



MIDWEST RELIABILITY ORGANIZATION

2014 Business Plan and Budget

Draft 1.0

Approved by:
MRO Board of Directors

Date: ~~May 3~~
June 27, 2013

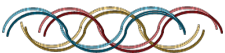


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Summary of Financials and Resources

TOTAL RESOURCES (in whole dollars)				
	2014 Budget	U.S.	Canada	Mexico
Statutory FTEs	40.75			
Non-statutory FTEs				
Total FTEs	40.75			
Statutory Expenses	\$ 9,845,299			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 9,845,299			
Statutory Inc(Dec) in Fixed Assets	\$ (100,500)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (100,500)			
Statutory Working Capital Requirement	\$ (866,855)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (866,855)			
Total Statutory Funding Requirement	\$ 8,877,944			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 8,877,944			
Statutory Funding Assessments	\$ 8,877,944			
Non-Statutory Fees				
NEL	232,953,703	238,655,688	44,298,015	-
NEL%	100.00%	84.34%	15.66%	0.00%

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Total Statutory Funding Requirement	\$ 8,877,944			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 8,877,944			
Statutory Funding Assessments	\$ 8,877,944			
Non-Statutory Fees				
NEL	284,519,075	239,585,401	44,933,674	-
NEL%	100.00%	84.21%	15.79%	0.00%

Midwest Reliability Organization (“MRO”) 2014 Business Plan and Budget has been developed by MRO staff. The plan and budget ~~are subject to~~ have been approved by the MRO Board of Directors (“Board”) ~~approval and~~ following stakeholder review.

I. Organizational Overview

Under section 215(e)(4) of the Federal Power Act (FPA), the Commission approved NERC’s delegation of certain statutory functions, i.e., functions performed pursuant to FPA section 215, to the Regional Entities. NERC executed a 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. MRO’s delegated functions under the 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, ~~Situational~~ Situation Awareness, and Infrastructure Security.

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2. Statutory Activities

2. Development Governance

Membership in MRO is voluntary and ~~Proposal~~free, affording organizations the opportunity to participate in the technical activities and governance of the organization. MRO has approximately fifty members.

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The governance structure of MRO is a hybrid stakeholder board with two independent directors. 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 Standards and Organization ~~Registration and Certification~~. The Board has four committees;

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MRO participates in the NERC reliability standards development process. MRO also has a regional approval process for the possible development of regional reliability standards. MRO's Standards Committee administers a regional standards program, educates stakeholders regarding the applicability of reliability standards, and provides input to the NERC standards development process.

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MRO also certifies entities serving as Reliability Coordinators and Transmission System Operators of the Bulk Power System (BPS). MRO maintains a registry of all owners, operators, and users of the BPS in the MRO region. Additionally, MRO staff conducts and assists NERC staff with certifications for NERC functions.

Compliance Monitoring Enforcement Program (CMEP)

Process Overview

MRO has split the CMEP function into three distinct steps: Compliance Monitoring, Risk Assessment and Mitigation, and Enforcement, each performed by its own personnel within MRO. Compliance Monitoring staff conducts audits and spot checks of compliance with reliability standards by registered entities. Risk Assessment and Mitigation undertakes an independent review of the facts and circumstances surrounding each violation discovered by Compliance Monitoring and then determine whether sufficient evidence supports each Possible Violation (PV). ~~Risk Assessment and Mitigation works with the registered entity to develop an effective mitigation plan in the event that a violation is confirmed.~~ Confirmed violations move to the Enforcement department staff, who review recommendations made by Risk Assessment and Mitigation staff, verify all relevant facts, and evaluate appropriate enforcement actions.

~~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.~~

Compliance

MRO determines compliance with NERC reliability standards through monitoring activities, mainly audits and spot checks, of registered entities within the MRO region.

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Risk Assessment and Mitigation

Upon discovery of a possible reliability standard violation, MRO evaluates the risk posed by the violation to the BPS, and reviews and assesses the mitigation plan developed by the registered entity to ensure that the plan will mitigate and prevent reoccurrence of the violation.

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Enforcement

~~MRO evaluates facts and circumstances surrounding possible reliability standard violations and determines appropriate enforcement actions to assess. 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 Board. Enforcement determinations are submitted by MRO staff to NERC for approval.~~

Reliability Assessment and Performance Analysis

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

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 four standing committees:

- 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 Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups).¹

3. 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 Rules of Procedure.
2. Perform seasonal-and, long-term-reliability, and other assessments of the MRO reliability.

¹ 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

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3. Provide independent technical analysis of systems 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. Other services consistent with its reliability charter, delegation agreement and the Rules of Procedure.

MRO provides a transparent, effective, and efficient reliability organization across a broad geographic region with open meetings and an inclusive standard setting process:

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-RAPA staff also assembles modeling data and prepares models must have the ability and means to represent its own regional reliability interests for the benefit of the region users, owners, and operators of the bulk electric system and the public it serves as a Cross Border Regional Entity (CBRE) under the final reliability rule and consistent with the Bilateral Principles.

The 2014 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 and in Manitoba pursuant to the Manitoba Hydro-Act (2012).
- Propose standards 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.

3.4. Budget, Accounting, and Recordkeeping

Budgeting

MRO prepares an annual Business Plan and Budget each calendar year. The development of

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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 (namely, the stakeholder Board members). 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.

MRO's approach to budget development is an aggregation of a "top-down" and a "bottom-up" approach. The top-down approach is initiated by MRO's CEO, who determines budget figures on a big picture scale using his own estimates for MRO's needs for the current year. 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. The bottom-up figures from all departments are then aggregated and reconciled with the CEO's top-down budget figures. Actual costs from the previous year are obtained from MRO's general ledger to [help](#) determine bottom-up budget figures for the coming year.

