



Midwest Reliability Organization Approved 2021 Business Plan and Budget

Approved by MRO Board of Directors

Date: June 25, 2020

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Introduction

The following table summarizes the 2021 Midwest Reliability Organization (MRO) budget.

| TOTAL RESOURCES (in whole dollars) | | | | |
|--|----------------|---------------|--------------|--------|
| | 2021 Budget | U.S. | Canada | Mexico |
| Statutory FTEs | 66.00 | | | |
| Non-statutory FTEs | | | | |
| Total FTEs | 66.00 | | | |
| Statutory Expenses | \$ 18,162,202 | | | |
| Non-Statutory Expenses | \$ - | | | |
| Total Expenses | \$ 18,162,202 | | | |
| Statutory Inc(Dec) in Fixed Assets | \$ 250,000 | | | |
| Non-Statutory Inc(Dec) in Fixed Assets | \$ - | | | |
| Total Inc(Dec) in Fixed Assets | \$ 250,000 | | | |
| Assessment Stabilization Adjustment | \$ (1,428,951) | | | |
| Non-Statutory Stabilization Adjustment | | | | |
| Total Assessment Stabilization Adjustment | \$ (1,428,951) | | | |
| Total Statutory Funding Requirement | \$ 16,983,251 | | | |
| Total Non-Statutory Funding Requirement | \$ - | | | |
| Total Funding Requirement | \$ 16,983,251 | | | |
| | | | | |
| Statutory Funding Assessments | \$ 16,983,251 | \$ 15,188,786 | \$ 1,794,465 | - |
| Non-Statutory Fees | | | | |
| NEL | 491,563,306 | 440,703,906 | 50,859,400 | - |
| NEL% | 100.00% | 89.65% | 10.35% | 0.00% |

Table 1. MRO 2021 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. The MRO Region

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).

covers central North America and includes all or portions of 16 states within the United States,⁴ and the Canadian provinces of Saskatchewan and Manitoba. MRO's current 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 anticipates a revised Delegation Agreement effective through December 31, 2025 will be entered into with NERC in late June and approved by FERC by year-end.

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 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 direction of the ERO Enterprise and address regional risks are reflected in MRO's Strategic Plan, Operating Objectives and Supporting Activities (MRO Strategic Plan).

In the MRO Strategic Plan, MRO adopted the ERO Enterprise Core Principles¹⁰ 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:

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

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); *Order Granting Approvals in Connection with the Dissolution of Southwest Power Pool Regional Entity*, 163 FERC ¶61,094 (May 2018); *Letter Order Transfer of Registered Entities and Revised Regional Delegation Agreements* (December 2018).

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 High Reliability Organization (HRO) theory and principles, which MRO brands as "HERO." Although this is not explicitly included in the ERO Enterprise mission statement, NERC also promotes the HRO theory.

⁹ ERO Enterprise Long-Term Strategy as approved by the NERC Board of Trustees December 12, 2019.

¹⁰ MRO made three additions in keeping with the ERO Enterprise Core Principles: 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.

- **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 membership¹¹ consists of members and adjunct members. 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. As of April 2020, MRO had 91 members, 7 of which are non-voting, adjunct members. Each voting member organization belongs to one of seven industry sectors:

- Transmission System Operator
- Generator and/or Power Marketer
- Investor Owned Utility
- Cooperative
- Municipal Utility
- Federal Power Marketing Agency
- Canadian Utility

Members are encouraged to participate in MRO organizational groups.

MRO's Board of Directors is a hybrid board consisting of a combination of independent and balanced stakeholder board members. In 2021, the MRO Board will consist of 17 stakeholder directors elected by members from the 7 industry sectors, plus 4 independent directors and 2 regional directors elected by all members. Pursuant to MRO's Bylaws, no two industry sectors

¹¹ Membership is voluntary and provides members with voting rights. There is no fee for membership.

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
- Establish reasonable compensation for the Independent Directors following IRS rebuttable presumption procedures after considering the recommendation from the Governance and Personnel Committee's directors who are not compensated
- Participate actively in organizational strategic planning
- Serve as a resource of knowledge and counsel to the executive staff, committees, and other board members
- Represent the organization at NERC and industry events
- Serve on at least one, and no more than two, board committees; chair committees as appointed
- Exercise their fiduciary duty of care by preparing for, attending, and participating in board and assigned committee meetings. Absent compelling and stated reasons, directors should be present at meetings
- Complete the board self-assessment

The board has three committees:

- Finance and Audit Committee (FAC)
- Governance and Personnel Committee (GPC)
- Organizational Group Oversight Committee (OGOC)

The board has established three advisory councils comprised of stakeholder members:

- Compliance Monitoring and Enforcement Program Advisory Council (CMEPAC)
- Reliability Advisory Council (RAC)
- Security Advisory Council (SAC)

Each advisory council may have subgroups that it oversees. All organizational group charters are published on MRO's website. Board-approved *Policy and Procedure 3: Establishment, Responsibilities, and Procedures of Organizational Groups and MRO Sponsored Representatives on NERC Organizational Groups* sets out the processes for the organizational groups and MRO sponsored NERC Representatives.

Business Plan and Budget Development

Each year, MRO prepares a Business Plan and Budget for the following calendar year. The Business Plan and Budget takes into account the ERO Enterprise Long-Term Strategy and the MRO Strategic Plan. 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.

In the 2021 Business Plan and Budget (2021 BP&B), NERC and the Regional Entities are implementing format revisions to the Statement of Activities (SOA) report. These revisions are intended to ensure that NERC and the Regional Entities report information consistently from new accounting standards (e.g., leasing standards and right-of-use assets), provide enhanced transparency of financing activity (e.g., debt borrowing, leased-financed asset purchases, and principal payments), and streamline sections of the report related to non-cash expenses (primarily depreciation and amortization). The goal of the new format is to improve the effectiveness of the report to the reader and to provide a total budget amount that more closely reflects the amount of annual revenues required from assessments and other funding sources. One of the format revisions is that the SOA will include a footnote related to the presentation of penalty sanctions when reporting total budget funding. This revision corresponds with newly adopted generally accepted accounting practices that are not apparent in the SOA presentation.

The draft Business Plan and Budget is reviewed by the MRO 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 second quarter 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 six Regional Entities' Business Plans and Budgets, a filing is submitted to FERC for approval, which is typically 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 and Engineer for Strategy, Innovation, and Finance and the departmental director or 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 and Engineer for Strategy, Innovation, and Finance.

MRO utilizes a system to track and report time by program area and project. 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: Reserves Policy*.

In 2019, MRO revised its reserve policy to include an assessment stabilization reserve to mitigate year-to-year variations in assessments, which can result from a variety of factors, such as application of penalty funds collected, surplus funds available from a prior period, a need to replenish the targeted operating reserve, or significant, but relatively short-term operating or capital spending needs.

MRO states that the goal of its reserves is to meet unplanned, short-term financial needs resulting from changes in the level of expenditures that would adversely affect the company's total annual operating budget during the budget year, where the total budget reflects prudent fiscal discipline and good stewardship of resources. In addition, MRO may propose to set aside funds in a separate reserve account to be released in future periods to mitigate year-to-year variations in assessments.

The reserve policy provides MRO the flexibility to address both the budget and assessments appropriately. The policy also provides flexibility to address unique situations with review and approval of the MRO Board. There is an analysis performed during each budget cycle. Except as otherwise approved by the MRO Board, reserve funds may not be used for any purpose inconsistent with this 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 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 six statutory departments, each of which is dedicated to one or more statutory functions or program areas, and five 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. Each of the statutory departments also contribute to the Training and Education program, which provides outreach to MRO registered entities and stakeholders through MRO's newsletter and other publications, workshops, webinars and conferences, as well as presentation opportunities at other industry events.

Statutory Departments

- The Registration, Certification, and Standards Department is responsible for identifying and registering all entities meeting the criteria for registration in the NERC Compliance Registry; ensuring all Balancing Authorities, Reliability Coordinators, and Transmission Operators have implemented training, tools, and security precautions for operation of the bulk power system; and monitoring NERC Reliability Standards projects. This department is managed by a manager who reports to the Senior Vice President and Chief Operating Officer.
- The Compliance Monitoring Department encompasses MRO's oversight activities (including the development of Compliance Oversight Plans (COPs)) and conducts oversight activities such as audits, spot checks, and self-certifications. This department

is managed by a director who reports to the Senior Vice President and Chief Operating Officer.

- MRO's Risk Assessment and Mitigation (RAM) Department is responsible for providing an independent review of all identified potential noncompliances in the MRO Region. RAM assesses the risk that potential noncompliances pose to the Bulk Electric System (BES) and ensures that mitigation activities not only address the immediate issue, but also prevent recurrence. In performing these tasks, RAM works closely with the entity's subject matter experts. In addition, RAM performs Inherent Risk Assessments (IRAs) that quantify the potential risks to the reliability and security of the bulk power system; and documents the relevant requirements for individual entities based on that risk. This assessment is a primary input to the COPs. The RAM Department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.
- The Enforcement Department is responsible for the disposition and enforcement of noncompliance with Reliability Standards and is managed by a Senior Counsel who reports to the Vice President, General Counsel and Corporate Secretary.
- The Reliability Assessment & Performance Analysis (RAPA) Department is responsible for reliability assessments, performance analysis, event analysis, and situational awareness. This department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.
- The Security Department focuses on activities to promote identification, assessment, mitigation, and communication of cyber, physical, and operational risks to the reliability and security of the North American bulk power system. This department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.

General and Administrative Departments

- The Information Technology (IT) Department is responsible for providing a secure network infrastructure and information technology systems that support the users. Systems include IT, cyber, and physical security. This department is managed by a director who reports to the Vice President and Engineer for Strategy, Innovation, and Finance.
- The Legal Department is led by the Vice President, General Counsel and Corporate Secretary who, along with the Senior Counsel, provides legal advice to MRO.
- The Human Resource Department performs all employee-related functions, including recruitment, retention, and talent management. This department includes a director who reports to the Vice President and Engineer for Strategy, Innovation, and Finance.
- The Finance and Accounting Department performs accounting, finance, budget, event planning, facilities management, and treasury functions and reports to the Vice President and Engineer for Strategy, Innovation, and Finance, who is also the Chief Compliance Officer.
- The General and Administrative Department reports to MRO's President and CEO and performs normal administrative functions for the President and CEO and the Vice President, General Counsel and Corporate Secretary.

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

MRO bases employee compensation on established pay principles. The current compensation structure uses a six-tiered structure, with each tier divided into levels reflecting /experience,

degree of knowledge, skills, and abilities. MRO periodically engages a third party compensation expert to review and provide guidance 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 an equity interest in any registered entity on MRO's Compliance Registry and must avoid ownership interests that will or might compromise their responsibilities to MRO.

2021 Strategic Priorities

The MRO President and CEO has established three strategic priorities for MRO staff in 2021:

- *Innovate* approaches to reduce risk
- *Execute* NERC delegated functions; and
- *Align* our efforts with others across the ERO Enterprise

Innovate approaches to reduce risk. MRO staff will develop and deliver innovative and risk-based programs and tools. MRO staff supports innovation, risk initiatives, and the sharing of best practices. MRO will continue to promote registered entities' strengths and expertise in identifying and mitigating reliability and security risks.

Execute NERC delegated functions. MRO will identify, prioritize, and ensure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system across our geographical footprint. MRO must continue to execute its delegated functions with a high degree of accuracy pursuant to its principles for all MRO registered entities, including Compliance Monitoring and Enforcement Program (CMEP) activities, event analysis, performance analysis, and reliability assessments.

Align our efforts with others across the ERO Enterprise. MRO is aligned with the ERO Enterprise and will continue to provide support to the ERO Enterprise goals, and to that end, MRO supports the ERO Enterprise Long-Term Strategy.

2021 Key Strategic Goals and Supporting Activities

ERO Enterprise Model and Transformation

The collective network of leadership, experience, skills, and technologies shared among NERC and the Regional Entities is referred to as the ERO Enterprise. The ERO Enterprise is a collaborative organization with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs; the model enables innovative and distinctive approaches to address these unique reliability risks and challenges locally. As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;

- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and
- Support innovation, initiatives, and the sharing of best practices across the ERO Enterprise.

NERC has unique responsibilities to oversee program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. NERC and the Regional Entities also coordinate activities to identify, prioritize, and address risks to reliability. The Regional Entities have a mirrored set of responsibilities within the ERO Enterprise model, providing input into the overall development of each ERO program area, providing training and development to meet ERO qualifications, and ensuring delegated responsibilities are completed. Regional Entities also have an obligation to meet professional standards of independence and objectivity and provide the best available expertise for addressing regional risks.



ERO Enterprise Long-Term Strategy

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regional Entities, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the ERO Enterprise Long-Term Strategy as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified bulk power system risks. This strategy, which was approved by the NERC Board of Trustees on December 12, 2019, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial ERO Reliability Risk Priorities Report;
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise, where appropriate. Program area narratives in each organization's business plan and budget may reference how activities support each of the strategic focus areas. MRO supports the ERO Enterprise's Long-Term Strategy through the execution of MRO's strategic goals:

Goal 1: Risk-Responsive Reliability Standards

Goal 2: Objective, Risk Informed Entity Registration, Compliance Monitoring, Mitigation, and Enforcement

Goal 3: Reduction of Known Reliability Risks

Goal 4: Identification and Assessment of Emerging Reliability Risks

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

Goal 6: Improving ERO Enterprise Efficiency and Effectiveness

MRO develops objectives and supporting activities in support of these strategic goals and reviews them annually.

2021 Overview of Cost Impacts

In developing the MRO 2021 BP&B, MRO, NERC, and the other Regional Entities collaborated and agreed upon common operational and program assumptions that are contained in the Shared Business Plan and Budget Assumptions for the 2019-2021 Planning Period (2021 Budget Cycle). MRO used these shared assumptions, as well as the ERO Enterprise Strategic Goals, in developing this 2021 BP&B. Prior to obtaining final approval from its board of directors, MRO seeks NERC input and review of its annual Regional Entity BP&B, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

Overall, the MRO 2021 statutory expenses (\$18.4M) increased by 5.0 percent from the 2020 statutory expenses (\$17.5M). The 2021 statutory assessment (\$17.0 M) represents a zero percent increase from the 2020 assessment. A key factor of the assessment determination was the consideration towards the state of the economy within a pandemic environment. MRO proposes to use its reserves to manage the variance between the budgeted expenses and the assessments.

Significant efficiency gains have been recognized since the regional integration of MRO and SPP RE. MRO's 2021 BP&B incorporates more informed decisions on the necessary staffing, as well as increased registered entity outreach and engagement. Efficiency gains and cost savings in both budget and assessment dollars continue to be recognized in the 2021 BP&B. Both the 2021 and 2020 MRO budgets are less than the 2018 combined budgets of SPP RE and MRO before the integration. MRO's 2021 budget recognized a savings of \$2.4 million (11 percent), and the 2020 budget reflects a savings of \$3.2 million (16 percent), when compared with the combined 2018 budgets. The 2021 Net-Energy-for-Load (NEL) rate remains lower than the original 2018 NEL rate before the integration.

