



# **Midwest Reliability Organization**

## **2023 Business Plan and Budget**

**Approved by MRO Board of Directors: June 23, 2022  
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## Introduction

The following table summarizes the 2023 Midwest Reliability Organization (MRO) budget.

TOTAL RESOURCES (in whole dollars)				
	2023 Budget	U.S.	Canada	Mexico
Statutory FTEs	78.00			
Non-statutory FTEs				
<b>Total FTEs</b>	78.00			
Statutory Expenses	\$ 22,833,969			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 22,833,969			
Statutory Inc(Dec) in Fixed Assets	\$ 248,500			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 248,500			
Assessment Stabilization Adjustment	\$ (2,575,194)			
Non-Statutory Stabilization Adjustment				
<b>Total Assessment Stabilization Adjustment</b>	\$ (2,575,194)			
Total Statutory Funding Requirement	\$ 20,507,276			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 20,507,276			
<b>Statutory Funding Assessments</b>	\$ 20,507,276	\$ 18,324,279	\$ 2,182,997	-
<b>Non-Statutory Fees</b>				
NEL	497,426,188	445,319,688	52,106,500	-
NEL%	100.00%	89.52%	10.48%	0.00%

**Table 1. MRO 2023 Budget**

### Organizational Overview

MRO is a Delaware nonprofit<sup>1</sup> corporation that is a cross-border Regional Entity<sup>2</sup> operating under a delegation agreement (Delegation Agreement) with the North American Electric Reliability Corporation (NERC)<sup>3</sup> and in accordance with the MRO Bylaws. The MRO region covers central North America and includes all or portions of 16 states within the United States,<sup>4</sup>

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

<sup>2</sup> 16 U.S.C. § 824o(a)(7)

<sup>3</sup> 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).

<sup>4</sup> 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.

and the Canadian provinces of Saskatchewan and Manitoba. MRO's current Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC)<sup>5</sup> pursuant to FERC's authority under the Federal Power Act (FPA)<sup>6</sup> and is effective through December 31, 2025.

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's<sup>7</sup> vision and mission.<sup>8</sup>

Further, MRO supports the ERO Enterprise Long-Term Strategy.<sup>9</sup> Working closely with registered entities and subject matter experts in the region, MRO continually identifies and assesses risks to reliability and security 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 2022-2024 Strategic Plan (MRO Strategic Plan).

In the MRO Strategic Plan, MRO adopted the ERO Enterprise Core Principles<sup>10</sup> to guide its conduct and behaviors.

#### MRO Core Principles

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

- **Accountability**
  - *Maintain the public trust in fulfilling responsibilities and use our funding wisely.*
  - *Act in a timely manner on the basis of facts to address issues related to events, emerging reliability risks, the needs of stakeholders, and the public interest.*
- **Independence**
  - *Be impartial, objective, fair, and intellectually honest.*
  - *Ensure governance practices that provide both regulatory independence and inclusion of stakeholder expertise to address reliability and security matters.*

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<sup>5</sup> *Order Conditionally Approving Revised Pro Forma Delegation Agreement and Revised Delegation Agreements with Regional Entities*, 173 FERC ¶61,277 (December 2020).

<sup>6</sup> 16 U.S.C. 824 o (e)(4)

<sup>7</sup> The ERO Enterprise refers to NERC and the Regional Entities collectively.

<sup>8</sup> 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.

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

<sup>10</sup> 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.

- **Inclusiveness and Transparency**
  - *Create opportunities for stakeholder engagement.*
  - *Consider and balance the diverse interests of all stakeholders, including costs imposed to the consumer.*
  - *Leverage industry expertise and avoid unnecessary duplication.*
- **Innovation**
  - *Assess emerging risks and adapt to change.*
  - *Encourage new ideas and prioritize efforts that contribute to improving productivity and reliable operations.*
- **Excellence**
  - *Strive for operational excellence by being rigorous, accurate, and exacting.*
  - *Promote the active participation of the best technical experts.*
  - *Make informed decisions regarding efficient use and allocation of resources.*
- **Integrity**
  - *Maintain the highest levels of ethical conduct.*
  - *Maintain respectful relationships.*
  - *Protect the security of confidential information.*

#### Membership and Governance

MRO membership<sup>11</sup> consists of members and adjunct members. As of April 2022, MRO had 93 members, nine 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

MRO's Board of Directors is a hybrid board consisting of a combination of independent and balanced stakeholder board members. The MRO Board consists of 17 stakeholder directors elected by members from the seven industry sectors, plus 4 independent directors and 2 regional directors elected by all members. Pursuant to MRO's Bylaws, no two industry sectors can control a vote. In addition, the board has adopted procedures to ensure it carries out its responsibilities free of conflicts of interest.

The board has three committees that provide functional oversight of MRO's operations:

- 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)

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

The advisory councils are comprised of industry subject matter experts from MRO member companies tasked with identifying risks to the reliability and security of the regional bulk power system, developing mitigation strategies, and expanding outreach efforts to help registered entities become more aware of and reduce risk to their individual systems. In addition to producing educational material for the region in the form of newsletter articles and webinars, each of the advisory councils is responsible for one major outreach conference annually. The advisory councils also contribute to MRO's annual Regional Risk Assessment.

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. The three most active subgroups are the NERC Standards Review Forum (NSRF), which meets weekly to discuss ongoing NERC Standards projects, the Protective Relay Subgroup (PRS), which focuses on protection system misoperations and reviews power system events in the Region, and the Security Advisory Council Threat Forum (SACTF), which meets weekly in a trusted forum with Electricity - Information Sharing and Analysis Center (E-ISAC) staff to discuss timely threat information for the power industry.

The advisory councils also work with MRO staff and the MRO Board's OGOC to interface with NERC technical committees to ensure awareness and avoid duplication of efforts. MRO sponsors staff from member companies to participate in NERC technical committee meetings that are focused on risks most material to the MRO region. MRO reimburses the travel cost for those sponsored representatives, and the representatives report back in to one of MRO's advisory councils. Each sponsored representative is also assigned an MRO staff member to assist with these efforts. MRO also reimburses travel costs associated with participation on MRO organizational groups.

#### 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.

NERC and the Regional Entities implement revisions to the Statement of Activities (SOA) report from time-to-time to address compliance with changing accounting standards in accordance with General Accepted Accounting Principles (GAAP). The report is also presented in a fashion that improves 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.

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

MRO adheres to internal financial controls and policies that govern its financial stewardship and guide its financial practices. MRO's board-approved *Policy and Procedure 12: General Finance* is used to guide prudent and sound judgement in managing the financial and physical resources of MRO.

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

### Accounting and Recordkeeping

MRO uses GAAP to consistently record its financial transactions, 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 statutory program area based on the number of full-time equivalents (FTEs) in each statutory program area.

### Organizational Structure and Staffing

MRO has five statutory departments, each of which is dedicated to one or more statutory function or program area, and five general and administrative departments. Each of the statutory departments also contributes to the Training and Education program, which provides outreach to MRO registered entities and stakeholders through MRO's newsletter and publications, workshops, webinars and conferences, as well as presentation opportunities at other industry events.

### Statutory Programs and Departments

- 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 power system and ensures that mitigation activities not only address the immediate issue, but also prevent recurrence. The department also has oversight of the Reliability Standards Program, which is responsible for monitoring NERC Reliability Standards projects, supporting the NSRF, coordinating SME teams as necessary, and providing MRO representation in the balloting of standards. 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 NERC Reliability Standards and is managed by a director who reports to the Vice President, General Counsel and Corporate Secretary.
- The Reliability Analysis Department is responsible for reliability assessments, performance analysis, event analysis, situational awareness, and organization



registration and certification. 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 security risks to 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 responsible for providing advice to MRO on legal and regulatory matters. The department is led by the Vice President, General Counsel and Corporate Secretary who, along with the Assistant Corporate Secretary and Senior Counsel, provides legal advice to MRO. Internal and external MRO communication matters and industry outreach are overseen by a director who reports to the Vice President, General Counsel and Corporate Secretary.
- The Human Resource Department performs all employee-related functions, including benefits administration, recruitment, retention, and talent management. This department includes a director who reports to the Vice President, General Counsel and Corporate Secretary.
- The Finance and Accounting Department performs accounting, finance, budget, facilities management, internal compliance, ethics, and corporate risk management, and treasury functions and reports to the Vice President and Engineer for Strategy, Innovation, and Finance, who is also the Corporate Compliance Officer and Treasurer.
- The General and Administrative Department is led by MRO's President and CEO and performs corporate administrative functions.

#### 2023 Key Strategic Goals and Supporting Activities

MRO's President and CEO has established three strategic priorities for MRO staff in 2023. The following strategic priorities support MRO's vision and mission and the ERO Enterprise Long-Term Strategy. They are forward-looking and serve to guide the key objective and support activities found within MRO's Strategic Plan:

- *Ensure that MRO remains an innovative, resilient, and high-performing organization with an increased emphasis on leadership development and culture;*
- *Drive operational excellence throughout MRO in all processes and procedures, while emphasizing effectiveness and efficiency; and*
- *Develop a nimble, adaptive, and collaborative culture that allows MRO to carry out its mission as a trusted and valued member of the ERO Enterprise.*

#### **Priority 1:**

***Ensure that MRO remains an innovative, resilient, and high performing organization with an increased emphasis on leadership development and culture.*** The future of MRO relies upon developing the next generation of leaders that will continue to advance the organization's vision and mission. Improving staff training, creating career advancement and development opportunities, focusing on soft skills (in addition to technical competency), and fostering a culture of diversity, equity and inclusion are objectives in this area.

## Key Objectives:

1. Ensure continuous learning, growth, and career development opportunities.
2. Foster a culture of diversity, equity, inclusion, honesty, and trust through constructive feedback, empowerment, and clarity of roles.
3. Promote opportunities for cross-departmental and inter-ERO collaboration.
4. Formalize processes to ensure continuity of leadership and a skilled and engaged workforce.

## Goals:

1. Refine performance review process to reflect current best practice.
2. Implement succession planning for directors and key positions.
3. Support staff's transition to hybrid work model by providing training and assessing effectiveness of MRO communication and collaboration tools.
4. Develop and implement a multifaceted leadership development program.

**Priority 2:**

***Drive operational excellence throughout MRO in all processes and procedures, while emphasizing effectiveness and efficiency.*** Amazing results can be achieved through a mindset of continuous improvement and the ability to imagine an invented future. Leveraging the skills of futuristic thinkers at MRO, across the ERO, and within industry, is critical to addressing complex and evolving risk. Planning for the future must be integrated with delegated responsibilities and MRO's public trust obligation to be an effective and efficient regulator, and to use funding wisely.

## Key Objectives

1. Focus on identifying, assessing, and mitigating corporate risks and ensure expenditure of resources are prioritized and appropriately deployed.
2. Foster a culture of continued improvement and innovation through forward thinking and futuristic visioning.
3. Leverage Key Performance Indicators (KPIs) to measure operational effectiveness.
4. Develop a process to assess and prioritize work.

## Goals:

1. Establish a corporate risk management program.
2. Resource, develop and implement appropriate management action plans for NERC audits of MRO.
3. Implement an updated comprehensive data retention and classification program.
4. Establish innovation and a continuous improvement framework.
5. Evaluate processes and/or tools to assist with prioritization of work.

**Priority 3:**

***Develop a nimble, adaptive, and collaborative culture that allows MRO to carry out its mission as a trusted and valued member of the ERO Enterprise.*** The electricity industry is facing numerous, dynamic challenges that require forward-thinking insight and analysis to develop and support initiatives that ensure a highly reliable and secure bulk power system into the future. Increased coordination across all industry stakeholders, as well as other critical infrastructure sectors, is critical to MRO's success.

**Key Objectives:**

1. Focus on advanced methods for identifying, assessing, and actively mitigating new and emerging risks to the bulk power system and ensure resources are deployed appropriately.
2. Lead and support ERO transformation efforts.
3. Expand collaborative relationships with federal, state, and provincial regulators, independent system operators, industry leadership, and the broader reliability and security ecosystem.
4. Ensure security and confidentiality of our partners' data and information.
5. Increase capability to support mitigation of increasing frequency and sophistication of cyber risks for corporate and industry (ransomware, phishing, vulnerabilities, etc.).
6. Be a trusted leader in providing premier and cutting-edge outreach to our stakeholders.

**Goals:**

1. Lead effort to implement new ERO processes for prioritization of bulk power system risks.
2. Streamline/centralize stakeholder outreach program.
3. Expand outreach/external affair efforts to be a regional industry voice.
4. Implement at least one project focused on each high and extreme risk identified in the 2022 MRO RRA.

**ERO Enterprise Model and Transformation**

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American bulk power system. Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations 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. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

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.

Building upon these commitments, the ERO Enterprise is now engaging in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



#### ERO Enterprise Strategic and Operational Planning

NERC and the Regional Entities are continually refining 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 (Board) on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, 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 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.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.<sup>12</sup>

### 2023 Overview of Cost Impacts

In developing MRO's 2023 Business Plan and Budget (2023 BP&B), MRO used shared enterprise-wide assumptions, internal strategic assumptions, and risk assumptions. Prior to obtaining final approval from its board of directors, MRO seeks NERC input and review of its annual Business Plan and Budget, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

The MRO 2023 total budget (\$23.1M) increased by 15.2 percent from the 2022 total budget (\$20.0M). The 2023 statutory assessment (\$20.5M) represents a 15 percent increase from the 2022 assessment. In preceding years and as a result of the pandemic, significant draws of MRO's reserve balance were used to offset the variance between the budgeted expenditures and assessments in prior years. Increasing budget costs and fewer reserves results in higher assessments. MRO proposes to use the majority of its remaining assessment stabilization reserves to manage the variance between the budgeted expenditures and the assessments.

