



**MIDWEST  
RELIABILITY  
ORGANIZATION**

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# **Midwest Reliability Organization**

## **2016 Business Plan and Budget**

**DRAFT 1.0**

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**TABLE OF CONTENTS**

Introduction 3

    Organizational Overview ..... 3

    Membership and Governance ..... 4

    Statutory Functional Scope ..... 4

Budget 5

    Accounting and Recordkeeping ..... 6

    Organizational Structure and Staffing ..... 6

    Compensation Process and Personnel Policies ..... 7

    2016 Key Assumptions ..... 8

    2016 Goals and Key Deliverables ..... 8

    Long-Term Business Planning ..... 9

    2016 Overview of Cost Impacts ..... 10

    Summary by Program ..... 13

    2015 Budget and Projection and 2016 Budget Comparisons ..... 15

Section A – Statutory Programs ..... 17

    Reliability Standards Program, Organization Registration and Certification Program ..... 17

    Reliability Standards, Organization Registration and Certification Budget Detail ..... 21

    Compliance Monitoring and Enforcement Program ..... 22

    Compliance Monitoring and Enforcement Budget Detail ..... 28

    Reliability Assessment and Performance Analysis Program ..... 29

    Reliability Assessment and Performance Analysis Budget Detail ..... 32

    Training and Education Program ..... 33

    Training and Education Budget Detail ..... 35

    Situation Awareness and Infrastructure Security Program ..... 36

    Situation Awareness and Infrastructure Security Budget Detail ..... 38

    Administrative Services ..... 39

    Technical Committees and Member Forums ..... 40

    Technical Committees and Member Forums Budget Detail ..... 41

    General and Administrative ..... 42

    General and Administrative Budget Detail ..... 44

    Legal and Regulatory ..... 45

    Legal and Regulatory Budget Detail ..... 47

    Information Technology ..... 48

    Information Technology Budget Detail ..... 50

    Human Resources, Finance and Accounting ..... 51

    Human Resources, Finance and Accounting Budget Detail ..... 53

Section B – Supplemental Financial Information ..... 55

    Reserve Balance ..... 55

    Breakdown by Statement of Activity Sections ..... 56

Section C – Non-Statutory Activities ..... 70

    2016 Non-Statutory Business Plan and Budget ..... 70

Section D – Additional Consolidated Financial Statements ..... 72

    2016 Consolidated Statement of Activities by Program, Statutory and Non-Statutory ..... 72

    Statement of Financial Position ..... 73

Appendix A Organization Chart ..... 74

Appendix B Acronyms ..... 75

Appendix C Index of Figures and Tables ..... 76

## Introduction

The following table summarizes Midwest Reliability Organization (MRO) budget for 2016.

<b>TOTAL RESOURCES</b> (in whole dollars)				
	2016 Budget	U.S.	Canada	Mexico
Statutory FTEs	43.00			
Non-statutory FTEs				
<b>Total FTEs</b>	43.00			
Statutory Expenses	\$ 11,050,863			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 11,050,863			
Statutory Inc(Dec) in Fixed Assets	\$ 303,778			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 303,778			
Statutory Working Capital Requirement	\$ (326,829)			
Non-Statutory Working Capital Requirement				
<b>Total Working Capital Requirement</b>	\$ (326,829)			
Total Statutory Funding Requirement	\$ 11,027,812			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 11,027,812			
<b>Statutory Funding Assessments</b>	\$ 10,901,312	\$ 9,128,007	\$ 1,773,305	-
<b>Non-Statutory Fees</b>				
NEL	289,263,982	242,749,464	46,514,518	-
NEL%	100.00%	83.92%	16.08%	0.00%

**Table 1. MRO Budget for 2016**

## Organizational Overview

MRO is a nonprofit corporation responsible for promoting and improving the reliability of the bulk power system (BPS). MRO's Region is the north central area of North America, including parts of both the United States and Canada. Under section 215(e)(4) of the Federal Power Act (FPA), the Commission approved the North American Electric Reliability Corporation (NERC) as the Electric Reliability Organization (ERO) and the delegation of certain statutory functions to the Regional Entities (REs). NERC executed an initial Delegation Agreement with MRO on May 2, 2007 for the purpose of delegating to MRO certain responsibilities and authorities of an RE as defined by FPA section 215. The most recent Delegation Agreement was approved by the Federal Energy Regulatory Commission in June 2013 and expires December 31, 2015. The Regions, including MRO, are in the process of negotiating a revised Delegation Agreement. The revised Delegation Agreement has a five year term with an option to renew it for another five year term. MRO's delegated functions under the existing agreement as well as the proposed revised agreement are: Development and Proposal of Reliability Standards and Organization Registration and Certification, Compliance, Risk Assessment and Mitigation, Enforcement, Reliability Assessment and Performance Analysis, Event Analysis, Training and Education, Situation Awareness, and Infrastructure Security.

## Membership and Governance

Membership in MRO is voluntary and at no cost, affording organizations the opportunity to participate in the technical activities and governance of the organization. MRO has approximately fifty-five members.

The governance structure of MRO is a hybrid stakeholder board with seventeen board members elected by seven sectors and two independent directors elected by all members. No two sectors can control a vote. This governance structure is permitted under the Energy Policy Act of 2005 for Regional Entities operating under delegated authority from the Electric Reliability Organization. The Board has four committees:

- Dispute Resolution Committee
- Finance and Audit Committee (FAC)
- Governance and Personnel Committee
- Hearing Body Committee

The Board's primary role is to assure the organization meets its requirements under the bylaws and performs its responsibilities with due care and in an efficient manner. The Board makes no determinations on compliance or enforcement matters. The Board has adopted procedures to assure it carries out its responsibilities free of conflicts. The Hearing Body of the Board fulfills the obligations in the conduct of hearings, a mandated function under the Hearing Procedures found in the Compliance Monitoring and Enforcement Program ("CMEP").

In addition, the Board has appointed four standing technical committees comprised of stakeholders:

- Compliance Committee
- Operating Committee
- Planning Committee
- Standards Committee

The charters for these standing committees are published on MRO's website and the processes for all organizational groups are defined in the Board-approved Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups).<sup>1</sup>

## Statutory Functional Scope

The primary purposes of MRO are to:

1. Determine compliance with Reliability Standards, including enforcement determinations in a non-discriminatory manner consistent with the NERC Rules of Procedure.
2. Perform seasonal, long-term, and other assessments of reliability.
3. Provide independent technical analysis of system events and work with industry on recommendations and lessons learned.
4. Develop, propose, and/or adopt Regional Reliability Standards or variances to Reliability Standards.
5. Perform other services consistent with its reliability charter, delegation agreement, and the Rules of Procedure.

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<sup>1</sup> See Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups) on MRO's website at: [http://www.midwestreliability.org/01\\_about\\_mro/overview/policies\\_procedures/PP3\\_%20Organizational%20Groups.pdf](http://www.midwestreliability.org/01_about_mro/overview/policies_procedures/PP3_%20Organizational%20Groups.pdf)

MRO provides a transparent, effective, and efficient reliability organization<sup>2</sup> across a broad geographic region with open meetings:

1. MRO is an effective Regional Entity that has a long tradition of managing within and across complex, multiple seams including an interconnection seam, structured markets to bilateral market seams, and an international border.
2. MRO creates a common forum for the region without barriers to participation.
3. The MRO Region has a tradition of working successfully on reliability matters despite the complexities in seams, diverse constituencies, and jurisdictions. Approximately half of the load in MRO is public power, including Canada. MRO is a vital link to maintain and expand existing “reliability” relationships among regulators, bulk electric users, owners, and operators.
4. Because of the seams, unique power system technical configurations, such as very long distances between load and generator, stability-limited transmission, the large percentage of hydro generation, and the diversity of its constituency, the region must have the ability and means to represent its own regional reliability interests for the benefit of the users, owners, and operators of the bulk electric system and the public it serves as a Cross Border Regional Entity under the final reliability rule and consistent with the Bilateral Principles.
5. MRO has a Standards Process Manual which has been approved by NERC and FERC.

The 2016 Business Plan and Budget fulfills MRO’s commitments related to the delegated functions, consistent with FERC and Canadian authorities to:

- Implement compliance and enforcement programs to those subject to Reliability Standards.
- Execute a non-discriminatory, consistent enforcement process to those subject to Reliability Standards.
- Adopt Reliability Standards to ensure enforceability. Canadian enforceability has been sought through agreements with Saskatchewan Power Corporation and in Manitoba pursuant to the Manitoba Hydro-Act (2012) as implemented in the Manitoba Reliability Standards Regulation.
- Maintain a Standards Process Manual that provides for an open, technically valid process to adopt standards as needed to benefit the reliability of the MRO Region, using an open, technically valid process.
- Provide education and resources for operators, users, and owners of the BES.
- Assess and report on regional BES reliability and adequacy.
- Analyze and report on regional BES system events.

## Budget

MRO prepares an annual Business Plan and Budget for each calendar year. The development of the Business Plan and Budget begins with an annual MRO Board strategic planning session, at which long-term goals are set for MRO. The Business Plan and Budget is then developed by MRO staff between March and June of the year preceding the budget year with input from MRO’s stakeholders. The Business Plan and Budget is developed in conjunction with those of other REs and NERC to ensure consistency in the budgets of entities charged with FPA section 215 responsibilities. MRO staff also participates in NERC’s ERO Executive Management Group to review strategic goals and objectives for the REs, and to review common assumptions included in their business plans and budgets.

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<sup>2</sup> In its *Order on the Electric Reliability Organization’s Five-Year Performance Assessment* the Federal Energy Regulatory Commission found that “the Regional Entities [including MRO] continue to satisfy applicable statutory and regulatory criteria.” North American Electric Reliability Corporation, 149 F.E.R.C. ¶ 61,141 at P 2 (2014).

MRO's budget development employs both a "top-down" and a "bottom-up" approach. The top-down approach is initiated by MRO's CEO, who sets the parameters for number of staff and an initial overall percent increase in the budget based on the strategic initiatives of the organization. The bottom-up approach is coordinated among MRO's managers and vice presidents, who calculate budget amounts for their respective departments using a detailed, line-by-line approach after reviewing actual costs from the most recent year end as well as current year-to-date costs. This is a zero based budgeting approach. The bottom-up figures from all departments are then aggregated and reconciled with the CEO's top-down budget figures.

MRO maintains a cash reserve at all times, capable of funding MRO's operations as laid out in MRO's Operating and Working Capital Reserves policy. This cash reserve is in addition to the funding necessary for MRO's normal operations. MRO's annual Business Plan and Budget includes a request to fund MRO's operating and working capital reserves consistent with the policy. The operating and working capital reserves shall be identified and quantified each year in the Business Plan and Budget submitted first to the FAC for review and then to the Board for approval.

Upon completion, the Business Plan and Budget is reviewed by the FAC. The Business Plan and Budget is posted for stakeholder comment and then sent to the Board for approval. Once approved by the Board, the plan is submitted to NERC for approval and then to FERC. The plan is typically finalized by FERC approval in October or November of the year preceding the budget year.

## Accounting and Recordkeeping

MRO's accounting is performed by the Vice President of Finance and the MRO accounting staff. MRO bases its current Chart of Accounts upon NERC's System of Accounts, as required in the Delegation Agreement, and uses Generally Accepted Accounting Principles for the classification of its expenses. Additionally, MRO maintains an accounting manual to provide instructions to its accounting staff on accounting transactions and functions. MRO maintains its books on an accrual basis, recognizing revenues when earned and expenses when incurred. The majority of MRO expenses are direct labor costs. These costs are recorded in the accounting system by NERC account. Indirect costs are allocated to each MRO program area based on the number of full-time employee equivalents (FTEs) in each program area.

## Organizational Structure and Staffing

MRO is organized into departments, all of which are dedicated to a statutory function or program area. Additionally, some functions, such as training and education, and committee and member functions, are the responsibility of multiple departments. The NERC System of Accounts assigns an account number to each statutory function outlined in the delegation agreements between NERC and the Regional Entities. MRO's accounting system is similarly organized by NERC account, meaning that while MRO tracks costs by department, MRO simultaneously tracks costs by NERC account.

All MRO employees have a "home" department area to which they are assigned. However, most MRO employees work in multiple program areas. For instance, employees whose home department area is compliance may also assist in reliability standard development. MRO employees track their time working in each program area, and their budgeted labor costs are allocated to the various program areas in which they work.

The Compliance department encompasses MRO's reliability audit, spot checks and self-certification activities and is headed by a Vice President.

The Risk Assessment and Mitigation and Registration and Reliability Standards functions are two departments reporting to one Vice President.

Enforcement and Regulatory Affairs is responsible for enforcement of reliability standard violations within the MRO region based upon the evaluations provided by the risk assessment and mitigation staff and is headed by a Vice President.

MRO's Operations department is responsible for reliability assessment, performance analysis, event analysis, situation awareness, infrastructure security, and IT functions. This department is headed by a Vice President.

MRO's Vice President, General Counsel, Corporate Secretary and Director of External Affairs provides legal advice to MRO, serves as the corporate secretary, and heads MRO's communications efforts and external affairs.

MRO's Finance and Administration department performs human resources, accounting, finance, budget, and treasury functions and is headed by a Vice President.

The Executive department is responsible for governance activities of the Board.

## **Financial Controls and Expense Approval**

MRO maintains formal policies governing travel expense reimbursement, corporate credit card usage, contractor use, and procurement. MRO's Employee Handbook also addresses financial controls and expense approvals.

MRO staff travel to conduct audits, perform reliability assessments, and attend industry meetings and training. MRO's Expense Statement Guidelines provide guidance to MRO employees on reimbursable travel expenses. Expenses are reviewed for proper documentation and reasonableness by department managers and MRO's Vice President of Finance.

An independent auditing firm annually audits MRO's financial statements. MRO staff consults the FAC of the Board in reviewing the selection of the external auditor and the scope of the audit work. Once hired, the independent auditor communicates directly to the FAC Chair regarding audit matters. The FAC and MRO staff performs an annual review of the auditing firm's performance.

MRO's Contract Management Procedures (Procedures) govern the procurement of goods and services in excess of \$500. The Procedures dictate that an employee must have a Master Purchase Order approved by MRO's VP of Finance and his or her department VP for all purchases in excess of \$500. Additionally, purchases in excess of \$10,000 must also be approved by the MRO President and CEO.

MRO utilizes a time-tracking and reporting system for its employees. The system allows employees to track their labor hours by program area, project, and Registered Entity. New employees are trained on MRO's time-tracking polices and systems upon hiring.

## **Compensation Process and Personnel Policies**

MRO bases employee compensation on eight pay principles. The current pay structure uses a five-tiered structure. Each tier is divided into four scales reflecting experience and degree of knowledge, skills and abilities. MRO performs periodic compensation reviews.



MRO employees are required to sign a Standards of Conduct form, attesting that they will always act in the best interests of MRO, and that they will avoid conduct and commitments that may compromise their responsibilities to MRO. MRO employees are forbidden from owning a financial interest in any entity subject to Reliability Standards within the MRO region.

## 2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The *2016 – 2018 Shared Business Plan and Budget Assumptions* document is located in Exhibit A of NERC's 2016 *Business Plan and Budget*.

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities located in Exhibit A of NERC's 2016 Business Plan and Budget.

## 2016 Goals and Key Deliverables

1. Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.
  - A. Register entities commensurate to the risk to the BPS and ensure all key reliability entities are certified to have essential capabilities.
  - B. Enforce compliance of Registered Entities with mandatory Reliability Standards, in accordance with the delegation agreement and Compliance Monitoring and Enforcement Program (CMEP). Perform timely and transparent reviews.
  - C. Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent reoccurrence.
2. Promote a culture of compliance that addresses reliability risks across the MRO Region and the ERO.
  - A. Ensure that the industry understands the essential purpose of standards and compliance expectations.
  - B. Work with the industry to maintain effective risk control programs for compliance, reliability, and security.
  - C. Use efficient processes and proportional exercise of discretion to verify that the industry meets compliance objectives.
3. Identify the most significant risks to reliability in the MRO Region.
  - A. Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.
  - B. Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform standards, compliance, and other programs.
  - C. Ensure that the industry is well-informed of emerging trends, risk analysis, Lessons Learned, and expected actions.
4. Mitigate reliability risks.
  - A. Ensure that the industry understands security threats and addresses them effectively.



- B. Facilitate information sharing among industry, Regions, ERO, and government.
  - C. Work with ERO to track industry accountability for critical reliability and security recommendations.
5. Promote a culture of reliability excellence.
- A. Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data sharing among reliability entities.
  - B. Serve as a leading resource to industry and policy makers to supply reliability information.
6. Improve transparency, consistency, quality and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
- A. Identify, understand, and manage internal risks.
  - B. Ensure processes are effective, efficient, and continually improving.

The vision of MRO is to “Maintain and improve the quality of life through a highly reliable regional Bulk Power System.” MRO’s purpose is to: “Strive to assure each Bulk Power System owner and operator within our region is a Highly Effective Reliability Organization.” MRO will leverage industry experts to address risks and improve reliability and security for the overall benefit of regional reliability. Through stakeholder processes, MRO will provide clarity on expectations and requirements; look to embed risk controls for assurance across the networked bulk electric system; and demonstrate results that improve reliability. For more information on MRO’s Vision, Purpose, and Principles, please refer to MRO’s website at <http://www.midwestreliability.org/>.

MRO’s business planning is driven by the annual strategic initiatives, which are used in conjunction with the organizational vision, purpose, and principles:

1. Simplification of regulation
2. Risk-based methodologies are implemented with proper rigor and safeguards
3. Improve clarity of standards and rules
4. Greater consistency within MRO and across NERC/Regional Entities
5. Coordinated communications around key policy matters

## Long-Term Business Planning

NERC and the Regional Entities are actively working together to improve the overall business planning and budgeting process, including long-term resource and financial planning. The 2016 Business Plan and Budget process included numerous face-to-face meetings, conference calls, and exchanges of documentation among senior management and staff of NERC and REs regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness, including factors affecting resource needs beyond the 2016 planning horizon. As an important first step in the development of a long-term business plan and budgeting process, the Common Business Plan and Budget Assumptions attached as Exhibit A in the NERC 2016 Business Plan and Budget incorporate assumptions affecting resource demands through the 2018 planning horizon. NERC and the REs continue to work together to develop, strengthen and improve an integrated long-term business plan and budget that leverages and builds on the combined strengths and resources of NERC and the REs to improve the overall effectiveness and efficiency of operations. NERC and the REs will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities.

