



RELIABILITY FIRST

Minutes

Board of Directors

August 22, 2024

ReliabilityFirst Corporation

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 interregional transfer capability study being performed by the ERO pursuant to the Fiscal Responsibility Act of 2023, a confidential security update, and a second training on the gas industry.

Open Session

Call to Order – Vice Chair Peeler called to order a duly noticed open meeting of the Board of Directors (Board) at 9:47 am (ET). A quorum was present, consisting of the following members of the Board: Vice Chair Nelson Peeler; Steve Ambrose; Joanna Burkey; Mèlika Carroll; Patrick Cass; Lesley Evancho; Tim Gallagher; Craig Grooms; Scott Hipkins; Ken Seiler; Rachel Snead; Robert Taylor; 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 – Vice Chair Peeler 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.

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

- Agenda Item 3(a): Draft Minutes from May 2, 2024 Board Meeting
- Agenda Item 3(b): Draft Minutes from June 27, 2024 Board Meeting
- Agenda Item 3(c): Resolution to Hold Annual Meeting of Members (No. 2024-03)
- Agenda Item 3(d): ERO Enterprise Long-Term Strategy (for endorsement)
- Agenda Item 3(e): 2025 Proposed Board Meeting Dates

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

Keynote Speaker – Kurtis Minder, CEO and Co-Founder of GroupSense, provided the keynote remarks. Mr. Minder described his organization, which helps companies navigate ransomware, breach, and data extortion cases. He then discussed recent cybersecurity

events and the current threat landscape, including the material risk of foreign actors. Mr. Minder described how ransomware and payments of ransom work in practice, and he advised focusing on behavioral risks in addition to putting in place policies and software. There were questions and discussion on Operational Technology (OT) and how to best ensure the proper training of cyber and IT teams. There was also discussion on ransomware negotiations and Mr. Minder discussed best practices for what to do if you receive a ransom note.

Guest Speaker – Vice Chair Peeler introduced Colleen Sidford, member of the NERC Board of Trustees and prior Vice President and Chief Investment Officer at Ontario Power Generation. She shared her electricity background and discussed the complex risk environment in the energy industry. She then discussed how NERC sets its work plan priorities, and shared NERC's key focus areas of energy, security, engagement, and agility and sustainability. Ms. Sidford, who serves as the Chair of NERC's Finance and Audit Committee, highlighted the importance of strategic planning and discussed NERC's three-year work plan and NERC's progress against the plan. Mr. Gallagher asked her if there was anything RF could be doing differently or better, and in response Ms. Sidford commended RF's recent work and noted the importance of RF's strategic plan.

President's Report – Tim Gallagher, RF's President and CEO, thanked the guest speakers and trainers for attending the meeting. He recognized the newly elected and re-elected Board members, and announced that December will be the last RF Board meeting for Ms. Sterling (who will be retiring), Mr. Seiler, Mr. Whitelocke, and Ms. Snead. Mr. Gallagher discussed the release of RF's 2023 Impact Report, which is a resource to show stakeholders the value of RF and lists the major accomplishments of an outstanding team. He shared details regarding the ERO Enterprise long term strategy document, and how it fits well with RF's five-year strategic plan. Mr. Gallagher reported that NERC approved the NERC and Regional 2025 budgets at its recent meeting, and there was discussion regarding the consistency of how NERC and the Regions do their respective budgets.

Mr. Gallagher then discussed resource adequacy concerns, driven by increasing load and the retirement of traditional resources due to energy policies across the country. He stated that RF is not opposed to the energy transition, but that it is important to ensure that sufficient generation is ready to replace retiring resources and to understand reliability issues associated with inverter-based resources (IBRs). Ms. Sidford added that a key issue is a lack of data around IBRs. Mr. Gallagher then talked about the growth of data centers, the reliability challenges they pose, and the importance of being proactive on this issue. He stated that data centers consume a great deal of power, have strict power quality requirements, and that it is important for training to take place to better understand their needs.

Mr. Gallagher also discussed the success of RF's statewide tabletop exercises (which serve as a supplement to NERC's GridEx), which simulate a major system disturbance and test the response of state agencies. He shared that are some assumptions about state conduct during a system disturbance that can be tested, such as governors' actions and how national guard and law enforcement would be deployed. He noted the success of the Ohio tabletop exercise, and shared that there will be another taking place soon in New

Jersey (with participation from Ohio and Illinois). Vice Chair Peeler then thanked Tom Scanlon, RF's Senior Managing Enforcement Counsel, for his work on the CIP themes report and stated that Mr. Scanlon will be discussing the report.

CIP Themes Report – Mr. Scanlon provided an overview of the ERO Enterprise's 2024 CIP themes report (Report). He shared that the Report highlights risk themes and areas for improvement and suggests potential resolutions. He noted that the Regions' enforcement groups manage thousands of cases, over fifty percent of which are CIP-related. Mr. Scanlon stated that the first theme from the Report is latent vulnerabilities, which refers to long-standing, higher risk issues that evade detection. He stated that examples of this can be seen in physical security and in patching programs. The second theme from the Report is insufficient commitment to low impact programs, including a need for more attention to detail in the planning and execution of CIP and security obligations.

Mr. Scanlon shared that the third theme from the Report is shortages of labor and skillsets, including challenges in workforce succession, and planning. He stated that this is a pervasive issue and can be difficult to manage when paired with a challenging cyber threat landscape. The fourth theme from the Report is performance drift, which is where physical security issues are seen when disciplined execution becomes inconvenient or uncomfortable. Examples of this are employees bypassing security controls or propping doors open. Mr. Scanlon then discussed next steps associated with the Report, which include outreach to share the content through webinars, conferences, workshops, and private briefings. He encouraged Board members to reach out if their companies are interested in having a private briefing on the report.

