



RELIABILITY FIRST

PUBLIC

## Minutes Board of Directors

May 2, 2024

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

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### 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 studies being performed by the ERO pursuant to the Fiscal Responsibility Act of 2023 and a confidential security update.

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### Open Session

**Call to Order** – Chair Smyth called to order a duly noticed open meeting of the Board of Directors (Board) at 9:04 am, consisting of the following members of the Board: Chair Antonio Smyth; Vice Chair Nelson Peeler; Steve Ambrose; Joanna Burkey; Patrick Cass; Lesley Evancho; Tim Gallagher; Craig Grooms; Ken Seiler; Rachel Snead; Jennifer Sterling; 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** – Chair Smyth 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** – Chair Smyth introduced the following consent agenda items for approval:  
Agenda Item 3(a): Draft Minutes from December 7, 2023 Annual Meeting of Members  
Agenda Item 3(b): Draft Minutes from December 7, 2023 Board of Directors Meeting  
Agenda Item 3(c): Draft Minutes from March 26, 2024 Board of Directors Meeting  
Agenda Item 3(d): Resolution to Hold Industry Elections (No. 2024-01)

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

**Keynote Speaker** – Chair Smyth introduced the keynote speaker, Dr. Elizabeth Cook, VP Technical Strategy of AIC. Dr. Cook discussed her career in the electric industry, and the risks and challenges the electric grid is presently facing, particularly related to the proliferation of distributed energy resources (DER) and artificial intelligence (AI). She noted that the items at the edge of the BES (like DER) can potentially affect the BES. Dr. Cook then noted that the world is in the midst of a transformation in energy, supply chain, and how we receive and use information. For example, solar, batteries, electric vehicles, and demand response are rapidly becoming available at scale.

Dr. Cook noted the large demand for electricity coming from AI data centers (and the risks associated with that extra demand) but also discussed the potential benefits of AI for the grid. For example, because AI can predict future patterns and fill in information, it could provide additional insight on how to increase grid capacity, efficiency, and stability. She also noted that load forecasting is continuously evolving with the use of AI. She emphasized the importance and power of data, and how each utility is in a varying state of maturity in how they use their data.

Chair Smyth asked about how to encourage customers to participate in efficiency programs, and Dr. Cook stated that this is a change management effort and can be difficult without the proper regulatory incentives in place for utilities and individuals. In response to a question about DER cybersecurity, Dr. Cook stressed the importance of educating vendors and developers on cybersecurity and the CIP Standards.

**President's Report** – Tim Gallagher, RF's President and CEO, welcomed Craig Grooms to the Board and thanked Howard Gugel and all the guest speakers for coming to the meeting. He discussed the ERO Roadmap for NERC and the Regions, which is being converted into a strategic plan that will be endorsed by the Regions and issued in July. He then discussed the recent retreat for NERC and Regional CEOs, and an upcoming strategic session with the NERC Board and Regional Board officers. There was also a recent retreat for RF management, which focused on staff development and performance management. Mr. Gallagher reported that the latest employee engagement survey had an 85% employee engagement level and 98% response rate, both of which are very high.

Mr. Gallagher then discussed the success of RF's state outreach efforts, noting that RF is being asked by state senators (both within and outside of our Region) to meet and provide expertise. He also noted that he spoke at a recent AEP compliance seminar that included discussion on the reliability impact of large load demands from data centers. Mr. Gallagher stated that he would like to bring in an expert to discuss this topic with the Board, and Chair Smyth agreed, noting that AEP will be testifying on this topic in Congress. There was also a recent joint meeting with the ERO and the North American Transmission Forum, which featured a presentation from a chief meteorologist from CISA on how weather influences critical infrastructure – he would like to have a similar presentation for the Board on this topic as well.

Mr. Gallagher thanked RF's Managing Enforcement Counsel Tom Scanlon for leading efforts to update RF's CIP themes report in partnership with the other Regions. He noted that Mr. Scanlon can provide the Board with a briefing on the report. He also thanked Beth Dowdell, Senior Director Corporate Services, and Christi Klein, Manager Finance & Accounting, for their efforts on RF's 2025 Business Plan & Budget, and thanked Ms. Evancho for her guidance on resource planning. RF also had a clean financial audit this year, with efforts led by Ms. Dowdell, Ms. Klein, and Mr. Cass. He concluded his remarks by thanking the team (Ms. Burkey, Mr. Cass, Ms. Sterling, Mr. Whitelocke, Ms. Schaefer, Ms. Dowdell, and Ms. Tortora) that is recruiting for the open independent director position and has identified many excellent candidates so far.

