



**MIDWEST
RELIABILITY
ORGANIZATION**

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Midwest Reliability Organization

2019 Business Plan and Budget

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Introduction

The following table summarizes the 2019 Midwest Reliability Organization (MRO) budget.

TOTAL RESOURCES (in whole dollars)				
	2019 Budget	U.S.	Canada	Mexico
Statutory FTEs	59.00			
Non-statutory FTEs				
Total FTEs	59.00			
Statutory Expenses	\$ 16,361,354			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 16,361,354			
Statutory Inc(Dec) in Fixed Assets	\$ (381,000)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (381,000)			
Statutory Working Capital Requirement	\$ (449,432)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (449,432)			
Total Statutory Funding Requirement	\$ 15,530,922			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 15,530,922			
Statutory Funding Assessments	\$ 15,471,669	\$ 13,914,273	\$ 1,557,396	-
Non-Statutory Fees				
NEL	485,380,880	436,708,281	48,672,599	-
NEL%	100.00%	89.97%	10.03%	0.00%

Table 1. MRO 2019 Budget

Organizational Overview

MRO is a Delaware nonprofit¹ corporation that is a cross-border Regional Entity² operating under a delegation agreement (Delegation Agreement) with the North American Electric Reliability Corporation (NERC)³ and in accordance with the MRO Bylaws. After the integration of registered entities from the SPP RE Region, the MRO Region will cover central North America and includes

¹ MRO is tax exempt under Internal Revenue Service Section 501(c)(3) and under applicable State of Minnesota provisions.

² 16 U.S.C. § 824o(a)(7)

³ The Commission certified NERC as the electric reliability organization ("ERO") in accordance with Section 215 of the Federal Power Act on July 20, 2006. *N. Am. Elec. Reliability Corp.*, 116 FERC ¶ 61, 062 (2006) ("ERO Certification Order"), *order on reh'g and compliance*, 117 FERC ¶ 61, 126 (2006), *aff'd sub nom. Alcoa Inc. v. FERC*, 564 F.3d 342 (D.C. Cir. 2009).

all or portions of 16 states within the United States,⁴ and the Saskatchewan and Manitoba provinces in Canada. MRO's Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC)⁵ pursuant to FERC's authority under the Federal Power Act (FPA)⁶ and is effective through December 31, 2020.

MRO's Vision is:

"A highly reliable and secure North American bulk power system."

MRO's mission is:

"To identify, prioritize and assure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system by promoting Highly Effective Reliability Organizations (HEROs)."

MRO's vision and mission align with, and support, the Electric Reliability Organization (ERO) Enterprise's⁷ vision and mission.⁸

Further, MRO supports the ERO Enterprise Long-Term Strategy,⁹ the ERO Enterprise Operating Plan¹⁰, and, as applicable, the ERO Enterprise Metrics¹¹. In addition, working closely with registered entities and subject matter experts in the MRO Region, MRO continually identifies and assesses risks to reliability of the regional bulk power system. Region-specific activities to support the ERO Enterprise direction and address regional risks are reflected in MRO's Strategic Plan and Metrics.¹²

⁴ The MRO Region covers Oklahoma, Kansas, Nebraska, Iowa, Wisconsin, Minnesota, North Dakota and South Dakota, and portions of New Mexico, Texas, Louisiana, Arkansas, Missouri, Illinois, Michigan, and Montana.

⁵ *Order Conditionally Approving Revised Pro Forma Delegation Agreement and Revised Delegation Agreements with Regional Entities* 153 FERC ¶61,135 (November 2015); *Letter Order Accepting Compliance Filing* (March 2016). Revision to the MRO Delegation Agreement is pending FERC approval of the *Joint Petition of the North American Electric Reliability Corporation for Approvals in Connection with the Dissolution of the Southwest Power Pool Regional Entity* (March 2018), which will revise the MRO footprint to address MRO's consolidation with the SPP RE Region.

⁶ 16 U.S.C. 824 o (e)(4)

⁷ The ERO Enterprise refers to NERC and the Regional Entities collectively.

⁸ MRO expands upon the ERO Enterprise mission statement *"To assure the effective and efficient reduction of risks to the reliability and security of the grid"* adding the concepts of identifying and prioritizing mitigation of risks and to include the Highly Reliable Organization (HRO) theories, which MRO brands as "HERO." Although this is not explicitly included in the ERO Enterprise mission statement, NERC also promotes the HRO theories.

⁹ ERO Enterprise Long-Term Strategy as approved by the NERC Board of Trustees November 9, 2017.

¹⁰ ERO Enterprise Operating Plan as approved by the NERC Board of Trustees November 9, 2017. The ERO Enterprise Operating Plan, guided by the long-term strategy, identifies the ERO Enterprise's vision, mission, core principals, and goals, and provides a list of key contributing activities by the combined ERO Enterprise, NERC, and the Regional Entities as applicable to inform a rolling three-year operational planning horizon. The operating plan is reviewed biennially, in the same year the Reliability Issues Steering Committee (RISC) reviews and updates its report, and is updated as needed.

¹¹ The ERO Enterprise Metrics were updated by the NERC Board on February 8, 2018. The 2018 ERO Enterprise Metrics, absent any unforeseen reliability issues or changes in priorities, are projected to remain relatively stable from year to year and are used for the purposes of projecting budget requirements.

¹² The MRO Strategic Plan and Metrics (March 2018) were approved by the MRO Board of Directors on April 5, 2018. The MRO Strategic Plan and Metrics align with the ERO Enterprise Operating Plan and ERO Enterprise Metrics and, absent any unforeseen reliability issues or changes in priorities, are projected to remain relatively stable from year to year and are used for the purposes of projecting budget requirements.

In the MRO Strategic Plan, MRO adopted the ERO Enterprise Core Principles¹³ to guide its conduct and behaviors. These principles incorporate the MRO themes of clarity, assurance, and results.

MRO Core Principles

We are accountable for results, providing clarity and assurance of procedures, processes and controls to improve the reliability of the bulk power system. The following core principles guide our conduct and behavior:

- **Accountability**
 - *Maintain the public trust in fulfilling responsibilities and use our funding wisely.*
 - *Act in a timely manner on the basis of facts to address issues related to events, emerging reliability risks, the needs of stakeholders, and the public interest.*
- **Independence**
 - *Be impartial, objective, fair, and intellectually honest.*
 - *Ensure governance practices that provide both regulatory independence and inclusion of stakeholder expertise to address reliability and security matters.*
- **Inclusiveness and Transparency**
 - *Create opportunities for stakeholder engagement.*
 - *Consider and balance the diverse interests of all stakeholders, including costs imposed to the consumer.*
 - *Leverage industry expertise and avoid unnecessary duplication.*
- **Innovation**
 - *Assess emerging risks and adapt to change.*
 - *Encourage new ideas and prioritize efforts that contribute to improving productivity and reliable operations.*
- **Excellence**
 - *Strive for operational excellence by being rigorous, accurate, and exacting.*
 - *Promote the active participation of the best technical experts.*
 - *Make informed decisions regarding efficient use and allocation of resources.*
- **Integrity**
 - *Maintain the highest levels of ethical conduct.*
 - *Maintain respectful relationships.*
 - *Protect the security of confidential information.*

Membership and Governance

MRO membership consists of members and adjunct members.¹⁴ Adjunct members are entities that are not eligible to belong to an industry sector but have a material interest in reliability issues in the MRO Region. In mid-2018, MRO had 57 members and 6 non-voting adjunct members, which are projected to increase through the remainder of 2018 and 2019 as entities that were transferred to MRO from the SPP RE become members. Each member organization belongs to one of seven industry sectors:

- Transmission System Operators

¹³ MRO enhanced the ERO Enterprise Core Principles with three additions: 1) the addition of accountability for clarity, assurance, and results; 2) an addition to articulate using funding wisely; and 3) a description of how to strive for operational excellence.

¹⁴ Membership is voluntary and provides members with voting rights. There is no fee for membership.

- Generators and Power Marketers
- Investor Owned Utilities
- Cooperatives
- Municipal Utilities
- Federal Power Marketing Agencies
- Canadian Utilities

Members are encouraged to participate in MRO organizational groups.

MRO's Board of Directors is a combination of independent and stakeholder directors. In 2019 the MRO board will consist of 17 directors elected by members from the 7 industry sectors, plus 4 independent directors and 2 regional directors elected by all members. This is an increase of 4 board members from 2018. Pursuant to MRO's Bylaws, no two industry sectors can control a vote. In addition, the board has adopted procedures to ensure it carries out its responsibilities free of conflicts of interest.

The board's duties include, but are not limited to, the following:

- Govern the corporation and oversee all of its activities
- Establish and oversee all organizational groups
- Oversee accomplishment of all functions set forth in any delegation or other agreement with NERC or any governmental entity related to development, monitoring, and enforcement of Reliability Standards and related matters
- Approve, revise, and enforce member data and information requirements and related confidentiality requirements
- Establish and approve an annual budget
- Represent MRO in legal and regulatory proceedings
- Hire the President and CEO
- Establish board committees as necessary

The board has four committees:

- Dispute Resolution Committee
- Finance and Audit Committee
- Governance and Personnel Committee
- Hearing Body Committee

The Hearing Body fulfills the obligations to conduct hearings, a mandated function under NERC's Compliance Monitoring and Enforcement Program (CMEP) Hearing Procedures.¹⁵ The board makes no determinations on compliance or enforcement matters.

The board has established five primary organizational groups comprised of stakeholder members:

- Compliance Committee
- Operating Committee
- Planning Committee
- Security Advisory Council

¹⁵ Approval of revisions to the NERC Rules of Procedure to incorporate ERO Uniform Hearing Procedures is pending with FERC in Docket No. RR17-2-000. FERC's approval of these procedures may change the structure of this committee.

- Standards Committee

Each organizational group's charter is published on MRO's website. Board-approved *Policy and Procedure 3: Establishment, Responsibilities, and Procedures of Organizational Groups and MRO Representation on NERC Committees* sets out the processes for the organizational groups.

Business Plan and Budget Development

Each year, MRO prepares an annual Business Plan and Budget for the following calendar year. The Business Plan and Budget takes into account the ERO Enterprise Long-Term Strategy, the ERO Enterprise Operating Plan, the ERO Enterprise Metrics, and the MRO Strategic Plan and Metrics. MRO staff develops the Business Plan and Budget with board and stakeholder input. The Business Plan and Budget process is a coordinated effort with NERC and the other Regional Entities.

The draft Business Plan and Budget is reviewed by the MRO Finance and Audit Committee (FAC) and the board, and is subsequently posted for stakeholder comment. After consideration of stakeholder comments but prior to obtaining final approval from its Board of Directors, MRO seeks NERC input. The MRO board considers the final version of the Business Plan and Budget at its June meeting, and upon approval, staff submits it to NERC for approval by NERC's Board of Trustees. Upon approval of NERC's Business Plan and Budget and all seven Regional Entities' Business Plans and Budgets, a filing is submitted to FERC for approval, which is obtained in October or November of the year preceding the budget year.

Financial Policies and Controls

An independent auditing firm annually audits MRO's financial statements. The FAC Charter states: "The FAC evaluates the performance of the external auditor and, if so determined, recommends to the board the reappointment of the external auditor or steps to replace the external auditor. Once hired, the independent auditor communicates directly with the FAC Chair and committee regarding audit matters." The FAC and MRO staff perform an annual review of the auditing firm's performance.

MRO's Purchase Requisition Policy and Contract Management Procedure govern the procurement of goods and services in excess of \$500. These protocols require that a purchase order be approved by MRO's Vice President Finance and Administration and the departmental vice president for all purchases in excess of \$500. Additionally, purchases in excess of \$10,000 must be approved by MRO's President and CEO.

MRO's Expense Statement Guidelines provide guidance on reasonable, reimbursable travel expenses. Expenses are reviewed for proper documentation and reasonableness by the employee's supervisor, the Accounting Specialist, and MRO's Vice President Finance and Administration.

MRO utilizes a system to track and report time by program area, project, and registered entity, when applicable. This system is also used to report and approve expenses.

In addition to its operating expenses, MRO's budget includes a cash reserve as specified in *Policy and Procedure 13: Operating and Working Capital Reserves Policy*.

Accounting and Recordkeeping

MRO uses Generally Accepted Accounting Principles (GAAP) to budget, and uses a Chart of Accounts based on NERC's System of Accounts, as required in the Delegation Agreement. Additionally, MRO maintains an accounting manual to provide instructions to its accounting staff on accounting transactions and functions. MRO maintains its books on an accrual basis with monthly closings, recognizing revenues when earned and expenses when incurred. The majority of MRO expenses are labor and benefit costs. General and Administrative costs are allocated to each MRO program area based on the number of full-time equivalents (FTEs) in each program area.

Organizational Structure and Staffing

MRO has four statutory departments, each of which is dedicated to one or more statutory functions or program areas, and four general and administrative departments. Costs are tracked both by department and in the MRO Chart of Accounts. MRO employees track the time spent working in each program area, and labor costs are charged to the appropriate program area.

Statutory Departments

- The Compliance Monitoring Department encompasses MRO's oversight activities (including the development of Compliance Oversight Plans and conducting oversight activities such as audits, spot checks, and self-certifications). This department also manages Regulatory Affairs related to Canada, and is managed by a vice president.
- The Risk Assessment and Mitigation (RAM) Department and the Registration and Reliability Standards Department report to one vice president. These groups are responsible for risk assessments used to plan MRO's compliance activities; determine risk and evaluate mitigation of noncompliance; and support registration and certification of registered entities. These groups also lead MRO's outreach efforts to registered entities to support compliance, reliability, and security.
- The Enforcement Department is responsible for the disposition and enforcement of noncompliance with Reliability Standards and is managed by a vice president.
- The Operations Department is responsible for reliability assessment, performance analysis, event analysis, situational awareness, infrastructure security, IT, and event planning functions. This department is managed by a vice president.

General and Administrative Departments

- The Information Technology Department is responsible for providing a secure network infrastructure, and information technology systems that support the users. Systems include cyber and physical security. This department reports to the vice president of operations.
- The Legal Department is led by the Vice President, General Counsel, Corporate Secretary and Director of External Affairs who provides legal advice to MRO, serves as the corporate secretary, and leads MRO's communications efforts and external affairs function.
- The Finance and Administration Department performs human resources, accounting, finance, budget, and treasury functions and is managed by a vice president.
- The General and Administrative Department reports to MRO's President and CEO and includes normal administrative functions for the president and CEO of the organization.

Compensation Process and Standards of Conduct, Confidentiality, and Conflict of Interest Policies

MRO bases employee compensation on eight pay principles. The current compensation structure uses a five-tiered structure with each tier divided into four scales reflecting experience and degree of knowledge, skills and abilities. MRO periodically engages a third party compensation expert to review this structure.

Each MRO employee is required to annually sign a Standards of Conduct, Confidentiality and Conflict of Interest form, attesting that he or she has read and understood these policies and will always act in MRO's interests and avoid conduct that may compromise his or her MRO responsibilities. MRO employees are prohibited from having a financial interest in any registered entity and must avoid any financial ownership interests that will or might compromise their responsibilities to MRO.

2019 Strategic Priorities

The MRO board has established three strategic priorities for MRO staff in 2019:

- Integrate new SPP RE registered entities into MRO¹⁶
- Perform quality execution of NERC-delegated functions including oversight, analysis, and assessment for the entire expanded MRO footprint
- Align with the ERO Enterprise and provide support to the ERO Enterprise goals

Integrate new registered entities. Integration of new registered entities follows MRO principles, and MRO will be actively working to ensure that all of the new registered entities have the opportunity to consider membership in the Region, get to know the MRO staff, be included in stakeholder committees, and have opportunities to share their expertise with MRO staff and other stakeholders in the Region.

Perform quality execution of NERC-delegated functions. MRO will continue to identify, prioritize, and ensure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system during the integration of newly registered entities into the Region. MRO must continue to conduct high-quality execution of its delegated functions pursuant to its principles for all MRO registered entities, including CMEP activities, event analysis, performance analysis, and reliability assessments. This will encompass working with the new registered entities to understand their strengths and vulnerabilities, while continuing to provide the previously registered MRO entities with the same quality of service and oversight as in previous years. MRO expects to learn practices and approaches from, as well as share these with, the new registered entities.

Align with ERO Enterprise. MRO is aligned with the ERO Enterprise and will continue to provide support to the ERO Enterprise goals. To that end, MRO supports the ERO Enterprise Long-Term Strategy, the ERO Enterprise Operating Plan and, as applicable to Regional Entities, the ERO Enterprise Metrics. This is reflected in the MRO Strategic Plan and Metrics that was approved by the MRO board in April 2018. The ERO Enterprise Long-Term Strategy identifies six focus areas that guide MRO's 2019 activities:

1. Achieve and Maintain Risk-Based Operations;
2. Be More Effective and Efficient;

¹⁶ This includes entities that were previously registered in the SPP RE Region as well as any other newly registered entity in the MRO Region.