## 2016 Overview of Cost Impacts

MRO proposes to increase its operating budget from \$10.33 million to \$11.35 million, an increase of \$1,025,954. Funding assessments from 2015 will increase by \$1,475,293 or 15.7%.

**Facility Expansion:** MRO is at 93% capacity for staff and its conference facilities are frequently at capacity. To resolve the capacity issues, additional space will be leased to accommodate MRO's current and future needs. The one-time capital cost in 2016 is \$357k with an annual operations impact, net of savings, of \$133k.

**Operating and Working Capital Reserve:** MRO previously had a cash reserve policy to maintain 45 days of cash beginning in 2010 with funding increments of one-third each year, subject to periodic re-evaluation. MRO's Finance and Audit Committee (FAC) resolved that 30 days of cash was sufficient based on MRO's cash flow risk, with the Board's approval. The certainty of MRO's funding stream asserts that a 30-day reserve is reasonable for sustaining short-term contingencies. MRO resets its reserves at the beginning of each year to the approved policy.

## Operational Programs

### Funding Requirements — Explanation of Increase (Decrease)

#### Standards and Organization Registration and Certification

An additional resource is being added to the 2015 projection for focused registration and certification efforts. MRO will continue to focus on continent-wide standards and leveraging experts from the industry to assure proper technical application of existing standards. MRO registers all known entities subject to the Reliability Standards.

#### Compliance Monitoring and Enforcement Program

MRO has three independent programs within the NERC-defined compliance monitoring and enforcement program:

##### 1) Compliance

The transition to CIP v5 will continue to be a mission-critical activity in 2016. MRO plans to support the ongoing CIP v5 transition and has seen an expansion in the number of Registered Entities that require CIP guidance, which is expected to continue into 2016. While resource demands are expected to increase throughout the planning period on account of the CIP v5 transition, prior efficiency gains related to CIP compliance monitoring will like lead to no significant net increase in workload.

##### 2) Risk Assessment and Mitigation

Risk Assessment and Mitigation undertakes an independent review of the facts and circumstances surrounding each potential noncompliance, and then determines whether sufficient evidence supports each finding. Risk Assessment and Mitigation works with the registered entity to develop an effective mitigation plan in the event that a finding is validated. Risk Assessment and Mitigation also reviews each Bulk Power System (BPS) event from a compliance perspective, and performs Inherent Risk Assessments (IRAs) of registered entities in order to develop customized oversight plans for each entity, based upon risk. Improved efficiency in processes and the reduction of backlogs in mitigation account for the decrease in costs budgeted for this program.

### **3) Enforcement**

Validated violations move to the Enforcement staff, who review recommendations made by Risk Assessment and Mitigation staff, verify all relevant facts, and evaluate appropriate enforcement actions for final disposition and resolution. Enforcement staff reports to NERC regarding the status of all PVs. MRO Enforcement staff may negotiate penalty settlements with registered entities, and coordinates review of settlement agreements by MRO's Hearing Body committee. Enforcement determinations are submitted by MRO staff to NERC for approval. Costs for this program are budgeted to increase in 2016 due to Hearing Body training.

The factual review conducted by Risk Assessment and Mitigation and Enforcement staff is intended to ensure a consistent, accurate application of the NERC reliability standards. The three-step process also provides for segregation of duties, establishing independence among those making the findings, those assessing risk, and those determining and negotiating penalties and sanctions.

### **Reliability Assessment and Performance Analysis**

MRO's Reliability Assessment and Performance Analysis staff provides BES analysis, data gathering, and analysis of events. RAPA identifies reliability risks to the BES in the MRO footprint, in accordance with the Delegation Agreement and NERC's Rules of Procedure. RAPA's mission is to promote a culture of reliability excellence within the MRO BES. The program accomplishes this mission by identifying risks to reliability, analyzing performance, and prioritizing significant risks. In 2016 there will be an increase of costs associated with increased activities in BES definition and technical committee strategic planning. MRO reimburses travel expenses for stakeholder representation to assure organizations can participate on a "level playing field."

### **Training and Education**

For 2016, MRO will provide training to Registered Entities through workshops and other opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publication. MRO will continue to identify training options for Registered Entities in the MRO region so that they can also accomplish the objectives of the NERC program through a third party.

### **Situation Awareness & Infrastructure Security Program**

#### **Situation Awareness**

MRO utilizes the NERC Situation Awareness tool and monitors other communication systems to maintain an awareness of BES events and incidents. Staff is prepared to maintain awareness about the conditions of the BES and to respond to events by providing coordination assistance and communications between key parties. In 2016, there will be increased staff travel and training for NERC and Regional initiatives.

#### **Infrastructure Security Program**

In recognition of the criticality of protection of cyber infrastructure and BES control systems, the 2016 budget includes dollars for MRO staff to participate in infrastructure security-related activities and travel to attend security-related meetings. Critical infrastructure compliance, training and education are budgeted in the applicable areas of the budget.

#### **General and Administrative**

There is an increase in the number of meetings and outreach efforts planned in 2016; however, budgeted meeting expenses are reduced slightly because of efficiencies and cost savings

realized from hosting meetings at MRO. Reimbursement for stakeholder participant travel expenses will increase. Fees for independent MRO board members are included in Legal and Regulatory.

### **Information Technology**

MRO uses independent third parties to provide periodic assessments of its infrastructure security. MRO subscribes to compliance and standards applications from a third party vendor; these applications are subject to independent third party audits and reside on a secure platform. Major infrastructure and network system updates were completed in 2014. The 2015 and 2016 focus is on network and system maintenance.

### **Legal and Regulatory**

There is a reduction in costs in this area, as the staff in this area supports the expanded efforts in outreach, which is charged to the Training and Education program. Overall legal and regulatory budgeted costs for outside counsel will remain flat, as will the fees for independent MRO board members.

### **Accounting / Human Resources**

#### **Personnel Costs - Employee Paid Benefits**

There are no anticipated changes to 2016 costs in this department. MRO's overall FTE staffing has increased from 20.00 in 2007 to 43.00 in 2016. MRO does not include attrition/vacancy assumptions in personnel cost projections.

#### **Other Non-Operating Expenses**

None

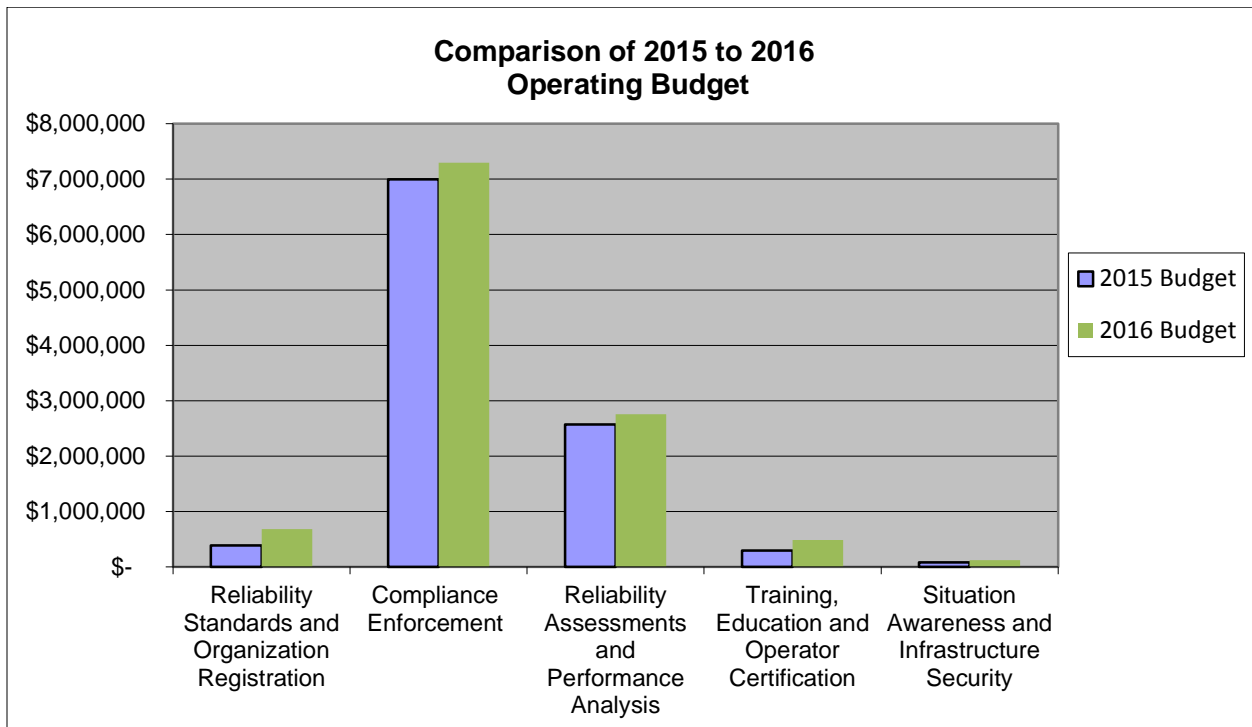
## Summary by Program

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

Program	2015 Budget	2016 Budget	Variance 2016 Budget v 2015	
			Budget	% of Change
Reliability Standards and Organization Registration	\$ 387,930	\$ 684,207	\$ 296,277	76.37%
Compliance Enforcement	6,994,216	7,297,310	303,093	4.33%
Reliability Assessments and Performance Analysis	2,571,309	2,758,745	187,436	7.29%
Training, Education and Operator Certification	295,307	488,857	193,550	65.54%
Situation Awareness and Infrastructure Security	79,927	125,523	45,595	57.05%
<b>TOTAL BUDGET</b>	<b>\$ 10,328,689</b>	<b>\$ 11,354,641</b>	<b>\$ 1,025,952</b>	<b>9.93%</b>

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

**Table 2. Budget by Program Area**



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

**Figure 1. Budget by Program Area Chart**

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget 2015	Projection 2015	Direct FTEs 2016 Budget	Shared FTEs 2016 Budget <sup>1</sup>	Total FTEs 2016 Budget	Change from 2015 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards and Organization and Certification	1.01	1.89	2.11		2.11	1.10
Compliance	10.63	10.50	11.22		11.22	0.59
Compliance Risk Assessment and Mitigation	7.03	7.43	6.97		6.97	(0.06)
Compliance Enforcement	4.42	2.99	3.07		3.07	(1.35)
Training and Education	0.28	0.81	1.34		1.34	1.06
Reliability Assessment and Performance Analysis	7.55	7.42	7.52		7.52	(0.03)
Situation Awareness and Infrastructure Security	0.16	0.28	0.28		0.28	0.12
<b>Total FTEs Operational Programs</b>	<b>31.08</b>	<b>31.32</b>	<b>32.51</b>	<b>-</b>	<b>32.51</b>	<b>1.43</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	-	-	-		-	-
General and Administrative	2.24	2.17	2.61		2.61	0.37
Legal and Regulatory	1.31	0.87	0.87		0.87	(0.44)
Information Technology	4.24	4.15	3.26		3.26	(0.98)
Human Resources	-	-	-		-	-
Finance and Accounting	3.63	3.65	3.75		3.75	0.12
<b>Total FTEs Administrative Programs</b>	<b>11.42</b>	<b>10.84</b>	<b>10.49</b>	<b>-</b>	<b>10.49</b>	<b>(0.93)</b>
<b>Total FTEs</b>	<b>42.50</b>	<b>42.16</b>	<b>43.00</b>	<b>-</b>	<b>43.00</b>	<b>0.50</b>

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

**Table 3. Total FTEs by Program Area**

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

## 2015 Budget and Projection and 2016 Budget Comparisons

The following table lists the 2015 budget and projection compared to the 2016 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
<b>Funding</b>					
ERO Funding					
NERC Assessments	\$ 9,426,019	\$ 9,426,018	\$ (1)	\$ 10,901,312	\$ 1,475,293
Penalty Sanctions	395,000	395,000	(0)	126,500	(268,500)
<b>Total NERC Funding</b>	<b>\$ 9,821,019</b>	<b>\$ 9,821,018</b>	<b>\$ (1)</b>	<b>\$ 11,027,812</b>	<b>\$ 1,206,793</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 9,821,019</b>	<b>\$ 9,821,018</b>	<b>-</b>	<b>\$ 11,027,812</b>	<b>\$ 1,206,793</b>
<b>Expenses</b>					
Personnel Expenses					
Salaries	\$ 5,522,559	\$ 5,503,464	-	\$ 5,682,871	\$ 160,312
Payroll Taxes	357,594	356,352	-	361,827	4,233
Benefits	438,920	544,725	105,805	582,253	143,333
Retirement Costs	1,033,187	1,071,719	38,532	1,094,515	61,328
<b>Total Personnel Expenses</b>	<b>\$ 7,352,260</b>	<b>\$ 7,476,260</b>	<b>-</b>	<b>\$ 7,721,466</b>	<b>\$ 369,206</b>
Meeting Expenses					
Meetings	\$ 106,600	\$ 134,600	\$ 28,000	\$ 85,500	\$ (21,100)
Travel	622,200	637,200	15,000	626,730	4,530
Conference Calls	-	-	-	54,500	54,500
<b>Total Meeting Expenses</b>	<b>\$ 728,800</b>	<b>\$ 771,800</b>	<b>\$ 43,000</b>	<b>\$ 766,730</b>	<b>\$ 37,930</b>
Operating Expenses					
Consultants & Contracts	\$ 676,436	\$ 729,436	\$ 53,000	\$ 679,681	\$ 3,245
Office Rent	501,000	501,000	-	648,946	147,946
Office Costs	539,891	539,891	-	534,818	(5,073)
Professional Services	193,500	209,500	16,000	218,500	25,000
Miscellaneous	-	-	-	-	-
Depreciation	521,000	521,000	-	480,722	(40,278)
<b>Total Operating Expenses</b>	<b>\$ 2,431,827</b>	<b>\$ 2,500,827</b>	<b>\$ 69,000</b>	<b>\$ 2,562,667</b>	<b>\$ 130,840</b>
<b>Total Direct Expenses</b>	<b>\$ 10,512,887</b>	<b>\$ 10,748,887</b>	<b>-</b>	<b>\$ 11,050,863</b>	<b>\$ 537,976</b>
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 10,512,887</b>	<b>\$ 10,748,887</b>	<b>-</b>	<b>\$ 11,050,863</b>	<b>\$ 537,976</b>
<b>Change in Assets</b>	<b>\$ (691,868)</b>	<b>\$ (927,869)</b>	<b>-</b>	<b>\$ (23,051)</b>	<b>\$ 668,817</b>
<b>Fixed Assets</b>					
Depreciation	\$ (521,000)	\$ (521,000)	\$ -	\$ (480,722)	\$ 40,278
Computer & Software CapEx	336,800	386,800	50,000	317,500	(19,300)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	467,000	467,000
Allocation of Fixed Assets	\$ -	-	-	-	-
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>(184,200)</b>	<b>(134,200)</b>	<b>50,000</b>	<b>303,778</b>	<b>487,978</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 10,328,687</b>	<b>\$ 10,614,687</b>	<b>-</b>	<b>\$ 11,354,641</b>	<b>\$ 1,025,954</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (507,668)</b>	<b>\$ (793,669)</b>	<b>-</b>	<b>\$ (326,829)</b>	<b>\$ 180,839</b>
<b>FTEs</b>	<b>42.50</b>	<b>42.16</b>	<b>(0.34)</b>	<b>43.00</b>	<b>0.50</b>

**Table 4. Budget and Projection Comparison, 2015 to 2016**

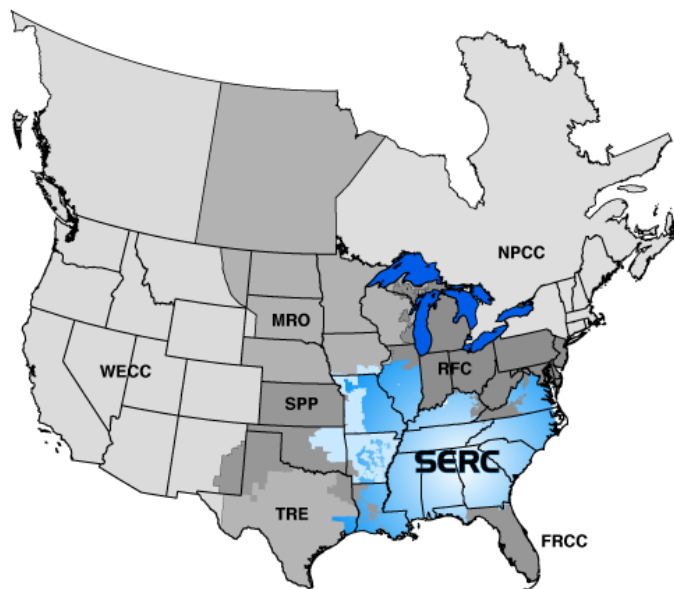


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# Section A – Statutory Programs

## 2016 Business Plan and Budget

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## Section A – Statutory Programs

### Reliability Standards Program, Organization Registration and Certification Program

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

<b>Reliability Standards Program</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.01	2.11	1.10
Direct Expenses	\$ 261,242	\$ 390,234	\$ 128,992
Indirect Expenses	\$ 132,672	\$ 274,257	\$ 141,584
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (5,986)	\$ 19,716	\$ 25,702
Total Funding Requirement	\$ 387,930	\$ 684,207	\$ 296,277

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

#### Program Scope and Functional Description

NERC uses stakeholder-driven processes consistent with the Rules of Procedure to develop and maintain reliability standards that apply to Bulk Electric System owners, operators, and users and that enable NERC and Regional Entities to measure the reliability performance of Bulk Electric System owners, operators and users; and to hold them accountable for reliable operation of the Bulk Electric Systems. The reliability standards must be technically sound, timely, just, reasonable, not unduly discriminatory or preferential, in the public interest, and consistent with other applicable requirements.