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 for funding necessary to maintain or restore MRO's ~~cash reserve to the amount of MRO's operating and working capital reserves.~~ The operating and working capital reserves shall be identified and quantified each year in the business plan and budget submitted first to the Finance and Audit Committee (FAC) for review and then to the Board for approval.

Upon completion, the Business Plan and Budget is reviewed by the FAC of MRO's Board. The Business Plan and Budget is then sent to the Board for approval. Once approved by the Board and its Stakeholders, the plan is submitted to NERC 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 (GAAP) 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 employees (FTEs) in each program area.

4.5. 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. MRO departments are organized around the NERC System of Accounts. 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” program area to which they are assigned. However, most MRO employees work in multiple program areas. For instance, employees whose home program 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 are anticipated to work.

The Compliance department encompasses MRO’s reliability audit, spot checks and self-certification activities.

The Risk Assessment and Mitigation and Registration and Reliability Standards functions are housed under one Vice President who oversees the two departments.

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 staff.

MRO’s Operations department houses its reliability assessment, performance analysis, event analysis, situational situation awareness, infrastructure security, and IT functions. This department is headed by a Vice President.

MRO’s General Counsel/External Affairs department provides legal advice to MRO on an as-needed basis. This department also handles certain communications with NERC, other regions, and other external parties.

MRO’s Finance and Administration department performs human resources, accounting, finance, budget, and treasury functions.

5.6. 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 approval.

MRO employees travel to conduct audits, perform reliability assessments, and attend industry meetings and training. MRO’s Expense Statement Guidelines (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.

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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 MRO's 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.

MRO utilizes a time-tracking and reporting system for its employees. The software allows employees to track their labor hours by program area, project, NERC account, and registered entity. New employees are trained on MRO's time-tracking polices and systems upon hiring. Non-labor employee costs are also coded by program area, project, NERC account, and Registered Entity.

6.7. Compensation Process

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.

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7.8. Other Personnel Costs and Policies

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.

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9. 2014 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 located in Exhibit A of NERC's 2014 Business Plan and Budget.

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10. 2014 Goals and Key Deliverables

The vision of MRO is to oversee a reliable regional Bulk Electric System in North America. MRO's purpose is to strive to assure each Bulk Electric System owner, operator, and planner within the region is a highly effective reliable 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

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<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. Work with NERC and the other Regions for closer coordination within the Eastern Interconnection and North America.
2. Work with Registered Entities to address reliability risks and communicate lessons learned and trends from events, assessments, technical analysis, compliance, and enforcement activities analysis in a timely, transparent manner.
3. Work with stakeholders to develop guidance for Registered Entities on Reliability Standards and model controls and procedures to assure compliance with the requirements.
4. Work with NERC and Stakeholders to establish key indicators of reliable and secure performance.
5. Establish internal metrics for effectiveness and efficiency of key program areas.
6. Develop regulatory scope around risk.

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 2014 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 Regional Entities regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness, including factors affecting resource needs beyond the 2014 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 2014 Business Plan and Budget incorporate assumptions affecting resource demands through the 2016 planning horizon. NERC and the Regional Entities 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 Regional Entities to improve the overall effectiveness and efficiency of operations.

11.10-2014 Overview of Cost Impacts

MRO proposes to increase its operating budget from \$9.28 million to \$9.74 million, an increase of \$461,269. Due to an expected increase in the collection of applicable penalties and change in working capital, funding assessments will decrease by \$347,480 or 3.82%.

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Operational Programs

Funding Requirements — Explanation of Increase (Decrease)

Standards and Organization Registration and Certification

For 2014, MRO will maintain flat staffing levels in the Standards area. 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.

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Compliance Monitoring and Enforcement Program

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

Compliance

The mission of the compliance staff is to conduct audits, spot checks, ~~and maintain accurate registrations.~~ Budgeted costs for this program will decrease in 2014.

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Risk Assessment and Mitigation

Risk Assessment and Mitigation undertakes an independent review of the facts and circumstances surrounding each potential violation discovered by Compliance Monitoring, and then determines whether sufficient evidence supports each Possible Violation (PV). Risk Assessment and Mitigation works with the registered entity to develop an effective mitigation plan in the event that a violation is confirmed. This program conducts risk assessment of any “findings” from compliance audit staff or from self reports. This includes a validation of any “findings” of possible violations. Also, this program works with Registered Entities on comprehensive mitigation plans. Finally, this program handles investigations. MRO is anticipating an increase in costs for this program in 2014 and has budgeted for the same.

Enforcement

After a risk assessment is complete, and facts and circumstances confirmed, possibleConfirmed violations are turned over 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 Board. Enforcement determinations are submitted by MRO staff to NERC for approval. Costs for this program are budgeted to increase in 2014.

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 RAPA staff continues to independently assess the work of the planning coordinators in their seasonal and long term reliability assessments. Staff also assembles modeling data for the Region and works with several other Regions to prepare Eastern Interconnection models. In addition, staff reviews event analysis reports and protection system mis-operations reports prepared by registered entities to ensure complete analysis and to maintain various performance metrics. Staff performs other technical analysis such as implementation of the BES definition and participates on regional and NERC technical committees and working groups.

Training and Education

MRO will provideprovides training to Registered Entities through workshops, presentation opportunities at industry meetings, and by providing lessons learned in MRO’s newsletter and other publications. Through the MRO Standards Committee, Subject Matter Expert (“SME”) teams have been established to provide training on best practices and model programs for compliance, operations, and Critical Infrastructure Protection (“CIP”).

