



RELIABILITY FIRST

## 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.

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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