



RELIABILITY FIRST

Agenda Board of Directors

April 27, 2023 • 8:00 am – 12:35 pm (ET)

ReliabilityFirst Corporation
3 Summit Park Drive, Suite 600
Cleveland, OH 44131
Room: 5th Floor, Suite 500
Attire: Business Casual

Closed Agenda • Ohio Conference Room

Board of Directors – Executive Session 8:00 am

Confidential Security Discussions

Presenter: Manny Cancel, Sr. VP and CEO, E-ISAC; Stan Hoptroff, VP,
Business Technology, NERC; and Marcus Noel, CSO, RF

Open Agenda • 5th Floor, Suite 500

1. **Call to Order and Appoint Secretary to Record Minutes** 9:00 am
Presenter: Antonio Smyth, Chair
2. **Antitrust Statement** 9:02 am
Presenter: Niki Schaefer, Vice President and General Counsel
Reference: Antitrust Compliance Guidelines
3. **Consent Items** 9:05 am
Presenter: Antonio Smyth, Chair
Reference: a) [Draft Minutes from March 21, 2023 Board Teleconference](#)
b) [Resolution to Hold Industry Elections \(No. 2023-01\)](#)
Action: **Approve Consent Items**
4. **Keynote Speaker** 9:10 am
Presenter: Lisa Barton, Chief Operating Officer, Alliant Energy
Reference: [Bio](#)
5. **President's Report** 9:40 am
Presenter: Tim Gallagher, President and CEO

Reference: [Annual Report](#)

- 6. Winter Storm Elliott** 10:10 am
 Presenter: Mike Bryson, Senior Vice President Operations, PJM
 Description: Mr. Bryson will discuss PJM's experience with and preliminary takeaways from Winter Storm Elliott.
 Reference: [Presentation](#)
 Action: Information and Discussion
- 7. Financial Update** 10:40 am
 Presenter: Carol Baskey, Treasurer and Manager Finance and Account and Beth Dowdell, Senior Director, Corporate Services
 Description: Ms. Baskey will provide an update on the financial audit, an update on the 2022 year-end financials, and Ms. Dowell will provide the draft 2024 ReliabilityFirst Business Plan and Budget to the Board of Directors for approval to submit as a first draft to NERC and to publicly post for 30 days for stakeholder comment.
 Reference: a) [Financial Update](#)
 b) [Business Plan and Budget Presentation](#)
 c) 2024 Draft Business Plan and Budget
 Action: **Approve the posting of draft 2024 Business Plan and Budget for industry comment and submittal to NERC**
- Break** 11:10 am
- 8. Outreach Approach and Successes** 11:20 am
 Presenter: Brian Thiry, Director, Entity Engagement
 Description: Mr. Thiry will discuss recent and future outreach activities across RF with a focus on state outreach strategies.
 Reference: [Presentation](#)
 Action: Information and Discussion
- 9. Standing Update** 11:35 am
Security
 Marcus Noel, CSO, will provide an organizational security update.
- Diversity, Equity and Inclusion**
 Beth Dowdell, Senior Director Corporate Services, will provide an update on RF's diversity, inclusion and other human resources related efforts.
- 10. Committee Reports** 11:55 am
Compensation Committee • Lesley Evancho
Compliance Committee • Joanna Burkey
Finance and Audit Committee • Patrick Cass
Nominating & Governance Committee • Courtney Geduldig

11. **Stakeholder Comments** 12:30 pm
12. **2022 Future Meetings:**
 - August 23-24 • Cleveland, OH
 - December 6-7 • Washington, DC
13. **Adjourn and Lunch to follow** 12:35 pm

Roster • Board of Directors

Antonio Smyth, **Chair** • AEP (S • 2023)
Nelson Peeler, **Vice Chair** • Duke Energy (T • 2024)
Patrick Cass • **Lead Independent** (2023)
Joanna Burkey • Independent (2025)
Lesley Evancho • Independent (2025)
Scott Etnoyer • Talen Energy (AL • 2023)
Tim Gallagher • ReliabilityFirst
Courtney Geduldig • Independent (2024)
Scott Hipkins • FirstEnergy Services Company (T • 2024)
Jason Marshall • Wabash Valley Power Association (S-LSE • 2023)
Ken Seiler • PJM (RTO • 2024)
Rachel Snead • Dominion Resources Services, Inc. (S • 2024)
Jennifer Sterling • Exelon Corporation (L-LSE • 2025)
Joe Trentacosta • Southern Maryland Electric Cooperative, Inc. (AL • 2025)
Simon Whitelocke • ITC Holdings Corporation (AL • 2024)

a) Draft Minutes from March 21, 2023 Board Teleconference



RELIABILITY FIRST

PUBLIC

DRAFT Minutes **Board of Directors**

March 21, 2023

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

Closed Agenda

Call to Order – Chair Antonio Smyth called to order a duly noticed open meeting of the Board of Directors (Board) on March 21, 2023 at 1:00 pm. A quorum was present, consisting of the following members of the Board: Chair Antonio Smyth, Vice Chair Nelson Peeler; Joanna Burkey; Patrick Cass; Lesley Evancho; Tim Gallagher; Courtney Geduldig; Scott Hipkins; Jason Marshall; Ken Seiler; Rachel Snead; Jennifer Sterling; 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, ReliabilityFirst's (RF) 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 the December 8, 2022 Annual Meeting of Members
Agenda Item 3(b): Draft Minutes from the December 8, 2022 Board of Directors Meeting

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

2024 Business Plan and Budget Assumptions: Beth Dowdell began with the business plan and budget schedule and followed by explaining that the compensation committee approved non-budgeted salary increases for 2023 put RF 2.28% over budget going into 2023. She then noted the estimates made for 2024 when the budget was assembled in 2023, which had a range of a 4.5%-7.8% increase. The high end of that estimate was that RF would be requesting 5 additional FTEs.

Ms. Dowdell reminded the board that approximately 86% of RF's budget are driven by fixed costs related to staffing/salaries/benefits (84%) and RF's lease (2%).

She then described the analysis RF management does to determine its FTE requests.

From there, she specifically addressed the main drivers of the 2024 FTE requests. She spoke to the inefficiencies of Align and the Secure Evidence Locker (SEL) as the impetus for the compliance monitoring requests, and Ms. Schaefer explained how those systems, particularly the SEL, do not have the same functionality as the Governance, Risk Management and Compliance (GRC) tool that RF has traditionally used and customized for itself, MK Insight, which allowed for a leaner compliance monitoring staff.

Ms. Schaefer then discussed the enforcement attorney FTE request being driven in part by SEL inefficiencies, but also by RF's increasing violation inventory, which is now at approximately 900 violations, an unprecedented high. She also discussed slower processing times driven by the need to analyze all relevant compliance history for every violation, including minimal risk ones, and increased scrutiny from NERC and FERC.

A discussion ensued about the impact of Align and the SEL on the way RF has traditionally approached its CMEP work.

Ms. Dowdell explained the security related FTE requests, based on the need for cybersecurity governance, monitoring, logging, annual penetration testing, and anticipated security tabletop exercises. She also discussed that the IT resource needs to focus on automation of manual tasks.

Ms. Dowdell then discussed the data analytics FTE request, and the ways in which it could help streamline work across the organization. Currently the data analytics team is using a contractor which it requested to convert to a FTE.

Ms. Dowdell then talked about the increasing amount of work in the state outreach space supporting the state outreach strategy.

Ms. Dowdell went on to discuss the 2024 budget impact of the data analytics request given RF has been using a contractor since 2022, and the existence of an overlap position which if the state outreach FTE were approved, the overlap position would be converted to that.

Ms. Dowdell indicated that the budget impact for a fully salaried data analytics employee would be less than the impact of a contractor because RF would not be paying the recruiting firm.

As for the overlap position, Ms. Dowdell explained that once that position was converted to an official FTE, RF would likely come to the board and ask for an additional FTE when the person the overlap position was initially designed for retired.

A discussion then ensued regarding whether the inefficiencies RF is experiencing as a result of Align/ the SEL (primarily the SEL) should be shared by the RF board with a broader audience.

Mr. Smyth took it on as an action item to address how to best communicate those issues to NERC at the next board officers meeting.

Mr. Smyth also recommended a discussion at the next Compensation Committee meeting regarding RF's philosophy of hiring for present FTE need as opposed to building bench strength for future needs.

There was also a discussion amongst board members about the large number of additional headcount requests and a request to RF staff for a ranking of the positions by criticality of the need.

Ms. Dowdell then went on to discuss trends in personnel costs as well as the initiatives planned over the coming years in the various departments across RF, including security enhancements, implementation of new IT systems, and workshops.

She also highlighted industry trends for the board's awareness.

Ms. Dowdell then explained the rest of the budget assumptions previously approved by the FAC with input from the compensation committee.

Mr. Cass pointed out that the FAC approved the assumptions but asked management to look harder at alternatives when putting together the draft budget.

Ms. Dowdell then discussed RF's assessment strategy, or use of penalty income to offset cost to stakeholders.

She then went on to an explanation of the FAC approval of the \$1 million operating reserve which was now before the full board for approval.

A motion to approve the \$1 million operating reserve was then made, seconded and unanimously approved.

Next Meeting – Chair Smyth noted that the next meeting of the Board of Directors will occur on April 27, 2023.

Adjourn – Upon a motion duly made and seconded, Chair Smyth adjourned the meeting at 1:56 p.m. (ET).

As approved on this XXX day of April, 2023 by the
Board of Directors,

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

ATTACHMENT A

Others Present During the Board of Directors Meeting

Carol Baskey • ReliabilityFirst
Jeff Craig • ReliabilityFirst
Beth Dowdell • ReliabilityFirst
Diane Holder • ReliabilityFirst
Marcus Noel • ReliabilityFirst
Niki Schaefer • ReliabilityFirst
Jody Tortora • ReliabilityFirst

b) Resolution to Hold Industry Elections (No. 2023-01)



RESOLUTION NO. 2023-01

**Resolution for
Industry Sector Director Elections**

WHEREAS, the Corporation's Bylaws provide that the Corporation's Industry Sectors may elect sector directors prior to the Annual Meeting of Members;

WHEREAS, Medium LSE Sector Director, Ben Felton, resigned from the Board in April and the election for his replacement will be held with the other Industry Sector Elections;

NOW, THEREFORE, BE IT RESOLVED, that the election of directors by the Medium LSE, Small LSE and Supplier sectors shall be conducted prior to the 2023 Annual Meeting of Members at a special telephonic meeting to be held on August 3, 2023, at 10:00 a.m., Eastern Time;

FURTHER RESOLVED, that the close of business on July 7, 2023 is designated as the record date for the determination of the Regular Members in the respective Industry Sectors entitled to receive notice of, and to vote in, the election;

FURTHER RESOLVED, that the nominees submitted by members of each of the Industry Sectors on or prior to June 23, 2023 be submitted to the respective Industry Sectors for election to the Board of Directors for terms expiring as provided in the Bylaws or until their respective successors are duly elected and qualify;

FURTHER RESOLVED, that the authorized officers, each acting alone or together with the other, are hereby authorized and directed to solicit and transmit a notice and proxy to each Regular Member entitled to receive notice of, and to vote in, the election;

FURTHER RESOLVED, that Niki Schaefer of the Corporation is hereby appointed and authorized to tabulate proxies on behalf of the Corporation and to act as inspectors of election in connection with the Industry Sector Director Elections Meeting;

FURTHER RESOLVED, that the President or the Corporate Secretary, or such other officer of the Corporation as may be appointed by them, shall preside at the special meeting;

FURTHER RESOLVED, that all actions heretofore taken by the authorized officers of the Corporation in connection with the subject matter of any of the foregoing resolutions be, and they hereby are, approved, confirmed and ratified in all respects; and

FINALLY RESOLVED, that the appropriate officers of the Corporation be and they hereby are authorized and directed to take all actions and execute all such documents as they deem necessary or appropriate to effectuate the foregoing resolutions.

As adopted on this 27th day of April, 2023 by
the Board of Directors,

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



Lisa M. Barton
President and COO
CEO – Interstate Power and Light
CEO – Wisconsin Power and Light

Lisa M. Barton is President and Chief Operating Officer (COO) at Alliant Energy Corporation (NASDAQ: LNT). In addition, she is Chief Executive Officer (CEO) of the two utility subsidiaries, Interstate Power and Light and Wisconsin Power and Light. Lisa joined the company in 2023, following her role as Executive Vice President and COO of American Electric Power (AEP).

At Alliant Energy, Lisa oversees operations in Iowa and Wisconsin as well as customer experience, supply chain, corporate strategy, sustainability and regulatory strategy. Her deep industry knowledge, strong leadership abilities and proven operating expertise help advance the company's efforts to deliver safe, reliable and affordable clean energy.

In her more than three decades in the energy industry, Lisa has focused on growth, execution, culture, building strong teams and talent development. She has advocated for responsible energy policy and actively participated in the industry, holding various leadership positions in organizations such as Wires, ReliabilityFirst, GridWise Alliance and the Electric Power Research Institute, where she served as Vice Chair and member of the executive board.

Lisa began her career at Northeast Utilities (now Eversource) and rejoined the company in 2002 after working with consulting firms where she developed power procurement and power market strategies. She also served as a lobbyist and senior counsel to clients across the gas and electric utility sector. She joined AEP in 2006 and held leadership roles in numerous areas, including transmission and utilities.

At work and home, Lisa is an advocate for strong communities. She has long supported the arts and recognizes the value the arts bring to the quality of life in a community. A former International Women's Foundation (IWF) Fellow and member of G100 Next Generation Leadership, Lisa is a member of IWF and C200. Lisa earned a bachelor's degree in Electrical Engineering from Worcester Polytechnic Institute and a Juris Doctorate degree from Suffolk University Law School.

Experience

2023 – Present President and Chief Operating Officer, Alliant Energy Corporation
 2021 – 2022 Executive Vice President and Chief Operating Officer, AEP
 2019 – 2020 Executive Vice President – Utilities, AEP
 2011 – 2019 Executive Vice President – Transmission, AEP
 2007 – 2011 Vice President/Senior Vice President – Transmission Strategy and Business Development, AEP
 2006 – 2007 Director/Managing Director – Transmission, AEP
 2002 – 2006 Manager Regulatory and Compliance, Northeast Utilities Service Company, Inc.
 2001 – 2002 Senior Counsel, Ransmeier & Spellman P.C.
 1999 – 2001 Senior Energy Advisor, Strategic Energy, Inc.
 1987 – 1999 Various roles, Northeast Utilities Service Company, Inc.

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ANNUAL REPORT



RELIABILITY FIRST



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LETTER FROM THE BOARD CHAIR

2022 was an eventful and productive year for ReliabilityFirst (RF). As you will see throughout this Annual Report, RF worked across departments to address key risk areas such as facility ratings, vegetation management, cold weather preparedness, misoperations, and the changing resource mix. The report also includes compliance monitoring and enforcement trends and lessons learned from the pandemic, and discussions of RF's extensive outreach work and resilience efforts.



RF looked to the future in 2022, as work took place to develop the 2023-2027 Strategic Plan. The Strategic Plan, and the collaborative effort to create it, is discussed within this report.

Simon Whitelocke's term as Board Chair concluded at the end of 2022, and the Board and RF as a whole have benefited from his leadership and wisdom during his chairmanship. I'm happy to share that he is remaining on the Board.

Brent Greene, a founding RF Board member, completed his term on the Board at the end of 2022. On behalf of the entire Board, I would like to thank him for his years of service and valuable contributions to RF.

I'd like to welcome our new Board members: Lesley Evancho, our new Independent Director, is the Chief Human Resources Officer for EQT Corporation, and Scott Hipkins, our new Director for the Transmission Sector, is the Vice President of Cyber Security and Chief Information Security Officer at FirstEnergy. Lesley and Scott bring with them a wealth of HR and IT security expertise that will be of great value to the Board and RF.

Finally, I'd like to thank all the individuals and organizations who worked with RF in 2022. In 2023, RF will continue its work to further meaningful, risk-based regulatory oversight and outreach. I look forward to our continued work together to enhance reliability.

Forward together,

Antonio Smyth

Board Chair

LETTER FROM THE PRESIDENT AND CEO

The electric industry continues to evolve and 2022 was no different. The rapid pace of change is swirling all around us, from new and increased cybersecurity threats, to evolving workplace demographics, to extreme weather and the changing generation mix. These challenges may seem daunting, but I have no doubt that if we embrace them, they can drive us forward as an industry.



In 2022, RF pushed into a new frontier, state outreach. We began in January, with Jim Robb and I appearing before the Indiana General Assembly and we continued throughout the year, talking to every state commission in our footprint and laying the groundwork for more critical conversations to come in 2023. Part of the team leading this charge is our new Vice President of Entity Engagement and Corporate Services, [Diane Holder](#), who joined us in 2022 from Pennsylvania American Water and previously worked for nearly 30 years in the electric utility industry.

While our state outreach efforts are emblematic of the new frontiers we must embrace to keep up with the pace of change facing our industry, there are other challenges on the horizon we must prepare for as well. We produced our [2023-2027 Strategic Plan](#) in 2022, which lays out our vision and priorities for facing what lies ahead. Some risks we know about, but others have yet to reveal themselves. I continue to urge you to maintain accurate facility ratings, keep misoperations low, prepare for extreme weather, and practice strong cyber hygiene, so we can be ready to deal with the unknown risks of tomorrow.

I thank our Board for its continued support as we forge ahead in these uncharted waters. I would like to thank Simon Whitelocke for his leadership over the course of the last two years as our Board Chair, and welcome Antonio Smyth and Nelson Peeler as our new Board Chair and Vice Chair. I would also like to thank departing Independent Director Brent Greene for his service and welcome Lesley Evancho and Scott Hipkins to the Board.