Reliability Assessment and Performance Analysis

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~~In 2014, MRO staff and representatives from Registered Entities will continue to participate in Eastern Interconnection modeling efforts through the Eastern Interconnection Reliability Assessment Groups (“ERAG”) and other stakeholder groups. MRO reimburses those individuals who represent MRO in the ERAG, and other stakeholders groups for approved travel expenses. In addition, MRO staff will continue to independently assess the work from registered entities in long term and other assessments. MRO expects a slight increase in the costs of this program in 2014.~~

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Situation Awareness & Infrastructure Security Program

Situation Awareness

MRO ~~will participate in~~utilizes the development of the next phase of the NERC Situation Awareness ~~effort to monitor the Bulk Electric System across North America. In addition, staff will monitor~~tool and ~~respond to~~monitors other communication systems to maintain an awareness of BES events and incidents ~~to ensure~~. Staff is prepared to respond through timely reporting. ~~Staff will also ensure~~ and effective communication of ~~any identified~~ potential risks to the Bulk Electric System, and the mitigation of those risks. MRO has ~~emphasized the importance of Situation Awareness and the related Event Analysis process and sharing lessons learned with the industry~~BES.

Infrastructure Security Program

In recognition of the criticality of protection of cyber infrastructure and BES control systems, the 2014 Budget includes dollars for MRO representatives 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 ~~—these costs have increased year over year.~~

Administrative Programs

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Technical Committees and Member Forums (Committees that meet for NERC business)

MRO staff and Registered Entity staff will continue to participate in NERC committees and working groups. By policy, MRO reimburses Registered Entities for approved regional representative travel expenses. Travel relating to quarterly NERC Board of Trustees (NERC BOT) meetings is captured in the Technical Committees and Member Forums program area. The 2014 Budget reflects the increased participation of MRO staff in NERC meetings and anticipation of higher airline costs. The 2014 Budget for Technical Committees and Member Forums is increased by 85%.

General and Administrative

The 2014 Budget includes no change in travel dollars, reflecting a stable trend of expense reimbursements for the MRO Board of Directors. —

The 2014 Budget has no change in professional ~~services~~service expenses for the costs for independent MRO board members.

Information Technology

In 2014, MRO ~~continues~~will continue to maintain the security of its IT systems and information, along with addressing any recommendations from external and internal evaluations. 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.

Greater efficiencies are budgeted with this third party vendor as additional regions expand the common IT platform increasing scale and reducing costs by spreading costs across the increased number of participating regions.

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Legal and Regulatory

For 2014, MRO overall legal and regulatory costs will decrease due to the elimination of outside legal contingency dollars.

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Accounting / Human Resources

Personnel Costs - Employee Paid Benefits

The 2014 Budget has an increase in the number of FTEs from 3.01 to 3.30. The additional staff came from increased use of administrative support. MRO’s overall FTE staffing has increased from 20.00 in 2007 to 40.75 in 2014 Budget. MRO does not include attrition/vacancy assumptions in personnel cost projections. In addition, the budget includes a slight decrease in building, rent and facilities costs to reflect stable lease costs in 2014 (MRO moved to new facilities in April 2012).

Facility Impacts

MRO staff was given the authority to seek alternative facilities to address MRO’s growing need for additional space for the higher number of FTEs and provide more opportunities to host meetings. The 2014 Budget continues to reflect lower per meeting costs with the new facility due to elimination of meeting room and audio visual rentals as well as lower catering costs.

Other Non-Operating Expenses

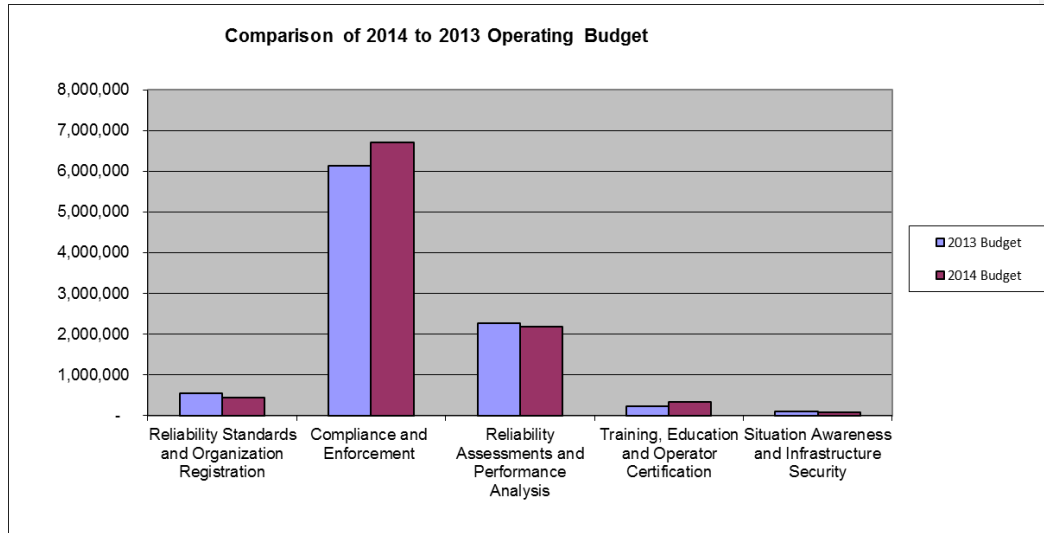
None

Program	2013 Budget	2014 Budget
Reliability Standards and Organization Registration	543,603	435,358
Compliance Enforcement	6,135,726	6,697,593
Reliability Assessments and Performance Analysis	2,277,446	2,194,427
Training, Education and Operator Certification	229,419	333,137
Situation Awareness and Infrastructure Security	97,348	84,283
TOTAL BUDGET	9,283,541	9,744,799

