



RELIABILITY FIRST

Minutes

Board of Directors

August 24, 2023

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

Closed Session

Executive Session – The ReliabilityFirst (RF) Board of Directors met in executive session at 8:00 am (ET) and discussed confidential matters concerning the corporation. Presentations included an update on the status of the transfer capability studies being performed by the ERO pursuant to the Fiscal Responsibility Act of 2023, and a confidential security update from Marcus Noel, RF’s Chief Security Officer.

Open Session

Call to Order – Chair Antonio Smyth called to order a duly noticed open meeting of the Board of Directors (Board) on August 24, 2023, at 9:16 am (ET). A quorum was present, consisting of the following members of the Board: Chair Antonio Smyth, Vice Chair Nelson Peeler; Steve Ambrose; Joanna Burkey (virtual); Patrick Cass; Scott Etnoyer; Lesley Evancho; Tim Gallagher; Courtney Geduldig (virtual); Jason Marshall; Ken Seiler; Rachel Snead; Jennifer Sterling; Joe Trentacosta; 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, RF’s 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.

Remarks and Reports – Chair Smyth welcomed everyone to the third quarter Board meeting. Mr. Gallagher provided the President’s report, and began by noting that all six Regions’ budgets have been submitted to NERC. He then discussed the anniversary of the 2003 blackout, and emphasized the diligent work taking place every day across the ERO Enterprise and the industry to reduce the likelihood of a similar event happening in the future. Mr. Gallagher also discussed emerging reliability risks facing the electric grid, including the rapidly changing generation resource mix and increasing electrification and demand. He discussed RF’s state outreach efforts to legislatures and public utility commissions, which include serving as a technical resource on reliability risks related to the changing resource mix. Mr. Gallagher stated that it is also important to effectively address known reliability risks, such as facility ratings issues and misoperations, to ensure the ability to address future challenges.

Mr. Gallagher also provided updates on the NERC Board of Trustees Compliance Committee, the recent ERO Enterprise town hall, and RF's new entity awards program where RF's Vice President of Entity Engagement & Corporate Services Diane Holder recognizes exemplary work at entities. Examples of characteristics that can earn an entity an award in this program include transparency, audit readiness and continuous improvement, and positive observations.

Consent Items – Chair Smyth introduced the following consent agenda items for approval:

Agenda Item 4(a): Draft Minutes from the April 27, 2023 Board Meeting

Agenda Item 4(b): Draft Minutes from the June 29, 2023 Board Meeting

Agenda Item 4(c): Standards Committee Member approval

Agenda Item 4(d): Resolution 2023-3 to Approve the Annual Meeting

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

Keynote Speaker – Chair Smyth introduced David Kennedy, Founder and CEO of Binary Defense, a Managed Security Service Provider (MSSP), and TrustedSec, an Information Security consulting firm. Mr. Kennedy provided a brief history of his background and the current cyber security landscape. He discussed Artificial Intelligence (AI), and how generative AI has resulted in a 420% increase in business email compromises from bad actors. Mr. Kennedy then discussed various security risks, including threats from China and breaches involving multi-factor authentication and push technology. Mr. Kennedy emphasized the importance of reducing the amount of time it takes to detect a threat, and shared how the capabilities of adverse nation states and criminal organizations are advancing rapidly.

There were questions from the Board regarding threat detection, the use of AI, and how to grade the security of the electric industry's critical infrastructure. In response, Mr. Kennedy discussed the legacy equipment and the types of critical infrastructure in the electric industry. He advised that it is important to minimize the attack surface as much as possible, and to closely monitor systems adjacent to the attack surface.

Guest Speaker – Chair Smyth introduced Mike Doran, Deputy COO of American Water, the largest publicly-traded U.S. water and wastewater utility company. Mr. Doran provided background on the company, which began in military operations. He discussed how the water sector is working to address issues with aging infrastructure. Mr. Doran also explained that smaller communities tend to have less sophisticated compliance and security programs in place, and are seeking ways to minimize their vulnerability through various dam and reservoir projects. He closed with a brief discussion on per-and polyfluoroalkyl substances (PFAS), and initiatives to keep them out of the water system. There was a question on terrorist threats and threats related to the supply chain. Mr. Doran responded that rigorous testing and monitoring of public water sources is important to ensure its safety.