MRO supports NERC standards development through its Standards Committee. Organization Registration criteria and requirements are approved by NERC and the Commission in the United States, and MRO staff carries out those responsibilities through its Delegation Agreement with NERC. Registration is documented by MRO and incorporated into the overall NERC Registry. MRO staff registers all known entities (owners, operators, and users) subject to the reliability standards and revises the Registered Entity list as required under the Rules of Procedure.

MRO will work with NERC on development of common and consistent registration processes, information systems and methods among regions. MRO will use NERC's revised certification Rules which will require technical training to be developed by NERC.

#### 2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Standards Program and the Organization Registration and Certification Program can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

MRO utilizes a balanced stakeholder Standards Committee (SC) to administer the regional standards program, educate stakeholders about the application of reliability standards, and

provide regional input to the NERC Standards development efforts. The SC is charged with the following responsibilities:

- Recommend to the MRO Board regional representatives for NERC standards development and drafting-related working groups and committees
- Promote coordination of MRO's efforts with other Regional Entities and NERC, including a periodic review of NERC reliability standards and their applicability to those subject to the reliability standards
- Provide non-binding assistance to stakeholders in understanding the application of continent-wide reliability standards and the types of evidence needed to demonstrate compliance through examples
- Identify pools of subject matter experts (SMEs) in the industry to assist in the development of application guides
- Oversee the development of application guides for NERC reliability standards
- Review frequently occurring compliance violations to determine if there are any additional application guidelines that are needed or additional changes to standards or request interpretations
- Provide education and training on effectively demonstrating compliance to stakeholders through webinars, emails, conference calls, presentations or workshops
- Provide recommendations to the NERC standing committees or other working groups as required
- Provide comments and voting positions on NERC-proposed standards interpretations and compliance application notice from MRO stakeholders
- Where necessary, assure regional reliability standards are consistent with continent-wide reliability standards
- Process all requests for new or modifications to reliability standards
- Maintain MRO reliability standards process documentation
- Assign the development of a regional Reliability Standard to a drafting team
- Present new, or modifications to, regional reliability standards for adoption by the MRO Board upon recommendation from the SC

In supporting the work of the SC, MRO staff monitors the NERC Standards development efforts and facilitates the efforts of the SC and its subgroups to provide input in a coordinated manner. Staff also ensures the regional processes are followed for the regional standards development. Currently, MRO has no regional standards under development and does not anticipate any Standards Authorization Request (SAR) submittals in the future.

The SC is committed to developing and delivering training to industry stakeholders on meeting the obligations and requirements of existing, new, or emerging reliability standards. In support of the SC's commitment, MRO staff provides input to the SME teams in developing their training tools and reviews the Application Guidance documents and presentations. In addition, MRO staff helps manage all SME team projects and provides technical support. MRO staff appreciates the SME teams sharing their technical expertise and knowledge to improve power system reliability for all.

MRO staff and stakeholders provide technical advice and comment to NERC when developing reliability standards applicable across North America and the Eastern Interconnection. MRO staff and Registered Entities participate in NERC and MRO standards drafting teams, hold meetings and conferences to discuss standards, and actively work with NERC on its standards development plan.

NERC's Four Year Standards Development Plan, included in NERC's 2015 Business Plan and Budget as Exhibit A, supports the significant effort required by MRO to participate in standards development.

## Organization Registration

- 2016 variance: reduction in registered entities due to approval of the Risked Based Registration initiative in 2015 primarily affecting Purchasing and Selling Entities, Interchange Authorities and small Distribution Providers.
- Workload associated with maintaining the registry will continue
- Pre-June 18, 2007 voluntary program (28 participants/255 functions)
- June 18, 2007 mandatory implementation (110 Registered Entities/432 functions)
- 2015 (136 Registered Entities/458 functions)
- Registration is an ongoing assignment
- Continue to inventory Bulk Electric System generating facilities and transmission elements
- Joint Registration Organization (JRO) maintenance
- Coordinated Registration Organization (CFR) development and maintenance
- Modify registry if it is discovered an entity meets additional functional criteria or no longer performs any function.
- Continue to obtain and review system on-line diagrams, maps, and agreements used to identify owners and operators of the Bulk Electric System
- Continue to manage overall registry by having a staff person directly assigned to this task

## Organization Certification

- 2016 variance: no material changes.
- Work performed to review changes to existing Registered Entities, and work performed to certify new Registered Entities, are expected to continue. The equivalent rate or amount of work is expected to increase in 2016 as Registered Entities continue to replace EMS/SCADA systems.

## 2016 Goals and Key Deliverables

The 2016 goals and key deliverables are the following:

- Provide comments and support to other NERC and MRO SC activities
- Work with NERC to improve interpretation of existing reliability standards
- Work with NERC to improve the timeliness of reliability standards development
- Comment on all NERC Standards Authorization Requests (SAR) and draft standards
- Communicate with stakeholders and vote on all NERC Standards
- Support and inform MRO SC and Board of standards-related activities
- Participate on various NERC committees and subgroups
- MRO SME teams and staff train and educate Registered Entities on the application of standards by participating in MRO workshops (costs are captured in Training and Education)

## Resource Requirements

An additional resource is being added to the 2015 projection for focused registration and certification efforts.

## Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- MRO continues to facilitate additional technical resources from the industry in drafting

teams and in other areas to augment staff involvement, which has resulted in a relatively stabilized number of FTEs in prior years. MRO reimburses travel expenses for stakeholder participation.

- The 2016 budgeted salaries increased when compared to the 2015 budget, due to the addition of an administrative assistant in December 2014.

### **Consultant and Contracts**

- 2016 Consultant and Contract costs reflect a third party vendor's costs, remaining flat for the standards tracking software applications.

## Reliability Standards, Organization Registration and Certification Budget Detail

The following table shows funding sources and related expenses for the Reliability Standards section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
RELIABILITY STANDARDS AND ORGANIZATIONAL REGISTRATION					
	2015	2015	Variance	2016	Variance
	Budget	Projection	2015 Projection	Budget	2016 Budget
			v 2015 Budget		v 2015 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 375,092	\$ 375,092	\$ -	\$ 675,997	\$ 300,904
Penalty Sanctions	12,836	12,836	-	8,210	(4,626)
<b>Total NERC Funding</b>	<b>\$ 387,929</b>	<b>\$ 387,928</b>	<b>\$ -</b>	<b>\$ 684,207</b>	<b>\$ 296,278</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 387,929</b>	<b>\$ 387,928</b>	<b>\$ -</b>	<b>\$ 684,207</b>	<b>\$ 296,278</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 156,160	\$ 179,019	\$ 22,859	\$ 235,577	\$ 79,417
Payroll Taxes	9,024	11,885	2,861	14,726	5,702
Benefits	10,705	24,632	13,927	28,571	17,866
Retirement Costs	31,123	47,435	16,312	53,266	22,143
<b>Total Personnel Expenses</b>	<b>\$ 207,012</b>	<b>\$ 262,971</b>	<b>\$ 55,959</b>	<b>\$ 332,140</b>	<b>\$ 125,128</b>
<b>Meeting Expenses</b>					
Meetings	\$ 2,000	\$ 2,000	\$ -	\$ 2,000	\$ -
Travel	33,600	33,600	-	37,200	3,600
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 35,600</b>	<b>\$ 35,600</b>	<b>\$ -</b>	<b>\$ 39,200</b>	<b>\$ 3,600</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 13,236	\$ 13,236	\$ -	\$ 13,236	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,394	5,394	-	5,658	264
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 18,630</b>	<b>\$ 18,630</b>	<b>\$ -</b>	<b>\$ 18,894</b>	<b>\$ 264</b>
<b>Total Direct Expenses</b>	<b>\$ 261,242</b>	<b>\$ 317,201</b>	<b>\$ 55,959</b>	<b>\$ 390,234</b>	<b>\$ 128,992</b>
<b>Indirect Expenses</b>	<b>\$ 132,672</b>	<b>\$ 249,766</b>	<b>\$ 117,094</b>	<b>\$ 274,257</b>	<b>\$ 141,584</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 393,914</b>	<b>\$ 566,967</b>	<b>\$ 173,053</b>	<b>\$ 664,491</b>	<b>\$ 270,576</b>
<b>Change in Assets</b>	<b>\$ (5,986)</b>	<b>\$ (179,039)</b>	<b>\$ (173,053)</b>	<b>\$ 19,716</b>	<b>\$ 25,702</b>
<b>Fixed Assets</b>					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (5,986)	(8,098)	(2,112)	19,716	25,702
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>(5,986)</b>	<b>(8,098)</b>	<b>(2,112)</b>	<b>19,716</b>	<b>25,702</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 387,929</b>	<b>\$ 558,869</b>	<b>\$ 170,940</b>	<b>\$ 684,207</b>	<b>\$ 296,278</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (170,941)</b>	<b>\$ (170,941)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	1.01	1.89	0.88	2.11	1.10

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

## Compliance Monitoring and Enforcement Program

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

<b>Compliance Monitoring and Enforcement Program</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	22.08	21.26	(0.82)
Direct Expenses	\$ 4,224,673	\$ 4,335,290	\$ 110,618
Indirect Expenses	\$ 2,900,403	\$ 2,763,363	\$ (137,040)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (130,860)	\$ 198,656	\$ 329,517
Total Funding Requirement	\$ 6,994,216	\$ 7,297,310	\$ 303,094

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

### Program Scope and Functional Description

In 2016, the MRO Compliance Monitoring and Enforcement Program includes performing CMEP activities with approximately 125 Registered Entities in the MRO Region.

All Registered Entities are subject to periodic compliance audits and/or spot checks. For 2016, there are a total of 25 compliance audits planned, and spot checks will be conducted as needed.

In addition to the normal and ongoing compliance discovery activities under the NERC CMEP, MRO Compliance staff will be prepared to assist with compliance investigations, system performance monitoring and assessment, and compliance reviews for all events in which the NERC Event Analysis and Compliance Review Process is initiated. These activities are included in the business plan for 2016. Investigations are handled through MRO's Risk Assessment and Mitigation team.

### 2016 Key Assumptions

NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Compliance Monitoring can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

MRO will monitor compliance with reliability standards for each Registered Entity that has compliance responsibilities as defined in the Compliance Registry for MRO. In the United States, MRO monitors reliability standards according to Commission-approved Rules. In Manitoba, MRO monitors reliability standards under provincial law as implemented in the Manitoba Reliability Standards Regulation. In Saskatchewan, MRO carries out its compliance monitoring responsibilities according to an agreement with the Saskatchewan Electric Reliability Authority. 2016 Key Focus Areas include:

- Monitoring and management of enforcement measures and metrics in support of NERC's Strategic Plan and Oversight Program;



- Ongoing implementation of the risk-based Compliance Monitoring and Enforcement Program (CMEP);
- Use of consistent compliance monitoring and enforcement practices focused on higher reliability risks.

## Compliance Monitoring and Enforcement

Using generally accepted risk-based approaches to compliance monitoring and enforcement, as transformed through the Reliability Assurance Initiative (RAI), requires revisions to processes and procedures. MRO does not anticipate a material impact from the revisions in 2016.

### 2016 Compliance Monitoring Program Goals and Key Deliverables

- Assure professionally-trained staff is available to perform the required activities under the NERC Rules of Procedure
- Deliver consistent results when processing all instances of noncompliance
- Process initial compliance determinations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls for “one-up and next door” reviews to assure all determinations receive adequate “due care” and review
- Conduct secondary independent review to assure all determinations of possible noncompliance are accurate, complete, and technically sufficient
- Ensure an accurate and complete discovery record is created, maintained, and retained for each noncompliance discovered, as well as where there are no findings
- Conduct system performance compliance monitoring (such as due diligence review of misoperations, physical inspections, etc.)
- Conduct compliance investigations as warranted
- Continue to maintain information in a secured environment through webCDMS; expand use of webCDMS tool suite for staff to drive more efficiencies in the conduct of the work and make the work more meaningful to Registered Entities
- Participate in working groups or task forces where ERO-wide compliance and enforcement program processes and procedures will be developed to drive consistency
- Continue to implement the Auditor Checklist and Auditor Handbook for compliance audits to ensure utilization of consistent audit practices

### Funding Requirements — Explanation of Increase (Decrease)

### Compliance Monitoring Explanation of Variances – 2016 Budget versus 2015 Budget

#### Annual Implementation Plan

- Monitor compliance with all regulatory-approved reliability standards as defined in the NERC Annual Implementation Plan
- Continued implementation of the risk-based compliance monitoring framework, customizing scope of individual compliance monitoring engagements but incurring additional effort when reviewing Registered Entities’ internal controls
- It is assumed that Compliance Audits will only be required in 2016 per the NERC CMEP Implementation Plan for those entities registered for the Reliability Coordinator (RC), Balancing Authority (BA), and Transmission Operator (TOP) functions. Additionally, in place of the annual Self-Certification, a program of quarterly, guided Self-Certifications will be employed to address those NERC Reliability Standards and Requirements that mitigate the most significant risks in the MRO region.
- Unscheduled spot checks and/or compliance audits may be conducted if:
  - Entity registration changes (such as adding TOP, BA, RC function)

- Evidence of compliance provided during an audit (or other method) is found to be non-compliant and the entity is using another entity's program or process
- Follow-up is needed as a result of self-certifications or events

### Compliance Audits

- 2016 variance: decrease of workload
- The number of audits to be performed in 2016 is 11, which is a decrease from the 25 audits planned for 2015. The significant decrease is a result of NERC's removal of the six-year audit requirement for entities that are not registered for the RC, BA, or TOP functions. While the number of audits is more than 50% lower, the net impact on workload will be less substantial given that six-year audits generally require less effort than the remaining three-year audits.
- The rigor, scope, depth and recurrence of audits and spot checks will be driven by reliability risk. Over the next few years, oversight plans will be developed for registered entities according to their risk and the best CMEP tools. While the immediate impact of this transition is difficult to predict for 2016, there will ultimately be a shift in the use of tools (audits vs. guided self-certification vs. self-logging).

### Self-Certifications

- 2016 variance: increase in workload
- MRO will not include a blanket annual Self-Certification in its CMEP Implementation Plan for 2016. However, quarterly, guided Self-Certifications will continue to be conducted in 2016.
- While MRO's guided Self-Certification program involves fewer requirements and impacts fewer entities than the previous annual Self-Certification program, it will require more resources in 2016. This is primarily due to the effort required by Compliance staff to review entities' detailed submissions. Additional effort is necessary to develop the guided Self-Certification worksheets, which currently exist for very few NERC Reliability Standards.

### Spot Checks

- 2016 variance: increase of workload
- The use of spots checks may increase as a result of more reliance on guided self-certification and self-logging, but should have little effect on overall resource requirements

### Technical Feasibility Exceptions (TFEs)

- 2016 variance: decrease in workload
- With the transition to CIP v5, the overall number of Technical Feasibility Exceptions (TFEs) should decrease due to the reduced number of Requirements eligible for TFEs, as well as the addition of "per device capability" clauses. Additionally, changes to Appendix 4D of the CMEP significantly reduced the administrative burden associated with the processing of TFEs.

### Compliance Investigations (CIs)

- 2016 variance: increase in workload, if a CI is initiated in the MRO Region
- MRO Risk Assessment and Mitigation staff have assumed the lead on investigations in the MRO Region as of 2015

### Compliance Findings Discovery

- 2016 variance: increased workload

- For every potential noncompliance, MRO Risk Assessment and Mitigation performs a fact and circumstance review
- MRO expects an increase in workload associated with reviewing facts and circumstances around entity implementations of CIP V5, particularly at substations (which were rarely considered in CIP V3).

### **Compliance Findings Record Development**

- 2016 variance: consistent workload
- A discovery record is developed for every instance of noncompliance. The discovery record and supplemental forms represent the initial development of the record to support the processing determinations.

### **Mitigation Plan Acceptance and Verification of Completion**

- 2016 variance: consistent workload
- MRO uses number of days in process (DIP) and violation aging as key indicators for process efficiency and effectiveness. Dedicated CIP personnel will need to be allocated to address the conversion from v3 to v5 and provide support to Registered Entities during the transition. However, instances of noncompliance related to operations and planning standards are expected to continue to decrease as most Registered Entities have been audited and their compliance programs have matured.
- For every noncompliance identified by MRO staff or a Registered Entity, a description of mitigating activities/mitigation plan must be submitted. MRO Risk Assessment and Mitigation staff reviews each submission to assess whether the proposed actions will mitigate and prevent recurrence of the subject noncompliance. The development of the mitigating activities/mitigation plan provides the information necessary to determine the potential and actual risk to the reliability of the BES.

### **Compliance Enforcement Explanation of Variances – 2016 Budget versus 2015 Budget**

#### **2016 Enforcement and Mitigation Program Goals and Key Deliverables.**

- Assure professionally-trained staff is available to perform the required activities under the NERC Rules of Procedure
- Deliver consistent results when processing all instances of noncompliance
- Process noncompliance and Possible Violations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls for “one-up and next door” reviews to assure all determinations receive adequate “due care” and review
- Conduct secondary independent review to assure all enforcement determinations of noncompliance and Possible Violations are accurate, complete, and technically sufficient
- Ensure an accurate and complete record is created, maintained, and retained for each instance of noncompliance and/or Possible Violation discovered, as well as findings that are dismissed.
- Continue to maintain information in a secured environment through webCDMS; expand use of webCDMS tool suite for staff to drive more efficiencies in the conduct of the work and make the work more meaningful to Registered Entities
- Participate and lead working groups or task forces where ERO-wide compliance and enforcement program processes and procedures will be developed to drive consistency

### **Compliance Exception Process**

- 2016 variance: increased workload

- This alternative path allows NERC and the Regional Entities to exercise appropriate discretion to determine whether to initiate an enforcement action or to resolve an instance of noncompliance outside of the enforcement process as a Compliance Exception.
- For instances of noncompliance resolved as Compliance Exceptions, MRO Enforcement staff verifies that there is a sufficient record to support the determination, based on the risk posed by the noncompliance and the documentation available to support processing as a Compliance Exception.
- With implementation of Version 5 of the CIP Reliability Standards, MRO anticipates an increase in minimal risk issues being identified and resolved as Compliance Exceptions.
- MRO had a significant resource impact in development of the risk-based approach to enforcement throughout 2014, and had fully implemented the Compliance Exception process by 2015.

