



RELIABILITY FIRST

## Agenda

### Board of Directors • Finance and Audit Committee

May 1, 2024 • 3:10 PM – 5:10 PM (ET)

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

Room: 6th Floor, Ohio Conference Room

**Attire: Business Casual**

### 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: a) [Draft Minutes for the December 6, 2023 Finance and Audit Committee Meeting](#)  
b) [Draft Minutes for the March 25, 2024 Finance and Audit Committee Meeting](#)  
Action: **Approve Minutes**
5. **Financial Update** 3:20 pm  
Presenter: Beth Dowdell, Sr. Director Corporate Services  
Description: Ms. Dowdell will present the 2024 1<sup>st</sup> Quarter Statement of Activities.  
Reference: a) 2024 Q1 SOA Presentation  
b) 2024 1<sup>st</sup> Quarter Statement of Activities  
c) 2023 4<sup>th</sup> Quarter Statement of Activities  
Action: Information and Discussion
6. **2023 Financial Audit** 3:30 pm  
Presenter: Mandy Pittman, RSM US LLP Certified Public Accountant  
Description: Ms. Pittman will present the results of the 2023 financial audit and periodic system review report.  
Reference: a) RSM US LLP – 2023 Financial Report Draft  
b) RSM US LLP – Letter to Finance and Audit Committee  
c) RSM US LLP – Material Weakness and Significant Deficiencies Letter  
Action: **Approve Audited Financial Statements**

**Finance and Audit Committee • Agenda  
May 1, 2024**

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|-----------|----------------------------------------------------------------------------------------------------|---------|
| <b>7.</b> | <b>Working Capital and Investment Analysis</b>                                                     | 4:00 pm |
|           | Presenter: Christi Klein, Manager, Finance and Accounting                                          |         |
|           | Description: Ms. Klein will present an analysis on the working capital and investment account.     |         |
|           | Reference: Presentation                                                                            |         |
|           | Action: Information and Discussion                                                                 |         |
| <b>8.</b> | <b>2024 Finance and Audit Committee Planner</b>                                                    | 4:10 pm |
|           | Presenter: Beth Dowdell, Sr. Director Corporate Services                                           |         |
|           | Description: Ms. Dowdell will discuss the progress of activities in the 2024 planner.              |         |
|           | Reference: Finance and Audit Committee Charter Planner and Performance of Specific Duties for 2024 |         |
|           | Action: Information and Discussion                                                                 |         |
| <b>9.</b> | <b>Next Regularly Scheduled Meeting</b>                                                            | 4:15 pm |
|           | August 21, 2024 • Canton, OH                                                                       |         |

### Closed Agenda

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|------------|--------------------------------------------------------------------------------------------------|---------|
| <b>10.</b> | <b>2025 Draft Business Plan and Budget</b>                                                       | 4:20 pm |
|            | Presenter: Beth Dowdell, Sr. Director Corporate Services                                         |         |
|            | Description: Ms. Dowdell will present an overview of the 2025 Draft Business Plan and Budget.    |         |
|            | Reference: a) Presentation                                                                       |         |
|            | b) 2025 Draft Business Plan and Budget                                                           |         |
|            | Action: <b>Endorse the 2025 draft Business Plan and Budget for Board approval.</b>               |         |
| <b>11.</b> | <b>Executive Session (Finance and Audit Committee and Accounting Firm Representative Only)</b>   | 4:45 pm |
|            | Presenter: Patrick Cass, Chair                                                                   |         |
|            | Description: The Committee will hold an executive session with a representative from RSM US LLP. |         |
|            | Action: Information and Discussion                                                               |         |
| <b>15.</b> | <b>Executive Session (Finance and Audit Committee Only)</b>                                      | 5:00 pm |
|            | Presenter: Patrick Cass, Chair                                                                   |         |
|            | Description: The Committee will hold an executive session to discuss confidential topics.        |         |
|            | Action: Information and Discussion                                                               |         |
| <b>16.</b> | <b>Adjourn</b>                                                                                   | 5:10 pm |

