

## Minutes

### Board of Directors • Finance and Audit Committee

April 30, 2025

ReliabilityFirst Corporation • Cleveland, OH

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#### Open Session

**Call to Order** – Chair Joanna Burkey called to order a duly noticed open meeting of the Finance and Audit Committee (Committee) on April 30, 2025 at 3:09 pm (ET). A quorum was present, consisting of the following members of the Committee: Chair Joanna Burkey; Craig Creamean; Ken Seiler; 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 Burkey designated Hue DeLuca as the secretary to record the meeting minutes.

**Antitrust Statement** – Chair Burkey advised all present that this meeting is subject to, and all attendees must adhere to, ReliabilityFirst's (RF) Antitrust Compliance Guidelines.

**Approve Minutes** – Chair Burkey presented the draft minutes for the December 4, 2024 and March 26, 2025 meetings, 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 presented the first quarter financials, as well as a report provided to NERC with details of 2025's first quarter variances. Ms. Dowdell reported that RF is currently under budget by \$376K (4.5%), and that investment accounts and interest earned from the checking account are cushioning the budget. RF is projecting to have good investment returns through the end of the year, despite the volatility of the market, because the investment portfolio is risk averse. She also reported that personnel, meeting, and operating expenses were under budget for Q1, due in part to some delayed personnel start dates and also because many expenses have not yet posted this early in the year. However, the end of year projections are that RF will be at budget.

Ms. Dowdell then provided updates on the recent work of the finance and accounting team, which includes creating new KPIs for team performance, rolling out a new Financial Business Partner (FBP) model, and onboarding a new accountant to the team. Chair Burkey posed the question of how the FBP model is going to support the business and the concept behind it. Christi Klein, Manager of Finance and Accounting, responded that the model supports the development of financial acumen for staff and the leadership team. She also stated that she will provide the Committee with an update on the FBP model efforts in December 2025. Mr. Trentacosta inquired about whether the market has been challenging during the search for new employees. Ms.

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Dowdell responded that although it has been challenging, it has also been rewarding to find the best candidates. To complete the financial update, Ms. Dowdell discussed the fourth quarter 2024 RF Statement of Activities that was submitted to NERC.

**2024 Financial Audit** – Mandy Pittman, RSM US LLP Certified Public Accountant, presented the results of the 2024 audit to the Committee virtually. She first reviewed the financial statements. Mr. Creamean inquired about situational awareness expenses, and Ms. Klein discussed the department, their function, and the expenses by type. Ms. Pittman then walked through the draft financial report (included in the agenda package), and topics included the availability and liquidity of financial assets, investments and their value, and operating leases. She then discussed the Letter to the Finance and Audit Committee (included in the agenda package), which is a required communication between RSM and the Committee at the beginning of the audit.

Ms. Pittman shared that RF's audit was a clean audit, and no audit adjustments or uncorrected misstatements were identified. She noted that significant written communication between management and RSM will be finalized once this report and material has been finalized. Additionally, the Committee requested and will receive a No Material Weakness Letter that will confirm that RSM did not identify any material weaknesses during the audit. Chair Burkey explained that the issuance of this letter is good governance and a best practice.

Mr. Creamean asked Ms. Pittman about historical audits of RF and trends year over year. Ms. Pittman responded that RF has always provided a clean and smooth audit since her time working with RF. She provided kudos to the RF team. Chair Burkey asked Ms. Pittman if RF could have done anything differently in preparing for the audit, and she said no. Upon a motion duly made and seconded, the Committee approved the audited financial statements. Chair Burkey stated that Ms. Klein's time at RF has been impactful, and the Committee and Mr. Gallagher agreed.

**Working Capital and Investment Analysis** – Christi Klein, Manager Accounting and Finance, presented an analysis of RF's reserve and investment accounts. She first presented a graph showing a summary of RF's reserves (the assessment stabilization reserve, the operating reserve, and the working capital). Ms. Klein noted that from year-end 2024 to March 2025, the working capital has increased. She explained that RF releases its penalty money at the beginning of the year, so cash inflows are higher and then as the year moves on, the expenses catch up.

Ms. Klein then discussed the investment account performance. She shared that RF pulled \$500K from the investment account during the first quarter to cover one-time cash expenditures, and Chair Burkey inquired if there is a true up that takes place at year-end. Ms. Dowdell clarified that RF liquidates investments for working capital on an as-needed basis, but carefully manages this. Ms. Klein then presented a graph showing the quarterly cash flow for the past five quarters, with green bars showing deposits and red bars showing withdrawals. Chair Burkey noted that this graph was very helpful.

**2025 Finance and Audit Committee Planner** – Ms. Dowdell led a review of the 2025 Committee Planner. She highlighted recent Committee activities captured in the planner and noted that the Committee will finalize the information at the end of the year.

Ms. Dowdell then shared that RF will be issuing an RFP for its third party external auditor, as well as reviewing its current portfolio provider (Glenmede). Chair Burkey stated that if RF were to go to market to replace Glenmede, RF should ask vendors to show us their research and investment portfolios.

**AI Strategy and Update** – Jeff Craig (SVP Operations & Risk) and Marcus Noel (Chief Security Officer) provided an update on AI strategy and activities, which will be a standing Committee item going forward. To begin the discussion, Chair Burkey explained that it is beneficial for the Committee to review and discuss AI activities and risks prior to the full Board discussion each quarter. Mr. Noel then shared that RF engaged some of the ERO collaboration groups in its AI strategy and efforts, beginning with the ITSG, OLT, and Innovation collaboration groups. He shared that the initial effort is to establish guard rails for the use of AI across the ERO, and that the ITSG started to define AI principles. These efforts led to NERC forming an AI Governance Committee, and adding its internal audit group into the group working on the AI principles. He also gave a high-level overview of the current draft principles.