On behalf of everyone at ReliabilityFirst, we appreciate your many contributions to ensuring the reliability and security of the Bulk Power System. By working together, remaining vigilant and proactive, we can be ready for whatever comes our way in 2023.

Forward Together,
Tim Gallagher
President and CEO

ABOUT RELIABILITYFIRST

Our Mission, Values, and Work

Our Mission:

To serve the public good and support health and safety through preserving and enhancing the reliability, security and resilience of the grid.

Our People:

To foster a respectful, collaborative environment where employees can be and feel like the best version of themselves.

Our Transparency:

To be open and honest about what we are trying to accomplish, and why, to foster productive dialogue.

Our Fairness:

To be reasonable and consistent.

Our Accountability:

To act with integrity, take pride in our work and responsibility for our actions, and deliver exceptional results.

Our Creativity:

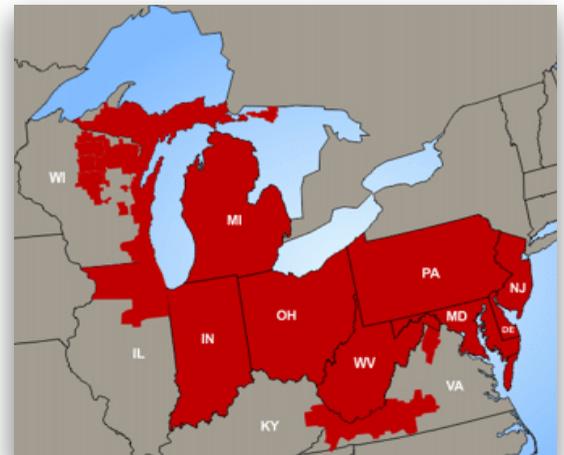
To encourage and reward innovative ideas and approaches.

Our Work:

To ensure the reliability of the bulk power system in the United States, Congress passed the Energy Policy Act of 2005, creating a new regulatory organization called the Electric Reliability Organization (ERO) to establish mandatory Reliability Standards and monitor and enforce compliance with those standards for those who own, operate or use the interconnected power grid. FERC approved NERC as the ERO under section 215 of the Federal Power Act and NERC delegates authority to six Regional Entities.

Our team identifies and prioritizes risks facing the grid, determines mitigation strategies to address them and uses communications and outreach to drive awareness and ensure risk resolution. Our program areas and services include: Compliance Monitoring; Enforcement; Operational Analysis & Awareness; Registration and Certification; Engineering & System Performance; Resilience & Risk; Risk Analysis & Mitigation; Standards; Entity Engagement & Training and Outreach.

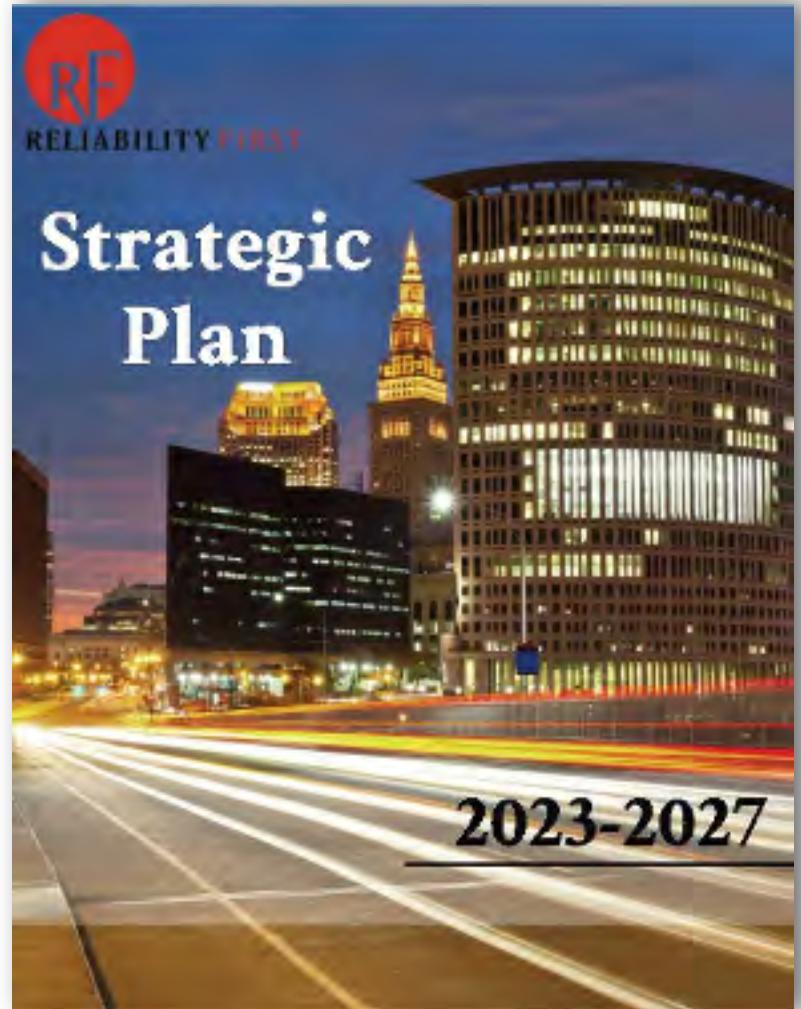
RF is proud to be the Regional Entity responsible for all or portions of Delaware, New Jersey, Pennsylvania, Maryland, Virginia, Illinois, Wisconsin, Indiana, Ohio, Michigan, Kentucky, West Virginia, Tennessee and the District of Columbia. Collectively, NERC and the Regional Entities are referred to as the ERO Enterprise.



2023-2027 STRATEGIC PLAN

In 2022, RF worked to create a new [2023-2027 Strategic Plan](#). The Strategic Plan will guide RF's efforts to ensure reliability, security, and resilience, and it sets forth three strategic objectives:

- **Be an Excellent Regulator**
 - Consistently demonstrate accountability, transparency and efficiency through our model.
 - Commit resources to collaboration and security.
 - Build deep knowledge of our entities and use it to serve our footprint.
- **Cultivate a Highly Engaged, Talented Workforce**
 - Recruit, retain and train the right people for the right roles.
 - Further enhance and promote diversity, equity and inclusion.
 - Prioritize our positive workplace culture.
- **Harness Knowledge to Comprehensively Address Risk**
 - Quickly deploy communications to mitigate risk based on our data and perspective.
 - Develop targeted outreach strategies.
 - Enhance our value as an independent resource and broaden our reach.



The Strategic Plan resulted from a collaborative development process which included members of the RF Board of Directors, the Board of Directors Strategic Plan Steering Committee, RF staff, and stakeholders. Thank you to all involved in this process, and RF looks forward to bringing the Strategic Plan's objectives to fruition through our actions over the next five years.

NONCOMPLIANCE TRENDS AND TAKEAWAYS

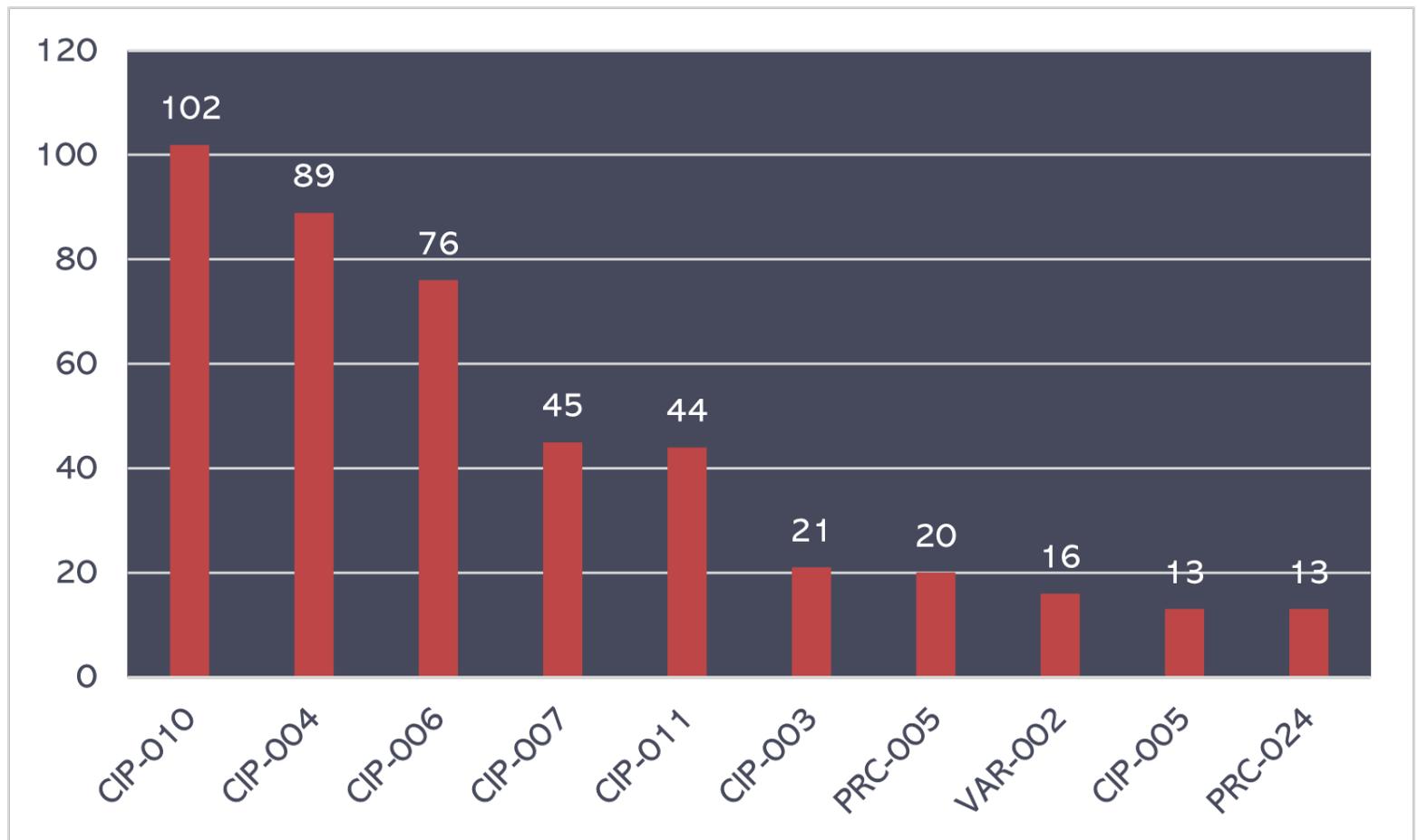
RF continuously reviews compliance and enforcement data to identify risks, trends, and lessons learned. Throughout 2022, RF has shared this data and information through multiple forums, including webinars, newsletter articles, and Board meetings to bring transparency and clarity to the CMEP processes and share lessons learned so entities can implement best practices and mitigate risks. The following overview highlights some of the risks and trends reviewed in 2022.

Most Violated Standards

Since the implementation of CIP version 5, the number of noncompliances with CIP Standards has consistently outpaced those in the Operations and Planning space, with CIP noncompliances comprising between 65-80% of noncompliances year-over-year.

The sustained high volume is in part due to a handful of “high-frequency conduct” CIP requirements (e.g., CIP-007-6 R2 patch management and CIP-010-2 R1 change management), that govern activities that occur often and cover numerous assets and people, leading to more opportunities for noncompliance.

While many of these issues pose low risk, vigilance is nonetheless essential (as discussed later in this report by RF Chief Security Officer Marcus Noel). The graph below depicts the 10 most violated Reliability Standards in 2022 in the RF footprint.



NONCOMPLIANCE TRENDS AND TAKEAWAYS

CIP Trends and Takeaways

CIP-007 (systems security management), which has been the most violated Standard by a large margin since the CIP Standards became effective, shifted down to the fourth most violated Standard in 2022, and CIP-010 (configuration change management and vulnerability assessments), previously third most violated, leapt to the top violated Standard in 2022. Of those CIP-010 noncompliances, 96% were noncompliances with R1 (configuration change management).

Despite this being a high-frequency conduct requirement, the elevated frequency was of note and RF conducted additional outreach in this area. Additionally, of the 94 CIP-010 R1 noncompliances processed in the past two years, approximately 20% of them were assessed at moderate or serious risk, supporting the need for additional outreach and assurance in this area.

Operations and Planning Trends and Takeaways

While there are far fewer Operations and Planning noncompliances, a higher proportion of those noncompliances are generally classified as moderate or serious risk compared to CIP noncompliances. This is particularly true in the case of facility ratings issues, which remained an RF and ERO priority in 2022.

PRC-005 and VAR-002 continued to be the most frequently violated Operations and Planning Standards in the RF footprint and across the ERO. Approximately 50% of the PRC-005 and VAR-002 noncompliances processed over the past two years were disposed of as moderate risk. One of the driving factors in the frequency of moderate risk PRC-005 noncompliances was the extensive duration of these noncompliances, which resulted from inadequate tracking mechanisms and internal controls around periodic activities. Reviewing and testing controls around testing and maintenance periodicity is a key area to focus on in 2023.

Inventory and Self-Reporting

Due to prioritization changes and increased processing efficiencies, RF has eliminated a significant portion of its older open violations. The result was that 97% of open violations by the end of 2022 were identified in the past two years (2021 and 2022). And in 2022, consistent with prior years, approximately 93% of the noncompliances discovered were either self-reported or self-logged, showing the continued diligence and success of entities in identifying noncompliances.

COMPLIANCE MONITORING AND ENFORCEMENT: LESSONS LEARNED FROM THE COVID-19 PANDEMIC

The COVID-19 pandemic fundamentally changed the way we work. Initially, it forced us to make judgment calls on what activities were necessary to perform our functions, and what work should be postponed due to safety concerns. As RF transitioned to a new normal, we continued to optimize efficiency gains and other improvements realized during the pandemic, and identified areas where we can continue to enhance the way we work going forward. In 2022, RF's Compliance Monitoring and Enforcement group performed a review of all activities during the pandemic, and identified a few lessons learned and focus areas going forward.

RF's work as a regulator and in improving how we monitor and enforce the NERC Reliability Standards is not something we take lightly. The pandemic challenged us to work more efficiently, engage more purposefully, and focus resources where they are most impactful. We were able to quickly adapt through collaborating with our peers. And in the spirit of continuous improvement, we'll continue to reflect on the lessons learned during the pandemic to identify more efficient and effective ways to work.

Lessons Learned

Adapt and be nimble

We quickly shifted how we work due to safety concerns and to comply with entities' visitor restrictions. Going forward, RF will continue to conduct many activities virtually, using cameras and other collaboration tools that became more standard during the pandemic.

Risk-focused

While RF is always striving to be risk-based, the pandemic showed us that certain lower risk matters can be resolved or managed in a manner that is even more streamlined than the way we were handling them. We'll continue these efforts to focus our resources where there are the greatest risks.

Communicate Often

Communicating early and often was paramount to our success during the pandemic in executing our duties. We established more routine and easier communication channels and we will strive to continue this increased communication going forward.

Build and maintain relationships

Strong relationships with our teams, our Regional peers, and with entities helped us to accomplish our vital work during the pandemic.

Many relationships grew stronger because we were more purposeful about engaging and had to work through new issues together. These relationships allow us to work more collaboratively with our peers and entities.

LETTER FROM THE CHIEF SECURITY OFFICER

2022 was a year of economic inflation and geopolitical tension. All eyes have been on Russia, China, Iran and North Korea. Amid the global uncertainty, in the electric utility industry specifically we've seen a steady influx of OT-based attacks and an uptick in physical security sabotage events.

Preparation is key. For most, or maybe all organizations, it's not a matter of *if* you'll have a big security incident, but *when*. It's imperative that we detect potential security events early and that we practice response.



Incident response is like a muscle - simulated exercises are not just for finding gaps in your plan. We have to rehearse so that those steps (identification, containment, eradication, recovery) become second-nature to us. We have to know who we will communicate with and when and what information we need to have.

We've been practicing internally. We've been offering to help others practice. And we've been looking for new ways to practice.

To that end, we held a statewide cross-sector crisis communication drill focused on the state of Ohio. We brought together utilities (electric, water, and gas), government partners (city, state, and federal), law enforcement, healthcare, communications and high profile customers. The scenario involved a physical security sabotage that affected everyone within a 30-mile radius. Just by having some of those people in the same room together, the event was a success before the scenario even started.

We watched the handoff between city, county and state emergency management offices. We observed how a major hospital would interact with city and state agencies in a time of crisis. We worked together to address a really bad scenario - and we found a few planning gaps. Everyone left the event with questions to ask, things to address, and new contacts in their hip pocket. It was a win and we'll be looking for more opportunities to help.

Marcus Noel

Chief Security Officer



RESILIENCE EFFORTS

Cyber and physical attacks on the grid (both domestic and foreign) continue to increase, making resilience a critically important area for the ERO and the industry. In 2022, entities continued to utilize our suite of resilience tools. RF also cohosted a national security and resilience conference and organized the Ohio Security Tabletop, a statewide security tabletop exercise.

RF's resilience tools include the [Incident Response Performance Assessment Tool](#) (IRPAT), which provides tabletop exercises for entities to evaluate and practice their incident response capabilities.

The [Cyber Resilience Assessment Tool](#) (CRAT) allows entities to evaluate and benchmark their cyber resilience posture. Finally, the [Insider Threat Preparedness Maturity Assessment Tool](#) (InTP) is a self-assessment tool to help entities evaluate and enhance their insider threat programs.

RF's resilience tools are voluntary and take place

outside the compliance and enforcement space. To find out more about these tools, contact [Mike Hughes](#) or see our [website](#).