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Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs 2014 Budget	Total FTEs 2014 Budget	Change from 2013 Budget
STATUTORY						
Operational Programs						
Reliability Standards and Organization and Certification	1.51	1.51	1.17	-	1.17	(0.34)
Compliance	10.42	10.42	11.16	-	11.16	0.74
Compliance Risk Assessment and Mitigation	5.71	5.71	6.31	-	6.31	0.60
Compliance Enforcement	2.86	2.86	3.79	-	3.79	0.93
Training and Education	0.27	0.27	0.65	-	0.65	0.38
Reliability Assessment and Performance Analysis	6.68	6.68	6.49	-	6.49	(0.19)
Situation Awareness and Infrastructure Security	0.30	0.30	0.22	-	0.22	(0.08)
Total FTEs Operational Programs	27.75	27.75	29.79	-	29.79	2.04
Administrative Programs						
Technical Committees and Member Forums	1.35	1.35	1.66	-	1.66	0.31
General & Administrative	1.32	1.32	1.94	-	1.94	0.62
Legal and Regulatory	1.22	1.22	0.93	-	0.93	(0.29)
Information Technology	3.10	3.10	3.13	-	3.13	0.03
Human Resources	-	-	-	-	-	-
Finance and Accounting	3.01	3.01	3.30	-	3.30	0.29
Total FTEs Administrative Programs	10.00	10.00	10.96	-	10.96	0.96
Total FTEs	37.75	37.75	40.75	-	40.75	3.00

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

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Introduction

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
STATUTORY					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,098,927	\$ 9,098,927	\$ -	\$ 8,751,444	\$ (347,483)
Penalty Sanctions	14,000	14,000	-	126,500	112,500
Total NERC Funding	\$ 9,112,927	\$ 9,112,927	\$ -	\$ 8,877,944	\$ (234,983)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 9,112,927	\$ 9,112,927	\$ -	\$ 8,877,944	\$ (234,983)
Expenses					
Personnel Expenses					
Salaries	\$ 4,772,320	\$ 4,772,320	\$ -	\$ 5,178,538	\$ 406,218
Payroll Taxes	312,394	312,394	-	339,154	26,760
Benefits	394,086	394,086	-	412,222	18,136
Retirement Costs	833,228	833,228	-	968,920	135,692
Total Personnel Expenses	\$ 6,312,028	\$ 6,312,028	\$ -	\$ 6,898,834	\$ 586,806
Meeting Expenses					
Meetings	\$ 132,464	\$ 132,464	\$ -	\$ 100,514	\$ (31,950)
Travel	630,765	630,765	-	598,900	(31,865)
Conference Calls	41,700	41,700	-	-	(41,700)
Total Meeting Expenses	\$ 804,929	\$ 804,929	\$ -	\$ 699,414	\$ (105,515)
Operating Expenses					
Consultants & Contracts	\$ 573,100	\$ 573,100	\$ -	\$ 543,100	\$ (30,000)
Office Rent	528,827	528,827	-	524,827	(4,000)
Office Costs	428,304	428,304	-	503,124	74,820
Professional Services	246,500	246,500	-	205,000	(41,500)
Miscellaneous	-	-	-	-	-
Depreciation	305,665	305,665	-	471,000	165,335
Total Operating Expenses	\$ 2,082,396	\$ 2,082,396	\$ -	\$ 2,247,051	\$ 164,655
Total Direct Expenses	\$ 9,199,353	\$ 9,199,353	\$ -	\$ 9,845,299	\$ 645,946
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ 0
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 9,199,353	\$ 9,199,353	\$ -	\$ 9,845,299	\$ 645,946
Change in Assets	\$ (86,426)	\$ (86,426)	\$ -	\$ (967,355)	\$ (880,929)
Fixed Assets					
Depreciation	\$ (305,665)	\$ (305,665)	\$ -	\$ (471,000)	\$ (165,335)
Computer & Software CapEx	339,851	339,851	-	320,500	(19,351)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ 0
Inc(Dec) in Fixed Assets (C)	84,186	84,186	-	(100,500)	(184,686)
TOTAL BUDGET (=B + C)	\$ 9,283,539	\$ 9,283,539	\$ -	\$ 9,744,799	\$ 461,260
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
FTEs	37.75	37.75	-	40.75	3.00

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Introduction

Total FTEs by Program Area	Budget 2013	Projection 2013	Direct FTEs 2014 Budget	Shared FTEs 2014 Budget ¹	Total FTEs 2014 Budget	Change from 2013 Budget
STATUTORY						
Operational Programs						
Reliability Standards and Organization and Certification	1.51	1.51	1.17		1.17	(0.34)
Compliance	10.42	10.42	11.16		11.16	0.74
Compliance Risk Assessment and Mitigation	5.71	5.71	6.31		6.31	0.60
Compliance Enforcement	2.86	2.86	3.79		3.79	0.93
Training and Education	0.27	0.27	0.65		0.65	0.38
Reliability Assessment and Performance Analysis	6.68	6.68	6.49		6.49	(0.19)
Situation Awareness and Infrastructure Security	0.30	0.30	0.22		0.22	(0.08)
Total FTEs Operational Programs	27.75	27.75	29.79	-	29.79	2.04
Administrative Programs						
Technical Committees and Member Forums	1.35	1.35	1.66		1.66	0.31
General & Administrative	1.32	1.32	1.94		1.94	0.62
Legal and Regulatory	1.22	1.22	0.93		0.93	(0.29)
Information Technology	3.10	3.10	3.13		3.13	0.03
Human Resources	-	-	-		-	-
Finance and Accounting	3.01	3.01	3.30		3.30	0.29
Total FTEs Administrative Programs	10.00	10.00	10.96	-	10.96	0.96
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Introduction