Mr. Noel and Mr. Craig discussed some of the risks associated with AI, including potential compromise of sensitive data or creation of bias. Mr. Craig shared that the ERO AI Task Force is serving as a centralized body to work on developing and communicating AI services and tools. He stated that the work of the task force is in development and will be presented to the ERO EC for review and approval. Ms. Molda asked if precautions are being taken with sensitive data and AI, and Mr. Noel responded that yes, precautions are being taken and that no sensitive data is going into AI tools. Chair Burkey asked for a timeline on the AI efforts, and Mr. Noel said the first portion of the project should be completed in two weeks by the June ERO ITSG meeting. Mr. Gallagher shared where NERC and the Regions stand on AI adoption.

Mr. Craig then led a discussion on recent ERO/RF AI Pilots. He said that NERC hired Deloitte to identify AI use cases across the ERO, and that 65 use cases were consolidated to 36 cases, primarily relating to efficiency in the CMEP area. Mr. Craig reported that there are two NERC AI pilot projects using public information, one is a NERC.com chatbot and the other involving the summary of NERC standards for public comments. He shared how RF has piloted Microsoft 365 CoPilot and highlighted this effort during a recent meeting with ERO peers. Mr. Craig noted that with more education and exposure, people are understanding the benefits of AI. He also shared that RF has hired a new Director of Analytics & Risk, Atif Usman, who has a great depth of experience in AI.

Mr. Creamean inquired whether there will be an acceptable use policy revision for AI use at RF, and Mr. Noel shared that RF has updated its Acceptable Use policy with a new section on use of generative AI tools. Mr. Gallagher asked Mr. Trentacosta about whether he works on AI at his organization, and Mr. Trentacosta confirms that he does and that having good policies in place is important. Chair Burkey commented that AI is everywhere and is being used in many platforms such as payroll and HRIS systems. She agreed on the importance of acting to put AI guardrails

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in place, and Mr. Taylor agreed. Mr. Noel said that it is important to respond with agility and flexibility, while maintaining the appropriate protections. Chair Burkey thanked Mr. Noel and Mr. Craig for their work with the AI space.

**Next Meeting** – Chair Burkey noted that the next Committee meeting will be on August 27, 2025 in Farmington, PA.

**Adjourn** – Upon a motion duly made and seconded, Chair Burkey adjourned the open session of the Committee meeting at 4:31 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

**2026 Business Plan and Budget** – Ms. Dowdell presented an overview of the 2026 Business Plan and Budget (BP&B) document (included in the agenda package). She began by summarizing the previously approved budget assumptions, which included four net new FTEs, a merit increase of 5%, and a medical cost increase of 18%. She then discussed budget reductions made since that time, including saving \$106K by implementing staggered start times for new FTEs. There was also \$36K in savings by holding two board meetings at RF headquarters, and \$63K in savings from reducing contractor costs and computer software and services. Additionally, the merit increase was reduced to 4%, which saved \$259K. Ms. Seiler asked how challenging managing the budget has been, and Ms. Dowdell responded that this year the process has gone very smoothly due to Ms. Klein and her team's work. Chair Burkey and the other Committee members commended Ms. Klein and her team. Ms. Dowdell then highlighted budget constraints due to technology for energy assessments, migration to Microsoft Fabric, AI tools, and rising medical costs. Chair Burkey asked about the amortization schedule for hardware and Ms. Klein stated that it is every 5 years.

Ms. Dowdell highlighted the final budget numbers, including \$35,630,231 for the total budget (a 6.8% increase from 2025). Mr. Seiler inquired if the accounting team meets with the other business groups to discuss incoming dollars (such as penalty dollars from the enforcement team). Ms. Klein explained that the newly implemental financial business partner model will help facilitate this communication and that she is meeting with the enforcement team to discuss incoming penalties. Mr. Seiler inquired if penalties have dropped in other regions, and Mrs. Dowdell said that the penalty numbers vary over time.

Ms. Dowdell showed a comparison of the budget numbers for NERC and the other regions, and budget projections for 2027 and 2028. The Committee then discussed the assessment stabilization analysis and forecast. During general discussion of the budget, Chair Burkey suggested that the budget may need to stay flat for the next few years due to recent increases. Upon a motion duly made and seconded, the Committee endorsed the draft business plan and budget for full Board approval.

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**Investment Strategy** – This agenda item was deferred to a later meeting due to time constraints.

**Executive Session** (Finance and Audit Committee and Accounting Firm Representative) – The Committee held an executive session with Mandy Pittman from RSM to discuss the audit in more detail.

**Executive Session** (Finance and Audit Committee) – Chair Burkey and the Committee members held an executive session to discuss confidential matters.

**Adjourn** – Upon a motion duly made and seconded, Chair Burkey adjourned the Committee meeting at 5:14 p.m. (ET).

As approved on this 27<sup>th</sup> day of August, 2025 by the  
Finance and Audit Committee,

A handwritten signature in blue ink, appearing to read 'Niki Schaefer', is positioned above the printed name.

Niki Schaefer  
*Vice President General Counsel & Corporate  
Secretary*

## **Attachment A**

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

Jeff Craigo • ReliabilityFirst  
Beth Dowdell • ReliabilityFirst  
Tim Gallagher • ReliabilityFirst  
Diane Holder • ReliabilityFirst  
Christi Klein • ReliabilityFirst  
Marcus Noel • ReliabilityFirst  
Kamila Molda • PJM Interconnection  
Mandy Pittman, RSM US LLP – virtual  
Kristine Schmidt • North American Electric Reliability Corporation (NERC)