Other significant statutory expense changes (including capital expenditures) in MRO's 2021 budget compared to its 2020 budget include:

- **Increase in Salaries.** MRO completed a comprehensive review of all of its positions in 2019, and with the assistance of a compensation consultant benchmarked compensation for each position to market. Results of the study led to adjusted salaries in 2020, which were more than was budgeted. This creates a larger variance when comparing proposed 2021 salary expense to the salary expense included in the 2020 budget that was submitted and approved before the compensation study was completed.
- **Decrease in Benefits.** MRO measured the average cost in its health premiums per employee based on 2020 actual premiums which were lower than budgeted in 2020. A proposed increase to those actuals resulted in 2021 benefit costs being nearly equal to the benefit costs in the 2020 budget. The per employee cost is applied to each department based on FTEs.
- **Increase in FTEs.** Re-evaluation of required resources occurred in 2020. The resource assessment determined a need for three additional FTEs given work related to the expanded footprint. One of the FTEs will support the RAM Department and two are analyst positions in the Information Technology (IT) Department. The total FTEs reflected in the 2021 budget is 66.
- **Decrease in Meetings and Travel.**¹² MRO will host the majority of its in-person educational events to support mitigation and outreach strategies for addressing identified risks at its Saint Paul office. There is one off-site workshop planned in the southern area of the MRO Region. Increased usage of virtual meetings and events will aid in the reduction of travel. Historic cost trends were used to improve travel cost estimates in 2021.
- **Increase in Consultant and Contract Support.** The majority of MRO's consultants and contracts costs are in IT and Compliance. These programs utilize additional technical support to maintain MRO's IT infrastructure, and support of newly implemented, ERO-wide applications and tools.
- **Increase in Office Rent.** Office rent is increasing due to the anticipated leasing of additional office space and the cost to maintain it.

¹² The extent to which COVID-19 will continue to impact meetings and travel in 2021 is unknown. Meetings and travel are presumed to return to pre-COVID-19 levels in 2021. Travel costs are still assumed to be low given historic cost data.

- **Other Operating Expenses.** Other operating expenses are decreasing to reflect a reduction in the use of external support in some administrative service areas and reduced cost in office supplies.

Other Non-Operating Expenses

None

Comparison of 2021 and 2020 Statutory Budgets

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

| Base Operating Budget | Budget 2020 | Projection 2020 | Budget 2021 | Variance | |
|--|-------------------|-------------------|-------------------|---------------------------|-------------|
| | | | | 2021 Budget v 2020 Budget | Variance % |
| Reliability Standards | 736,148 | 680,417 | 559,677 | (176,471) | -24.0% |
| Compliance Enforcement and Organization Registration | 11,847,844 | 11,095,632 | 13,056,084 | 1,208,240 | 10.2% |
| Reliability Assessments and Performance Analysis | 3,113,418 | 2,825,732 | 3,193,130 | 79,712 | 2.6% |
| Training, Education and Operator Certification | 1,106,166 | 973,405 | 857,332 | (248,834) | -22.5% |
| Situation Awareness and Infrastructure Security | 737,393 | 653,688 | 745,980 | 8,587 | 1.2% |
| Total | 17,540,969 | 16,228,874 | 18,412,202 | 871,233 | 5.0% |

This table combines Compliance Monitoring, Risk Assessment and Mitigation, and Enforcement.

Table 2. Budget by Program Area

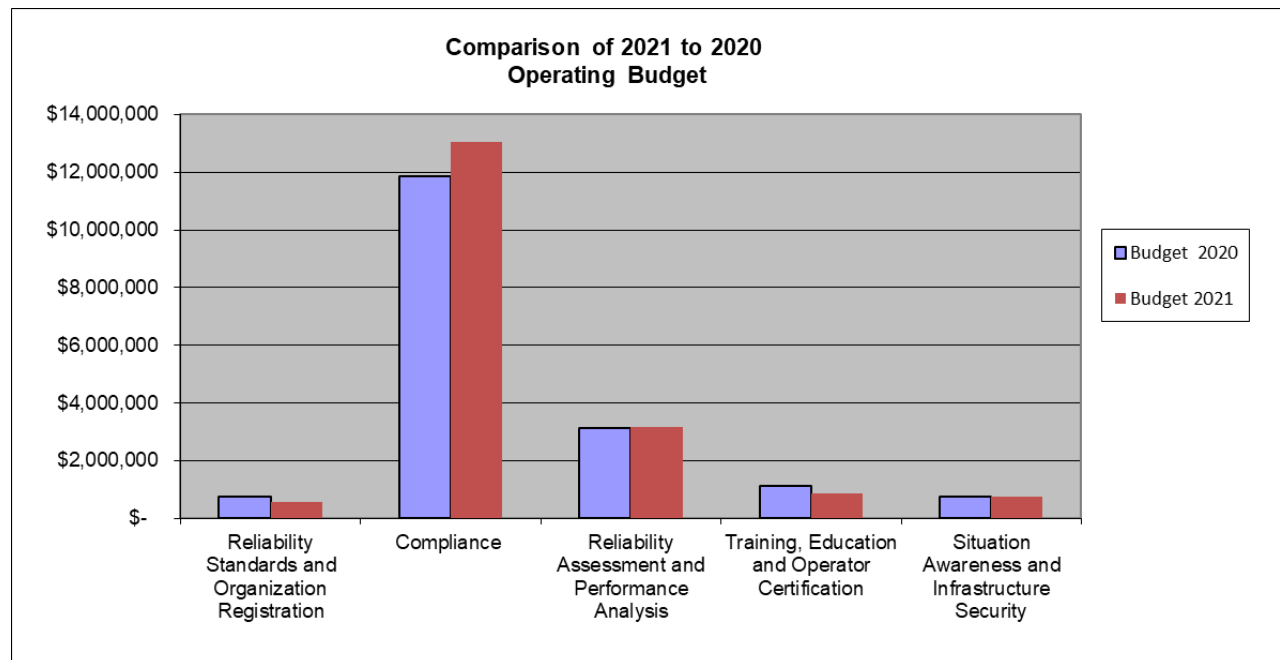


Figure 1. Budget by Program Area Chart

The following table displays total FTEs by program area.

| Total FTEs by Program Area | Budget 2020 | Projection 2020 | Budget 2021 | Variance from 2020 Budget |
|--|----------------|--------------------|----------------|------------------------------|
| STATUTORY | | | | |
| Operational Programs | | | | |
| Reliability Standards and Organization and Certification | 2.08 | 2.08 | 1.50 | (0.58) |
| Compliance | 15.33 | 15.33 | 18.00 | 2.67 |
| Compliance Risk Assessment and Mitigation | 15.75 | 15.75 | 16.00 | 0.25 |
| Compliance Enforcement | 2.55 | 2.55 | 2.00 | (0.55) |
| Training and Education | 2.97 | 2.97 | 2.16 | (0.81) |
| Reliability Assessment and Performance Analysis | 8.38 | 8.38 | 8.34 | (0.04) |
| Situation Awareness and Infrastructure Security | 2.08 | 2.08 | 2.00 | (0.08) |
| Total FTEs Operational Programs | 49.14 | 49.14 | 50.00 | 0.86 |
| Administrative Programs | | | | |
| Technical Committees and Member Forums | - | - | - | - |
| General and Administrative | 1.92 | 1.92 | 3.36 | 1.44 |
| Legal and Regulatory | 2.77 | 2.77 | 1.55 | (1.22) |
| Information Technology | 4.44 | 5.04 | 6.00 | 1.56 |
| Human Resources | 1.35 | 1.35 | 1.29 | (0.06) |
| Finance and Accounting | 3.38 | 3.38 | 3.80 | 0.42 |
| Total FTEs Administrative Programs | 13.86 | 14.46 | 16.00 | 2.14 |
| Total FTEs | 63.00 | 63.60 | 66.00 | 3.00 |

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.

2020 Budget and Projection and 2021 Budget Comparisons

The following table lists the 2020 budget and projection compared to the 2021 budget.

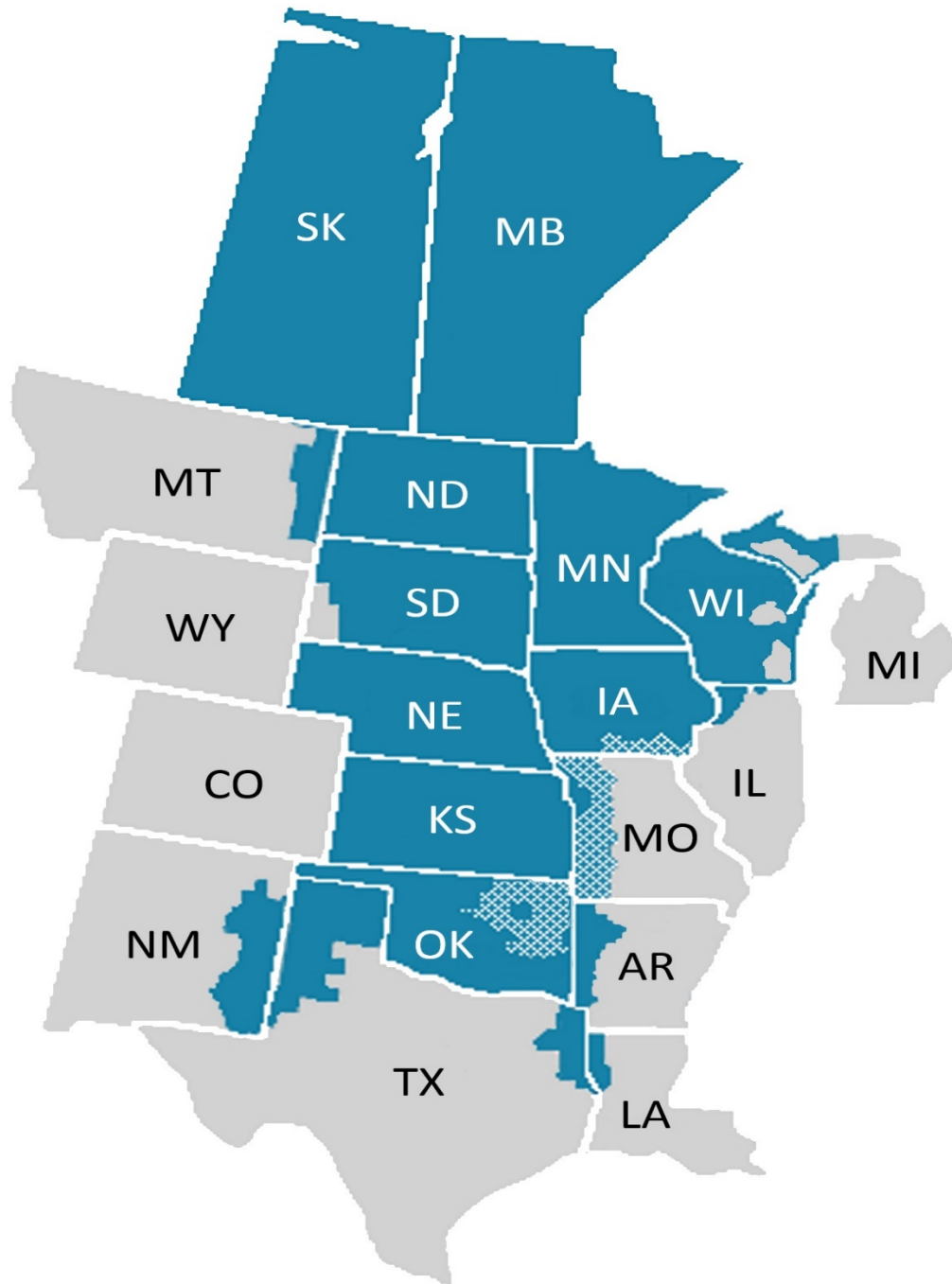
| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|--|----------------------|----------------------|---|----------------------|---|
| 2020 Budget & Projection, and 2021 Budget | | | | | |
| STATUTORY | | | | | |
| | 2020 Budget | 2020 Projection | Variance 2020 Projection v 2020 Budget Over(Under) | 2021 Budget | Variance 2021 Budget v 2020 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 16,983,251 | \$ 16,983,251 | \$ - | \$ 16,983,251 | \$ 0 |
| Assessment Stabilization Reserves* | 557,718 | 557,718 | - | 1,428,951 | 871,233 |
| Total Funding (A) | \$ 17,540,969 | \$ 17,540,969 | \$ - | \$ 18,412,202 | \$ 871,233 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 9,334,262 | \$ 9,387,353 | \$ 53,091 | \$ 10,059,263 | \$ 725,001 |
| Payroll Taxes | \$ 586,604 | \$ 590,306 | 3,702 | 631,891 | 45,287 |
| Benefits | \$ 1,061,581 | \$ 1,069,153 | 7,572 | 1,064,375 | 2,794 |
| Retirement Costs | \$ 1,500,244 | \$ 1,507,453 | 7,209 | 1,528,209 | 27,965 |
| Total Personnel Expenses | \$ 12,482,691 | \$ 12,554,265 | \$ 71,574 | \$ 13,283,737 | \$ 801,046 |
| Meeting Expenses | | | | | |
| Meetings & Conference Calls | \$ 175,900 | \$ 96,170 | \$ (79,730) | \$ 204,900 | \$ 29,000 |
| Travel | \$ 1,108,732 | \$ 488,860 | (619,872) | 739,967 | (368,765) |
| Total Meeting Expenses | \$ 1,284,632 | \$ 585,030 | \$ (699,602) | \$ 944,867 | \$ (339,765) |
| Operating Expenses, excluding Depreciation | | | | | |
| Consultants & Contracts | \$ 1,306,319 | \$ 969,112 | \$ (337,207) | \$ 1,339,701 | \$ 33,382 |
| Office Rent | \$ 774,000 | \$ 774,000 | - | 1,168,700 | 394,700 |
| Office Costs | \$ 930,327 | \$ 705,217 | (225,110) | 905,697 | (24,630) |
| Professional Services | \$ 528,000 | \$ 416,250 | (111,750) | 519,500 | (8,500) |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ 3,538,646 | \$ 2,864,579 | \$ (674,067) | \$ 3,933,598 | \$ 394,952 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses (B) | \$ 17,305,969 | \$ 16,003,874 | \$ (1,302,095) | \$ 18,162,202 | \$ 856,233 |
| Change in Net Assets (=A - B) | \$ 235,000 | \$ 1,537,095 | \$ (1,302,095.35) | \$ 250,000 | \$ 15,000 |
| Fixed Asset Additions, excluding Right of Use Assets (C) | 235,000 | 225,000 | (10,000) | 250,000 | 15,000 |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B+ C) | \$ 17,540,969 | \$ 16,228,874 | \$ (1,312,095) | \$ 18,412,202 | \$ 871,233 |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ 1,312,095 | \$ 1,312,095 | \$ - | \$ - |
| FTEs | 63.00 | 63.60 | - | 66.00 | 3.00 |

Table 4. 2020 Budget and Projection and 2021 Comparisons¹³

¹³ * The Assessment Stabilization Reserve (ASR) includes penalties collected in a prior year but released in the current year to offset U.S. assessments as approved by the NERC Board of Trustees and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Section A – Statutory Programs

2021 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) | | | |
|---|-------------|-------------|------------------------|
| | 2020 Budget | 2021 Budget | Increase (Decrease) |
| Total FTEs | 2.08 | 1.50 | (0.58) |
| Direct Expenses | \$ 484,696 | \$ 344,886 | \$ (139,810) |
| Indirect Expenses | \$ 241,505 | \$ 207,291 | \$ (34,214) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - |
| Inc(Dec) in Fixed Assets | \$ 9,947 | \$ 7,500 | \$ (2,447) |
| Total Funding Requirement | \$ 736,148 | \$ 559,677 | \$ (176,472) |

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 risk-responsive Reliability Standards by providing feedback into the NERC process, conducting outreach during standards development, and providing clarity to industry on enforceable standards and requirements. MRO's CMEPAC and its subgroups develop Standard Application Guides (SAGs), comment on NERC Standard Authorization Requests, and participate in standards development.