Other significant statutory expense changes (including capital expenditures) in the 2023 BP&B compared to the 2022 budget include:

- **Increase in FTEs.** An evaluation of MRO's personnel resources identified a need for seven additional staff to support the priorities identified in the board-approved strategic plan. Based on actual headcount, six staff persons will be added to support technical programs in the areas of enforcement, training and education, and reliability analysis. One staff person will be added to information technology to address internal infrastructure security initiatives. Reorganization of existing staff moved one FTE from finance to training and education. Total FTEs increase from 71 to 78 in the 2023 BP&B. The allocation of FTEs is represented on page 15. An explanation of the FTE variances is included in the Resource Requirements section in each program area in Section A.
- **Increase in Salaries.** A comprehensive review was completed of all staff positions according to MRO's pay philosophy, the current job market, and competition for talent. The 2023 BP&B reflects an increase in salaries of 3 percent with an additional 1.5 percent allotted for promotions and market adjustments.
- **Increase in Benefits.** MRO measured the average cost related to health premiums per employee based on premium cost assumptions provided by MRO's benefit provider, which are higher than budgeted in 2022. A proposed increase to FTEs also results in

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<sup>12</sup> The 2022 ERO Work Plan Priorities were approved by the Board in November 2021. NERC management and the Board evaluate annual work plan priorities throughout the year.

benefit costs being higher than in the 2022 budget. The per-employee cost is applied to each department based on FTEs.

- **Meetings and Travel.**<sup>13</sup> MRO will host the majority of its outreach events that support the strategic plan at its Saint Paul office. There is one off-site workshop planned in the southern area of MRO's regional footprint in the 2023 BP&B. Continued use of virtual platforms for meetings and events will hold travel flat for MRO staff as compared with 2022. This estimate is based on historic costs and emerging trends related to use of virtual technology.
- **Increase in Consultant and Contract Support.** The majority of MRO's consultants and contracts are used in the areas of Information Technology and Compliance Monitoring. These areas utilize additional technical support to maintain MRO's IT infrastructure and support newly implemented ERO-wide applications and tools.
- **Decrease in Office Rent.** Office rent is adjusted as a result of an estimated cost reduction due to the adoption of lease accounting standard ASC 842.
- **Other Operating Expenses.** Other operating expenses are increasing as a result of a hybrid return to the office and the increase in FTEs. These increases are reflected in internal staff training, office and computer supplies, temporary staffing, recruitment costs, and other legal and professional services.

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<sup>13</sup> The extent to which COVID-19 assumptions impact meetings and travel in 2023 is based on current trends in travel and use of virtual technology. Meetings and travel are not presumed to return to pre-COVID-19 levels in 2023.

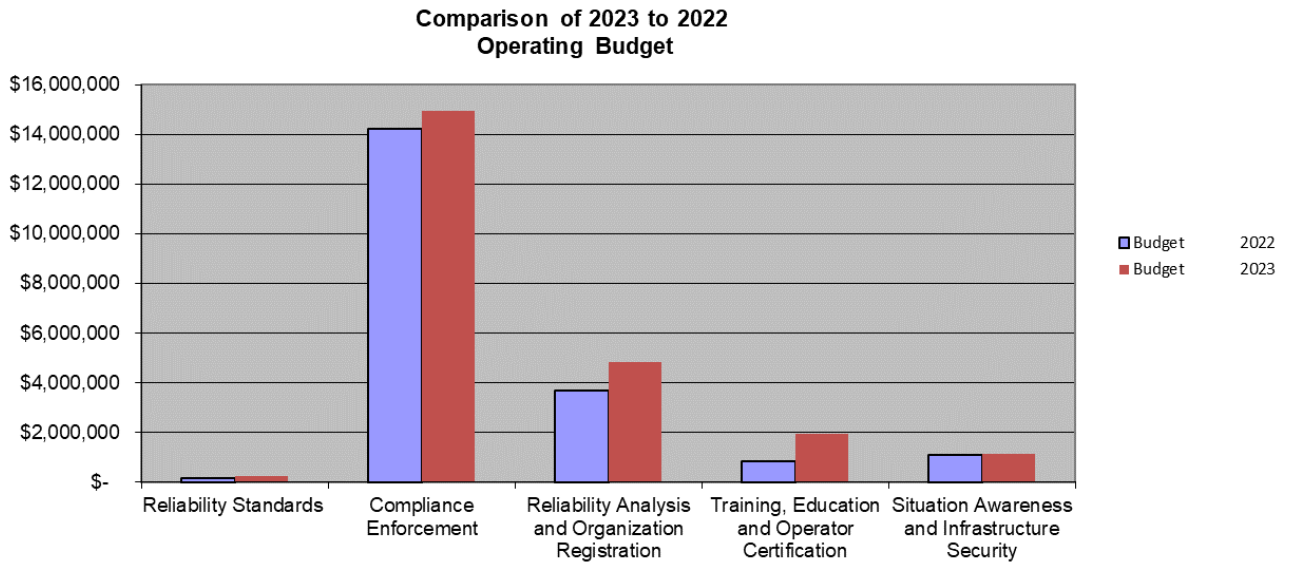
Comparison of 2023 and 2022 Statutory Budgets

The following table and figure summarize and illustrate MRO’s 2023 BP&B by program area.

Base Operating Budget	Budget	Projection	Budget	Variance	
	2022	2022	2023	2023 Budget v 2022 Budget	Variance %
Reliability Standards	\$ 158,553	\$ 158,553	\$ 236,896	\$ 78,343	49.4%
Compliance Enforcement	14,238,948	14,238,948	14,920,720	681,772	4.8%
Reliability Analysis and Organization Registration	3,692,737	3,692,737	4,846,672	1,153,935	31.2%
Training, Education and Operator Certification	858,992	858,992	1,950,810	1,091,818	127.1%
Situation Awareness and Infrastructure Security	1,085,132	1,085,132	1,127,372	42,240	3.9%
<b>Total</b>	<b>\$ 20,034,361</b>	<b>\$ 20,034,361</b>	<b>\$ 23,082,469</b>	<b>\$ 3,048,108</b>	<b>15.2%</b>

This table combines Compliance Monitoring, Risk Assessment and Mitigation, and Enforcement into Compliance 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 2022	Budget 2023	Variance from 2022 Budget
<b>STATUTORY</b>			
<b>Operational Programs</b>			
Reliability Standards	0.45	0.63	0.18
Compliance	19.01	18.82	(0.19)
Compliance Risk Assessment and Mitigation	15.68	15.63	(0.05)
Compliance Enforcement	1.87	2.85	0.98
Training and Education	1.89	5.05	3.16
Reliability Analysis and Organization and Certification	9.13	12.07	2.94
Situation Awareness and Infrastructure Security	2.95	2.95	-
<b>Total FTEs Operational Programs</b>	<b>50.98</b>	<b>58.00</b>	<b>7.02</b>
<b>Administrative Programs</b>			
Technical Committees and Member Forums			-
General and Administrative	2.75	2.68	(0.07)
Legal	2.79	2.66	(0.13)
Information Technology	7.98	9.14	1.16
Human Resources	2.15	2.00	(0.15)
Finance and Accounting	4.35	3.52	(0.83)
<b>Total FTEs Administrative Programs</b>	<b>20.02</b>	<b>20.00</b>	<b>(0.02)</b>
<b>Total FTEs</b>	<b>71.00</b>	<b>78.00</b>	<b>7.00</b>

**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.



2022 Budget and Projection and 2023 Budget Comparisons  
The following table lists the 2022 budget and projection compared to the 2023 budget.

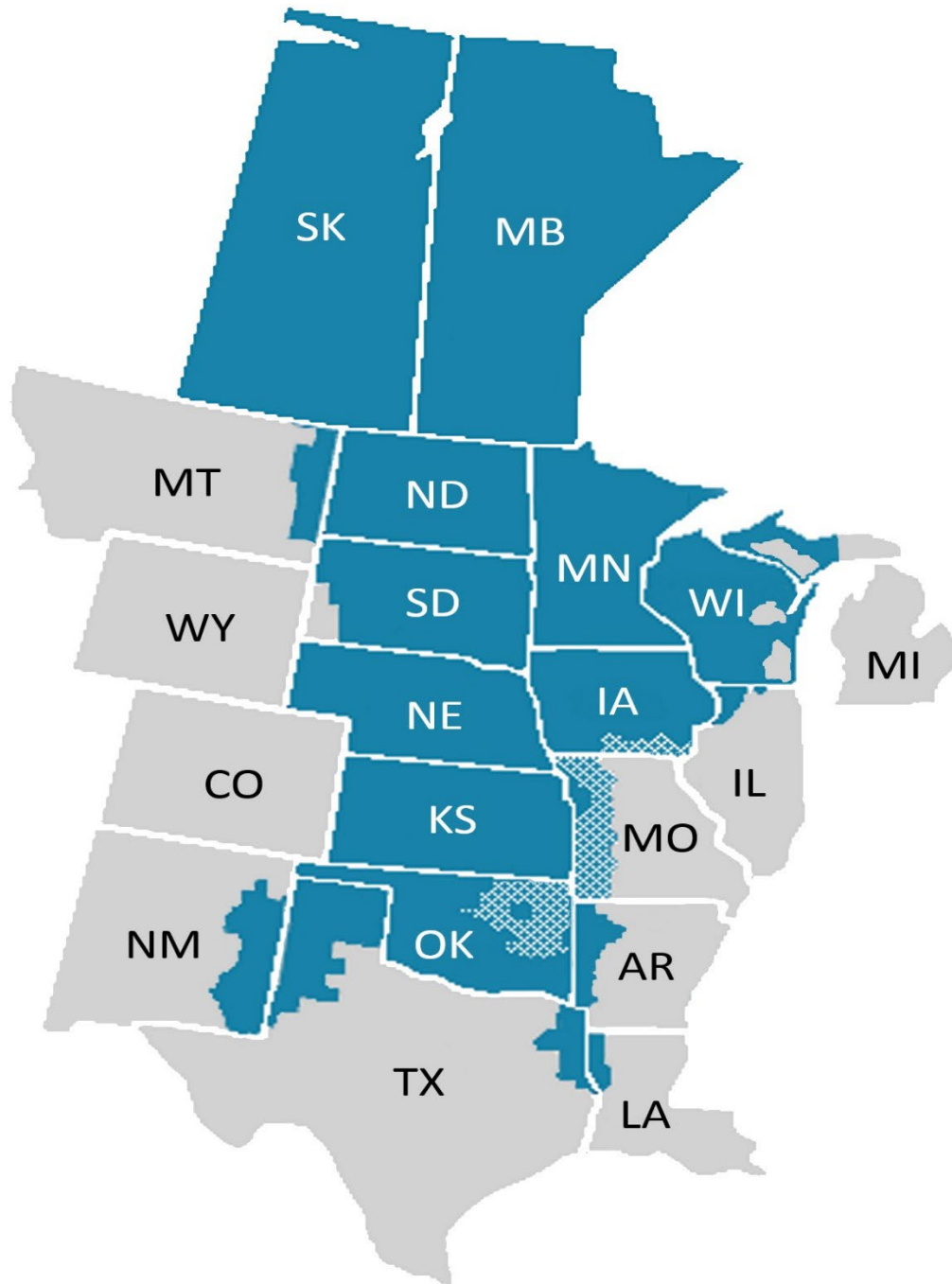
<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2022 Budget &amp; Projection, and 2023 Budget</b>					
<b>STATUTORY</b>					
	<b>2022 Budget</b>	<b>2022 Projection</b>	<b>Variance 2022 Budget v 2022 Projection Over(Under)</b>	<b>2023 Budget</b>	<b>Variance 2023 Budget v 2022 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 17,832,414	\$ 17,832,414	\$ -	\$ 20,507,276	\$ 2,674,862
Penalties Released*	458,250	458,250	-	331,928	(126,322)
Interest & Investment Income	-	-	-	419	419
<b>Total Funding (A)</b>	<b>\$ 18,290,664</b>	<b>\$ 18,290,664</b>	<b>\$ -</b>	<b>\$ 20,839,623</b>	<b>\$ 2,548,959</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 11,416,562	\$ 11,416,562	\$ -	\$ 13,294,284	\$ 1,877,722
Payroll Taxes	\$ 744,165	\$ 744,165	-	863,417	119,252
Benefits	\$ 1,193,996	\$ 1,193,996	-	1,425,181	231,185
Retirement Costs	\$ 1,922,258	\$ 1,922,258	-	2,277,278	355,020
<b>Total Personnel Expenses</b>	<b>\$ 15,276,980</b>	<b>\$ 15,276,980</b>	<b>\$ -</b>	<b>\$ 17,860,160</b>	<b>\$ 2,583,180</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 178,877	\$ 178,877	\$ -	\$ 178,877	\$ -
Travel	\$ 581,670	\$ 581,670	-	581,670	-
<b>Total Meeting Expenses</b>	<b>\$ 760,547</b>	<b>\$ 760,547</b>	<b>\$ -</b>	<b>\$ 760,547</b>	<b>\$ -</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 1,204,800	\$ 1,204,800	\$ -	\$ 1,381,018	\$ 176,218
Office Rent	\$ 1,132,100	\$ 1,132,100	-	1,046,000	(86,100)
Office Costs	\$ 967,934	\$ 967,934	-	1,154,744	186,810
Professional Services	\$ 567,000	\$ 567,000	-	631,500	64,500
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 3,871,834</b>	<b>\$ 3,871,834</b>	<b>\$ -</b>	<b>\$ 4,213,262</b>	<b>\$ 341,428</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 19,909,361</b>	<b>\$ 19,909,361</b>	<b>\$ -</b>	<b>\$ 22,833,969</b>	<b>\$ 2,924,608</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ (1,618,698)</b>	<b>\$ (1,618,698)</b>	<b>\$ -</b>	<b>\$ (1,994,347)</b>	<b>\$ (375,649)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>125,000</b>	<b>125,000</b>	<b>-</b>	<b>248,500</b>	<b>123,500</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 20,034,361</b>	<b>\$ 20,034,361</b>	<b>\$ -</b>	<b>\$ 23,082,469</b>	<b>\$ 3,048,108</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ (1,743,698)</b>	<b>\$ (1,743,698)</b>	<b>\$ -</b>	<b>\$ (2,242,847)</b>	
<b>FTEs</b>	<b>71.00</b>	<b>71.00</b>	<b>-</b>	<b>78.00</b>	<b>7.00</b>

**Table 4. 2022 Budget and Projection and 2023 Comparisons<sup>14</sup>**

<sup>14</sup> \*Penalties released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) 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 GAAP.