### **CIP Version 5 Transition**

The transition to CIP v5 will continue to be a mission critical activity in 2016. MRO plans to support the ongoing CIP v5 transition and has seen an expansion in the number of Registered Entities that require CIP guidance, which is expected to continue into 2016. While resource demands are expected to increase throughout the planning period on account of the CIP v5 transition, prior efficiency gains related to CIP compliance monitoring will likely lead to no significant net increase in workload.

### **Processing of Alleged Violations**

- 2016 variance: consistent workload
- For every instance of noncompliance identified by MRO Compliance staff or a Registered Entity, MRO Enforcement staff performs a review to confirm its validity.
- For possible violations deemed valid and subject to enforcement, MRO Enforcement staff prepares and issues a Notice of Possible Violation and MRO Risk Assessment and Mitigation staff performs a facts and circumstances review to determine if the Registered Entity was or was not in violation of the Reliability Standard(s). If the Registered Entity is in violation of a standard, MRO Enforcement staff prepares a Notice of Alleged Violation which may include a Disposition Document for each alleged violation or a Notice of Find, Fix, Track and Report processing for each remediated issue. Where a Notice of Alleged Violation is issued, a proposed penalty is calculated and reviewed and considered by at least two MRO Enforcement staff. Upon acceptance or lapse of the required time for response to the Notice of Alleged Violation, MRO Enforcement staff prepares a Notice of Confirmed Violation. The drafting of these notices is an iterative process and requires resources. For more complex or significant matters, MRO Enforcement staff anticipates resolution through negotiated settlement. This process is sometimes lengthy and typically results in ongoing tracking and monitoring requirements for MRO and the Registered Entity to ensure completion of agreed-upon remedies. MRO encourages Registered Entities to make investments in equipment and people as an offset for proposed penalties. This results in longer-term monitoring commitments in the enforcement process. MRO will continue to promote self-identification of noncompliance as a factor in determining how to resolve instances of noncompliance. It is anticipated that a high percentage of self-identified instances of noncompliance will be resolved as Compliance Exceptions. Additionally, instances of noncompliance related to operations and planning standards are expected to continue to decrease as most Registered Entities have been audited and their compliance efforts and programs have matured.

### **Record Development and Maintenance**

- 2016 variance: consistent workload
- Processes have been formalized and necessary documentation identified to complete

the record.

- The webCDMS application provides for a central repository accessible to each Registered Entity.
- An assessment project was completed in 2014 to evaluate software systems used for compliance, registration, analysis and tracking, which may result in changing or replacing existing systems in the future. Until a decision is made to change or replace systems, MRO is continuing to maintain its current multi-year contract to utilize webCDMS compliance, registration, analysis and tracking.

### **Resource Requirements**

The transition to CIP v5 will continue to be a mission critical activity in 2016. MRO plans to support the ongoing CIP v5 transition and has seen an expansion in the number of Registered Entities that require CIP guidance, which is expected to continue into 2016. While resource demands are expected to increase throughout the planning period on account of the CIP v5 transition, prior efficiency gains related to CIP compliance monitoring will likely lead to no significant net increase in workload.

### **Personnel Expenses**

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- The overall budgeted FTE count for Compliance reflects a .82 decrease for 2016 when compared to the FTE count for the 2015 business plan and budget due to a reduction of one FTE in the enforcement area. The CIP version 5 transition shouldn't see an immediate impact. Just as before, the majority of issues will be minimal risk and should be dealt with outside of Enforcement.

### **Consultants and Contracts**

- 2016 Consultants and Contracts reflects a third party vendor's annual escalation starting March 2016.

## Compliance Monitoring and Enforcement Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring and Enforcement and Organization Registration and Certification section of the 2016 *Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2015 Budget &amp; Projection, and 2016 Budget</b>					
<b>COMPLIANCE MONITORING, AND ENFORCEMENT</b>					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 6,713,598	\$ 6,713,598	\$ -	\$ 7,214,585	\$ 500,986
Penalty Sanctions	280,618	280,618		82,725	(197,893)
<b>Total NERC Funding</b>	<b>\$ 6,994,216</b>	<b>\$ 6,994,216</b>	<b>\$ -</b>	<b>\$ 7,297,310</b>	<b>\$ 303,093</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 6,994,216</b>	<b>\$ 6,994,216</b>	<b>\$ -</b>	<b>\$ 7,297,310</b>	<b>\$ 303,093</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 2,894,581	\$ 2,802,461	\$ (92,120)	\$ 2,888,818	\$ (5,763)
Payroll Taxes	192,689	188,395	(4,294)	188,646	(4,043)
Benefits	233,912	279,620	45,708	288,012	54,100
Retirement Costs	475,589	488,197	12,608	496,769	21,180
<b>Total Personnel Expenses</b>	<b>\$ 3,796,771</b>	<b>\$ 3,758,673</b>	<b>\$ (38,098)</b>	<b>\$ 3,862,245</b>	<b>\$ 65,474</b>
<b>Meeting Expenses</b>					
Meetings	\$ 6,250	\$ 6,250	\$ -	\$ 7,250	\$ 1,000
Travel	221,900	221,900	-	181,800	(40,100)
Conference Calls	-	-	-	53,600	53,600
<b>Total Meeting Expenses</b>	<b>\$ 228,150</b>	<b>\$ 228,150</b>	<b>\$ -</b>	<b>\$ 242,650</b>	<b>\$ 14,500</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 111,000	\$ 111,000	\$ -	\$ 114,000	\$ 3,000
Office Rent	-	-	-	-	-
Office Costs	88,752	88,752	-	91,395	2,643
Professional Services	-	-	-	25,000	25,000
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 199,752</b>	<b>\$ 199,752</b>	<b>\$ -</b>	<b>\$ 230,395</b>	<b>\$ 30,643</b>
<b>Total Direct Expenses</b>	<b>\$ 4,224,673</b>	<b>\$ 4,186,575</b>	<b>\$ (38,098)</b>	<b>\$ 4,335,290</b>	<b>\$ 110,617</b>
<b>Indirect Expenses</b>	<b>\$ 2,900,403</b>	<b>\$ 2,764,607</b>	<b>\$ (135,797)</b>	<b>\$ 2,763,363</b>	<b>\$ (137,040)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 7,125,076</b>	<b>\$ 6,951,182</b>	<b>\$ (173,895)</b>	<b>\$ 7,098,653</b>	<b>\$ (26,423)</b>
<b>Change in Assets</b>	<b>\$ (130,860)</b>	<b>\$ 43,034</b>	<b>\$ 173,894</b>	<b>\$ 198,656</b>	<b>\$ 329,517</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (130,860)	(89,638)	41,222	198,656	329,517
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ (130,860)</b>	<b>\$ (89,638)</b>	<b>\$ 41,222</b>	<b>\$ 198,656</b>	<b>\$ 329,517</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 6,994,216</b>	<b>\$ 6,861,544</b>	<b>\$ (132,672)</b>	<b>\$ 7,297,310</b>	<b>\$ 303,093</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ 132,672</b>	<b>\$ 132,672</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>22.08</b>	<b>20.92</b>	<b>(1.16)</b>	<b>21.26</b>	<b>(0.82)</b>

Table A-4. Compliance Monitoring and Enforcement Budget Detail



## Reliability Assessment and Performance Analysis Program

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

<b>Reliability Assessments and Performance Analysis</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	7.55	7.52	(0.03)
Direct Expenses	\$ 1,624,296	\$ 1,711,032	\$ 86,736
Indirect Expenses	\$ 991,759	\$ 977,445	\$ (14,314)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (44,746)	\$ 70,268	\$ 115,014
Total Funding Requirement	\$ 2,571,309	\$ 2,758,745	\$ 187,435

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

### Program Scope and Functional Description

The objectives of the Reliability Assessment and Performance Analysis Program are to:

1. Review seasonal and long-term reliability assessments of the Planning Coordinator reporting areas within the MRO Region from an operation and planning perspective.
2. Evaluate existing and planned generation and transmission facilities to identify key reliability issues and the risks and uncertainties affecting adequacy and security of the bulk electric system.
3. Review event analysis efforts by Registered Entities to ensure causes are identified and corrected and that lessons learned are shared with industry.
4. Facilitate data collection and the development of power flow and dynamics simulation models for the MRO Region and the Eastern Interconnection.
5. Perform legacy Regional Reliability Organization functions until those functions are assigned to Registered Entities through reliability standards (fill in the blank standards).
6. Support MRO stakeholder groups and participate in NERC efforts.
7. Implement enhancements to improve ERO enterprise-wide efficiency and effectiveness of RAPA related functions.

MRO RAPA provides BES analysis, data gathering, and analysis of events. RAPA identifies reliability risks to the BES in the MRO footprint, in accordance with the Delegation Agreement and NERC's Rules of Procedure. RAPA's mission is to promote a culture of reliability excellence within the MRO BES. The program accomplishes this mission by identifying risks to reliability, analyzing performance, and prioritizing significant risks.

### 2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Assessment and Performance Analysis (RAPA) program can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.



Regarding periodic assessments, MRO analyzes, assesses, and reports on reliability and adequacy in the past, present, and future. This includes the long-term and seasonal assessments developed by Planning Coordinators and reviewed by the MRO Operating Committee (OC) and the Planning Committee (PC), as required by the Delegation Agreement. In addition, specific possible scenarios may be evaluated.

The OC and PC have balanced stakeholder representation, work with MRO staff, and report to the MRO Board. The OC and PC review and consolidate the reports of the overall reliability of the MRO Region, both existing and planned. The OC and PC verify that assessments performed within the MRO Region conform to NERC reliability standards related to system performance.

Regarding other activities included in the RAPA program, in 2016 continued attention will be given to transmission adequacy and security, protection and control standards, special protection scheme reviews, resource adequacy, demand response, reliability metrics, integration of renewable generation per renewable portfolio standards, operational issues and event analysis, Eastern Interconnection Reliability Assessment Group (ERAG), NERC and regulatory data requests, electric system modeling data, and reviews of regional reliability criteria and procedures. The collection and validation of Generating Availability Data System, Transmission Availability Data System, and Demand Response Availability Data System will add to MRO's workload as will efforts related to BES exception reporting. MRO did not include any resource requirements directly relating to the BES exception reporting due to the uncertainty.

### 2016 Goals and Key Deliverables

- Annually review the overall reliability of the MRO Region and interregional BES for the long-term planning horizons and develop planning horizon assessment reports
- Review the seasonal assessments (summer and winter) of the MRO Region and interregional BES
- Review system disturbance reports and event analyses to assure the appropriate analysis is performed and that lessons learned are identified and shared with the industry
- Expand periodic assessments of the MRO Region for emerging issues and probabilistic scenarios. Address impacts of new technologies, changing resource or demand resource composition, and environmental-related regulations or legislation.
- Perform special reliability assessments on a regional, interregional, and interconnection basis as conditions warrant, or as directed by the Board or NERC
- Coordinate with NERC on system event analyses on a regional, interregional, and interconnection basis as conditions warrant
- Annually prepare an MRO set of electric system modeling data. Support the compilation of long-term sustainable Eastern Interconnection models.
- Develop, verify and validate quality reliability assessment and analyses model and data quality characteristics
- Perform legacy Regional Reliability Organization (RRO) responsibilities associated with “fill in the blank” standards until they are transitioned to Registered Entities
- Participate in and represent the MRO Region in all ERAG and NERC groups, as required, that report to the ERAG Management Committee (MC) and NERC Planning Committee (PC) and Operating Committee (OC)
- The ongoing implementation of BES exception process will require resources to manage the process execution and the technical validation of the definition and exception requests. Resource time will be driven by the number and complexity of exception requests received.
- Develop and implement improved enterprise-based data collection and analysis systems and capabilities
- Support the integration of RAPA information systems for modeling and data requirements and achieve timelines for delivering high quality reports (e.g., Long-Term Reliability

## Assessment and State of Reliability Report)

- Provide for technical resources and expertise to perform analyses as needed to support and determine risk priorities for standards development and compliance and enforcement activities.
- Support quality analysis and overall assessment of high impact, low frequency system risks, including physical security, geomagnetic disturbance (GMD) vulnerability, planning guides, and planning standards.
- Support the development of measures and a framework for the assessment of Essential Reliability Services
- Continue to develop quality metrics of BES performance and to demonstrate effectiveness of activities to improve reliability

To the extent that significant events occur, contractor services may be required to support wide-area system analyses and root cause evaluations.

**Resource Requirements**

Costs associated with increased activities in BES definition and technical committee strategic planning. MRO reimburses travel expenses for stakeholder participation.

**Personnel Expenses**

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- The overall budgeted FTE count for Reliability Assessment and Performance Analysis remains stabilized in number of FTEs.

**Consultants and Contracts**

- Consultants and contracts decreased in 2016 primarily because MRO removed the contingency dollars for model building cost over runs.

## Reliability Assessment and Performance Analysis Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projection, and 2016 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 2,475,355	\$ 2,475,355	\$ -	\$ 2,729,484	\$ 254,129
Penalty Sanctions	95,954	95,954	-	29,261	(66,693)
<b>Total NERC Funding</b>	<b>\$ 2,571,309</b>	<b>\$ 2,571,309</b>	<b>\$ -</b>	<b>\$ 2,758,745</b>	<b>\$ 187,436</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 2,571,309</b>	<b>\$ 2,571,309</b>	<b>\$ -</b>	<b>\$ 2,758,745</b>	<b>\$ 187,436</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 934,523	\$ 978,394	\$ 43,871	\$ 997,720	\$ 63,197
Payroll Taxes	63,510	63,948	438	64,905	1,395
Benefits	79,541	99,465	19,924	101,421	21,880
Retirement Costs	210,377	227,402	17,025	229,851	19,474
<b>Total Personnel Expenses</b>	<b>\$ 1,287,951</b>	<b>\$ 1,369,209</b>	<b>\$ 81,258</b>	<b>\$ 1,393,897</b>	<b>\$ 105,946</b>
<b>Meeting Expenses</b>					
Meetings	\$ 7,700	\$ 7,700	\$ -	\$ 18,600	\$ 10,900
Travel	187,100	187,100	-	202,000	14,900
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 194,800</b>	<b>\$ 194,800</b>	<b>\$ -</b>	<b>\$ 220,600</b>	<b>\$ 25,800</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 118,700	\$ 118,700	\$ -	\$ 79,435	\$ (39,265)
Office Rent	-	-	-	-	-
Office Costs	22,845	22,845	-	17,100	(5,745)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 141,545</b>	<b>\$ 141,545</b>	<b>\$ -</b>	<b>\$ 96,535</b>	<b>\$ (45,010)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,624,296</b>	<b>\$ 1,705,554</b>	<b>\$ 81,258</b>	<b>\$ 1,711,032</b>	<b>\$ 86,736</b>
<b>Indirect Expenses</b>	<b>\$ 991,759</b>	<b>\$ 980,563</b>	<b>\$ (11,196)</b>	<b>\$ 977,445</b>	<b>\$ (14,314)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 2,616,055</b>	<b>\$ 2,686,117</b>	<b>\$ 70,062</b>	<b>\$ 2,688,477</b>	<b>\$ 72,422</b>
<b>Change in Assets</b>	<b>\$ (44,746)</b>	<b>\$ (114,808)</b>	<b>\$ (70,062)</b>	<b>\$ 70,268</b>	<b>\$ 115,014</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (44,746)	(31,793)	\$ 12,953	70,268	\$ 115,014
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ (44,746)</b>	<b>\$ (31,793)</b>	<b>\$ 12,953</b>	<b>\$ 70,268</b>	<b>\$ 115,014</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 2,571,309</b>	<b>\$ 2,654,324</b>	<b>\$ 83,015</b>	<b>\$ 2,758,745</b>	<b>\$ 187,436</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (83,015)</b>	<b>\$ (83,015)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>7.55</b>	<b>7.42</b>	<b>(0.13)</b>	<b>7.52</b>	<b>(0.03)</b>

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

## Training and Education Program

The following table summarizes the budget for Training and Education.

<b>Training and Education</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.28	1.34	1.06
Direct Expenses	\$ 260,185	\$ 302,163	\$ 41,978
Indirect Expenses	\$ 36,780	\$ 174,172	\$ 137,392
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (1,659)	\$ 12,521	\$ 14,181
Total Funding Requirement	\$ 295,307	\$ 488,857	\$ 193,551

**Table A-7. Training and Education Budget**

### Program Scope and Functional Description

The MRO Training and Education program provides education and training necessary to understand and operate the BPS. The program's target audience is BPS operating personnel, including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, and training personnel. The program also supports MRO staff training and development initiative, and facilitates administering the records necessary to maintain MRO status as a NERC Continuing Education provider.

Maintaining the reliability of the BES requires informed and trained Regional and Registered Entity personnel. Education and training is one of the primary objectives of MRO. The education and training program specifically pertains to the implementation of the CMEP, the application of reliability standards, reviewing reliability assessments, performing quality event analysis, identifying lessons learned from event analysis, defining expectations and responsibilities for the "fill in the blank" standards, and other related information pertinent to system reliability and compliance. The target audience for this program is Registered Entities.

MRO will provide training to Registered Entities through workshops, conferences, presentation opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify additional training opportunities for Registered Entities.

The objectives outlined in the key assumptions are intended to educate and train the industry on Compliance Monitoring and Enforcement Program implementation, the requirements and application of the Standards, lessons learned, and elements of an effective compliance program.

### 2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Training and Education Program can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

Registered Entities should have processes and procedures in place to ensure adherence with the reliability standards and address risks to reliability, which is why education and training is a key initiative for MRO. The MRO Compliance Committee assists and oversees the compliance and enforcement training and education initiatives for Registered Entities, including participation in Compliance Monitoring and Enforcement Program workshops, and stakeholder forums and group training initiatives. The MRO Standards Committee assists and oversees the reliability standards requirement and application training for Registered Entities. The Planning and Operating Committees contribute to planning Reliability Conferences and other technical workshops as appropriate.

### **2016 Goals and Key Deliverables**

In addition to the MRO management team participating in, and presenting at, various forums (such as Transmission Forum, Generation Forum, MCCF, RTO/ISO, APDA, State Regulator meetings, etc.), MRO will provide workshops (one Compliance Monitoring and Enforcement Program workshop, one Reliability Conference, one Standards Workshop (likely focused on CIP V5), and one Security Workshop). In addition, smaller workshops will be held for specific technical topics.