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
STATUTORY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 9,098,927	\$ 9,098,927	\$ -	\$ 8,741,444	\$ (357,483)
Penalty Sanctions	14,000	14,000	-	136,500	122,500
Total NERC Funding	<u>\$ 9,112,927</u>	<u>\$ 9,112,927</u>	<u>\$ -</u>	<u>\$ 8,877,944</u>	<u>\$ (234,983)</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ 9,112,927</u>	<u>\$ 9,112,927</u>	<u>\$ -</u>	<u>\$ 8,877,944</u>	<u>\$ (234,983)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 4,772,320	\$ 4,772,320	\$ -	\$ 5,178,538	\$ 406,218
Payroll Taxes	312,394	312,394	-	339,154	26,760
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Total Personnel Expenses	<u>\$ 6,312,028</u>	<u>\$ 6,312,028</u>	<u>\$ -</u>	<u>\$ 6,898,834</u>	<u>\$ 586,806</u>
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Travel	630,765	630,765	-	598,900	(31,865)
Conference Calls	41,700	41,700	-	-	(41,700)
Total Meeting Expenses	<u>\$ 804,929</u>	<u>\$ 804,929</u>	<u>\$ -</u>	<u>\$ 699,414</u>	<u>\$ (105,515)</u>
Operating Expenses					
Consultants & Contracts	\$ 573,100	\$ 573,100	\$ -	\$ 543,100	\$ (30,000)
Office Rent	528,827	528,827	-	524,827	(4,000)
Office Costs	428,304	428,304	-	503,124	74,820
Professional Services	246,500	246,500	-	205,000	(41,500)
Miscellaneous	-	-	-	-	-
Depreciation	305,665	305,665	-	471,000	165,335
Total Operating Expenses	<u>\$ 2,082,396</u>	<u>\$ 2,082,396</u>	<u>\$ -</u>	<u>\$ 2,247,051</u>	<u>\$ 164,655</u>
Total Direct Expenses	<u>\$ 9,199,353</u>	<u>\$ 9,199,353</u>	<u>\$ -</u>	<u>\$ 9,845,299</u>	<u>\$ 645,946</u>
Indirect Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ 9,199,353</u>	<u>\$ 9,199,353</u>	<u>\$ -</u>	<u>\$ 9,845,299</u>	<u>\$ 645,946</u>
Change in Assets	<u>\$ (86,426)</u>	<u>\$ (86,426)</u>	<u>\$ -</u>	<u>\$ (967,355)</u>	<u>\$ (880,929)</u>
Fixed Assets					
Depreciation	\$ (305,665)	\$ (305,665)	\$ -	\$ (471,000)	\$ (165,335)
Computer & Software CapEx	339,851	339,851	-	320,500	(19,351)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-
Allocation of Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ 0
Inc(Dec) in Fixed Assets (C)	<u>84,186</u>	<u>84,186</u>	<u>-</u>	<u>(100,500)</u>	<u>(184,686)</u>
TOTAL BUDGET (=B + C)	<u>\$ 9,283,539</u>	<u>\$ 9,283,539</u>	<u>\$ -</u>	<u>\$ 9,744,799</u>	<u>\$ 461,260</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ (170,612)</u>	<u>\$ (170,612)</u>	<u>\$ -</u>	<u>\$ (866,855)</u>	<u>\$ (696,243)</u>
FTEs	37.75	37.75	-	40.75	3.00

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Section A – Statutory Programs

2014 Business Plan and Budget

Section A — Statutory Programs

1. Reliability Standards, Organization Registration and Certification Program

Reliability Standards, Organization Registration and Certification Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.51	1.17	(0.34)
Direct Expenses	\$ 340,889	\$ 279,428	\$ (61,461)
Indirect Expenses	\$ 198,132	\$ 159,877	\$ (38,254)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 4,581	\$ (3,947)	\$ (8,528)
Total Funding Requirement	\$ 543,603	\$ 435,358	\$ (108,244)

Starting in calendar year 2013 MRO has consolidated Standards and Organization Registration and Certification into one department.

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.

2014 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 can be located in the Key Assumptions section of Exhibit A in NERC’s 2014 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 2014 Business Plan and Budget as Exhibit A, supports the significant effort required by MRO to participate in standards development.

Organization Registration

- 2014 Variance: no material changes
- 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)
- March 2012 (125 Registered Entities/502 functions)
- Registration is an ongoing assignment
- Continue to inventory generator facilities and transmission elements that meet NERC Criteria of Registration
- Joint Registration Organization (JRO) maintenance
- Coordinated Registration Organization (CFR) development and maintenance
- Modify registry if ~~it~~^{it} is discovered an entity meets additional functional criteria through compliance monitoring processes
- Continue to obtain and review system one-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

- 2014 Variance: no material changes.
- Work performed to certify additional functions with Registered Entities, and work performed to certify new Registered Entities, are expected to continue. The equivalent rate or amount of work is expected to “hold steady” in 2014 (no change).

2014 Goals and Key Deliverables

- 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)

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2014, MRO will maintain relatively flat staffing levels in the Standards and Organization Registration and Certification area even though in 2013 MRO staff consolidated Standards and Organization Registration and Certification into one department. Since Standards are primarily an industry activity, MRO has leveraged staff from Registered Entities in drafting teams and in other areas to gain more subject matter expertise applied to the standards process. While MRO reimburses travel expenses for approved representatives, there are staff cost savings.

Funding Sources (Other than ERO Assessments)

Penalty Sanctions – Total penalty monies received and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO’s [Supplemental Financial Information section, Table B-2, page 60](#).
[Supplemental Financial Information section, Table B-2, page 58](#).

Personnel Expenses

- 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. MRO reimburses travel expenses for stakeholder participation.
- The 2014 budgeted salaries is relatively flat when compared to the 2013 budget, with a slight decrease in FTEs as MRO staff is shifted in response to realigning staff in the program areas.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

- 2014 Meeting expenses will be reduced from the 2013 Budget. The reduction is a reflection of lower meeting costs by using the new facility. The 2014 member travel reimbursement will remain at the same level.
- 2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

Operating Expenses

- 2014 Consultant and Contract costs will remain at the same level as the 2013 Budget.
- 2014 Office costs will decrease in ~~departmental~~ departments maintaining certifications by leveraging training to satisfy multiple certification requirements.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to

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the direct programs. There is a decrease in the indirect expenses for 2014 as a result of a lower percentage of total FTEs in the direct programs.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

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Reliability Standards and Organization Registration and Certification Program