# Section A – Statutory Programs

## 2023 Business Plan and Budget



## Section A – Statutory Programs

### Reliability Standards Program

The following table shows funding sources and related expenses for the Reliability Standards Program.

Reliability Standards Program (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	0.45	0.63	0.18
Direct Expenses	\$ 88,447	\$ 142,117	\$ 53,670
Indirect Expenses	\$ 69,003	\$ 92,080	\$ 23,077
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 1,103	\$ 2,699	\$ 1,596
Total Funding Requirement	\$ 158,553	\$ 236,896	\$ 78,342

**Table A-1. Reliability Standards Budget**

### Program Scope and Functional Description

MRO's efforts related to NERC Reliability Standards support NERC's stakeholder-driven processes to develop and maintain risk-responsive Reliability Standards by providing feedback into the standards 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 projects, and participate in standards development.

#### **Impact on Resource Needs**

Staff support of workload and activities in Reliability Standards has a slight increase. Staff and member travel will remain flat to 2022 budgeted values.

### Reliability Standards Program Resource Requirements

#### **Overall Budget Change 2023 vs 2022 (Increase \$78.4K, 49.4%)**

Overall, increased cost is due to increased staff support of subject matter expert teams that develop SAGs and outreach support in this area.

#### **Personnel Expenses (Increase \$54.7K, 66.7%)**

Average salary increases in the 2023 BP&B were budgeted at 3 percent and an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs.

**Meeting Expenses (Remain flat)**

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

**Indirect Expenses (Increase \$23.1K, 33.5%)**

There is an overall increase in administrative services allocated to operational programs in the 2023 BP&B.

## Reliability Standards Budget Details

The following table shows funding sources and related expenses for the Reliability Standards Program.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2022 Budget &amp; Projection, and 2023 Budget</b>					
<b>STANDARDS</b>					
	<b>2022</b>	<b>2022</b>	<b>Variance</b>	<b>2023</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>v 2022 Projection</b>	<b>Budget</b>	<b>v 2022 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 154,508	\$ 154,508	\$ -	\$ 233,286	\$ 78,778
Penalties Released	4,045	4,045	-	3,605	(440)
Interest	-	-	-	5	5
<b>Total Funding (A)</b>	<b>\$ 158,553</b>	<b>\$ 158,553</b>	<b>\$ -</b>	<b>\$ 236,896</b>	<b>\$ 78,343</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 58,474	\$ 58,474	\$ -	\$ 98,403	\$ 39,928
Payroll Taxes	3,914	3,914	-	6,424	2,510
Benefits	7,319	7,319	-	11,598	4,279
Retirement Costs	10,839	10,839	-	17,792	6,953
<b>Total Personnel Expenses</b>	<b>\$ 80,547</b>	<b>\$ 80,547</b>	<b>\$ -</b>	<b>\$ 134,217</b>	<b>\$ 53,670</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,400	\$ 1,400	\$ -	\$ 1,400	\$ -
Travel	6,500	6,500	-	6,500	-
<b>Total Meeting Expenses</b>	<b>\$ 7,900</b>	<b>\$ 7,900</b>	<b>\$ -</b>	<b>\$ 7,900</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>					
	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Indirect Expenses</b>					
	\$ 69,003	\$ 69,003	\$ -	\$ 92,080	\$ 23,077
<b>Total Expenses (B)</b>	<b>\$ 157,450</b>	<b>\$ 157,450</b>	<b>\$ -</b>	<b>\$ 234,196</b>	<b>\$ 76,747</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 1,103</b>	<b>\$ 1,103</b>	<b>\$ -</b>	<b>\$ 2,699</b>	<b>\$ 1,596</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>					
	1,103	1,103	-	2,699	1,596
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 158,553</b>	<b>\$ 158,553</b>	<b>\$ -</b>	<b>\$ 236,896</b>	<b>\$ 78,343</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	0.45	0.45	-	0.63	0.18

**Table A-2. Reliability Standards Budget Detail**

## Compliance Monitoring and Enforcement Program

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

<b>Compliance Monitoring and Enforcement Program</b> (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	36.56	37.30	0.74
Direct Expenses	\$ 8,543,197	\$ 9,309,202	\$ 766,006
Indirect Expenses	\$ 5,606,108	\$ 5,451,707	\$ (154,402)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 89,643	\$ 159,811	\$ 70,168
Total Funding Requirement	\$ 14,238,948	\$ 14,920,720	\$ 681,773

**Table A-3. Compliance Monitoring and Enforcement Program Budget**

### Program Scope and Functional Description

MRO's CMEP work is performed by three departments: Compliance Monitoring, Risk Assessment and Mitigation (RAM), and Enforcement, creating an effective "check and balance" for making decisions about noncompliance and enforcement. MRO's RAM Department develops Inherent Risk Assessments (IRAs) for registered entities to describe the risk to the BPS by the nature of the facilities each entity owns and operates. This information is used to provide a ranking of requirements for monitoring an entity based on risk. Compliance Monitoring uses the IRAs as input, along with historic entity performance, existing internal controls, and other qualitative assessments to develop Compliance Oversight Plans (COP) specific to the risk that each registered entity poses to the regional bulk power system. Oversight activities are customized for each registered entity based on the COP. In addition, RAM conducts risk assessments for registered entity noncompliances and violations and evaluates and monitors related mitigation efforts. RAM processes and submits Compliance Exception notifications to the Enforcement Department for processing. Enforcement independently reviews and processes noncompliances and violations using risk-based disposition methods, including any penalty determinations.

The 2023 BP&B contemplates that staff will perform CMEP activities for approximately 227 registered entities. The Compliance Monitoring Department will conduct approximately 14 audits and will also contribute to audits of registered entities that participate in coordinated oversight where MRO is the Affected Regional Entity. In addition to the activities described above, the Enforcement Department will review registered entity participation in the ERO Enterprise Self-Logging Program. The CMEP departments also support the MRO CMEPAC and its subgroups, and ERO Enterprise CMEP activities. These activities include supporting ERO collaboration groups, ERO outreach and training, and supporting the Align and SEL project roleouts.

### Impact on Resource Needs

In addition to regular oversight work, the CMEP departments will dedicate resources to support the implementation of the ERO Enterprise Align and ERO Secure Evidence Locker projects, which are shared technology platforms that provide consistency and alignment of CMEP processes across NERC and the Regional Entities. These initiatives effectively focus on assessment and mitigation of reliability and security risk to the bulk power system involving lower risk registered entities in aggregate.

## Compliance Monitoring and Enforcement Program Resource Requirements

**Overall Budget Change 2023 vs 2022 (Increase \$682.7K, 4.8%)**

The budget increase for 2023 is due to an increase in staff resources in this area as functional activities were expanded such as the aggregated risk initiative.

**Personnel Expenses (Increase \$737.5K, 9.5%)**

Average salary increases in the 2023 BP&B were budgeted at 3 percent and an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs. An increase of 0.74 FTE will be added to this program area.

**Meeting Expenses (Remain flat)**

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

**Indirect Expenses (Decrease \$153K, 2.7%)**

The decrease in indirect expenses is due to the allocation of administrative services across all operational programs in the 2023 BP&B. Some programs absorbed more in indirect costs as those programs increased in percentage of total FTE.

## Compliance Monitoring and Enforcement Program Budget Detail

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

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2022 Budget &amp; Projection, and 2023 Budget</b>					
<b>COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM</b>					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 13,910,317	\$ 13,910,317		\$ 14,706,986	\$ 796,669
Penalties Released	328,631	328,631		213,464	(115,167)
Interest	-	-	-	269	269
<b>Total Funding (A)</b>	<b>\$ 14,238,948</b>	<b>\$ 14,238,948</b>		<b>\$ 14,920,720</b>	<b>\$ 681,772</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,792,149	\$ 5,792,149	\$ -	\$ 6,323,947	\$ 531,798
Payroll Taxes	399,863	399,863	-	427,795	27,933
Benefits	613,759	613,759	-	685,082	71,323
Retirement Costs	987,129	987,129	-	1,093,595	106,466
<b>Total Personnel Expenses</b>	<b>\$ 7,792,900</b>	<b>\$ 7,792,900</b>	<b>\$ -</b>	<b>\$ 8,530,420</b>	<b>\$ 737,520</b>
<b>Meeting Expenses</b>					
Meetings	\$ 11,500	\$ 11,500	\$ -	\$ 11,500	\$ -
Travel	224,470	224,470	-	224,470	-
<b>Total Meeting Expenses</b>	<b>\$ 235,970</b>	<b>\$ 235,970</b>	<b>\$ -</b>	<b>\$ 235,970</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 383,382	\$ 383,382	\$ -	\$ 348,382	\$ (35,000)
Office Rent	-	-	-	-	-
Office Costs	130,945	130,945	-	194,430	63,485
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 514,327</b>	<b>\$ 514,327</b>	<b>\$ -</b>	<b>\$ 542,812</b>	<b>\$ 28,485</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 5,606,108</b>	<b>\$ 5,606,108</b>	<b>\$ -</b>	<b>\$ 5,451,707</b>	<b>\$ (154,402)</b>
<b>Total Expenses (B)</b>	<b>\$ 14,149,305</b>	<b>\$ 14,149,305</b>	<b>\$ -</b>	<b>\$ 14,760,908</b>	<b>\$ 611,603</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 89,643</b>	<b>\$ 89,643</b>	<b>\$ -</b>	<b>\$ 159,811</b>	<b>\$ 70,168</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>89,643</b>	<b>89,643</b>	<b>-</b>	<b>159,811</b>	<b>70,168</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 14,238,948</b>	<b>\$ 14,238,948</b>	<b>\$ -</b>	<b>\$ 14,920,720</b>	<b>\$ 681,772</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>36.56</b>	<b>36.56</b>	<b>-</b>	<b>37.30</b>	<b>0.74</b>

**Table A-4. Compliance Monitoring and Enforcement Program Budget Detail**



## Reliability Analysis and Organization Registration and Certification Program

The following table lists the budget for the Reliability Analysis program.

<b>Reliability Analysis and Organization Registration and Certification</b> (in whole dollars)			
	<b>2022 Budget</b>	<b>2023 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	9.13	12.07	2.94
Direct Expenses	\$ 2,270,357	\$ 3,030,827	\$ 760,470
Indirect Expenses	\$ 1,399,994	\$ 1,764,131	\$ 364,138
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 22,386	\$ 51,714	\$ 29,327
Total Funding Requirement	\$ 3,692,737	\$ 4,846,672	\$ 1,153,934

**Table A-5. Reliability Analysis Department Budget**

### **Program Scope and Functional Description**

MRO's Reliability Analysis Department performs reliability assessments, performance analysis, and event analysis in support of related NERC program areas. This work includes: analyses of large-scale bulk power system outages, disturbances, and near misses to determine root causes and lessons learned; the review of quarterly data submissions to assess system performance; and the availability of electric generation and transmission equipment through various NERC reporting systems, such as 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. Reliability Analysis staff participate in the Eastern Interconnection Reliability Assessment Group (ERAG), which facilitates data collection and development of power flow and dynamics simulation models for the Eastern Interconnection. Reliability Analysis also supports MRO's Reliability Advisory Council and its subgroups, and related ERO Enterprise activities.

The Reliability Analysis Department also oversees organization registration and certification, which is required by NERC. This work involves appropriately registering all users, owners, and operators of the bulk power system in MRO's regional footprint and periodically certifying that certain registered entities (Reliability Coordinators, Balancing Authorities, and Transmission Operators) are able to perform associated tasks. All entities registered for any reliability function are required to follow mandatory NERC Reliability Standards.