## Roster • Finance and Audit Committee

Patrick Cass, **Chair** • Independent (2026)

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)

**a) Draft Minutes for the December 6, 2023 Finance and  
Audit Committee Meeting**



RELIABILITY FIRST

## DRAFT - Minutes

### Board of Directors • Finance and Audit Committee

December 6, 2023

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

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#### Open Session

**Call to Order** – Chair Patrick Cass called to order a duly noticed open meeting of the Finance and Audit Committee (Committee) on December 6, 2023, at 3:17 pm (ET). A quorum was present, consisting of the following members of the Committee: Chair Patrick Cass, Vice Chair Jennifer Sterling, Joanna Burkey, 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 Hue DeLuca 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, ReliabilityFirst's (RF) Antitrust Compliance Guidelines.

**Approve Minutes** – Chair Cass presented the draft minutes for the August 23, 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, RF's Senior Director of Corporate Services, provided a financial update to the Committee. She discussed the 2023 Q3 Statement of Activities (included in the agenda package) that was provided to NERC. Ms. Dowdell noted that as of September 30, 2023, RF is \$342K under budget, which is an impressive trend given the original projection was to be \$1M over budget based on unbudgeted salary adjustments. She reported that as expected, RF is over budget on personnel expenses but is making up for this by being under budget on employee benefits, training, and open vacancies. Additionally, RF is under budget for meeting and travel expenses due to staff being intentional and specific with on-site engagements. Ms. Sterling asked whether travel will be less of a variance going forward in the post pandemic world. Ms. Dowdell responded that there was a concerted effort to reduce travel in 2023, and RF will continue to balance between onsite and virtual meetings and will work to enhance forecasting in future budgets.

Ms. Dowdell then discussed the year end projections, which place RF right at budget by year end. She reported key variances projected in personnel expenses (over budget), meeting and travel (under budget), contracts and consultants (under budget), office costs (under budget), and rent/utilities (over budget). She also noted that RF is focusing on revamping its training strategy, which will result in an increase in training spending next year. Mr. Trentacosta asked whether

personnel costs will impact the year end projections, and Ms. Dowdell responded that it has but has been offset due to open positions.

**Working Capital and Investment Analysis** – Ms. Dowdell presented an analysis of the working capital and shared a graph representing the operating cash and reserve levels. She then opened the conversation up to Steve Mahoney, the RF Portfolio Manager from Glenmede, to discuss the performance of RF's investment portfolio and of the general market. Mr. Mahoney discussed the current RF investment philosophy of maintaining high credit quality, liquidity, diversification, and sector rotation. He reported that the yield to maturity in the RF portfolio is 5.2% with a shortened duration, and as funds mature and roll off, they are reinvested in additional short-term funds. Mr. Mahoney stated that while the Fed is nearing the end of increasing interest rates, it is not cutting rates yet and inflation is still high. He reported that unrealized income has been captured back with positive yields, and that RF's securities are not in distress. Mr. Mahoney stated that he believes RF has the right strategy in place.

Chair Cass then led a Committee discussion on the investment strategy, and noted that RF is planning ~\$3M of working capital for the 2024 budget. Mr. Peeler inquired regarding the securities maturing in January and whether those would be reinvested or kept in cash. In response, Mr. Mahoney stated that those securities will be reinvested in short duration securities. The Committee determined to continue with RF's existing investment strategy.

**Finance and Audit Committee 2023 Charter Performance of Duties, and 2024 Charter Planner** – Ms. Dowdell led a review of the 2023 Committee Planner (Planner), which is used to monitor and track the Committee's performance of the specific duties set forth in the Committee Charter. She advised that the Committee has been fulfilling their duties under the Committee Charter as planned. Ms. Dowdell noted that next year RF is supposed to issue an RFP for its external audit firm, but due to just hiring a new Finance and Accounting Manager, she would like the Committee to reconsider and delay the issuance of an RFP until 2025. This will allow the new Finance and Accounting Manager with additional ramp up time. Chair Cass expressed his support of the delayed RFP. Ms. Dowdell reported that she spoke with RSM and they agreed to a year extension of their services, with a 5% increase in audit cost. The Committee discussed, and agreed to delay the RFP by one year.

