS Form 990 and Ohio tax filing.
 Reference: 990 Tax Return-Confidential
 Action: Information and Discussion
- 13. Executive Session (Finance and Audit Committee and Tim Gallagher, Chief Executive Officer)** 4:55PM
 Presenter: Patrick Cass, Chair
 Description: The Committee will hold an executive session with Tim Gallagher to discuss specific questions regarding the current year activities and to understand goals for the upcoming year.
 Action: Information and Discussion
- 12. Executive Session (Finance and Audit Committee Only)** 5:15 PM
 Presenter: Patrick Cass, Chair
 Description: The Committee will hold an executive session to discuss confidential topics regarding the materials presented during the meeting, and other topics of concern to ensure appropriate actions are taken, and observations are discussed and noted.
 Action: Information and Discussion
- 13. Adjourn** 5:20 PM

Roster • Audit Committee

Patrick Cass, **Chair** • Independent (2023)

Jennifer T. Sterling, **Vice Chair** • Exelon (Large LSE 2025)

Joanna Burkey • Independent (2025)

Nelson Peeler • Duke Energy (TS 2024)

Joseph Trentacosta • Southern Maryland Electric Cooperative (AL 2025)

Draft Minutes for the August 23, 2023 Finance and Audit Committee



RELIABILITY FIRST

DRAFT - Minutes

Board of Directors • Finance and Audit Committee

August 23, 2023

ReliabilityFirst Corporation

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

Open Session

Call to Order – Chair Patrick Cass called to order a duly noticed open meeting of the Finance and Audit Committee (Committee) on August 23, 2023, at 3:20 pm (ET). A quorum was present, consisting of the following members of the Committee: Chair Patrick Cass, Vice Chair Jennifer Sterling, Joanna Burkey, 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 Iris Pinheiro, Principal Accountant, 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, Reliability First's (RF) Antitrust Compliance Guidelines.

Approve Minutes – Chair Cass presented the draft minutes for the June 19, 2023, meeting, which were included in the agenda package. Upon a motion duly made and seconded, the Committee approved the minutes as presented.

Financial Update – Beth Dowdell, Senior Director Corporate Services, provided a financial update. She presented the 2023 First and Second Quarter Statement of Activities and reported that at the end of the Second Quarter, RF was \$275K (1.9%) under budget. This included bringing on two FTEs that were slated for 2024 and were hired in July of 2023. She reported that RF's investment income was \$106K over budget, primarily due to the investment portfolio performing better than budgeted this year. Ms. Dowdell explained RF budgets conservatively because of market fluctuations. However, this year to date these investments have done quite well. She reported that RF's investment account manager is generally holding RF investments to maturity and purchasing shorter term US treasury bonds. Ms. Dowdell reported that employee benefits were \$275K under budget as a result of three open positions. She noted that there is a shift in training strategy as a new HR manager has been onboarded and is ramping up. She shared that RF's meeting and travel expenses are \$175K under budget, contracts and consultants' expenses are \$97k under budget, and rent and utilities are \$63k over budget. In response to the increasing rent, Ms. Dowdell explained that RF has had discussions with the landlord about the increasing common area rental costs in 2023. Under the lease agreement RF is obligated to a fluctuating share of these costs as tenants move in and out.

Finance and Audit Committee Minutes
August 23, 2023

Ms. Dowdell then reviewed the year-end projections, which forecasted RF to finish the year \$377K (1.4%) over budget. She was asked about the employee salaries projections that were expected to be over \$600k. Ms. Dowdell explained that the employee salaries expenses are offset by benefits not paid, which includes retirement benefits, medical costs, and training benefits. She reported that meetings and travel expenses were impacted by a push for more virtualization and a concerted effort by RF staff to keep costs down due to bringing on the 2024 FTEs early. These trends are expected to impact the budget numbers for the remainder of the year.

Ms. Dowdell presented a table comparing the budgets of NERC and the Regions. A question about a WECC budget increase was raised, and Ms. Dowdell explained that a penalty was released earlier for that entity that was distributed over a period of several years and WECC was now seeing the effects of not having that penalty help pay for their costs.

Final 2022 NERC Actual Cost to Budget Comparison Report – Carol Baskey, Treasurer and Manager, Finance and Accounting, presented the final 2022 Actual Cost to Budget Comparison report provided to NERC. She indicated there were no substantial adjustments made to the final 2022 actual financials.

Working Capital and Investment Analysis – Ms. Baskey presented an analysis of the working capital and shared a graph representing the operating cash and reserve levels. She noted that RF is using assessments smoothly over time. Ms. Baskey then discussed the investment account activity.