### **Resource Requirements**

For 2016, MRO will provide education to Registered Entities through workshops and other opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify education options for Registered Entities in the MRO Region so that they can also accomplish the objectives of the NERC program through a third party.

### **Personnel Expenses**

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase
- FTE count increase in 2016 when compared to 2015 business plan and budget because we expect the executive involvement in the workshops, newsletters, and speaker engagements to increase.

### **Consultants and Contracts**

N/A

## Training and Education Budget Detail

The following table shows funding sources and related expenses for the Training and Education section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
TRAINING and EDUCATION					
	2015	2015	Variance	2016	Variance
	Budget	Projection	2015 Projection	Budget	2016 Budget
			v 2015 Budget		v 2015 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 291,747	\$ 291,747	\$ -	\$ 483,643	\$ 191,895
Penalty Sanctions	3,559	3,559	-	5,214	1,656
<b>Total NERC Funding</b>	<b>\$ 295,306</b>	<b>\$ 295,306</b>	<b>\$ -</b>	<b>\$ 488,857</b>	<b>\$ 193,551</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 295,306</b>	<b>\$ 295,306</b>	<b>\$ -</b>	<b>\$ 488,857</b>	<b>\$ 193,551</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 135,117	\$ 154,476	\$ 19,359	\$ 180,187	\$ 45,070
Payroll Taxes	6,618	7,735	1,117	9,800	3,182
Benefits	6,209	8,166	1,957	18,280	12,071
Retirement Costs	22,841	26,496	3,655	31,896	9,055
<b>Total Personnel Expenses</b>	<b>\$ 170,785</b>	<b>\$ 196,873</b>	<b>\$ 26,088</b>	<b>\$ 240,163</b>	<b>\$ 69,378</b>
<b>Meeting Expenses</b>					
Meetings	\$ 60,000	\$ 88,000	\$ 28,000	\$ 28,800	\$ (31,200)
Travel	29,400	44,400	15,000	33,200	3,800
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 89,400</b>	<b>\$ 132,400</b>	<b>\$ 43,000</b>	<b>\$ 62,000</b>	<b>\$ (27,400)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Direct Expenses</b>	<b>\$ 260,185</b>	<b>\$ 329,273</b>	<b>\$ 69,088</b>	<b>\$ 302,163</b>	<b>\$ 41,978</b>
<b>Indirect Expenses</b>	<b>\$ 36,780</b>	<b>\$ 107,043</b>	<b>\$ 70,262</b>	<b>\$ 174,172</b>	<b>\$ 137,392</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 296,965</b>	<b>\$ 436,316</b>	<b>\$ 139,350</b>	<b>\$ 476,335</b>	<b>\$ 179,370</b>
<b>Change in Assets</b>	<b>\$ (1,659)</b>	<b>\$ (141,010)</b>	<b>\$ (139,351)</b>	<b>\$ 12,521</b>	<b>\$ 14,181</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (1,659)	(3,471)	(1,811)	12,521	\$ 14,181
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ (1,659)</b>	<b>\$ (3,471)</b>	<b>\$ (1,811)</b>	<b>\$ 12,521</b>	<b>\$ 14,181</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 295,306</b>	<b>\$ 432,845</b>	<b>\$ 137,539</b>	<b>\$ 488,857</b>	<b>\$ 193,551</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (137,539)</b>	<b>\$ (137,539)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>0.28</b>	<b>0.81</b>	<b>0.53</b>	<b>1.34</b>	<b>1.06</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)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	0.16	0.28	0.12
Direct Expenses	\$ 59,858	\$ 86,512	\$ 26,654
Indirect Expenses	\$ 21,017	\$ 36,394	\$ 15,377
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ (948)	\$ 2,616	\$ 3,565
Total Funding Requirement	\$ 79,927	\$ 125,523	\$ 45,595

**Table A-9. Situation Awareness and Infrastructure Security Budget**

### Situation Awareness Program Scope and Functional Description

NERC and the Regions shall, through Reliability Coordinators and available tools, monitor present conditions on the Bulk Electric System and provide leadership coordination, technical expertise, and assistance to the industry in responding to events as necessary.

### 2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Situation Awareness and Infrastructure Security Program can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

The Situation Awareness program includes costs and resources to review and to respond to incidents and events that impact the reliability of the Bulk Electric System and respond to inquiries by NERC or others.

### 2016 Goals and Key Deliverables

The goal of the Situation Awareness program is to maintain awareness about the conditions of the Bulk Electric System and to respond to events by providing coordination assistance and communications between key parties. In 2016, staff will continue to try to fully utilize and improve the second version of the situation awareness tools and related processes.

### Infrastructure Security Program Scope and Functional Description

NERC and the Regions coordinate electric industry activities to promote critical infrastructure protection of the Bulk Electric System in North America by taking a leadership role in critical infrastructure protection of the electricity sector to reduce vulnerabilities of the electricity sector's critical infrastructure.



## 2016 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Critical Infrastructure Protection can be located in the Key Assumptions section of Exhibit A in NERC's 2016 Business Plan and Budget.

The Infrastructure Security Program is responsible for raising the awareness of security, promoting standard security practices, and aiding the Registered Entities in organizing and sharing security implementations specific to the electric utility sector.

The MRO Standards Committee will participate in the development of CIP standards and develop guidance on the application of standards.

New for 2016 is the formation of the MRO Security Committee, which will provide opportunities for sharing security implementation approaches utilized by Registered Entities, contain representatives on the NERC CIPC from within the MRO Region, and sponsor a Security Workshop.

The Standards Committee is comprised of MRO sector representatives and facilitated by MRO staff.

The Operations Group within MRO has Situation Awareness responsibilities, which are budgeted in their respective areas.

## 2016 Goals and Key Deliverables

The goal is to provide effective communication, coordination and industry facilitation in all areas of security to ensure the region is prepared for cyber-related incidents.

## Resource Requirements

The 2016 Budget reflects an increase from 2015 in the Situation Awareness and Infrastructure Security Program area due to the formation of the MRO Security Committee. Increased staff travel and training for NERC/Regional initiatives.

## Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase
- Personnel costs for 2016 slightly increase reflecting the additional travel and training.

## Contracts and Consultants

N/A

## Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2016 *Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 Budget & Projection, and 2016 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 77,894	\$ 77,894	\$ -	\$ 124,433	\$ 46,539
Penalty Sanctions	2,033	2,033	\$ -	1,090	(944)
<b>Total NERC Funding</b>	<b>\$ 79,927</b>	<b>\$ 79,927</b>	<b>\$ -</b>	<b>\$ 125,523</b>	<b>\$ 45,595</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ 79,927</b>	<b>\$ 79,927</b>	<b>\$ -</b>	<b>\$ 125,523</b>	<b>\$ 45,595</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 32,947	\$ 38,414	\$ 5,467	\$ 41,582	\$ 8,635
Payroll Taxes	1,976	2,642	666	2,763	787
Benefits	2,141	3,753	1,612	3,927	1,786
Retirement Costs	4,794	8,494	3,700	9,140	4,346
<b>Total Personnel Expenses</b>	<b>\$ 41,858</b>	<b>\$ 53,303</b>	<b>\$ 11,445</b>	<b>\$ 57,412</b>	<b>\$ 15,554</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 200	\$ 200
Travel	16,000	16,000	-	22,000	6,000
Conference Calls	-	-	-	400	400
<b>Total Meeting Expenses</b>	<b>\$ 16,000</b>	<b>\$ 16,000</b>	<b>\$ -</b>	<b>\$ 22,600</b>	<b>\$ 6,600</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	2,000	2,000	-	6,500	4,500
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 6,500</b>	<b>\$ 4,500</b>
<b>Total Direct Expenses</b>	<b>\$ 59,858</b>	<b>\$ 71,303</b>	<b>\$ 11,445</b>	<b>\$ 86,512</b>	<b>\$ 26,654</b>
<b>Indirect Expenses</b>	<b>\$ 21,017</b>	<b>\$ 37,002</b>	<b>\$ 15,985</b>	<b>\$ 36,394</b>	<b>\$ 15,377</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ 80,875</b>	<b>\$ 108,305</b>	<b>\$ 27,430</b>	<b>\$ 122,906</b>	<b>\$ 42,031</b>
<b>Change in Assets</b>	<b>\$ (948)</b>	<b>\$ (28,378)</b>	<b>\$ (27,430)</b>	<b>\$ 2,616</b>	<b>\$ 3,565</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ (948)	(1,200)	(251)	2,616	3,565
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>\$ (948)</b>	<b>\$ (1,200)</b>	<b>\$ (251)</b>	<b>\$ 2,616</b>	<b>\$ 3,565</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 79,927</b>	<b>\$ 107,106</b>	<b>\$ 27,178</b>	<b>\$ 125,523</b>	<b>\$ 45,595</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ (27,179)</b>	<b>\$ (27,179)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>0.16</b>	<b>0.28</b>	<b>0.12</b>	<b>0.28</b>	<b>0.12</b>

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

## Administrative Services

The following table lists the budget for Administrative Services.

<b>Administrative Services</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	11.42	10.49	(0.93)
Total Direct Expenses	\$ 4,082,633	\$ 4,225,632	\$ 142,999
Inc(Dec) in Fixed Assets	\$ (184,200)	\$ 303,778	\$ 487,978
Less: Other Funding Sources	\$ -	\$ -	\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 3,898,433	\$ 4,529,410	\$ 630,977
Funding Requirement for Working Capital	\$ (507,668)	\$ (326,829)	\$ 180,839

**Table A-11. Administrative Services Budget**

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

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

### Program Scope and Functional Description

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

## Technical Committees and Member Forums

The following table lists the budget for Technical Committees and Member Forums.

<b>Technical Committees and Member Forums</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	-	-	-
Total Direct Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-12. Technical Committees and Member Forums Budget**

### Program Scope and Functional Description

The Technical Committees and Members' Forums serve to strengthen capabilities within the Region to plan and operate the BES reliably and in compliance with Reliability Standards. The success of MRO reliability programs depends on the active and direct participation of its members. The forums are also a source of expertise in the industry for enhancing reliability through technical excellence.

MRO staff and Registered Entities participate in various NERC committees, working groups and task forces. This participation provides for Regional Entity staff input as well as Registered Entity input into NERC governance and other activities. In order to conform to NERC and the other Regions, in mid-2013 MRO began recording these costs in the traveling employee's department rather than in 1100 Technical Committees and Member Forums.

## Technical Committees and Member Forums Budget Detail

The following table shows funding sources and related expenses for the Technical Committees and Member Forums section of the *2016 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2015 Budget v 2016 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Indirect Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	-	-	-	-	-

**Table A-13. Technical Committees and Member Forums Budget Detail**

## General and Administrative

The following table lists the General and Administrative budget.

<b>General and Administrative</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	2.24	2.61	0.37
Total Direct Expenses	\$ 689,147	\$ 817,157	\$ 128,010
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (507,668)	\$ (326,829)	\$ 180,839

**Table A-14. General and Administrative Budget**

### Program Scope and Functional Description

The MRO General and Administrative function provides executive management over the day-to-day operations of the Corporation.

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

Expenses related to indirect programs are allocated proportionately to the direct programs for 2016 based on the number of FTEs in those programs.

### 2016 Key Assumptions

- Work related to NERC and Regional Entity initiatives may impact existing staff resources, training, and business travel costs
- MRO will continue to reimburse approved stakeholder travel costs for participation on NERC committees and working groups
- Any increase or decrease in assessments to achieve desired working capital reserve will be included in the General and Administrative area and will be allocated proportionately based on FTE to the direct program area

### 2016 Goals and Key Deliverables

The MRO General and Administrative function assures that there is adequate attention to the day-to-day management of the corporation, including facilities and maintenance, board governance, policies and procedures to maintain and enhance operation of the corporation, proper record-keeping, and related responsibilities under applicable regulations as well as MRO's Delegation Agreement.

### Funding Sources and Requirements — Explanation of Increase (Decrease)

#### Assessments

The Board initially approved an Operating and Working Capital Reserves Policy on March 14, 2013 and has reviewed it on an annual basis. (See Section B for the current version.)

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## Funding Sources

In 2016, the expenses related to the indirect program areas are being allocated entirely to the direct programs.

## Resource Requirements

The number of meetings and outreach efforts planned in 2016 has increased. Budgeted meeting expenses reduce slightly because of efficiencies and cost savings realized from hosting meetings at MRO's facility in Saint Paul, Minnesota; however, reimbursement for stakeholder participant travel-related expenses will increase.

## Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- Budgeted FTEs slightly increase in 2016 as a result of supporting an increase in outreach efforts.

## Consultants and Contracts

- Increase in costs of the Office of Coordinated Activities for the Regional Entity Management Group. Associated costs are shared among the eight Regional Entities.



## General and Administrative Budget Detail

The following table shows funding sources and related expenses for the General and Administrative section of the 2016 *Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
GENERAL and ADMINISTRATIVE					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ (507,668)	\$ (507,668)	\$ -	\$ (326,829)	\$ 180,839
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ (507,668)</b>	<b>\$ (507,668)</b>	<b>\$ -</b>	<b>\$ (326,829)</b>	<b>\$ 180,839</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ (507,668)</b>	<b>\$ (507,668)</b>	<b>\$ -</b>	<b>\$ (326,829)</b>	<b>\$ 180,839</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 335,471	\$ 390,307	\$ 54,836	\$ 422,618	\$ 87,147
Payroll Taxes	17,104	19,040	1,936	21,172	4,068
Benefits	26,121	30,295	4,174	35,341	9,220
Retirement Costs	77,751	81,138	3,387	89,526	11,775
<b>Total Personnel Expenses</b>	<b>\$ 456,447</b>	<b>\$ 520,780</b>	<b>\$ 64,333</b>	<b>\$ 568,657</b>	<b>\$ 112,210</b>
<b>Meeting Expenses</b>					
Meetings	\$ 30,000	\$ 30,000	\$ -	\$ 28,000	\$ (2,000)
Travel	100,000	100,000	-	113,000	13,000
Conference Calls	-	-	-	500	500
<b>Total Meeting Expenses</b>	<b>\$ 130,000</b>	<b>\$ 130,000</b>	<b>\$ -</b>	<b>\$ 141,500</b>	<b>\$ 11,500</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 70,000	\$ 70,000	\$ -	\$ 75,000	\$ 5,000
Office Rent	-	-	-	-	-
Office Costs	32,700	32,700	-	32,000	(700)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 102,700</b>	<b>\$ 102,700</b>	<b>\$ -</b>	<b>\$ 107,000</b>	<b>\$ 4,300</b>
<b>Total Direct Expenses</b>	<b>\$ 689,147</b>	<b>\$ 753,480</b>	<b>\$ 64,333</b>	<b>\$ 817,157</b>	<b>\$ 128,010</b>
<b>Indirect Expenses</b>	<b>\$ (689,147)</b>	<b>\$ (753,480)</b>	<b>\$ (64,333)</b>	<b>\$ (817,157)</b>	<b>\$ (128,010)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ (507,668)</b>	<b>\$ (507,668)</b>	<b>\$ -</b>	<b>\$ (326,829)</b>	<b>\$ 180,839</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
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 (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (507,668)</b>	<b>\$ (507,668)</b>	<b>\$ -</b>	<b>\$ (326,829)</b>	<b>\$ 180,839</b>
<b>FTEs</b>	<b>2.24</b>	<b>2.17</b>	<b>(0.07)</b>	<b>2.61</b>	<b>0.37</b>

**Table A-15. General and Administrative Budget Detail**

## Legal and Regulatory

The following table lists the Legal and Regulatory budget.

Legal and Regulatory (in whole dollars)			
	2015 Budget	2016 Budget	Increase (Decrease)
Total FTEs	1.31	0.87	(0.44)
Total Direct Expenses	\$ 471,607	\$ 432,614	\$ (38,993)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-16. Legal and Regulatory Budget**

### Program Scope and Functional Description

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

### 2016 Key Assumptions

In the 2016 Budget, as in the 2013 - 2015 budgets, there are no specific funds for hearings under CMEP Rules; therefore if there were a hearing, MRO would use its current budget resources and reserves to fund the expense.

### 2016 Goals and Key Deliverables

Legal and Regulatory functions are responsible for general corporate legal advice, legal training, and timely, accurate filings to Regulatory authorities. The staff member in this function also serves as the primary MRO staff person to the MRO Board Governance and Personnel Committee. External affairs and communications are also incorporated into this function including outreach to stakeholders and regulators (federal, state and provincial). Outside legal will be used exclusively for any hearings and to supplement internal resources as necessary due to the need for specialized advice or workflow volume.

Communications training is also part of the Legal and Regulatory budget. Communications training is provided as part of MRO's Crisis Communication function. Internal legal counsel serves as the communication coordinator of the MRO Crisis Communication Team and the Vice President of Regulatory Affairs and Enforcement serves as the legal advisor.

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## Resource Requirements

### Funding Sources

In 2016, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

### Resource Requirements

Reflects continued engagement of members of the MRO Board of Directors' outreach to U.S. federal regulators and Canadian provincial regulators.

### Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- Reduced FTE in this area as the staff in this area supports the expanded efforts in outreach, which is charged to the Training and Education Program.

### Consultants and Contracts

- Increase in communications training for staff involved in the outreach efforts.

## Legal and Regulatory Budget Detail

The following table shows funding sources and related expenses for the Legal and Regulatory section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
LEGAL and REGULATORY					
	2015	2015	Variance	2016	Variance
	Budget	Projection	2015 Projection	Budget	2016 Budget
			v 2015 Budget		v 2015 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 252,886	\$ 211,520	\$ (41,366)	\$ 193,551	\$ (59,335)
Payroll Taxes	11,417	9,428	(1,989)	9,185.00	(2,232)
Benefits	1,499	938	(561)	11,780.00	10,281
Retirement Costs	38,255	37,268	(987)	36,383.00	(1,872)
<b>Total Personnel Expenses</b>	<b>\$ 304,057</b>	<b>\$ 259,154</b>	<b>\$ (44,903)</b>	<b>\$ 250,899</b>	<b>\$ (53,158)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 150	\$ 150	\$ -	\$ 150	\$ -
Travel	21,700	21,700	-	23,500.00	1,800
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 21,850</b>	<b>\$ 21,850</b>	<b>\$ -</b>	<b>\$ 23,650</b>	<b>\$ 1,800</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Office Rent	-	-	-	-	-
Office Costs	5,700	5,700	-	8,065.00	2,365
Professional Services	140,000	140,000	-	140,000.00	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 145,700</b>	<b>\$ 145,700</b>	<b>\$ -</b>	<b>\$ 158,065</b>	<b>\$ 12,365</b>
<b>Total Direct Expenses</b>	<b>\$ 471,607</b>	<b>\$ 426,704</b>	<b>\$ (44,903)</b>	<b>\$ 432,614</b>	<b>\$ (38,993)</b>
<b>Indirect Expenses</b>	<b>\$ (471,607)</b>	<b>\$ (426,704)</b>	<b>\$ 44,903</b>	<b>\$ (432,614)</b>	<b>\$ 38,993</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
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 (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>1.31</b>	<b>0.87</b>	<b>(0.44)</b>	<b>0.87</b>	<b>(0.44)</b>

Table A-17. Legal and Regulatory Budget Detail

## Information Technology

The following table lists the Information Technology budget.