**2023 ERO Reliability Risk Priorities Report** – Howard Gugel, NERC's Vice President of Compliance Assurance and Registration, discussed the 2023 ERO Reliability Risks Priorities Report (Report) and the ERO's risk framework. This framework includes risk identification, validation, prioritization, mitigation, and monitoring, and involves different groups such as the Compliance and Certification Committee, Standards Committee, and the Reliability and Security Technical Committee. He then discussed the Reliability Issues Steering Committee (RISC), its objectives, and biennial activities.

Mr. Gugel gave an overview of five high-level risk profiles from the Report: security risks, grid transformation, resilience and extreme events, critical infrastructure interdependencies, and energy policy. He noted that energy policy is a new risk profile, and an example of this would be a policy which results in reliability issues when implemented. Mr. Gugel then discussed how the RISC conducts risk ranking with experts and reported that the changing resource mix was the top ranked risk for 2023. The Board discussed how the Report relates to the RF Regional Risk Assessment report. RF Senior Vice President Jeff Craigo noted that RF considers the Report when working on the Regional Risk Assessment, but that RF looks at data specifically in the RF region.

**Inverter-Based Resources** – Mr. Gugel then discussed risks associated with inverter-based resources (IBRs). He discussed the need for wide-area energy assessments, illustrated by a June 2023 "wind drought" in ERCOT, SPP, and MISO during which 60 GW of installed wind capacity only generated 300 MW. He also discussed how 100 MW of baseload generation compares to hybrid (*i.e.*, solar plus batteries), and that more hybrid MW is required to replace baseload MW. Mr. Gugel described how the future will be "decarbonized, digitized, and distributed," and how it is important to manage the pace of transformation to ensure reliability. He stressed the importance of developing sufficient transmission to integrate renewables and ensuring the availability of essential reliability services and a robust energy supply chain.

He then gave an overview of NERC's IBR strategy and activities, including the FERC order requiring NERC to register bulk power system-connected IBRs, and NERC's work plan in response to that order. Mr. Gugel also discussed the IBR communication plan, which includes an IBR quick reference guide, quarterly updates, and webinars. Mr. Whitelocke asked about the batteries supporting IBRs, and Mr. Gugel responded that there is not yet lot of data on this because of the small number of battery installations. There was discussion on how winter weather can decrease battery quality and output, and how the

industry should study whether additional batteries should be installed for the winter season to mitigate this risk.

**Resource Adequacy** - Davey Lopez, Lead Resource Adequacy Planning at MISO and Asanga Perera, Sr. Manager of Planning at PJM, discussed resource adequacy studies and projections in the MISO and PJM footprints. Mr. Lopez discussed how MISO is entering a different risk paradigm with increasing extreme weather events and the transition to renewables. He reported that MISO projects a capacity shortfall beginning in 2025-2026, that capacity additions are needed, and retirements may need to be delayed. He stated that MISO is projected to meet most 2024-2025 resource adequacy requirements, but pressure persists with overall reduced capacity surplus and a shortfall in MISO's Zone 5 (around Missouri). Mr. Lopez then discussed MISO's resource adequacy initiatives such as adjusting seasonal planning reserve margin requirements and maturing information exchange, modeling, and gap analysis to better inform resource investment and retirement. He described how last year MISO moved from an annual to a seasonal resource adequacy construct, with risk-based accreditation for all resources (measuring the resource's availability when the reliability risk is the greatest). Mr. Seiler asked if there are resource adequacy backstops, and Mr. Lopez noted that the reliability-based demand curve and the reforms to the capacity market help to act as a backstop.

Mr. Perera then provided a resource adequacy update from PJM. He shared PJM's load growth forecasts and reported that load growth is projected to increase over time. Mr. Perera then noted that resource retirements and load growth could outpace new entry, causing resource adequacy risks to emerge by 2028-2030. He discussed that PJM's 2030 load forecast has gone up by 10 GW since last year due to the growth in demand from data centers and electrification. Additionally, PJM's generation retirement projections are the same as last year, but PJM is now projecting an additional 2 GW in new capacity compared to last year's forecast (mostly coming from gas). Mr. Perera stated that the PJM markets will respond to the decreasing reserves with higher prices, which could result in additional supply and fewer retirements. He also noted that reforms to the PJM energy and capacity market reforms are underway. Mr. Perera then discussed how in the policy space, PJM is encouraging policymakers to avoid retirement policies until adequate supply is available and create safety valves to keep plants open if needed. In the planning space, PJM is executing interconnection planning reforms, which has resulted in over 100 GW of interconnection service agreements. Ms. Sterling noted that most of the resource adequacy risk comes from the risk of generation retiring due to clean energy and affordability policies.