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 for registration 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.

MRO will perform registration and certification activities for approximately 200 registered entities in the MRO Region. The number of certifications is expected to remain stable. MRO typically plans for 2 certifications per year and has budgeted for 2 in 2021.

This department supports ERO Enterprise efforts related to the ERO Enterprise Long Term Strategy through execution of MRO's strategic goal 1:

Goal 1: Risk-Responsive Reliability Standards

Reliability Standards establish threshold requirements for ensuring the 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.

Impact on Resource Needs

Workload and travel for Reliability Standards staff will stabilize as staff conducts the supporting activities for Goal 1. Member travel will increase due to the development of SAGs for industry.

Impact on Resource Needs

Workload for Organizational Registration and Certification is expected to stabilize in 2021 following the deployment of Centralized Organization Registration ERO System (CORES). MRO anticipates two certification reviews in 2021.

Reliability Standards, Organization Registration and Certification Program Resource Requirements

Overall Budget Change 2020-2021 (Decrease \$176K, 24.0%)

Overall, the workload in these areas is stable. Subject matter expert teams that develop SAGs are now supported by the CMEPAC. Other member travel reimbursement costs for outreach support is reduced for 2021.

The budget for this function has decreased in 2021. The budget for this function had received increases in prior years to meet demands for NERC-led Review Panels and the development of a new registration tool.

Personnel Expenses (Decrease \$107.6K, 25.7%)

The average salary increase was budgeted at 3 percent. However, MRO shifted staff resources to meet priorities in other program areas. This resulted in slightly lower allocation of labor hours to this program. Benefits decreased due to historic trend of lower health premium costs.

Meeting Expenses (Decrease \$32.2K, 54.9%)

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups, the Align project, and member travel for council face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2021.

Indirect Expenses (Decrease \$34.2K, 14.2%)

There is an overall increase in administrative services that are allocated to the operational programs based on the FTEs. The allocation of indirect costs is lower due to the reduced FTE in this program.

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 | | | | | |
|---|-------------------|-------------------|------------------------|-------------------|----------------------|
| 2020 Budget & Projection, and 2021 Budget | | | | | |
| STANDARDS | | | | | |
| | 2020 | 2020 | Variance | 2021 | Variance |
| | Budget | Projection | 2021 Projection | Budget | 2021 Budget |
| | | | v 2020 Budget | | v 2020 Budget |
| | | | Over(Under) | | Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 712,541 | \$ 712,541 | | \$ 516,808 | \$ (195,733) |
| Assessment Stabilization Reserves | 23,607 | 23,607 | | 42,869 | 19,261 |
| Total Funding (A) | \$ 736,148 | \$ 736,148 | | \$ 559,677 | \$ (176,471) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 306,795 | \$ 306,795 | \$ - | \$ 233,737 | \$ (73,058) |
| Payroll Taxes | 18,021 | 18,021 | - | 14,862 | (3,159) |
| Benefits | 35,471 | 35,471 | - | 26,129 | (9,342) |
| Retirement Costs | 59,260 | 59,260 | - | 37,175 | (22,085) |
| Total Personnel Expenses | \$ 419,547 | \$ 419,547 | \$ - | \$ 311,903 | \$ (107,644) |
| Meeting Expenses | | | | | |
| Meetings | \$ 1,400 | \$ 420 | \$ (980) | \$ 1,400 | \$ - |
| Travel | 57,166 | 17,150 | (40,016) | 25,000 | (32,166) |
| Total Meeting Expenses | \$ 58,566 | \$ 17,570 | \$ (40,996) | \$ 26,400 | \$ (32,166) |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | 6,583 | 6,583 | - | 6,583 | - |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ 6,583 | \$ 6,583 | \$ - | \$ 6,583 | \$ - |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | \$ 241,505 | \$ 227,193 | \$ (14,312) | \$ 207,291 | \$ (34,214) |
| Total Expenses (B) | \$ 726,201 | \$ 670,893 | \$ (55,308) | \$ 552,177 | \$ (174,024) |
| Change in Net Assets (=A - B) | \$ 9,947 | \$ 65,255 | \$ 55,308 | \$ 7,500 | \$ (2,447) |
| Fixed Asset Additions, excluding Right of Use Assets (C) | 9,947 | 9,524 | (423) | 7,500 | (2,447) |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ 736,148 | \$ 680,417 | \$ (55,731) | \$ 559,677 | \$ (176,471) |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ 55,731 | \$ 55,731 | \$ - | |
| FTEs | 2.08 | 2.08 | - | 1.50 | (0.58) |

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) | | | |
|---|---------------|---------------|------------------------|
| | 2020 Budget | 2021 Budget | Increase (Decrease) |
| Total FTEs | 33.63 | 36.00 | 2.37 |
| Direct Expenses | \$ 7,782,298 | \$ 7,901,109 | \$ 118,812 |
| Indirect Expenses | \$ 3,904,719 | \$ 4,974,975 | \$ 1,070,256 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - |
| Inc(Dec) in Fixed Assets | \$ 160,827 | \$ 180,000 | \$ 19,173 |
| Total Funding Requirement | \$ 11,847,844 | \$ 13,056,084 | \$ 1,208,241 |

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, 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 entity performance, internal controls, and other qualitative assessments to develop COPs and conduct compliance monitoring for registered entities. In addition, RAM conducts risk assessments for registered entity noncompliances and violations, and evaluates and monitors mitigation efforts. Enforcement processes noncompliances and violations using risk-based disposition methods.

MRO staff will perform CMEP activities for approximately 200 registered entities in 2021. The Compliance Monitoring Department will conduct approximately 18 audits in 2021. MRO will also contribute to audits, as needed, for entities that participate in coordinated oversight where MRO is the Affected Regional Entity. The Enforcement Department will review registered entity participation in the Self-Logging Program and will continue to encourage increased participation in the program throughout the region. CMEP also supports the MRO CMEPAC and ERO Enterprise CMEP activities.

MRO's Compliance Monitoring, RAM, and Enforcement departments support ERO Enterprise efforts to appropriately monitor and enforce compliance as outlined in the ERO Enterprise Long Term Strategy through the execution of MRO's Strategic Goals 1-4.

Goal 1: Risk-Responsive Reliability Standards

Reliability Standards establish threshold requirements for ensuring the 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.

Goal 2: Objective, Risk-Informed Entity Registration, Compliance Monitoring, Mitigation, and Enforcement

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.

Goal 3: Reduction of Known Reliability Risks

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

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.

Impact on Resource Needs

Staffing for these departments will increase in 2021, with one FTE added in the RAM department to work primarily on coordination of mitigation activities. The CMEP departments will dedicate resources to support the development and implementation of the ERO Enterprise Align Project, a shared technology platform to provide consistency and alignment of CMEP processes across NERC and the Regional Entities.

Compliance Monitoring and Enforcement Program Resource Requirements

Overall Budget Change 2021-2020 (Increase \$1.2M, 10.2%)

The budget increase for 2021 is largely due to the increase in administrative service costs allocated to the program due to the addition of administrative support staff, as well as an increase in facility costs. One FTE will be added to enhance coordination of mitigation activities for all entities in the MRO footprint.

Personnel Expenses (Increase \$355K, 5.4%)

The average salary increase was budgeted at 3 percent. MRO adjusted staff salaries in 2020 to the Minneapolis St. Paul market rates pursuant to a comprehensive compensation study completed in 2019. This resulted in an unbudgeted increase in 2020, creating a larger variance in comparison to the 2021 BP&B. Benefits decreased due to historic trend of lower health premium costs.

Meeting Expenses (Decrease \$194K, 47.2%)

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups, the Align project, and member travel for council face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2021.

Indirect Expenses (Increase \$1.1M, 27.4%)

There is an overall increase in administrative services that are allocated to the operational programs based on the FTEs.

Compliance Monitoring and Enforcement Program Budget Detail

The following table shows funding sources and related expenses for the CMEP.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|---|----------------------|----------------------|---|----------------------|---|
| 2020 Budget & Projection, and 2021 Budget | | | | | |
| COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM | | | | | |
| | 2020 Budget | 2020 Projection | Variance 2021 Projection v 2020 Budget Over(Under) | 2021 Budget | Variance 2021 Budget v 2020 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 11,466,158 | \$ 11,466,158 | | \$ 12,027,239 | \$ 561,081 |
| Assessment Stabilization Reserves | 381,686 | 381,686 | | 1,028,845 | 647,159 |
| Total Funding (A) | \$ 11,847,844 | \$ 11,847,844 | | \$ 13,056,084 | \$ 1,208,240 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 4,934,233 | \$ 4,934,233 | \$ - | \$ 5,282,183 | \$ 347,950 |
| Payroll Taxes | 329,276 | 329,276 | - | 340,856 | 11,580 |
| Benefits | 574,079 | 574,079 | - | 557,406 | (16,673) |
| Retirement Costs | 779,300 | 779,300 | - | 791,450 | 12,150 |
| Total Personnel Expenses | \$ 6,616,888 | \$ 6,616,888 | \$ - | \$ 6,971,895 | \$ 355,007 |
| Meeting Expenses | | | | | |
| Meetings | \$ 9,500 | \$ 2,850 | \$ (6,650) | \$ 10,500 | \$ 1,000 |
| Travel | 401,366 | 120,410 | (280,956) | 206,300 | (195,066) |
| Total Meeting Expenses | \$ 410,866 | \$ 123,260 | \$ (287,606) | \$ 216,800 | \$ (194,066) |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 583,394 | \$ 408,376 | \$ (175,018) | \$ 583,394 | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | 171,150 | 119,805 | (51,345) | 129,020 | (42,130) |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ 754,544 | \$ 528,181 | \$ (226,363) | \$ 712,414 | \$ (42,130) |
| Other Non-Operating Expenses | | | | | |
| | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | | | | | |
| | \$ 3,904,719 | \$ 3,673,319 | \$ (231,399) | \$ 4,974,975 | \$ 1,070,256 |
| Total Expenses (B) | \$ 11,687,017 | \$ 10,941,648 | \$ (745,369) | \$ 12,876,084 | \$ 1,189,067 |
| Change in Net Assets (=A - B) | \$ 160,827 | \$ 906,196 | \$ 745,369 | \$ 180,000 | \$ 19,173 |
| Fixed Asset Additions, excluding Right of Use Assets (C) | | | | | |
| | \$ 160,827 | 153,984 | (6,844) | 180,000 | 19,173 |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ 11,847,844 | \$ 11,095,632 | \$ (752,213) | \$ 13,056,084 | \$ 1,208,240 |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ 752,213 | \$ 752,213 | \$ - | |
| FTEs | 33.63 | 33.63 | - | 36.00 | 2.37 |

Table A-4. Compliance Monitoring and Enforcement Program 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) | | | |
|--|--------------|--------------|------------------------|
| | 2020 Budget | 2021 Budget | Increase (Decrease) |
| Total FTEs | 8.38 | 8.34 | (0.04) |
| Direct Expenses | \$ 2,100,356 | \$ 1,998,894 | \$ (101,462) |
| Indirect Expenses | \$ 972,987 | \$ 1,152,536 | \$ 179,549 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - |
| Inc(Dec) in Fixed Assets | \$ 40,075 | \$ 41,700 | \$ 1,625 |
| Total Funding Requirement | \$ 3,113,418 | \$ 3,193,130 | \$ 79,711 |

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

Program Scope and Functional Description

MRO's RAPA Department performs Reliability Assessments, Performance Analysis, and Event Analysis. The Reliability Assessment program includes reviewing, assessing and reporting on the adequacy and operating reliability of the interconnected bulk power system, both existing and planned. The Event Analysis program includes analysis of large-scale outages, disturbances, and near misses to determine root causes and lessons learned. Performance Analysis involves analysis of quarterly data submissions to assess the performance and availability of electric generation equipment, electric transmission equipment, and reliable system operations through Transmission Availability Data Systems (TADS), Generating Availability Data Systems (GADS), Demand Response Availability Data Systems (DADS), and Misoperation Information Data Analysis Systems (MIDAS). This information may indicate the need to develop and implement targeted interventions. RAPA participates in the Eastern Interconnection Reliability Assessment Group (ERAG); this group facilitates data collection and the development of power flow and dynamics simulation models for the Eastern Interconnection. RAPA also supports the MRO RAC and ERO Enterprise RAPA activities.

MRO's RAPA Department supports ERO Enterprise efforts to identify, provide insight into, and develop guidance for potential reliability risks to the BES as outlined in the ERO Enterprise Long-Term Strategy through the execution of MRO's strategic goals 3 and 4:

Goal 3: Reduction of Known Reliability Risks

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

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.

Impact on Resource Needs

Staffing levels will continue to be evaluated in 2021 based on workload and the need for additional internal programs.

Reliability Assessment and Performance Analysis Resource Requirements**Overall Budget Change 2020-2021 (Increase \$79.7K, 2.6%)**

The budget increase for 2021 is low due to increase in indirect expenses being offset by significantly reduced costs in travel.

Personnel Expenses (Increase \$17.8K, 1.0%)

The average salary increase was budgeted at 3 percent. Staff resources in this area remained flat. However, an unbudgeted increase in staff salaries in 2020 offset the lower labor allocation with the higher salary costs to result in flat personnel costs. Benefits decreased due to historic trend of lower health premium costs.

Meeting Expenses (Decrease \$109.0K, 39.2%)

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups and member travel for council face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2021.

Operating Costs (Decrease \$10.3K, 9.2%)

Reflects flat costs in training and slightly lower contract costs.

Indirect Expenses (Increase \$179.5K, 18.5%)

There is an overall increase in administrative services that are allocated to the operational programs based on the FTEs.