Resource Adequacy – Chair Smyth introduced Scott Wright, Executive Director of Resource Planning at MISO. Mr. Wright discussed factors driving generation portfolio changes and the resulting resource adequacy concerns. He stated that enhanced reliability risk evaluation and management tools are needed to manage uncertainties arising from more extreme weather events. Mr. Wright also emphasized the importance of visibility, and how resource adequacy assessments across planning horizons help provide visibility into gaps between future resource adequacy requirements and accredited capacity. He discussed the importance of accreditation, and that how resources are counted is more critical as excess reserve margins decline. Mr. Wright then discussed MISO’s planning processes, and there was discussion with the Board on resource retirements and load growth in the MISO footprint.

Chair Smyth then introduced Emmanuel Bernabeu, Sr. Director of Applied Innovation & Analytics at PJM. Mr. Bernabeu discussed four major trends related to resource adequacy: 1) the increase of renewables, 2) increased electrification and load growth, 3) policy changes driving resource retirements, and 4) evolving risks (including extreme weather risks and gas-electric interdependencies, as seen during Winter Storm Elliott). He also discussed the importance of essential reliability services (which are critical for balancing and system stability) and how to ensure their sufficiency. The Board had a discussion regarding load forecasting, and Mr. Bernabeu discussed what constitutes a healthy load margin. He concluded his presentation by giving an overview of initiatives at PJM to address resource adequacy concerns, including continued queue improvements, long-term scenario analysis efforts, and gas-electric coordination efforts.

STANDING UPDATES

Financial Update – Beth Dowdell, Senior Director Corporate Services, provided a financial update, beginning with a report on the 2023 second quarter financials. She reported that RF was 1.9% under budget, and discussed key budget variances. She noted that RF’s investment income is performing well, and that meeting and travel expenses are down. Ms. Dowdell provided year-end projections, predicting that RF will be 1.4% over budget at year-end due to increases in employee salaries and in rent and utilities. She discussed the employee salary adjustments approved by the Board earlier in the year and noted that the management team is being cost-conscious with overall spending considering those adjustments. She also gave an update on employee benefits and training, and the plan to be mindful and strategic with that spending. Finally, Ms. Dowdell covered the 2024 Business Plan and Budget, and provided information on where NERC and all the Regions landed with their 2024 budget and assessment amounts.

Security Update: Marcus Noel, RF’s Chief Security Officer, provided a security update to the Board and began by discussing commonly exploited vulnerabilities highlighted in a recent Cybersecurity and Infrastructure Security Agency (CISA) joint cybersecurity advisory report. He explained that the report describes malicious cyber actors focusing on older systems and unpatched internet. The report also includes remediation and mitigation guidance, and stresses the importance of good backups and incident response.

Mr. Noel then discussed the status of RF's security projects and the security project roadmap for 2023. He reported that during the second quarter, the Security Department focused on remediating vulnerabilities identified during recent penetration testing, and enhancing RF's logging, monitoring, and alert systems. He also discussed projects scheduled for the rest of 2024. Mr. Gallagher noted that several security projects involve shared resources across the ERO Enterprise, which helps to manage costs.

Outreach and Regulatory Update – Brian Thiry, RF's Director of Entity Engagement and External Affairs, provided an update to the Board on RF's outreach efforts. He discussed recent work on the communication strategic plan, which maps out strategic communication efforts through the year. Mr. Thiry highlighted some of these communication efforts, such as outreach on RF's regional risk assessment, monthly Tech Talk webinars on various reliability and security topics, and workshops (such as the upcoming annual fall workshop). He also spoke to how RF's communications align with the risks highlighted in the NERC Risk Report. Mr. Thiry then discussed RF's state outreach efforts, where RF serves as a resource for state policymakers on key reliability risks. Activities in this area have included meetings with state legislatures and public utility commissions, providing testimony to state legislatures, a state outreach-focused webinar, and a monthly state outreach newsletter for policymakers. He discussed the coordination, communication and collaboration that is taking place across the ERO Enterprise regarding state outreach, and how RF is staying up to date on federal and state policies and regulatory developments (such as state renewable portfolio standards) that can affect reliability.