**Financial Update** – Ms. Dowdell provided a financial update. She discussed the recent financial audit of RF, which was a clean audit with no deficiencies or issues. She then discussed the first quarter financials, which are 3.22% under budget. Ms. Dowdell also provided key first quarter budget variances, with funding \$67K above expected due to strong returns in the market. She noted that personnel expenses are down by \$136K due to reduced healthcare costs, and that meetings and travel expenses are down \$43K based on the timing of events through the year. She shared that operating expenses are down \$316K due to the timing of consultant and contractor use, and due to having fewer independent directors in place during the first quarter. Finally, Ms. Dowdell reported that rent and utilities were anticipated to be higher than they were in the first quarter. She

Dowdell then discussed the year-end projections, including predictions that funding and personnel may be over budget; meeting expenses may be on target, and that operating expenses may be under budget due to the recent lower cost of rent and utilities.

Ms. Dowdell discussed the draft 2025 Business Plan and Budget (BP&B), which was included in the agenda package. She first provided the low and high-range budget projections from last year (4.3% and 6.5%, respectively), and reported that RF landed at a 6.5% budget increase for the 2025 BP&B, driven by the addition of three new FTEs. Ms. Dowdell reported that assessments are increasing by 6%, and shared that personnel expenses make up 86% of the 2025 BP&B. She then discussed budget variations from 2024 to 2025. In response to a question about a budgeted increase in office costs, Ms. Dowdell explained that this is due to an increase in IT/technology expenses. She compared budget, FTE, and assessment increases across the Regions, reporting that RF falls on the low end in all these categories across the Regions.

Ms. Dowdell noted the internal reductions made by RF to optimize the 2025 BP&B. This included keeping travel expenses flat from 2024 (saving about \$78K), staggering the start dates for FTEs (saving about \$50K), reducing contractor costs (saving about \$300K), and keeping meeting expenses flat (saving about \$130K). She then provided the 2026 and 2027 budget projections, with a 5.6%-8.5% increase for 2026, and a 3.3%-7.7% increase for 2027. Ms. Dowdell completed her presentation by discussing RF's history of budget vs. assessment increases, and the ongoing assessment stabilization effort to minimize large fluctuations in assessments to stakeholders.

Chair Smyth requested Board approval of the draft 2025 BP&B, for a 30-day posting for stakeholder comment and submittal to NERC. Mr. Cass noted that the Finance and Audit Committee unanimously endorsed the approval of the draft 2025 BP&B. Upon a motion duly made and seconded, the Board approved the posting of the draft 2025 BP&B for stakeholder comment and submittal to NERC. Ms. Dowdell noted that on or before June 30th, the Board will review and approve the final 2025 BP&B.

**Security Update** – Marcus Noel, RF's Vice President and Chief Security Officer, provided a security update. He discussed the results of a peer maturity comparison, during which RF self-assessed its maturity in 50-60 areas to obtain a NIST CSF capability level. He shared a graph showing RF's maturity compared to the Gartner peer group, and RF consistently outperformed the peer group across the different security capabilities. Mr. Noel then discussed how RF wants to keep maturing the Identify, Detect, and Recover security capabilities in 2024 and beyond. He shared recent activities in these areas, such as testing recovery plans and expanding monitoring and alerting capabilities. Mr. Noel noted that the security team and executive team will be further discussing what acceptable risk looks like and investing time on the residual risks.

**Outreach and Regulatory Update** – Diane Holder, Vice President of Entity Engagement and Corporate Services, provided an update on RF's state outreach efforts. She shared that the state outreach program is thriving, and a focus on customized messages has resulted in deeper discussions with states. She reported that RF has recently provided testimony at hearings in several states, including Pennsylvania, Ohio, West Virginia,

Maryland, and Illinois. Ms. Holder noted that RF's objectivity and role as a technical resource for the states is a fundamental principle and a key strength that sets RF apart to the states. RF also has one on one meetings with state commissions, and NARUC is a key venue for meetings as it allows RF to talk to multiple states at once. She also reported that RF has conducted state-focused RF Tech Talks, issues a State Energy Insights monthly newsletter, and is planning a legislative panel for the RF Fall Summit in September. Ms. Holder discussed the increase in state "in-reach," meaning when RF receives requests from state legislators and officials to come to meetings, testify, present, or comment on upcoming initiatives. She shared that blackstart resources, load growth, and resource adequacy are popular topics that the states request RF's expertise on. Ms. Holder then provided some policy updates, giving summaries of the Big Wires Act, the Good Neighbor Plan, and the EPA standards for fossil fuel plants. Mr. Grooms asked if RF or NERC provided comments on the EPA's fossil fuel plant standards, and Ms. Holder replied that RF did not provide comments and she does not think that NERC did either. Finally, Ms. Holder discussed next steps for the state outreach program, which includes the creation of state outreach scorecards and discussion on how to define and measure success.