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 | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2020 Budget & Projection, and 2021 Budget | | | | | |
| RELIABILITY ASSESSMENT and PERFORMANCE ANALYSIS | | | | | |
| | 2020 | 2020 | Variance | 2021 | Variance |
| | Budget | Projection | 2021 Projection | Budget | 2021 Budget |
| | | | v 2020 Budget | | v 2020 Budget |
| | | | Over(Under) | | Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 3,018,309 | \$ 3,018,309 | | \$ 2,954,781 | \$ (63,528) |
| Assessment Stabilization Reserves | 95,109 | 95,109 | | 238,349 | 143,240 |
| Total Funding (A) | \$ 3,113,418 | \$ 3,113,418 | | \$ 3,193,130 | \$ 79,712 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 1,272,880 | \$ 1,272,880 | \$ - | \$ 1,303,637 | \$ 30,757 |
| Payroll Taxes | 82,405 | 82,405 | - | 86,380 | 3,975 |
| Benefits | 140,066 | 140,066 | - | 136,669 | (3,397) |
| Retirement Costs | 214,605 | 214,605 | - | 201,108 | (13,497) |
| Total Personnel Expenses | \$ 1,709,956 | \$ 1,709,956 | \$ - | \$ 1,727,794 | \$ 17,838 |
| Meeting Expenses | | | | | |
| Meetings | \$ 11,000 | \$ 3,300 | \$ (7,700) | \$ 9,000 | \$ (2,000) |
| Travel | 267,000 | 80,100 | (186,900) | 160,000 | (107,000) |
| Total Meeting Expenses | \$ 278,000 | \$ 83,400 | \$ (194,600) | \$ 169,000 | \$ (109,000) |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 81,400 | \$ 56,980 | \$ (24,420) | \$ 71,100 | \$ (10,300) |
| Office Rent | - | - | - | - | - |
| Office Costs | 31,000 | 21,700 | (9,300) | 31,000 | - |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ 112,400 | \$ 78,680 | \$ (33,720) | \$ 102,100 | \$ (10,300) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | \$ 972,987 | \$ 915,326 | \$ (57,661) | \$ 1,152,536 | \$ 179,549 |
| Total Expenses (B) | \$ 3,073,343 | \$ 2,787,362 | \$ (285,981) | \$ 3,151,430 | \$ 78,087 |
| Change in Net Assets (=A - B) | \$ 40,075 | \$ 326,056 | \$ 285,981 | \$ 41,700 | \$ 1,625 |
| Fixed Asset Additions, excluding Right of Use Assets (C) | \$ 40,075 | 38,370 | (1,705) | 41,700 | 1,625 |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ 3,113,418 | \$ 2,825,732 | \$ (287,686) | \$ 3,193,130 | \$ 79,712 |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ 287,686 | \$ 287,686 | \$ - | |
| FTEs | 8.38 | 8.38 | - | 8.34 | (0.04) |

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) | | | |
|--|--------------|-------------|------------------------|
| | 2020 Budget | 2021 Budget | Increase (Decrease) |
| Total FTEs | 2.97 | 2.16 | (0.81) |
| Direct Expenses | \$ 747,121 | \$ 548,033 | \$ (199,088) |
| Indirect Expenses | \$ 344,841 | \$ 298,499 | \$ (46,343) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - |
| Inc(Dec) in Fixed Assets | \$ 14,203 | \$ 10,800 | \$ (3,403) |
| Total Funding Requirement | \$ 1,106,167 | \$ 857,332 | \$ (248,834) |

Table A-7. Training and Education Budget

Program Scope and Functional Description

MRO is committed to its mission “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).” One way we do this is by providing training and education to industry on 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, security, and compliance. The Training and Education program provides outreach to MRO registered entities through MRO’s newsletter and other publications, workshops, webinars and conferences, as well as presentation opportunities at other industry events. The emphasis on Critical Infrastructure Protection and security over the last several years will continue in 2021. MRO and its advisory councils continually seek additional outreach opportunities.

MRO’s Training and Education program supports ERO Enterprise efforts to keep entity personnel trained and industry participants informed, and supports the ERO Enterprise Long Term Strategy through execution of MRO’s strategic goals 3, 4 and 5:

Goal 3: Reduction of Known Reliability Risks

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

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.

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

The ERO Enterprise identifies and evaluates cyber and physical security risks to the 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 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.

Impact on Resource Needs

Staffing for this program will decrease by an FTE of 0.81. Training, education, and outreach costs are being supplemented with webinar and virtual courses, resulting in an increase in meeting expenses that is offset by an equal decrease in travel expenses.

Training and Education Resource Requirements

Overall Budget Change 2020-2021 (Decrease \$248.8K, 22.5%)

Personnel Expenses (Decrease \$198.6K, 33.8%)

The average salary increase was budgeted at 3 percent. However, MRO shifted staff resources to meet priorities in other program areas. This resulted in slightly lower allocation of labor hours to this program. Benefits decreased due to historic trend of lower health premium costs.

Meeting Expenses remain flat.

Indirect Expenses (Decrease \$46.3K, 13.4%)

There is an overall increase in administrative services that are allocated to the operational programs based on the FTEs. The decrease is reflective of a lower FTE in this program.

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 | | | | | |
|---|---------------------|---------------------|---|-------------------|---|
| 2020 Budget & Projection, and 2021 Budget | | | | | |
| TRAINING and EDUCATION | | | | | |
| | 2020 | 2020 | Variance | 2021 | Variance |
| | Budget | Projection | 2021 Projection v 2020 Budget Over(Under) | Budget | 2021 Budget v 2020 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 1,072,457 | \$ 1,072,457 | | \$ 795,601 | \$ (276,856) |
| Assessment Stabilization Reserves | 33,708 | 33,708 | | 61,731 | 28,022 |
| Total Funding (A) | \$ 1,106,166 | \$ 1,106,166 | | \$ 857,332 | \$ (248,834) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 453,752 | \$ 453,752 | \$ - | \$ 290,379 | \$ (163,373) |
| Payroll Taxes | 22,296 | 22,296 | - | 18,898 | (3,398) |
| Benefits | 42,122 | 42,122 | - | 33,080 | (9,042) |
| Retirement Costs | 69,351 | 69,351 | - | 46,609 | (22,742) |
| Total Personnel Expenses | \$ 587,521 | \$ 587,521 | \$ - | \$ 388,967 | \$ (198,554) |
| Meeting Expenses | | | | | |
| Meetings | \$ 90,000 | \$ 27,000 | \$ (63,000) | \$ 120,000 | \$ 30,000 |
| Travel | 69,600 | 20,880 | (48,720) | 39,067 | (30,533) |
| Total Meeting Expenses | \$ 159,600 | \$ 47,880 | \$ (111,720) | \$ 159,067 | \$ (533) |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | - | - | - | - | - |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | \$ 344,841 | \$ 324,406 | \$ (20,436) | \$ 298,499 | \$ (46,343) |
| Total Expenses (B) | \$ 1,091,962 | \$ 959,807 | \$ (132,156) | \$ 846,532 | \$ (245,430) |
| Change in Net Assets (=A - B) | \$ 14,203 | \$ 146,359 | \$ 132,156 | \$ 10,800 | \$ (3,403) |
| Fixed Asset Additions, excluding Right of Use Assets (C) | \$ 14,203 | 13,599 | (604) | 10,800 | (3,403) |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ 1,106,166 | \$ 973,405 | \$ (132,760) | \$ 857,332 | \$ (248,834) |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ 132,760 | \$ 132,760 | \$ - | \$ - |
| FTEs | 2.97 | 2.97 | - | 2.16 | (0.81) |

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) | | | |
|---|-------------|-------------|------------------------|
| | 2020 Budget | 2021 Budget | Increase (Decrease) |
| Total FTEs | 2.08 | 2.00 | (0.08) |
| Direct Expenses | \$ 485,941 | \$ 459,593 | \$ (26,348) |
| Indirect Expenses | \$ 241,505 | \$ 276,388 | \$ 34,882 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - |
| Inc(Dec) in Fixed Assets | \$ 9,947 | \$ 10,000 | \$ 53 |
| Total Funding Requirement | \$ 737,393 | \$ 745,980 | \$ 8,587 |

Table A-9. Situation Awareness and Infrastructure Security Budget

Program Scope and Functional Description

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

This program supports the ERO Enterprise vision of a highly reliable and secure North American bulk power system and efforts to communicate risks to reliability, and supports ERO Enterprise efforts related to the ERO Enterprise Long-Term Strategy through execution of MRO's strategic goals 1, 3 and 5:

Goal 1: Risk-Responsive Reliability Standards

Reliability Standards establish threshold requirements for ensuring the 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.

Goal 3: Reduction of Known Reliability Risks

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

The ERO Enterprise identifies and evaluates cyber and physical security risks to the 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 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.

Impact on Resource Needs

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 stabilize.

The Infrastructure Security program will focus on activities to promote identification, assessment, mitigation, and communication of cyber, physical, and operational risks to the reliability and security of the North American bulk power system.

Situation Awareness and Infrastructure Security Resource Requirements

Overall Budget Change 2020-2021 (Increase \$8.6K, 1.2%)

The budget for this area will increase to realign and dedicate MRO staffing to the non-CMEP activities that support infrastructure security.

Personnel Expenses Remain Flat

The average salary increase was budgeted at 3 percent. However, MRO shifted staff resources to meet priorities in other program areas. This resulted in slightly lower allocation of labor hours to this program. Additionally, an unbudgeted increase in staff salaries in 2020 offset the lower labor allocation to result in flat personnel costs. Benefits decreased due to historic trend of lower health premium costs.

Meeting Expenses (Decrease \$27.0K, 29.2%)

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups, the Align project, and member travel for council face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2021.

Indirect Expenses (Increase \$34.8K, 14.4%)

There is an overall increase in administrative services that are allocated to the operational programs based on the FTEs.

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 2020 Budget & Projection, and 2021 Budget | | | | | |
|---|-------------------|--------------------|---|-------------------|---|
| SITUATION AWARENESS and INFRASTRUCTURE SECURITY | | | | | |
| | 2020 Budget | 2020 Projection | Variance 2021 Projection v 2020 Budget Over(Under) | 2021 Budget | Variance 2021 Budget v 2020 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 713,786 | \$ 713,786 | \$ - | \$ 688,822 | \$ (24,964) |
| Assessment Stabilization Reserves | 23,607 | 23,607 | | 57,158 | 33,551 |
| Total Funding (A) | \$ 737,393 | \$ 737,393 | | \$ 745,980 | \$ 8,587 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 283,299 | \$ 283,299 | \$ - | \$ 279,803 | \$ (3,496) |
| Payroll Taxes | 17,712 | 17,712 | - | 17,455 | (257) |
| Benefits | 35,471 | 35,471 | - | 34,037 | (1,434) |
| Retirement Costs | 42,759 | 42,759 | - | 46,398 | 3,639 |
| Total Personnel Expenses | \$ 379,241 | \$ 379,241 | \$ - | \$ 377,693 | \$ (1,548) |
| Meeting Expenses | | | | | |
| Meetings | \$ 2,000 | \$ 600 | \$ (1,400) | \$ 2,000 | \$ - |
| Travel | 90,400 | 27,120 | (63,280) | 63,400 | (27,000) |
| Total Meeting Expenses | \$ 92,400 | \$ 27,720 | \$ (64,680) | \$ 65,400 | \$ (27,000) |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | 14,300 | 10,010 | (4,290) | 16,500 | 2,200 |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ 14,300 | \$ 10,010 | \$ (4,290) | \$ 16,500 | \$ 2,200 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | \$ 241,505 | \$ 227,193 | \$ (14,312) | \$ 276,388 | \$ 34,882 |
| Total Expenses (B) | \$ 727,446 | \$ 644,164 | \$ (83,282) | \$ 735,980 | \$ 8,534 |
| Change in Net Assets (=A - B) | \$ 9,947 | \$ 93,229 | \$ 83,282 | \$ 10,000 | \$ 53 |
| Fixed Asset Additions, excluding Right of Use Assets (C) | \$ 9,947 | 9,524 | (423) | 10,000 | 53 |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ 737,393 | \$ 653,688 | \$ (83,705) | \$ 745,980 | \$ 8,587 |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ 83,705 | \$ 83,705 | \$ - | \$ - |
| FTEs | 2.08 | 2.08 | - | 2.00 | (0.08) |

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 | | |
| | 2020 Budget | 2021 Budget | Increase (Decrease) | 2020 Budget | 2021 Budget | Increase (Decrease) |
| General and Administrative | \$1,009,431 | \$1,481,685 | \$472,254 | 1.92 | 3.36 | 1.44 |
| Legal and Regulatory | \$925,510 | \$834,634 | -\$90,876 | 2.77 | 1.55 | (1.22) |
| Information Technology | \$1,784,365 | \$2,198,094 | \$413,729 | 4.44 | 6.00 | 1.56 |
| Human Resources | \$433,001 | \$431,072 | -\$1,929 | 1.35 | 1.29 | (0.06) |
| Finance and Accounting | \$1,763,250 | \$2,214,201 | \$450,951 | 3.38 | 3.80 | 0.42 |
| Total Administrative Services | \$5,915,557 | \$7,159,688 | \$1,244,131 | 13.86 | 16.00 | 2.14 |

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.

MRO's Administrative Services function supports ERO Enterprise efforts to be effective and efficient as outlined in the ERO Enterprise Long-Term Strategy through the execution of MRO's strategic goal 6:

Goal 6: Improving ERO Enterprise Effectiveness and Efficiency

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

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.

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) | | | |
|--|--------------|--------------|------------------------|
| | 2020 Budget | 2021 Budget | Increase (Decrease) |
| Total FTEs | 1.92 | 3.36 | 1.44 |
| Total Direct Expenses | \$ 1,009,431 | \$ 1,481,685 | \$ 472,254 |
| Inc(Dec) in Fixed Assets | \$ - | \$ - | \$ - |
| Working Capital Requirement | \$ - | \$ - | \$ - |

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 MRO's strategic priorities and the day-to-day management of the corporation, 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 2021-2020 (Increase \$472.3K, 46.8%)

Personnel Expenses (Increase \$354.7K, 52.1%)

The average salary increase was budgeted at 3 percent. MRO adjusted staff salaries in 2020 to compete with market increases, which resulted in an unbudgeted increase in 2020 and a larger variance in comparison to 2021. Additionally, there is an increase of one-half executive FTE in this program area.

Meeting Expenses (Increase \$18.0K, 7.4%)

There is an increase in overall meeting and travel expenses due to the addition of staff in this program.

Operating Expenses (Increase \$99.5K, 116.4%)

There is an increase in executive and board member training costs.