In October, RF co-hosted GridSecCon 2022 with NERC and the E-ISAC. The event included training, panel discussions, and breakout sessions on various security and resilience topics, and featured speakers from the U.S. Department of Homeland Security, FBI, FERC, Idaho National Laboratory, and experts from electric utilities across the country.

Throughout the year, RF staff worked to develop and organize the Ohio Security Tabletop, a statewide tabletop security exercise simulating

an attack on critical infrastructure with participants from the healthcare, telecommunications, government, law enforcement, and utility sectors.

RF created the Ohio Security Tabletop to help address risks posed by extreme cold weather (such as the 2021 Texas event), electromagnetic pulses, and cyber and physical security terrorist attacks.

The goals for the Ohio Security Tabletop included strengthening relationships between critical infrastructure sectors, improving disaster and emergency response preparedness, strengthening communication channels with government agencies, and identifying possible areas for improvement in a hypothetical environment.

The exercise took place in February 2023, with wide attendance from stakeholders across Ohio. As a result of this feedback, RF plans to expand the tabletop concept to other states in 2023.



FACILITY RATINGS AND VEGETATION MANAGEMENT

Robust facility ratings and vegetation management programs are critical to BPS reliability. System operators depend on facility ratings to control and operate the system, and vegetation encroachments on transmission lines can lead to cascading outages.

In 2022, RF and the ERO Enterprise continued to focus on these key risk areas with a combination of outreach and monitoring. In April, RF held a facility ratings webinar, where experts from RF, FERC, PJM, MISO, AEP, Aurora Generation, and PPL discussed challenges, lessons learned, and best practices.

We also provided facility ratings presentations during our Tech Talk webinars throughout the year. In the compliance monitoring space, our compliance monitoring staff planned and performed monitoring engagements tailored to the specific risks facing each entity. This risk-based focus was also incorporated into facility ratings field walk downs throughout the year.

In October, the ERO Enterprise released a [Facility Ratings Themes and Best Practices Report](#) that identified four themes associated with entity facility ratings issues: lack of awareness, inadequate asset and data management, inadequate change management, and

inconsistent development and application of facility ratings methodologies.

The report also includes best practices identified during ERO activities, and input from entities on what has worked well for them.

A key takeaway from the report is the importance of routine monitoring of facility ratings programs and their controls to ensure they remain effective and sustainable. To highlight this, the ERO Enterprise is developing a Change Management Webinar, scheduled for May 2023, which will focus on creating sustainable facility rating programs.

In the area of vegetation management, RF adopted a new approach for performing [FAC-003](#) field walkdowns. These field walkdowns allow RF staff to work directly with field and compliance personnel to discuss and address vegetation related reliability risks. Our staff also conducted one-on-one outreach with entities on vegetation topics and any challenges they wished to discuss.

RF also offers a vegetation management Community of Practice for entities. Contact Thomas Teafatiller (thomas.teafatiller@rfirst.org) if you are interested in joining.

COLD WEATHER PREPAREDNESS

The extreme cold weather events from 2021's Winter Storm Uri and 2022's Winter Storm Elliott underscore the importance of cold weather preparedness to the reliability of the grid and the overall safety and well-being of our country. RF and the wider ERO Enterprise conduct annual activities to help address the risks posed by extreme weather, and these efforts expanded in 2022.

As part of RF's winter preparedness program (in place since 2014), staff experts survey generator owners and operators and conduct generator site visits every year to assess and help enhance winter readiness in our footprint.

During the visits, we evaluate the readiness of generating facilities for the upcoming winter season, discuss any concerns, and share best practices. In 2022 following Winter Storm Uri, RF conducted multiple generator site visits and collected information from entities on their training programs, winter preparedness plans, and fuel supplies.

RF also performed broader outreach activities for the industry, including presentations on the winter preparedness program, winter 2021-2022 performance, and entity perspectives on implementing cold weather recommendations from the 2021 Winter Storm Uri event.

RF's Transmission and Generator Committees discussed cold weather topics throughout the year, and RF staff participated in the ERO standards development team that developed the two recently approved winterization standards, [EOP-011-3](#) (Emergency Operations) and [EOP-012-1](#) (Extreme Cold Weather Preparedness and Operations).

Immediately following 2022's Winter Storm Elliott, FERC, NERC, and the six Regional Entities initiated a Joint Inquiry to evaluate the performance of the BPS during the event and identify lessons learned and any recommended actions going forward.

Specific areas the Joint Inquiry team is examining include cold weather preparedness, load forecasting, generation performance, natural gas availability, grid constraints, and emergency conditions and actions. The final report is expected later in 2023.

MISOPERATIONS

Misoperations occur when a protection system such as a relay fails to operate, operates too slowly, or operates when it shouldn't during a fault or a non-fault condition.

Misoperations can worsen the severity of BPS disturbances, and the ERO Enterprise has engaged in a multi-year effort working with entities to help drive down the number of misoperations across North America. For the eighth consecutive year, the number of misoperations in the RF footprint decreased in 2022, showing that ERO Enterprise and industry efforts are reducing this risk.

Throughout the year, our engineering staff conducted one-on-one outreach sessions with selected entities to discuss our analyses of misoperations in their areas and discuss best practices and next steps.

We also conducted broader misoperations outreach in various forums, including the human performance workshop and the protection system workshop.

RF's Protection System Subcommittee meetings are a valuable resource for entities seeking to improve their misoperations rate. They provide a space to share issues, lessons learned, and best practices, and feature a quarterly misoperations peer review process to review and evaluate the accuracy of MIDAS¹ data.

Please visit the Protection System Subcommittee page on our website if you are interested in joining.



¹Protection system operations and misoperations are reported by Transmission Owners, Generator Owners, and Distribution Providers through the Misoperation Information Data Analysis System (MIDAS) portal on a quarterly basis.

OUTREACH

A key component of RF's risk based approach is our outreach program, where RF provides information on risks facing the industry and mitigation strategies.

In 2022, COVID-19 health guidelines began to ease and allowed RF to host more in-person and hybrid outreach events.

Technical Talk with RF (Tech Talk) is RF's monthly open webinar and forum, which continued to grow in 2022. Tech Talk averaged 297 attendees per event, a 10% increase from 2021.

Some of the many topics covered during Tech Talk this past year included supply chain management, renewable resources, and facility ratings. Tech Talk also featured guest speakers from FERC, NERC, the North American Transmission Forum, the Department of Energy, and our fellow Regional Entities.

With a focus on the transformation of the grid, RF's two-day hybrid Fall Workshop was a success. This event was our first in-person workshop since before the pandemic, although we also provided a live virtual broadcast to our stakeholders. RF's subject matter experts were joined by additional Regional Entity and industry experts, and guest presentations from Mark Lauby, NERC Senior Vice President and Chief Engineer; Robert Lee, Dragos Inc. CEO and Co-Founder; Heather Baldwin, Micron Technology Inc. Vice President of Indirect Procurement; and RF CEO Tim Gallagher.

In addition to our monthly Tech Talks and annual Fall Workshop, RF also offered a variety of targeted webinars to our stakeholders throughout the year.

We hosted a Commissioning Webinar, an event focused on FERC, NERC, and the Regional Entities' joint review of protection system testing and commissioning programs and procedures.

In April, we hosted a Facility Ratings Webinar, which discussed FERC's Order 881 and the use of ambient adjusted ratings.

In August, we hosted our annual Protection System and Human Performance workshops.

RF has a full slate of outreach events scheduled for 2023 on key reliability topics, including topics highlighted throughout this Annual Report. Please see our social media and our quarterly newsletter for updates on upcoming events.



CHANGING RESOURCE MIX AND STATE OUTREACH EFFORTS

State public utility commissions and legislatures play a key role in helping to ensure reliability, especially now as the generation resource mix is quickly evolving to include more intermittent resources with different operating characteristics. In recent years, RF and the ERO Enterprise have focused on serving as technical resources for the states on reliability issues during this critical time.

In 2022, RF continued these state outreach efforts, interacting with the states to provide independent expertise on reliability related topics such as the changing generation mix and transmission planning, resource adequacy, cyber and physical security, resilience, and transmission and distribution system interdependencies. In addition to meeting with state officials throughout the year, RF shared key ERO and RF reports, assessments, and outreach opportunities.

In early 2022, RF CEO Tim Gallagher and NERC CEO Jim Robb presented on national and regional reliability topics to the Indiana State Senate Utilities Committee.

Mr. Gallagher also attended the Organization of PJM States, Inc. (OPSI) annual meeting in Indianapolis in October

and participated in a panel discussion with Mr. Robb and state commissioners and policymakers. The panel focused on resource adequacy, the pace of change, and gas-electric interdependencies.

The state outreach team met regularly with state public utility commissions and legislatures throughout RF's footprint to serve as a resource. For example, the team met with several public utility commissions to discuss battery storage and the evolving technology in that area.

The team also worked to mature the state outreach program's key messages and communication plan, and prioritized outreach based on each state's unique reliability characteristics and legislative activities that could affect the grid.

In 2023, RF will continue to meet with the state public utility commissions, and plans to increase communications with state legislatures and their energy committees. Our activities in this space are rapidly expanding as we see the need for our expertise growing.

If you would like more information on this program, please contact Michelle Cross, RF's Manager of External Affairs (michelle.cross@rfirst.org).

ORGANIZATIONAL ADVANCEMENTS

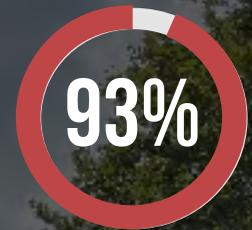
Team Members Added

RF grew by 11 new team members in 2022.



Retention Rate

At RF our employees are our greatest asset. We achieved a 93% retention rate, up 8% from 2021.



Women in Leadership

RF is proud to have increasing female representation at all levels of leadership roles.



Multi-generational

We have representation from four generations working cohesively together.



Diversity, Equity, and Inclusion

We believe in cultivating a diverse culture to support our mission; one that ensures that employees feel empowered, valued, respected, and engaged. Throughout the year we held twelve different trainings for staff and managers focusing on deepening our knowledge and experiences.



2022 Top Workplace

We are proud to have been named a 2022 Top Workplace by The Plain Dealer and Cleveland.com.



Community Outreach

RF employees care about the communities around them. At our annual Day of Giving, team members worked at four local charities volunteering over 250 hours. In addition, we helped at the Cleveland Food Bank multiple times throughout the year packing almost 1,700 lunches and 400 boxes of non-perishable food.





RELIABILITYFIRST

3 Summit Park Drive, Suite 600
Cleveland, OH 44131

216-503-0600

www.rfirst.org



Winter Storm Elliott Update

ReliabilityFirst Q1 and Q2 2023
Board of Directors Meeting

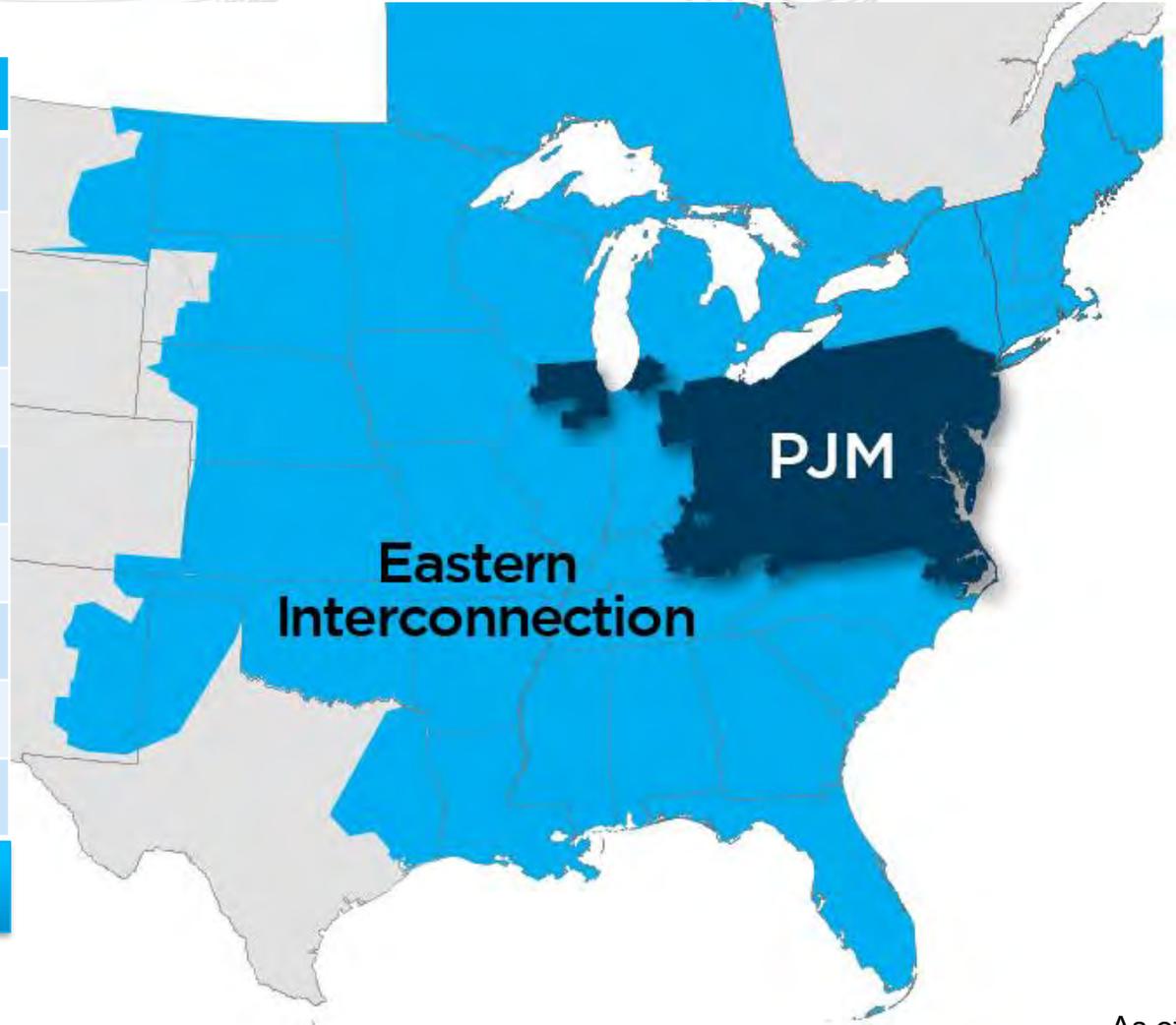
Mike Bryson
Sr. Vice President – Operations

April 27, 2023

Key Statistics

Member companies	1,110+
Millions of people served	65+
Peak load in megawatts	165,563
Megawatts of generating capacity	183,254
Miles of transmission lines	88,115
Gigawatt hours of annual energy	795
Generation sources	1,419
Square miles of territory	368,906
States served	13 + DC

21% of U.S. GDP Produced in PJM



As of 2/2023

Cold Weather
Exercise

Cold Weather
Checklist

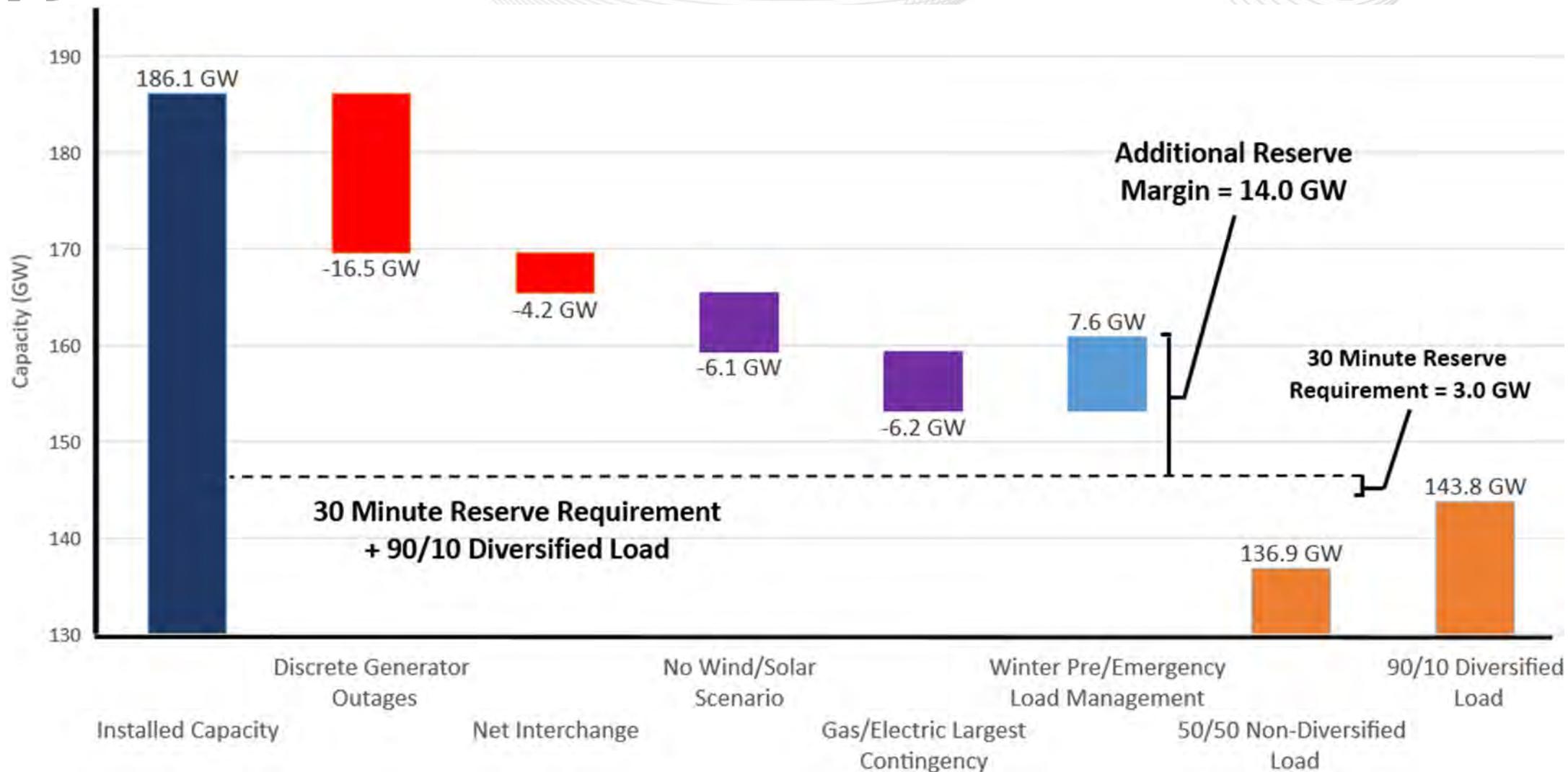
Pre-Winter
Reactive
Capability
Verification