Review of Policies – Ms. Dowdell noted that the FAC Charter requires each of the FAC policies be reviewed each year, and led a review of the following policies: Fraud Policy, Policy on Investment of Corporate Funds, and Policy on Personnel Conflicts Related to Entity Employment and Certain Financial Interests in Entities. Ms. Dowdell reported that management is not recommending any changes to these policies. After discussion by the Committee, no action was taken.

2023 Finance and Audit Committee Planner – Ms. Baskey led a review of the 2023 Committee Planner (Planner) and advised that the Committee has been fulfilling their duties as planned. She noted that the annual Fraud training was 100% completed in August 2023. As the line of credit has not been extended since 2022, the Committee agreed to modify the wording in the Planner regarding the line of credit. The Planner called for the Committee to review RF's insurance coverage at this meeting, but RF's broker was not available. This topic was moved to the December 2023 meeting.

Finance and Audit Committee Charter Review – Ms. Shaefer reviewed the Committee Charter revisions with the Committee members. She noted that under the Compliance Oversight section of the Charter, the Record Retention Policy is being removed, as the Committee decided that this policy does not require Board oversight. Upon a motion duly made and seconded, the Committee approved the Committee Charter revisions as presented.

Next Meeting – Chair Cass noted that the next Committee meeting will be in Washington, DC on December 6, 2023.

Adjourn – Upon a motion duly made and seconded, Chair Cass adjourned the open session of the Committee meeting at 3:46p.m. (ET)

Closed Session

Independent Accountant – Chair Cass noted that this is the meeting where the Committee approves engaging the external auditor for audit and tax services for the year ending December 31, 2023. This is the final year of the three-year fee agreement with RSM.

Chair Cass and Ms. Baskey informed the Committee that on August 1, 2023, they had a virtual meeting with Mandy Pittman and her team from RSM to discuss the planning of the 2023 Audit. In that meeting, Chair Cass and Ms. Baskey reviewed and asked questions about the audit presentation (item c in the agenda materials), and confirmed that there were no relationships between RF and RSM that would impact RSM's independence. They also discussed that the scope of the 2023 audit has not changed from years past, and confirmed that RSM will have continuity in their team from last year. Chair Cass and Ms. Baskey also reviewed the RSM 2023 Audit Planning Letter (item b in the agenda materials) and the RSM Audit Arrangement Letter (item a in the agenda materials), and all inquiries of RSM about these letters were satisfactorily resolved. Once approved by the Committee, these letters will be submitted to RF legal for finalization.

Chair Cass advised the Committee that the audit performed by RSM at RF is a substantive approach, as opposed to an internal controls approach that many of the Committee members experience at their own companies.

Additionally, Ms. Baskey noted that the Committee had previously decided that RF should seek proposals for the 2024 audit. Ms. Dowdell stated that in preparation for this effort, RF received information from other Regions and NERC on which firms had responded to their RFPs for auditors, as well as the RFPs used.

After discussion and upon a motion duly made and seconded, the Committee approved engaging RSM as RF's audit and tax provider for the year ending December 31, 2023, and approved RSM's 2023 Audit Planning Letter and RSM's 2023 Audit Arrangement Letter.

Internal Control Review – Ms. Baskey noted that the Committee had previously approved an engagement letter with Ciuni & Panichi for internal control analysis and review. Since that time, RF has decided to implement Sage, a new accounting and reporting system. Due to this system change, RF is requesting the Committee to approve a new engagement letter that extends and enhances Ciuni & Panichi's engagement to include the new processes being created and narratives to be reviewed in relation to the new system, along with suggestions for best practices. Ciuni & Panichi will do a full review post Sage implementation. After discussion and upon a motion duly made and seconded, the Committee approved the engagement letter for Ciuni & Panichi.

Finance and Audit Committee Minutes
August 23, 2023

Executive Session (Finance and Audit Committee and Carol Baskey, Treasurer and Manager, Finance and Accounting) – Ms. Baskey met with the Committee and discussed various topics, including her assessment of the Finance & Accounting Department and the organization overall, internal controls, and the new Sage accounting system.

Executive Session (Finance and Audit Committee) – Chair Cass and the Committee members held an executive session to discuss the topics and materials covered during the meeting and confidential matters.

Adjourn – Upon a motion duly made and seconded, Chair Cass adjourned the Committee meeting at 4:20 p.m. (ET).

As approved on this sixth day of December, 2023 by
the Finance and Audit Committee,

Niki Schaefer
*Vice President General Counsel & Corporate
Secretary*

Attachment A

Others Present During the Finance and Audit Committee Meeting

Carol Baskey • ReliabilityFirst
Jeff Craig • ReliabilityFirst
Beth Dowdell • ReliabilityFirst
Tim Gallagher • ReliabilityFirst
Diane Holder • ReliabilityFirst
Marcus Noel. ReliabilityFirst
Steven Belle. Dominion Energy
Rhonda James. Invenergy