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 2020 Budget & Projection, and 2021 Budget | | | | | |
|---|-----------------------|-----------------------|---|-----------------------|---|
| GENERAL and ADMINISTRATIVE | | | | | |
| | 2020 Budget | 2020 Projection | Variance 2021 Projection v 2020 Budget Over(Under) | 2021 Budget | Variance 2021 Budget v 2020 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Assessment Stabilization Reserves | - | - | - | - | - |
| Total Funding (A) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 532,287 | \$ 532,287 | \$ - | \$ 845,317 | \$ 313,030 |
| Payroll Taxes | 21,762 | 21,762 | - | 34,161 | 12,399 |
| Benefits | 44,339 | 44,339 | - | 51,571 | 7,232 |
| Retirement Costs | 82,843 | 82,843 | - | 104,936 | 22,093 |
| Total Personnel Expenses | \$ 681,231 | \$ 681,231 | \$ - | \$ 1,035,985 | \$ 354,754 |
| Meeting Expenses | | | | | |
| Meetings | \$ 60,000 | \$ 60,000 | \$ - | \$ 60,000 | \$ - |
| Travel | 182,700 | 182,700 | - | 200,700 | 18,000 |
| Total Meeting Expenses | \$ 242,700 | \$ 242,700 | \$ - | \$ 260,700 | \$ 18,000 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 32,000 | \$ 32,000 | \$ - | \$ 65,000 | \$ 33,000 |
| Office Rent | - | - | - | - | - |
| Office Costs | 53,500 | 53,500 | - | 120,000 | 66,500 |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ 85,500 | \$ 85,500 | \$ - | \$ 185,000 | \$ 99,500 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | \$ (1,009,431) | \$ (1,009,431) | \$ - | \$ (1,481,685) | \$ (472,254) |
| Total Expenses (B) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Net Assets (=A - B) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fixed Asset Additions, excluding Right of Use Assets (C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | |
| FTEs | 2.62 | 2.62 | - | 3.36 | 0.74 |

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) | | | |
|--|-------------|-------------|------------------------|
| | 2020 Budget | 2021 Budget | Increase (Decrease) |
| Total FTEs | 2.77 | 1.55 | (1.22) |
| Total Direct Expenses | \$ 925,510 | \$ 834,634 | \$ (90,876) |
| Inc(Dec) in Fixed Assets | \$ - | \$ - | \$ - |
| Working Capital Requirement | \$ - | \$ - | \$ - |

Table A-14. Legal and Regulatory Budget

Program Scope and Functional Description

MRO's Legal and Regulatory function is staffed by the Vice President, General Counsel and Corporate Secretary, and an Assistant Corporate Secretary. In addition, the Senior Counsel devotes time providing services in the Legal and Regulatory function. Advice is provided to the board, the President and CEO, and staff on legal and regulatory matters affecting MRO; and corporate records for the board are maintained in this area. Both of these individuals have additional responsibilities outside the legal and regulatory function. MRO may use external specialized legal resources on an as-needed basis, such as for corporate matters, employee benefit plan issues, litigation, and significant policy or regulatory matters. The Senior Counsel also serves as the Director of External Affairs and leads Enforcement.

Legal and Regulatory Resource Requirements

Overall Budget Change 2021-2020 (Decrease \$90.9K, 9.8%)

The decrease in this indirect program area is related to a realignment of staff to other program areas.

Personnel Expenses (Decrease \$112K, 25.1%)

The average salary increase was budgeted at 3 percent. However, MRO shifted staff resources to meet priorities in other program areas. This resulted in slightly lower allocation of labor hours to this administrative area. Additionally, an unbudgeted increase in staff salaries in 2020 offset the lower labor allocation with the higher salary costs to result in a larger variance in comparison to 2021. Benefits decreased due to historic trend of lower health premium costs.

Meeting Expense (Increase \$4.5K, 23.7%)

This increase is due to occasional on-site visit of remotely located staff.

Operating Expense (Increase \$16.7K, 3.6%)

This increase is due to an increase in Independent Trustee fees and an increase in office costs for one remotely located staff.

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 | | | | | |
|---|---------------------|---------------------|------------------------|---------------------|----------------------|
| 2020 Budget & Projection, and 2021 Budget | | | | | |
| LEGAL and REGULATORY | | | | | |
| | 2020 | 2020 | Variance | 2021 | Variance |
| | Budget | Projection | 2021 Projection | Budget | 2021 Budget |
| | | | v 2020 Budget | | v 2020 Budget |
| | | | Over(Under) | | Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Assessment Stabilization Reserves | - | - | - | - | - |
| Total Funding (A) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 334,870 | \$ 334,870 | \$ - | \$ 268,391 | \$ (66,479) |
| Payroll Taxes | 17,818 | 17,818 | - | 12,352 | (5,466) |
| Benefits | 33,311 | 33,311 | - | 20,113 | (13,198) |
| Retirement Costs | 60,417 | 60,417 | - | 33,534 | (26,883) |
| Total Personnel Expenses | \$ 446,416 | \$ 446,416 | \$ - | \$ 334,390 | \$ (112,026) |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 19,000 | 19,000 | - | 23,500 | 4,500 |
| Total Meeting Expenses | \$ 19,000 | \$ 19,000 | \$ - | \$ 23,500 | \$ 4,500 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | 13,094 | 13,094 | - | 15,244 | 2,150 |
| Professional Services | 447,000 | 335,250 | (111,750) | 461,500 | 14,500 |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ 460,094 | \$ 348,344 | \$ (111,750) | \$ 476,744 | \$ 16,650 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | \$ (925,510) | \$ (813,760) | \$ 111,750 | \$ (834,634) | \$ 90,876 |
| Total Expenses (B) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Net Assets (=A - B) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fixed Asset Additions, excluding Right of Use Assets (C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | |
| FTEs | 2.07 | 2.07 | - | 1.55 | (0.52) |

Table A-15. Legal and Regulatory Budget Detail

Information Technology

The following table lists the Information Technology budget.

| Information Technology (in whole dollars) | | | |
|--|--------------|--------------|------------------------|
| | 2020 Budget | 2021 Budget | Increase (Decrease) |
| Total FTEs | 4.44 | 6.00 | 1.56 |
| Total Direct Expenses | \$ 1,784,365 | \$ 2,198,094 | \$ 413,729 |
| Inc(Dec) in Fixed Assets | \$ - | \$ - | \$ - |
| 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.

In addition, this program contributes to the ERO Enterprise focus to capture effectiveness, efficiency, and continuous improvement opportunities. This program coordinates efforts with other regional IT programs to find best practice and cost efficiencies through shared tools and applications and supports ERO Enterprise efforts related to the ERO Enterprise Long Term Strategy through execution of MRO's strategic goal 5:

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 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 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.

Information Technology Resource Requirements

Overall Budget Change 2021-2020 (Increase \$373.7K, 23.7%)

The increase in the indirect programs is largely due to an increase in IT staff. Testing and analysis in this program identified a staff shortage. Additional FTEs are needed to manage an increased focus on security efforts.

Personnel Expenses (Increase \$321.3K, 44.9%)

The average salary increase was budgeted at 3 percent. However, MRO adjusted staff salaries in 2020 to compete with market increases, which resulted in an unbudgeted increase in 2020

and a larger variance in comparison to 2021. Additionally, there is an increase of one and one-half FTEs in this program area.

Meeting Expenses Remain Flat

Operating Expenses (Increase \$52.4K, 6.2%)

This increase reflects increased reliance on external IT professional resources.

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 | | | | | |
|---|--------------------|--------------------|---|---------------------|---|
| 2020 Budget & Projection, and 2021 Budget | | | | | |
| INFORMATION TECHNOLOGY | | | | | |
| | 2020 | 2020 | Variance | 2021 | Variance |
| | Budget | Projection | 2021 Projection v 2020 Budget Over(Under) | Budget | 2021 Budget v 2020 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Assessment Stabilization Reserves | - | - | - | - | - |
| Total Funding (A) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 530,912 | \$ 584,003 | \$ 53,091 | \$ 746,507 | \$ 215,595 |
| Payroll Taxes | 37,021 | 40,723 | 3,702 | 55,252 | 18,231 |
| Benefits | 75,718 | 83,290 | 7,572 | 104,289 | 28,571 |
| Retirement Costs | 72,089 | 79,298 | 7,209 | 130,990 | 58,901 |
| Total Personnel Expenses | \$ 715,740 | \$ 787,314 | \$ 71,574 | \$ 1,037,037 | \$ 321,297 |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 10,000 | 10,000 | - | 10,000 | - |
| Total Meeting Expenses | \$ 10,000 | \$ 10,000 | \$ - | \$ 10,000 | \$ - |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 513,475 | \$ 385,106 | \$ (128,369) | \$ 549,707 | \$ 36,232 |
| Office Rent | - | - | - | - | - |
| Office Costs | 335,150 | 251,363 | (83,788) | 351,350 | 16,200 |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ 848,625 | \$ 636,469 | \$ (212,156) | \$ 901,057 | \$ 52,432 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | (1,574,365) | (1,433,783) | 140,582 | (1,948,094) | (373,729) |
| Total Expenses (B) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Net Assets (=A - B) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fixed Asset Additions, excluding Right of Use Assets | \$ 210,000 | \$ 210,000 | - | \$ 250,000 | \$ 40,000 |
| Allocation of Fixed Assets | (210,000) | (210,000) | - | (250,000) | (40,000) |
| Inc(Dec) in Fixed Assets (C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| FTEs | 4.44 | 5.04 | 0.60 | 6.00 | 1.56 |

Table A-17. Information Technology Budget Detail

Human Resources

The following table lists the Human Resources budget.

| Human Resources (in whole dollars) | | | |
|---------------------------------------|-------------|-------------|------------------------|
| | 2020 Budget | 2021 Budget | Increase (Decrease) |
| Total FTEs | 1.35 | 1.29 | (0.06) |
| Total Direct Expenses | \$ - | \$ 431,072 | \$ 431,072 |
| Inc(Dec) in Fixed Assets | \$ - | \$ - | \$ - |
| Working Capital Requirement | \$ - | \$ - | \$ - |

Table A-18. Human Resources Budget

Program Scope and Functional Description

Human Resources

The Human Resources function designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws. This function also facilitates the recruitment and retention efforts of the organization by coordinating tasks associated with the employee life cycle activities including onboarding, training, professional development, and best practice employee retention initiatives.

MRO has developed a culture and talent management program that features in-depth communication and training. New hire training initiatives and employee collaborations are planned to create opportunities for peer-to-peer internal mentorship, learning opportunities, and team building. MRO continues to review and enhance its employee engagement and culture enrichment activities in an effort to positively impact all stages of the employee life cycle from candidate identification, the onboarding experience of new employees, throughout the life cycle, as well as the overall corporate culture to be an “employer of choice,” to attract and retain qualified staff.

Human Resources Resource Requirements

Overall Budget Change 2021-2020 remain flat

The flat budget change in this administrative area is primarily due to the offset of lower operating costs to higher salary costs.

Personnel Expense (Increase \$75.6K, 28.8%)

The average salary increase was budgeted at 3 percent. MRO adjusted staff salaries in 2020 to compete with market increases, which resulted in an unbudgeted increase in 2020 and a larger variance in comparison to 2021.

Operating Expense (Decrease \$78.0K, 46.0%)

Budgeted amounts in consulting and contracts, as well as office costs were reduced by half. Professional service costs for HR legal consulting was reallocated to the legal and regulatory function.

Human Resources Budget Detail

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

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|--|---------------------|---------------------|---|---------------------|---|
| 2020 Budget & Projection, and 2021 Budget | | | | | |
| HUMAN RESOURCES | | | | | |
| | 2020 Budget | 2020 Projection | Variance 2021 Projection v 2020 Budget Over(Under) | 2021 Budget | Variance 2021 Budget v 2020 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Assessment Stabilization Reserves | | | | - | |
| Total Funding (A) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 196,884 | \$ 196,884 | \$ - | \$ 259,627 | \$ 62,743 |
| Payroll Taxes | 12,483 | 12,483 | - | 15,704 | 3,221 |
| Benefits | 23,022 | 23,022 | - | 24,239 | 1,217 |
| Retirement Costs | 29,612 | 29,612 | - | 38,003 | 8,391 |
| Total Personnel Expenses | \$ 262,001 | \$ 262,001 | \$ - | \$ 337,572 | \$ 75,571 |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 1,500 | 1,500 | - | 2,000 | 500 |
| Total Meeting Expenses | \$ 1,500 | \$ 1,500 | \$ - | \$ 2,000 | \$ 500 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 47,000 | \$ 47,000 | \$ - | \$ 27,000 | \$ (20,000) |
| Office Rent | - | - | - | - | - |
| Office Costs | 102,500 | 102,500 | - | 64,500 | (38,000) |
| Professional Services | 20,000 | 20,000 | - | - | (20,000) |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ 169,500 | \$ 169,500 | \$ - | \$ 91,500 | \$ (78,000) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | \$ (433,001) | \$ (433,001) | \$ - | \$ (431,072) | \$ 1,929 |
| Total Expenses (B) | \$ - | \$ - | \$ - | \$ - | \$ 0 |
| Change in Net Assets (=A - B) | \$ - | \$ - | \$ - | \$ - | \$ (0) |
| Fixed Asset Additions, excluding Right of Use Assets (C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ - | \$ - | \$ - | \$ - | \$ 0 |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ - | \$ - | \$ - | \$ (0) |
| | | | | | |
| FTEs | 1.35 | 1.35 | | 1.29 | (0.06) |

Table A-19. Human Resources Budget Detail

Finance and Accounting

The following table lists the Finance and Accounting budget.

| Finance and Accounting (in whole dollars) | | | |
|--|--------------|--------------|------------------------|
| | 2020 Budget | 2021 Budget | Increase (Decrease) |
| Total FTEs | 3.38 | 3.80 | 0.42 |
| Total Direct Expenses | \$ 1,763,250 | \$ 2,214,201 | \$ 450,951 |
| Inc(Dec) in Fixed Assets | \$ - | \$ - | \$ - |
| Working Capital Requirement | \$ - | \$ - | \$ - |

Table A-20. Finance and Accounting Budget

Program Scope and Functional Description

Finance and Accounting

The Finance and Accounting function directs the overall financial planning and accounting practices of the organization, oversees treasury, accounting, budget, tax, and audit activities, as well as the 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. This function also coordinates all MRO internal and external meetings, workshops, and events.

Finance and Accounting Resource Requirements

Overall Budget Change 2021-2020 (Increase \$451K, 25.6%)

The increased costs in the Finance and Accounting area are primarily a result of higher facility rent and staff salaries.

Personnel Expenses (Increase \$96.3K, 14.5%)

The average salary increase was budgeted at 3 percent. MRO adjusted staff salaries in 2020 to compete with market increases, which resulted in an unbudgeted increase in 2020 and a larger variance in comparison to 2021. Additionally, there is an increase of one-half FTE in this program area.

Meeting Expenses Remain Flat

Operating Expenses (Increase \$354.6K, 32.6%)

The increase in this area is due to a facility expansion resulting in higher rent costs. This cost was partially offset by reduced budgeted amounts in consultants and contracts, office costs, and professional services.