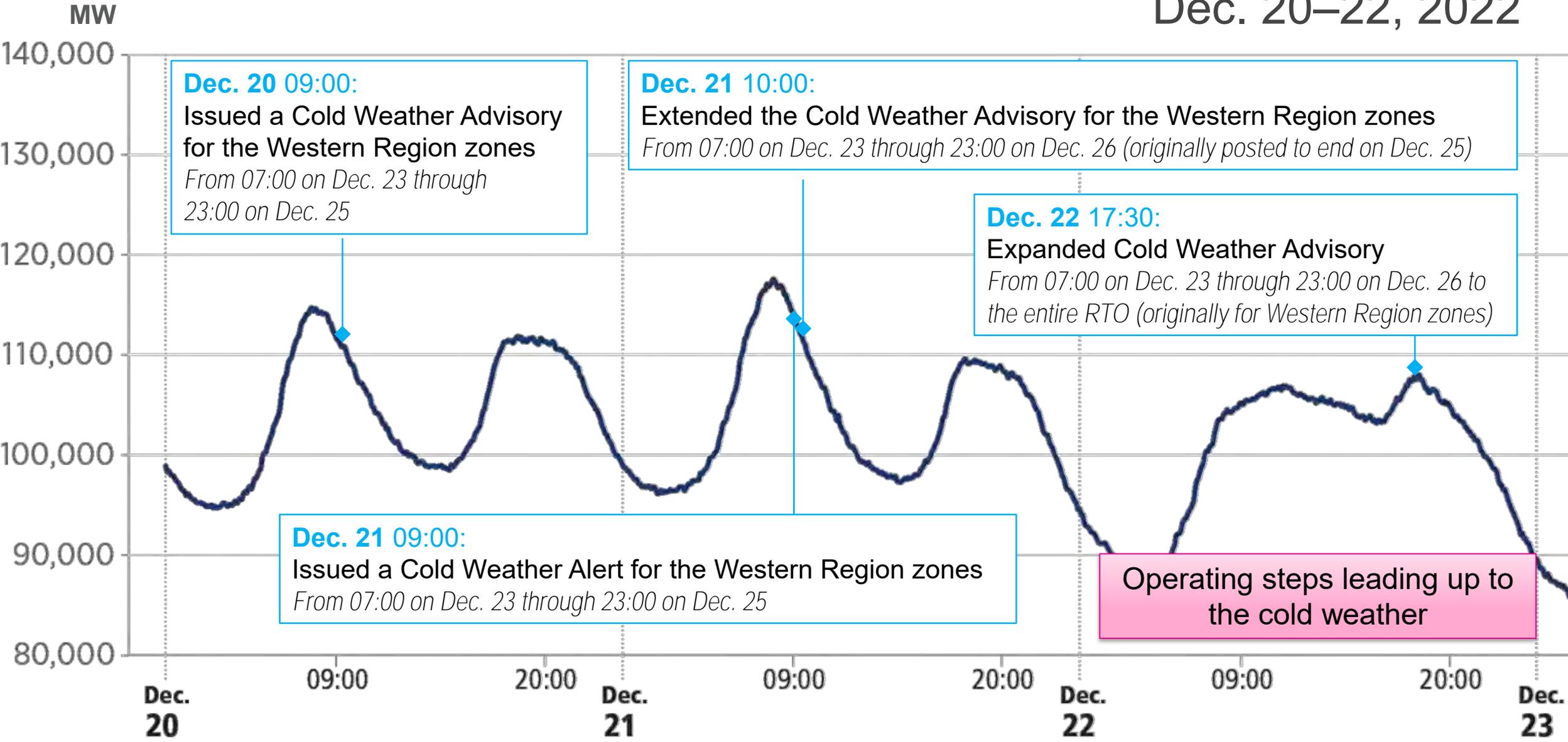
Seasonal Fuel
Inventory and
Emissions Data
Request

External
Coordination

Seasonal
Assessment

Generator Minimum
Operating Limit Data Request





Dec. 20, 2022

Cold Weather Advisory for Western Region From Dec. 23–26 (Later Expanded to Entire RTO)

- Prepare to take freeze-protection actions, such as erecting temporary windbreaks or shelters, positioning heaters, verifying heat trace systems, or draining equipment prone to freezing.
- Review weather forecasts, determine any forecasted operational changes, and notify PJM of any changes.
- Members are to update PJM with operation limitations associated with cold weather preparedness. Operating limitations include: generator capability and availability, fuel supply and inventory concerns, fuel switching capabilities, environmental constraints, generating unit minimums.

Dec. 21, 2022

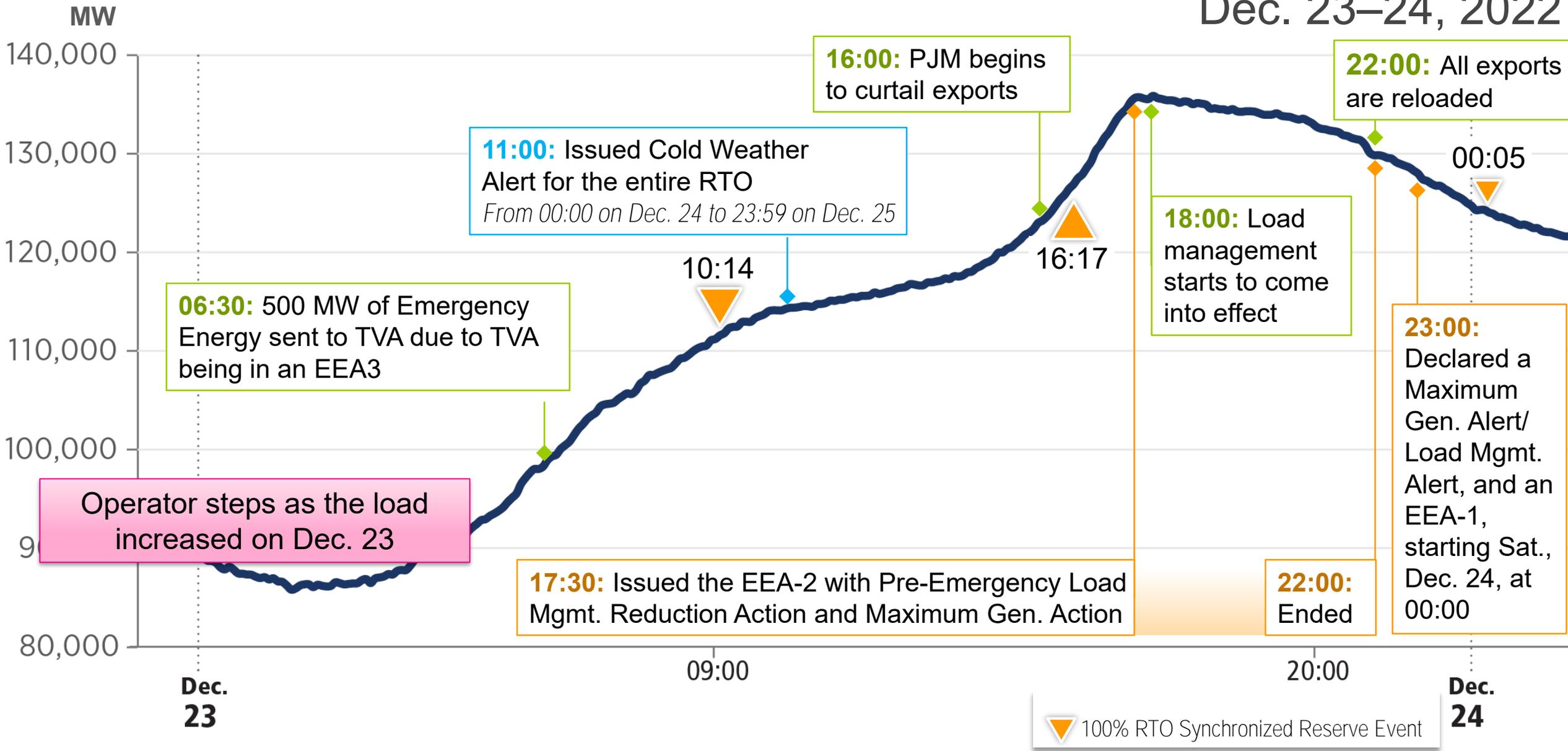
Cold Weather Alert Issued for the Western Region for Dec. 23

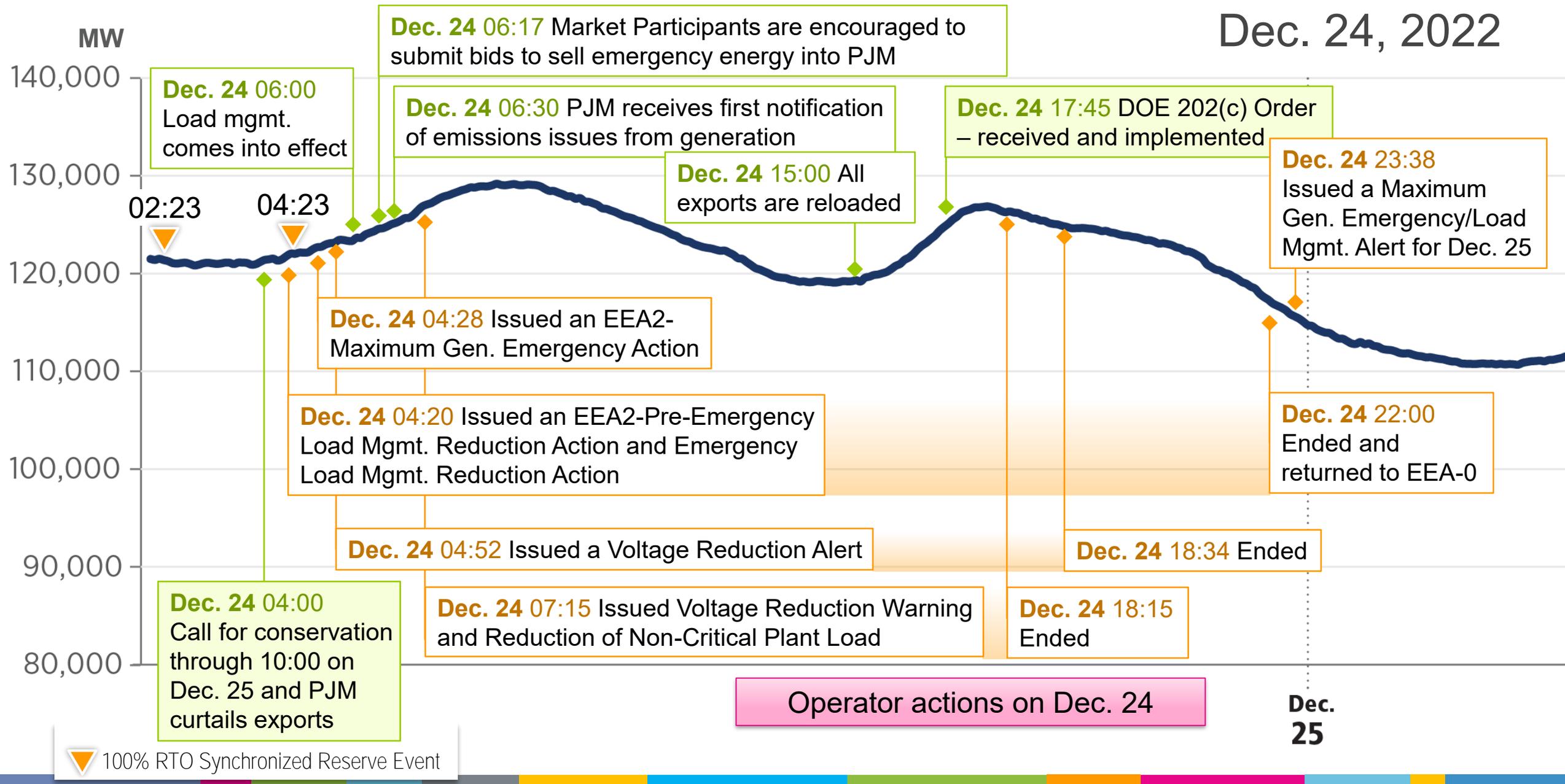
- Generation dispatchers review fuel supply/delivery schedules in anticipation of greater-than-normal operation of units.
- Generation dispatchers monitor and report projected fuel limitations to PJM dispatcher and update the unit Max Run field in Markets Gateway if less than 24 hours of run time remaining.
- Generation dispatchers contact PJM Dispatch if it is anticipated that spot market gas is unavailable, resulting in unavailability of bid-in generation.

Dec. 23, 2022

Second Cold Weather Alert Issued for the Entire RTO for Christmas Eve, Dec. 24

Dec. 23–24, 2022





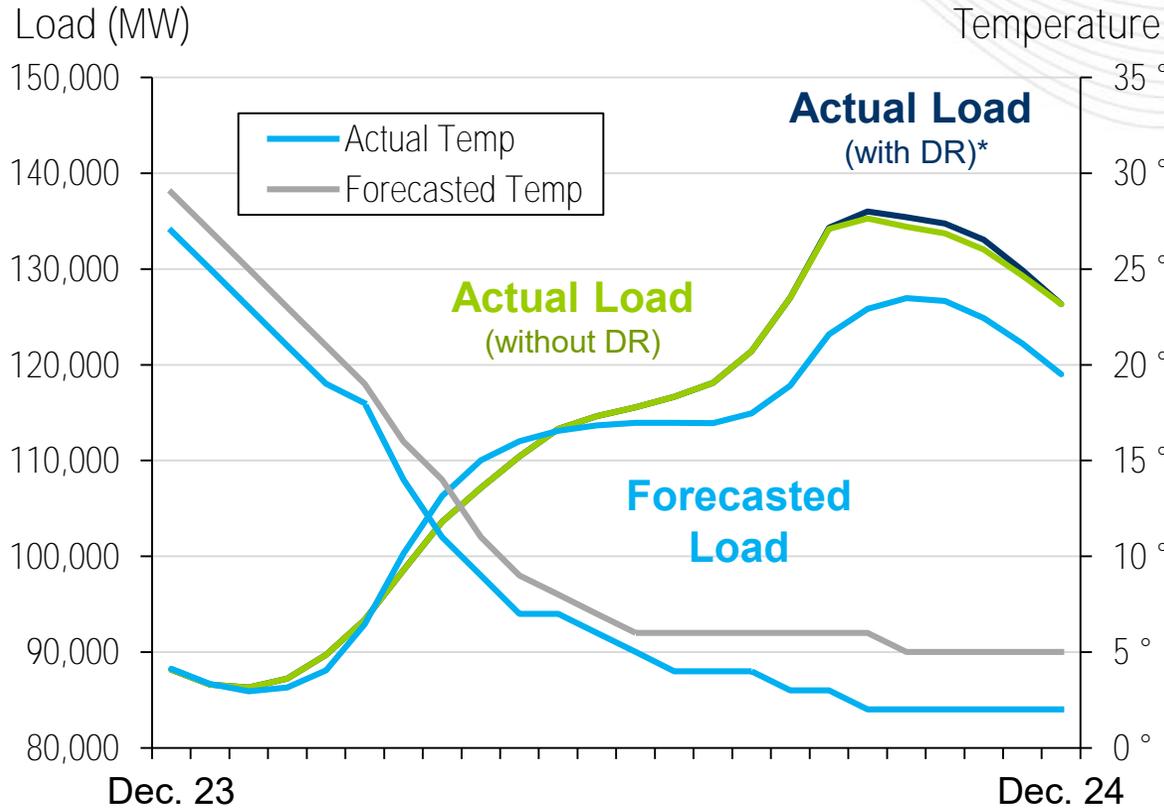
PJM accounts for uncertainty and unplanned events as it develops the operating plan for every day.

- Given the expected weather, PJM was cautious in developing the operating plans for Dec. 23.
- Forecast load was 126,968 MW.
- PJM had over 155,750 MW of generation indicating they were available for the day.