3. Identify and Assess Emerging Risks;
4. Promote Leading Security Practices, Information Sharing and Analysis, and Resilience;
5. Knowledge Transfer and Effective Communications; and
6. Strengthen Engagement across North America.

2019 Key Strategic Goals and Metrics

MRO's 2019 Business Plan and Budget and MRO's Strategic Plan and Metrics reflect NERC and the Regional Entities' collaborative development of the ERO Enterprise Long-Term Strategy and the ERO Enterprise Operating Plan. The ERO Enterprise Long-Term Strategy looks ahead five to seven years to examine how changes in the industry and reliability ecosystem will affect how the ERO Enterprise achieves its vision and mission in the future. The ERO Enterprise Operating Plan is guided by the Long-Term Strategy and identifies the ERO Enterprise's vision, mission, core principles, and goals, and provides a list of key contributing activities to be performed by NERC or the Regional Entities, as applicable, to inform a rolling three-year operational planning horizon.¹⁷ MRO's business and strategic planning incorporate the ERO Enterprise Operating Plan goals, which are:

1. Risk-responsive Reliability Standards;
2. Objective, risk-informed compliance monitoring, mitigation, enforcement, and entity registration;
3. Reduction of known reliability risks;
4. Identification and assessment of emerging reliability risks;
5. Identification and reduction of cyber and physical security risks; and
6. Effective and efficient ERO Enterprise operations.

MRO has also adopted the ERO Enterprise Metrics as provided in the MRO Strategic Plan, which modifies the generic Key Regional Entity Contributing Activities to specific activities for MRO. Specific measures are included below for each MRO function, as indicated.

Metric 1: Fewer, less severe events (supports ERO Operating Plan Goals 1-5)

- Reliability Assessments and Performance Analysis
- Situation Awareness and Infrastructure Security Program

Metric 2: No gaps in Reliability Standards and compliance monitoring (supports ERO Enterprise Operating Plan Goals 1–3)

- Reliability Standards
- Situation Awareness and Infrastructure Security Program

Metric 3: Any resource deficiencies are foreseen (supports ERO Enterprise Operating Plan Goals 1, 3, and 4)

- Reliability Assessments and Performance Analysis
- Situation Awareness and Infrastructure Security Program

Metric 4: Reduced reliability risk from unauthorized physical or electronic access (supports ERO Enterprise Operating Plan Goals 1–3 and 5)

- Situation Awareness and Infrastructure Security Program

¹⁷ The operating plan is reviewed biennially and updated as needed.

Metric 5: Reduced reliability risk from noncompliance (supports ERO Enterprise Operating Plan Goals 1 and 2)

- Compliance Monitoring and Enforcement Program

Metric 6: Reduced risks in targeted areas (supports ERO Enterprise Operating Plan Goals 1–4)

- Reliability Assessments and Performance Analysis

Metric 7: ERO Enterprise's efficiency and effectiveness (supports ERO Enterprise Operating Plan Goal 6)

- Human Resources, Finance and Accounting

2019 Overview of Cost Impacts

In developing the MRO 2019 Business Plan and Budget, MRO, NERC, and the other Regional Entities collaborated and agreed upon a common set of goals and contributing activities that are documented in the ERO Enterprise Operating Plan. These replace the previous common operational and program assumptions contained in the Shared Business Plan and Budget Assumptions for the 2016-2019 Planning Period (2018 Budget Cycle).¹⁸ MRO adopted the ERO Enterprise goals, and modified the contributing activities and metrics to be applicable to the MRO Region in the MRO Strategic Plan. These activities, as well as the impact of the 2018 integration of new registered entities from the SPP RE dissolution into the MRO Region, were considered in developing the 2019 Business Plan and Budget.

The SPP RE dissolution and the increase in costs to integrate the 98 registered entities into the ongoing Regional Entity activities in the MRO Region¹⁹ is the largest impact, and is a significant increase, to the 2019 MRO budget. However, the consolidation provides an estimated 23 percent total budget reduction to the ERO Enterprise. Comparatively:

- The total 2018 budget for MRO and 84% of the 2018 budget for SPP RE²⁰ was \$20.8m
- The total 2019 MRO budget is \$16.0m
- Cost savings from the total of the 2018 budgets for MRO and SPP RE to the MRO 2019 budget is \$4.8m, or a 23 percent reduction²¹

As a result of the budget savings for the ERO Enterprise, load serving entities (LSEs) will save on Net-Energy-for-Load (NEL) based assessments. In 2018, MRO's statutory assessment (\$10.7m) and 84 percent of the 2018 SPP RE statutory assessment (\$8.2m.)²² totaled \$18.9m. The 2019 MRO Region assessment is \$15.5m, a savings of \$3.4m. This translates to a savings

¹⁸ Exhibit A to the NERC 2018 Business Plan and Budget.

¹⁹ This does not include the one-time transition costs.

²⁰ Eighty-seven percent of the total SPP RE 2018 budget was used for these comparisons to account for 14 out of 123 SPP RE registered entities transitioning into the SERC Region, and the resulting difference in NEL going to MRO and SERC.

²¹ This is a comparison from the total of the 2018 MRO budget plus 84 percent of the 2018 SPP RE budget to the 2019 MRO budget, so is a year over year comparison. It does not consider the full savings of consolidation within the same year; in this instance the increases each Region would have required for 2019 was not considered in the comparison. Had each of the individual MRO and SPP RE budgets increased by three percent, the savings to the 2019 MRO budget would be \$5,436,456 or 25 percent.

²² Eighty-seven percent of the SPP RE 2018 statutory assessment was used for these comparisons to account for 14 of 123 SPP RE registered entities transitioning into the SERC Region.

of 14.6 percent (for incumbent LSEs in MRO) or 22.8 percent (for LSEs formerly in SPP RE) on Net-Energy-for-Load (NEL) based assessments:

- In 2018, LSEs in MRO had an assessment of \$0.037090915 per MWh of NEL and LSEs in SPP RE had an assessment of \$0.041074045 per MWh of NEL.
- In 2019, LSEs in MRO will have a \$0.031875316 per MWh of NEL assessment. This is a:
 - 14.6 percent decrease per MWh of NEL for LSEs that were in MRO in 2018
 - 22.8 percent decrease per MWh of NEL for LSEs that were in SPP RE in 2018

Comparisons between the 2019 budget for MRO, which includes a 86.7 percent increase in the number of registered entities (113 to 211 registered entities), and the 2018 budget for MRO are not meaningful. However, overall the MRO 2019 budget (\$16.0m), with 98 additional registered entities, increased by 36.3 percent from the MRO 2018 budget (\$11.7m). The MRO 2019 assessment (\$15.5m) represents an increase of 44.9 percent from the MRO 2018 assessment (\$10.7m). A year-over-year comparison illustrates the efficiencies achievable by a larger organization. In 2019 for MRO:

- The number of registered entities increased by 86.7 percent
- Staff increased by 31.1 percent
- Budget increased by 36.3 percent
- Total amount of assessments increased by 44.2 percent

Other significant statutory expense changes (including capital expenditures) in MRO's 2019 budget compared to its 2018 budget include:

- **Impact of 2018 Transition Costs on the 2019 Budget.** MRO's one-time costs²³ due to the transition of new entities into MRO in 2018 is estimated at \$1.5m, which will not have a direct impact on the overall 2019 budget, as it is projected to be offset by transferring 2018 funding from SPP RE. The MRO board has determined that MRO will be able to recover the transition costs through receipt of MRO's allocated share of the SPP RE assessments from the second half of 2018. It is anticipated that the SPP RE assessments for the second half of 2018 allocated to MRO, less SPP RE wind-down expenses, will exceed the estimated MRO 2018 transition costs of \$1.5m. NERC will determine the use of any funds remaining after SPP RE wind-down costs and MRO and SERC transition costs have been reimbursed. MRO's estimated 2018 SPP RE-related transition costs and transition funding is reflected in the "2018 Projection" columns of tables and schedules in this Business Plan and Budget.
- **Increase in FTEs.** MRO intends that, although the number of registered entities in the Region is approximately doubling due to the SPP RE dissolution, MRO staff increases would be held to a minimum, with a re-evaluation of required resources in 2019. This resulted in a projected 31.1 percent increase in staff and a 36.1 percent increase in statutory expenses in 2019 from the 2018 budget, as compared to the 86.7 percent increase in registered entities.

The increase in staff reflects MRO's expectation to integrate the transferred SPP RE registered entities with an increase of 14 FTEs. This is an increase of two FTEs from the NERC-MRO-SERC joint filing with FERC regarding the dissolution of the SPP RE, which stated that MRO intended to add up to 12 FTEs to accommodate the increased

²³ MRO will incur an increase in statutory expenses for ongoing operating costs which are reflected in the 2019 budget and discussed in the previous section.

workload.²⁴ The additional FTE will provide administrative assistance in Operations. MRO is also adding another FTE dedicated to a new Infrastructure Security Department to manage non-CMEP cyber and physical security activities, which was unrelated to the transition. MRO will continue to critically evaluate staffing needs as it creates efficiencies and adjusts to increased responsibilities with the increased number of registered entities and as it continues to maintain a strong level of support for the ERO Enterprise goals and metrics.

In 2019, total personnel expenses are increasing by 35.1 percent from the 2018 budget. Salary expenses increase by 34.2 percent from the 2018 budget due to the 14 additional FTEs and an overall average salary increase for existing employees of 3 percent. The benefits expense is increasing 40.1 percent, mainly due to the additional FTEs and also because health plan expenses are trending at a 6 percent increase according to actuarial studies.

- **Increase in Workload Requiring Contractor Support.** Workload increases due to the integration of 98 entities into the MRO Region have been addressed through the increase of 14 FTEs. The additional FTEs will be needed for the increase in the number of oversight activities, as well as mitigation and disposition processing for any noncompliances. However, there will be additional work to fully integrate the newly registered entities into the MRO Region, such as conducting Inherent Risk Assessments (IRAs), developing Compliance Oversight Plans (COPs) and including entities in the Self-Logging Program. Further, MRO has committed to supporting the ERO Enterprise's goals and metrics, which will require dedication of personnel to these activities. Examples include participation in the CMEP Technology Project and the Standards Efficiency Review (SER). The 2019 Consultants and Contracts budget has a projected increase of 105.6 percent from the 2018 budget to address the increase in workload while MRO assumes the initial transition work and evaluates the need for additional FTEs. This increase also contributes to the increase in information technology expenses as discussed below.
- **Increase in Travel.** Total Meeting and Travel expenses are increasing by 40.3 percent from the 2018 budget, primarily related to the transition of registered entities from SPP RE and MRO's commitment to support ERO Enterprise goals, as described in the statutory function sections below. MRO is projecting travel for increased efforts in outreach, an increased number of oversight activities (including nearly triple the number of audits - there are 34²⁵ anticipated in 2019 compared to 12 MRO-led audits in 2018), additional working group activities, and additional registered entity visits in 2019. There is some offset to these costs as member travel is decreasing due to greater utilization of webinars and video conferencing.
- **Increase in Information Technology Expenses.** There is an increase in the cost of MRO's current CMEP database support contract, as MRO's contract is based on the number of entities supported. With the integration of 98 registered entities, MRO's monthly costs will increase.
- **Increase in Operating Expenses.** Total Operating Expenses are increasing by 38.3 percent from the 2018 budget. The Consultants and Contracts category is increasing by

²⁴ *Joint Petition of the North American Electric Reliability Corporation, Midwest Reliability Organization, and SERC Reliability Corporation for Approvals in Connection with the Dissolution of the Southwest Power Pool Regional Entity*, Docket No. RR18-3-000 (March, 2018).

²⁵ The increase in the number of audits reflects both a larger number of registered entities and the implementation of more frequent, smaller scope oversight under the risk-based approach to compliance monitoring.

\$565k, \$400k of which is for CMEP consulting in the event that the increased number of FTEs is inadequate to handle the increased workload resulting from the addition of 98 registered entities. Office Costs, which are projected to be higher than budget in 2018 to accommodate the new FTEs, are expected to be lower in 2019 than 2018 actual costs, with a 36.6 percent increase in 2019 from the 2018 budget.

Other Non-Operating Expenses

None

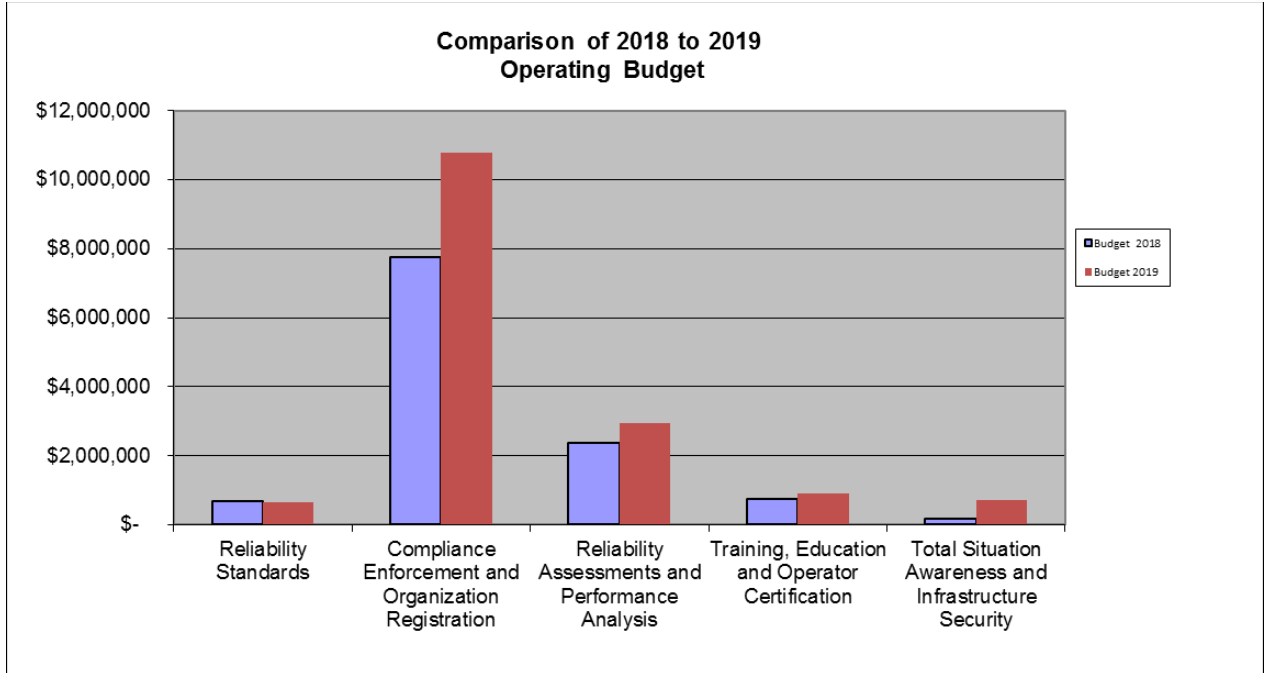
Comparison of 2018 and 2019 Statutory Budgets

The following table and figure summarize and illustrate the MRO budget by program area.

Base Operating Budget	2018 Budget	2018 Projection	2019 Budget	Variance	
				2019 Budget v 2018 Budget	Variance %
Reliability Standards	696,449	676,906	657,230	(39,219)	-5.6%
Compliance Enforcement and Organization Registration	7,756,470	9,102,498	10,763,709	3,007,239	38.8%
Reliability Assessments and Performance Analysis	2,361,808	2,557,764	2,955,071	593,263	25.1%
Training, Education and Operator Certification	753,932	733,514	897,792	143,860	19.1%
Total Situation Awareness and Infrastructure Security	158,078	154,869	706,552	548,474	347.0%
Total By Program	11,726,736	13,225,551	15,980,354	4,253,618	36.3%

This table does not include an allocation of working capital requirements or transition costs among the program areas. It combines Compliance Monitoring, Risk Assessment and Mitigation and Enforcement.

Table 2. Budget by Program Area



This graphical representation does not include an allocation of working capital requirements among the program areas.

Figure 1. Budget by Program Area Chart

The following table displays total FTEs by program area.