### **Impact on Resource Needs**

Staffing for this program will increase by 2.94 FTEs. The addition of a power systems engineer and business data analyst will add value and streamline activities for ongoing reliability assessment analysis and the expansion of the Generator Winterization Program. Workload for Organization Registration and Certification is stable in 2023.

## Reliability Analysis and Organization Registration and Certification Resource Requirements

### **Overall Budget Change 2023 vs 2022 (Increase \$1.15M, 31.3%)**

The budget increase for 2023 is primarily due to an increase in FTEs.

### **Personnel Expenses (Increase \$773K, 37.9%)**

The average salary increase was budgeted at 3 percent and an additional 1.5 percent in promotion, equity, and market adjustments. Staff resources in this area increased as functional activities were expanded. Benefits increased due to projected increase in medical premium costs.

### **Meeting Expenses (Remain flat)**

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

### **Operating Costs (Decrease \$12.7K, 13.2%)**

Reflects flat costs in training and lower contract costs.

### **Indirect Expenses (Increase \$364K, 26%)**

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

## Reliability Analysis and Organization Registration and Certification Budget Detail

The following table lists funding sources and related expenses for the Reliability Analysis and Organization Registration and Certification Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2022 Budget & Projection, and 2023 Budget					
RELIABILITY ANALYSIS and ORGANIZATION REGISTRATION and CERTIFICATION					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 3,610,669	\$ 3,610,669		\$ 4,777,509	\$ 1,166,840
Penalties Released	82,068	82,068		69,075	(12,993)
Interest	-	-	-	87	87
<b>Total Funding (A)</b>	<b>\$ 3,692,737</b>	<b>\$ 3,692,737</b>		<b>\$ 4,846,672</b>	<b>\$ 1,153,935</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,528,561	\$ 1,528,561	\$ -	\$ 2,101,041	\$ 572,480
Payroll Taxes	100,217	100,217	-	139,972	39,754
Benefits	154,429	154,429	-	217,524	63,095
Retirement Costs	254,449	254,449	-	352,240	97,791
<b>Total Personnel Expenses</b>	<b>\$ 2,037,657</b>	<b>\$ 2,037,657</b>	<b>\$ -</b>	<b>\$ 2,810,777</b>	<b>\$ 773,120</b>
<b>Meeting Expenses</b>					
Meetings	\$ 9,000	\$ 9,000	\$ -	\$ 9,000	\$ -
Travel	127,600	127,600	-	127,600	-
<b>Total Meeting Expenses</b>	<b>\$ 136,600</b>	<b>\$ 136,600</b>	<b>\$ -</b>	<b>\$ 136,600</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 71,100	\$ 71,100	\$ -	\$ 41,100	\$ (30,000)
Office Rent	-	-	-	-	-
Office Costs	25,000	25,000	-	42,350	17,350
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 96,100</b>	<b>\$ 96,100</b>	<b>\$ -</b>	<b>\$ 83,450</b>	<b>\$ (12,650)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 1,399,994</b>	<b>\$ 1,399,994</b>	<b>\$ -</b>	<b>\$ 1,764,131</b>	<b>\$ 364,138</b>
<b>Total Expenses (B)</b>	<b>\$ 3,670,351</b>	<b>\$ 3,670,351</b>	<b>\$ -</b>	<b>\$ 4,794,958</b>	<b>\$ 1,124,608</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 22,386</b>	<b>\$ 22,386</b>	<b>\$ -</b>	<b>\$ 51,714</b>	<b>\$ 29,327</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>22,386</b>	<b>22,386</b>	<b>-</b>	<b>51,714</b>	<b>29,327</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 3,692,737</b>	<b>\$ 3,692,737</b>	<b>\$ -</b>	<b>\$ 4,846,672</b>	<b>\$ 1,153,935</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	9.13	9.13	-	12.07	2.94

**Table A-6. Reliability Analysis and Organization Registration and Certification Budget Detail**

## Training and Education Program

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

Training and Education (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	1.89	5.05	3.16
Direct Expenses	\$ 564,545	\$ 1,191,073	\$ 626,529
Indirect Expenses	\$ 289,812	\$ 738,100	\$ 448,287
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 4,634	\$ 21,637	\$ 17,002
Total Funding Requirement	\$ 858,993	\$ 1,950,810	\$ 1,091,818

**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, and sharing information and best practices related to reliability and security of the bulk power system in MRO’s regional footprint. The Training and Education Program provides outreach to MRO registered entities through various channels like newsletter articles, publications, workshops, webinars, roundtable events, and conferences, as well as presentation opportunities at other industry events. Continuing to provide best practices and lessons learned to stakeholders across MRO’s regional footprint in an effort to reduce risk directly supports MRO’s strategic plan and other ERO Enterprise initiatives.

### Impact on Resource Needs

Since the onset of the pandemic, training, education, and outreach have been conducted through virtual mediums. The virtual environment has allowed MRO to expand its audience and enabled industry stakeholders to participate in MRO events with no additional travel costs. While the lifting of pandemic restrictions permit in-person interaction, MRO will continue to provide registered entities the opportunity to attend events virtually for the foreseeable future. This hybrid format allows both in-person and virtual attendance and increases the amount of effort required to host outreach events – essentially offering the best of both worlds. Three additional staff have been added to this area to elevate MRO’s outreach efforts and provide support for hybrid events.

### Training and Education Resource Requirements

#### **Overall Budget Change 2023 vs 2022 (Increase \$1.1M, 127.1%)**

The budget increase for 2023 is primarily due to an increase in FTEs.

#### **Personnel Expenses (Increase \$614K, 144.8%)**

The average salary increase was budgeted at 3 percent and an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in

medical premium costs. Staff resources increased to meet training, education, and outreach initiatives using webinar and virtual courses. This resulted in higher salary costs.

Meeting Expenses (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

**Operating Expense**

The addition of staff to this program includes staff-related training and other employee-related costs captured in office costs.

**Indirect Expenses (Increase \$448K, 154.7%)**

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

## Training and Education Budget Detail

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

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2022 Budget &amp; Projection, and 2023 Budget</b>					
<b>TRAINING and EDUCATION</b>					
	<b>2022</b>	<b>2022</b>	<b>Variance</b>	<b>2023</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>v 2022 Projection</b>	<b>Budget</b>	<b>v 2022 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 842,003	\$ 842,003		\$ 1,921,873	\$ 1,079,870
Penalties Released	16,989	16,989		28,901	11,912
Interest	-	-	-	36	36
<b>Total Funding (A)</b>	<b>\$ 858,992</b>	<b>\$ 858,992</b>	<b>-</b>	<b>\$ 1,950,810</b>	<b>\$ 1,091,818</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 319,838	\$ 319,838	\$ -	\$ 765,029	\$ 445,191
Payroll Taxes	20,073	20,073	-	52,590	32,518
Benefits	31,529	31,529	-	89,316	57,787
Retirement Costs	52,605	52,605	-	131,338	78,733
<b>Total Personnel Expenses</b>	<b>\$ 424,045</b>	<b>\$ 424,045</b>	<b>\$ -</b>	<b>\$ 1,038,273</b>	<b>\$ 614,229</b>
<b>Meeting Expenses</b>					
Meetings	\$ 90,000	\$ 90,000	\$ -	\$ 90,000	\$ -
Travel	50,500	50,500	-	50,500	-
<b>Total Meeting Expenses</b>	<b>\$ 140,500</b>	<b>\$ 140,500</b>	<b>\$ -</b>	<b>\$ 140,500</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	12,300	12,300
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,300</b>	<b>\$ 12,300</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 289,812</b>	<b>\$ 289,812</b>	<b>\$ -</b>	<b>\$ 738,100</b>	<b>\$ 448,287</b>
<b>Total Expenses (B)</b>	<b>\$ 854,357</b>	<b>\$ 854,357</b>	<b>\$ -</b>	<b>\$ 1,929,173</b>	<b>\$ 1,074,816</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 4,634</b>	<b>\$ 4,634</b>	<b>\$ -</b>	<b>\$ 21,637</b>	<b>\$ 17,002</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>4,634</b>	<b>4,634</b>	<b>-</b>	<b>21,637</b>	<b>17,002</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 858,992</b>	<b>\$ 858,992</b>	<b>\$ -</b>	<b>\$ 1,950,810</b>	<b>\$ 1,091,818</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>1.89</b>	<b>1.89</b>	<b>-</b>	<b>5.05</b>	<b>3.16</b>

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.

<b>Situation Awareness and Infrastructure Security</b> (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.95	2.95	-
Direct Expenses	\$ 625,546	\$ 683,566	\$ 58,020
Indirect Expenses	\$ 452,353	\$ 431,167	\$ (21,186)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 7,233	\$ 12,639	\$ 5,406
Total Funding Requirement	\$ 1,085,132	\$ 1,127,372	\$ 42,240

**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 bulk power system and provides leadership coordination, technical expertise, and assistance to industry and governmental partners in responding to events as necessary. The department also uses data obtained from NERC Alerts to determine which entities may be more susceptible to a specific risk based on the responses. The Security Department sponsors the Security Advisory Council (SAC) and the SAC Threat Forum (SACTF). These organizational groups address cyber, physical, and operational risks to the bulk power system through training, outreach, intelligence briefings, risk assessments, weekly threat calls, and sponsorship of an annual security conference that draws over 500 attendees. The department also develops and maintains strong connections with the E-ISAC and other federal security agencies to further increase the reliability and security of the bulk power system and serves as a resource to MRO's IT department.

### Impact on Resource Needs

Situational Awareness Program staff 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 stable.

The Infrastructure Security Program 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. There is increased activity in this area requiring additional technical and expert level subject matter expertise to address the growing number of security risks, in particular the security risks identified in the Regional Risk Assessment. In addition, the department has increased activity serving as the overall administrator of the MRO Emergency Preparedness Plan, Lead NERC GridEx Planner, NERC Crisis Action Plan Lead, and co-lead for the Insider Threat Program. Additional staff resources were budgeted in 2022.

## Situation Awareness and Infrastructure Security Resource Requirements

**Overall Budget Change 2023 vs 2022 (Increase \$40.8K, 3.8%)**

The portion of budget addressing security increased to realign and dedicate MRO staffing to support increased focus on security.

**Personnel Expenses (Increase \$54.3K, 9.4%)**

Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. Also, benefits increased due to projected increase in medical premium costs.

**Meeting Expenses (Remain flat)**

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

**Indirect Expenses (Decrease \$22.6K, 5.0%)**

The decrease in indirect expenses is due to the allocation of administrative services across all operational programs in the 2023 BP&B. Some programs absorbed more in indirect costs as those programs increased in percentage of total FTE.



## 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					
2022 Budget & Projection, and 2023 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget	Budget	2023 Budget
			v 2022 Projection		v 2022 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 1,058,615	\$ 1,058,615	\$ -	\$ 1,110,468	\$ 51,853
Penalties Released	26,517	26,517	-	16,883	(9,634)
Interest	-	-	-	21	21
<b>Total Funding (A)</b>	<b>\$ 1,085,132</b>	<b>\$ 1,085,132</b>		<b>\$ 1,127,372</b>	<b>\$ 42,240</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 426,796	\$ 426,796	\$ -	\$ 464,895	\$ 38,098
Payroll Taxes	28,902	28,902	-	30,578	1,676
Benefits	48,790	48,790	-	54,105	5,315
Retirement Costs	74,320	74,320	-	83,501	9,181
<b>Total Personnel Expenses</b>	<b>\$ 578,809</b>	<b>\$ 578,809</b>	<b>\$ -</b>	<b>\$ 633,079</b>	<b>\$ 54,270</b>
<b>Meeting Expenses</b>					
Meetings	\$ 4,277	\$ 4,277	\$ -	\$ 4,277	\$ -
Travel	30,500	30,500	-	30,500	-
<b>Total Meeting Expenses</b>	<b>\$ 34,777</b>	<b>\$ 34,777</b>	<b>\$ -</b>	<b>\$ 34,777</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	11,960	11,960	-	15,710	3,750
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 11,960</b>	<b>\$ 11,960</b>	<b>\$ -</b>	<b>\$ 15,710</b>	<b>\$ 3,750</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 452,353</b>	<b>\$ 452,353</b>	<b>\$ -</b>	<b>\$ 431,167</b>	<b>\$ (21,186)</b>
<b>Total Expenses (B)</b>	<b>\$ 1,077,899</b>	<b>\$ 1,077,899</b>	<b>\$ -</b>	<b>\$ 1,114,733</b>	<b>\$ 36,834</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 7,233</b>	<b>\$ 7,233</b>	<b>\$ -</b>	<b>\$ 12,639</b>	<b>\$ 5,406</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>7,233</b>	<b>7,233</b>	<b>-</b>	<b>12,639</b>	<b>5,406</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 1,085,132</b>	<b>\$ 1,085,132</b>	<b>\$ -</b>	<b>\$ 1,127,372</b>	<b>\$ 42,240</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>FTEs</b>	<b>2.95</b>	<b>2.95</b>	<b>-</b>	<b>2.95</b>	<b>-</b>

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		
	2022 Budget	2023 Budget	Increase (Decrease)	2022 Budget	2023 Budget	Increase (Decrease)
General and Administrative	\$1,862,449	\$2,997,150	\$1,134,701	2.75	2.68	(0.07)
Legal	\$976,919	\$994,092	\$17,172	2.79	2.66	(0.13)
Information Technology	\$2,298,664	\$2,971,820	\$673,156	7.98	9.14	1.16
Human Resources	\$474,285	\$643,783	\$169,498	2.15	2.00	(0.15)
Finance and Accounting	\$2,329,953	\$1,118,839	-\$1,211,114	4.35	3.52	(0.83)
Total Administrative Services	\$7,942,270	\$8,725,684	\$783,414	20.02	20.00	(0.02)

**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, communications, information technology, human resources, finance and accounting, and general expenses. Costs incurred for these services are allocated as an indirect expense across MRO's other program areas.