Finance, and Accounting Budget Detail

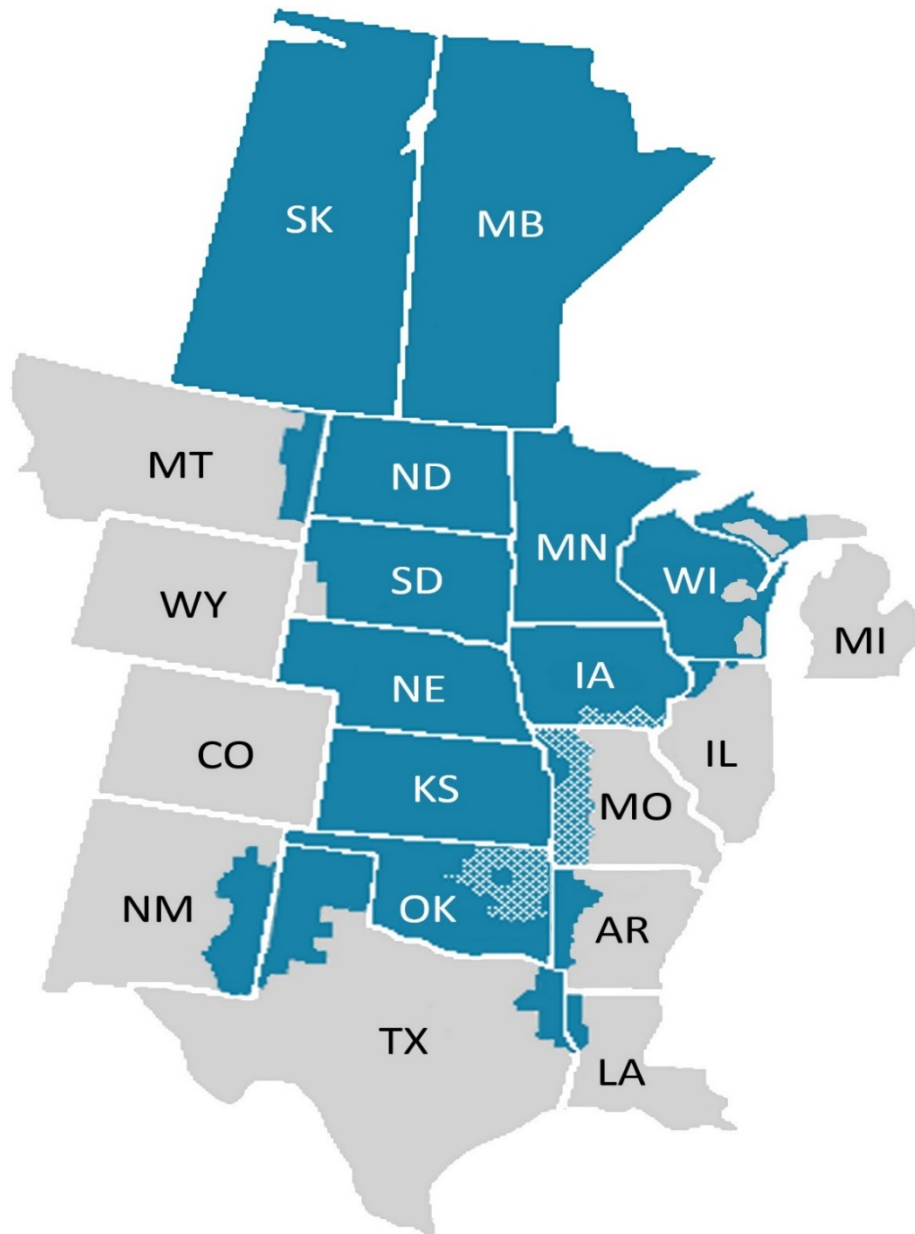
The following table shows funding sources and related expenses for the Finance and Accounting Program.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2020 Budget & Projection, and 2021 Budget | | | | | |
|---|-----------------------|-----------------------|---|-----------------------|---|
| FINANCE and ACCOUNTING | | | | | |
| | 2020 Budget | 2020 Projection | Variance 2021 Projection v 2020 Budget Over(Under) | 2021 Budget | Variance 2021 Budget v 2020 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ - | \$ - | \$ - | \$ - | \$ - |
| Assessment Stabilization Reserves | - | - | - | - | - |
| Total Funding (A) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 488,350 | \$ 488,350 | \$ - | \$ 549,682 | \$ 61,332 |
| Payroll Taxes | 27,810 | 27,810 | - | 35,972 | 8,162 |
| Benefits | 57,982 | 57,982 | - | 76,841 | 18,859 |
| Retirement Costs | 90,008 | 90,008 | - | 98,006 | 7,998 |
| Total Personnel Expenses | \$ 664,150 | \$ 664,150 | \$ - | \$ 760,501 | \$ 96,351 |
| Meeting Expenses | | | | | |
| Meetings | \$ 2,000 | \$ 2,000 | \$ - | \$ 2,000 | \$ - |
| Travel | 10,000 | 10,000 | - | 10,000 | - |
| Total Meeting Expenses | \$ 12,000 | \$ 12,000 | \$ - | \$ 12,000 | \$ - |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 49,050 | \$ 49,050 | \$ - | \$ 43,500 | \$ (5,550) |
| Office Rent | 774,000 | 774,000 | - | 1,168,700 | 394,700 |
| Office Costs | 203,050 | 152,288 | (50,763) | 171,500 | (31,550) |
| Professional Services | 61,000 | 61,000 | - | 58,000 | (3,000) |
| Miscellaneous | - | - | - | - | - |
| Total Operating Expenses | \$ 1,087,100 | \$ 1,036,338 | \$ (50,763) | \$ 1,441,700 | \$ 354,600 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Indirect Expenses | \$ (1,763,250) | \$ (1,712,488) | \$ 50,763 | \$ (2,214,201) | \$ (450,951) |
| Total Expenses (B) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Net Assets (=A - B) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fixed Asset Additions, excluding Right of Use Assets | \$ 25,000 | 15,000 | (10,000) | - | (25,000) |
| Allocation of Fixed Assets | (25,000) | (15,000) | 10,000 | - | 25,000 |
| Inc(Dec) in Fixed Assets (C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| FTEs | 3.38 | 3.38 | - | 3.80 | 0.42 |

Table A-21. Finance and Accounting Budget Detail

Section B – Supplemental Financial Information

2021 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the reserve for 2020 through 2021.

| Reserve Analysis 2020-2021 | | |
|---|-------------------------|---------------------------|
| STATUTORY | | |
| Beginning Working Capital (Deficit), January 1, 2020 | 4,769,485 | |
| Plus: Penalty Sanctions Non-current ¹ | 360,504 | |
| Plus: 2020 MRO Assessment | 16,983,251 | Projected Annual Cashflow |
| Less: 2020 Projected expenses & capital expenditures | <u>(17,540,969)</u> | Operation Expenses |
| Projected Reserve (Deficit), December 31, 2020 ² | <u>4,572,271</u> | |
| Less: Targeted 30 day Operating Reserve, December 31, 2021 (($\$18,412,202 / 365$ days) X 30 days) | <u>(1,513,332)</u> | To cover contingencies |
| Plus: Projected Reserve, December 31, 2020 | <u>4,572,271</u> | |
| Projected Reserve | <u>3,058,940</u> | |
| 2021 Expenses and Capital Expenditures | 18,412,202 | |
| 2021 MRO Assessment (4.97% Increase over 2020) | <u>16,983,251</u> | |
| Adjustment from reserves to achieve targeted 2021 MRO Assessment | | |
| Portion of reserve related to penalties released as offset to U.S. assessments | 360,504 | |
| Additional reserve adjustment | <u>1,068,447</u> | |
| Total Assessment Stabilization Adjustment | <u>1,428,951</u> | |
| Plus: Penalty Sanctions Current ³ | - | |
| Projected Reserve (Deficit), December 31, 2021 | <u><u>1,629,989</u></u> | |

¹ Represents collections on or prior to December 31, 2019. See page 49 for full disclosure.

² MRO's projected reserve December 31, 2020 assumes that there will not be a material difference budgeted versus actual/projected results from 2020.

³ Represents collections between January 1, 2020 - June 30, 2020. See page 49 for full disclosure.

Table B-1. Reserve Analysis 2020 - 2021

Explanation of Changes in Reserve Policy from Prior Years

Per Policy and Procedure 13, MRO's reserves are identified and quantified each year in the business plan and budget. MRO resets its reserves at the beginning of each year. MRO's FAC resolved that a 30-day reserve of cash is sufficient based on MRO's cash flow risk. 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.

Additionally, Policy and Procedure 13 was revised in 2019 to address additional cash-on-hand necessary to meet unplanned, short-term financial needs resulting from changes in the level of expenditures that would adversely affect the company's total annual operating budget during the budget year. The revised policy combines penalties received and surplus working capital. MRO staff may propose to set aside these funds in a separate reserve account to be released in future periods to mitigate year-to-year variations in assessments.

Breakdown by Statement of Activity Sections

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2020.

| Penalty Sanctions Received On or Prior to June 30, 2020 | Date Received | Amount Received |
|---|---------------|-----------------|
| | Feb-19 | \$ 154,699 |
| | Dec-19 | 205,805 |
| Total Penalties Received | | \$ 360,504 |

Table B-2. Penalty Sanctions Received

Penalty Sanctions

All penalties received after July 1, 2019, and prior to June 30, 2020, are listed above, including the amount and date received.

Allocation Method: Penalty sanctions received have been combined with surplus working capital (if any). MRO staff may set aside these funds in a separate reserve account to be released in future budget periods to mitigate year-to-year variations in budget assessments. Assuming no additional penalties collected, all remaining penalty dollars will be released in the 2021 budget year as part of assessment stabilization.

Table B-3 lists the budget for Supplemental Funding.

| Outside Funding Breakdown By Program (Excluding Penalty Sanction) | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget |
|---|-------------|-----------------|-------------|------------------------------------|
| Compliance Monitoring, Enforcement & Org. Registration | | | | |
| Other | \$ - | \$ - | \$ - | \$ - |
| Total | \$ - | \$ - | \$ - | \$ - |
| Reliability Assessment and Performance Analysis | | | | |
| Other | | - | | |
| Total | \$ - | \$ - | \$ - | \$ - |
| Training and Education | | | | |
| Testing Fees and Certificate Renewals | \$ - | \$ - | \$ - | - |
| CEH Fees | - | - | - | - |
| Workshops | - | - | - | - |
| Other | | - | | |
| Total | \$ - | \$ - | \$ - | \$ - |
| Situation Awareness and Infrastructure Security | | | | |
| FIST Royalties | \$ - | \$ - | \$ - | \$ - |
| TSIN Fees | | | | |
| Other | | - | | |
| Total | \$ - | \$ - | \$ - | \$ - |
| General and Administrative | | | | |
| Interest Income | \$ - | \$ - | \$ - | \$ - |
| Other | | | | |
| Total | \$ - | \$ - | \$ - | \$ - |
| Total Outside Funding | \$ - | \$ - | \$ - | \$ - |

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

MRO does earn interest income on general cash held. The general banking account offsets the bank charges with any earned interest. MRO does not budget interest income on penalties received and held for future budget years. All interest earned is applied to reserves for the reduction of future assessments.

Table B-4 summarizes Personnel Expenses.

| Personnel Expenses | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget | Variance % |
|------------------------------|----------------------|----------------------|----------------------|------------------------------------|-------------|
| Total Salaries | \$ 9,334,262 | \$ 9,387,353 | \$ 10,059,263 | \$ 725,001 | 7.8% |
| Total Payroll Taxes | 586,604 | 590,306 | 631,891 | 45,287 | 7.7% |
| Total Benefits | 1,061,581 | 1,069,153 | 1,064,375 | 2,794 | 0.3% |
| Total Retirement | 1,500,244 | 1,507,453 | 1,528,209 | 27,965 | 1.9% |
| Total Personnel Costs | \$ 12,482,691 | \$ 12,554,265 | \$ 13,283,737 | \$ 801,046 | 6.4% |
| FTEs | 63.00 | 63.60 | 66.00 | 3.00 | 4.8% |
| Cost per FTE | | | | | |
| Salaries | 148,163 | \$ 147,600 | \$ 152,413 | 4,250 | 2.9% |
| Payroll Taxes | 9,311 | 9,282 | 9,574 | 263 | 2.8% |
| Benefits | 16,850 | 16,811 | 16,127 | (724) | -4.3% |
| Retirement | 23,813 | 23,702 | 23,155 | (659) | -2.8% |
| Total Cost per FTE | \$ 198,138 | \$ 197,394 | \$ 201,269 | \$ 3,131 | 1.6% |

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

Personnel Expenses (Increase \$801K, 6.4%)

The following assumptions were used to determine the 2021 MRO budget:

- Total personnel expenses were increased to include the addition of 3 FTEs to support the statutory programs and the expanded region.
- The average salary increase was budgeted at 3 percent. MRO realigned staff salaries in 2020 to compete with market increases, which resulted in an unbudgeted increase in 2020 and a larger variance in comparison to 2021.

Table B-5 lists the budget for Meeting Expenses.

| Meeting Expenses | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget | Variance % |
|-------------------------------|---------------------|--------------------|-------------------|--|---------------|
| Meeting Expenses | \$ 175,900 | \$ 96,170 | \$ 204,900 | \$ 29,000 | 16.5% |
| Travel | 1,108,732 | \$ 488,860 | 739,967 | (368,765) | -33.3% |
| Total Meeting Expenses | \$ 1,284,632 | \$ 585,030 | \$ 944,867 | \$ (339,765) | -26.4% |

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

Meeting Expenses (Increase \$29.0K, 16.5%)

The increase in meeting expense reflects increased participation within the Infrastructure Security program.

Travel Expenses (Decrease \$368.8K, 33.3%)

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups, the Align project, and member travel for council face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2021.

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

| Consultants | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget | Variance % |
|---|-------------------|--------------------|-------------------|--|---------------|
| Consultants | | | | | |
| Reliability Standards and Organization Registration and Certification | \$ - | \$ - | \$ - | \$ - | |
| Compliance | 403,000 | 282,100 | 403,000 | - | 0% |
| 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 | 65,000 | 33,000 | 103% |
| Legal and Regulatory | - | - | - | - | |
| Information Technology | 286,200 | 214,650 | 191,200 | (95,000) | -33% |
| Human Resources | - | - | - | - | |
| Accounting and Finance | 15,000 | 15,000 | 7,500 | (7,500) | -50% |
| Consultants Total | \$ 736,200 | \$ 543,750 | \$ 666,700 | \$ (69,500) | -9% |

| Contracts | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget | Variance % |
|---|-------------------|--------------------|-------------------|--|---------------|
| Contracts | | | | | |
| Reliability Standards and Organization Registration and Certification | \$ - | \$ - | \$ - | \$ - | |
| Compliance | 180,394 | 126,276 | 180,394 | - | 0% |
| Reliability Assessment and Performance Analysis | 81,400 | 56,980 | 71,100 | (10,300) | -13% |
| Event Analysis | - | - | - | - | |
| Training and Education | - | - | - | - | |
| Situation Awareness and Infrastructure Security | - | - | - | - | |
| Committee and Member Forums | - | - | - | - | |
| General and Administrative | - | - | - | - | |
| Legal and Regulatory | - | - | - | - | |
| Information Technology | 227,275 | 170,456 | 358,507 | 131,232 | 58% |
| Human Resources | 47,000 | 37,600 | 27,000 | (20,000) | -43% |
| Accounting and Finance | 34,050 | 34,050 | 36,000 | 1,950 | 6% |
| Contracts Total | \$ 570,119 | \$ 425,362 | \$ 673,001 | \$ 102,882 | 18% |

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

Consultants for General and Administrative (Increase \$33K, 103%)

The \$33k increase is for extended use of webCDMS as contingency to the implementation of the Align tool.

IT Consultants (Decrease \$95K, 33%)

Consultants consist of the support of the MRO communication network. MRO's IT network increased use of internal staff expertise and reduced external technical support.

Accounting and Finance Consultants (Decrease \$7.5K, 50%)

Consultants consist of the use of recruiters and other hiring support. These costs were reallocated to the human resource function.

Contracts for Reliability Assessment (Decrease \$10.3K, 13%)

The decrease is due to reduced contract costs for modeling simulation software.

IT Contracts (Increase \$131.2K, 58%)

IT contracts consist of maintenance of IT networks, systems, and software applications. Increased costs in contracts are due to the addition of ERO shared applications and newly acquired communication systems for greater efficiency and robust technological operation.