Total FTEs by Program Area	2018	2018	Direct FTEs	Shared	Total FTEs	Variance
	Budget	Projection	2019 Budget	FTEs 2019 Budget ¹	2019 Budget	from 2018 Budget
STATUTORY						
Operational Programs						
Reliability Standards and Organization and Certification	2.01	2.01	1.88		1.88	(0.13)
Compliance	10.06	11.78	16.72		16.72	6.66
Compliance Risk Assessment and Mitigation	9.97	11.69	12.62		12.62	2.65
Compliance Enforcement	2.99	2.99	3.01		3.01	0.02
Training and Education	2.10	2.10	2.58		2.58	0.48
Reliability Assessment and Performance Analysis	6.13	6.69	8.33		8.33	2.20
Situation Awareness and Infrastructure Security	0.33	0.33	2.64		2.64	2.31
Total FTEs Operational Programs	33.59	37.59	47.78	-	47.78	14.19
Administrative Programs						
Technical Committees and Member Forums	-	-	-		-	-
General and Administrative	2.85	2.85	2.84		2.84	(0.01)
Legal and Regulatory	0.92	0.92	0.86		0.86	(0.06)
Information Technology	4.02	4.02	3.97		3.97	(0.05)
Human Resources	-	-	-		-	-
Finance and Accounting	3.62	3.62	3.55		3.55	(0.07)
Total FTEs Administrative Programs	11.41	11.41	11.22	-	11.22	(0.19)
Total FTEs	45.00	49.00	59.00	-	59.00	14.00

¹A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

Table 3. Total FTEs by Program Area

For an explanation of the variances, refer to the Resource Requirements section in each program area in Section A.

2018 Budget and Projection and 2019 Budget Comparisons

The following table lists the 2018 budget and projection compared to the 2019 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
STATUTORY					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 10,730,104	\$ 10,730,104	\$ -	\$ 15,471,669	\$ 4,741,565
Penalty Sanctions	142,000	142,000	-	59,253	(82,747)
Total NERC Funding	\$ 10,872,104	\$ 10,872,104	\$ -	\$ 15,530,922	\$ 4,658,818
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	1,498,815	1,498,815	-	-
Total Funding (A)	\$ 10,872,104	\$ 12,370,919	\$ 1,498,815	\$ 15,530,922	\$ 4,658,818
Expenses					
Personnel Expenses					
Salaries	\$ 6,250,448	\$ 6,806,044	\$ 555,596	\$ 8,386,511	\$ 2,136,063
Payroll Taxes	391,324	426,108	34,784	539,356	148,032
Benefits	663,221	722,172	58,951	928,884	265,663
Retirement Costs	1,259,803	1,371,787	111,984	1,714,916	455,113
Total Personnel Expenses	\$ 8,564,796	\$ 9,326,111	\$ 761,315	\$ 11,569,667	\$ 3,004,871
Meeting Expenses					
Meetings	\$ 93,950	\$ 93,950	\$ -	\$ 145,850	\$ 51,900
Travel	655,430	700,430	45,000	905,314	249,884
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 749,380	\$ 794,380	\$ 45,000	\$ 1,051,164	\$ 301,784
Operating Expenses					
Consultants & Contracts	\$ 535,127	\$ 635,127	\$ 100,000	\$ 1,100,010	\$ 564,883
Office Rent	733,700	733,700	-	743,500	9,800
Office Costs	628,013	968,013	340,000	858,013	230,000
Professional Services	229,550	317,050	87,500	413,000	183,450
Miscellaneous	-	-	-	-	-
Depreciation	578,000	578,000	-	626,000	48,000
Total Operating Expenses	\$ 2,704,390	\$ 3,231,890	\$ 527,500	\$ 3,740,523	\$ 1,036,133
Total Direct Expenses	\$ 12,018,566	\$ 13,352,381	\$ 1,333,815	\$ 16,361,354	\$ 4,342,788
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 12,018,566	\$ 13,352,381	\$ 1,333,815	\$ 16,361,354	\$ 4,342,788
Change in Assets	\$ (1,146,462)	\$ (981,462)	\$ 165,000	\$ (830,432)	\$ 316,030
Fixed Assets					
Depreciation	\$ (578,000)	\$ (578,000)	\$ -	\$ (626,000)	\$ (48,000)
Computer & Software CapEx	286,170	331,170	45,000	245,000	(41,170)
Furniture & Fixtures CapEx	-	30,000	30,000	-	-
Equipment CapEx	-	30,000	30,000	-	-
Leasehold Improvements	-	60,000	60,000	-	-
Allocation of Fixed Assets	-	-	-	-	0
Inc(Dec) in Fixed Assets (C)	(291,830)	(126,830)	165,000	(381,000)	(89,170)
TOTAL BUDGET (=B + C)	\$ 11,726,736	\$ 13,225,551	\$ 1,498,815	\$ 15,980,354	\$ 4,253,618
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (854,632)	\$ (854,632)	-	\$ (449,432)	\$ 405,200
FTEs	45.00	49.00	4.00	59.00	14.00

Table 4. 2018 Budget and Projection and 2019 Comparisons

Section A – Statutory Programs

2019 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards, Organization Registration and Certification Program

The following table shows funding sources and related expenses for the Reliability Standards, Organization Registration and Certification Program.

Reliability Standards Program (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	2.01	1.88	(0.13)
Direct Expenses	\$ 429,882	\$ 459,992	\$ 30,110
Indirect Expenses	\$ 284,030	\$ 212,230	\$ (71,800)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (17,463)	\$ (14,991)	\$ 2,472
Total Funding Requirement	\$ 696,450	\$ 657,230	\$ (39,220)

Table A-1. Reliability Standards Budget

Reliability Standards

Program Scope and Functional Description

MRO Reliability Standards personnel support NERC’s stakeholder-driven processes to develop and maintain Reliability Standards by providing feedback to the NERC process, conducting outreach during standards development, and training on standards after the applicable governmental authority’s approval. MRO’s Standards Committee (SC) develops Standard Application Guides (SAGs), comments on NERC Standard Authorization Requests (SARs) and participates in standards development. The MRO SC’s subcommittee, the NERC Standards Review Forum (NSRF), executes the MRO SC’s responsibilities.

This department supports NERC’s efforts in the development of Reliability Standards as outlined in the ERO Enterprise Operating Plan Goal 1: Risk-Responsive Reliability Standards:

Goal 1: Reliability Standards establish threshold requirements for assuring the Bulk Electric System (BES) is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the BPS. Reliability Standards are clear, timely, effective in mitigating risks to reliability, and consider cost-effectiveness/impact.

Contributing Activities to Support Goal 1

- MRO, through its stakeholder group structure, will work to coordinate and provide stakeholder input on and facilitate industry review of new and existing Reliability Standards, including cost effectiveness/impact analysis
- MRO staff will provide input and feedback to NERC and standard drafting teams for new and existing Reliability Standards, including the Standards Efficiency Review project, using compliance monitoring and other experience as a basis
- MRO, through its stakeholder group structure, will gather stakeholder feedback to assess which NERC Reliability Standards may need further guidance and will develop Subject

Matter Expert Teams to provide guidance and outreach on approved Reliability Standards following the NERC Compliance Guidance process

- MRO will develop, as needed for technical reasons, regional variances or regional standards to address specific reliability risks and evaluate the need for existing regional standards
- MRO will work with ERO Enterprise teams to review existing regional standards in all Regions to determine if any could be incorporated as a regional variance to a continent-wide Reliability Standard
- MRO staff will continue to answer questions and provide ERO Enterprise supported guidance on the requirements

Metrics Associated with Goal 1

The ERO Enterprise Metrics associated with Goal 1 include Metrics 1-6. Metric 2 identifies specific performance measures for the Reliability Standards area. The measures for Metric 2 as refined by the MRO Strategic Plan for the MRO Region are provided below and impact the resources needed by the department.

Metric 2: Feedback loops exist between MRO compliance monitoring activities and NERC Reliability Standards (supports ERO Enterprise Operating Plan Goals 1–3)

Gaps between compliance monitoring activities (or the Regional Risk Assessment) and Reliability Standards are identified and communicated to NERC.

- Threshold: Technical risk-based feedback is provided to NERC supporting the Standards Efficiency Review (P-81^2) initiative
- Target: Complete annual review of Standards to identify administrative and/or low-risk requirements and incorporate this review into MRO's Performance Areas

Impact on Resource Needs

Workload and travel for Reliability Standards will increase to conduct the contributing activities for Goal 1 and in support of Metric 2, specifically to support the Standards Efficiency Review (SER) initiative (Metric 2) and the development of Implementation guidance.

Organization Registration and Certification

Program Scope and Functional Description

This department appropriately registers owners, operators, and users of the bulk power system subject to compliance with NERC Reliability Standards. The Certification Department ensures that organizations that apply to register or are registered to perform the Reliability Coordinator, Balancing Authority, and Transmission Operator reliability functions meet or exceed minimum criteria demonstrating their capability to perform their incumbent tasks.

Following the transfer of entities from the SPP RE Region in 2018, MRO will have approximately doubled the number of registered entities, and will be performing registration and certification activities for an expected 211 registered entities in the MRO Region. The number of certifications will increase in 2019; MRO typically plans for 1.5 certifications per year and there are currently 3 projected for 2019.

This department supports NERC's efforts in registration and certification as outlined in the ERO Enterprise Operating Plan Goal 2: Objective, Risk-Informed Compliance Monitoring, Mitigation, Enforcement, and Entity Registration:

Goal 2: The ERO Enterprise is a strong enforcement authority that is objective, fair, and promotes a culture of reliability excellence through risk-informed compliance monitoring, mitigation, enforcement, and registration.

Contributing Activities to Support Goal 2

- Identify and register BES owners, operators, and users; maintain accurate, up-to-date registration information, identifying entities responsible for compliance
- Ensure entities performing the functions of Reliability Coordinator, Balancing Authority, and Transmission Operator have the tools, processes, and training to perform their reliability functions
- Take action to address any findings, recommendations, enhancements, guidance, and inconsistencies identified in NERC's registration, compliance monitoring, and enforcement oversight reports
- Participate in the development and implementation of the CMEP Technology Project

Metrics Associated with Goal 2

The ERO Enterprise Metrics associated with Goal 2 include Metrics 1, 2, 4, 5 and 6. The Organizational Registration and Certification functions support these metrics, although they do not have identified actions.

Impact on Resource Needs

Workload for Organizational Registration and Certification will increase due to the increased number of certifications expected to occur in 2019. MRO typically plans for 1.5 certifications per year and there are currently 3 projected for 2019. Additionally, registration questions from newly registered entities are anticipated, including BES exception and risk-based registration questions.

Reliability Standards, Organization Registration and Certification Program Resource Requirements

Overall Budget Change 2018-2019 (Decrease -\$39.2K, -5.6%)

Overall, the workload in these areas is expected to increase. As discussed above, Reliability Standards' workload will increase to conduct the contributing activities for Goal 1 and in support of Metric 2, specifically to support the SER initiative and the development of Implementation guidance.

Registration and Certification's workload will increase due to the increased number of certifications expected to occur in 2019. Additionally, registration questions from newly registered entities are anticipated, especially in regards to BES exceptions and risk-based registration.

The budget for these departments has been decreased (most significantly in indirect expenses) and the FTEs are reduced by .13. However, the budget for these groups had received increases in prior years, and the increase of activities in these areas is somewhat offset by a decrease in a reduction of activity for the NERC-led panel. Further, these departments are part of the larger RAM team and can be supported by other personnel in the RAM Department.

Meeting Expenses

(Increase \$11k, 18.7%)

Travel has been increased to accommodate the additional certifications to be conducted in 2019 and to support the SER initiative.

Reliability Standards, Organization Registration and Certification Budget Details

The following table shows funding sources and related expenses for the Reliability Standards, Organization Registration, and Certification Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
RELIABILITY STANDARDS AND ORGANIZATIONAL REGISTRATION					
	2018	2018	Variance	2019	Variance
	Budget	Projection	2018 Projection	Budget	2019 Budget
			v 2018 Budget		v 2018 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 687,952	\$ 687,952		\$ 654,899	\$ (33,053)
Penalty Sanctions	8,497	8,497		2,331	(6,166)
Total NERC Funding	\$ 696,449	\$ 696,449		\$ 657,230	\$ (39,219)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	(19,543)	(19,543)	-	-
Total Funding (A)	\$ 696,449	\$ 676,906	\$ (19,543)	\$ 657,230	\$ (39,219)
Expenses					
Personnel Expenses					
Salaries	\$ 258,356	\$ 258,356	\$ -	\$ 275,583	\$ 17,227
Payroll Taxes	16,816	16,816	-	17,361	545
Benefits	31,169	31,169	-	29,628	(1,541)
Retirement Costs	59,003	59,003	-	61,782	2,779
Total Personnel Expenses	\$ 365,344	\$ 365,344	\$ -	\$ 384,354	\$ 19,010
Meeting Expenses					
Meetings	\$ 1,400	\$ 1,400	\$ -	\$ 1,400	\$ -
Travel	57,300	57,300	-	68,300	11,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 58,700	\$ 58,700	\$ -	\$ 69,700	\$ 11,000
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,838	5,838	-	5,938	100
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,838	\$ 5,838	\$ -	\$ 5,938	\$ 100
Total Direct Expenses	\$ 429,882	\$ 429,882	\$ -	\$ 459,992	\$ 30,110
Indirect Expenses	\$ 284,030	\$ 253,806	\$ (30,224)	\$ 212,230	\$ (71,800)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 713,912	\$ 683,688	\$ (30,224)	\$ 672,222	\$ (41,690)
Change in Assets	\$ (17,463)	\$ (6,782)	\$ 10,681	\$ (14,991)	\$ 2,472
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (17,463)	(6,782)	10,681	(14,991)	2,472
Inc(Dec) in Fixed Assets (C)	(17,463)	(6,782)	10,681	(14,991)	2,472
TOTAL BUDGET (=B + C)	\$ 696,449	\$ 676,906	\$ (19,543)	\$ 657,230	\$ (39,219)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ 0	\$ -	\$ -
FTEs	2.01	2.01	-	1.88	(0.13)

Table A-2. Reliability Standards, Organization Registration and Certification Budget Detail

Compliance Monitoring and Enforcement Program

The following table lists the budget for the Compliance Monitoring and Enforcement Program (CMEP).

Compliance Monitoring and Enforcement Program (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	23.02	32.35	9.33
Direct Expenses	\$ 4,703,549	\$ 7,369,740	\$ 2,666,192
Indirect Expenses	\$ 3,252,919	\$ 3,651,929	\$ 399,010
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (199,998)	\$ (257,960)	\$ (57,963)
Total Funding Requirement	\$ 7,756,470	\$ 10,763,709	\$ 3,007,240

Table A-3. Compliance Monitoring and Enforcement Program Budget

Program Scope and Functional Description

MRO's CMEP work is performed by three departments: Compliance Monitoring, Risk Assessment and Mitigation (RAM), and Enforcement, creating an effective "check and balance" for making decisions about noncompliance and enforcement. MRO's RAM Department develops Inherent Risk Assessments (IRAs) for registered entities; Compliance Monitoring uses the IRA along with performance, internal controls, and other qualitative assessments to develop Compliance Oversight Plans and conduct compliance monitoring for registered entities. In addition, RAM conducts risk assessments for registered entity noncompliances and violations, and evaluates and monitors mitigation; and Enforcement processes noncompliances and violations using risk-based disposition methods.

Following the transfer of entities from the SPP RE Region in 2018, the MRO CMEP will have approximately doubled the number of entities registered in the MRO Region and will be performing CMEP activities for 211 registered entities. Although the number of registered entities will be doubled, Compliance Monitoring will conduct approximately triple the number of audits in 2019 (34 anticipated) from 2018 (12 MRO-led audits). The RAM and Enforcement departments will continue to process any open enforcement actions MRO received from SPP RE in 2018. Enforcement will review new registered entities for the Self-Logging Program and encourage increased participation in the program throughout the Region.

MRO's Compliance Monitoring, RAM, and Enforcement departments support NERC's efforts to appropriately monitor and enforce compliance as outlined in the ERO Enterprise Operating Plan Goal 2: Objective, Risk-Informed Compliance Monitoring, Mitigation, Enforcement, and Entity Registration:

The ERO Enterprise is a strong enforcement authority that is objective, fair, and promotes a culture of reliability excellence through risk-informed compliance monitoring, mitigation, enforcement, and registration.