### Methodology for Allocation of Administrative Services Expenses to Programs

All expenses for the Administrative Services programs, referred to as indirect expenses, are allocated to the delegated program areas based on the 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.

<b>General and Administrative</b> (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.75	2.68	(0.07)
Total Direct Expenses	\$ 1,862,449	\$ 2,997,150	\$ 1,134,701
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (1,743,698)	\$ (2,242,847)	\$ (499,149)

**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 appropriate 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 2023 vs 2022 (Increase \$1.1M, 60.9%)

The budget increase for 2023 is higher due to the transfer of office rent from the Finance department to general and administrative to align this line item with other Regions.

#### Personnel Expenses (Decrease \$24K, 2.1%)

Staff resources reflect a slight decline as some time is allocated to other program areas. However, benefits increased due to projected increase in medical premium costs.

#### Meeting Expenses (Remain flat)

Historic cost trends and emerging trends in use of virtual technology were used to retain travel cost estimates at the 2022 level.

#### Operating Expenses (Increase \$1.7M, 207.5%)

Costs for recruitment of new independent directors was budgeted to fill vacant seats. Office rent was moved from the Finance and Accounting Department to align with ERO presentation of this line item.

## General and Administrative Budget Detail

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

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2022 Budget &amp; Projection, and 2023 Budget</b>					
<b>GENERAL and ADMINISTRATIVE</b>					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget v 2022 Projection Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ (1,743,698)	\$ (1,743,698)	\$ -	\$ (2,242,847)	\$ (499,149)
Penalties Released	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ (1,743,698)</b>	<b>\$ (1,743,698)</b>	<b>\$ -</b>	<b>\$ (2,242,847)</b>	<b>\$ (499,149)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 936,453	\$ 936,453	\$ -	\$ 908,838	\$ (27,615)
Payroll Taxes	34,547	34,547	-	33,958	(589)
Benefits	45,829	45,829	-	49,320	3,492
Retirement Costs	116,820	116,820	-	117,584	763
<b>Total Personnel Expenses</b>	<b>\$ 1,133,649</b>	<b>\$ 1,133,649</b>	<b>\$ -</b>	<b>\$ 1,109,700</b>	<b>\$ (23,949)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Travel	110,300	110,300	-	110,300	-
<b>Total Meeting Expenses</b>	<b>\$ 170,300</b>	<b>\$ 170,300</b>	<b>\$ -</b>	<b>\$ 170,300</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 65,000	\$ 65,000	\$ -	\$ 80,000	\$ 15,000
Office Rent	-	-	-	1,046,000	1,046,000
Office Costs	133,000	133,000	-	130,650	(2,350)
Professional Services	360,500	360,500	-	460,500	100,000
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 558,500</b>	<b>\$ 558,500</b>	<b>\$ -</b>	<b>\$ 1,717,150</b>	<b>\$ 1,158,650</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (1,862,449)</b>	<b>\$ (1,862,449)</b>	<b>\$ -</b>	<b>\$ (2,997,150)</b>	<b>\$ (1,134,701)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ (1,743,698)</b>	<b>\$ (1,743,698)</b>	<b>\$ -</b>	<b>\$ (2,242,847)</b>	<b>\$ (499,149)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ (1,743,698)</b>	<b>\$ (1,743,698)</b>	<b>\$ -</b>	<b>\$ (2,242,847)</b>	<b>\$ (499,149)</b>
<b>FTEs</b>	<b>2.75</b>	<b>2.75</b>	<b>-</b>	<b>2.68</b>	<b>(0.07)</b>

Table A-13. General and Administrative Budget Detail

## Legal

The following table lists the Legal budget.

Legal (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.79	2.66	(0.13)
Total Direct Expenses	\$ 976,919	\$ 994,092	\$ 17,172
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-14. Legal Budget**

### Program Scope and Functional Description

MRO's Legal function is staffed by the Vice President General Counsel and Corporate Secretary, and Assistant Corporate Secretary and Senior Counsel. Advice is provided to the board, the President and CEO, and staff on legal matters affecting MRO; and corporate records for the board and organizational groups are maintained in this area. MRO may use external specialized legal resources on an as-needed basis. This functional area also focuses on and centralizes external and internal communications work.

### Legal Resource Requirements

#### Overall Budget Change 2023 vs 2022 (Increase 17.2K, 1.8%)

The increase in this indirect program area is related to the increase in personnel costs.

#### Personnel Expenses (Increase \$46K, 6.4%)

Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs.

#### Meeting Expense (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

#### Operating Expense (Decrease \$29K, 12.1%)

The decrease in professional service costs is due to elimination of one-time costs associated with MRO's external website redesign that was budgeted in 2022. The redesign included a legal review of MRO's privacy policy and copyrighted materials.

## Legal Budget Detail

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2022 Budget & Projection, and 2023 Budget					
LEGAL					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget v 2022 Projection Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 552,889	\$ 552,889	\$ -	\$ 591,987	\$ 39,098
Payroll Taxes	33,056	33,056	-	33,224	169
Benefits	47,452	47,452	-	48,952	1,500
Retirement Costs	85,019	85,019	-	90,199	5,180
<b>Total Personnel Expenses</b>	<b>\$ 718,415</b>	<b>\$ 718,415</b>	<b>\$ -</b>	<b>\$ 764,363</b>	<b>\$ 45,947</b>
<b>Meeting Expenses</b>					
Meetings	\$ 500	\$ 500	\$ -	\$ 500	\$ -
Travel	19,800	19,800	-	19,800	-
<b>Total Meeting Expenses</b>	<b>\$ 20,300</b>	<b>\$ 20,300</b>	<b>\$ -</b>	<b>\$ 20,300</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 54,900	\$ 54,900	\$ -	\$ 54,900	\$ -
Office Rent	-	-	-	-	-
Office Costs	35,804	35,804	-	39,529	3,725
Professional Services	147,500	147,500	-	115,000	(32,500)
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 238,204</b>	<b>\$ 238,204</b>	<b>\$ -</b>	<b>\$ 209,429</b>	<b>\$ (28,775)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (976,919)</b>	<b>\$ (976,919)</b>	<b>\$ -</b>	<b>\$ (994,092)</b>	<b>\$ (17,172)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>FTEs</b>	<b>2.79</b>	<b>2.79</b>	<b>-</b>	<b>2.66</b>	<b>(0.13)</b>

Table A-15. Legal Budget Detail

## Information Technology

The following table lists the Information Technology budget.

<b>Information Technology</b> (in whole dollars)			
	<b>2022 Budget</b>	<b>2023 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	7.98	9.14	1.16
Total Direct Expenses	\$ 2,298,664	\$ 2,971,820	\$ 673,156
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-16. Information Technology Budget**

### Program Scope and Functional Description

MRO's Information Technology function is responsible for providing technology and communications tools for staff to perform Regional Entity and other corporate functions. As part of this, the Information Technology function is responsible for managing and securing the IT infrastructure of the company. This includes providing ways for the company to preserve and protect the confidentiality, integrity, and availability of company data, and responding in a timely manner to the ever evolving cyber threats faced by organization. As the complexity of the security risks and tools utilized to meet staff needs continues to evolve, this function at times also utilizes highly specialized external technical resources.

### Information Technology Resource Requirements

#### Overall Budget Change 2023 vs 2022 (Increase \$673K, 29.3%)

The increase in indirect programs is due to a combination of IT staff and consulting and contract costs related to mitigation of cyber security threats and risks.

#### Personnel Expenses (Increase \$372.3K, 28.5%)

Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. There is an increase of one FTE in this program area. Additionally, benefits increased due to projected increase in medical premium costs.

#### Meeting Expenses (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

#### Operating Expenses (Increase \$177K, 20.6%)

This increase reflects costs in cyber security software and applications, as well as office costs related to staff training and other expenses for additional FTEs.

#### Fixed Asset (Increase \$123.5K, 99%)

Increased capital asset costs are due to scheduled replacement of end-of-life assets.

## Information Technology Budget Detail

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

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2022 Budget &amp; Projection, and 2023 Budget</b>					
<b>INFORMATION TECHNOLOGY</b>					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget v 2022 Projection Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 921,491	\$ 921,491	\$ -	\$ 1,187,790	\$ 266,299
Payroll Taxes	67,927	67,927	-	85,342	17,415
Benefits	135,988	135,988	-	167,699	31,710
Retirement Costs	179,140	179,140	-	236,004	56,864
<b>Total Personnel Expenses</b>	<b>\$ 1,304,546</b>	<b>\$ 1,304,546</b>	<b>\$ -</b>	<b>\$ 1,676,834</b>	<b>\$ 372,288</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,200	\$ 1,200	\$ -	\$ 1,200	\$ -
Travel	5,000	5,000	-	5,000	-
<b>Total Meeting Expenses</b>	<b>\$ 6,200</b>	<b>\$ 6,200</b>	<b>\$ -</b>	<b>\$ 6,200</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 549,568	\$ 549,568	\$ -	\$ 670,636	\$ 121,068
Office Rent	-	-	-	-	-
Office Costs	313,350	313,350	-	369,650	56,300
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 862,918</b>	<b>\$ 862,918</b>	<b>\$ -</b>	<b>\$ 1,040,286</b>	<b>\$ 177,368</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (2,173,664)</b>	<b>\$ (2,173,664)</b>	<b>\$ -</b>	<b>\$ (2,723,320)</b>	<b>\$ (549,656)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>-</b>	<b>\$ 248,500</b>	<b>\$ 123,500</b>
Allocation of Fixed Assets	\$ (125,000)	\$ (125,000)	-	\$ (248,500)	\$ (123,500)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	7.98	7.98	-	9.14	1.16

**Table A-17. Information Technology Budget Detail**



## Human Resources

The following table lists the Human Resources budget.

<b>Human Resources</b> (in whole dollars)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	2.15	2.00	(0.15)
Total Direct Expenses	\$ 474,285	\$ 643,783	\$ 169,498
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 employee related 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. The department engages in Diversity, Equity, and Inclusion (DEI) initiatives within the organization alongside the staff-led DEI Committee and works closely with the ERO Enterprise on similar efforts, and undertakes or supports several other important initiatives as directed by MRO's Governance and Personnel Committee.

MRO has developed a culture and talent management program that features intentional connection, communication, and training for all levels of staff. Training initiatives and opportunities for employee collaboration are planned to create peer-to-peer mentorship and information and knowledge sharing, theme-focused learning, and dedicated 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, as well as the overall corporate culture to be an "employer of choice" that attracts and retains qualified staff.

#### Human Resources Resource Requirements

##### Overall Budget Change 2023 vs 2022 (Increase \$169.5K, 35.7%)

The budget change in this administrative area is primarily due to the added cost of recruiter fees and a scheduled compensation study.

##### Personnel Expense (Increase \$7.8K, 2.1%)

Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs. This is partially offset by the slight decline in FTE.

##### Operating Expense (Increase \$161.7K, 169%)

Budgeted amounts in office costs increased to address recruiter fees and compensation consulting.

## Human Resources Budget Detail

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

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2022 Budget &amp; Projection, and 2023 Budget</b>					
<b>HUMAN RESOURCES</b>					
	2022 Budget	2022 Projection	Variance 2022 Budget v 2022 Projection Over(Under)	2023 Budget	Variance 2023 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 273,690	\$ 273,690	\$ -	\$ 275,529	\$ 1,839
Payroll Taxes	18,244	18,244	-	18,801	557
Benefits	34,323	34,323	-	36,806	2,483
Retirement Costs	50,353	50,353	-	53,322	2,969
<b>Total Personnel Expenses</b>	<b>\$ 376,610</b>	<b>\$ 376,610</b>	<b>\$ -</b>	<b>\$ 384,458</b>	<b>\$ 7,848</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,000	2,000	-	2,000	-
<b>Total Meeting Expenses</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 2,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 27,000	\$ 27,000	\$ -	\$ 125,000	\$ 98,000
Office Rent	-	-	-	-	-
Office Costs	68,675	68,675	-	132,325	63,650
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 95,675</b>	<b>\$ 95,675</b>	<b>\$ -</b>	<b>\$ 257,325</b>	<b>\$ 161,650</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (474,285)</b>	<b>\$ (474,285)</b>	<b>\$ -</b>	<b>\$ (643,783)</b>	<b>\$ (169,498)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	2.15	2.15		2.00	(0.15)

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)			
	2022 Budget	2023 Budget	Increase (Decrease)
Total FTEs	4.35	3.52	(0.83)
Total Direct Expenses	\$ 2,329,953	\$ 1,118,839	\$ (1,211,114)
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 of Directors.

#### Finance and Accounting Resource Requirements

##### Overall Budget Change 2023 vs 2022 (Decrease \$1.2M, 52.0%)

The decreased costs in the Finance and Accounting area is a result of moving office rent to the General and Administrative program.