Regarding item 20 of the Planner (management of the process for submission, violations of code of conduct, questionable business practices and ethics), Chair Cass reported that he has not received any issues, notifications, or reports of violations of the Code of Conduct or other questionable practices. He also stated that Board Chair Antonio Smyth reported to Chair Cass that he reviewed Tim Gallagher's expenses and found no issues during his review. Upon a motion duly made and seconded, the Committee approved the document of satisfactory performance.

Ms. Dowdell then introduced Christi Klein, RF's new Manager of Finance & Accounting, and described her background and prior work experience to the Committee.

Chair Cass then asked the Committee if there were any general questions or comments regarding the open portion of the meeting, and there were no questions or comments. Ms. Burkey complimented Ms. Dowdell's efforts to prepare the financial reports.

**Next Meeting** – Chair Cass noted that the next Committee meeting will be on May 1, 2024 in Cleveland, OH at the RF offices. He stated that the Committee would also have additional meeting to approve the operating reserve and budget assumptions.

**Adjourn** – Upon a motion duly made and seconded, Chair Cass adjourned the open session of the Committee meeting at 4:10 p.m. (ET)

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## Closed Session

**Enterprise Risk Management Program**– RF's Vice President of Entity Engagement and Corporate Services Diane Holder led a discussion regarding RF's Enterprise Risk Management (ERM) program. She provided a year in review for 2023 ERM activities, which included a review of risks, scores, and controls by the risk owners, and the use of a new template for ERM reporting. Ms. Holder then reviewed each of the risk categories and updates provided by the risk owners. There was a discussion on Staffing and Organizational culture and how RF is looking broadly for candidates that meet the company's core values, have relevant experiences, fresh ideas, and can contribute to the team dynamic Finally, Ms. Holder walked through the Controls Questionnaire Sample provided in the presentation and discussed how this process ensured that each control was reviewed and updated.

**Corporate Insurance Program Review**– Mr. Patrick O'Neill, President of O'Neill Insurance, provided an overview of the RF corporate insurance program. He noted that RF has used O'Neill Insurance for four years, and that the insurance ecosystem has multiple policies covering everything from cyber liability to excess management liability. Mr. O'Neill then discussed the renewal rates for all the RF insurance policies, as renewals are in progress with current policies expiring on January 1, 2024. He spent additional time discussing the cyber and management liability policies, explaining the different limits and coverage for each of those policies. Ms. Burkey inquired with Mr. O'Neill regarding obligations from the cyber/IT attack protocols, and he responded that a tech stack evaluation is done as part of the renewal/discovery process, which impacts the underwriting of the policy. Chair Cass asked Mr. O'Neill if RF's portfolio is typical for a company of our size and industry, and Mr. O'Neill indicated that underwriting for a company like RF is unique because coverages are included, severity of issues and benchmarking is harder to come by, and there are higher operation risks. Finally, Mr. O'Neill noted that Insure-Trust is a partner that he uses to ensure that RF is insured appropriately.

**Cyber Liability Insurance Policy Review** – Ms. Dowdell led a discussion regarding questions Committee members asked after the last meeting related specifically to RF's cyber policy. She noted that RF engaged an insurer approved law firm for if a breach occurs. The Committee discussed the framework for potential breaches with Align, SEL and NERC's cyber policy coverage for a policy approved law firm to support.

**Finance and Audit Committee Minutes**  
**December 6, 2023**

Ms. Dowdell reported that she engaged insurance broker Taylor Oswald to do an independent review of the cyber policy. There was then a Committee discussion of those recommendations. Ms. Dowdell shared she plans on having Taylor Oswald do a full review of all the O'Neill policies as RF prepares for renewal.

Mr. Dowdell then led a discussion on how RF is currently with a surplus market for cyber insurance this requires a higher tax than a standard market. Ms. Burkey suggested that RF should review this within the next 18 months to see if there are any changes in the market. Finally, the Committee discussed recent tabletop exercises that resulted in the formation of additional incident response plans.