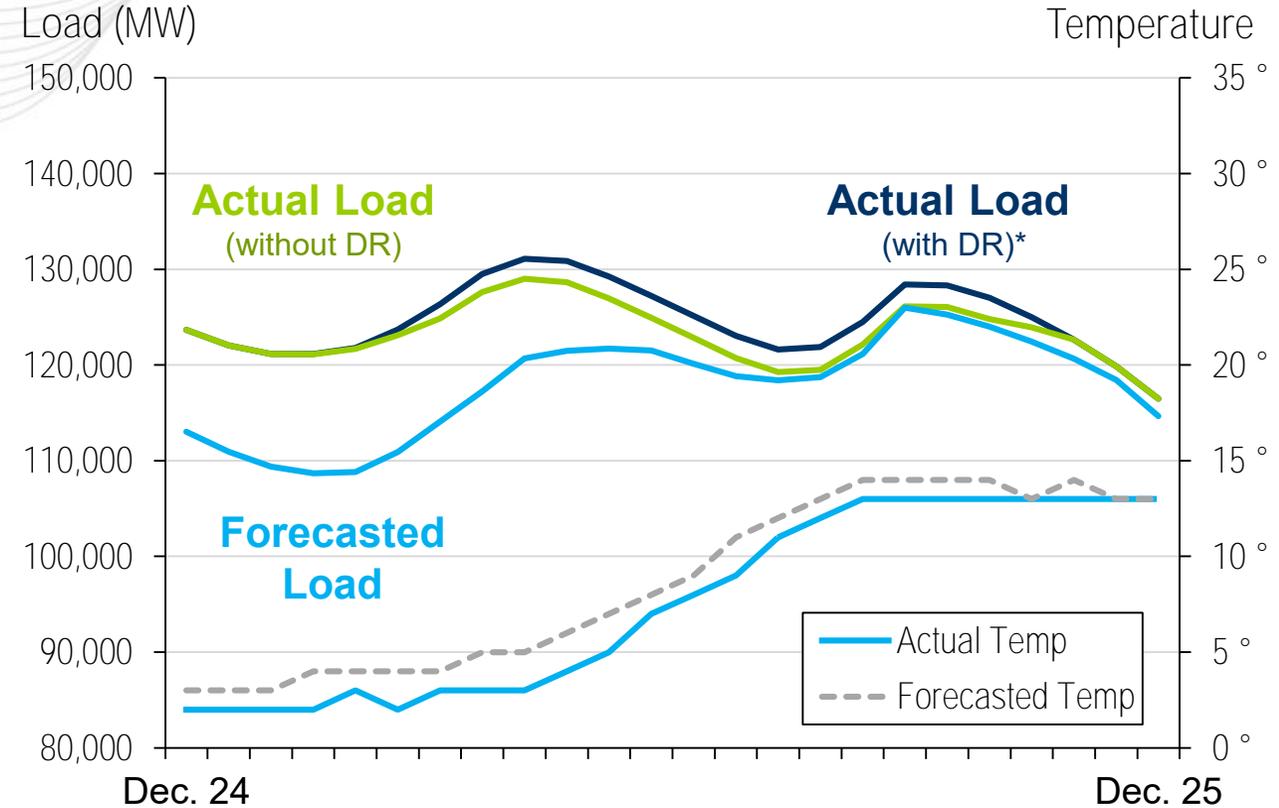
Based on generator availability data submitted to PJM, we believed we had almost 29 GW of reserve capacity available to absorb load and generation contingencies and to support our neighboring systems.

Actual Load Came in Higher Than Forecast

Dec. 23



Dec. 24



Actual load came in over 10% over forecast during valley on Dec. 24.

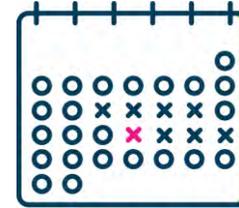
- Severe cold and blizzard conditions
- Most drastic temperature drop in a decade

- Early occurrence of cold weather
- Holiday impacts: rare instance of under-forecasting

** Includes final DR values*



EXTREME WEATHER



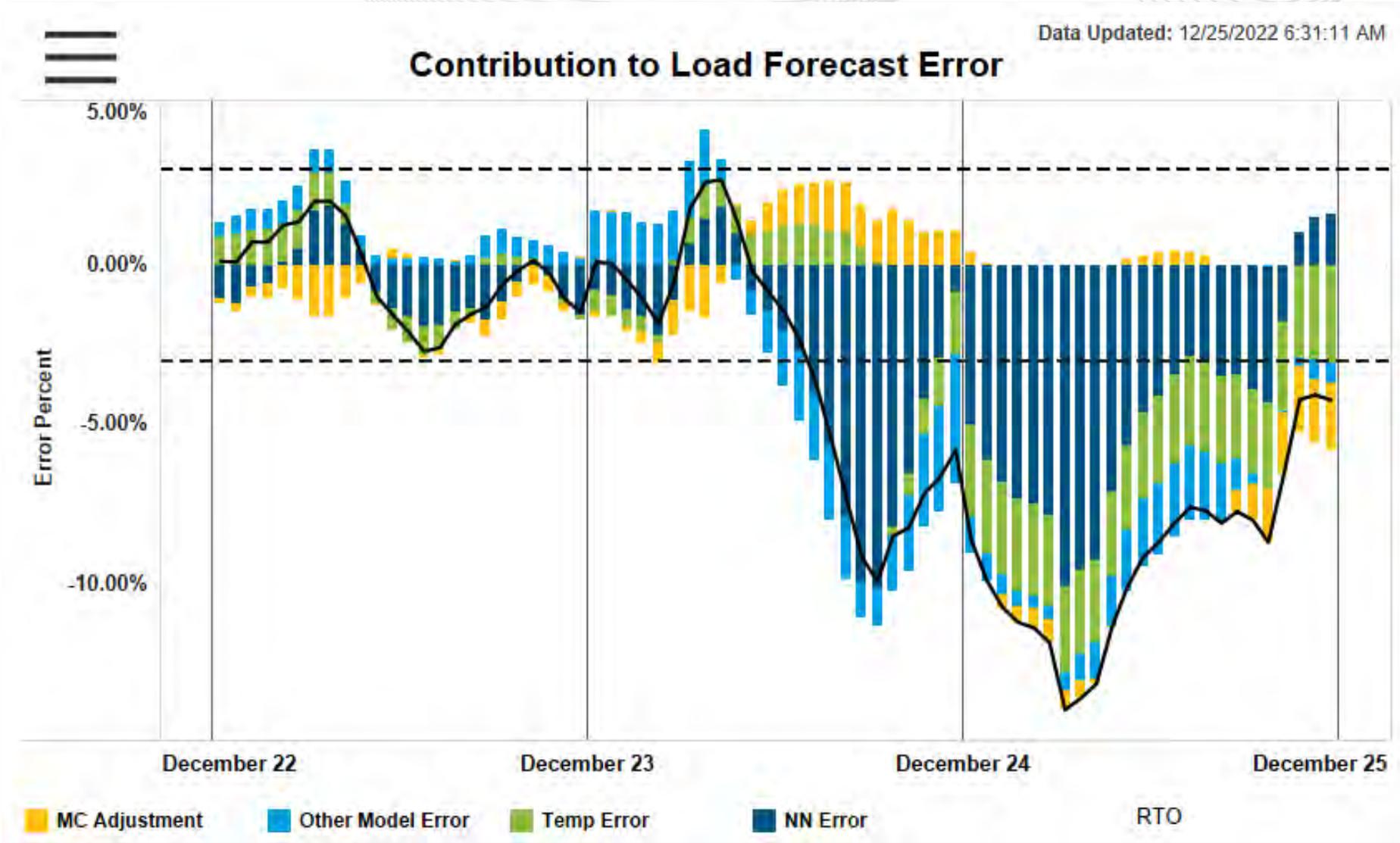
HOLIDAY IMPACTS

Severe cold and blizzard conditions

Most drastic temperature drop in at least 10 years

Early occurrence of cold weather

Rare instance of under-forecasting

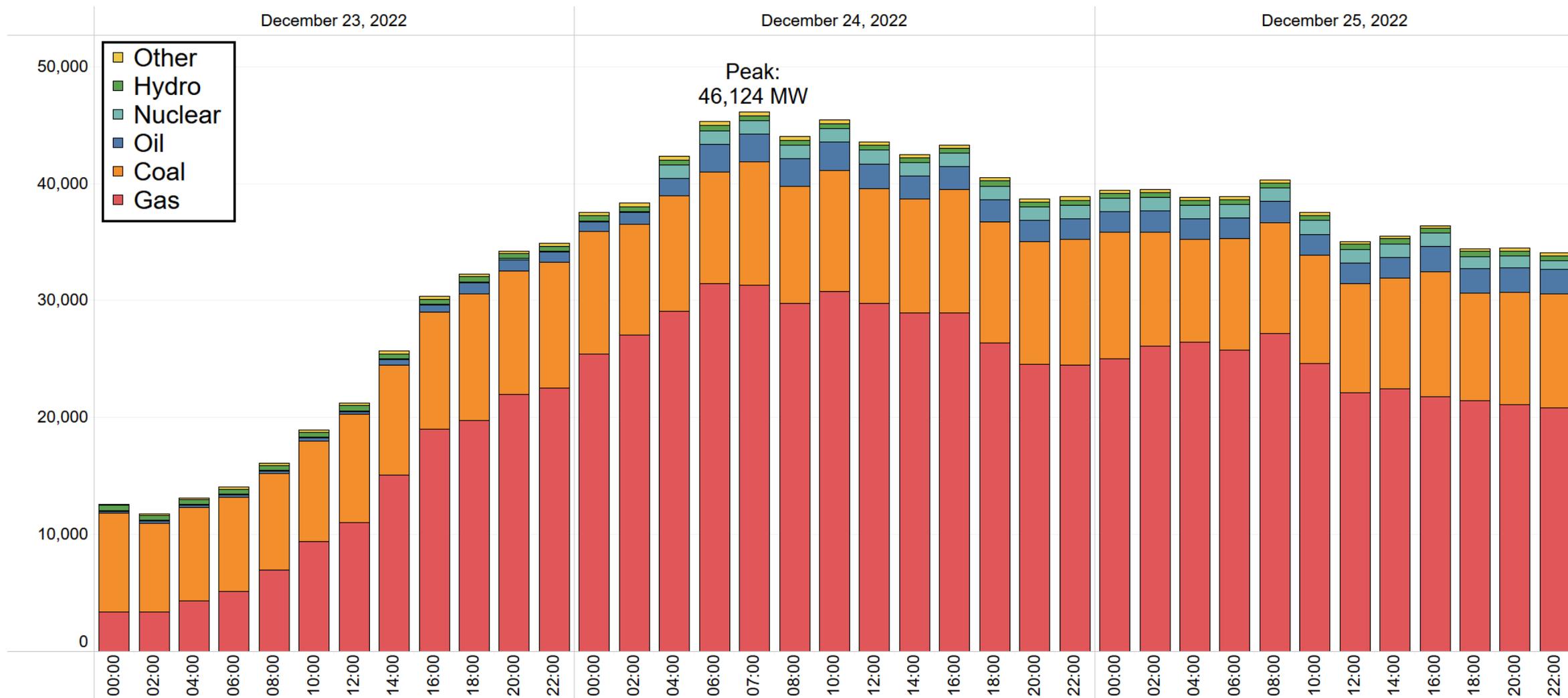


On Saturday morning, over 46,000 MW of generation failed to perform.

- Besides forced outages, ~6,000 MW of steam generators were called but were not online for their expected start time for the Dec. 24 morning peak.
The vast majority of these resources were gas-fired resources.
- The high rates of generator outages also limited our ability to replenish pond levels for pumped storage hydro prior to the morning peak on Dec. 24.
That left PJM with extremely limited run hours for pumped storage generation.
- Between forced outages, derates, generators not starting on time, and the inability to fill pumped storage hydro ponds, PJM was dealing with ~57 GW of generator unavailability for the Dec. 24 morning peak.

Over 92% of the outages were reported to PJM with less than an hour's notice or no notice at all.

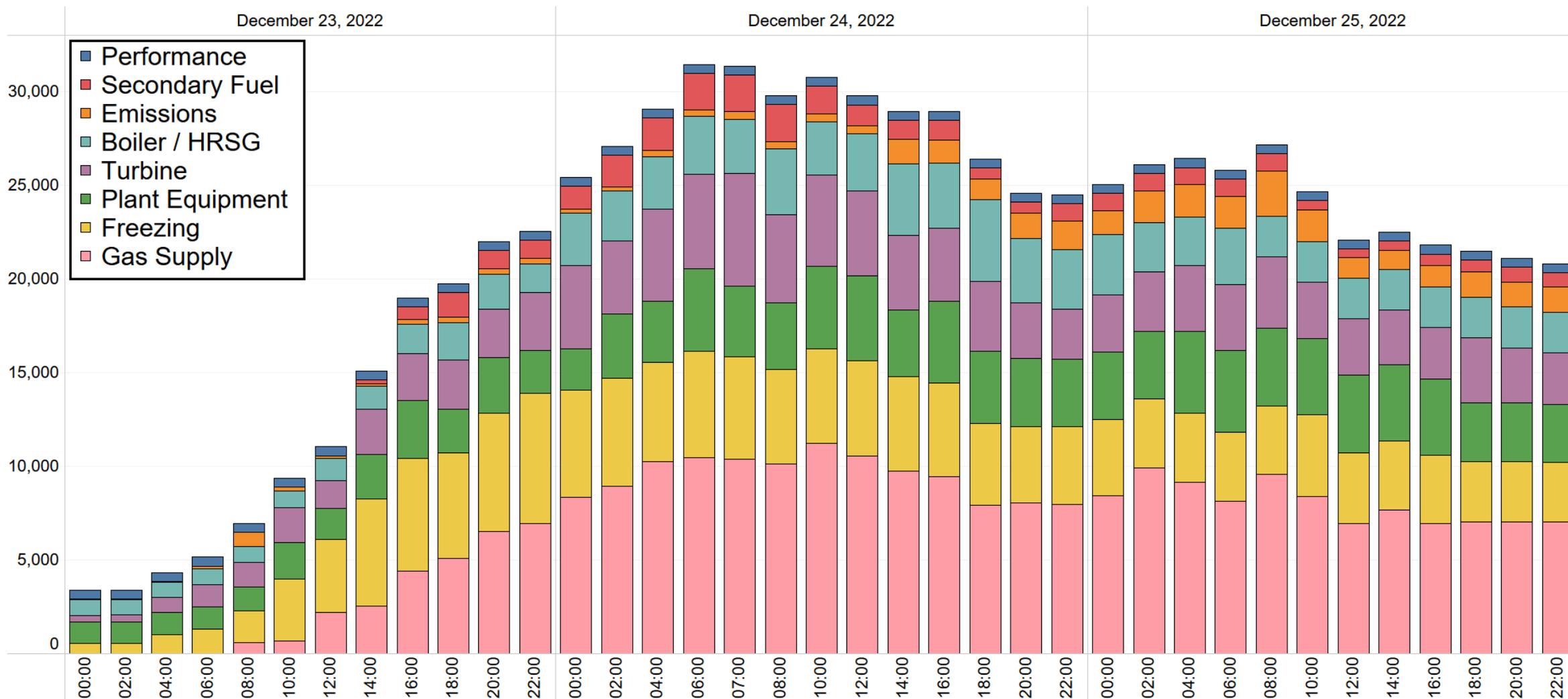
Forced Outages/Derates by Fuel Type



Note: Only even hours are shown for readability with the exception of Dec. 24, 2022, 07:00, which was the hour with the largest amount of forced outages and derates.

Slide uses GADS data pulled March 1, 2023.

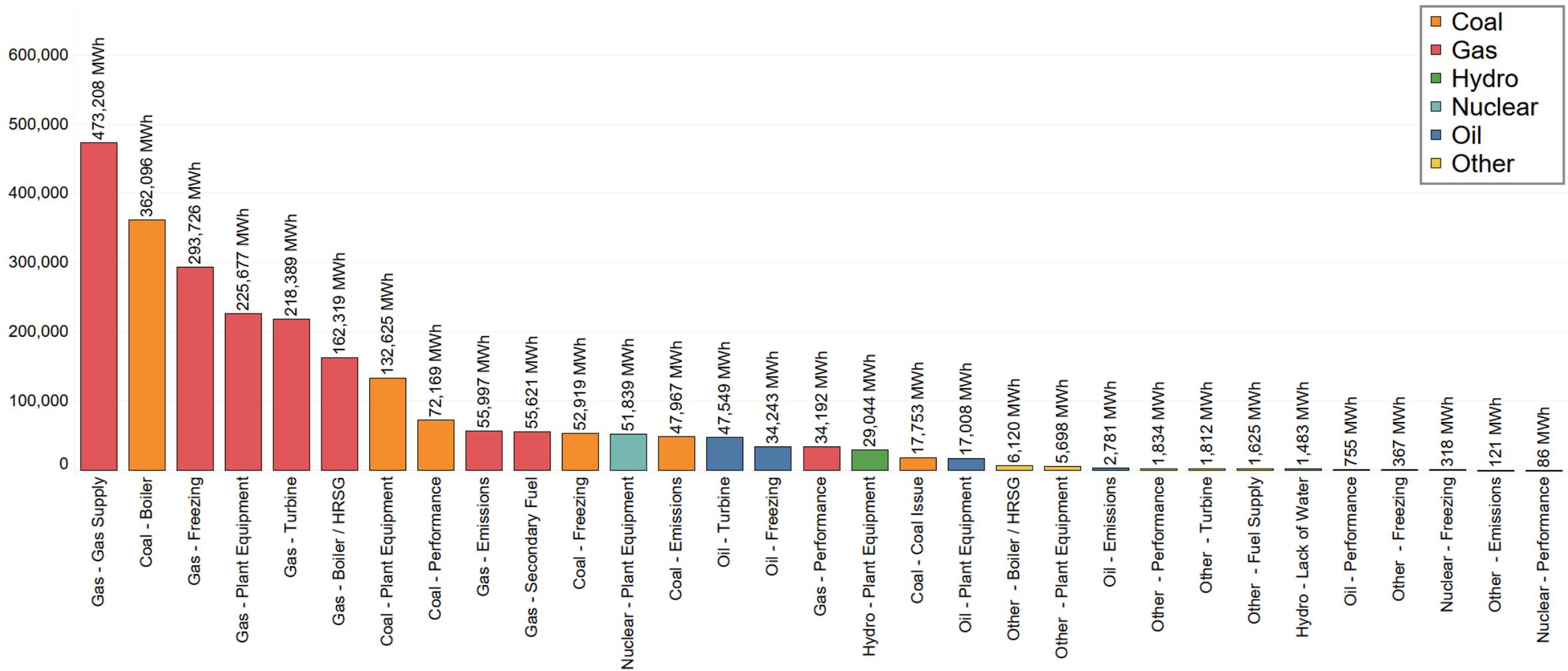
Gas – Forced Outages/Derates by Cause



Note: Only even hours are shown for readability with the exception of Dec. 24, 2022, 07:00, which was the hour with the largest amount of forced outages and derates.