##### Personnel Expenses (Decrease 51.8K, 6.2%)

Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs. The increase is offset by the reduced FTE in this program.

##### Meeting Expenses (Remain flat)

Historic cost trends and anticipated use of virtual technology were used to retain travel cost estimates at the 2022 level.

##### Operating Expenses (Decrease \$1.16M, 77.6%)

The decrease in this area is due to moving office rent to the General and Administrative program.

## Finance and Accounting Budget Detail

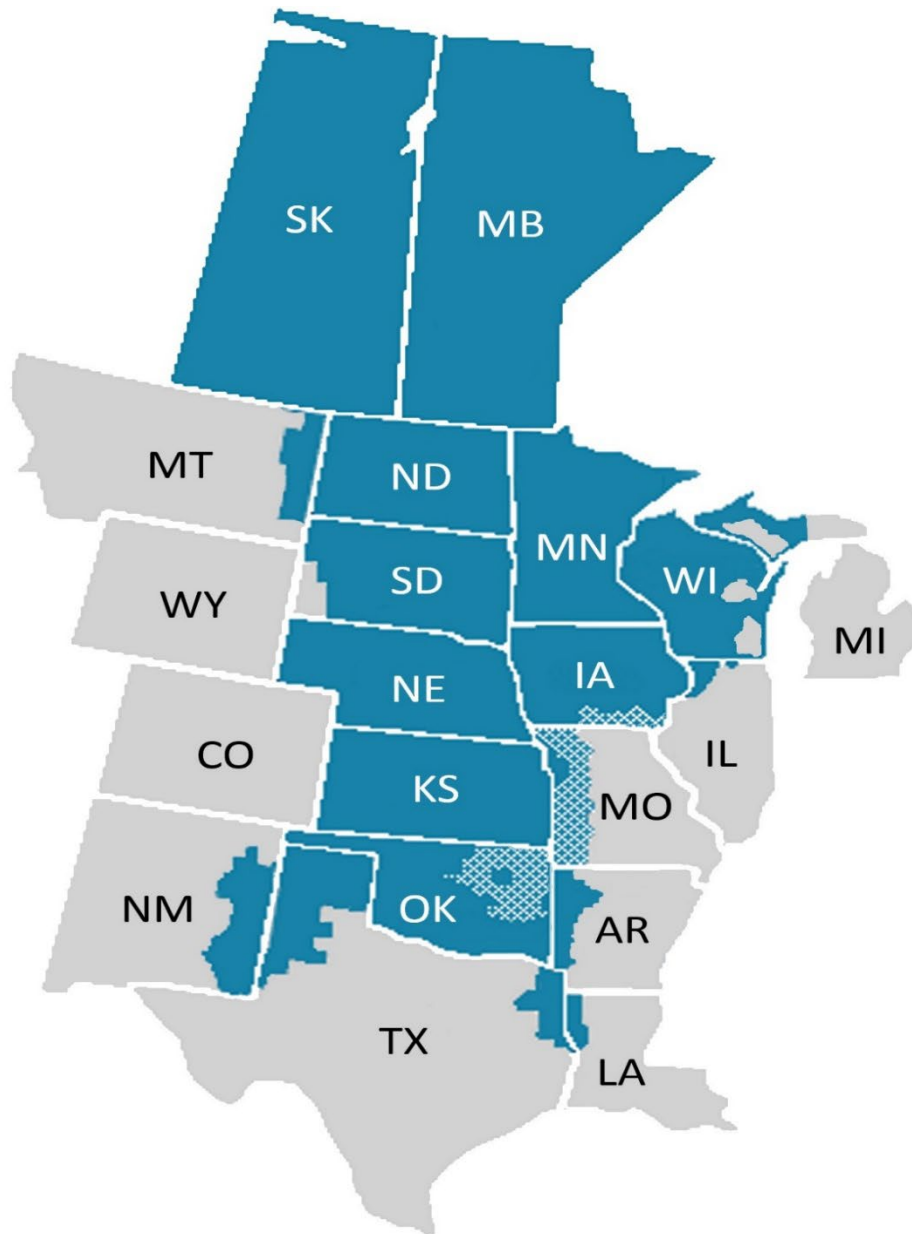
The following table shows funding sources and related expenses for the Finance and Accounting Program.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2022 Budget &amp; Projection, and 2023 Budget</b>					
<b>FINANCE and ACCOUNTING</b>					
	2022	2022	Variance	2023	Variance
	Budget	Projection	2022 Budget v 2022 Projection Over(Under)	Budget	2023 Budget v 2022 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 606,220	\$ 606,220	\$ -	\$ 576,825	\$ (29,395)
Payroll Taxes	37,423	37,423	-	34,733	(2,690)
Benefits	74,578	74,578	-	64,779	(9,799)
Retirement Costs	111,583	111,583	-	101,703	(9,880)
<b>Total Personnel Expenses</b>	<b>\$ 829,803</b>	<b>\$ 829,803</b>	<b>\$ -</b>	<b>\$ 778,039</b>	<b>\$ (51,764)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,000	\$ 1,000	\$ -	\$ 1,000	\$ -
Travel	5,000	5,000	-	5,000	-
<b>Total Meeting Expenses</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>\$ -</b>	<b>\$ 6,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 53,850	\$ 53,850	\$ -	\$ 61,000	\$ 7,150
Office Rent	1,132,100	1,132,100	-	-	(1,132,100)
Office Costs	249,200	249,200	-	217,800	(31,400)
Professional Services	59,000	59,000	-	56,000	(3,000)
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,494,150</b>	<b>\$ 1,494,150</b>	<b>\$ -</b>	<b>\$ 334,800</b>	<b>\$ (1,159,350)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (2,329,953)</b>	<b>\$ (2,329,953)</b>	<b>\$ -</b>	<b>\$ (1,118,839)</b>	<b>\$ 1,211,114</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>4.35</b>	<b>4.35</b>	<b>-</b>	<b>3.52</b>	<b>(0.83)</b>

Table A-21. Finance and Accounting Budget Detail

## Section B – Supplemental Financial Information

### 2023 Business Plan and Budget



## Section B – Supplemental Financial Information

### Reserve Balance

Table B-1 analyzes the reserve for 2022 through 2023.

Reserve Analysis 2021-2023				
	Total Reserves	Working Capital Reserves	30-Day Reserves	Assessment Stabilization Reserves (ASR)
Beginning, January 1, 2021	8,512,161	5,904,677.00		2,607,484
Plus: Penalty Sanctions <sup>1</sup>	517,497			517,497
Plus: Release from ASR	-	(1,500,000.00)		1,500,000
Plus: 2021 Assessments	16,983,251	16,983,251.00		
Adjustment for targeted 30-day reserves		(1,513,332.00)	1,513,332.00	
Less: 2021 Projected Expenditures	(17,634,982)	(17,634,982.00)		
<b>Final Reserves December 31, 2021</b>	<b>8,377,927</b>	<b>2,239,614</b>	<b>1,513,332</b>	<b>4,624,981</b>
Beginning, January 1, 2022	8,377,927	2,239,614	1,513,332	4,624,981
Plus: Penalty Sanctions <sup>1</sup>	273,100	458,250		(185,150)
Plus: Release from ASR	-	1,743,698		(1,743,698)
Plus: 2022 Assessments	17,832,414	17,832,414		
Adjustment for targeted 30-day reserves		(156,198)	156,198.12	
Less: 2022 Projected Expenditures	(20,034,361)	(20,034,361)		
<b>Projected Reserves December 31, 2022</b>	<b>6,449,079</b>	<b>2,083,416</b>	<b>1,669,530</b>	<b>2,696,133</b>
Beginning, January 1, 2023	6,449,079	2,083,416	1,669,530	2,696,133
Plus: Penalty Sanctions <sup>1</sup>	-	332,347		(332,347)
Plus: Release from ASR	-	2,242,847		(2,242,847)
Plus: 2023 Assessments	20,507,276	20,507,276		
Adjustment for targeted 30-day reserves		(254,009)	254,008.97	
Less: 2023 Budgeted Expenditures	(23,082,469)	(23,082,469)		
<b>Projected Reserves December 31, 2023</b>	<b>3,873,886</b>	<b>1,829,407</b>	<b>1,923,539</b>	<b>120,940</b>

<sup>1</sup> Penalties collected between July 1 of the previous year through June 30 of the current budget year are released in the following budget year

**Table B-1. Reserve Analysis 2022 - 2023**

### Explanation of Significant Variances from 2022

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.

Policy and Procedure 13 also addresses 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 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-over-year variations in assessments. MRO proposes to release \$2,575,194 from assessment stabilization reserves to offset assessment increases.

Breakdown by Statement of Activity Sections

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2022.

Penalty Sanctions Received On or Prior to June 30, 2022	Date Received	Amount Received
	Nov-21	\$ 58,828
	Jun-22	273,100
<b>Total Penalties Received</b>		\$ 331,928

**Table B-2. Penalty Sanctions Received**

**Penalty Sanctions**

All penalties received after July 1, 2021, and prior to June 30, 2022, 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-over-year variations in budget assessments. Assuming no additional penalties are collected, all remaining penalty dollars will be released in the 2023 budget year as part of assessment stabilization. Interest earned on penalties collected will also be added to the total amount released.



Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget
<b>Reliability Standards</b>				
Interest Income	\$ -	\$ -	\$ 5	\$ 5
Other	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5</b>	<b>\$ 5</b>
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Interest Income	\$ -	\$ -	\$ 269	\$ 269
Other	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 269</b>	<b>\$ 269</b>
<b>Reliability Assessment and Performance Analysis</b>				
Interest Income	\$ -	\$ -	\$ 87	\$ 87
Other	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 87</b>	<b>\$ 87</b>
<b>Training and Education</b>				
Interest Income	\$ -	\$ -	\$ 36	\$ 36
Other	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 36</b>	<b>\$ 36</b>
<b>Situation Awareness and Infrastructure Security</b>				
Interest Income	\$ -	\$ -	\$ 21	\$ 21
Other	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21</b>	<b>\$ 21</b>
<b>General and Administrative</b>				
Interest Income	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Outside Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 419</b>	<b>\$ 419</b>

**Table B-3. Supplemental Funding**

### Explanation of Significant Variances – 2023 Budget versus 2022 Budget

MRO does not earn interest income on general cash held. Interest income on penalties received are 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 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
<b>Total Salaries</b>	\$ 11,416,562	\$ 11,416,562	\$ 13,294,284	\$ 1,877,722	16.4%
<b>Total Payroll Taxes</b>	744,165	744,165	863,417	119,252	16.0%
<b>Total Benefits</b>	1,193,996	1,193,996	1,425,181	231,185	19.4%
<b>Total Retirement</b>	1,922,258	1,922,258	2,277,278	355,020	18.5%
<b>Total Personnel Costs</b>	<b>\$ 15,276,980</b>	<b>\$ 15,276,980</b>	<b>\$ 17,860,160</b>	<b>\$ 2,583,180</b>	<b>16.9%</b>
<b>FTEs</b>	71.00	71.00	78.00	7.00	9.9%
<b>Cost per FTE</b>					
Salaries	160,797	\$ 160,797	\$ 170,440	9,643	6.0%
Payroll Taxes	10,481	10,481	11,069	588	5.6%
Benefits	16,817	16,817	18,272	1,455	8.7%
Retirement	27,074	27,074	29,196	2,122	7.8%
<b>Total Cost per FTE</b>	<b>\$ 215,169</b>	<b>\$ 215,169</b>	<b>\$ 228,976</b>	<b>\$ 13,808</b>	<b>6.4%</b>

**Table B-4. Personnel Expenses**

#### **Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

##### **Personnel Expenses (Increase \$2.6M, 16.9%)**

The following assumptions were used to determine the 2023 MRO budget:

- Total personnel expenses were increased to include the addition of 7 FTEs to support the statutory and administrative programs.
- Average salary increases were budgeted at 3 percent with an additional 1.5 percent in promotion, equity, and market adjustments. Benefit costs are projected to increase by 12 percent.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Meeting Expenses	\$ 178,877	\$ 178,877	\$ 178,877	\$ -	0.0%
Travel	581,670	\$ 581,670	581,670	-	0.0%
<b>Total Meeting Expenses</b>	<b>\$ 760,547</b>	<b>\$ 760,547</b>	<b>\$ 760,547</b>	<b>\$ -</b>	<b>0.0%</b>

**Table B-5. Meeting Expenses**

### Explanation of Significant Variances – 2023 Budget versus 2022 Budget

#### Meeting Expenses

Meeting expenses remain flat and reflects increased use of virtual meetings.

#### Travel Expenses

Travel expenses remain flat for both staff travel and member reimbursement. Travel dollars for participation on ERO collaboration groups, the Align project, and member travel for organizational group face-to-face meetings trended very low in prior years and it is anticipated that there will be a slow return to travel as pandemic restrictions ease. These costs will not be as high as in prior years, as MRO has adopted a hybrid approach of virtual and in-person meetings. The increased use of virtual technology is a key factor for maintaining low costs.