<b>Information Technology</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	4.24	3.26	(0.98)
Total Direct Expenses	\$ 1,683,178	\$ 1,529,755	\$ (153,423)
Inc(Dec) in Fixed Assets	\$ (184,200)	\$ (163,222)	\$ 20,978
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-18. Information Technology Budget**

### Program Scope and Functional Description

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

### 2016 Key Assumptions

IT deploys business systems and provides technical support and training for the technologies used at MRO. Systems include secure networks, business applications, office equipment such as copiers and fax machines, servers to support connected and shared resources, personal computers, printers, handheld devices, telephones, remote access, and conference solutions.

IT has a keen focus on availability of networks and systems, maintenance of those systems, investigation of issues, and deployment of new tools. Managing IT is essential to staff productivity.

### 2016 Goals and Key Deliverables

The IT program's goal is to provide secure technology solutions that enable staff to have information and data to perform business functions, both locally and remotely, along with communications technologies to support interaction among staff, Registered Entities, and others.

IT resources will focus on reviewing business systems to look for opportunities to automate or improve efficiency. The SharePoint application will continue to grow in terms of functionality initially implemented by MRO, and staff will look for workflow automation opportunities..

Resources will continue to support and maintain a highly secure network and secure data storage and access systems. Back up and disaster recovery systems will be maintained and verified.

## Funding Sources

In 2016, the expenses related to indirect program areas are being allocated entirely to the direct programs.

## Resource Requirements

To continue building and implementing enterprise applications, resources will be required from NERC and the Regions. New ERO applications will be centralized in one location to maximize efficiency of technology hardware, resources and data security.

NERC will continue to fund the development and maintenance of Enterprise applications. Regional Entities may be required to allocate or augment business teams to help develop application business requirements and to test business functionality within the enterprise applications.

## Personnel Expenses

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- Personnel costs decrease in 2016 as a result of charging the time of the business system analyst to the specific programs that the staff is assisting. The role of this position is to work with IT staff to implement technologies to enable greater business efficiencies. The position was added at the beginning of the MRO SharePoint and website projects and is responsible for coordinating the SharePoint implementation along with all future enhancements, the new MRO website implementation, as well as other business applications in the Compliance and Finance areas.

## Consultants and Contracts

- MRO uses contractors and consultants for technical assistance on network and security related projects, for real time network monitoring and for complex implementation and upgrade projects. In 2016 the focus will be on additional SharePoint development for business improvement projects and outreach, as well as ongoing security risk evaluation and related mitigation projects.

## Information Technology Budget Detail

The following table shows funding sources and related expenses for the Information Technology section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
INFORMATION TECHNOLOGY					
	2015	2015	Variance	2016	Variance
	Budget	Projection	2015 Projection	Budget	2016 Budget
			v 2015 Budget		v 2015 Budget
			Over(Under)		Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 427,779	\$ 402,663	\$ (25,116)	\$ 334,488	\$ (93,291)
Payroll Taxes	32,213	30,106	(2,107)	24,454.00	(7,759)
Benefits	45,177	55,630	10,453	44,143.00	(1,034)
Retirement Costs	103,259	83,965	(19,294)	69,198.00	(34,061)
<b>Total Personnel Expenses</b>	<b>\$ 608,428</b>	<b>\$ 572,364</b>	<b>\$ (36,064)</b>	<b>\$ 472,283</b>	<b>\$ (136,145)</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,000	8,000	-	8,000.00	-
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 8,000</b>	<b>\$ 8,000</b>	<b>\$ -</b>	<b>\$ 8,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 332,600	\$ 332,600	\$ -	\$ 359,200	\$ 26,600
Office Rent	-	-	-	-	-
Office Costs	213,150	213,150	-	209,550.00	(3,600)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	521,000	521,000	-	480,722.00	(40,278)
<b>Total Operating Expenses</b>	<b>\$ 1,066,750</b>	<b>\$ 1,066,750</b>	<b>\$ -</b>	<b>\$ 1,049,472</b>	<b>\$ (17,278)</b>
<b>Total Direct Expenses</b>	<b>\$ 1,683,178</b>	<b>\$ 1,647,114</b>	<b>\$ (36,064)</b>	<b>\$ 1,529,755</b>	<b>\$ (153,423)</b>
<b>Indirect Expenses</b>	<b>(1,683,178)</b>	<b>(1,647,114)</b>	<b>36,064</b>	<b>(1,529,755)</b>	<b>153,423</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	(521,000)	(521,000)	-	(480,722)	40,278
Computer & Software CapEx	336,800	386,800	50,000	317,500	(19,300)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 184,200	\$ 134,200	(50,000)	\$ 163,222	\$ (20,978)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>4.24</b>	<b>4.15</b>	<b>(0.09)</b>	<b>3.26</b>	<b>(0.98)</b>

Table A-19. Information Technology Budget Detail



## Human Resources, Finance and Accounting

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

<b>Accounting and Finance</b> (in whole dollars)			
	<b>2015 Budget</b>	<b>2016 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.63	3.75	0.12
Total Direct Expenses	\$ 1,238,701	\$ 1,446,106	\$ 207,405
Inc(Dec) in Fixed Assets	\$ -	\$ 467,000	\$ 467,000
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-20. Human Resources Budget**

### Program Scope and Functional Description

#### Human Resources

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

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

#### Finance and Accounting

The Finance and Accounting function directs the overall financial plans and accounting practices of the organization, oversees treasury, accounting, budget, tax, and audit activities, and oversees financial and accounting system controls and standards. The Finance and Accounting function also administrates employee benefit plans, and reports the overall outcome of its annual activities to the MRO Board.

#### 2016 Goals and Key Deliverables

- Forecasts and projections
- Payroll and expense administration
- Preparation of Quarterly Financial Statements
- IRS Reporting - Form 990
- Review and improve fiscal controls
- Annual Independent Audit initiated by the Regional Entity
- Enterprise-wide Corporate Compliance and Ethics Program
- Treasury Functions with MRO Board
- 401(k) and VEBA Trust Administration

## **Funding Sources**

In 2016, the expenses related to indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue.

## **Resource Requirements**

MRO's efforts include maintenance of core employee benefits, offsets to non-core benefits when necessary, analysis of office and other operational costs, improving efficiencies, and establishing uniformity in methodologies of cost allocation. MRO staff further explores improved cost effectiveness of routine expenses, and pursues early detection and quick resolution of budget concerns, lessening the impact of cost adjustments. It is our intent to continuously detect and address any risks.

## **Personnel Expenses**

- 2015 medical premium increased 28% which is reflected in the 2015 projection and considered a one-time event. The 2016 medical premium reflects an additional 8% increase.
- Personnel expenses increase only slightly in 2016.

## **Consultants and Contracts**

- Consultants and Contracts decrease slightly in 2016.

## Human Resources, Finance and Accounting Budget Detail

The following table shows funding sources and related expenses for the Human Resources section of the 2016 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
FINANCE and ACCOUNTING					
	2015	2015	Variance	2016	Variance
	Budget	Projection	2015 Projection v 2015 Budget Over(Under)	Budget	2016 Budget v 2015 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
<b>Total NERC Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 353,095	\$ 346,210	\$ (6,885)	\$ 388,330	\$ 35,235
Payroll Taxes	23,042.79	23,173	130	26,176	3,133
Benefits	33,614.87	42,226	8,611	50,778	17,163
Retirement Costs	69,198.53	71,324	2,125	78,486	9,287
<b>Total Personnel Expenses</b>	<b>\$ 478,951</b>	<b>\$ 482,933</b>	<b>\$ 3,982</b>	<b>\$ 543,770</b>	<b>\$ 64,819</b>
<b>Meeting Expenses</b>					
Meetings	\$ 500	\$ 500	\$ -	\$ 500	\$ -
Travel	4,500.00	4,500	-	6,030	1,530
Conference Calls	-	-	-	-	-
<b>Total Meeting Expenses</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ 6,530</b>	<b>\$ 1,530</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 30,900	\$ 83,900	\$ 53,000	\$ 28,810	\$ (2,090)
Office Rent	501,000.00	501,000	-	648,946	147,946
Office Costs	169,350.00	169,350	-	164,550	(4,800)
Professional Services	53,500.00	69,500	16,000	53,500	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 754,750</b>	<b>\$ 823,750</b>	<b>\$ 69,000</b>	<b>\$ 895,806</b>	<b>\$ 141,056</b>
<b>Total Direct Expenses</b>	<b>\$ 1,238,701</b>	<b>\$ 1,311,683</b>	<b>\$ 72,982</b>	<b>\$ 1,446,106</b>	<b>\$ 207,405</b>
<b>Indirect Expenses</b>	<b>\$ (1,238,701)</b>	<b>\$ (1,311,683)</b>	<b>\$ (72,982)</b>	<b>\$ (1,446,106)</b>	<b>\$ (207,405)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	467,000	467,000
Allocation of Fixed Assets	\$ -	\$ -	-	(467,000)	(467,000)
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>3.63</b>	<b>3.65</b>	<b>0.02</b>	<b>3.75</b>	<b>0.12</b>

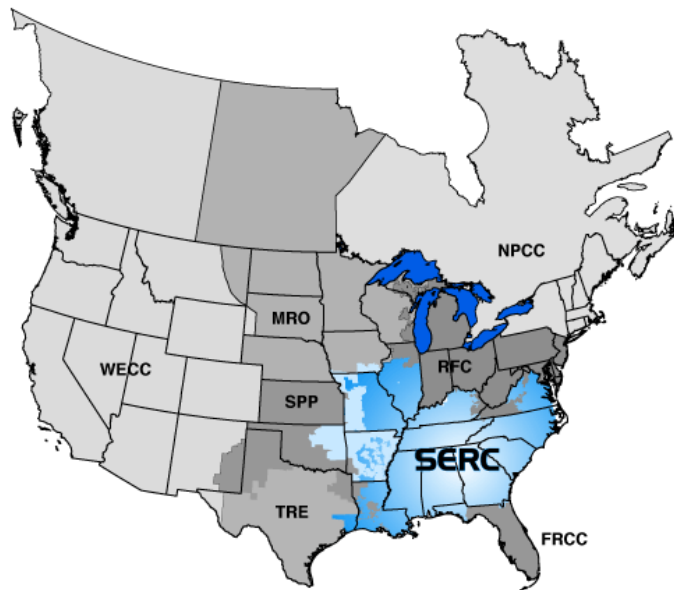
Table A-21. Human Resources Budget Detail

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## Section B – Supplemental Financial Information

### 2016 Business Plan and Budget

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## Section B – Supplemental Financial Information

### Reserve Balance

Table B-1 analyzes the working capital reserve for 2015 through 2016.

<b>Working Capital Reserve Analysis 2015-2016</b>	
<b>STATUTORY</b>	
<b>Beginning Working Capital Reserve (Deficit), December 31, 2014</b>	2,448,755
Plus: 2015 MRO Funding (from LSEs or designees)	9,426,019
Less: 2015 Projected expenses & capital expenditures	(10,614,687)
<b>Projected Working Capital Reserve (Deficit), December 31, 2015 <sup>1</sup></b>	<b><u>1,260,087</u></b>
<b>Targeted Working Capital Reserve, December 31, 2016 (((\$11,354,641 / 365 days) X 30 days)</b>	933,258
Less: Projected Working Capital Reserve, December 31, 2015	(1,260,087)
<b>Increase(decrease) in assessments to achieve targeted Working Capital Reserve</b>	<b><u>(326,829)</u></b>
2016 Expenses and Capital Expenditures	11,354,641
Less: Penalty Sanctions <sup>2</sup>	(126,500)
Less: Other Funding Sources	0
Adjustment to achieve targeted Working Capital Reserve	(326,829)
<b>2016 MRO Assessment</b>	<b><u>10,901,312</u></b>

<sup>1</sup>MRO's projected reserve December 31, 2015 assumes that there will not be a material difference between BOD approved 2015 revised budget versus actual/projected results from 2015.

<sup>2</sup>Represents collections on or prior to June 30, 2015. See page 54 for full disclosure.

**Table B-1. Working Capital Reserve Analysis 2015 - 2016**

### Explanation of Changes in Reserve Policy from Prior Years

MRO previously had a cash reserve policy to maintain 45 days of cash beginning in 2010 with funding increments of one-third each year, subject to periodic re-evaluation. MRO's Finance and Audit Committee (FAC) resolved that 30 days of cash was sufficient based on MRO's cash flow risk, with the Board's approval. The certainty of MRO's funding stream asserts that a 30-day reserve is reasonable for sustaining short-term contingencies. MRO resets its reserves at the beginning of each year to the approved policy.

## Breakdown by Statement of Activity Sections

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2015.

Penalty Sanctions Received On or Prior to June 30, 2015		Date Received	Amount Received
		Jul-14	\$ 5,000
		Jul-14	5,000
		Sep-14	15,000
		Oct-14	40,000
		Oct-14	30,000
		Jan-15	31,500
<b>Total Penalties Received</b>			<u>\$ 126,500</u>

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

### Penalty Sanctions

Penalty monies received prior to June 30, 2015 are to be used to offset assessments in the 2016 Budget, as documented in the NERC Policy – Accounting, Financial Statement and Budgetary Treatment of Penalties Imposed and Received for Violations of Reliability Standards. Penalty monies received from July 1, 2014 through June 30, 2015 will be used to offset assessments in the 2016 Budget.

All penalties received prior to June 30, 2015 are listed above, including the amount and date received.

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

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reliability Assessment and Performance Analysis</b>				
<b>Total</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Training and Education</b>				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	-
CEH Fees	-	-	-	-
Workshops	-	-	-	-
<b>Total</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Situation Awareness and Infrastructure Security</b>				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
<b>Total</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>General and Administrative</b>				
Interest Income	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Outside Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Table B-3. Supplemental Funding**

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget



Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Total Salaries	\$ 5,522,559	\$ 5,503,464	\$ 5,682,871	\$ 160,312	2.9%
Total Payroll Taxes	357,594	356,352	361,827	4,233	1.2%
Total Benefits	438,920	544,725	582,253	143,333	32.7%
Total Retirement	1,033,187	1,071,719	1,094,515	61,328	5.9%
<b>Total Personnel Costs</b>	<b>\$ 7,352,260</b>	<b>\$ 7,476,260</b>	<b>\$ 7,721,466</b>	<b>\$ 369,206</b>	<b>5.0%</b>
FTEs	42.50	42.16	42.50	-	0.0%
<b>Cost per FTE</b>					
Salaries	\$ 129,943	\$ 130,538	\$ 133,715	3,772	2.9%
Payroll Taxes	8,414	8,452	8,514	100	1.2%
Benefits	10,328	12,920	13,700	3,373	32.7%
Retirement	24,310	25,420	25,753	1,443	5.9%
<b>Total Cost per FTE</b>	<b>\$ 172,994</b>	<b>\$ 177,331</b>	<b>\$ 181,682</b>	<b>\$ 8,687</b>	<b>5.0%</b>

**Table B-4. Personnel Expenses**

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

#### FTEs remain flat in 2016

- No additional staff are added in 2016; 43 FTEs reflects the 2015 revised nose count at year-end 2015
- 3% salary increase
- The 2016 medical premium reflects an additional 8% increase.
- 2016 retirement costs increase
  - Cost of living adjustment in retirement plans
  - Post-retirement medical plan expense increase reflecting the actuarial calculation prepared annually by a third party expert. The future obligation is a result of the discount rate, expected rate of return on the plan assets, and health care cost trend rate.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	2015 Budget	2015 Projection	2016 Budget	Variance 2016 Budget v 2015 Revised Budget	Variance %
Meeting Expenses	\$ 106,600	\$ 134,600	\$ 85,500	\$ (21,100)	-19.8%
Travel - Staff Business	372,400	387,400	389,030	16,630	4.5%
Travel - Member	249,800	249,800	291,300	41,500	16.6%
Reimbursement					
Conference Calls	-		900	900	
<b>Total Meeting Expenses</b>	<b>\$ 728,800</b>	<b>\$ 771,800</b>	<b>\$ 766,730</b>	<b>\$ 37,930</b>	<b>5.2%</b>

Table B-5. Meeting Expenses

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

#### Reliability Assessment and Performance Analysis Program

Includes \$12,000 for the technical committee strategic planning which is a new initiative focusing on high risk areas.

#### Training and Education

Includes (\$31,200) which reflects cost savings realized when the workshops are all held on-site. Annual savings for workshops are budgeted at \$72,250 (savings per workshop: \$14,450 times 5 workshops).