Contributing Activities to Support Goal 2

- Develop and implement compliance oversight plans for registered entities focusing on relevant risks, including identified and emerging reliability risks identified by the Reliability Issues Steering Committee (RISC) (goal 4), consideration of entity inherent risk assessments, entity performance history, and effectiveness of entity internal controls
- Work collaboratively with NERC and other Regional Entities to provide clear and consistent guidance on the CMEP process, including coordinated oversight of Multi-Region Registered Entities
- Conduct technical assessments of registered entities' plans and activities to mitigate noncompliance
- Undertake enforcement activities proportional to the noncompliance in accordance with ERO Enterprise risk-based approaches
- Take action to address any findings, recommendations, enhancements, guidance, and inconsistencies identified in NERC's registration, compliance monitoring, and enforcement oversight reports
- Participate in the development and implementation of the CMEP Technology Project

Metrics Associated with Goal 2

The ERO Enterprise 2018 Metrics associated with Goal 2 include Metrics 1, 2, 4, 5 and 6. Metric 5 identifies specific performance measures for the CMEP area. The measures for Metric 5 as refined by the MRO Strategic Plan for the MRO Region are provided below and impact the resources needed by the department.

Metric 5: Reduced reliability risk from noncompliance (supports ERO Enterprise Operating Plan Goals 1 and 2)

Compliance severity index.

- Threshold: Compliance severity index stable (within 110 percent of peak)
- Target: Compliance severity index declining

Repeat violations.

- Threshold: No repeat of severe violations within three years of mitigation completion
- Target: No repeat of severe or moderate violations within two years of mitigation completion

Impact on Resource Needs

Staffing for these departments will increase beginning mid-2018. Five FTEs will be added in Compliance Monitoring and five FTEs will be added in RAM to accommodate the integration of new registered entities. However, staffing levels will need to be evaluated in 2019 based on the ability to manage the workload in the last half of 2018 and through 2019. Additional workload, especially if determined to be temporarily heavy due to the transition, may be addressed with contract resources to assist with CMEP activities. Travel and meetings will increase for the department to support the integration of new registered entities into MRO. Outreach will also increase, which is reflected in the Training and Education area. Finally, the CMEP will dedicate resources to support the development and implementation of the CMEP Technology Project.

Compliance Monitoring and Enforcement Program Resource Requirements

Overall Budget Change 2018-2019 (Increase \$3m, 38.8%)

The workload in these areas is expected to increase with the transition of 98 registered entities into the MRO Region. The budget increase for 2019 is largely due to the addition of staff; five FTEs will be added to the Compliance Monitoring group to ensure appropriateness of compliance oversight plans for entities and conduct oversight, including the triple number of audits in 2019; and five FTEs will be added to the RAM group to conduct risk assessments for Open Enforcement Actions (OEAs) transferred from SPP RE in 2018, as well as ongoing mitigation and risk assessments for all MRO registered entities.

Personnel Expenses (Increase \$2.1m, 49.6%)

As discussed above, the CMEP will increase by nine FTEs. The majority of the increase is in salary increases and retirement benefits.

Consultant and Contracts (Increase \$408k, 429.5%)

The 2019 budget has a projected increase for contractor assistance to address the increase in workload and provide for the increase in contract costs related to webCDMS. Some of the additional workload to conduct CMEP activities, especially if determined to be temporarily heavy, may be addressed with contract resources.

Office Costs (Increase \$56k, 49.6%)

An increase in office costs is a reflection of a higher FTE count.

Meeting Expenses (Increase \$79.5k, 37.4%)

MRO will require increased travel expenses to meet its strategic priorities to integrate the new registered entities into MRO and continue to perform quality execution of the CMEP program.

Compliance Monitoring and Enforcement Program Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring and Enforcement Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM					
	2018	2018	Variance	2019	Variance
	Budget	Projection	2018 Projection	Budget	2019 Budget
			v 2018 Budget		v 2018 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,659,154	\$ 7,659,154		\$ 10,723,591	\$ 3,064,437
Penalty Sanctions	97,316	97,316		40,118	(57,198)
Total NERC Funding	\$ 7,756,470	\$ 7,756,470		\$ 10,763,709	\$ 3,007,239
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	1,346,028	1,346,028	-	-
Total Funding (A)	\$ 7,756,470	\$ 9,102,498	\$ 1,346,028	\$ 10,763,709	\$ 3,007,239
Expenses					
Personnel Expenses					
Salaries	\$ 3,165,100	\$ 3,642,913	\$ 477,813	\$ 4,696,697	\$ 1,531,597
Payroll Taxes	204,686	234,600	29,914	309,054	104,368
Benefits	329,896	380,594	50,698	504,160	174,264
Retirement Costs	583,137	679,443	96,306	895,415	312,278
Total Personnel Expenses	\$ 4,282,819	\$ 4,937,550	\$ 654,731	\$ 6,405,326	\$ 2,122,507
Meeting Expenses					
Meetings	\$ 7,500	\$ 7,500	\$ -	\$ 7,500	\$ -
Travel	204,830	243,530	38,700	284,314	79,484
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 212,330	\$ 251,030	\$ 38,700	\$ 291,814	\$ 79,484
Operating Expenses					
Consultants & Contracts	\$ 95,000	\$ 181,000	\$ 86,000	\$ 503,000	\$ 408,000
Office Rent	-	-	-	-	-
Office Costs	113,400	405,800	292,400	169,600	56,200
Professional Services	-	75,250	75,250	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 208,400	\$ 662,050	\$ 453,650	\$ 672,600	\$ 464,200
Total Direct Expenses	\$ 4,703,549	\$ 5,850,630	\$ 1,147,081	\$ 7,369,740	\$ 2,666,191
Indirect Expenses	\$ 3,252,919	\$ 3,341,146	\$ 88,227	\$ 3,651,929	\$ 399,010
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,956,468	\$ 9,191,775	\$ 1,235,308	\$ 11,021,669	\$ 3,065,201
Change in Assets	\$ (199,998)	\$ (89,277)	\$ 110,721	\$ (257,960)	\$ (57,963)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (199,998)	(89,277)	110,721	(257,960)	(57,963)
Inc(Dec) in Fixed Assets (C)	\$ (199,998)	\$ (89,277)	\$ 110,721	\$ (257,960)	\$ (57,963)
TOTAL BUDGET (=B + C)	\$ 7,756,470	\$ 9,102,498	\$ 1,346,028	\$ 10,763,709	\$ 3,007,239
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ 0	\$ -	\$ -
FTEs	23.02	26.46	3.44	32.35	9.33

Table A-4. Compliance Monitoring and Enforcement Budget Detail

Reliability Assessment and Performance Analysis Program

The following table lists the budget for the Reliability Assessment and Performance Analysis (RAPA) program.

Reliability Assessments and Performance Analysis (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	6.13	8.33	2.20
Direct Expenses	\$ 1,548,845	\$ 2,081,137	\$ 532,292
Indirect Expenses	\$ 866,220	\$ 940,358	\$ 74,137
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (53,257)	\$ (66,424)	\$ (13,166)
Total Funding Requirement	\$ 2,361,808	\$ 2,955,071	\$ 593,262

Table A-5. Reliability Assessment and Performance Analysis (RAPA) Budget

Program Scope and Functional Description

MRO's Operations Department performs Reliability Assessments, System Analysis, Performance Analysis, and Event Analysis.²⁶ The Reliability Assessment and System Analysis (RASA) activities focus on the ERO's statutory responsibility to conduct assessments of the reliability and adequacy of the BES. Performance Analysis and Event Analysis carry out the ERO's statutory responsibility to perform assessments (detailed analysis of significant events and longer-term broad performance assessments) of the reliability and adequacy of the BES, including identifying potential issues of concern relating to system, equipment, and entity, that may indicate the need to develop and implement targeted interventions. This team participates in the Eastern Interconnection Reliability Assessment Group, reviews performance of protection systems based on events and misoperations, facilitates data collection and the development of power flow and dynamics simulation models for the Eastern Interconnection, reviews periodic data submissions (TADS, GADS, MIDAS and DADS), supports the MRO Planning and Operating Committees, and supports ERO Enterprise RAPA activities.

MRO's Reliability Assessment and Performance Analysis Department supports NERC's efforts to identify, provide insight into, and guidance for potential reliability risks to the BES as outlined in the ERO Enterprise Operating Plan Goals 3 and 4.

Goal 3: Reduction of Known Risks to Reliability

The ERO Enterprise recognizes significant known risks to reliability, assures those reliability risks are reduced, and promotes a culture of reliability excellence.

Goal 4: Identification and Assessment of Emerging Reliability Risks

²⁶ MRO budgets these activities in one cost center. NERC divides these activities between two departments: Reliability Assessment and System Analysis, and Reliability Risk Management, which conducts Performance Analysis, Event Analysis, and Situational Awareness. Situational Awareness is budgeted through a separate cost center in MRO's budget.

The ERO Enterprise identifies, objectively assesses, and prioritizes emerging risks to reliability to inform stakeholders and enable effective actions to reduce these risks to reliability.

Contributing Activities for Goal 3

- Address NERC and/or regionally identified risks, such as protection system misoperations, and report against targets established for the ERO Enterprise
- Quantify and measure known risks to the Region
- Communicate regional risks to NERC, and both regional and NERC-identified risks to industry
- Conduct information gathering and sharing regarding good industry practices in risk identification, mitigation, and lessons learned
- Communicate and share information regarding significant BPS events with NERC, FERC, and the other Regional Entities in a timely manner
- Provide outreach and input for ERO alerts and advisories
- Participate in and coordinate with NERC on the activities of the NERC and regional technical committees

Contributing Activities for Goal 4

- Ensure closer coordination of assessments and modeling across the Eastern Interconnection
- Use all tools and data available (reliability assessments, engineering software/studies, inherent risk profiles, compliance monitoring data, NERC alerts, analytics, system events, etc.) to identify trends or leading indicators of potential new or emerging BPS reliability risks
- Provide input or review independent reliability assessments to reflect changing resource mix behavior, including distributed energy resources and essential reliability services
- Seek and engage risk experts both inside and outside industry to better identify unique, new, or emerging risks that may affect the Region
- Perform and/or review objective seasonal and longer-term resource adequacy assessments and coordinate with NERC on interconnection and North American-wide BPS reliability assessments
- Conduct objective assessments and studies to address specific emerging risks
- Provide input to the RISC regarding regional perspectives for incorporation into the RISC report

Metrics Associated with Goals 3 and 4

The ERO Enterprise Metrics associated with Goal 3 include Metrics 1, 2, 3, 4 and 6. Metrics associated with Goal 4 include Metrics 1, 3 and 6. Metrics 1, 3 and 6 identify specific performance measures for the RAPA area. The measures for these Metrics as refined by the MRO Strategic Plan for the MRO Region are provided below and impact the resources needed by the department.

Metric 1: Fewer, less severe events (supports ERO Operating Plan Goals 1-5)

Number and severity of BES events.

- Threshold: No category 4 or 5 events resulting from a violation of a Reliability Standard
- Target: No category 3 events resulting from a violation of a Reliability Standard; and stable/downward trend from peak for the event severity index

Metric 3: Any resource deficiencies are foreseen (supports ERO Enterprise Operating Plan Goals 1, 3, and 4)

Number of unanticipated resource deficiencies.

- Threshold: No load shedding over 300 MW due to resource or essential reliability services deficiency, or common mode failure. This excludes deficiencies or common mode failures identified as a risk in an assessment during the past 3 years and not reported as resolved.
- Target: No Energy Emergency Alert 3 (EEA-3) declarations for resource deficiencies. This excludes (1) any deficiencies or common mode failures identified as a risk in an assessment during the past 3 years and not reported as resolved; and (2) any deficiencies that do not lead to a load shedding event.

Metric 6: Reduced risks in targeted areas (supports ERO Enterprise Operating Plan Goals 1–4)

Annual Misoperations rate of performance.

- Threshold: Annual Misoperations rate of performance is less than 12.0 percent or declining
- Target: Annual Misoperations rate of performance drops by 2 percentage points from the composite rate of the last three years

Number of transmission line outages due to vegetation.

- Threshold: No transmission line outages due to FAC-003 violations on transmission lines above 300kV
- Target: No transmission line outages due to FAC-003 violations on any transmission lines above 200kV

Impact on Resource Needs

Staffing for these departments will increase by two FTEs beginning in mid-2018; however, staffing levels will need to be evaluated in 2019 based on the workload during the last half of 2018 and through 2019. Additional workload, especially if deemed temporarily heavy due to the transition of registered entities from SPP RE, may be addressed with contract resources. Travel and meetings may increase for the department to support the integration of new registered entities into MRO. Outreach may also increase, which is reflected in the Training and Education area. Finally, RAPA will dedicate resources to support the development and implementation of the CMEP Technology Project.

Reliability Assessment and Performance Analysis Resource Requirements

Overall Budget Change 2018-2019 (Increase \$593k, 25.1%)

The workload in these areas is expected to increase with the transition of 98 registered entities into the MRO Region. The budget increase for 2019 is largely due to the addition of staff; MRO will add two FTEs to the Operations Department to conduct Performance Analysis, Situational Awareness, and Performance Analysis for the expanded Region, as well as Event Analysis for the additional entities.

Personnel Expenses (Increase \$466.8k, 35.8%)

As discussed above, RAPA will increase by two FTEs. The majority of the increase is in salary and retirement benefits.

Consultant and Contracts (Increase \$29k, 55.6%)

The 2019 budget has a projected increase for contractor assistance to address the increase in workload and provide for the increase in information technology expenses. Some of the additional workload to conduct RAPA activities, especially if determined to be temporarily heavy, may be addressed with contract resources.

Meeting Expenses (Increase \$36.4k, 20.1%)

MRO will require increased travel expenses to meet its strategic priorities to integrate the new registered entities into MRO and align with the ERO Enterprise goals and metrics.

MRO is also projecting additional reimbursement for stakeholder participation on MRO and NERC committees to accommodate the new registered entities. MRO will continue to use its facilities and web conferencing whenever possible.

Reliability Assessment and Performance Analysis Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2018 Budget & Projection, and 2019 Budget					
RELIABILITY ASSESSMENT and PERFORMANCE ANALYSIS					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 2,335,894	\$ 2,335,894		\$ 2,944,741	\$ 608,847
Penalty Sanctions	25,914	25,914		10,330	(15,584)
Total NERC Funding	\$ 2,361,808	\$ 2,361,808		\$ 2,955,071	\$ 593,263
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	195,956	195,956	-	-
Total Funding (A)	\$ 2,361,808	\$ 2,557,764	\$ 195,956	\$ 2,955,071	\$ 593,263
Expenses					
Personnel Expenses					
Salaries	\$ 923,220	\$ 1,001,003	\$ 77,783	\$ 1,252,798	\$ 329,578
Payroll Taxes	59,232	64,102	4,870	83,361	24,129
Benefits	92,750	101,003	8,253	133,407	40,657
Retirement Costs	230,343	246,021	15,678	302,771	72,428
Total Personnel Expenses	\$ 1,305,545	\$ 1,412,129	\$ 106,584	\$ 1,772,337	\$ 466,792
Meeting Expenses					
Meetings	\$ 7,500	\$ 7,500	\$ -	\$ 7,500	\$ -
Travel	167,000	173,300	6,300	203,400	36,400
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 174,500	\$ 180,800	\$ 6,300	\$ 210,900	\$ 36,400
Operating Expenses					
Consultants & Contracts	\$ 52,300	\$ 66,300	\$ 14,000	\$ 81,400	\$ 29,100
Office Rent	-	-	-	-	-
Office Costs	16,500	64,100	47,600	16,500	-
Professional Services	-	12,250	12,250	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 68,800	\$ 142,650	\$ 73,850	\$ 97,900	\$ 29,100
Total Direct Expenses	\$ 1,548,845	\$ 1,735,579	\$ 186,734	\$ 2,081,137	\$ 532,292
Indirect Expenses	\$ 866,220	\$ 844,757	\$ (21,464)	\$ 940,358	\$ 74,137
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,415,065	\$ 2,580,336	\$ 165,271	\$ 3,021,495	\$ 606,429
Change in Assets	\$ (53,257)	\$ (22,572)	\$ 30,685	\$ (66,424)	\$ (13,166)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (53,257)	(22,572)	\$ 30,685	(66,424)	\$ (13,166)
Inc(Dec) in Fixed Assets (C)	\$ (53,257)	\$ (22,572)	\$ 30,685	\$ (66,424)	\$ (13,166)
TOTAL BUDGET (=B + C)	\$ 2,361,808	\$ 2,557,764	\$ 195,956	\$ 2,955,071	\$ 593,263
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ (0)	\$ -	\$ -
FTEs	6.13	6.69	0.56	8.33	2.20

Table A-6. Reliability Assessment and Performance Analysis Budget Detail

Training and Education Program

The following table summarizes the budget for the Training and Education program.