**Review IRS Form 990 and Ohio Tax Filings** – Chair Cass discussed the 2022 IRS Form 990 tax filing and the 2022 Ohio Annual Report tax filing. He advised the Committee that he completed his review, including a reconciliation of the numbers, and all his questions were answered to his satisfaction before filing.

**Executive Session** (Finance and Audit Committee and Tim Gallagher) – The Committee held an executive session with Tim Gallagher to discuss confidential matters including his assessment of the organization with the newer executives, his outlook for Finance given recent changes and some updates on NERC and ERO relationships.

**Executive Session** (Finance and Audit Committee) – Due to time constraints, the Committee agreed not to hold this executive session at this meeting.

**Adjourn** – Upon a motion duly made and seconded, Chair Cass adjourned the Committee meeting at 5:45 p.m. (ET).

As approved on this 1<sup>st</sup> day of May, 2023 by the  
Finance and Audit Committee,

Niki Schaefer  
*Vice President General Counsel & Corporate  
Secretary*



**Attachment A**

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**Others Present During the Finance and Audit Committee Meeting**

Steven Belle • Dominion  
Zack Brinkman • ReliabilityFirst  
Jeff Craigo • ReliabilityFirst  
Hue DeLuca • ReliabilityFirst  
Beth Dowdell • ReliabilityFirst  
Tim Gallagher • ReliabilityFirst  
Diane Holder • ReliabilityFirst  
Chris Jeannot • Glenmeade – virtual  
Steve Mahoney • Glenmeade – virtual  
Marcus Noel • ReliabilityFirst  
Pat O'Neill • O'Neill Insurance – virtual  
Matt Thomas • ReliabilityFirst

**b) Draft Minutes for the March 25, 2024 Finance and  
Audit Committee Meeting**



RELIABILITY FIRST

## DRAFT Minutes

### Board of Directors • Finance and Audit Committee

March 25, 2024 • 10:30 am – 12:00 pm (ET)

Teleconference

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#### Closed Meeting

**Call to Order** – Chair Patrick Cass called to order a duly noticed open meeting of the Finance and Audit Committee (Committee) on March 25, 2024, at 10:30 am (ET). A quorum was present, consisting of the following members of the Committee: Chair Patrick Cass, Vice Chair Jennifer Sterling; Joanna Burkey; 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 Niki Schaefer as the secretary to record the meeting minutes.

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

**2025 Budget Assumptions** – Ms. Dowdell began by going over the timeline of events related to the budget process and approvals. She then walked through how the RF strategic plan guided decision making in terms of the proposed budget assumptions. She referenced each pillar of the strategic plan (being an excellent regulator, cultivating a talented and engaged workforce, and harnessing knowledge to proactively address risks to the grid) and how the focus areas in those pillars drove the proposal.

She then discussed the internal RF SWOT analysis and the ways in which that was a budget assumption input and asked the committee if they had any feedback. For strengths, Ms. Dowdell highlighted the balance between industry and non-industry backgrounds for employees. For weaknesses, Ms. Dowdell discussed the aging workforce and the loss of institutional knowledge and the “just in time” hiring philosophy, meaning positions are only created after the need is already present. Ms. Burkey noted that a growing need at organizations is the ability to retrain employees on short notice which means developing a skill in identifying needs and then how to train existing employees to meet them. Ms. Dowdell responded that hiring people with intellectual curiosity as a personality trait will be helpful in that endeavor. She also talked about training grant programs for which RF is eligible because of its 501(c)(3) status that RF intends to take advantage of going forward. Ms. Burkey noted the need to spot and encourage intellectual curiosity in existing staff. Mr. Cass asked a question about what RF is doing to address the listed weaknesses and the committee and RF staff on the call had a discussion of specific action items that fall under each one. For opportunities, Ms. Dowdell mentioned the recent start, stop, continue exercise the RF executive team just underwent as well the efforts to increase stakeholder awareness through the states and other important stakeholders and some of the

**Finance and Audit Committee Minutes**  
**March 25, 2024**

challenges that presents. Next, Ms. Dowdell moved on to threats, highlighting technology constraints, particularly those caused by Align and the Secure Evidence Locker.