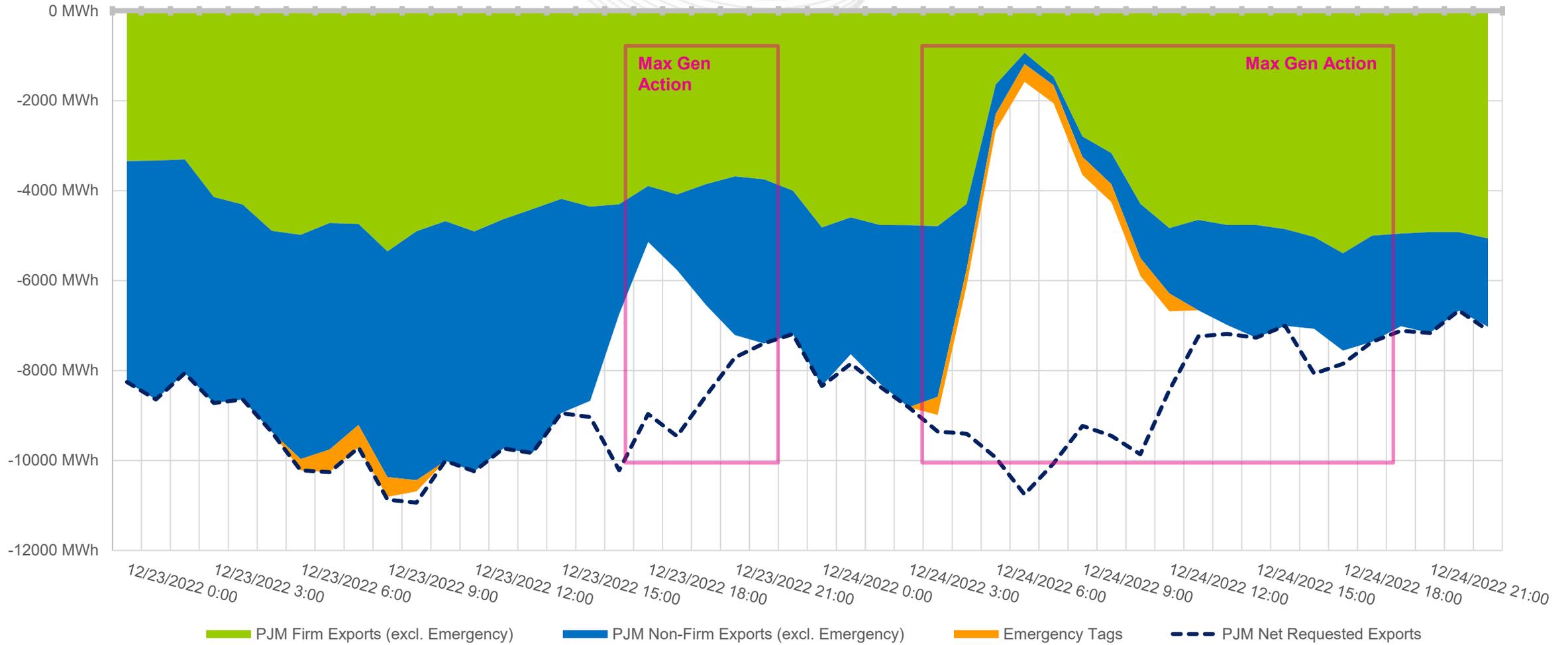
Slide uses GADS data pulled March 1, 2023.

Forced Megawatt-Hours by Fuel Type and Cause



PJM Net Scheduled Export Interchange (Annotated)

Net Scheduled Export Interchange – (No Dynamic Transfers)



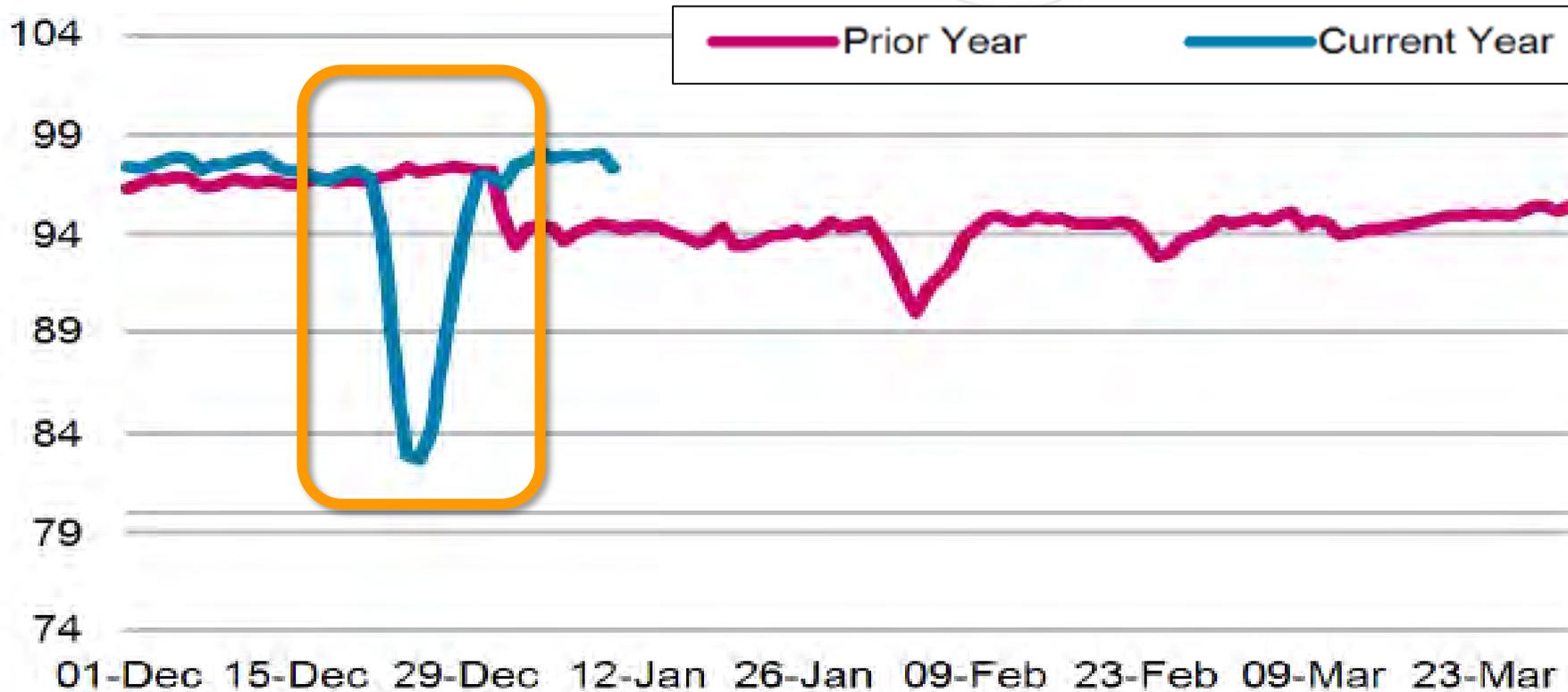


Pipeline Operating Conditions

INTERSTATE / INTRASTATE PIPELINE	December																	
	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Adelphia Gateway									4									
ANR		5				6												
BHE EGTS	1 2																	
BHE Cove Point						2												
Columbia Gas Transmission	3																	
Eastern Shore										7								
East Tennessee Natural Gas		7																
Horizon							2											
NGPL							2											
Northern Border				1														
Panhandle Eastern											7							
Tennessee Gas Pipeline											7							
Texas Eastern				7														
Texas Gas																		
Transco						7												
Vector																		

	Pipeline Notice
1	Restrictions on Non-Firm Contracts Customers with interruptible transportation contracts at higher risk of not being able to schedule adequate pipeline capacity
2	Ratable Take Requirement Pipeline requiring customers to supply and burn gas at uniform hourly rates to avoid excessive pressure fluctuations
3	Critical Day (Transport Deliveries/Storage Withdrawals) Pipeline requiring customers to stay within their transportation and storage contractual requirements
4	Action Alert (Daily Balancing) Requires customers to ensure that their supply and demand is balanced at the end of each 24-hour gas day within the tolerances provided by the pipeline tariff provisions
5	Phase 1 Cold Weather Advisory Alerting customers of pending cold temperatures and tightening system conditions
6	Phase 2 Cold Weather Extreme Conditions Requires customers to abide by their specific contract and rate provisions and to burn gas on a uniform hourly basis as their contracts direct; interruptible contracts at greater risk of having service cut
7	Daily Balancing OFO Requires customers to ensure that their supply and demand is balanced at the end of each 24-hour gas day within the tolerances provided by the pipeline tariff provisions
8	Force Majeure Declared when an event outside of the pipeline's control occurs that may render service unavailable to certain customers regardless of contractual arrangements (e.g., loss of compressor station)
9	Loss of Upstream Supply As a result of less gas coming into the pipeline due to upstream supply failures, pipelines provide notice that risk of downstream pressure loss and customer nomination cuts are increasing.

U.S. Dry Gas Production (Bcf/d)



**Well
Freeze Offs
~20%
Production Loss
Dec. 23–26, 2022**



Financial Update

Carol Baskey, Treasurer and Manager Finance and Accounting

April 27, 2023

Cleveland, OH



2022 Year End Financials

➤ Year-end Projection at December 2022 Meeting

- \$707K (2.7%) under budget (as of September 30, 2022)

➤ Actual 2022 Year-end Results

- \$125K (0.5%) under budget

➤ Major Contributors to Year-end Results

- Meetings: \$509K (52%) under
- Personnel Expenses: \$152K (1%) under
- Contracts and Consultants: \$191K (43%) over
- Office Costs: \$152K (14%) over
- Rent and Utilities \$124K (21%) over

➤ All Core Responsibilities were completed



2022 ERO Enterprise Unaudited Results

Total Budget (Total Expenses plus Fixed Assets & Net Financing Activity)

Entity	2022 YTD	2022 YTD	Over (Under)	
	Actual	Budget	\$	%
NERC	\$ 86,352,336	\$ 88,828,285	\$ (2,475,949)	(2.8%)
MRO	19,668,768	20,034,362	(365,594)	(1.8%)
NPCC	15,393,635	17,465,133	(2,071,498)	(11.9%)
RF	26,094,903	26,219,927	(125,024)	(0.5%)
SERC	26,410,200	26,708,260	(298,060)	(1.1%)
Texas RE	15,064,367	17,160,613	(2,096,246)	(12.2%)
WECC	29,592,100	29,746,898	(154,798)	(0.5%)
	\$ 218,576,309	\$ 226,163,478	\$ (7,587,169)	(3.4%)



2022 FINANCIAL AUDIT



2022 Financial Audit

- **Performed by RSM US LLP**
- **Final Field Work – week of January 23, 2023**
- **No Material Weakness**
- **No Identified Significant Deficiencies**
- **Very Successful, Clean Audit**



Questions & Answers

Forward Together  **ReliabilityFirst**



2024 Business Plan and Budget

Beth Dowdell, Sr. Director, Corporate Services

April 27, 2023

Cleveland, OH



2024 Budget Projection

➤ Projections made as part of 2023 budget for 2024

2024 Lower Range: 4.5%

- Personnel Expense: 4.3%
 - Wages Increase: 3%
 - Medical/Dental Premiums: 6%
 - Hire 2 additional FTEs
- Meeting Expense: 2%
- Travel Expense: 3%
- Operating Expense: 7.1%
- Fixed Assets: \$110,000

2024 Higher Range to Address At-Risk Initiatives: 7.8%

- Personnel Expense: 8.0%
 - Wages Increase: 5%
 - Medical/Dental Premiums: 10%
 - Hire 3 additional FTEs (in addition to 2 FTE's from low range)
- Meeting Expense: 7%
- Travel Expense: 7%
- Operating Expense: 7.4%
- Fixed Assets: \$110,000



2024 Budget Overview

➤ Budget: \$31,324,535

2024 Budget Change vs 2023	12%	\$3,349,114
• Personnel Expense	14.6%	\$3,411,464
• Operating and Fixed Asset	-1%	\$ (62,349)

➤ Assessment: \$26,959,272

• Assessment Change	9.5%*	\$2,338,932
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➤ FTEs: 98

• 2024 FTE Increase	7.0
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*assessment includes reduction from releasing reserves



Regional Comparison

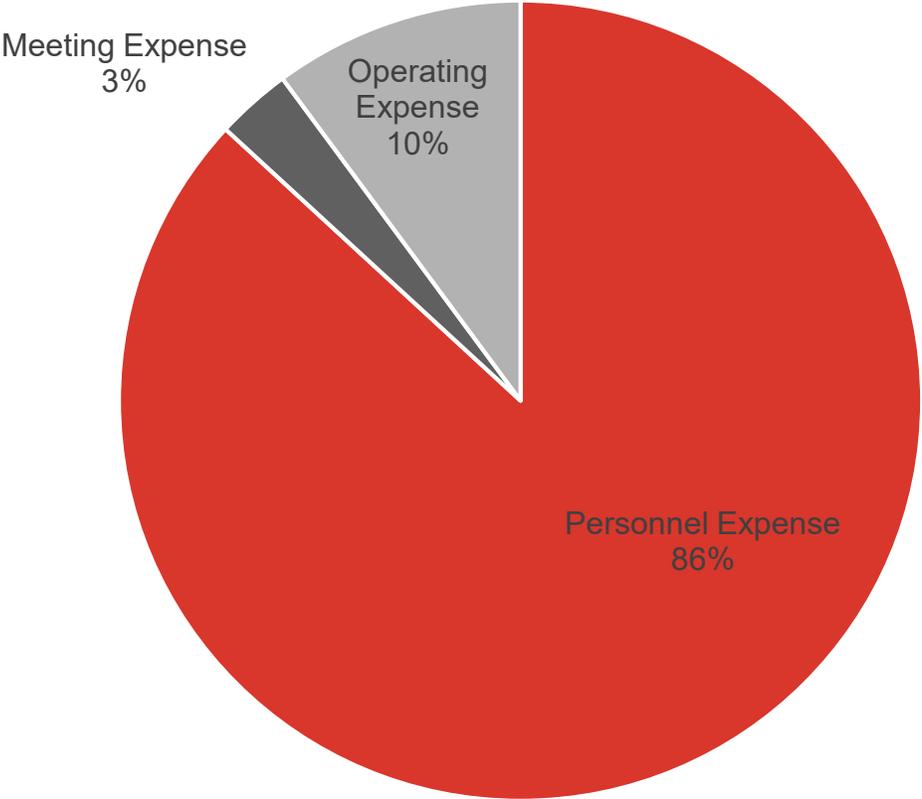
Region	Budget % Increase	Assessment % Increase	2024 FTE(s) Added	2023 Total FTE(s)	FTE Notes
NERC	9%	11.6%	11.3	237	
WECC	11.6%	21.5%	10	160	8 – statutory programs
MRO	7.8%	15%	2	78	
NPCC	13.7%	14.3%	12	57	5 - CMEP
TRE	8%	9.5%	3	67	
SERC	10%	8.4%	3	106	
RF	12%	9.5%	7	91	4 - CMEP

*budget numbers in various stages of approval



2024 Budget Breakout

2024 Budget Breakdown



■ Personnel Expense ■ Meeting Expense ■ Operating Expense



2024 Budget Variations from 2023

2024 BUDGET INCREASE (DECREASE) FROM 2023			
	Total 2024 Budget	Total Change from 2023	% of Total Budget Increase
Personnel Expenses			
Salaries	\$ 19,495,380	\$ 2,581,637	77%
Payroll Taxes	\$ 1,232,095	\$ 179,207	5%
Benefits	\$ 2,985,469	\$ 211,551	6%
Retirement Costs	\$ 3,145,630	\$ 439,069	13%
Total Personnel Expenses	\$ 26,858,575	\$ 3,411,464	
Operating Expenses			
Meetings	\$ 432,855	\$ (0)	0%
Conference Calls	\$ -	\$ (15,000)	0%
Travel	\$ 648,100	\$ 0	0%
Consultants & Contracts	\$ 553,700	\$ (283,849)	-8%
Office Rent	\$ 852,751	\$ 170,167	5%
Office Costs	\$ 1,011,134	\$ (55,613)	-2%
Professional Services	\$ 741,816	\$ 55,901	2%
Miscellaneous	\$ 48,704	\$ (855)	0%
Fixed Asset Additions	\$ 176,900	\$ 66,900	2%
Total Operating Expenses	\$ 4,465,960	\$ (62,349)	
Totals	\$ 31,324,535	\$ 3,349,114	



Budget Reductions in 2024 First Draft

➤ Personnel Costs – Reduced \$348K

- Removed 1 FTE – pushed to 2025
- Stagger start dates over Q1

➤ Travel & Meetings – Reduced \$100K

- Kept flat YOY

➤ Contractors – Reduced \$290K

- Removed Data Analytics contractor
- Remove CIP Lab
- Cut back on additional contractors

➤ Medical – Reduced \$54K

- Staggered medical benefits with hire dates
- 10% increase projected



Assessment Stabilization Analysis

➤ Objective

- Stabilize annual assessments to minimize large fluctuations
- Provide stakeholders with a pragmatic expectation of future assessment changes

➤ Assumptions

- Penalty dollars released on average (without anomalies) \$1,000,000.
- 2025 and 2026 budgets increase based upon projections.
- The Working Capital Reserve does not include the \$1M Operating Reserve.