Training and Education (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	2.10	2.58	0.48
Direct Expenses	\$ 475,429	\$ 627,114	\$ 151,685
Indirect Expenses	\$ 296,748	\$ 291,251	\$ (5,496)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (18,245)	\$ (20,573)	\$ (2,328)
Total Funding Requirement	\$ 753,933	\$ 897,792	\$ 143,860

Table A-7. Training and Education Budget

Program Scope and Functional Description

The Training and Education program specifically pertains to the implementation of the CMEP, the application of Reliability Standards, reviewing reliability assessments, performing quality event analysis, identifying lessons learned from event analysis, and other related information to system reliability and compliance. The program provides developed lessons learned in MRO's newsletter and other publications. MRO conducts outreach to registered entities through workshops and conferences, as well as through presentation opportunities at industry meetings. The emphasis on CIP and security over the last several years will continue in 2019. MRO is continually looking for additional outreach opportunities.

MRO's Training and Education program supports NERC's efforts to keep entity personnel trained and industry participants informed, in support of ERO Enterprise Operating Plan Goal 2.

The ERO Enterprise is a strong enforcement authority that is objective, fair, and promotes a culture of reliability excellence through risk-informed compliance monitoring, mitigation, enforcement, and registration.

Metrics Associated with Goal 2

The ERO Enterprise 2018 Metrics associated with Goal 2 include Metrics 1, 2, 4, 5 and 6. The Training and Education functions support these metrics, although they do not have identified actions.

Impact on Resource Needs

Staffing for this program will increase by an FTE of .48. Additional training, education, and outreach will be necessary to support the integration of the new registered entities resulting in an increase in travel and meetings expense. Additionally, outreach will be necessary to obtain input into the SER and standards development projects, and there may be a need to retain contract resources to assist with outreach activities.

Training and Education Resource Requirements**Overall Budget Change 2018-2019 (Increase \$144k, 19.1%)**

The workload in this area is expected to increase to conduct additional outreach to, and training with, the new registered entities in the MRO Region. The budget increase for 2019 is largely due to the addition of one half of an FTE and the increase in meetings and travel expenses.

Personnel Expenses (Increase \$96.5k, 24.4%)

The majority of the increase is in salary and retirement benefits. More resource time will be spent in outreach.

Meeting Expenses (Increase \$55.2k, 68.7%)

The increase for meeting and travel expenses reflects the need to conduct additional outreach to, and training with, the new registered entities to integrate these entities into MRO and align with the ERO Enterprise goals and metrics.

Training and Education Budget Detail

The following table shows funding sources and related expenses for the Training and Education Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
TRAINING and EDUCATION					
	2018	2018	Variance	2019	Variance
	Budget	Projection	2018 Projection v 2018 Budget	Budget	2019 Budget v 2018 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 745,054	\$ 745,054		\$ 894,593	\$ 149,539
Penalty Sanctions	8,878	8,878		3,200	(5,678)
Total NERC Funding	\$ 753,932	\$ 753,932		\$ 897,792	\$ 143,860
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	(20,418)	(20,418)	-	-
Total Funding (A)	\$ 753,932	\$ 733,514	\$ (20,418)	\$ 897,792	\$ 143,860
Expenses					
Personnel Expenses					
Salaries	\$ 289,237	\$ 289,237	\$ -	\$ 357,617	\$ 68,380
Payroll Taxes	16,952	16,952	-	22,481	5,529
Benefits	31,774	31,774	-	40,358	8,584
Retirement Costs	57,066	57,066	-	71,058	13,992
Total Personnel Expenses	\$ 395,029	\$ 395,029	\$ -	\$ 491,514	\$ 96,485
Meeting Expenses					
Meetings	\$ 36,000	\$ 36,000	\$ -	\$ 66,000	\$ 30,000
Travel	44,400	44,400	-	69,600	25,200
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 80,400	\$ 80,400	\$ -	\$ 135,600	\$ 55,200
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 475,429	\$ 475,429	\$ -	\$ 627,114	\$ 151,685
Indirect Expenses	\$ 296,748	\$ 265,170	\$ (31,577)	\$ 291,251	\$ (5,496)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 772,177	\$ 740,599	\$ (31,577)	\$ 918,365	\$ 146,189
Change in Assets	\$ (18,245)	\$ (7,085)	\$ 11,159	\$ (20,573)	\$ (2,328)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (18,245)	(7,085)	11,159	(20,573)	(2,328)
Inc(Dec) in Fixed Assets (C)	\$ (18,245)	\$ (7,085)	\$ 11,159	\$ (20,573)	\$ (2,328)
TOTAL BUDGET (=B + C)	\$ 753,932	\$ 733,514	\$ (20,418)	\$ 897,792	\$ 143,860
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ (0)	\$ -	\$ -
FTEs	2.10	2.10	-	2.58	0.48

Table A-8. Training and Education Budget Detail

Situation Awareness and Infrastructure Security Program

The following table lists the budget for Situation Awareness and Infrastructure Security.

Situation Awareness and Infrastructure Security (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	0.33	2.64	2.31
Direct Expenses	\$ 114,313	\$ 429,579	\$ 315,266
Indirect Expenses	\$ 46,632	\$ 298,025	\$ 251,393
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (2,867)	\$ (21,051)	\$ (18,184)
Total Funding Requirement	\$ 158,078	\$ 706,552	\$ 548,474

Table A-9. Situation Awareness and Infrastructure Security Budget

Program Scope and Functional Description

MRO, through Reliability Coordinators and available tools, monitors present conditions on the BES and provides leadership coordination, technical expertise, and assistance to the industry in responding to events as necessary.

This program supports NERC's efforts to provide security and communicate risks to reliability for the bulk power system as outlined in the ERO Enterprise Operating Plan Goals 3 and 5.

Goal 3: Reduction of Known Risks to Reliability

The ERO Enterprise recognizes significant known risks to reliability, assures those reliability risks are reduced, and promotes a culture of reliability excellence.

Goal 5: Identification and Reduction of Cyber and Physical Security Risks

As part of the ERO Enterprise, MRO identifies and evaluates cyber and physical security risks to the regional BPS and assures those risks are reduced through active stakeholder engagement and information sharing of current threats and vulnerabilities, security workshops, and development of good industry practice guides. The ERO Enterprise supports the Electricity Information Sharing and Analysis Center (E-ISAC), the Cybersecurity Risk Information Sharing Program (CRISP), technical protective programs, and physical and cybersecurity preparedness exercises, and engages with government partners to de-classify sensitive security information needed to protect BPS devices and assets. The ERO Enterprise works with stakeholders to develop and share information to foster BPS resiliency in connection with both traditional and emerging risks.

Contributing Activities for Goal 3

- Communicate and share information regarding significant BPS events with NERC, FERC, and the other Regional Entities in a timely manner

- Provide outreach and input for ERO Alerts and advisories

Contributing Activities for Goal 5

- Participate in a pilot E-ISAC information-sharing program with the goal of enhancing protection of Regional Entity information and systems
- Participate in E-ISAC technical projects such as CRISP, the CAISS, and CHIRP
- Improve industry engagement regarding cyber and physical security risks, including (but not limited to) engagement with the E-ISAC and the MRO SAC
- Leverage engagement with registered entities to encourage effective security practices and controls
- Work collaboratively with NERC and other Regional Entities to develop procedures to effectively monitor and mitigate significant cyber and physical security risks

Metrics Associated with Goals 3 and 5

The ERO Enterprise Metrics associated with Goal 3 include Metrics 1, 2, 3, 4 and 6. Metrics associated with Goal 5 include Metrics 1 and 4. Metric 4 identifies specific performance measures for these areas. The measures for these Metrics as refined by the MRO Strategic Plan for the MRO Region are provided below and impact the resources needed by the department.

Metric 1: Fewer, less severe events (supports ERO Operating Plan Goals 1-5)

Number and severity of BES events.

- Threshold: No category 4 or 5 events resulting from a violation of a Reliability Standard
- Target: No category 3 events resulting from a violation of a Reliability Standard; and stable/downward trend from peak for the event severity index

Metric 2: Feedback loops exist between MRO compliance monitoring activities and NERC Reliability Standards (supports ERO Enterprise Operating Plan Goals 1–3)

Gaps between compliance monitoring activities (or the RRA) and Reliability Standards are identified and communicated to NERC.

- Threshold: Technical risk-based feedback is provided to NERC supporting the Standards Efficiency Review (P-81[^]2) initiative
- Target: Complete annual review of Standards to identify administrative and/or low-risk requirements and incorporate this review into MRO's Performance Areas

Metric 3: Any resource deficiencies are foreseen (supports ERO Enterprise Operating Plan Goals 1, 3, and 4)

Number of unanticipated resource deficiencies.

- Threshold: No load shedding over 300 MW due to resource or essential reliability services deficiency, or common mode failure. This excludes deficiencies or common mode failures identified as a risk in an assessment during the past 3 years and not reported as resolved.
- Target: No Energy Emergency Alert 3 (EEA-3) declarations for resource deficiencies. This excludes (1) any deficiencies or common mode failures identified as a risk in an assessment during the past 3 years and not reported as resolved; and (2) any deficiencies that do not lead to a load shedding event.

Metric 4: Reduced reliability risk from unauthorized physical or electronic access (supports ERO Enterprise Operating Plan Goals 1–3 and 5)

Number of disruptions to BES facilities caused by unauthorized physical or electronic access.

- Threshold: No load loss due to BES cyber attack; and no BES facility disruptions resulting in 100 MW or more of load loss due to physical attack
- Target: No reported disruption of electrical operations of the BES facilities due to cyber attack; and compliance severity index of CIP violations stable to declining

Impact on Resource Needs

In support of the ERO Enterprise Goal 3, the Situational Awareness program will work with stakeholders to identify significant known risks to reliability, mitigate those risks, and promote a culture of reliability excellence. The workload in this area is expected to increase as MRO integrates registered entities and risks from the expanded MRO footprint.

In support of the ERO Enterprise Goal 5, this program has increased its FTEs to realign and dedicate MRO staffing to the non-CMEP activities supporting Infrastructure Security. MRO has utilized staff subject matter experts in Cyber Infrastructure Security to conduct CMEP activities as well as non-CMEP activities. This action will allocate one subject matter FTE and one administrative support FTE to non-CMEP activities for cyber and physical infrastructure security.

Situation Awareness and Infrastructure Security Resource Requirements

Overall Budget Change 2018-2019 (Increase \$548k, 347%)

The budget increase for these departments is a balance of direct and indirect expenses. In direct expenses, the budget for this area will increase to realign and dedicate MRO staffing to the non-CMEP activities supporting Infrastructure Security. MRO has utilized staff subject matter experts in Cyber Infrastructure Security to conduct CMEP activities as well as non-CMEP activities. This action will dedicate staffing to the non-CMEP activities.

Personnel Expenses Decrease \$286k, 443.6%)

The majority of the increase is in salary and retirement benefits.

Meeting Expenses (Increase \$22k, 50%)

Meeting and travel expenses will increase to support non-CMEP activities for infrastructure security, including the continuation of support for the Security Advisory Council, which was formed in 2017.

Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 156,683	\$ 156,683	\$ -	\$ 703,278	\$ 546,595
Penalty Sanctions	1,395	1,395		3,274	1,879
Total NERC Funding	\$ 158,078	\$ 158,078		\$ 706,552	\$ 548,474
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	(3,209)	(3,209)	-	-
Total Funding (A)	\$ 158,078	\$ 154,869	\$ (3,209)	\$ 706,552	\$ 548,474
Expenses					
Personnel Expenses					
Salaries	\$ 45,777	\$ 45,777	\$ -	\$ 230,429	\$ 184,652
Payroll Taxes	3,279	3,279	-	15,160	11,881
Benefits	4,993	4,993	-	41,640	36,647
Retirement Costs	10,414	10,414	-	63,200	52,786
Total Personnel Expenses	\$ 64,463	\$ 64,463	\$ -	\$ 350,429	\$ 285,966
Meeting Expenses					
Meetings	\$ 1,450	\$ 1,450	\$ -	\$ 1,450	\$ -
Travel	41,900	41,900	-	63,400	21,500
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 43,350	\$ 43,350	\$ -	\$ 64,850	\$ 21,500
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,500	6,500	-	14,300	7,800
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 6,500	\$ 6,500	\$ -	\$ 14,300	\$ 7,800
Total Direct Expenses	\$ 114,313	\$ 114,313	\$ -	\$ 429,579	\$ 315,266
Indirect Expenses	\$ 46,632	\$ 41,670	\$ (4,962)	\$ 298,025	\$ 251,393
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 160,945	\$ 155,983	\$ (4,962)	\$ 727,604	\$ 566,659
Change in Assets	\$ (2,867)	\$ (1,113)	\$ 1,754	\$ (21,051)	\$ (18,184)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (2,867)	(1,113)	1,754	(21,051)	(18,184)
Inc(Dec) in Fixed Assets (C)	\$ (2,867)	\$ (1,113)	\$ 1,754	\$ (21,051)	\$ (18,184)
TOTAL BUDGET (=B + C)	\$ 158,078	\$ 154,869	\$ (3,209)	\$ 706,552	\$ 548,474
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ (0)	\$ -	\$ -
FTEs	0.33	0.33	-	2.64	2.31

Table A-10. Situation Awareness and Infrastructure Security Budget Detail

Administrative Services

The following table outlines the budget for Administrative Services.

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2018 Budget	2019 Budget	Increase (Decrease)	2018 Budget	2019 Budget	Increase (Decrease)
General and Administrative	\$986,938	\$1,075,707	\$88,769	2.85	2.84	(0.01)
Legal and Regulatory	\$461,328	\$650,890	\$189,562	0.92	0.86	(0.06)
Information Technology	\$1,421,504	\$1,495,582	\$74,078	4.02	3.97	(0.05)
Human Resources, Finance and Accounting	\$1,584,948	\$1,790,613	\$205,665	3.62	3.55	(0.07)
Total Administrative Services	\$4,454,718	\$5,012,792	\$558,074	11.41	11.22	(0.19)

Table A-11. Administrative Services Budget

Program Scope and Functional Description

MRO's Administrative Services area includes the business and administrative functions of the organization, including legal and regulatory, information technology, human resources, finance and accounting, and general expenses. Costs incurred for these services are allocated as an indirect expense across MRO's other program areas.

Methodology for Allocation of Administrative Services Expenses to Programs

All expenses for the Administrative Services programs, referred to as indirect expenses, are allocated to the delegated program areas based on their respective number of FTEs. This allocation provides improved financial perspective for the delegated functions.

Funding Sources

The expenses related to the indirect program areas are being allocated entirely to the direct programs; therefore, the indirect program areas have no ERO assessment revenue.

General and Administrative

The following table lists the General and Administrative budget.

General and Administrative (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	2.85	2.84	(0.01)
Total Direct Expenses	\$ 986,938	\$ 1,075,707	\$ 88,769
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (854,632)	\$ (449,432)	\$ 405,200

Table A-12. General and Administrative Budget

Program Scope and Functional Description

The General and Administrative Department is led by MRO's President and CEO. The department ensures that there is adequate attention to the execution of the MRO strategic priorities and the day-to-day management of the corporation, including facilities and maintenance, board governance, policies and procedures to maintain and enhance operation of the corporation, proper record-keeping, and related responsibilities under applicable regulations as well as MRO's Delegation Agreement.

General and Administrative Services Resource Requirements**Overall Budget Change 2018-2019 (Increase \$89k, 9%)**

The increase in the indirect programs is largely due to an increase in meeting expenses.

Total Meeting Expenses (Increase \$78k, 51.2%)

Increase in meetings and travel to support the integration of new registered entities in the MRO Region.

General and Administrative Budget Detail

The following table shows funding sources and related expenses for the General and Administrative Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
GENERAL and ADMINISTRATIVE					
	2018	2018	Variance	2019	Variance
	Budget	Projection	2018 Projection v 2018 Budget Over(Under)	Budget	2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (854,632)	\$ (854,632)	\$ -	\$ (449,432)	\$ 405,200
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (854,632)	\$ (854,632)	\$ -	\$ (449,432)	\$ 405,200
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ (854,632)	\$ (854,632)	\$ -	\$ (449,432)	\$ 405,200
Expenses					
Personnel Expenses					
Salaries	\$ 585,090	\$ 585,090	\$ -	\$ 582,342	\$ (2,748)
Payroll Taxes	25,565	25,565	-	26,054	489
Benefits	43,122	43,122	-	45,483	2,361
Retirement Costs	114,661	114,661	-	115,028	367
Total Personnel Expenses	\$ 768,438	\$ 768,438	\$ -	\$ 768,907	\$ 469
Meeting Expenses					
Meetings	\$ 40,000	\$ 40,000	\$ -	\$ 60,000	\$ 20,000
Travel	113,000	113,000	-	171,300	58,300
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 153,000	\$ 153,000	\$ -	\$ 231,300	\$ 78,300
Operating Expenses					
Consultants & Contracts	\$ 32,000	\$ 32,000	\$ -	\$ 32,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	33,500	33,500	-	43,500	10,000
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 65,500	\$ 65,500	\$ -	\$ 75,500	\$ 10,000
Total Direct Expenses	\$ 986,938	\$ 986,938	\$ -	\$ 1,075,707	\$ 88,769
Indirect Expenses	\$ (986,938)	\$ (986,938)	\$ -	\$ (1,075,707)	\$ (88,769)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (854,632)	\$ (854,632)	\$ -	\$ (449,432)	\$ 405,200
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (854,632)	\$ (854,632)	\$ -	\$ (449,432)	\$ 405,200
FTEs	2.85	2.85	-	2.84	(0.01)

Table A-13. General and Administrative Budget Detail

Legal and Regulatory

The following table lists the Legal and Regulatory budget.