Funding sources and related expenses for the Reliability Standards section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
RELIABILITY STANDARDS AND ORGANIZATIONAL REGISTRATION					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 542,840	\$ 542,840	\$ -	\$ 430,390	\$ (112,450)
Penalty Sanctions	762	762	-	4,968	4,206
Total NERC Funding	\$ 543,602	\$ 543,602	\$ -	\$ 435,358	\$ (108,243)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 543,602	\$ 543,602	\$ -	\$ 435,358	\$ (108,243)
Expenses					
Personnel Expenses					
Salaries	\$ 210,558	\$ 210,558	\$ -	\$ 175,057	\$ (35,501)
Payroll Taxes	12,362	12,362	-	9,981	(2,381)
Benefits	15,154	15,154	-	12,129	(3,025)
Retirement Costs	32,835	32,835	-	34,167	1,332
Total Personnel Expenses	\$ 270,909	\$ 270,909	\$ -	\$ 231,334	\$ (39,575)
Meeting Expenses					
Meetings	\$ 7,500	\$ 7,500	\$ -	\$ 4,000	\$ (3,500)
Travel	28,900	28,900	-	28,900	-
Conference Calls	15,000	15,000	-	-	(15,000)
Total Meeting Expenses	\$ 51,400	\$ 51,400	\$ -	\$ 32,900	\$ (18,500)
Operating Expenses					
Consultants & Contracts	\$ 12,000	\$ 12,000	\$ -	\$ 12,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,580	6,580	-	3,194	(3,386)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 18,580	\$ 18,580	\$ -	\$ 15,194	\$ (3,386)
Total Direct Expenses	\$ 340,889	\$ 340,889	\$ -	\$ 279,428	\$ (61,461)
Indirect Expenses	\$ 198,132	\$ 198,132	\$ -	\$ 159,877	\$ (38,254)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 539,021	\$ 539,021	\$ -	\$ 439,305	\$ (99,715)
Change in Assets	\$ 4,581	\$ 4,581	\$ -	\$ (3,947)	\$ (8,528)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 4,581	4,581	-	(3,947)	(8,528)
Inc(Dec) in Fixed Assets (C)	4,581	4,581	-	(3,947)	(8,528)
TOTAL BUDGET (=B + C)	\$ 543,602	\$ 543,602	\$ -	\$ 435,358	\$ (108,243)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	1.51	1.51	-	1.17	(0.34)

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**Statement of Activities, Fixed Assets Expenditures and Change in Working Capital
2013 Budget & Projection, and 2014 Budget**

RELIABILITY STANDARDS AND ORGANIZATIONAL REGISTRATION

	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 542,840	\$ 542,840	\$ -	\$ 429,997	\$ (112,843)
Penalty Sanctions	762	762	-	5,361	4,599
Total NERC Funding	\$ 543,602	\$ 543,602	\$ -	\$ 435,358	\$ (108,243)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 543,602	\$ 543,602	\$ -	\$ 435,358	\$ (108,243)
Expenses					
Personnel Expenses					
Salaries	\$ 210,558	\$ 210,558	\$ -	\$ 175,057	\$ (35,501)
Payroll Taxes	12,362	12,362	-	9,981	(2,381)
Benefits	15,154	15,154	-	12,129	(3,025)
Retirement Costs	32,835	32,835	-	34,167	1,332
Total Personnel Expenses	\$ 270,909	\$ 270,909	\$ -	\$ 231,334	\$ (39,575)
Meeting Expenses					
Meetings	\$ 7,500	\$ 7,500	\$ -	\$ 4,000	\$ (3,500)
Travel	28,900	28,900	-	28,900	-
Conference Calls	15,000	15,000	-	-	(15,000)
Total Meeting Expenses	\$ 51,400	\$ 51,400	\$ -	\$ 32,900	\$ (18,500)
Operating Expenses					
Consultants & Contracts	\$ 12,000	\$ 12,000	\$ -	\$ 12,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,580	6,580	-	3,194	(3,386)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 18,580	\$ 18,580	\$ -	\$ 15,194	\$ (3,386)
Total Direct Expenses	\$ 340,889	\$ 340,889	\$ -	\$ 279,428	\$ (61,461)
Indirect Expenses	\$ 198,132	\$ 198,132	\$ -	\$ 159,877	\$ (38,254)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 539,021	\$ 539,021	\$ -	\$ 439,305	\$ (99,715)
Change in Assets	\$ 4,581	\$ 4,581	\$ -	\$ (3,947)	\$ (8,528)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 4,581	4,581	-	(3,947)	(8,528)
Inc(Dec) in Fixed Assets (C)	4,581	4,581	-	(3,947)	(8,528)
TOTAL BUDGET (=B + C)	\$ 543,602	\$ 543,602	\$ -	\$ 435,358	\$ (108,243)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	1.51	1.51	-	1.17	(0.34)

2. Compliance Monitoring and Enforcement Program (CMEP)

Compliance Monitoring and Enforcement Program (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	18.99	21.26	2.3
Direct Expenses	\$ 3,586,378	\$ 3,864,192	\$ 277,815
Indirect Expenses	\$ 2,491,737	\$ 2,905,124	\$ 413,387
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 57,611	\$ (71,723)	\$ (129,334)
Total Funding Requirement	\$ 6,135,726	\$ 6,697,593	\$ 561,869

Program Scope and Functional Description

In 2014, 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 audit and/or spot checks. For 2014, there are a total of 20 compliance audits planned, and spot checks will be done 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 2014. Investigations are handled through MRO's Risk Assessment and Mitigation team.

2014 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. The common assumptions for the Compliance Monitoring and Organization Registration and Certification Program can be located in the Key Assumptions section of Exhibit A in NERC's 2014 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 Oversight Authority.