## **Committee Reports:**

### **a) Talent and Compensation Committee**

Talent and Compensation Committee Chair Lesley Evancho reported that the Committee received an update from HR Manager Hue Deluca on key talent metrics, and that the staff diversity demographics are either flat or positively trending. The Committee discussed how RF has a low turnover rate and is doing a good job of getting and keeping talent. Ms. Deluca also shared that RF has an 85% staff engagement score, which is high and resulted in RF being named as a top employer in Northeast Ohio. RF's HR department is currently looking at comments from the engagement survey, and any potential improvements to make resulting from it. The Committee received information on RF's new 8-week summer internship program, and discussed RF's new diversity strategy to foster a company culture that pursues and attracts diverse and top-notch talent, recognizes individuals for their contributions, and allows employees to feel comfortable being themselves at work. Ms. Dowdell then discussed the tier 1 and 2 corporate goals for 2024 and reported that the corporate goals are currently on track for timely completion. Finally, Ms. Schaefer discussed a recent strategic session of the RF executive team that focused on what types of work across the organization to stop/start/continue/improve. As a result of that session, teams will be working on innovating or restructuring certain business processes and will report the results to Mr. Gallagher and to the Compensation Committee.

### **b) Risk and Compliance Committee**

Risk and Compliance Committee Chair Joanna Burkey reported that the Committee received a presentation from RF's Manager of Engineering Johnny Gest on RF's Regional Risk Assessment report (RRA) and process. During that presentation, Mr. Gest discussed the directionality of risks, including that misoperations are down and risks related to the changing resource mix and environmental regulations are ranked the highest. The Committee then received an update from Mr. Scanlon on enforcement metrics and trends,

and emerging operational risks like vegetation management. Manager of External Affairs Michelle Cross then led a discussion on the planned retirement of the Brandon Shores and Wagner Power Plants in Maryland, and how generator plan retirements are contributing to resource adequacy risks. The Committee also received an overview of RF's delegated authority from NERC, and how NERC oversees those delegated activities. The Committee enjoyed this presentation and requested that it be included in director onboarding going forward. Finally, in closed session the Committee discussed confidential compliance and enforcement matters with RF staff.

### **c) Finance and Audit Committee**

Finance and Audit Committee Chair Pat Cass reported that the Committee met with Mandy Pittman from RF's external accounting firm RSM US LLP, who presented the results of the 2023 financial audit. The Committee then approved the audited financial statements, and met with Ms. Klein, the new Manager of Finance and Accounting. The Committee reviewed RF's investment portfolio, which is invested in short term assets (mostly treasury and bonds). In closed session, the Committee discussed the first draft of the 2025 Business Plan and Budget and endorsed it for Board approval. Additionally, the Committee had an executive session with Ms. Pittman about the financial audit, and she was very complimentary of RF.

### **d) Nominating & Governance Committee**

Nominating and Governance Committee Chair Rachel Snead reported that the Committee reviewed the timetable of RF key events and the results of the Board biennial self-evaluation. The Committee also endorsed the resolution to hold elections for the At-Large and Independent Directors and endorsed Robert Taylor, Vice President of Transmission New Markets at Invenergy as the At Large Director candidate. She provided background information on Mr. Taylor, who has also led transmission strategy at Exelon. Upon a motion duly made and seconded, the Board approved the nomination of Mr. Taylor as the At-Large Director candidate.

**Next Meeting** – Chair Smyth noted that the next meeting of the Board of Directors will occur on August 22, 2024.

**Adjourn** – Upon a motion duly made and seconded, Chair Smyth adjourned the meeting at 12:33 pm (ET).

As approved on this 2nd day of May 2024, by the  
Board of Directors,



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

**ATTACHMENT A**

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**Others Present During the Board of Directors Meeting**

Elizabeth Cook  
Jeff Craig • ReliabilityFirst  
Michael DelVisco • PJM  
Beth Dowdell • ReliabilityFirst  
Chelsey Eppich • ReliabilityFirst  
Tom Foster • PJM  
Megan Gambrel • ReliabilityFirst  
Howard Gugel • NERC  
Vinit Gupta • ITC  
Doug Hohlbaugh • First Energy  
Diane Holder • ReliabilityFirst  
Davey Lopez • MISO  
Price Marr • PJM  
Kamila Molda • PJM  
Marcus Noel • ReliabilityFirst  
Asanga Perera • PJM  
Tony Purgar • ReliabilityFirst  
Niki Schaefer • ReliabilityFirst  
Kristen Senk • ReliabilityFirst  
Matt Thomas • ReliabilityFirst  
Jody Tortora • ReliabilityFirst  
Jim Uhrin • ReliabilityFirst