Legal and Regulatory (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	0.92	0.86	(0.06)
Total Direct Expenses	\$ 461,328	\$ 650,890	\$ 189,562
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-14. Legal and Regulatory Budget

Program Scope and Functional Description

MRO has one internal corporate legal counsel to provide advice to the board, the President and CEO, and staff on legal and regulatory matters affecting MRO. MRO may use additional specialized legal resources on an as-needed basis, such as for corporate matters, employee benefit plan issues, and significant policy or regulatory matters.

Legal and Regulatory Resource Requirements**Overall Budget Change 2018-2019 (Increase \$190k, 41.1%)**

The increase in this indirect program funds additional Professional Services, which is related to the increase in the number of independent board members in 2019.

Legal and Regulatory Budget Detail

The following table shows funding sources and related expenses for the Legal and Regulatory Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
LEGAL and REGULATORY					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 207,980	\$ 207,980	\$ -	\$ 211,570	\$ 3,590
Payroll Taxes	9,837	9,837	-	9,820	(17)
Benefits	13,920	13,920	-	13,773	(147)
Retirement Costs	38,916	38,916	-	39,202	286
Total Personnel Expenses	\$ 270,653	\$ 270,653	\$ -	\$ 274,365	\$ 3,712
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	12,000	12,000	-	19,000	7,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 12,000	\$ 12,000	\$ -	\$ 19,000	\$ 7,000
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	3,625	3,625	-	4,525	900
Professional Services	175,050	175,050	-	353,000	177,950
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 178,675	\$ 178,675	\$ -	\$ 357,525	\$ 178,850
Total Direct Expenses	\$ 461,328	\$ 461,328	\$ -	\$ 650,890	\$ 189,562
Indirect Expenses	\$ (461,328)	\$ (461,328)	\$ -	\$ (650,890)	\$ (189,562)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.92	0.92	-	0.86	(0.06)

Table A-15. Legal and Regulatory Budget Detail

Information Technology

The following table lists the Information Technology budget.

Information Technology (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	4.02	3.97	(0.05)
Total Direct Expenses	\$ 1,713,334	\$ 1,876,582	\$ 163,248
Inc(Dec) in Fixed Assets	\$ (291,830)	\$ (381,000)	\$ (89,170)
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-16. Information Technology Budget

Program Scope and Functional Description

MRO's Information Technology program responds to business needs by providing the technology and communications tools for staff to perform Regional Entity functions.

Information Technology Resource Requirements**Overall Budget Change 2018-2019 (Increase \$163k, 9.3%)**

The increase in the indirect programs is largely due to an increase in Consultants and Contracts, and Office Costs.

Information Technology Budget Detail

The following table shows funding sources and related expenses for the Information Technology Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2018 Budget & Projection, and 2019 Budget					
INFORMATION TECHNOLOGY					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 374,791	\$ 374,791	\$ -	\$ 359,608	\$ (15,183)
Payroll Taxes	28,467	28,467	-	28,021	(446)
Benefits	60,825	60,825	-	63,581	2,756
Retirement Costs	70,991	70,991	-	68,772	(2,219)
Total Personnel Expenses	\$ 535,074	\$ 535,074	\$ -	\$ 519,982	\$ (15,092)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	10,000	10,000	-	10,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 10,000	\$ 10,000	\$ -	\$ 10,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ 318,860	\$ 318,860	\$ -	\$ 391,200	\$ 72,340
Office Rent	-	-	-	-	-
Office Costs	271,400	271,400	-	329,400	58,000
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	578,000	578,000	-	626,000	48,000
Total Operating Expenses	\$ 1,168,260	\$ 1,168,260	\$ -	\$ 1,346,600	\$ 178,340
Total Direct Expenses	\$ 1,713,334	\$ 1,713,334	\$ -	\$ 1,876,582	\$ 163,248
Indirect Expenses	(1,713,334)	(1,713,334)	\$ -	(1,876,582)	(163,248)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	(578,000)	(578,000)	-	(626,000)	(48,000)
Computer & Software CapEx	286,170	331,170	45,000	245,000	(41,170)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 291,830	\$ 246,830	(45,000)	\$ 381,000	\$ 89,170
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	4.02	4.02	-	3.97	(0.05)

Table A-17. Information Technology Budget Detail

Human Resources, Finance and Accounting

The following table lists the Human Resources, Finance and Accounting budget.

Human Resources, Finance, and Accounting (in whole dollars)			
	2018 Budget	2019 Budget	Increase (Decrease)
Total FTEs	3.62	3.55	(0.07)
Total Direct Expenses	\$ 1,584,948	\$ 1,790,613	\$ 205,665
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-18. Human Resources, Finance and Accounting Budget

Program Scope and Functional Description**Human Resources**

The Human Resources function of MRO designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws. The Human Resources function also organizes the recruitment efforts of the organization and coordinates onboarding, training, professional development, and best practice employee retention initiatives.

MRO has developed a culture and talent management program that features an in-depth communication and training plan. New hire training initiatives and employee collaborations are planned to create an opportunity for peer-to-peer internal mentorship and team building. The program also facilitates MRO's enterprise-wide corporate compliance and ethics program. MRO reviewed and enhanced its employee engagement and culture enrichment activities in an effort to positively impact both the experience of new employees upon arrival at MRO, as well as the overall corporate culture to be an "employer of choice," and therefore support attraction and retention of qualified staff.

Finance and Accounting

The Finance and Accounting function directs the overall financial plans and accounting practices of the organization, oversees treasury, accounting, budget, tax, and audit activities, and oversees financial and accounting system controls and standards. The Finance and Accounting function also administers employee benefit plans including the 401(k) and Retiree Medical Trust, and reports the overall outcome of MRO's annual activities to the MRO board. Finally, the function coordinates all MRO internal and external meetings, workshops, and events.

MRO's Human Resources and Finance and Accounting departments support NERC's efforts to create efficiency and effectiveness as outlined in the ERO Enterprise Operating Plan Goal 6, Effective and Efficient Operations:

The ERO Enterprise embraces transparency, collaboration, consistency, quality, efficiency, and timeliness of results and operates as a coordinated and collaborative enterprise.

Contributing Activities for Goal 6

- Make effective and efficient use of stakeholder expertise and resources to obtain input on key initiatives
- Participate in the development and implementation of ERO Enterprise-wide software solutions
- Identify and support opportunities to improve regional and ERO Enterprise collaboration and efficiency

Metrics Associated with Goal 6

The ERO Enterprise Metrics associated with Goal 6 include Metric 7. Metric 7 identifies specific performance measures for the Human Performance and Finance and Accounting areas. The measures for Metric 7 as refined by the MRO Strategic Plan for the MRO Region are provided below and impact the resources needed by the department.

Metric 7: ERO Enterprise's efficiency and effectiveness (supports ERO Enterprise Operating Plan Goal 6)

Financial performance.

- Threshold: +/- 10 percent or less actuals as compared to budget (or revised budget target)
- Target: Actuals to budget (or revised budget target) within +2.5/-5 percent

Staff turnover.

- Threshold: No more than three voluntary terminations on a twelve-month rolling basis
- Target: No more than two voluntary staff terminations on a twelve-month rolling basis

Human Resources, Finance and Accounting Resource Requirements**Overall Budget Change 2018-2019 (Increase \$206k, 13%)**

The increase in the indirect programs is largely due to an increase in Consultants & Contracts and Office Costs.

Human Resources, Finance, and Accounting Budget Detail

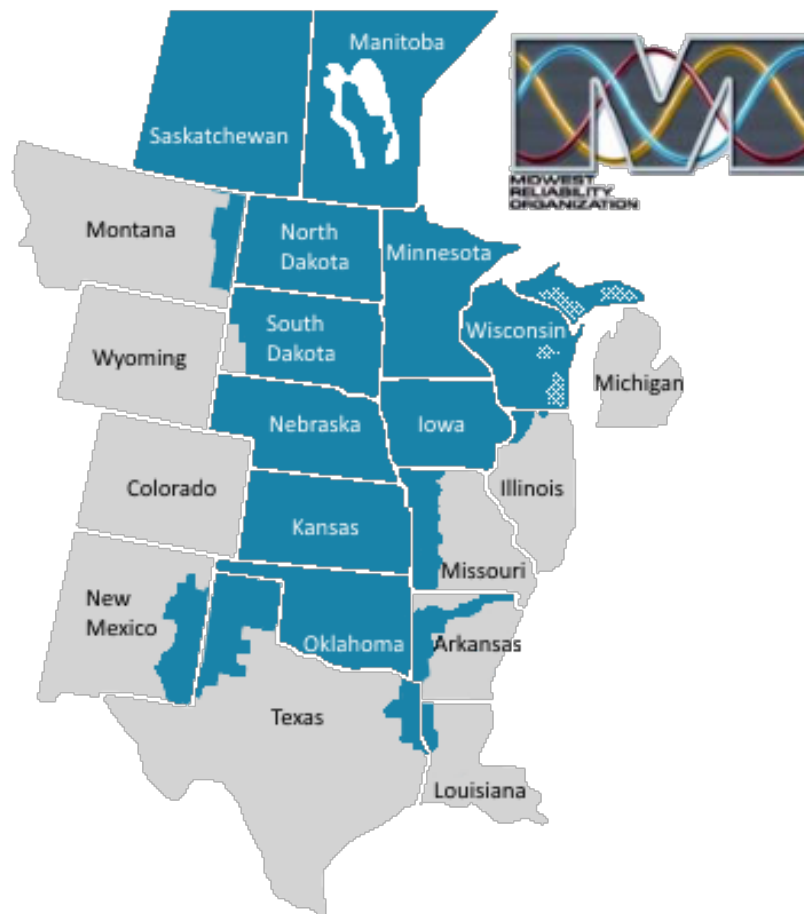
The following table shows funding sources and related expenses for the Human Resources, Finance, and Accounting Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2018 Budget & Projection, and 2019 Budget					
HUMAN RESOURCES, FINANCE, and ACCOUNTING					
	2018 Budget	2018 Projection	Variance 2018 Projection v 2018 Budget Over(Under)	2019 Budget	Variance 2019 Budget v 2018 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 400,897	\$ 400,897	\$ -	\$ 419,867	\$ 18,970
Payroll Taxes	26,490	26,490	-	28,044	1,554
Benefits	54,772	54,772	-	56,854	2,082
Retirement Costs	95,272	95,272	-	97,688	2,416
Total Personnel Expenses	\$ 577,431	\$ 577,431	\$ -	\$ 602,453	\$ 25,022
Meeting Expenses					
Meetings	\$ 100	\$ 100	\$ -	\$ 2,000	\$ 1,900
Travel	5,000	5,000	-	16,000	11,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 5,100	\$ 5,100	\$ -	\$ 18,000	\$ 12,900
Operating Expenses					
Consultants & Contracts	\$ 36,967	\$ 36,967	\$ -	\$ 92,410	\$ 55,443
Office Rent	733,700	733,700	-	743,500	9,800
Office Costs	177,250	177,250	-	274,250	97,000
Professional Services	54,500	54,500	-	60,000	5,500
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 1,002,417	\$ 1,002,417	\$ -	\$ 1,170,160	\$ 167,743
Total Direct Expenses	\$ 1,584,948	\$ 1,584,948	\$ -	\$ 1,790,613	\$ 205,665
Indirect Expenses	\$ (1,584,948)	\$ (1,584,948)	\$ -	\$ (1,790,613)	\$ (205,665)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	30,000	30,000	-	-
Equipment CapEx	-	30,000	30,000	-	-
Leasehold Improvements	-	60,000	60,000	-	-
Allocation of Fixed Assets	\$ -	(120,000)	(120,000)	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	3.62	3.62	-	3.55	(0.07)

Table A-19. Human Resources, Finance, and Accounting Budget Detail

Section B – Supplemental Financial Information

2019 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the working capital reserve for 2018 through 2019.

Working Capital Reserve Analysis 2018-2019	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2017	2,617,518
Plus: 2018 MRO Funding (from LSEs or designees)	10,872,106
Less: 2018 Projected expenses & capital expenditures	(11,726,738)
Projected Working Capital Reserve (Deficit), December 31, 2018 ¹	1,762,886
Targeted Working Capital Reserve, December 31, 2019 $((\$15,980,354 / 365 \text{ days}) \times 30 \text{ days})$	1,313,454
Less: Projected Working Capital Reserve, December 31, 2018	(1,762,886)
Increase (decrease) in assessments to achieve targeted Working Capital Reserve	(449,432)
2019 Expenses and Capital Expenditures	15,980,354
Less: Penalty Sanctions ²	(59,253)
Less: Other Funding Sources	0
Adjustment to achieve targeted Working Capital Reserve	(449,432)
2019 MRO Assessment	15,471,669

¹ MRO's projected reserve at December 31, 2018 assumes that there will not be a material difference between budgeted and actual results for 2018, and it excludes the estimated additional \$1.5m SPP transition costs, which are assumed to be offset by transition funding from 2018 SPP RE assessments.

² Represents collections on or prior to June 30, 2018. See Table B-2 for full disclosure.

Table B-1. Working Capital Reserve Analysis 2018 - 2019

Explanation of Changes in Reserve Policy from Prior Years

Per Policy and Procedure 13, MRO's operating and working capital reserves are identified and quantified each year in the business plan and budget. MRO resets its reserves at the beginning of each year.

In early 2018, MRO's Finance and Audit Committee (FAC) resolved that a 30-day reserve of cash is sufficient based on MRO's cash flow risk. Their resolution was supported by the board's approval of the *Working Capital Analysis 2018-2019* in June 2018. The FAC and the board determined that the certainty of MRO's funding stream supports the resolution that a 30-day reserve is reasonable for sustaining short-term contingencies.

Breakdown by Statement of Activity Sections

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2018.

Penalty Sanctions Received On or Prior to June 30, 2018	Date Received	Amount Received
	Jul-17	\$ 31,717
	Mar-18	27,536

Total Penalties Received	\$ 59,253
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Table B-2. Penalty Sanctions Received

Penalty Sanctions

Penalty monies received from July 1, 2017 through June 30, 2018 are used to offset assessments in the 2019 Budget, as documented in the NERC Policy – *Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards*.

All penalties received after July 1, 2017 and prior to June 30, 2018 are listed above, including the amount and date received.

Allocation Method: Penalty sanctions received have been allocated to the following statutory programs to reduce assessments: Reliability Standards Organization Registration and Certification; Compliance Monitoring and Enforcement; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receive the allocation.

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget
Compliance Monitoring, Enforcement & Org. Registration				
Other	\$ -	\$ 1,326,485	\$ -	\$ -
Total	\$ -	\$ 1,326,485	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Other		195,956		
Total	\$ -	\$ 195,956	\$ -	\$ -
Training and Education				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	-
CEH Fees	-	-	-	-
Workshops	-	-	-	-
Other		(20,418)		
Total	\$ -	\$ (20,418)	\$ -	\$ -
Situation Awareness and Infrastructure Security				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
Other		(3,209)		
Total	\$ -	\$ (3,209)	\$ -	\$ -
General and Administrative				
Interest Income	\$ -	\$ -	\$ -	\$ -
Other				
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ 1,498,815	\$ -	\$ -

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

MRO does not earn interest income. The general banking account offsets the bank charges with any earned interest.