Human Resource Contracts (Decrease \$20K, 43%)

The decrease in HR contracts results from decreased costs for compensation and benefit studies.

Table B-7 lists the budget for Office Rent.

| Office Rent | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget | Variance % |
|--------------------------|-------------------|--------------------|---------------------|--|---------------|
| Office Rent | \$ 750,000 | \$ 750,000 | \$ 1,128,700 | \$ 378,700 | 50.5% |
| Utilities | 9,000 | 9,000 | 10,000 | 1,000 | 11.1% |
| Maintenance | 15,000 | 15,000 | 30,000 | 15,000 | 100.0% |
| Total Office Rent | \$ 774,000 | \$ 774,000 | \$ 1,168,700 | \$ 394,700 | 50.99% |

Table B-7. Office Rent

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

MRO anticipates an office expansion in 2020 that will result in higher rent. Rent and all associated facility costs are budgeted higher in anticipation of occupying a larger office space.

Table B-8 lists the budget for Office Costs.

| Office Costs | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget | Variance % |
|---|-------------------|--------------------|-------------------|--|---------------|
| Phone Service | | | | | |
| Data Circuit (qmoe) | \$ 60,000 | \$ 45,482 | \$ 60,000 | \$ - | 31.92% |
| Webex | 19,200 | 14,554 | 19,200 | - | 31.92% |
| Voice Circuits | 18,000 | 13,645 | 18,000 | - | 31.92% |
| Business Cable | 3,250 | 2,464 | 3,250 | - | 31.92% |
| Disaster Recovery Site | - | - | - | - | |
| Internet/Cell | 62,532 | 47,401 | 64,520 | 1,988 | 36.11% |
| Office Supplies | 50,000 | 37,902 | 35,000 | (15,000) | -7.66% |
| Employee Member Events | 38,000 | 28,805 | 32,000 | (6,000) | 11.09% |
| Employee Related Expense | 35,000 | 26,531 | 25,000 | (10,000) | -5.77% |
| Computer Supplies and Maintenance | 166,500 | 126,212 | 149,000 | (17,500) | 18.06% |
| Publications & Subscriptions | 10,500 | 7,959 | 13,600 | 3,100 | 70.87% |
| Professional Dues | 22,095 | 16,749 | 19,076 | (3,019) | 13.90% |
| Postage | 6,200 | 4,700 | 6,200 | - | 31.92% |
| Temporary Services | - | - | - | - | |
| Finance-Filing/Reg Fees | 6,000 | 4,548 | 4,000 | (2,000) | -12.05% |
| Equipment Repair/Service Contracts | 38,000 | 28,805 | 39,000 | 1,000 | 35.39% |
| Bank Charges | 15,000 | 11,370 | 6,000 | (9,000) | -47.23% |
| Presentation & Publicity & Supplies Promotional | 15,000 | 11,370 | 20,000 | 5,000 | 75.89% |
| Departmental Functional Training | 275,050 | 208,497 | 303,851 | 28,801 | 45.73% |
| Insurance Expense | 90,000 | 68,223 | 90,000 | - | 31.92% |
| Total Office Costs | \$ 930,327 | \$ 705,217 | \$ 907,697 | \$ (22,630) | 28.71% |

Table B-8. Office Costs

Explanation of Significant Variances – 2021 Budget versus 2020 Budget (Decrease \$22.6K, 2.4%)

There is not a significant variance in office costs. Increases in some line costs are offset by decreases in other line costs, which results in a slightly lower total office cost.

Table B-9 lists the budget for Professional Services.

| Professional Services | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget | Variance % |
|--|-------------------|--------------------|-------------------|--|---------------|
| Independent Trustee Fees | \$ 320,000 | \$ 252,273 | \$ 331,500 | \$ 11,500 | 3.59% |
| Independent Trustee Travel Reimbursement | 27,000 | 21,286 | 30,000 | 3,000 | 11.11% |
| Outside Legal | 120,000 | 94,602 | 100,000 | (20,000) | -16.67% |
| Accounting and Auditing Fees | 33,000 | 26,016 | 35,000 | 2,000 | 6.06% |
| Actuarial Fees | 28,000 | 22,074 | 23,000 | (5,000) | -17.86% |
| Total Services | \$ 528,000 | \$ 416,250 | \$ 519,500 | \$ (8,500) | -1.61% |

Table B-9. Professional Services

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

There is no significant variance in costs. Increases in some line costs are offset by decreases in other line costs, which results in a slightly lower total professional service cost.

Table B-10 lists the budget for Miscellaneous.

| Miscellaneous Expenses | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget | Variance % |
|-------------------------------------|----------------|--------------------|----------------|--|--------------|
| | \$ - | \$ - | \$ - | \$ - | - |
| | | | | | - |
| | | | | | - |
| Total Miscellaneous Expenses | \$ - | \$ - | \$ - | \$ - | 0.00% |

Table B-10. Miscellaneous

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

MRO has not budgeted any Miscellaneous Expenses in 2021 or 2020.

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

| Other Non-Operating Expenses | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget | Variance % |
|-------------------------------------|----------------|--------------------|----------------|--|--------------|
| Interest Expense | \$ - | \$ - | \$ - | \$ - | |
| Line of Credit Payment | | - | | - | |
| Office Relocation | - | - | - | - | |
| Total Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | 0.00% |

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

MRO has not budgeted any Non-Operating Expenses in 2021 or 2020.

Table B-12 lists the budget for Fixed Assets.

| Fixed Assets | Budget 2020 | Projection 2020 | Budget 2021 | Variance 2021 Budget v 2020 Budget | Variance % |
|-------------------------------------|-------------------|--------------------|-------------------|--|-------------|
| Computer Equipment | 210,000 | 210,000 | 250,000 | 40,000 | 19.0% |
| Capitalized Software | - | - | - | - | |
| Furniture and Equipment | - | - | - | - | |
| Leasehold Improvements | 25,000 | 15,000 | - | (25,000) | -100.0% |
| Total Change in Fixed Assets | \$ 235,000 | \$ 225,000 | \$ 250,000 | \$ 15,000 | 6.4% |

Table B-12. Fixed Assets

Explanation of Significant Variances – 2021 Budget versus 2020 Budget

MRO anticipates a one-time purchase in leasehold improvements related to a facility expansion in 2020. No leasehold purchases expected in 2021.

Table B-13 compares the 2021 budget with projections for 2021-2023.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2022 and 2023 Projections | | | | | | | | |
|---|----------------------|----------------------|--------------------|---------------|----------------------|-------------------|-------------|--|
| | 2021 | 2022 | \$ Change | % Change | 2023 | \$ Change | % Change | |
| | Budget | Projection | 21 v 22 | 21 v 22 | Projection | 22 v 23 | 22 v 23 | |
| Funding | | | | | | | | |
| ERO Funding | | | | | | | | |
| NERC Assessments | \$ 16,983,251 | \$ 17,492,749 | \$ 509,498 | 3.00% | \$ 18,017,531 | \$ 524,782 | 3.00% | |
| Assessment Stabilization Reserves | 1,428,951 | 1,547,157 | 118,206 | 8.27% | 1,597,571 | 50,415 | 3.26% | |
| Membership Dues | - | - | - | - | - | - | - | |
| Testing Fees | - | - | - | - | - | - | - | |
| Services & Software | - | - | - | - | - | - | - | |
| Workshop Fees & Miscellaneous | - | - | - | - | - | - | - | |
| Interest & Investment Income | - | - | - | - | - | - | - | |
| Total Funding (A) | \$ 18,412,202 | \$ 19,039,905 | \$ 627,703 | 3.4% | \$ 19,615,103 | \$ 575,197 | 3.0% | |
| Expenses | | | | | | | | |
| Personnel Expenses | | | | | | | | |
| Salaries | \$ 10,059,263 | \$ 10,461,633 | \$ 402,371 | 4.0% | \$ 10,775,482 | \$ 313,849 | 3.0% | |
| Payroll Taxes | 631,891 | 657,166 | 25,276 | 4.0% | 676,881 | 19,715 | 3.0% | |
| Benefits | 1,064,375 | 1,106,950 | 42,575 | 4.0% | 1,140,158 | 33,208 | 3.0% | |
| Retirement Costs | 1,528,209 | 1,589,338 | 61,128 | 4.0% | 1,637,018 | 47,680 | 3.0% | |
| Total Personnel Expenses | \$ 13,283,737 | \$ 13,815,087 | \$ 531,349 | 4.0% | \$ 14,229,540 | \$ 414,453 | 3.0% | |
| Meeting Expenses | | | | | | | | |
| Meetings & Conference Calls | \$ 204,900 | \$ 211,047 | \$ 6,147 | 3.0% | \$ 217,378 | 6,331 | 3.0% | |
| Travel | 739,967 | 762,166 | 22,199 | 3.0% | 785,031 | 22,865 | 3.0% | |
| Total Meeting Expenses | \$ 944,867 | \$ 973,213 | \$ 28,346 | 3.0% | \$ 1,002,409 | \$ 29,196 | 3.0% | |
| Operating Expenses, excluding Depreciation | | | | | | | | |
| Consultants & Contracts | \$ 1,339,701 | \$ 1,379,892 | 40,191 | 3.0% | \$ 1,421,289 | 41,397 | 3.0% | |
| Office Rent | 1,168,700 | 1,203,761 | 35,061 | 3.0% | 1,239,874 | 36,113 | 3.0% | |
| Office Costs | 905,697 | 932,868 | 27,171 | 3.0% | 960,854 | 27,986 | 3.0% | |
| Professional Services | 519,500 | 535,085 | 15,585 | 3.0% | 551,138 | 16,053 | 3.0% | |
| Miscellaneous | - | - | - | - | - | - | - | |
| Total Operating Expenses | \$ 3,933,598 | \$ 4,051,606 | \$ 118,008 | 3.0% | \$ 4,173,154 | \$ 121,548 | 3.0% | |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | - | \$ - | \$ - | - | |
| Indirect Expenses | \$ - | \$ - | \$ - | - | \$ - | \$ - | - | |
| Total Expenses (B) | \$ 18,162,202 | \$ 18,839,906 | \$ 677,703 | 3.7% | \$ 19,405,103 | \$ 565,197 | 3.0% | |
| Change in Net Assets (=A - B) | \$ 250,000 | \$ 200,000 | \$ (50,000) | -20.0% | \$ 210,000 | 10,000 | 5.0% | |
| Fixed Asset Additions, excluding Right of Use Assets (C) | \$ 250,000 | \$ 200,000 | \$ (50,000) | -20.0% | \$ 210,000 | \$ 10,000 | 5.0% | |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | \$ 18,412,202 | \$ 19,039,906 | \$ 627,703 | 3.4% | \$ 19,615,103 | \$ 575,197 | 3.0% | |
| TOTAL CHANGE IN RESERVES (=A-B-C) | \$ - | \$ - | \$ - | - | \$ - | \$ - | - | |
| FTEs | 66.00 | 69.00 | 3.00 | | 69.00 | - | | |

Table B-13. Budget 2021 Compared with 2021-2023 Projections

Explanation of 2021, 2022, 2023 Projections

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

- FTEs increase by three
- Three percent escalation rate applied to expense categories
- Total budget increase of \$537K in 2022
- Total budget increase of \$568K in 2023
- Zero penalties budgeted

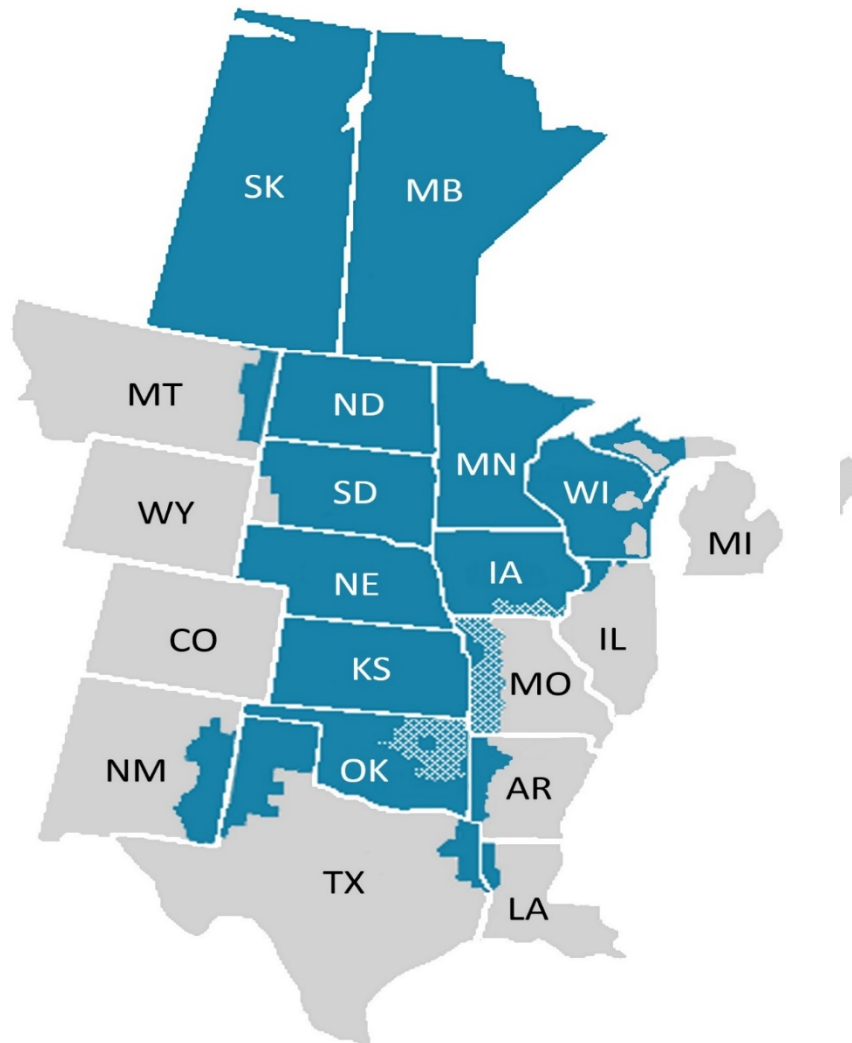
Section C – Non-Statutory Activities

2021 Business Plan and Budget

Section C – Non-Statutory Activities

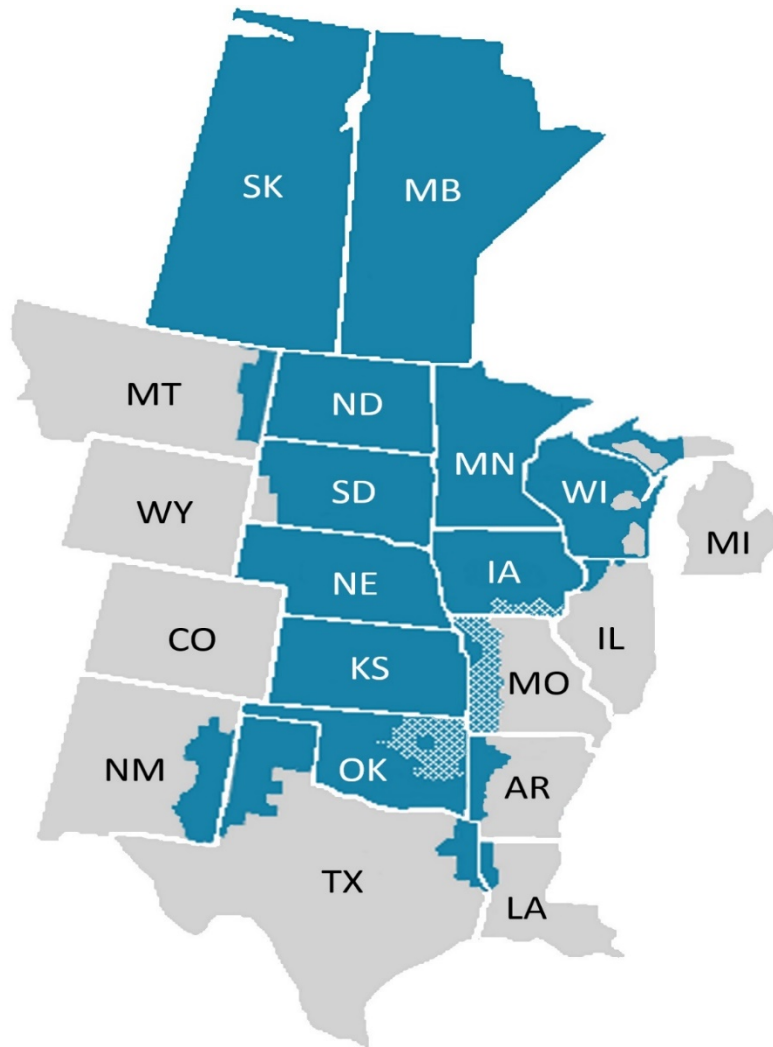
2021 Non-Statutory Business Plan and Budget

MRO has no non-statutory activities.