2014 Compliance Monitoring Program Goals and Key Deliverables

- Conduct secondary independent review to assure all determinations of possible violations are accurate, complete, and technically sufficient
- 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
- Ensure an accurate and complete discovery record is created, maintained, and retained for each possible violation discovered and where there are no findings as well
- Conduct system performance compliance monitoring (such as due diligence review of misoperations, physical inspections, etc.)
- Participate in 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 where continent-wide compliance and enforcement program processes and procedures will be developed to drive consistency
- In 2012 MRO engaged a third party consultant that provided an assessment of the audit practices across the Regions and NERC with the purpose to gauge the level of practices and develop a tool to drive consistency across the Regions, as well as to provide NERC with an oversight tool. In 2012 the regions implemented a uniform audit checklist.

Funding Requirements — Explanation of Increase (Decrease)

Compliance Monitoring Explanation of Variances – 2014 Budget versus 2013 Budget Annual Implementation Plan

- Monitor compliance with all regulatory-approved Reliability Standards as defined in the NERC Annual Implementation Plan.
- Adopt risk-based audit principles of the Reliability Assurance Initiative (RAI), potentially reducing scope of individual audits but incurring additional effort when reviewing Registered Entities’ internal controls.
- It is assumed that the NERC 2014 Implementation Plan will hold steady for the other monitoring methods including monthly self-certification, quarterly self-certification, periodic data submittal, exception report, and spot-check, when compared to the 2013 Implementation Plan.
- Unscheduled spot-checks and/or audits are 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

Planned Audits (Operating and Planning Standards)

- 2014 Variance: increase of workload.
- The number of audits to be performed in 2014 is 20, which is an increase by one compared to 2013.

Planned Audits (CIP Standards)

- 2014 Variance: consistent workload.
- The number of audits to be performed in 2014 is 20, which is consistent compared to 2013. In addition, Technical Feasibility Exceptions (TFEs) will continue to be managed on an ongoing basis, and a review of TFEs will be included in each audit.

Annual Self-Certification Requirement

- 2014 Variance: consistent in workload.
- The number of entities participating in the annual self-certification is approximately 125 for 2014.
- It is assumed that the NERC 2014 Implementation Plan, which identifies the Reliability Standard requirements to be monitored through annual self-certification, is reduced due to the exclusion of standards audited at an entity during 2014.

Compliance Investigations (CIs)

- 2014 Variance: increase in workload in 2014 from 2013.
- MRO Risk Assessment and Mitigation staff will assume the lead on investigations in the MRO region.

Compliance Possible Violation Discovery

- 2014 Variance: increase of workload in 2014 from 2013.
- For every possible violation, MRO Risk Assessment and Mitigation performs a fact and circumstance review.
- An increase of workload in this area is assumed due to the expanded scope of compliance monitoring resulting from the new Reliability Standards, the expanded scope of system performance monitoring, and the instability of CIP standards (version 3/4/5 transition).
- MRO expects self-reported violations to continue on its past trend.

Compliance Possible Violation Record Development

- 2014 Variance: increase of workload in 2014 from 2013.
- A discovery record is developed for every possible violation. The discovery record and supplemental forms represent the initial development of the enforcement disposition record.
- The number of discovered violations is expected to increase as explained above, which will ultimately increase the number of required discovery records.

Mitigation Plan Acceptance and Verification of Completion

- 2014 Variance: increase of workload in 2014 from 2013.
- MRO uses number of days in violation process (DIVP) and violation aging as key indicators for process efficiency and effectiveness. Due primarily to CIP violations, the

number of days has increased, and therefore, we are devoting more resources in this area. Further, MRO assumes an increase in the number and frequency of violations discovered with the inclusion of the CIP Standards and 41 Requirements.

- For every Alleged Violation identified by MRO staff, a mitigation plan must be submitted. MRO Risk Assessment and Mitigation staff reviews each submitted mitigation plan to assess whether the proposed plan will mitigate and prevent ~~reoccurrence~~recurrence of the subject violation. The development of the mitigation plan provides the information necessary to determine the potential and actual risk to the reliability of the BES.

Compliance Enforcement Explanation of Variances – 2014 Budget versus 2013 Budget

2014 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 Enforcement can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

Processing of Alleged Violations

For every possible violation identified by MRO compliance staff or a Registered Entity, MRO enforcement staff performs a review to confirm its validity. For possible violations deemed valid, MRO enforcement staff prepares and issues a Notice of Possible Violation and 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.

Record Development and Maintenance

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.

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2014, MRO is devoting more resources to the compliance monitoring area due to the

increasing workload ~~will increase because we are devoting more resources to~~ in this area.

Funding Sources (Other than ERO Assessments)

Penalty Sanctions – Total penalty monies to be received (and currently in escrow) and the allocation method used to allocate funds to this program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page 5860.

Personnel Expenses

- The overall budgeted FTE count for Compliance reflects a 2.3 increase for 2014 when compared to the FTE count at year-end 2013 due to additional personnel required to support the RAI.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

Recognizing continued facility savings in meeting costs due to hosting more meetings in the office versus renting a meeting room.

Travel Expense

Expenditures in the “travel” account will be decreased in 2014 primarily due to reduced need for staff travel with increased use of on-site meetings and web conferences. There are also less NERC/Regional working groups.