The 2018 Projection of Supplemental Funding of \$1,498,815 represents estimated transitional funding from SPP RE assessments for the SPP RE dissolution transition; this funding is projected to be approximately equal to the additional transition-related costs in 2018 in the statutory programs as shown above.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget	Variance %
Total Salaries	\$ 6,250,448	\$ 6,806,044	\$ 8,386,511	\$ 2,136,063	34.2%
Total Payroll Taxes	391,324	426,108	539,356	148,032	37.8%
Total Benefits	663,221	722,172	928,884	265,663	40.1%
Total Retirement	1,259,803	1,371,787	1,714,916	455,113	36.1%
Total Personnel Costs	\$ 8,564,796	\$ 9,326,111	\$ 11,569,667	\$ 3,004,871	35.1%
FTEs	45.00	49.00	59.00	14.00	31.1%
Cost per FTE					
Salaries	\$ 138,899	\$ 138,899	\$ 142,144	3,245	2.3%
Payroll Taxes	8,696	8,696	9,142	446	5.1%
Benefits	14,738	14,738	15,744	1,006	6.8%
Retirement	27,996	27,996	29,066	1,071	3.8%
Total Cost per FTE	\$ 190,329	\$ 190,329	\$ 196,096	\$ 5,767	3.0%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

Personnel Expenses (Increase \$3m, 35.1%)

The following assumptions were used to determine the 2019 MRO budget:

- Total Personnel expenses were increased to include the addition of 14 FTEs to support the integration of entities previously registered in the SPP RE and to create an Infrastructure Security department.
- Salaries increase 3 percent for salaries plus promotions.
- Benefits increase 6 percent.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget	Variance %
Meeting Expenses	\$ 93,950	\$ 93,950	\$ 145,850	\$ 51,900	55.2%
Travel	655,430	\$ 700,430	905,314	249,884	38.1%
Conference Calls	-	-	-	-	
Total Meeting Expenses	\$ 749,380	\$ 794,380	\$ 1,051,164	\$ 301,784	40.3%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

Meeting Expenses (Increase \$52k, 55.2%)

Budgeted meeting expenses increased to include additional meetings and outreach efforts due to the transition of the 98 SPP RE registered entities into the MRO Region.

Travel Expenses (Increase \$250k, 38.1%)

The increase in travel reflects an increase in the number of on-site audits for 2019 and an increased need for additional outreach and training due to the transition of the 98 SPP RE registered entities into the MRO Region. Additionally, reimbursement for stakeholder participant travel expenses will increase.

Table B-6 lists the budget for Consultants and Contracts.

Consultants	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget	Variance %
Consultants					
Reliability Standards and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	
Compliance	3,000	103,000	403,000	400,000	13333.3%
Reliability Assessment and Performance Analysis (Alert)	-	-	-	-	
Event Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	32,000	32,000	32,000	-	0.0%
Legal and Regulatory	-	-	-	-	
Information Technology	197,000	197,000	191,000	(6,000)	-3.0%
Human Resources	-	-	-	-	
Accounting and Finance	-	-	22,000	22,000	
Consultants Total	\$ 232,000	\$ 332,000	\$ 648,000	\$ 416,000	179.3%

Contracts	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget	Variance %
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Contracts					
Outsource Compliance Information Tracking Applications				-	
Subtotal - Compliance and Organization Registration and Certification Contracts	\$ 92,000	\$ 92,000	\$ 100,000	8,000	8.7%
	\$ 92,000	\$ 92,000	\$ 100,000	8,000	8.7%
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	\$ 28,500	\$ 28,500	\$ 66,300	37,800	132.6%
Model Building	-	-	-	-	
PTI Software	15,100	15,100	15,100	-	0.0%
Proposed Frequency Response Study	8,700	8,700	-	(8,700)	-100.0%
Subtotal - Reliability Assessments Contracts	\$ 52,300	\$ 52,300	\$ 81,400	\$ 29,100	55.6%

Absolute	-	-	2,000	2,000	
Adobe	-	-	12,000	12,000	
Antivirus	4,000	4,000	4,000	-	0.0%
AV Maintenance	12,000	12,000	4,000	(8,000)	-66.7%
Barracuda	1,800	1,800	1,800	-	0.0%
Blackberry	-	-	3,600	3,600	
Budget Maestro	800	800	800	-	0.0%
Cisco	7,800	7,800	15,000	7,200	92.3%
Cisco Amp	6,000	6,000	-	(6,000)	-100.0%
Comodo-Certificates	-	-	1,500	1,500	
Crisp	-	-	20,000	20,000	
EFT Maintenance	7,700	7,700	7,700	-	0.0%
Fusemail	-	-	2,000	2,000	
Great Plains	4,000	4,000	4,000	-	0.0%
Imperva	3,200	3,200	3,200	-	0.0%
Illusive	-	-	12,000	12,000	
KwikTag	-	-	7,000	7,000	
Kwizcom	-	-	1,000	1,000	
Lansweeper	-	-	500	500	
Load Balancer Support	5,900	5,900	-	(5,900)	-100.0%
Lync Monitoring	14,400	14,400	14,400	-	0.0%
Lyrus	1,400	1,400	1,400	-	0.0%
Microsoft	-	-	25,000	25,000	
Misc Items	4,710	4,710	2,550	(2,160)	-45.9%
Multi factor	6,000	6,000	7,200	1,200	20.0%
Nessus Mgr - vulnerability scanning software	-	-	5,000	5,000	
Network Monitor	2,650	2,650	800	(1,850)	-69.8%
NP View	-	-	2,000	2,000	
PhishMe	10,000	10,000	7,500	(2,500)	-25.0%
Planning Pod	-	-	750	750	
Remote Desktop	-	-	5,000	5,000	
SmartPhone Maintenance	2,000	2,000	-	(2,000)	-100.0%
Somus HW Support	2,500	2,500	2,500	-	0.0%
Symantec Maintenance	2,000	2,000	-	(2,000)	-100.0%
Thycotic	-	-	1,000	1,000	
Varonis File Maintenance	6,000	6,000	6,000	-	0.0%
VMWare Support	17,000	17,000	17,000	-	0.0%
Subtotal - Information Technology Contracts	\$ 121,860	\$ 121,860	\$ 200,200	\$ 78,340	64.3%

401K / 457b, 457f 3rd Party Administrator	-	-	-	-	
FSA 3rd Party Administrator	2,707	2,707	3,700	993	36.7%
Transportation 3rd Party Administrator	3,125	3,125	4,200	1,075	34.4%
Benefits 3rd Party Administrator	4,135	4,135	4,510	375	9.1%
Payroll 3rd Party Administrator	21,000	21,000	28,000	7,000	33.3%
HR-Employment Costs	6,000	6,000	30,000	24,000	400.0%
Subtotal - HR and Finance Contracts	\$ 36,967	\$ 36,967	\$ 70,410	\$ 33,443	90.5%

Contracts Total	\$ 303,127	\$ 303,127	\$ 452,010	\$ 148,883	49.1%
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Total Consulting and Contracts	\$ 535,127	\$ 635,127	\$ 1,100,010	\$ 564,883	105.6%
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Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2019 Budget versus 2018 Budget**Consultants for Compliance Monitoring and Enforcement (Increase \$400k, 13333.3%)**

The \$400k increase is for consultant support in the event that MRO's number of FTEs is insufficient to handle the increased CMEP workload resulting from the transition of 98 additional registered entities from SPP RE to MRO.

Contracts for MMWG/ERAG (Increase \$38k, 132.6%)

The increase in contracts in Reliability Assessment provides for MRO's portion of the MMWG/ERAG's Model Series Development for Model Building.

IT Consultants and Contracts (Increase \$78k, 64.3%)

Cybersecurity is being enhanced on-site based on NERC's initiatives. The Contracts expense increase is due to growth in the number of FTEs.

HR Consultants and Contracts (Increase \$33k, 90.5%)

The increase is due to the need for additional outside resources to support FTE growth.

In anticipation of MRO's change to a 50+ employer, new compliance regulations will apply. HR has engaged a few legal and benefit consultants to help guide staff through the change and ensure compliance. MRO also anticipates legal counsel will address the recognition and/or adoption of Arkansas state laws for employees that will reside in Arkansas.

Table B-7 lists the budget for Office Rent.

Office Rent	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget	Variance %
Office Rent	\$ 718,700	\$ 718,700	\$ 724,000	\$ 5,300	0.7%
Utilities	7,000	7,000	7,500	500	7.1%
Maintenance	8,000	8,000	12,000	4,000	50.0%
Total Office Rent	\$ 733,700	\$ 733,700	\$ 743,500	\$ 9,800	1.3%

Table B-7. Office Rent

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

There are no significant variances.

Table B-8 lists the budget for Office Costs.

Office Costs	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget	Variance %
Phone Service					
Data Circuit (qmoe)	\$ 60,000	\$ 60,000	\$ 60,000	\$ -	0.0%
Webex	7,500	7,500	11,000	3,500	46.7%
Voice Circuits	18,000	18,000	18,000	-	0.0%
Business Cable	2,500	2,500	2,500	-	0.0%
Disaster Recovery Site	19,000	19,000	19,000	-	0.0%
Internet/Cell	43,988	43,988	56,288	12,300	28.0%
Office Supplies	33,000	33,000	50,000	17,000	51.5%
Employee Member Events	18,500	18,500	36,000	17,500	94.6%
Employee Related Expense (Drug Testing, Finder Fees Etc)	16,500	16,500	35,000	18,500	112.1%
Computer Supplies and Maintenance	121,000	121,000	163,500	42,500	35.1%
Publications & Subscriptions	6,175	6,175	6,675	500	8.1%
Professional Dues	16,900	16,900	18,800	1,900	11.2%
Postage	2,700	2,700	6,200	3,500	129.6%
Temporary Services	-	-	-	-	-
Finance-Filing/Reg Fees	3,000	3,000	6,000	3,000	100.0%
Equipment Repair/Service Contracts	12,700	12,700	27,700	15,000	118.1%
Bank Charges	21,000	21,000	27,000	6,000	28.6%
Presentation & Publicity & Supplies Promotional	5,000	5,000	15,000	10,000	200.0%
Departmental Functional Training	161,550	161,550	209,350	47,800	29.6%
Insurance Expense	59,000	59,000	90,000	31,000	52.5%
Transitional Costs		340,000	-	-	
Total Office Costs	\$ 628,013	\$ 968,013	\$ 858,013	\$ 230,000	36.6%

Table B-8. Office Costs

Explanation of Significant Variances – 2019 Budget versus 2018 Budget (Increase \$230k, 36.6%)

Office costs have increased largely due to the addition of the 14 FTEs, specifically for Department Functional Training (increase \$48k, 29.6 percent) and Computer Supplies and Maintenance (Increase \$43k, 35.1 percent).

Insurance expenses have increased to address adequate insurance coverages in the areas of worker's compensation and professional liability, property, travel/accident, and benefit plans. These changes are mainly due to the addition of 14 FTEs.

Table B-9 lists the budget for Professional Services.

Professional Services	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget	Variance %
Independent Director Fees	\$ 120,000	\$ 120,000	\$ 276,000	\$ 156,000	130.0%
Independent Director Travel Reimbursement	5,050	5,050	27,000	21,950	434.7%
Outside Legal	50,000	137,500	50,000	-	0.0%
Accounting and Auditing Fees	29,500	29,500	32,500	3,000	10.2%
Actuarial Fees	25,000	25,000	27,500	2,500	10.0%
Total Services	\$ 229,550	\$ 317,050	\$ 413,000	\$ 183,450	79.9%

Table B-9. Professional Services

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

Professional Services (Increase \$183k, 79.9%)

In 2019 professional services increase to accommodate additional Independent Directors and their reimbursable travel.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	-
					-
					-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	0.0%

Table B-10. Miscellaneous

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

MRO has not budgeted any Miscellaneous Expenses in 2018 or 2019.

Table B-11 lists the budget for other Non-Operating Expenses.

Other Non-Operating Expenses	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment		-			-
Office Relocation	-	-	-		-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	0.0%

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

MRO has not budgeted any Non-Operating Expenses in 2018 or 2019.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	2018 Budget	2018 Projection	2019 Budget	Variance 2019 Budget v 2018 Budget	Variance %
Depreciation	\$ (578,000)	\$ (578,000)	\$ (626,000)	\$ (48,000)	8.3%
Computer Equipment	270,000	315,000	245,000	(25,000)	-9.3%
Capitalized Software	16,170	16,170		(16,170)	-100.0%
Furniture and Equipment	-	60,000	-	-	
Leasehold Improvements	-	60,000	-	-	
Total Change in Fixed Assets	\$ (291,830)	\$ (126,830)	\$ (381,000)	\$ (89,170)	30.6%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2019 Budget versus 2018 Budget

Capitalized Software (Decrease \$16k, 100%)

There is no anticipated need for capitalized software in 2019.

Table B-13 compares the 2019 budget with projections for 2020-2021.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2020 and 2021 Projections							
	2019 Budget	2020 Projection	\$ Change 19 v 20	% Change 19 v 20	2021 Projection	\$ Change 20 v 21	% Change 20 v 21
Funding							
ERO Funding							
NERC Assessments	\$ 15,471,669	\$ 15,935,819		3.00%	\$ 16,413,893	\$ 478,075	2.9%
Penalty Sanctions	59,253	-		-100.00%	-	-	
Total NERC Funding	\$ 15,530,922	\$ 15,935,819	\$ 404,897	2.6%	\$ 16,413,893	\$ 478,075	2.9%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 15,530,922	\$ 15,935,819	\$ 404,897	2.6%	\$ 16,413,893	\$ 478,075	3.0%
Expenses							
Personnel Expenses							
Salaries	\$ 8,386,511	\$ 8,638,106	\$ 251,595	3.0%	\$ 8,897,250	\$ 259,143	3.0%
Payroll Taxes	539,356	555,537	16,181	3.0%	572,203	16,666	3.0%
Benefits	928,884	956,751	27,867	3.0%	985,453	28,703	3.0%
Retirement Costs	1,714,916	1,766,363	51,447	3.0%	1,819,354	52,991	3.0%
Total Personnel Expenses	\$ 11,569,667	\$ 11,916,757	\$ 347,090	3.0%	\$ 12,274,260	\$ 357,503	3.0%
Meeting Expenses							
Meetings	\$ 145,850	\$ 150,226	\$ 4,376	3.0%	\$ 154,732	\$ 4,507	3.0%
Travel	905,314	932,473	27,159	3.0%	960,448	27,974	3.0%
Conference Calls	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 1,051,164	\$ 1,082,699	\$ 31,535	3.0%	\$ 1,115,180	\$ 32,481	3.0%
Operating Expenses							
Consultants & Contracts	\$ 1,100,010	\$ 1,133,010	\$ 33,000	3.0%	\$ 1,167,001	\$ 33,990	3.0%
Office Rent	743,500	765,805	22,305	3.0%	788,779	22,974	3.0%
Office Costs	858,013	883,753	25,740	3.0%	910,266	26,513	3.0%
Professional Services	413,000	425,390	12,390	3.0%	438,152	12,762	3.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	626,000	644,780	18,780	3.0%	664,123	19,343	3.0%
Total Operating Expenses	\$ 3,740,523	\$ 3,852,739	\$ 112,216	3.0%	\$ 3,968,321	\$ 115,582	3.0%
Total Direct Expenses	\$ 16,361,354	\$ 16,852,195	\$ 490,841	3.0%	\$ 17,357,760	\$ 505,566	3.0%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 16,361,354	\$ 16,852,195	\$ 490,841	3.0%	\$ 17,357,760	\$ 505,566	3.0%
Change in Assets	\$ (830,432)	\$ (916,376)	\$ (85,944)	10.3%	\$ (943,867)	\$ (27,491)	3.0%
Fixed Assets							
Depreciation	\$ (626,000)	\$ (644,780)	\$ (18,780)	3.0%	\$ (664,123)	\$ (19,343)	3.0%
Computer & Software CapEx	245,000	252,350	7,350	3.0%	259,921	7,571	3.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ (381,000)	\$ (392,430)	\$ (11,430)	3.0%	\$ (404,203)	\$ (27,491)	0.0%
TOTAL BUDGET (=B + C)	\$ 15,980,354	\$ 16,459,765	\$ 479,411	3.0%	\$ 16,953,558	\$ 493,793	3.0%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (449,432)	\$ (523,946)	\$ (74,514)	16.6%	\$ -	\$ -	3.0%
FTEs	59.00	59.00	-		59.00	-	

Table B-13. Budget 2019 Compared with 2020-2021 Projections

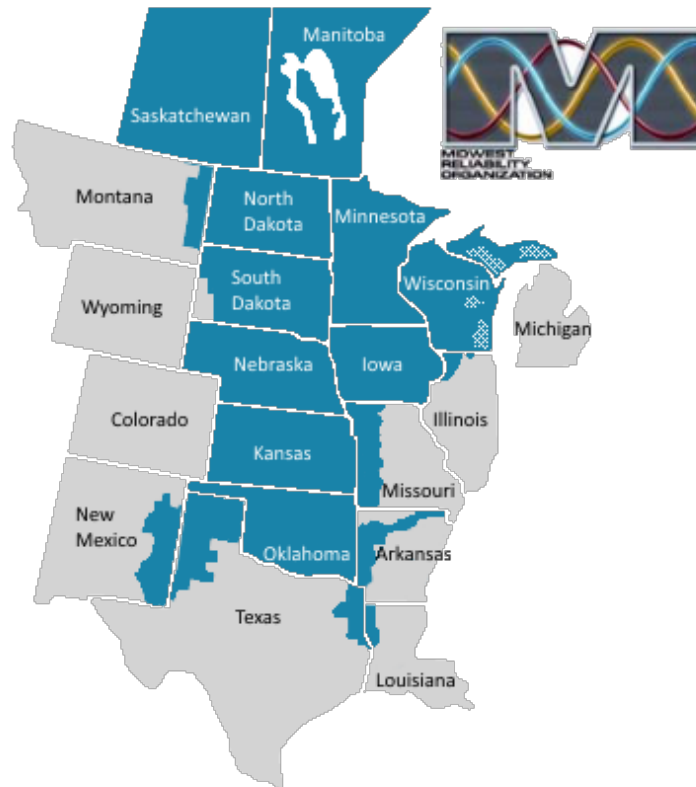
Explanation of 2019, 2020, 2021 Projections

At this time, MRO does not anticipate significant changes in program areas for the next three years.