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

Consultants	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
<b>Consultants</b>					
Reliability Standards and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	
Compliance	28,000	28,000	31,000	3,000	11%
Reliability Assessment and Performance Analysis (Alert)	20,000	20,000	8,000	(12,000)	-60%
Event Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	70,000	70,000	75,000	5,000	7%
Legal and Regulatory	-	-	10,000	10,000	
Information Technology	205,000	205,000	227,500	22,500	11%
Human Resources	-	-	-	-	
Accounting and Finance	5,000	5,000	2,000	(3,000)	-0.6
<b>Consultants Total</b>	<b>\$ 328,000</b>	<b>\$ 328,000</b>	<b>\$ 353,500</b>	<b>\$ 25,500</b>	<b>8%</b>
<b>Contracts</b>					
Outsource Standards Tracking Software Applications	\$ 13,236	\$ 13,236	\$ 13,236	-	0%
<b>Subtotal - Reliability Standards Contracts</b>	<b>\$ 13,236</b>	<b>\$ 13,236</b>	<b>\$ 13,236</b>	<b>-</b>	<b>0%</b>
Outsource Compliance Information Tracking Applications					
<b>Subtotal - Compliance and Organization Registration and Certification Contracts</b>	<b>\$ 83,000</b>	<b>\$ 83,000</b>	<b>\$ 83,000</b>	<b>-</b>	<b>0%</b>
<b>\$ 83,000</b>	<b>\$ 83,000</b>	<b>\$ 83,000</b>	<b>-</b>	<b>0%</b>	
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	\$ 25,400	\$ 25,400	\$ 28,235	2,835	11%
Model Building	30,100	30,100	20,000	(10,100)	-34%
PTI Software	23,200	23,200	23,200	-	0%
Data Collection Expansion	20,000	20,000	-	(20,000)	-100%
<b>Subtotal - Reliability Assessments Contracts</b>	<b>\$ 98,700</b>	<b>\$ 98,700</b>	<b>\$ 71,435</b>	<b>\$ (27,265)</b>	<b>-28%</b>
Cisco	25,000	25,000	25,000	-	0%
Barracuda	2,600	2,600	800	(1,800)	-69%
Domain Registration	500	500	(500)	-100%	
EFT Maintenance	7,200	7,200	7,500	300	4%
Symantec Antivirus	5,000	5,000	1,850	(3,150)	-63%
Varonis File Maintenance	8,500	8,500	8,500	-	0%
Net App Data Storage Maintenance	23,000	23,000	(23,000)	-100%	
Lyrus	1,300	1,300	4,050	2,750	212%
VMWare Support	14,000	14,000	30,000	16,000	114%
SmartPhone Maintenance	6,000	6,000	6,500	500	8%
Server Support	6,000	6,000	7,000	1,000	17%
Great Plains	4,000	4,000	4,000	-	0%
Comodo-Certificates	1,500	1,500	1,000	(500)	-33%
Lync Monitoring	-	-	14,400	14,400	
NetApp Multistore-Security software for SAN	8,000	8,000	9,000	1,000	13%
Load Balancer Support	5,500	5,500	5,500	-	0%
Network Monitor	3,300	3,300	700	(2,600)	-79%
Sonus HW Support	4,000	4,000	2,400	(1,600)	-40%
Anitspam Service	2,200	2,200	3,500	1,300	59%
<b>Subtotal - Information Technology Contracts</b>	<b>\$ 127,600</b>	<b>\$ 127,600</b>	<b>\$ 131,700</b>	<b>\$ 4,100</b>	<b>3%</b>
401K / 457b, 457f 3rd Party Administrator	-	-	-	-	
FSA 3rd Party Administrator	1,800	1,800	1,800	-	0%
Transportation 3rd Party Administrator	1,200	1,200	2,100	900	75%
Benefits 3rd Party Administrator	3,900	3,900	3,910	10	0%
Payroll 3rd Party Administrator	19,000	19,000	19,000	-	0%
HR-Employment Costs	-	53,000	-	-	
<b>Subtotal - HR and Finance Contracts</b>	<b>\$ 25,900</b>	<b>\$ 78,900</b>	<b>\$ 26,810</b>	<b>910</b>	<b>4%</b>
<b>Contracts Total</b>	<b>\$ 348,436</b>	<b>\$ 401,436</b>	<b>\$ 326,181</b>	<b>\$ (22,255)</b>	<b>-6%</b>
<b>Total Consulting and Contracts</b>	<b>\$ 676,436</b>	<b>\$ 729,436</b>	<b>\$ 679,681</b>	<b>\$ 3,245</b>	<b>0%</b>

Table B-6. Consultants and Contracts

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## **Explanation of Significant Variances – 2016 Budget versus 2015 Budget**

### **Reliability Standards Program, Organization Registration and Certification Program**

2016 Consultants and Contracts reflects a third party vendor's costs and will remain flat for the standards tracking software applications.

### **Compliance Monitoring and Enforcement Program**

2016 Consultants and Contracts reflects a third party vendor's annual escalation starting March 2016.

### **Reliability Assessment and Performance Analysis Program**

Consultants and contracts decrease in 2016 primarily because MRO removed the contingency dollars for model building cost over runs.

### **General and Administrative**

Increase in costs of the Office of Coordinated Activities for the Regional Entity Management Group. Associated costs are shared among the eight Regional Entities.

### **Legal and Regulatory**

Increase in communications training for staff involved in the outreach efforts.

### **Information Technology**

MRO uses contractors and consultants for technical assistance on network and security related projects, for real time network monitoring and for complex implementation and upgrade projects. In 2016 the focus will be on additional SharePoint development for business improvement projects and outreach, as well as ongoing security risk evaluation and related mitigation projects.

### **Human Resources, Finance and Accounting**

Consultants and Contracts decrease slightly in 2016.

Table B-7 lists the budget for Office Rent.

Office Rent	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Office Rent	\$ 490,000	\$ 490,000	\$ 633,946	\$ 143,946	29.4%
Utilities	6,000	6,000	8,000	2,000	33.3%
Maintenance	5,000	5,000	7,000	2,000	40.0%
Office Cleaning	-	-	-	-	
Waste Management	-	-	-	-	
<b>Total Office Rent</b>	<b>\$ 501,000</b>	<b>\$ 501,000</b>	<b>\$ 648,946</b>	<b>\$ 147,946</b>	<b>29.53%</b>

**Table B-7. Office Rent**

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

2016 annual lease cost has an increase of \$147,545 reflecting the expansion increase of 6,409 square feet. The office rent increase is offset by workshop savings of \$72,250.

### Facilities Expansion

- Internal office space at 93%; little future flexibility
- Conference area utilization very high
- Continue to insource meetings at substantial “out of pocket” and productivity savings

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Phone Service					
Data Circuit (qmoe)	\$ 60,000	\$ 60,000	\$ 66,000	\$ 6,000	10.00%
Data Circuit (dsl)	-	-	-	-	
Voice Circuits	14,000	14,000	18,000	4,000	28.57%
Business Cable	2,000	2,000	2,000	-	0.00%
Internet Service Provider	23,800	23,800	19,000	(4,800)	-20.17%
Internet/Cell	47,291	47,291	49,383	2,092	4.42%
Office Supplies	24,000	24,000	24,450	450	1.88%
Employee Member Events	15,000	15,000	15,000	-	0.00%
Employee Related Expense (Drug Testing, Finder Fees Etc)	9,500	9,500	13,000	3,500	36.84%
Computer Supplies and Maintenance	61,300	61,300	67,000	5,700	9.30%
Publications & Subscriptions	5,900	5,900	6,700	800	13.56%
Professional Dues	17,850	17,850	16,120	(1,730)	-9.69%
Postage	2,700	2,700	2,700	-	0.00%
Temporary Services	-	-	-	-	
Finance-Filing/Reg Fees	7,000	7,000	5,000	(2,000)	-28.57%
Equipment Repair/Service Contracts	28,150	28,150	14,050	(14,100)	-50.09%
Bank Charges	18,600	18,600	23,000	4,400	23.66%
Sales & Use Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity & Supplies Promotional	5,000	5,000	2,000	(3,000)	-60.00%
Departmental Functional Training	147,800	147,800	134,415	(13,385)	-9.06%
Insurance Expense	50,000	50,000	57,000	7,000	14.00%
<b>Total Office Costs</b>	<b>\$ 539,891</b>	<b>\$ 539,891</b>	<b>\$ 534,818</b>	<b>\$ (5,073)</b>	<b>-0.94%</b>

**Table B-8. Office Costs**

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

#### Information Technology

- Equipment repair service contract costs
- MRO moved the disaster recovery site to a new location that is more secure with less cost.

#### Human Resources, Finance and Accounting

- Training costs are reduced in 2016. Staff is encouraged if possible to take training locally. Additionally, if staff has more than one certification or required CEUs in more than one area, they are strongly encouraged to seek training opportunities that can be applied to more than one area. Both activities help reduce the overall training costs.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
Independent Trustee Fees	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	0.00%
Outside Legal	40,000	40,000	65,000	\$ 25,000	62.50%
Accounting and Auditing Fees	28,500	44,500	28,500	\$ -	0.00%
Actuarial Fees	25,000	25,000	25,000	\$ -	0.00%
<b>Total Services</b>	<b>\$ 193,500</b>	<b>\$ 209,500</b>	<b>\$ 218,500</b>	<b>\$ 25,000</b>	<b>12.92%</b>

**Table B-9. Professional Services**

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

2016 professional services increase in the outside legal costs due to hearing body training, which is not held annually but rather when deemed necessary.



Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	-
					-
					-
<b>Total Miscellaneous Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>100.00%</b>

Table B-10. Miscellaneous

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

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

Other Non-Operating Expenses	Budget 2015	Projection 2015	Budget 2016	Variance 2016 Budget v 2015 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>100.00%</b>

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

**Explanation of Significant Variances – 2016 Budget versus 2015 Budget**

Table B-12 lists the budget for Fixed Assets.

<b>Fixed Assets</b>	<b>2015 Budget</b>	<b>2015 Projection</b>	<b>2016 Budget</b>	<b>Variance 2016 Budget v 2015 Revised Budget</b>	<b>Variance %</b>
Depreciation	\$ (521,000)	\$ (521,000)	\$ (480,722)	\$ 40,278	-7.7%
Computer Equipment	316,800	366,800	317,500	700	0.2%
Capitalized Software	20,000	-	-	(20,000)	-100.0%
Furniture and Equipment	-	-	-	-	
Leasehold Improvements	-	-	467,000	467,000	
<b>Total Change in Fixed Assets</b>	<b>\$ (184,200)</b>	<b>\$ (134,200)</b>	<b>\$ 303,778</b>	<b>\$ 487,978</b>	<b>-264.9%</b>

Table B-12. Fixed Assets

### Explanation of Significant Variances – 2016 Budget versus 2015 Budget

#### Depreciation/Computer Equipment/Capitalization Software

2016 costs decrease as fewer equipment purchases were made in 2014 and 2015. More focus is placed on IT system and infrastructure maintenance.

#### Leasehold Improvements

MRO is at 93% capacity for staff and its conference facilities are frequently at capacity. To resolve the capacity issues, additional space will be leased to accommodate MRO's current and future needs. The one-time capital cost in 2016 is \$357k with an annual operations impact, net of savings, of \$133k.

#### Facilities Expansion

- Internal office space at 93%; little future flexibility
- Conference area utilization very high
- Continue to insource meetings at substantial "out of pocket" and productivity savings

Table B-13 compares the 2016 budget with projections for 2017-2018.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2017 and 2018 Projections							
	2016 Budget	2017 Projection	\$ Change 17 v 16	% Change 17 v 16	2018 Projection	\$ Change 18 v 17	% Change 18 v 17
<b>Funding</b>							
<b>ERO Funding</b>							
NERC Assessments	\$ 10,901,312	\$ 11,214,270	\$ 312,958	2.87%	\$ 11,550,698	\$ 336,428	2.9%
Penalty Sanctions	126,500	-	(126,500)	-100.00%	-	-	
<b>Total NERC Funding</b>	<b>\$ 11,027,812</b>	<b>\$ 11,214,270</b>	<b>\$ 186,458</b>	<b>1.7%</b>	<b>\$ 11,550,698</b>	<b>\$ 336,428</b>	<b>2.9%</b>
Membership Dues	-	-	-	-	-	-	
Testing Fees	-	-	-	-	-	-	
Services & Software	-	-	-	-	-	-	
Workshops	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	
Miscellaneous	-	-	-	-	-	-	
<b>Total Funding (A)</b>	<b>\$ 11,027,812</b>	<b>\$ 11,214,270</b>	<b>\$ 186,458</b>	<b>1.7%</b>	<b>\$ 11,550,698</b>	<b>\$ 336,428</b>	<b>3.0%</b>
<b>Expenses</b>							
<b>Personnel Expenses</b>							
Salaries	\$ 5,682,871	\$ 5,853,357	\$ 170,486	3.0%	\$ 6,028,958	\$ 175,601	3.0%
Payroll Taxes	361,827	372,682	10,855	3.0%	383,862	11,180	3.0%
Benefits	582,253	599,721	17,468	3.0%	617,712	17,992	3.0%
Retirement Costs	1,094,515	1,127,350	32,835	3.0%	1,161,171	33,821	3.0%
<b>Total Personnel Expenses</b>	<b>\$ 7,721,466</b>	<b>\$ 7,953,110</b>	<b>\$ 231,644</b>	<b>3.0%</b>	<b>\$ 8,191,703</b>	<b>\$ 238,593</b>	<b>3.0%</b>
<b>Meeting Expenses</b>							
Meetings	\$ 85,500	\$ 88,065	\$ 2,565	3.0%	\$ 90,707	\$ 2,642	3.0%
Travel	626,730	645,532	18,802	3.0%	664,898	19,366	3.0%
Conference Calls	54,500	56,135	1,635	3.0%	57,819	1,684	3.0%
<b>Total Meeting Expenses</b>	<b>\$ 766,730</b>	<b>\$ 789,732</b>	<b>\$ 23,002</b>	<b>3.0%</b>	<b>\$ 813,424</b>	<b>\$ 23,692</b>	<b>3.0%</b>
<b>Operating Expenses</b>							
Consultants & Contracts	\$ 679,681	\$ 700,071	\$ 20,390	3.0%	\$ 721,074	\$ 21,002	3.0%
Office Rent	648,946	668,414	19,468	3.0%	688,467	20,052	3.0%
Office Costs	534,818	550,863	16,045	3.0%	567,388	16,526	3.0%
Professional Services	218,500	225,055	6,555	3.0%	231,807	6,752	3.0%
Miscellaneous	-	-	-	-	-	-	
Depreciation	480,722	495,144	14,422	3.0%	509,998	14,854	3.0%
<b>Total Operating Expenses</b>	<b>\$ 2,562,667</b>	<b>\$ 2,639,547</b>	<b>\$ 76,880</b>	<b>3.0%</b>	<b>\$ 2,718,733</b>	<b>\$ 79,186</b>	<b>3.0%</b>
<b>Total Direct Expenses</b>	<b>\$ 11,050,863</b>	<b>\$ 11,382,389</b>	<b>\$ 331,526</b>	<b>3.0%</b>	<b>\$ 11,723,861</b>	<b>\$ 341,472</b>	<b>3.0%</b>
<b>Indirect Expenses</b>	\$ -	\$ -	\$ -		\$ -	\$ -	
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -		\$ -	\$ -	
<b>Total Expenses (B)</b>	<b>\$ 11,050,863</b>	<b>\$ 11,382,389</b>	<b>\$ 331,526</b>	<b>3.0%</b>	<b>\$ 11,723,861</b>	<b>\$ 341,472</b>	<b>3.0%</b>
<b>Change in Assets</b>	<b>\$ (23,051)</b>	<b>\$ (168,119)</b>	<b>\$ (145,068)</b>	<b>629.3%</b>	<b>\$ (173,163)</b>	<b>\$ (5,044)</b>	<b>3.0%</b>
<b>Fixed Assets</b>							
Depreciation	\$ (480,722)	\$ (495,144)	\$ (14,422)	3.0%	\$ (509,998)	\$ (14,854)	3.0%
Computer & Software CapEx	317,500	327,025	9,525	3.0%	336,836	9,811	3.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	
Leasehold Improvements	467,000	-	(467,000)	-100.0%	-	-	
Allocation of Fixed Assets							
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ 303,778</b>	<b>\$ (168,119)</b>	<b>\$ (471,897)</b>	<b>-155.3%</b>	<b>\$ (173,162)</b>	<b>\$ (5,044)</b>	<b>0.0%</b>
<b>TOTAL BUDGET (=B + C)</b>	<b>\$ 11,354,641</b>	<b>\$ 11,214,270</b>	<b>\$ (140,371)</b>	<b>-1.2%</b>	<b>\$ 11,550,698</b>	<b>\$ 341,472</b>	<b>3.0%</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>\$ (326,829)</b>	<b>\$ -</b>	<b>\$ 326,829</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>46.5%</b>
<b>FTEs</b>	43.00	43.00	-		42.50	(1)	

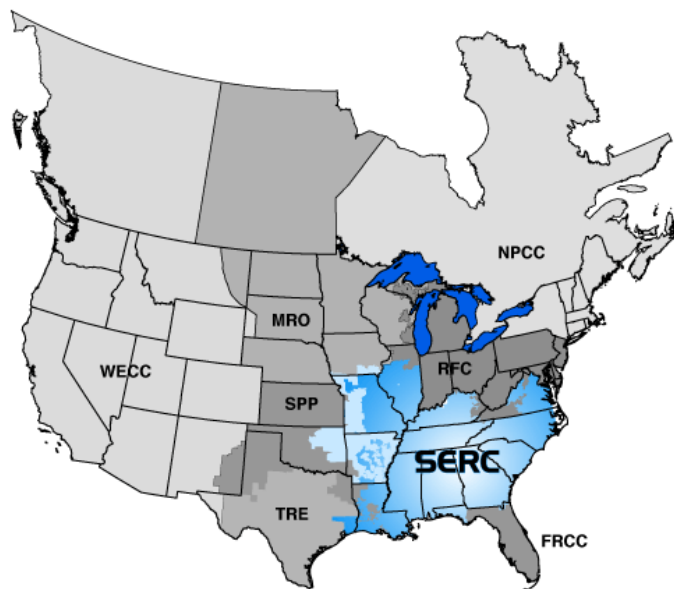
Table B-13. Budget 2016 Compared with 2017-2018 Projections

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# Section C – Non-Statutory Activities

## 2016 Business Plan and Budget

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## Section C – Non-Statutory Activities