Section D – Additional Consolidated Financial Statements

2021 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2021 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

| Statement of Activities and Capital Expenditures by Program 2021 Business Plan and Budget | Functions in Delegation Agreement | | | | | | | | | | | |
|--|-----------------------------------|---|--------------------------|---|--|--|-----------------------------|----------------------------|----------------------|------------------------|-----------------|------------------------|
| | 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 | | | | | | | | | | | | |
| ERD Funding | | | | | | | | | | | | |
| NERC Assessments | 16,983,251 | 516,808 | 12,027,239 | 2,954,781 | 795,601 | 688,812 | | | | | | |
| Assessment Stabilization Adjustment | 1,428,951 | 42,869 | 1,028,845 | 238,349 | 61,731 | 57,158 | | | | | | |
| Membership Dues | - | - | - | - | - | - | | | | | | |
| Testing Fees | - | - | - | - | - | - | | | | | | |
| Services & Software | - | - | - | - | - | - | | | | | | |
| Workshops & Miscellaneous Revenue | - | - | - | - | - | - | | | | | | |
| Interest & Investment Income | - | - | - | - | - | - | | | | | | |
| Total Funding (A) | 18,412,202 | 559,677 | 13,056,084 | 3,193,130 | 857,332 | 745,980 | - | - | - | - | - | - |
| Expenses | | | | | | | | | | | | |
| Personnel Expenses | | | | | | | | | | | | |
| Salaries | 10,059,263 | 233,737 | 5,282,183 | 1,303,637 | 290,379 | 279,803 | - | 845,317 | 268,391 | 746,507 | 259,627 | 549,682 |
| Payroll Taxes | 631,891 | 14,862 | 340,856 | 86,380 | 18,898 | 17,455 | - | 34,161 | 12,352 | 55,252 | 15,704 | 35,972 |
| Benefits | 1,064,375 | 26,129 | 557,406 | 136,669 | 33,080 | 34,037 | - | 51,571 | 20,113 | 104,289 | 24,239 | 76,841 |
| Retirement Costs | 1,528,209 | 37,175 | 791,450 | 201,108 | 46,609 | 46,398 | - | 104,936 | 33,534 | 130,990 | 38,003 | 98,006 |
| Total Personnel Expenses | 13,283,737 | 311,903 | 6,971,895 | 1,727,794 | 388,967 | 377,693 | - | 1,035,985 | 334,390 | 1,037,037 | 337,572 | 760,501 |
| Meeting Expenses | | | | | | | | | | | | |
| Meetings | 204,900 | 1,400 | 10,500 | 9,000 | 120,000 | 2,000 | - | 60,000 | - | - | - | 2,000 |
| Travel | 739,967 | 25,000 | 206,300 | 160,000 | 39,067 | 63,400 | - | 200,700 | 23,500 | 10,000 | 2,000 | 10,000 |
| Total Meeting Expenses | 944,867 | 26,400 | 216,800 | 169,000 | 159,067 | 65,400 | - | 260,700 | 23,500 | 10,000 | 2,000 | 12,000 |
| Operating Expenses | | | | | | | | | | | | |
| Consultants & Contracts | 1,339,701 | - | 583,394 | 71,100 | - | - | - | 65,000 | - | 549,707 | 27,000 | 43,500 |
| Office Rent | 1,168,700 | - | - | - | - | - | - | - | - | - | - | 1,168,700 |
| Office Costs | 905,697 | 6,583 | 129,020 | 31,000 | - | 16,500 | - | 120,000 | 15,244 | 351,350 | 64,500 | 171,500 |
| Professional Services | 519,500 | - | - | - | - | - | - | - | 461,500 | - | - | 58,000 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Operating Expenses | 3,933,598 | 6,583 | 712,414 | 102,100 | - | 16,500 | - | 185,000 | 476,744 | 901,057 | 91,500 | 1,441,700 |
| Total Direct Expenses | 18,162,202 | 344,886 | 7,901,109 | 1,998,894 | 548,033 | 459,593 | - | 1,481,685 | 834,634 | 1,948,094 | 431,072 | 2,214,201 |
| Indirect Expenses | - | 207,291 | 4,974,975 | 1,152,536 | 298,499 | 276,388 | - | (1,481,685) | (834,634) | (1,948,094) | (431,072) | (2,214,201) |
| Other Non-Operating Expenses | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenses (B) | 18,162,202 | 552,177 | 12,876,084 | 3,151,430 | 846,532 | 735,980 | - | - | - | - | - | - |
| Change in Net Assets | 250,000 | 7,500 | 180,000 | 41,700 | 10,800 | 10,000 | - | - | - | - | - | - |
| Fixed Assets | | | | | | | | | | | | |
| Computer & Software CapEx | 250,000 | - | - | - | - | - | - | - | 250,000 | - | - | - |
| Furniture & Fixtures CapEx | - | - | - | - | - | - | - | - | - | - | - | - |
| Equipment CapEx | - | - | - | - | - | - | - | - | - | - | - | - |
| Leasehold Improvements | - | - | - | - | - | - | - | - | - | - | - | - |
| Allocation of Fixed Assets | - | 7,500 | 180,000 | 41,700 | 10,800 | 10,000 | - | - | (250,000) | - | - | - |
| Inc(Dec) in Fixed Assets (C) | 250,000 | 7,500 | 180,000 | 41,700 | 10,800 | 10,000 | - | - | - | - | - | - |
| TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C) | 18,412,202 | 559,677 | 13,056,084 | 3,193,130 | 857,332 | 745,980 | - | - | - | - | - | - |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | - | - | - | - | - | - | - | - | - | - | - | - |
| FTEs | 66.00 | 1.50 | 36.00 | 8.34 | 2.16 | 2.00 | - | 3.36 | 1.55 | 6.00 | 1.29 | 3.80 |
| Indirect Costs Allocation | - | 207,291 | 4,974,975 | 1,152,536 | 298,499 | 276,388 | - | (1,481,685.32) | (834,634) | (1,948,094) | (431,072) | (2,214,201) |
| Allocation of Fixed Assets | - | - | - | - | - | - | - | - | - | 250,000 | - | - |
| Reserves Allocation | 1,428,951 | 42,869 | 1,028,845 | 238,349 | 61,731 | 57,158 | - | - | - | - | - | - |
| 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, 2019, per audit
- As of December 31, 2020, projected
- As of December 31, 2021, as budgeted

| Statement of Financial Position | | | |
|---|-------------------|------------------|------------------|
| 2019 Audited, 2020 Projection, and 2021 Budget | | | |
| STATUTORY | | | |
| | (Per Audit) | Projected | Budget |
| | 31-Dec-19 | 31-Dec-20 | 31-Dec-21 |
| ASSETS | | | |
| Cash | 5,985,734 | 5,941,042 | 5,791,710 |
| Restricted Cash | - | - | - |
| Other Receivables | - | - | - |
| Prepaid expenses and other current assets | 306,243 | 320,000 | 280,000 |
| Security deposit | 39,858 | 39,858 | 39,858 |
| Restricted Cash - non-current | 3,157,718 | 1,651,000 | 1,066,117 |
| Property and equipment and capitalized software | 1,262,659 | 1,368,767 | 1,030,767 |
| Total Assets | 10,752,212 | 9,320,667 | 8,208,452 |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Accounts payable and accrued expenses | 2,080,210 | 1,302,854 | 1,100,000 |
| Postretirement medical benefit obligation | 777,773 | 911,298 | 965,976 |
| Deferred assessments - non-current | - | - | - |
| Deferred rent - non-current | 501,761 | 525,100 | 571,561 |
| Total Liabilities | 3,359,744 | 2,739,252 | 2,637,537 |
| Net Assets - unrestricted | 7,392,468 | 6,581,415 | 5,570,915 |
| Total Liabilities and Net Assets | 10,752,212 | 9,320,667 | 8,208,452 |

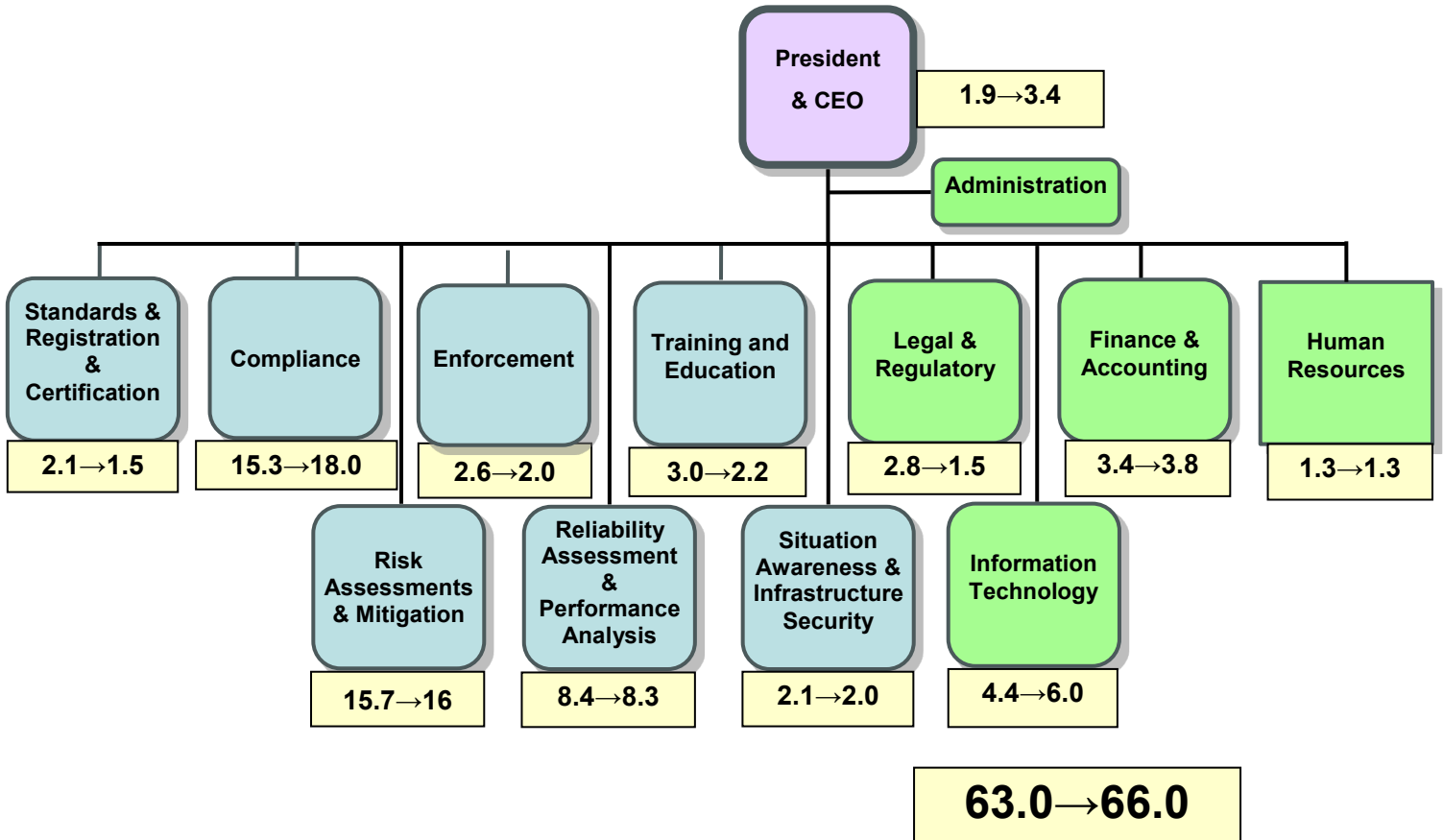
Table D-2. Statement of Financial Position, Three-Year Comparison

Appendix A

Organization Chart

The MRO Organization Chart is shown below.

2020 to 2021 Full Time Equivalent (FTE) Comparison Organization Chart



FTE Trend from 2018 to 2023

| 2018 | 2020 | 2021 | 2022 Estimate | 2023 Estimate |
|------|------|------|---------------|---------------|
| 45.0 | 63.0 | 66.0 | 69.0 | 69.0 |

Figure 2. Organization Chart

Appendix B

This section lists acronyms used in this document.

| Acronym | Definition |
|---------|--|
| ASR | Assessment Stabilization Reserve |
| BES | Bulk Electric System |
| BPS | Bulk Power System |
| CMEP | Compliance Monitoring and Enforcement Program |
| CMEPAC | Compliance Monitoring and Enforcement Program Advisory Council |
| COP | Compliance Oversight Plan |
| CORES | Centralized Organization Registration ERO System |
| CRISP | Cybersecurity Risk Information Sharing Program |
| DADS | Demand Response Availability Data System |
| 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 |
| GPC | Governance & Personnel Committee |
| HERO | Highly Effective Reliability Organization |
| HRO | Highly Reliable Organization |
| IRA | Inherent Risk Assessment |
| IT | Information Technology |
| MRO | Midwest Reliability Organization |
| NEL | Net-Energy-for-Load |
| NERC | North American Electric Reliability Corporation |
| OGOC | Organizational Group Oversight Committee |
| RAC | Reliability Advisory Council |
| RAM | Risk Assessment and Mitigation |
| RAPA | Reliability Assessment and Performance Analysis |

| | |
|--------|---------------------------------------|
| RE | Regional Entity |
| RISC | Reliability Issues Steering Committee |
| SAC | Security Advisory Council |
| SAG | Standard Application Guide |
| SOA | Statement of Activities |
| SPP RE | Southwest Power Pool Regional Entity |
| TADS | Transmission Availability Data System |

Appendix C

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