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

Consultants	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance	165,000	165,000	130,000	(35,000)	-21%
Reliability Analysis and Organization Registration and Certification	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
General and Administrative	65,000	65,000	80,000	15,000	23%
Legal	54,900	54,900	54,900	-	0%
Information Technology	165,200	165,200	165,200	-	0%
Human Resources	-	-	-	-	
Accounting and Finance	7,500	7,500	9,000	1,500	20%
<b>Consultants Total</b>	<b>\$ 457,600</b>	<b>\$ 457,600</b>	<b>\$ 439,100</b>	<b>\$ (18,500)</b>	<b>-4%</b>

Contracts	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
<b>Contracts</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance	218,382	218,382	218,382	-	0%
Reliability Analysis and Organization Registration and Certification	71,100	71,100	41,100	(30,000)	-42%
Event Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal	-	-	-	-	
Information Technology	384,368	384,368	505,436	121,068	31%
Human Resources	27,000	27,000	125,000	98,000	363%
Accounting and Finance	46,350	46,350	52,000	5,650	12%
<b>Contracts Total</b>	<b>\$ 747,200</b>	<b>\$ 747,200</b>	<b>\$ 941,918</b>	<b>\$ 194,718</b>	<b>26%</b>

Table B-6. Consultants and Contracts

### Explanation of Significant Variances – 2023 Budget versus 2022 Budget

#### Consultants for Compliance (Decrease \$35K, 21%)

Consultants used in the compliance area were historically budgeted to perform CMEP activities in case staffing levels were not adequate to perform delegated work. MRO is projecting a decreased need for consultants in 2023. The scope of consulting work for compliance in the 2023 BP&B is to seek outside expertise in process efficiencies around the new Align tool.

#### Consultants for General and Administrative (Increase \$15K, 23%)

The increase in this area includes recruiter fees for independent director search fees due to scheduled seat vacancies in 2023.

#### Contracts for Reliability Analysis (Decrease \$30K, 42%)

Contracts consist of external modeling software that is being discontinued. New software will be managed by MRO's Information Technology Department. Internal staff will coordinate with external technical support for this software.

#### Contracts for Information Technology (Increase \$121K, 31%)

This increase is due to contract costs for new security software, applications, and data analytics. It also includes a modeling software contract previously managed by the Reliability Analysis Department.

**Contracts for Human Resources (Increase \$98K, 363%)**

Human resource contracts consist primarily of the engagement of recruiting firms to source specialized candidates with bulk power system or related engineering and security expertise.

Table B-7 lists the budget for Office Rent.

Office Rent	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Office Rent	\$ 1,086,100	\$ 1,086,100	\$ 1,000,000	\$ (86,100)	-7.9%
Utilities	11,000	\$ 11,000	11,000	-	0.0%
Maintenance	35,000	\$ 35,000	35,000	-	0.0%
<b>Total Office Rent</b>	<b>\$ 1,132,100</b>	<b>\$ 1,132,100</b>	<b>\$ 1,046,000</b>	<b>\$ (86,100)</b>	<b>-7.61%</b>

**Table B-7. Office Rent**

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

Rent is lower due to adjusted occupancy costs from prior years and anticipated adjustments resulting from the adoption of new accounting standards for leases.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Phone Service					
Data Circuit (qmoe)	\$ 60,000	\$ 60,000	\$ 60,000	\$ -	0.00%
Webex	19,200	19,200	30,000	10,800	56.25%
Voice Circuits	18,000	18,000	18,000	-	0.00%
Business Cable	3,250	3,250	3,250	-	0.00%
Disaster Recovery Site	-	-	-	-	-
Internet/Cell	63,854	63,854	117,030	53,176	83.28%
Office Supplies	36,700	36,700	36,700	-	0.00%
Employee Member Events	34,000	34,000	39,000	5,000	14.71%
Employee Related Expense	27,400	27,400	30,900	3,500	12.77%
Computer Supplies and Maintenance	138,500	138,500	180,500	42,000	30.32%
Publications & Subscriptions	23,675	23,675	26,525	2,850	12.04%
Professional Dues	23,560	23,560	27,489	3,929	16.68%
Postage	4,200	4,200	3,200	(1,000)	-23.81%
Temporary Services	55,000	55,000	55,000	-	0.00%
Finance-Filing/Reg Fees	4,400	4,400	4,400	-	0.00%
Equipment Repair/Service Contracts	39,000	39,000	39,000	-	0.00%
Bank Charges	20,000	20,000	20,000	-	0.00%
Presentation, Publicity, & Supplies Promotional	25,000	25,000	25,000	-	0.00%
Departmental Functional Training	282,195	282,195	328,750	46,555	16.50%
Insurance Expense	90,000	90,000	110,000	20,000	22.22%
<b>Total Office Costs</b>	<b>\$ 967,934</b>	<b>\$ 967,934</b>	<b>\$ 1,154,744</b>	<b>\$ 186,810</b>	<b>19.30%</b>

**Table B-8. Office Costs**

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget (Increase \$187K, 19.3%)**

The increase in Office Costs is primarily the result of seven additional FTEs. This is reflected in functional training, computer supplies and maintenance, internet/cell phone, and WebEx license expenses. Adding to this increase is the expected rise in cyber liability insurance premiums as a result of the rise in cyber crime across the country.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2022	Projection 2022	Budget 2023	Variance	
				2023 Budget v 2022 Budget	Variance %
Independent Trustee Fees	\$ 330,500	\$ 330,500	\$ 430,500	\$ 100,000	30.26%
Independent Trustee Travel Reimbursement	30,000	30,000	30,000	-	0.00%
Outside Legal	100,000	100,000	100,000	-	0.00%
Branding and Videography	47,500		15,000	(32,500)	-68.42%
Accounting and Auditing Fees	36,000	36,000	36,000	-	0.00%
Actuarial Fees	23,000	23,000	20,000	(3,000)	-13.04%
<b>Total Services</b>	<b>\$ 567,000</b>	<b>\$ 519,500</b>	<b>\$ 631,500</b>	<b>\$ 64,500</b>	<b>11.38%</b>

**Table B-9. Professional Services**

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

This increase includes recruiter fees for an independent director search due to scheduled seat vacancies in 2023.



Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	-
					-
					-
<b>Total Miscellaneous Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>

**Table B-10. Miscellaneous**

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

MRO has not budgeted any Miscellaneous Expenses in 2023.

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

Other Non-Operating Expenses	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment		-		-	
Office Relocation	-	-	-	-	
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>

**Table B-11. Other Non-Operating Expenses**

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

MRO has not budgeted any Non-Operating Expenses in 2023.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2022	Projection 2022	Budget 2023	Variance 2023 Budget v 2022 Budget	Variance %
Computer Equipment	125,000	125,000	248,500	123,500	98.8%
Capitalized Software	-	-	-	-	
Furniture and Equipment	-	-	-	-	
Leasehold Improvements	-	-	-	-	
<b>Total Change in Fixed Assets</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>\$ 248,500</b>	<b>\$ 123,500</b>	<b>98.8%</b>

**Table B-12. Fixed Assets**

**Explanation of Significant Variances – 2023 Budget versus 2022 Budget**

MRO's capital asset costs average \$250K per year for the replacement of end-of life assets. MRO experienced an office expansion in 2020-2021 that included \$125K towards the replacement of end-of-life capital assets scheduled for 2022. Leaving the remainder of those costs fulfilled in 2022 at \$125K. The budgeted 2023 capital assets return to normal at the \$250K level for the replacement of end-of-life assets scheduled for 2023.

Table B-13 compares the 2023 budget with projections for 2024 - 2025.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2024-2025 Projections								
	2023	2024	\$ Change	% Change	2025	\$ Change	% Change	
	Budget	Projection	23 v 24	23 v 24	Projection	24 v 25	24 v 25	
<b>Funding</b>								
<b>ERO Funding</b>								
NERC Assessments	\$ 20,507,276	\$ 23,583,367	\$ 3,076,091	15.00%	\$ 26,885,038	\$ 3,301,671	14.00%	
Assessment Stabilization Reserves	2,575,194	120,940	(2,454,254)	-95.30%	-	-		
Membership Dues	-	-	-	-	-	-		
Testing Fees	-	-	-	-	-	-		
Services & Software	-	-	-	-	-	-		
Workshop Fees & Miscellaneous	-	-	-	-	-	-		
Interest & Investment Income	-	-	-	-	-	-		
<b>Total Funding (A)</b>	<b>\$ 23,082,469</b>	<b>\$ 23,704,307</b>	<b>\$ 621,837</b>	<b>2.7%</b>	<b>\$ 26,885,038</b>	<b>\$ 3,301,671</b>		
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 13,294,284	\$ 14,712,343	\$ 1,418,059	10.7%	\$ 15,655,352	\$ 943,009	6.4%	
Payroll Taxes	863,417	955,803	92,386	10.7%	1,016,974	61,171	6.4%	
Benefits	1,425,181	1,596,203	171,022	12.0%	1,739,861	143,658	9.0%	
Retirement Costs	2,277,278	2,550,552	273,273	12.0%	2,805,607	255,055	10.0%	
<b>Total Personnel Expenses</b>	<b>\$ 17,860,160</b>	<b>\$ 19,814,900</b>	<b>\$ 1,954,740</b>	<b>10.9%</b>	<b>\$ 21,217,794</b>	<b>\$ 1,402,894</b>		
<b>Meeting Expenses</b>								
Meetings & Conference Calls	\$ 178,877	\$ 186,032	7,155	4.0%	\$ 193,473	7,441	4.0%	
Travel	581,670	604,937	23,267	4.0%	629,134	24,197	4.0%	
<b>Total Meeting Expenses</b>	<b>\$ 760,547</b>	<b>\$ 790,969</b>	<b>\$ 30,422</b>	<b>4.0%</b>	<b>\$ 822,608</b>	<b>\$ 31,639</b>		
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	\$ 1,381,018	\$ 1,450,069	69,051	5.0%	\$ 1,508,072	58,003	4.0%	
Office Rent	1,046,000	1,077,380	31,380	3.0%	1,120,475	43,095	4.0%	
Office Costs	1,154,744	1,212,481	57,737	5.0%	1,260,980	48,499	4.0%	
Professional Services	631,500	650,445	18,945	3.0%	676,463	26,018	4.0%	
Miscellaneous	-	-	-	-	-	-		
<b>Total Operating Expenses</b>	<b>\$ 4,213,262</b>	<b>\$ 4,390,375</b>	<b>\$ 177,113</b>	<b>4.2%</b>	<b>\$ 4,565,990</b>	<b>\$ 175,615</b>		
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Total Expenses (B)</b>	<b>\$ 22,833,969</b>	<b>24,996,244</b>	<b>2,162,275</b>	<b>9.5%</b>	<b>26,606,392</b>	<b>1,610,147</b>		
<b>Change in Net Assets (=A - B)</b>	<b>\$ 248,500</b>	<b>\$ (1,291,938)</b>	<b>(1,540,438)</b>	<b>-619.9%</b>	<b>\$ 278,647</b>	<b>1,691,524</b>		
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 248,500</b>	<b>\$ 250,000</b>	<b>\$ 1,500</b>	<b>0.6%</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>		
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 23,082,469</b>	<b>\$ 25,246,244</b>	<b>\$ 2,163,775</b>	<b>9.4%</b>	<b>\$ 26,856,392</b>	<b>\$ 1,860,147</b>	<b>6.4%</b>	
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (1,541,938)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,647</b>	<b>\$ -</b>		
<b>FTEs</b>	<b>78.00</b>	<b>83.00</b>	<b>5.00</b>		<b>85.00</b>	<b>2.00</b>		

Table B-13. Budget 2023 Compared with 2024-2025 Projections

**Explanation of 2024-2025 Projections**

MRO has a strategic plan that addresses resource changes resulting from the implementation of the Align tool, increased risk focus in cyber and infrastructure security, and stakeholder and industry outreach.