### 2016 Non-Statutory Business Plan and Budget

Paragraph

The following table lists the Non-Statutory Activities budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2015 Budget & Projection, and 2016 Budget					
NON-STATUTORY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions		\$ -	\$ -	-	-
<b>Total NERC Funding</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues				-	-
Testing Fees			-	-	-
Services & Software			-	-	-
Workshops			-	-	-
Interest			-	-	-
Miscellaneous			-	-	-
<b>Total Funding (A)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries				\$ -	\$ -
Payroll Taxes				-	-
Benefits				-	-
Retirement Costs				-	-
<b>Total Personnel Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Meeting Expenses</b>					
Meetings					
Travel					
Conference Calls					
<b>Total Meeting Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating Expenses</b>					
Consultants & Contracts					
Office Rent					
Office Costs					
Professional Services					
Miscellaneous					
Depreciation					
<b>Total Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Direct Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Indirect Expenses</b>					
		\$ -	\$ -	\$ -	\$ -
<b>Other Non-Operating Expenses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Expenses (B)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Change in Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fixed Assets</b>					
Depreciation	-	-	-	-	-
Computer & Software CapEx					
Furniture & Fixtures CapEx					
Equipment CapEx					
Leasehold Improvements					
Allocation of Fixed Assets	\$ -	\$ -	\$ -	-	\$ -
<b>Inc(Dec) in Fixed Assets ( C )</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL BUDGET (=B + C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FTEs

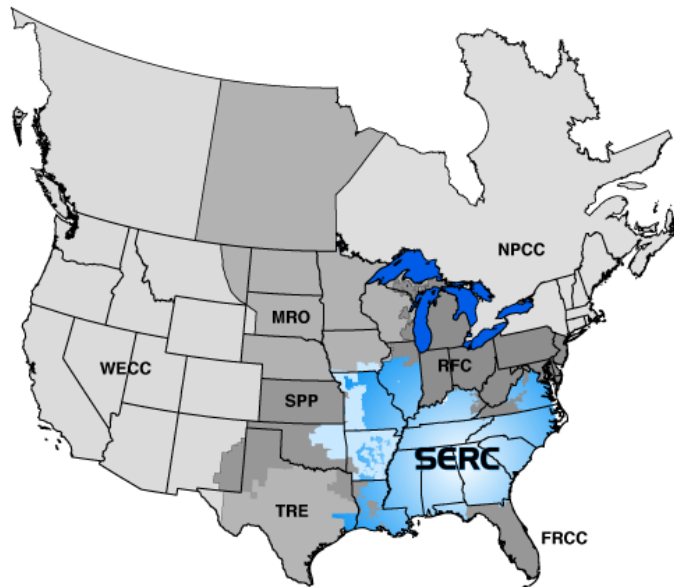
**Table C-1. Non-Statutory Activities Budget**

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# Section D – Additional Consolidated Financial Statements

## 2016 Business Plan and Budget

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# Section D – Additional Consolidated Financial Statements

## 2016 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2016 Business Plan and Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement											
				Statutory Total	Reliability Standards and Organization Registration and Certification (Section 300 & 500)	Compliance (Section 400)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 600&900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
					300 & 500		800		1000						
<b>Funding</b>															
<b>ERO Funding</b>															
NERC Assessments	10,901,312	10,901,312	-	10,901,312	675,997	7,214,585	2,729,484	483,643	124,433				(326,829)		
Penalty Sanctions	126,500	126,500	-	126,500	8,210	82,725	29,261	5,214	1,090						
<b>Total NERC Funding</b>	<b>11,027,812</b>	<b>11,027,812</b>	-	<b>11,027,812</b>	<b>684,207</b>	<b>7,297,310</b>	<b>2,758,745</b>	<b>488,857</b>	<b>125,523</b>	-	-	-	<b>(326,829)</b>	-	
Membership Dues	-	-	-	-	-	-	-	-	-						
Testing Fees	-	-	-	-	-	-	-	-	-						
Services & Software	-	-	-	-	-	-	-	-	-						
Workshops	-	-	-	-	-	-	-	-	-						
Interest	-	-	-	-	-	-	-	-	-						
Miscellaneous	-	-	-	-	-	-	-	-	-						
<b>Total Funding (A)</b>	<b>11,027,812</b>	<b>11,027,812</b>	-	<b>11,027,812</b>	<b>684,207</b>	<b>7,297,310</b>	<b>2,758,745</b>	<b>488,857</b>	<b>125,523</b>	-	-	-	<b>(326,829)</b>	-	
<b>Expenses</b>															
<b>Personnel Expenses</b>															
Salaries	5,682,871	5,682,871	-	5,682,871	235,577	2,888,818	997,720	180,187	41,582	-	422,618	193,551	334,488	388,330	
Payroll Taxes	361,827	361,827	-	361,827	14,726	188,646	64,905	9,800	2,763	-	21,172	9,185	24,454	26,176	
Benefits	582,253	582,253	-	582,253	28,571	288,012	101,421	18,280	3,927	-	35,341	11,780	44,143	50,778	
Retirement Costs	1,094,515	1,094,515	-	1,094,515	53,266	496,769	229,851	31,896	9,140	-	89,526	36,383	69,198	78,486	
<b>Total Personnel Expenses</b>	<b>7,721,466</b>	<b>7,721,466</b>	-	<b>7,721,466</b>	<b>332,140</b>	<b>3,862,245</b>	<b>1,393,897</b>	<b>240,163</b>	<b>57,412</b>	-	<b>568,657</b>	<b>250,899</b>	<b>472,283</b>	<b>543,770</b>	
<b>Meeting Expenses</b>															
Meetings	85,500	85,500	-	85,500	2,000	7,250	18,600	28,800	200	-	28,000	150	-	500	
Travel	626,730	626,730	-	626,730	37,200	181,800	202,000	33,200	22,000	-	113,000	23,500	8,000	6,030	
Conference Calls	54,500	54,500	-	54,500	-	53,600	-	400	-	-	-	-	-	-	
<b>Total Meeting Expenses</b>	<b>766,730</b>	<b>766,730</b>	-	<b>766,730</b>	<b>39,200</b>	<b>242,650</b>	<b>220,600</b>	<b>62,000</b>	<b>22,600</b>	-	<b>141,500</b>	<b>23,650</b>	<b>8,000</b>	<b>6,530</b>	
<b>Operating Expenses</b>															
Consultants & Contracts	679,681	679,681	-	679,681	13,236	114,000	79,435	-	-	-	75,000	10,000	359,200	28,810	
Office Rent	648,946	648,946	-	648,946	-	-	-	-	-	-	-	-	-	648,946	
Office Costs	534,818	534,818	-	534,818	5,658	91,395	17,100	-	6,500	-	32,000	8,065	209,550	164,550	
Professional Services	218,500	218,500	-	218,500	-	25,000	-	-	-	-	-	140,000	-	53,500	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	480,722	480,722	-	480,722	-	-	-	-	-	-	-	-	480,722	-	
<b>Total Operating Expenses</b>	<b>2,562,667</b>	<b>2,562,667</b>	-	<b>2,562,667</b>	<b>18,894</b>	<b>230,395</b>	<b>96,535</b>	-	<b>6,500</b>	-	<b>107,000</b>	<b>158,065</b>	<b>1,049,472</b>	<b>895,806</b>	
<b>Total Direct Expenses</b>	<b>11,050,863</b>	<b>11,050,863</b>	-	<b>11,050,863</b>	<b>390,234</b>	<b>4,335,290</b>	<b>1,711,032</b>	<b>302,163</b>	<b>86,512</b>	-	<b>817,157</b>	<b>432,614</b>	<b>1,529,755</b>	<b>1,446,106</b>	
<b>Indirect Expenses</b>	-	-	-	-	274,257	2,763,363	977,445	174,172	36,394	-	(817,157)	(432,614)	(1,529,755)	(1,446,106)	
<b>Other Non-Operating Expenses</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Expenses (B)</b>	<b>11,050,863</b>	<b>11,050,863</b>	-	<b>11,050,863</b>	<b>664,491</b>	<b>7,098,653</b>	<b>2,688,477</b>	<b>476,335</b>	<b>122,906</b>	-	-	-	-	-	
<b>Change in Assets</b>	<b>(23,051)</b>	<b>(23,051)</b>	-	<b>(23,051)</b>	<b>19,716</b>	<b>198,656</b>	<b>70,268</b>	<b>12,521</b>	<b>2,616</b>	-	<b>(326,829)</b>	-	-	-	
<b>Fixed Assets</b>															
Depreciation	(480,722)	(480,722)	-	(480,722)	-	-	-	-	-	-	-	-	(480,722)	-	
Computer & Software CapEx	317,500	317,500	-	317,500	-	-	-	-	-	-	-	-	317,500	-	
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Leasehold Improvements	467,000	467,000	-	467,000	-	-	-	-	-	-	-	-	-	467,000	
<b>Allocation of Fixed Assets</b>	-	-	-	-	19,716	198,656	70,268	12,521	2,616	-	-	-	163,222	(467,000)	
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>303,778</b>	<b>303,778</b>	-	<b>303,778</b>	<b>19,716</b>	<b>198,656</b>	<b>70,268</b>	<b>12,521</b>	<b>2,616</b>	-	-	-	-	-	
<b>TOTAL BUDGET (=B + C)</b>	<b>11,354,641</b>	<b>11,354,641</b>	-	<b>11,354,641</b>	<b>684,207</b>	<b>7,297,310</b>	<b>2,758,745</b>	<b>488,857</b>	<b>125,523</b>	-	-	-	-	-	
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>(326,829)</b>	<b>(326,829)</b>	-	<b>(326,829)</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	-	-	-	<b>(326,829)</b>	-	-	-	
<b>FTEs</b>	<b>43.00</b>	<b>43.00</b>	-	<b>43.00</b>	<b>2.11</b>	<b>21.26</b>	<b>7.52</b>	<b>1.34</b>	<b>0.28</b>	-	<b>2.61</b>	<b>0.87</b>	<b>3.26</b>	<b>3.75</b>	



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

## Statement of Financial Position

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

- As of December 31, 2014, per audit
- As of December 31, 2015, projected
- As of December 31, 2016, as budgeted

Statement of Financial Position				
2013 Audited, 2014 Projection, and 2015 Budget				
STATUTORY				
		(Per Audit)	Projected	Budget
		31-Dec-13	31-Dec-14	31-Dec-15
<b>ASSETS</b>				
Cash		3,739,705	2,364,464	2,500,964
Restricted Cash		136,516	136,500	395,000
Other Receivables		34,726	-	-
Prepaid expenses and other current assets		263,633	138,237	138,237
Security deposit		39,858	39,858	39,858
Restricted Cash - non-current		320,013	-	-
Property and equipment and capitalized software		1,380,789	1,437,129	1,336,629
Total Assets		<b>5,915,240</b>	<b>4,116,188</b>	<b>4,410,688</b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable and accrued expenses		1,390,156	1,437,500	2,340,168
Postretirement medical benefit obligation		153,171	478,064	357,946
Deferred assessments - non-current		320,013	-	-
Deferred rent - non-current		309,572	439,174	439,174
Total Liabilities		<b>2,172,912</b>	<b>2,354,738</b>	<b>3,137,288</b>
Net Assets - unrestricted		3,742,327	1,761,450	1,273,400
Total Liabilities and Net Assets		<b>5,915,239</b>	<b>4,116,188</b>	<b>4,410,688</b>

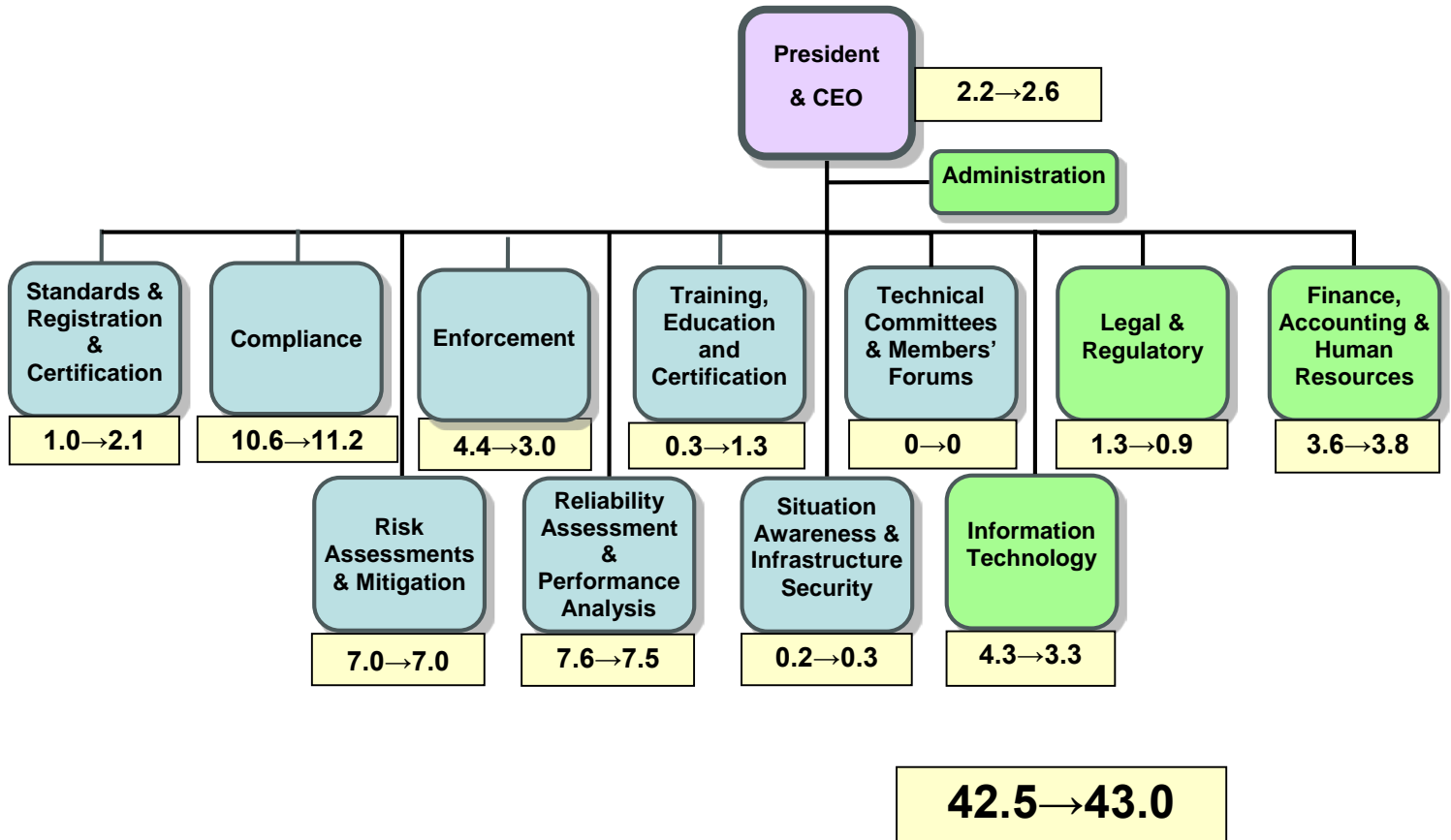
Table D-2. Statement of Financial Position, Three-Year Comparison

# Appendix A

## Organization Chart

The MRO Organization Chart is shown below.

**2015 to 2016 Full Time Equivalent (FTE) Comparison Organization Chart**



**FTE Trend from 2014 to 2018**

2014	2015	2016	2017 Estimate	2018 Estimate
40.75	42.5	43.0	43.0	43.0

Figure 2. Organization Chart

# Appendix B

## Acronyms

This section lists acronyms used in this document.

Acronym	Definition

## Appendix C

### Index of Figures and Tables

#### List of Figures [Select this section and click F9 to update.]

Figure 1.	Budget by Program Area Chart.....	13
Figure 2.	Organization Chart.....	74

#### List of Tables [Select this section and click F9 to update.]

Table 1.	MRO Budget for 2016 .....	3
Table 2.	Budget by Program Area .....	13
Table 3.	Total FTEs by Program Area .....	14
Table 4.	Budget and Projection Comparison, 2015 to 2016 .....	15
Table A-1.	Reliability Standards Budget.....	17
Table A-2.	Reliability Standards Budget Detail.....	21
Table A-3.	Compliance Monitoring and Enforcement and Organization Registration and Certification Budget.....	22
Table A-4.	Compliance Monitoring and Enforcement and Organization Registration and Certification Budget Detail.....	28
Table A-5.	Reliability Assessments and Performance Analysis (RAPA) Budget .....	29
Table A-6.	Reliability Assessment and Performance Analysis Budget Detail .....	32
Table A-7.	Training, Education, and Operator Certification Budget .....	33
Table A-8.	Training, Education, and Operator Certification Budget Detail .....	35
Table A-9.	Situation Awareness and Infrastructure Security Budget .....	36
Table A-10.	Situation Awareness and Infrastructure Security Budget Detail .....	38
Table A-11.	Administrative Services Budget .....	39
Table A-12.	Technical Committees and Member Forums Budget .....	40
Table A-13.	Technical Committees and Member Forums Budget Detail .....	41
Table A-14.	General and Administrative Budget .....	42
Table A-15.	General and Administrative Budget Detail.....	44
Table A-16.	Legal and Regulatory Budget .....	45
Table A-17.	Legal and Regulatory Budget Detail .....	47
Table A-18.	Information Technology Budget.....	48
Table A-19.	Information Technology Budget Detail.....	50
Table A-20.	Human Resources Budget.....	51
Table A-21.	Human Resources Budget Detail.....	53
Table A-22.	Finance and Accounting Budget .....	<b>Error! Bookmark not defined.</b>
Table A-23.	Finance and Accounting Budget Detail.....	<b>Error! Bookmark not defined.</b>
Table B-1.	Working Capital Reserve Analysis 2015 - 2016 .....	55
Table B-2.	Penalty Sanctions Received .....	56
Table B-3.	Supplemental Funding .....	57
Table B-4.	Personnel Expenses .....	58
Table B-5.	Meeting Expenses.....	59
Table B-6.	Consultants and Contracts.....	60
Table B-7.	Office Rent .....	62
Table B-8.	Office Costs.....	63
Table B-9.	Professional Services.....	64
Table B-10.	Miscellaneous .....	65
Table B-11.	Other Non-Operating Expenses.....	66
Table B-12.	Fixed Assets.....	67
Table B-13.	Budget 2016 Compared with 2017-2018 Projections .....	68
Table C-1.	Non-Statutory Activities Budget .....	70
Table D-1.	Consolidated Statements of Activities by Program, Statutory and Non-Statutory .....	73
Table D-2.	Statement of Financial Position, Three-Year Comparison.....	73