From there, Ms. Dowdell talked about the prior year's projections and the ways in which they differ from current budget assumptions. She also discussed the initiatives currently underway at RF, falling under the categories of cloud based technology, education/outreach/communications, as well as monitoring/analysis/reporting. A discussion ensued about the state table-top exercises and the future of those. The committee encouraged some work to better understand the landscape of existing tabletops (not performed by RF) and was comfortable with RF's plan to perform them once a year for now.

Ms. Dowdell then moved on to initiatives related to training and engagement, AI, and inverter based resources. There was discussion about AI and entity data and stakeholder directors on the committee expressed concerns about the use of entity data in generative AI tools. Ms. Dowdell also shared that the new IBR registrations and their impact on RF is unknown at this time but something RF intends to monitor.

Ms. Dowdell then talked about the budget itself, with 86% of it being made up of fixed costs. She then went into the budget drivers in more detail, including merit increases (4%), medical insurance increases (likely only 2.6% due to an 18 month plan cycle), travel/meeting increases, table top exercise support, and generative AI. She then noted some resource/process drivers such as new IBR registrations, FERC Order 881, new cloud requirements, and the Interregional Transfer Capability Studies.

Ms. Dowdell then discussed the FTE requests: 3 total—an energy policy analyst, an engineer in ESP, and a CMEP operations supervisor. For each position, Ms. Dowdell discussed how it tied to RF's strategy.

For the energy policy analyst, which is a position that combined RF outreach needs with the table top resource requirements, Ms. Dowdell also noted the potential outcomes if that position were filled and then if it were not filled. She described that the existing team is at capacity in terms of the state outreach work on RF's plate and the need for support on the information gathering and facilitation side.

Ms. Dowdell then proceeded to discuss the engineering position and the need for support on the outreach side to provide engineering analyses as well as the Interregional Transfer Capability Studies that are also occupying the team's time.

Finally, Ms. Dowdell walked through the CMEP operations supervisor role, which is primarily to address the administrative burden placed on RF CMEP staff by Align and the SEL, while also addressing some other workload and other process issues being experienced by the compliance monitoring team. Ms. Dowdell explained that this position was proposed instead of the enforcement attorney originally projected for 2025 because RF has realized that the burden of Align and SEL is much heavier on the administrative side than anything else and in order to continue processing enforcement actions without creating a backlog, there is an immediate need for this position to relieve the paralegal currently working through Align and SEL issues at the expense of processing enforcement actions, as it is currently occupying 50% of her time. Ms.

**Finance and Audit Committee Minutes**  
**March 25, 2024**

Burkey asked how much more time work is taking using Align and the SEL versus the prior tools RF used and Ms. Schaefer estimated that it is approximately 40% more time.

Mr. Cass then asked for a motion to approve the budget assumptions which was seconded and unanimously approved.

Finally, Ms. Dowdell noted the assessment strategy and then discussed the RF operating reserve.

Mr. Cass asked for a motion to continue with the \$1 million operating reserve which was seconded and unanimously approved.

**Adjourn** – Upon a motion duly made and seconded, Chair Cass adjourned the meeting at 12:12 pm (ET).

As approved on this 1<sup>st</sup> day of May, 2024 by the  
Finance and Audit Committee,

Niki Schaefer  
*Vice President General Counsel & Corporate  
Secretary*

## Attachment A

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### Others Present During the Finance and Audit Committee Meeting

BethAnn Dowdell • ReliabilityFirst  
Diane Holder • ReliabilityFirst  
Tim Gallagher • ReliabilityFirst  
Christi Klein • ReliabilityFist  
Marcus Noel • ReliabilityFirst  
Niki Schaefer • ReliabilityFirst  
Jeff Craigo • ReliabilityFirst  
Jody Tortora • ReliabilityFirst