- FTEs remain flat
- Three percent escalation rate applied to expense categories
- Total budget increase of \$479k in 2020
- Total budget increase of \$494k in 2021
- Zero penalties budgeted

Section C – Non-Statutory Activities

2019 Business Plan and Budget



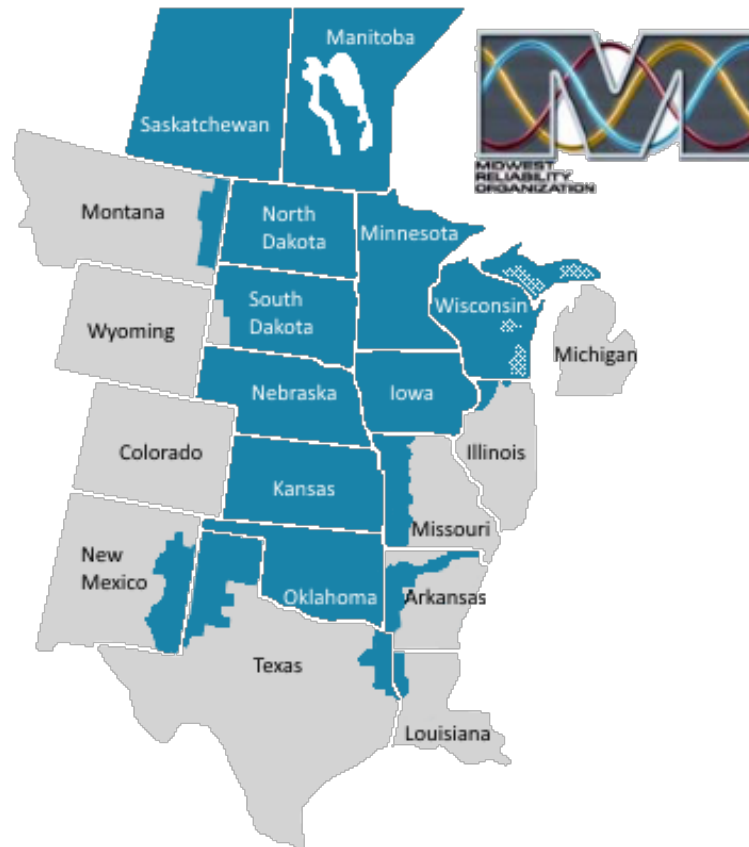
Section C – Non-Statutory Activities

2019 Non-Statutory Business Plan and Budget

MRO has no non-statutory activities.

Section D – Additional Consolidated Financial Statements

2019 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2019 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Functions in Delegation Agreement																
Statement of Activities and Capital Expenditures by Program	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards and Organization Registration and Certification (Section 300 & 500)	Compliance (Section 400)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 600& 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	
Funding																
ERO Funding																
NERC Assessments	15,471,669	15,471,669	-	15,471,669	654,899	10,723,591	2,944,741	894,593	703,278		(449,432)					
Penalty Sanctions	59,253	59,253	-	59,253	2,331	40,118	10,330	3,200	3,274							
Total NERC Funding	15,530,922	15,530,922	-	15,530,922	657,230	10,763,709	2,955,071	897,792	706,552		(449,432)					
Membership Dues	-	-	-	-	-	-	-	-	-							
Testing Fees	-	-	-	-	-	-	-	-	-							
Services & Software	-	-	-	-	-	-	-	-	-							
Workshops	-	-	-	-	-	-	-	-	-							
Interest	-	-	-	-	-	-	-	-	-							
Miscellaneous	-	-	-	-	-	-	-	-	-							
Total Funding (A)	15,530,922	15,530,922	-	15,530,922	657,230	10,763,709	2,955,071	897,792	706,552		(449,432)					
Expenses																
Personnel Expenses																
Salaries	8,386,511	8,386,511	-	8,386,511	275,583	4,696,697	1,252,798	357,617	230,429		582,342	211,570	359,608	-	419,867	
Payroll Taxes	539,356	539,356	-	539,356	17,361	309,054	83,361	22,481	15,160		26,054	9,820	28,021	-	28,044	
Benefits	928,884	928,884	-	928,884	29,628	504,160	133,407	40,358	41,640		45,483	13,773	63,581	-	56,854	
Retirement Costs	1,714,916	1,714,916	-	1,714,916	61,782	895,415	302,771	71,058	63,200		115,028	39,202	68,772	-	97,688	
Total Personnel Expenses	11,569,667	11,569,667	-	11,569,667	384,354	6,405,326	1,772,337	491,514	350,429		768,907	274,365	519,982	-	602,453	
Meeting Expenses																
Meetings	145,850	145,850	-	145,850	1,400	7,500	7,500	66,000	1,450		60,000	-	-	-	2,000	
Travel	905,314	905,314	-	905,314	68,300	284,314	203,400	69,600	63,400		171,300	19,000	10,000	-	16,000	
Conference Calls	-	-	-	-	-	-	-	-	-		-	-	-	-	-	
Total Meeting Expenses	1,051,164	1,051,164	-	1,051,164	69,700	291,814	210,900	135,600	64,850		231,300	19,000	10,000	-	18,000	
Operating Expenses																
Consultants & Contracts	1,100,010	1,100,010	-	1,100,010	-	503,000	81,400	-	-		32,000	-	391,200	-	92,410	
Office Rent	743,500	743,500	-	743,500	-	-	-	-	-		-	-	-	-	743,500	
Office Costs	858,013	858,013	-	858,013	5,938	169,600	16,500	-	14,300		43,500	4,525	329,400	-	274,250	
Professional Services	413,000	413,000	-	413,000	-	-	-	-	-		-	353,000	-	-	60,000	
Miscellaneous	-	-	-	-	-	-	-	-	-		-	-	-	-	-	
Depreciation	626,000	626,000	-	626,000	-	-	-	-	-		-	-	-	-	626,000	
Total Operating Expenses	3,740,523	3,740,523	-	3,740,523	5,938	672,600	97,900	-	14,300		75,500	357,525	1,346,600	-	1,170,160	
Total Direct Expenses	16,361,354	16,361,354	-	16,361,354	459,992	7,369,740	2,081,137	627,114	429,579		1,075,707	650,890	1,876,582	-	1,790,613	
Indirect Expenses	-	-	-	-	212,230	3,651,929	940,358	291,251	298,025		(1,075,707)	(650,890)	(1,876,582)		(1,790,613)	
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-		-	-	-	-	-	
Total Expenses (B)	16,361,354	16,361,354	-	16,361,354	672,222	11,021,669	3,021,495	918,365	727,604		-	-	-	-	-	
Change in Assets	(830,432)	(830,432)	-	(830,432)	(14,991)	(257,960)	(66,424)	(20,573)	(21,051)		(449,432)	-	-	-	-	
Fixed Assets																
Depreciation	(626,000)	(626,000)	-	(626,000)	-	-	-	-	-		-	-	(626,000)	-	-	
Computer & Software CapEx	245,000	245,000	-	245,000	-	-	-	-	-		-	-	245,000	-	-	
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-		-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	-	-	-		-	-	-	-	-	
Leasehold Improvements	-	-	-	-	-	-	-	-	-		-	-	-	-	-	
Allocation of Fixed Assets	(0)	(0)	-	(0)	(14,991)	(257,960)	(66,424)	(20,573)	(21,051)		-	-	381,000	-	-	
Ind(Dec) in Fixed Assets (C)	(381,000)	(381,000)	-	(381,000)	(14,991)	(257,960)	(66,424)	(20,573)	(21,051)		-	-	-	-	-	
TOTAL BUDGET (-B + C)	15,980,354	15,980,354	-	15,980,354	657,230	10,763,709	2,955,071	897,792	706,552		-	-	-	-	-	
TOTAL CHANGE IN WORKING CAPITAL (-A-B-C)	(449,432)	(449,432)	-	(449,432)	-	-	0	(0)	0		(449,432)	-	-	-	-	
FTEs	59.00	59.00	-	59.00	1.88	32.35	8.33	2.58	2.64		2.84	0.86	3.97	-	3.55	
Indirect Costs Allocation	-	-	-	-	212,230	3,651,929	940,358	291,251	298,025		(1,075,707)	(650,890)	(1,876,582)		(1,790,613)	
Allocation of Fixed Assets	-	-	-	-	-	-	-	-	-		-	-	(381,000)		-	
Penalty Sanctions Allocation	-	-	-	59,253	2,331	40,118	10,330	3,200	3,274		-	-	-		-	
Interest Income Allocation	-	-	-	-	-	-	-	-	-		-	-	-		-	
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-		-	-	-		-	

Table D-1. Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Financial Position

The following table provides MRO Statement of Financial Position as of these dates:

- As of December 31, 2017, per audit
- As of December 31, 2018, projected
- As of December 31, 2019, as budgeted

Statement of Financial Position 2017 Audited, 2018 Projection, and 2019 Budget			
STATUTORY			
	(Per Audit) 31-Dec-17	Projected 31-Dec-18	Budget 31-Dec-19
ASSETS			
Cash	4,029,351	4,103,426	3,300,530
Restricted Cash	174,361	27,536	-
Other Receivables	-	-	-
Prepaid expenses and other current assets	306,060	370,000	388,000
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	-	-	-
Property and equipment and capitalized software	1,524,626	1,697,796	1,316,796
Total Assets	6,074,256	6,238,616	5,045,184
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,892,254	2,109,706	2,027,500
Postretirement medical benefit obligation	1,080,522	1,203,567	1,203,567
Deferred assessments - non-current	-	-	-
Deferred rent - non-current	575,437	544,488	501,761
Total Liabilities	3,548,213	3,857,761	3,732,828
Net Assets - unrestricted	2,526,043	2,380,855	1,312,356
Total Liabilities and Net Assets	6,074,256	6,238,616	5,045,184

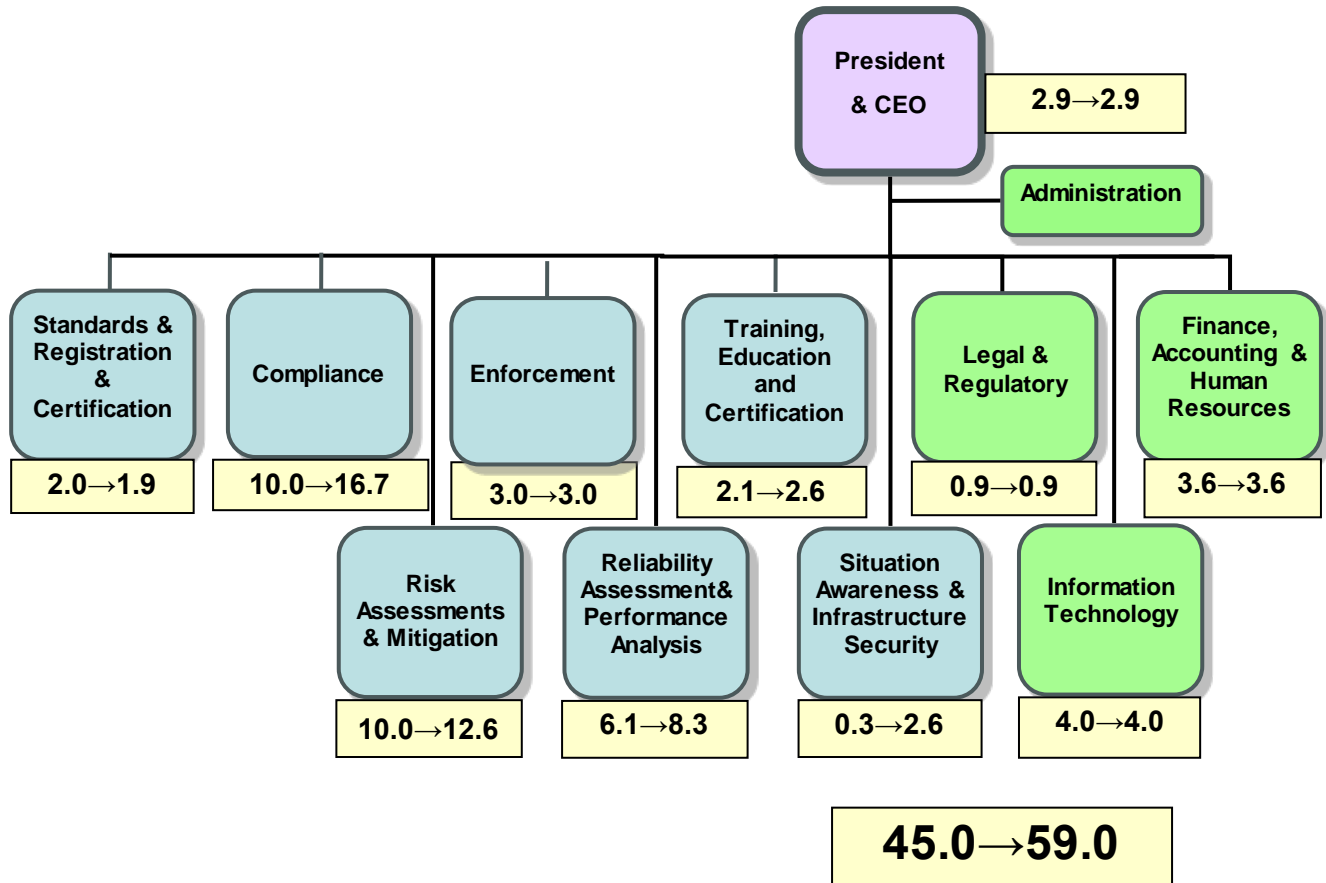
Table D-2. Statement of Financial Position, Three-Year Comparison

Appendix A

Organization Chart

The MRO Organization Chart is shown below.

2018 to 2019 Full Time Equivalent (FTE) Comparison Organization Chart



FTE Trend from 2016 to 2020

2016	2017	2018	2019 Estimate	2020 Estimate
43.0	43.0	45.0	59.0	59.0

Figure 2. Organization Chart

Appendix B

This section lists acronyms used in this document.

Acronym	Definition
BA	Balancing Authority
BES	Bulk Electric System
BPS	Bulk Power System
CAISS	Cyber Automated Information System Specialist
CHIRP	Cyber Hygiene and Internet Risk Program
CIP	Critical Infrastructure Protection
CMEP	Compliance Monitoring and Enforcement Program
C-QA	CMEP Quality Assurance Program
CRISP	Cybersecurity Risk Information Sharing Program
DADS	Demand Response Availability Data System
EEA	Energy Emergency Alert
E-ISAC	Electricity Information Sharing and Analysis Center
ERAG	Eastern Interconnection Reliability Assessment Group
ERO	Electric Reliability Organization
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FTE	Full-Time Equivalent
GAAP	Generally Accepted Accounting Principles
GADS	Generating Availability Data System
HERO	Highly Effective Reliability Organization
HRO	Highly Reliable Organization
IRA	Inherent Risk Assessment
IT	Information Technology
MIDAS	Misoperation Information Data Analysis System
MRO	Midwest Reliability Organization
NEL	Net-Energy-for-Load
NERC	North American Electric Reliability Corporation
NSRF	NERC Standards Review Forum
OC	Operating Committee

OEA	Open Enforcement Action
PC	Planning Committee
RAM	Risk Assessment and Mitigation
RAPA	Reliability Assessment and Performance Analysis
RASA	Risk Assessment and System Analysis
RE	Regional Entity
REMG	Regional Entity Management Group
RISC	Reliability Issues Steering Committee
RRA	Regional Risk Assessment
SAC	Security Advisory Council
SAG	Standard Application Guide
SAR	Standard Authorization Request
SC	Standards Committee
SER	Standards Efficiency Review
SPP RE	Southwest Power Pool Regional Entity
TADS	Transmission Availability Data System
TOP	Transmission Operator

Appendix C

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