



RELIABILITY FIRST

## Minutes

### Board of Directors • Finance and Audit Committee

August 21, 2024

ReliabilityFirst Corporation

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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 August 21, 2024 at 3:26 pm (ET). A quorum was present, consisting of the following members of the Committee: Chair Patrick Cass, Joanna Burkey, Nelson Peeler, Robert Taylor, 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 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 June 24, 2024 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 reported that RF is currently 5.4% under budget (\$852K) with key variances being funding (up \$157K), personnel expenses (down \$364K), meeting expenses (down \$75K), and operating expenses (down \$268K). Ms. Dowdell talked through the year-end projections, which RF anticipates will be 1% under budget with key variances being largely consistent in the areas she had just discussed. She noted that Q3 and Q4 will see more meetings and travel for RF staff.

Ms. Dowdell shared other financial updates, including an annual 401k retirement plan audit (which is now required given that RF's plan size is now over 100 participants). She noted that RF switched to KeyBank from Chase, and it has been a smooth transition. RF also switched its 457(b) plan to Fidelity, which is more user friendly and less administratively burdensome.

**Working Capital and Investment Analysis** – Christi Klein, Manager Accounting and Finance, presented an analysis on the working capital and investment account. Ms. Klein noted that she has reformatted the working capital and investment income slides to make the information easier to digest. As part of this effort she also spoke with NERC and the other Regions to understand how they presented this type of material to their boards, to benchmark for consistency.

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She began by discussing the definitions of the types of reserves: working capital and working capital reserve, operating reserve, and assessment stabilization reserve. She stated that going forward, this agenda item will be called *Reserve and Investment Analysis* because working capital is only a portion of the reserves. Ms. Klein showed a numerical summary of what the various reserves are, a prediction of what they may look like at year end, and she discussed the plan for releasing certain reserves. Colleen Sidford from the NERC board asked about the rationale behind releasing reserves and leaving RF's operating reserve at \$1 million, and Tim Gallagher and Mr. Cass provided an explanation.

Ms. Klein provided an update on RF's investment account performance, including highlighting additional investment income RF is earning because of better than predicted performance of RF's investment accounts. Mr. Peeler noted that the fees are approximately 5% of the total. There is going to be a meeting with Glenmede, who manages the portfolio, where Ms. Klein and Ms. Dowdell will discuss this issue. Ms. Klein noted that there were no changes to Glenmede's investment strategy.

**Review of Policies** – Per the Committee Charter, the Committee is required to annually review RF's financial policies to assess the adequacy of internal accounting and financial reporting controls. Ms. Klein reviewed all six financial policies together, which is a new way of approaching the review. She noted that the policies were similar to ones she reviewed at other companies. Most of her proposed changes were minor, but enhanced consistency and clarity. She also shared that she looked at the policies in the context of the Committee Charter and had some proposed minor changes based on that review. The Committee noted that they liked the new way of presenting policies. There was discussion about whether RF should have a third party review policies that involve risk to employees or finances, and Ms. Schaefer took it as an action item to review the universe of RF policies and see which ones may make sense to have a third-party review.

**2024 Finance and Audit Committee Planner** – Ms. Dowdell then led a discussion on the 2024 Finance and Audit Committee Planner (Planner), which is used to monitor and track the Committee's performance of the specific duties set forth in the Charter. She advised that the Committee has been fulfilling its duties and that everything is proceeding according to plan. Ms. Dowdell noted that she added the 401k audit review to the Planner since that is a new annual responsibility of the Committee.

**Next Meeting** – Chair Cass noted that the next Committee meeting will be on December 4, 2024 in Washington, DC.

**Adjourn** – Upon a motion duly made and seconded, Chair Cass adjourned the open session of the Committee meeting at 4:13 p.m. (ET). The Committee then went into a closed session and all guests that were not part of the Committee or RF employees excused themselves from the meeting.

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## Closed Session

**Independent Accountant** – Chair Cass and Ms. Klein led a discussion on the engagement of an independent account, RSM US LLP (RSM), to conduct a financial audit of RF and going forward plans. Chair Cass confirmed that there are no relationships between RF and RSM that would disqualify RSM from performing the audit. Chair Cass and Ms. Klein also reviewed the RSM Audit Arrangement Letter (item 10a in the agenda materials) and the RSM 2024 Audit Planning Letter (item 10b in the agenda materials). After discussion and upon a motion duly made and seconded, the Committee unanimously approved the letters.

**Executive Session** (Finance and Audit Committee and Beth Dowdell) – The Committee held an executive session with Ms. Dowdell to discuss confidential matters.

**Executive Session** (Finance and Audit Committee, Tim Gallagher, and Niki Schaefer) – Chair Cass and the Committee members held an executive session with Mr. Gallagher and Ms. Schaefer to discuss confidential matters.

**Adjourn** – Upon a motion duly made and seconded, Chair Cass adjourned the Committee meeting at 5:00 p.m. (ET).

As approved on this 4<sup>th</sup> day of December, 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

Allison Archer • MISO  
Mary Berkley • AEP  
Beth Dowdell • ReliabilityFirst  
Tim Gallagher • ReliabilityFirst  
Diane Holder • ReliabilityFirst  
Hue Deluca • ReliabilityFirst  
Christi Klein • ReliabilityFirst  
Marcus Noel • ReliabilityFirst  
Niki Schaefer • ReliabilityFirst  
Colleen Sidford – NERC Board of Trustees