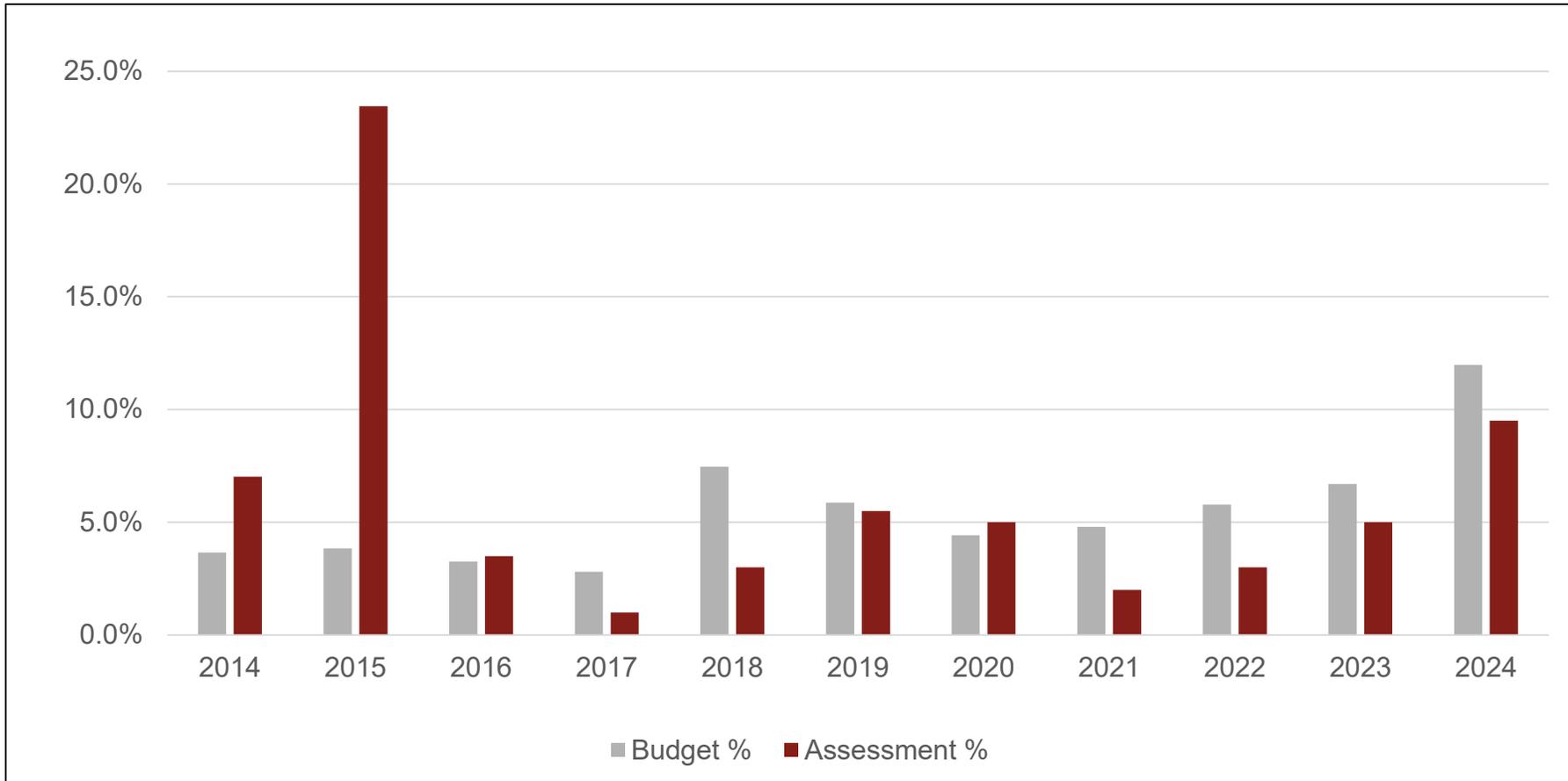


Assessment Stabilization Analysis

	Budget	Budget	Assessment Forecast			
	2023	2024	2025	2026	2027	2028
Projected \$ Budget Increase		3,349,115	1,351,567	1,238,333	1,695,722	1,780,508
Total Budget	27,975,420	31,324,535	32,676,102	33,914,434	35,610,156	37,390,664
Other Adj to Reserve (Lease Incentive)	143,620	143,620	143,620	143,620	143,620	143,620
Adjustments to achieve WC and OR		-	-	-	-	-
Total Funding Required	28,119,040	31,468,155	32,819,722	34,058,054	35,753,776	37,534,284
Projected % Budget Increase	6.70%	12.0%	4.3%	3.8%	5.0%	5.0%
Assessment Increase		2,338,933	1,347,964	1,415,362	1,486,130	1,560,436
Total Assessment	24,620,339	26,959,272	28,307,236	29,722,597	31,208,727	32,769,164
Projected % Assessment Increase	5.0%	9.5%	5.0%	5.0%	5.0%	5.0%
Penalties and Other Funding Sources		963,648	3,050,000	3,050,000	3,050,000	3,050,000
Reduction in reserves for assessment stabilization	-	(3,545,235)	(1,462,486)	(1,285,457)	(1,495,049)	(1,715,120)
Working Capital Reserve at December 31	\$5,837,363	\$2,292,128	\$829,642	(155,816)	(1,350,864)	(2,765,985)



Budget vs. Assessment History



2025 Budget Projection Range: 4.3% - 6.5%

The following is a breakdown of the projected budget ranges for 2025¹.

2025 Lower Range: 4.3%

- Personnel Expense: 4.6%
 - Wages Increase: 4%
 - Medical/Dental Premiums: 6%
 - Hire 1 additional FTE²
- Meeting Expense: 2%
- Travel Expense: 2%
- Operating Expense: 2.5%
- Fixed Assets: \$178,669

2025 Higher Range to Address At-Risk Initiatives: 6.5%

- Personnel Expense: 6.6%
 - Wages Increase: 4%
 - Medical/Dental Premiums: 10%
 - Hire 2 additional FTEs³ (in addition to the 1 FTE from the low range)
- Meeting Expense: 7%
- Travel Expense: 7%
- Operating Expense: 5.4%
- Fixed Assets: \$187,514

Notes:

¹ 2025 projection % increases/(decreases) are compared to the 2024 budget.

² 1 Security Professional in General and Administrative, board approved in 2023 for 2025 Budget.

³ 1 Attorney in Enforcement and 1 Engineer in RAPA.



2026 Budget Projection Range: 3.8% - 8.2%

The following is a breakdown of the projected budget range increases for 2026¹.

2026 Lower Range: 3.8%

- Personnel Expense: 4.0%
 - Wages Increase: 4%
 - Medical/Dental/Vision Premiums: 6%
 - Includes the 1 FTE from the 2025 low projection
- Meeting Expense: 2%
- Travel Expense: 2%
- Operating Expense: 2.9%
- Fixed Assets: \$180,456

2026 Higher Range to Address At-Risk Initiatives: 8.2%

- Personnel Expense: 8.5%
 - Wages Increase: 4%
 - Medical/Dental Premiums: 10%
 - Includes the 3 FTEs from the 2025 high projection
 - Hire 3 additional FTEs ²
- Meeting Expense: 7%
- Travel Expense: 7%
- Operating Expense: 5.4%
- Fixed Assets: \$189,389

Notes:

¹2026 projections % increases/(decreases) are compared to the 2025 low projection.

²1 CIP Auditor, 1 O&P Auditor, and 1 Engineer in RAM.



Business Plan and Budget Approval

➤ Board Action

- The ReliabilityFirst Board of Directors approves the 2024 Business Plan and Budget
- 30-day posting for industry comment and release to NERC, incorporating any changes discussed during the April 27, 2023 Board meeting.

➤ Final Approval

- On or before June 30th, review and approve the final 2024 Business Plan and Budget
- Submitted to NERC for approval



Questions & Answers

Forward Together  **ReliabilityFirst**

Outreach



Outreach Approach and Successes

Brian Thiry, Director of Entity Engagement and External Affairs

April 27, 2023

Cleveland, OH





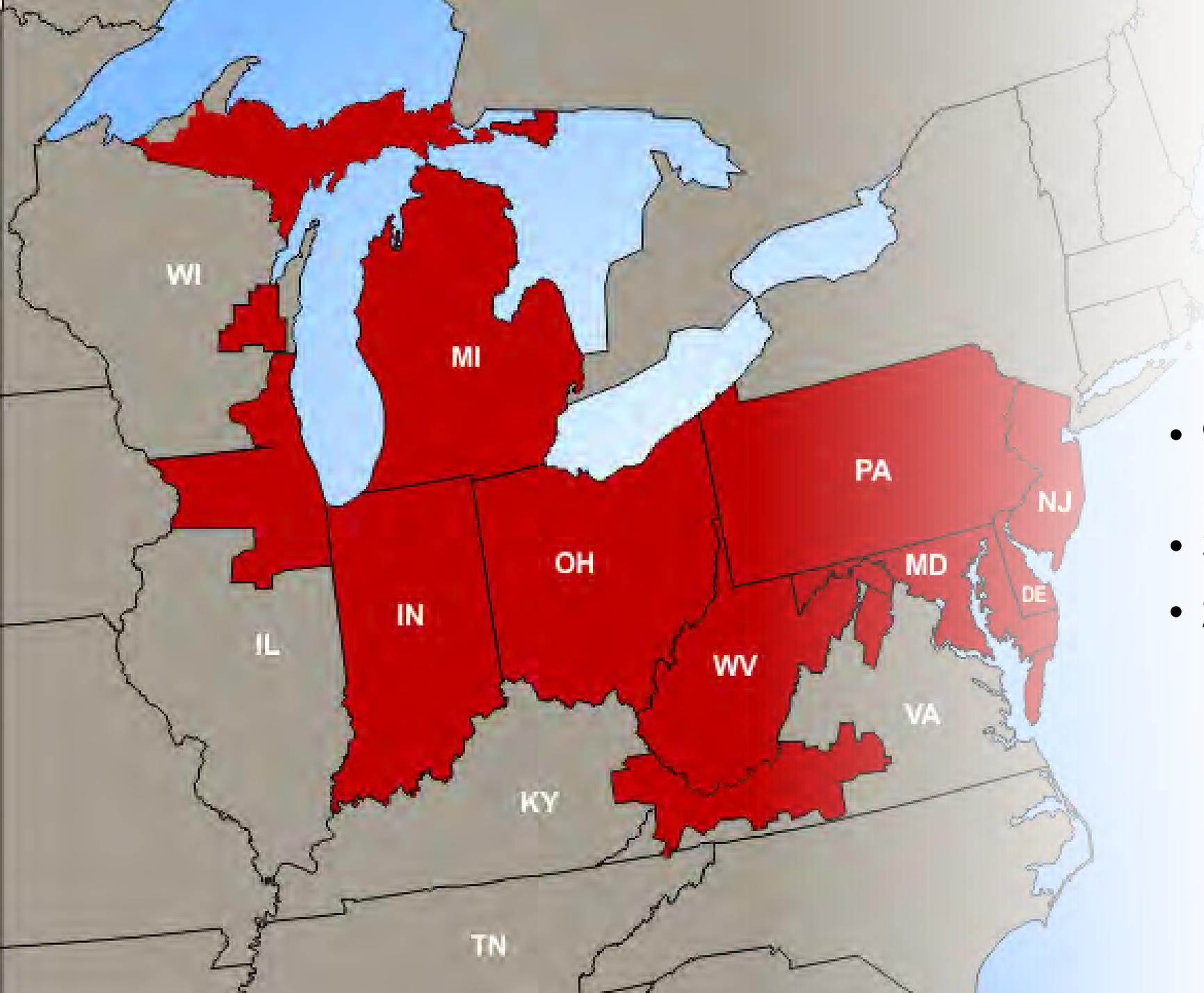
Outreach Activities

- Publications
 - Strategic Plan
 - Annual Report
 - Q1 Newsletter
- *Tech Talk* with RF
- Ohio Security Tabletop
- Internal Controls Workshop
- State Outreach

State Outreach

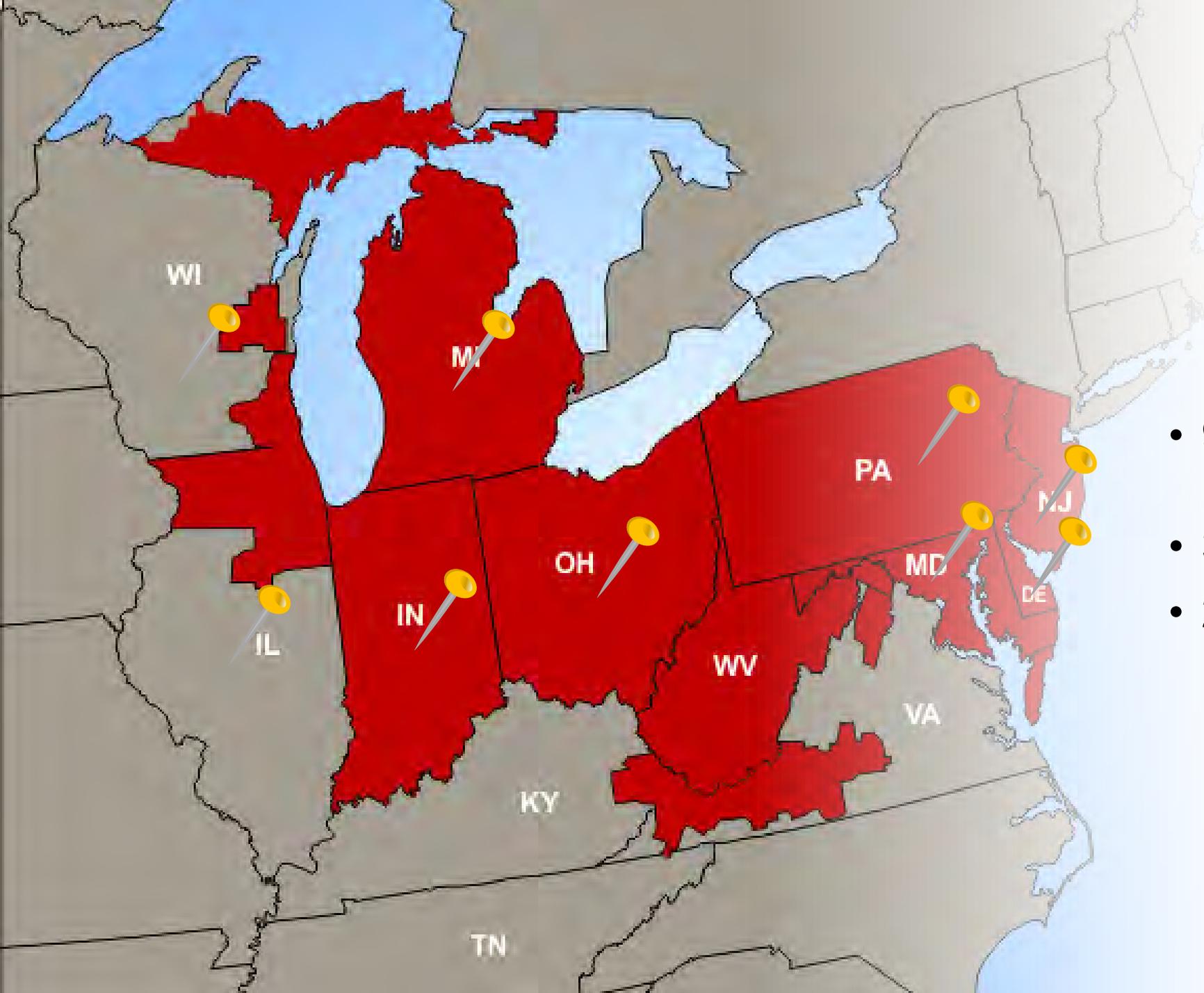
- Meetings with States
- Collaboration with Entities
- State Outreach Task Force ERO Collaboration Group
- Attending Conferences (NARUC, OPSI)
- Pennsylvania and Illinois State Testimonies
- RF State Outreach Webinar
- State Outreach Newsletter (Coming soon!)