Financial Update – Beth Dowdell, Senior Director, Corporate Services, provided a financial update for the second quarter. She shared that RF is 5.4% under budget, partially driven by investment income performing better than expected and a 3% vacancy rate that decreased personnel expenses. Additionally, RF negotiated lower medical costs, which impacted personnel expense levels. Ms. Dowdell stated that travel meeting expenses are under budget due to the timing of training and events, and operating expenses are under budget due to the timing of projects and lower than expected office rent. She shared that RF is projecting to be 1% under budget (\$293K) at year end, with key variances being funding (up \$251K), personnel expenses (down \$304K), and meeting expenses (up \$11K). At the end of the update, Vice Chair Peeler commended the RF finance and accounting team for their work to change RF's bank, which has proven beneficial.

Security Update – Marcus Noel, RF's Vice President and Chief Security Officer, provided a security update. He discussed recent efforts to update RF's security risk register to an improved system that aligns risk register controls with the NIST Cybersecurity Framework and maps the maturity of the controls to calculate their effectiveness. Mr. Noel then shared how the security team evaluated the risks facing RF using the new system and landed at the same top three risks. He then discussed emerging threats, including the CrowdStrike outage, where CrowdStrike released a flawed configuration update causing computers across the country to crash. Mr. Noel stated that a lesson learned from the event is to perform rigorous quality assurance testing before deploying code and avoid single points of failure among platforms.

He also discussed how during the Russia/Ukraine conflict, Russia jammed GPS signals used by Ukraine's electric substations, which caused issues with balancing loads. Mr. Noel noted that GPS jamming is becoming more widespread and stated that there is a risk to the extent that companies use outdated GPS technology that could be compromised.

Committee Reports:

a) Talent and Compensation Committee

Talent and Compensation Committee Chair Lesley Evancho reported that the Committee received an update on RF's demographics and its refreshed diversity strategy and program. The Committee then discussed talent management, and Ms. Evancho shared that the Committee will perform a deep dive of the succession plan every other year and on off years will discuss the overall talent management program. The Committee also received an update on the progress toward completion of the 2024 corporate goals, and an update on stop/start/continue projects. The Committee reviewed RF's benefits and enrollment details, and reviewed and approved an RFP to select a pay study vendor for a 2025 pay study. Finally, the Committee discussed the process for Mr. Gallagher's annual review and conducted his mid-year review in executive session.

b) Risk and Compliance Committee

Risk and Compliance Committee Chair Joanna Burkey reported that the Committee heard remarks from the Data Center Coalition on the perspective of the data center industry on its growth and energy needs and how it can partner with the energy industry. The Committee then received a presentation from AEP's System Performance Analysis Manager Mary Burkey on how AEP approaches CIP-014 and physical security. There was also a presentation from First Energy on how it approaches key cybersecurity challenges and builds its cybersecurity program. During closed session, the Committee discussed confidential enforcement matters with RF staff and received an update on FERC and NERC oversight activities of RF for awareness.

c) Finance and Audit Committee

Finance and Audit Committee Chair Pat Cass reported that the Committee received a financial update on the second quarter from Beth Dowdell, Senior Director of Corporate Services, and an analysis of the working capital and investment account from Christi Klein, Manager of Finance and Accounting. The Committee also reviewed and approved RF's financial policies (with a few minor revisions proposed by staff). The Committee reviewed the results of the first audit of RF's 401k financials, and Mr. Cass explained that this audit is now required because RF has over 100 participants in the 401k plan. Finally, the Committee had a confidential session with Ms. Dowdell, and an executive session to discuss confidential matters.

d) Nominating & Governance Committee

Nominating and Governance Committee Chair Rachel Snead reported that the Committee discussed and approved revisions to the CIPC charter, approved the resolution for the annual meeting of members, and reviewed the timetable of key RF events. The Committee then discussed RF membership as it relates to the process to obtain quorum during elections, and efforts to enhance this process. In closed session, the Committee received an update on the results of the independent director survey and discussed the next steps to fill the open At-Large director seat. There was also an overview of recent director conflicts, and a discussion of the recent Supreme Court case which overturned Chevron deference and its implications for RF and the ERO.

Next Meeting – Vice Chair Peeler noted that the next meeting of the Board of Directors will occur on December 5, 2024.

Adjourn – Upon a motion duly made and seconded, Vice Chair Peeler adjourned the meeting at 12:10 pm (ET).

As approved on this 5th day of December 2024, by
the Board of Directors,



Niki Schaefer
*Vice President, General Counsel & Corporate
Secretary*

ATTACHMENT A

Others Present During the Board of Directors Meeting

Allison Archer • MISO
Mary Berkley • AEP
Jeff Craigo • ReliabilityFirst
Beth Dowdell • ReliabilityFirst
Chelsey Eppich • ReliabilityFirst
Tom Foster • PJM
Vinit Gupta • ITC
Diane Holder • ReliabilityFirst
Keith Mehle • FirstEnergy
Kurtis Minder
Marcus Noel • ReliabilityFirst
Ollie Pannell • FirstEnergy
Tom Scanlon • ReliabilityFirst
Niki Schaefer • ReliabilityFirst
Kristen Senk • ReliabilityFirst
Colleen Sidford • NERC BOD Trustees
Brian Thiry • ReliabilityFirst
Matt Thomas • ReliabilityFirst
Jody Tortora • ReliabilityFirst
Jim Uhrin • ReliabilityFirst