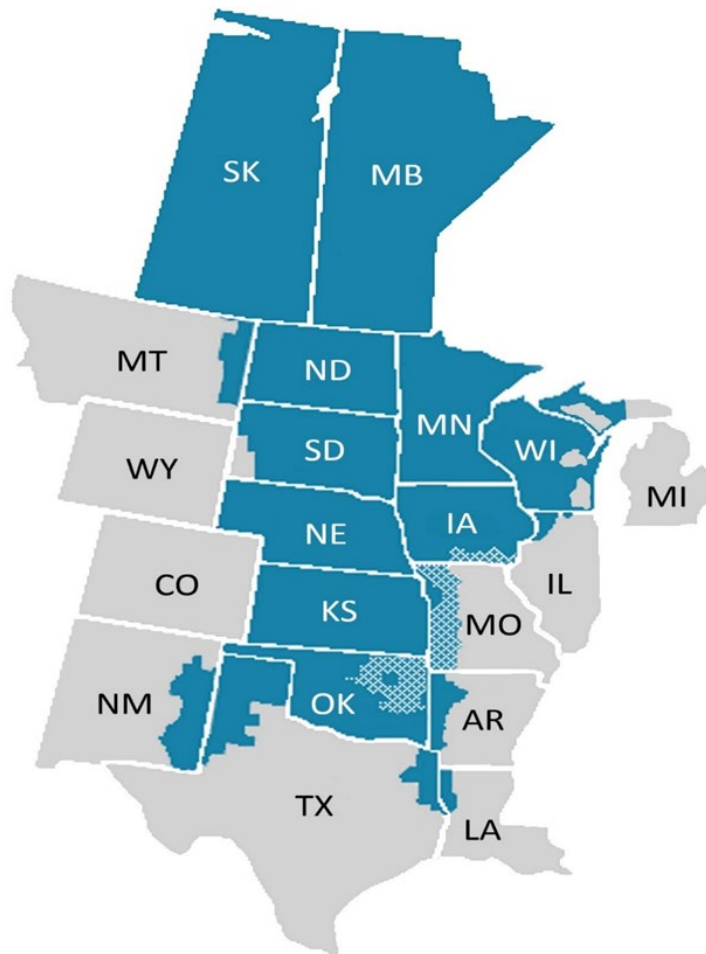
- FTEs increase by seven year-over-year
- Meeting expenses increase four percent year-over-year
- Four percent escalation rate applied to operating expense categories
- Total budget increase of \$2.2MK in 2024
- Total budget increase of \$1.9M in 2025
- Zero penalties budgeted

## Section C – Non-Statutory Activities

### 2023 Business Plan and Budget

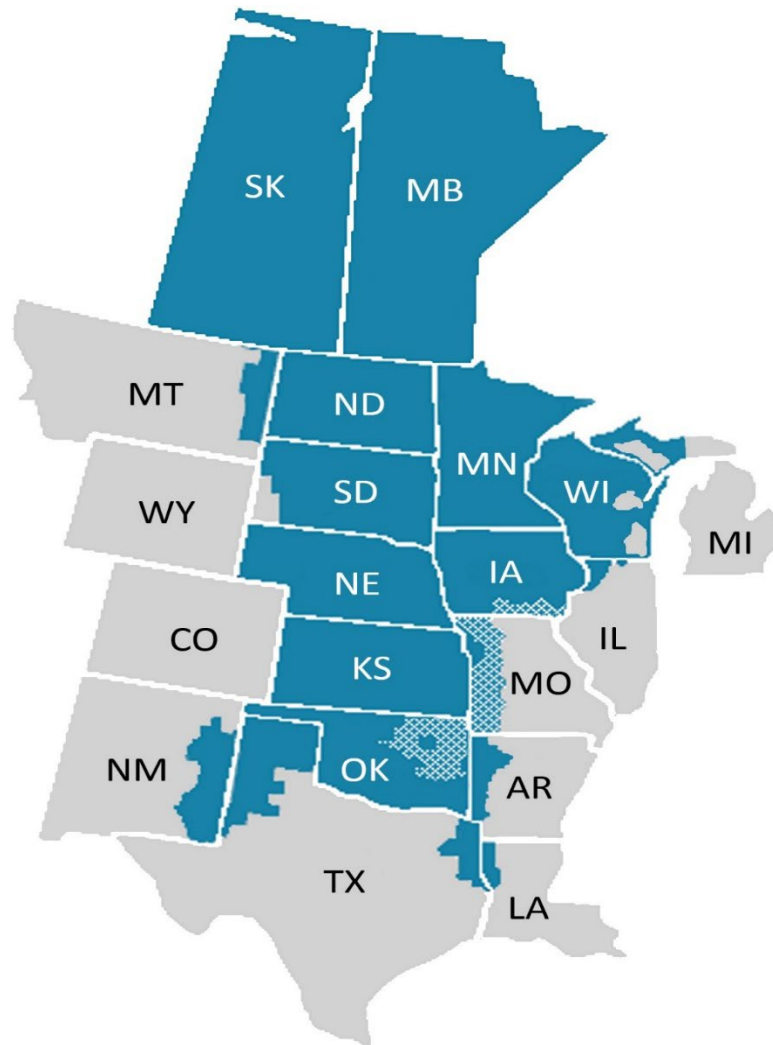
#### Section C – Non-Statutory Activities

2023 Non-Statutory Business Plan and Budget  
MRO has no non-statutory activities.



# Section D – Additional Consolidated Financial Statements

## 2023 Business Plan and Budget



# Section D – Additional Consolidated Financial Statements

## 2023 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2023 Business Plan and Budget	Functions in Delegation Agreement											
	Statutory Total	Reliability Standards (Section 300)	Compliance (Section 400)	Reliability Analysis and Organization Registration and Certification (Section 800 & 500)	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
<b>Funding</b>												
ERO Funding												
NERC Assessments	20,507,276	233,286	14,706,986	4,777,509	1,921,873	1,110,468		(2,242,847)				
Assessment Stabilization Adjustment	331,928	3,605	213,464	69,075	28,901	16,883						
Membership Dues	-											
Testing Fees	-											
Services & Software	-											
Workshops & Miscellaneous Revenue	-											
Interest & Investment Income	419	5	269	87	36	21						
<b>Total Funding (A)</b>	<b>20,839,623</b>	<b>236,896</b>	<b>14,920,720</b>	<b>4,846,672</b>	<b>1,950,810</b>	<b>1,127,372</b>		<b>(2,242,847)</b>				
<b>Expenses</b>												
<b>Personnel Expenses</b>												
Salaries	13,294,284	98,403	6,323,947	2,101,041	765,029	464,895	-	908,838	591,987	1,187,790	275,529	576,825
Payroll Taxes	863,417	6,424	427,795	139,972	52,590	30,578	-	33,958	33,224	85,342	18,801	34,733
Benefits	1,425,181	11,598	685,082	217,524	89,316	54,105	-	49,320	48,952	167,699	36,806	64,779
Retirement Costs	2,277,278	17,792	1,093,595	352,240	131,338	83,501	-	117,584	90,199	236,004	53,322	101,703
<b>Total Personnel Expenses</b>	<b>17,860,160</b>	<b>134,217</b>	<b>8,530,420</b>	<b>2,810,777</b>	<b>1,038,273</b>	<b>633,079</b>		<b>1,109,700</b>	<b>764,363</b>	<b>1,676,834</b>	<b>384,458</b>	<b>778,039</b>
<b>Meeting Expenses</b>												
Meetings	178,877	1,400	11,500	9,000	90,000	4,277	-	60,000	500	1,200	-	1,000
Travel	581,670	6,500	224,470	127,600	50,500	30,500	-	110,300	19,800	5,000	2,000	5,000
<b>Total Meeting Expenses</b>	<b>760,547</b>	<b>7,900</b>	<b>235,970</b>	<b>136,600</b>	<b>140,500</b>	<b>34,777</b>		<b>170,300</b>	<b>20,300</b>	<b>6,200</b>	<b>2,000</b>	<b>6,000</b>
<b>Operating Expenses</b>												
Consultants & Contracts	1,381,018	-	348,382	41,100	-	-	-	80,000	54,900	670,636	125,000	61,000
Office Rent	1,046,000	-	-	-	-	-	-	1,046,000	-	-	-	-
Office Costs	1,154,744	-	194,430	42,350	12,300	15,710	-	130,650	39,529	369,650	132,325	217,800
Professional Services	631,500	-	-	-	-	-	-	460,500	115,000	-	-	56,000
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>4,213,262</b>	<b>-</b>	<b>542,812</b>	<b>83,450</b>	<b>12,300</b>	<b>15,710</b>		<b>1,717,150</b>	<b>209,429</b>	<b>1,040,286</b>	<b>257,325</b>	<b>334,800</b>
<b>Total Direct Expenses</b>	<b>22,833,969</b>	<b>142,117</b>	<b>9,309,202</b>	<b>3,030,827</b>	<b>1,191,073</b>	<b>683,566</b>		<b>2,997,150</b>	<b>994,092</b>	<b>2,723,320</b>	<b>643,783</b>	<b>1,118,839</b>
<b>Indirect Expenses</b>												
	-	92,080	5,451,707	1,764,131	738,100	431,167	-	(2,997,150)	(994,092)	(2,723,320)	(643,783)	(1,118,839)
<b>Other Non-Operating Expenses</b>												
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses (B)</b>	<b>22,833,969</b>	<b>234,196</b>	<b>14,760,908</b>	<b>4,794,958</b>	<b>1,929,173</b>	<b>1,114,733</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(1,994,347)</b>	<b>2,699</b>	<b>159,811</b>	<b>51,714</b>	<b>21,637</b>	<b>12,639</b>		<b>(2,242,847)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>												
Computer & Software CapEx	248,500									248,500		
Furniture & Fixtures CapEx	-									-		
Equipment CapEx	-									-		
Leasehold Improvements	-									-		
Allocation of Fixed Assets	0	2,699	159,811	51,714	21,637	12,639		-	-	(248,500)	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>248,500</b>	<b>2,699</b>	<b>159,811</b>	<b>51,714</b>	<b>21,637</b>	<b>12,639</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>23,082,469</b>	<b>236,896</b>	<b>14,920,720</b>	<b>4,846,672</b>	<b>1,950,810</b>	<b>1,127,372</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>(2,242,847)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>		<b>(2,242,847)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>78.00</b>	<b>0.63</b>	<b>37.30</b>	<b>12.07</b>	<b>5.05</b>	<b>2.95</b>		<b>2.68</b>	<b>2.66</b>	<b>9.14</b>	<b>2.00</b>	<b>3.52</b>

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

**Table D-2. Three-Year Comparison**

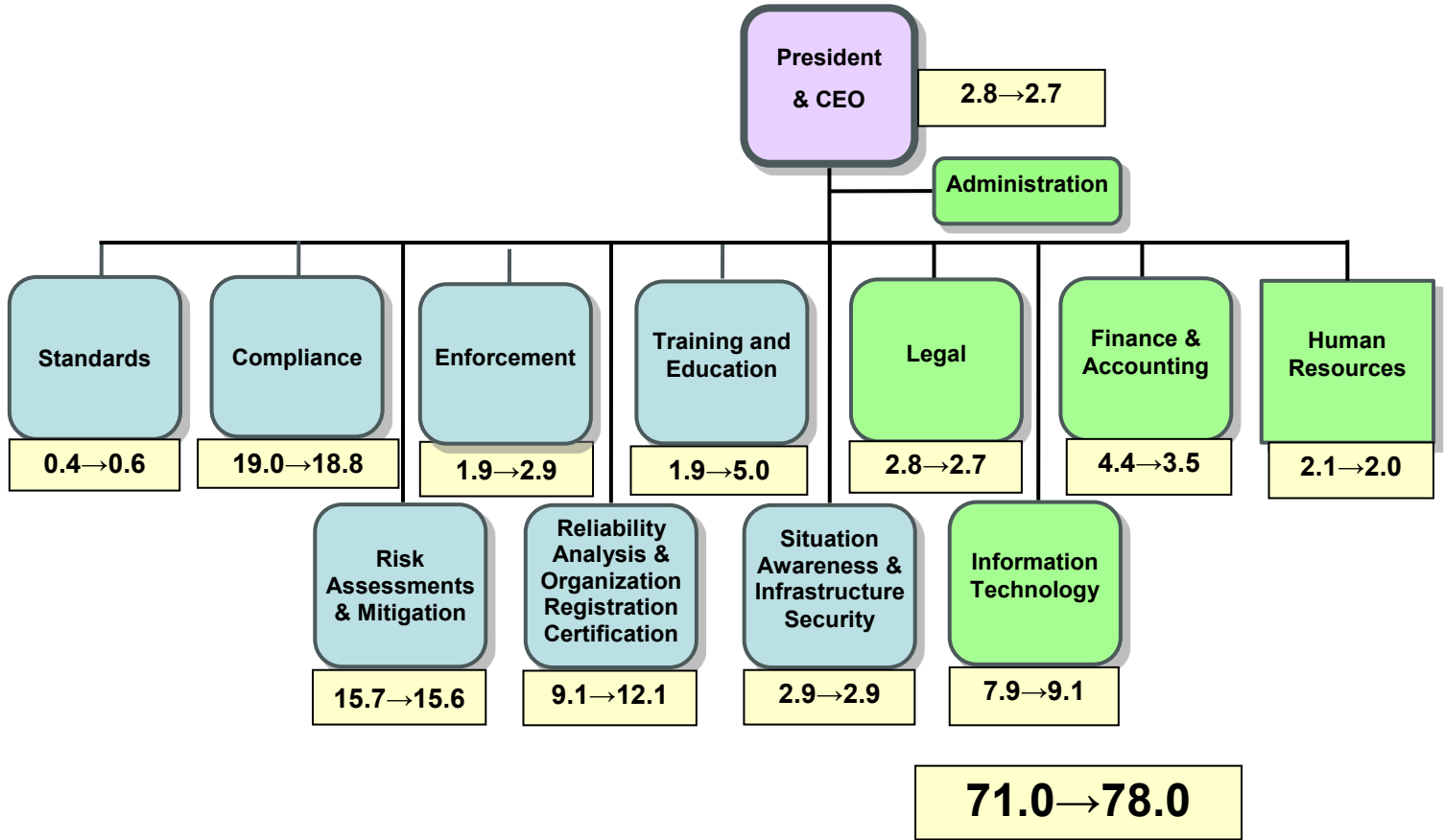


# Appendix A

## Organization Chart

The MRO Organization Chart is shown below.

### 2022 to 2023 Full Time Equivalent (FTE) Comparison Organization Chart



### FTE Trend from 2021 to 2025

2021	2022	2023	2024 Estimate	2025 Estimate
66.0	71.0	78.0	83.0	85.0

Figure 2. Organization Chart and FTE Trend

## 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
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
RE	Regional Entity
RISC	Reliability Issues Steering Committee
SAC	Security Advisory Council

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SAG	Standard Application Guide
SOA	Statement of Activities
TADS	Transmission Availability Data System

## Appendix C

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