Committee Reports

a) Compensation Committee – Compensation Committee Chair Lesley Evancho reported that the Committee discussed RF's succession planning methodology, changes to the succession planning timeline and process, and reviewed the succession plan. There was also a staffing and demographics update, including diversity and retention metrics. Ms. Evancho reported that the Committee is redefining the diversity strategy to be more future focused. The Committee also discussed the progress of the corporate goals, and reviewed RF's medical benefits and their level of competitiveness. The Committee voted to add two holidays to the RF calendar (Juneteenth and Veteran's Day) to be more in line with the rest of the ERO Enterprise, and approved minor changes to the Committee's charter. Finally, the Committee discussed Tim Gallagher's annual review process and timeline, and discussed the annual review further during executive session.

b) Compliance Committee – Compliance Committee Chair Joanna Burkey reported that the Committee heard remarks from NERC Senior Vice President and Chief Engineer Mark Lauby on various topics, including NERC's standards development efforts, cold weather preparedness efforts, and activities related to the reliability of inverter-based resources. The Committee then received a presentation from Jim Kubrak on inverter-based resources, their associated risks, and the ERO activities in that space to reduce those risks. The Committee also received a physical security update from Johnny Gest on physical security risks and efforts underway to enhance physical security at Bulk Electric System facilities. The Committee discussed and approved revisions to its charter, which include expanding the Committee's scope to focus more broadly on risks to the grid (not just compliance-

related risks), and to have oversight of the RF technical and advisory stakeholder committees that currently report to the Nominating and Governance Committee. In closed session the Committee discussed confidential monitoring and enforcement matters, and it was apparent that these matters are each complex in their own ways and require careful thought and purposeful interaction with entities.

c) Finance and Audit Committee – Finance and Audit Committee Chair Pat Cass reported that the Committee received a financial update (similar to the financial update provided to the full Board), and reviewed the final 2022 Actual Cost to Budget Comparison report provided to NERC. The Committee also received an update on the status of RF's working capital and investments, and reviewed financial policies (making no changes to those policies). The Committee reviewed and approved changes to its charter. In closed session, the Committee approved the engagement of RSM as RF's independent auditor for 2023. The Committee also discussed seeking proposals for independent auditor services for 2024.

d) Nominating and Governance Committee – Nominating and Governance Committee Vice Chair Rachel Snead reported that the Committee reviewed the 2023 Timetable of Key Events and endorsed a resolution to hold the next Annual Meeting of Members on December 7, 2023 in Washington, DC. The Committee also reviewed and approved changes to its charter, which will transfer oversight of the RF technical and advisory stakeholder committees to the Compliance Committee while also adding new responsibilities to review potential director conflicts and appoint members to the hearing body when needed. The Committee then reviewed the Procedure for Electing Directors in preparation for upcoming elections later this year. During closed session, the Committee reviewed the results of the individual director surveys, and recommended that incumbent At-Large Director Scott Etnoyer and incumbent Independent Director Patrick Cass serve another term. Upon a motion duly made and seconded, the Board nominated Mr. Etnoyer and Mr. Cass for election as At-Large Director and Independent Director, respectively.

Committee Charters – Chair Smyth requested a motion to approve the changes to the four Committee Charters. These Committee Charter changes were discussed in detail and endorsed by the respective Committees during their Committee meetings. Upon a motion duly made and seconded, the Board approved the changes to the Committee Charters.

Stakeholder Comments - Chair Smyth provided an opportunity for stakeholders to comment, and no stakeholders did so.

Next Meeting – Chair Smyth noted that the next meeting of the Board of Directors will occur in Washington, DC on December 7, 2023

Adjourn – Chair Smyth adjourned the meeting at 12:54 (ET).

As approved on this seventh day of December,
2023 by the Board of Directors,

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 Board of Directors Meeting

Carol Baskey • ReliabilityFirst
Steve Belle • Dominion Energy
Emanuel Bernabeu • PJM
Jeff Craigo • ReliabilityFirst
Mike Doran • American Water
Beth Dowdell • ReliabilityFirst
Chelsey Eppich • ReliabilityFirst
Vinit Gupta • ITC
Doug Hohlbaugh • FirstEnergy
Diane Holder • ReliabilityFirst
Erik Johnson • ReliabilityFirst
Rhonda Jones • Invenergy
David Kennedy • TrustedSec
Marcus Noel • ReliabilityFirst
Nicholas Poluch • Talen
Niki Schaefer • ReliabilityFirst
Kristen Senk • ReliabilityFirst
Brian Thiry • ReliabilityFirst
Matt Thomas • ReliabilityFirst
Jody Tortora • ReliabilityFirst
Jim Uhrin • ReliabilityFirst
Bobbie Welch • MISO – virtual
Scott Wright • MISO - virtual