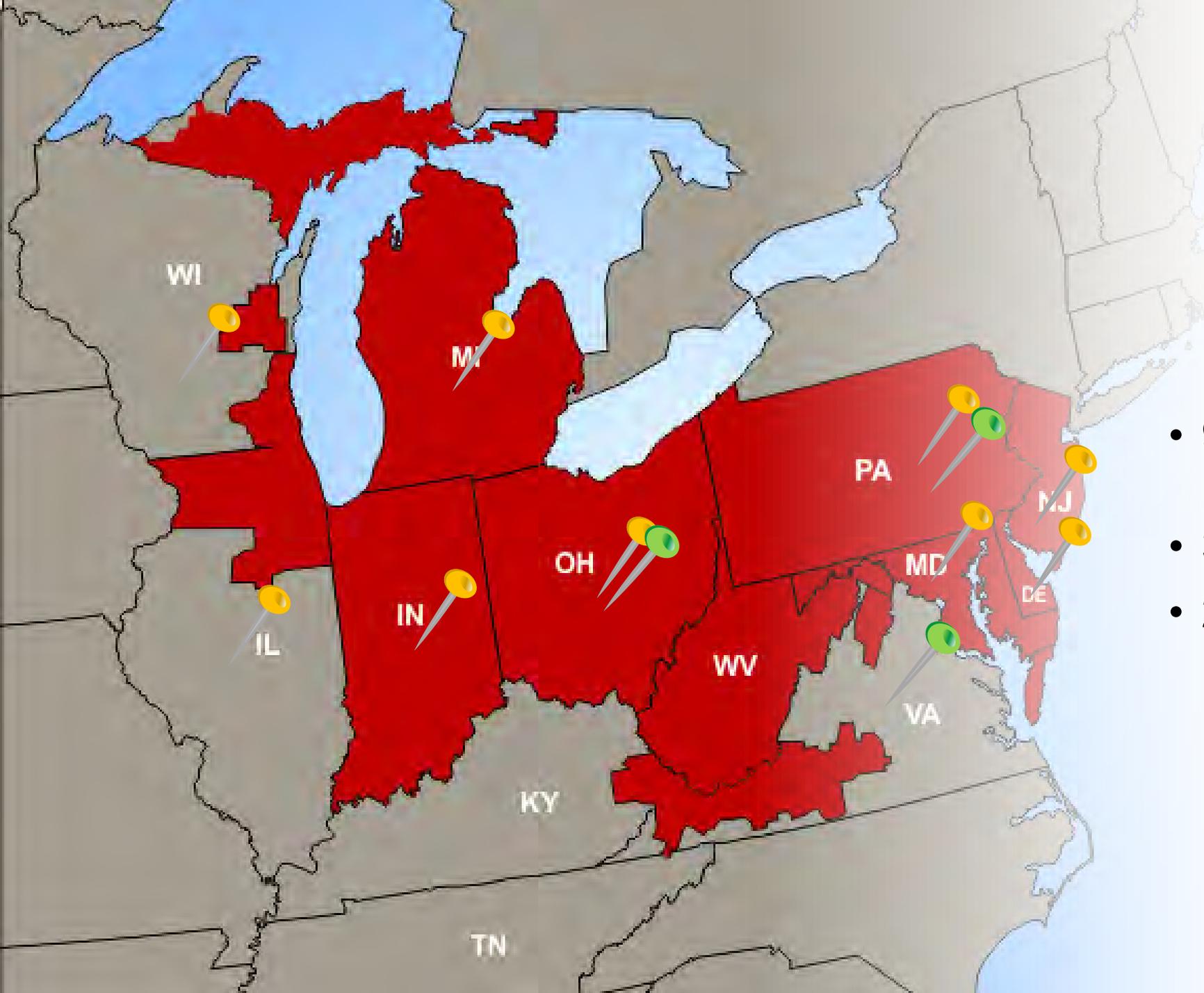
2023 Q1 State Outreach Meetings

- 9 Utility Commissions 
 - 1 – Indiana is upcoming 
- 3 Governor's Offices 
- 2 State Senate Meetings 



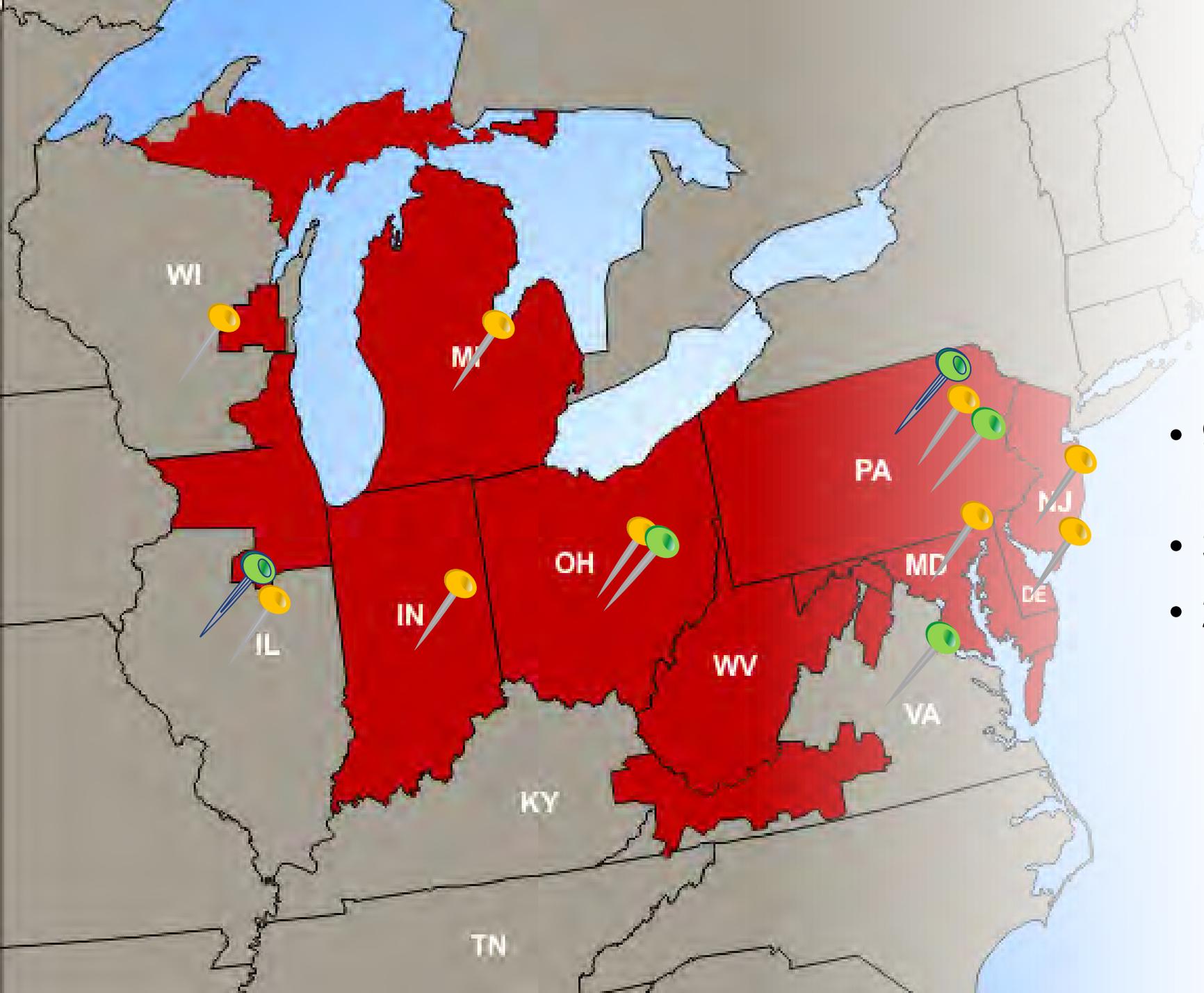
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State Hearings

➤ Pennsylvania Senate Hearing

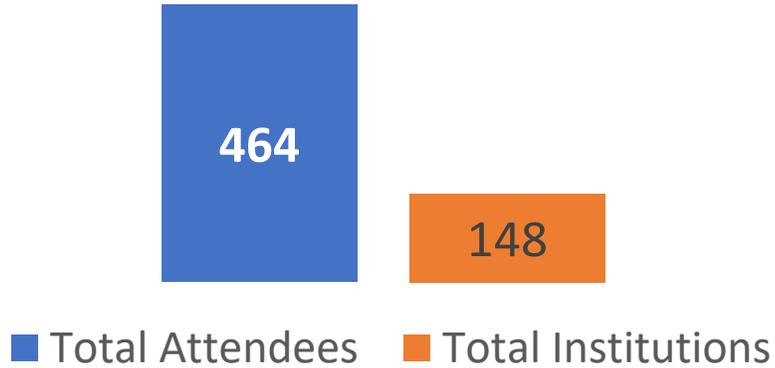
- [Written Testimony](#)
- [Panel Video](#)

➤ Illinois Senate Hearing

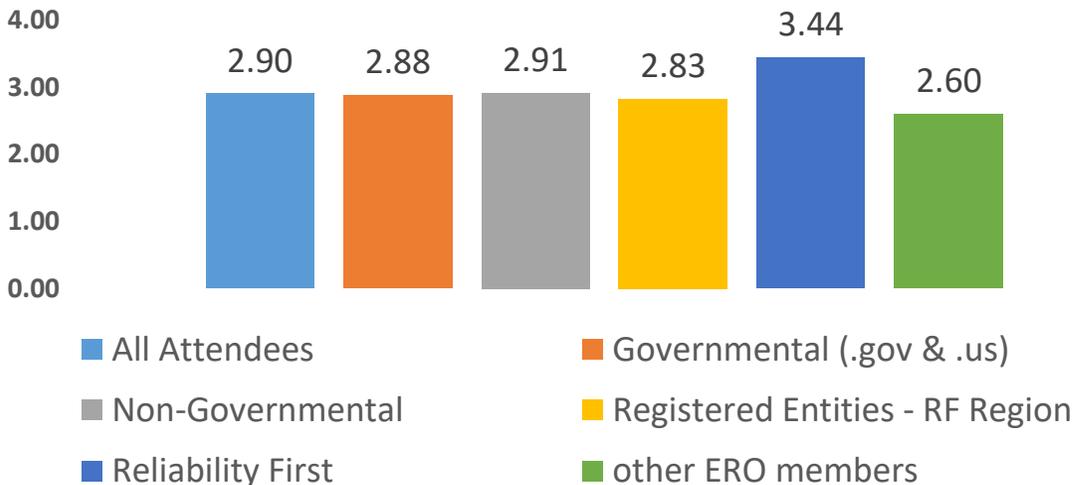


RF State Outreach Webinar

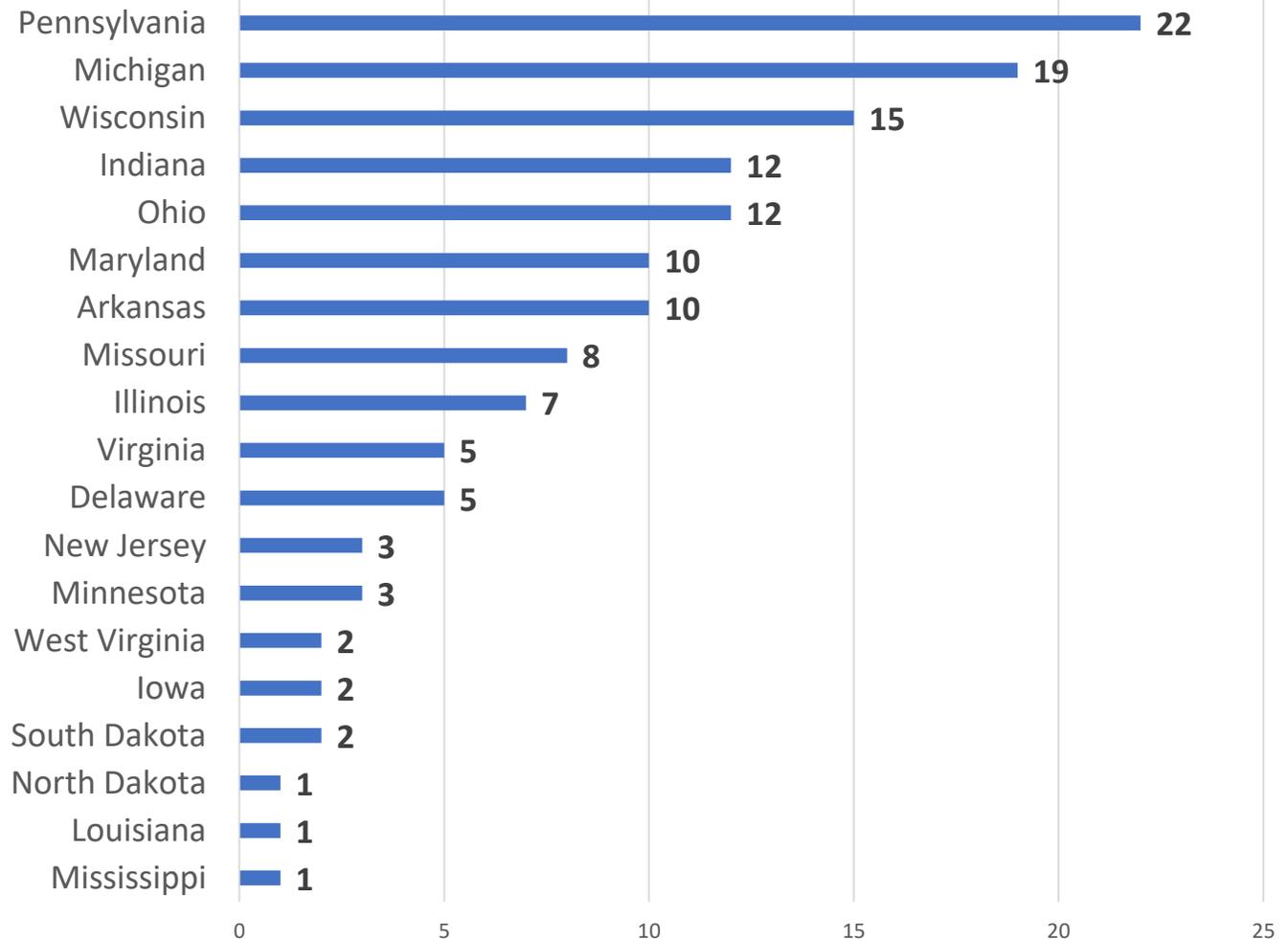
Attendance



Average Duration (hours)



Total Attendees by State Represented



2023 State Outreach Plan



Webinar

Webinar focused on topics relevant to state policy makers



One-on-one meetings

Lead meetings with high priority states



Communication Plan

Develop proactive plan, track touchpoints, inform the RF Board and entities



Attend conferences

RF will be attending technical and regional conferences (MARC, OPSI, OMS etc.)



Comment on policy

When applicable, RF will comment on regulations



ERO SO Committee

Collaborating for consistency and coordination with NERC/Regions

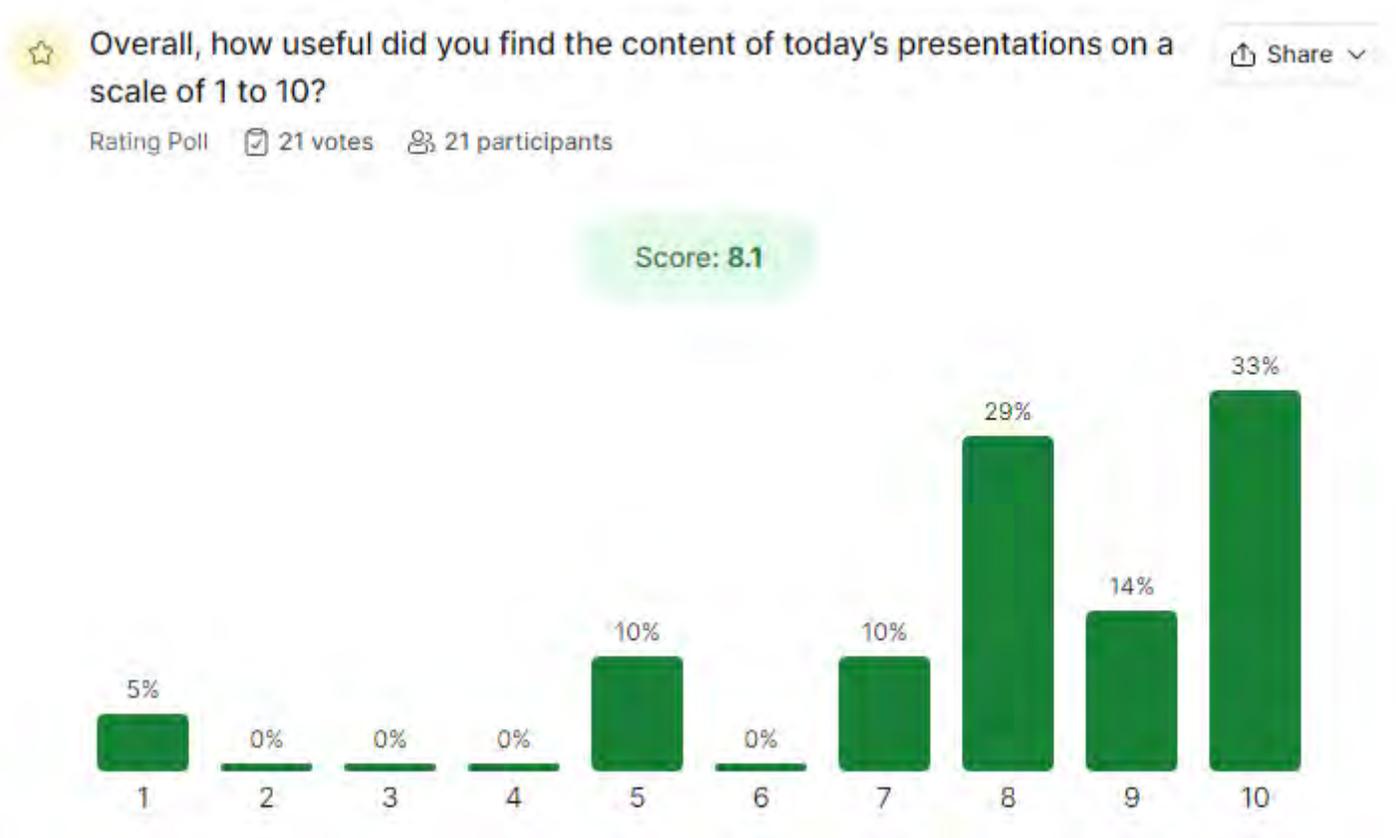
Feedback and Testimonials

➤ Attendance and Participation

➤ Emails from

- States
- Board Members
- Entities
- NERC & FERC

➤ Repeat meetings



Questions & Answers

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Security - redacted

Diversity, Equity and Inclusion



Diversity, Equity and Inclusion Update

Beth Dowdell, Sr. Director, Corporate Services

April 27, 2023

Cleveland, OH



Diversity Strategy



Questions & Answers

Forward Together  **ReliabilityFirst**