Conference Calls

2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

Operating Expenses

- **Consultants and Contracts**
Greater efficiencies are expected with the third party vendor as additional regions expand the common IT platform increasing scale and reducing MRO’s costs by spreading total costs across the increased number of participating regions.
- **Office Costs**
The “office costs” account for 2014 will increase in training costs for the staff due to new staff acquiring the necessary certifications in 2013 and 2014. MRO has its own credential and experience requirements for personnel in the audit area.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result a higher percentage of total FTEs in the direct programs. In addition, for 2014, there are higher administrative service costs associate with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

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Compliance Monitoring and Enforcement Program

Funding sources and related expenses for the Compliance Enforcement section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
COMPLIANCE MONITORING, AND ENFORCEMENT					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 6,126,145	\$ 6,126,145	\$ -	\$ 6,607,315	\$ 481,170
Penalty Sanctions	9,581	9,581	-	90,278	80,698
Total NERC Funding	\$ 6,135,726	\$ 6,135,726	\$ -	\$ 6,697,593	\$ 561,868
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 6,135,726	\$ 6,135,726	\$ -	\$ 6,697,593	\$ 561,868
Expenses					
Personnel Expenses					
Salaries	\$ 2,372,105	\$ 2,372,105	\$ -	\$ 2,631,450	\$ 259,345
Payroll Taxes	159,443	159,443	-	179,885	20,442
Benefits	203,097	203,097	-	222,055	18,958
Retirement Costs	393,579	393,579	-	461,742	68,163
Total Personnel Expenses	\$ 3,128,224	\$ 3,128,224	\$ -	\$ 3,495,132	\$ 366,908
Meeting Expenses					
Meetings	\$ 5,600	\$ 5,600	\$ -	\$ 5,500	\$ (100)
Travel	200,300	200,300	-	137,000	(63,300)
Conference Calls	8,400	8,400	-	-	(8,400)
Total Meeting Expenses	\$ 214,300	\$ 214,300	\$ -	\$ 142,500	\$ (71,800)
Operating Expenses					
Consultants & Contracts	\$ 157,000	\$ 157,000	\$ -	\$ 127,000	\$ (30,000)
Office Rent	-	-	-	-	-
Office Costs	79,354	79,354	-	94,560	15,206
Professional Services	7,500	7,500	-	5,000	(2,500)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 243,854	\$ 243,854	\$ -	\$ 226,560	\$ (17,294)
Total Direct Expenses	\$ 3,586,378	\$ 3,586,378	\$ -	\$ 3,864,192	\$ 277,814
Indirect Expenses	\$ 2,491,737	\$ 2,491,737	\$ -	\$ 2,905,124	\$ 413,387
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 6,078,115	\$ 6,078,115	\$ -	\$ 6,769,316	\$ 691,201
Change in Assets	\$ 57,611	\$ 57,611	\$ -	\$ (71,723)	\$ (129,334)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ 57,611	57,611	-	(71,723)	(129,334)
Inc(Dec) in Fixed Assets (C)	\$ 57,611	\$ 57,611	\$ -	\$ (71,723)	\$ (129,334)
TOTAL BUDGET (=B + C)	\$ 6,135,726	\$ 6,135,726	\$ -	\$ 6,697,593	\$ 561,868
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	18.99	18.99	-	21.26	2.27

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Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
COMPLIANCE MONITORING, AND ENFORCEMENT					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 6,126,145	\$ 6,126,145	\$ -	\$ 6,600,178	\$ 474,033
Penalty Sanctions	9,581	9,581	-	97,415	87,834
Total NERC Funding	\$ 6,135,726	\$ 6,135,726	\$ -	\$ 6,697,593	\$ 561,868
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 6,135,726	\$ 6,135,726	\$ -	\$ 6,697,593	\$ 561,868
Expenses					
Personnel Expenses					
Salaries	\$ 2,372,105	\$ 2,372,105	\$ -	\$ 2,631,450	\$ 259,345
Payroll Taxes	159,443	159,443	-	179,885	20,442
Benefits	203,097	203,097	-	222,055	18,958
Retirement Costs	393,579	393,579	-	461,742	68,163
Total Personnel Expenses	\$ 3,128,224	\$ 3,128,224	\$ -	\$ 3,495,132	\$ 366,908
Meeting Expenses					
Meetings	\$ 5,600	\$ 5,600	\$ -	\$ 5,500	\$ (100)
Travel	200,300	200,300	-	137,000	(63,300)
Conference Calls	8,400	8,400	-	-	(8,400)
Total Meeting Expenses	\$ 214,300	\$ 214,300	\$ -	\$ 142,500	\$ (71,800)
Operating Expenses					
Consultants & Contracts	\$ 157,000	\$ 157,000	\$ -	\$ 127,000	\$ (30,000)
Office Rent	-	-	-	-	-
Office Costs	79,354	79,354	-	94,560	15,206
Professional Services	7,500	7,500	-	5,000	(2,500)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 243,854	\$ 243,854	\$ -	\$ 226,560	\$ (17,294)
Total Direct Expenses	\$ 3,586,378	\$ 3,586,378	\$ -	\$ 3,864,192	\$ 277,814
Indirect Expenses	\$ 2,491,737	\$ 2,491,737	\$ -	\$ 2,905,124	\$ 413,387
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 6,078,115	\$ 6,078,115	\$ -	\$ 6,769,316	\$ 691,201
Change in Assets	\$ 57,611	\$ 57,611	\$ -	\$ (71,723)	\$ (129,334)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	0
Equipment CapEx	-	-	-	-	0
Leasehold Improvements	-	-	-	-	0
Allocation of Fixed Assets	\$ 57,611	57,611	-	(71,723)	(129,334)
Inc(Dec) in Fixed Assets (C)	\$ 57,611	\$ 57,611	\$ -	\$ (71,723)	\$ (129,334)
TOTAL BUDGET (=B + C)	\$ 6,135,726	\$ 6,135,726	\$ -	\$ 6,697,593	\$ 561,868
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	18.99	18.99	-	21.26	2.27

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3. Reliability Assessment and Performance Analysis Program

Reliability Assessments and Performance Analysis (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	6.68	6.49	(0.19)
Direct Expenses	\$ 1,380,677	\$ 1,329,480	\$ (51,197)
Indirect Expenses	\$ 876,504	\$ 886,842	\$ 10,338
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 20,265	\$ (21,895)	\$ (42,160)
Total Funding Requirement	\$ 2,277,446	\$ 2,194,427	\$ (83,020)

Program Scope and Functional Description

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

1. Review pre- and post-seasonal and long-term reliability assessments for the MRO Region in order to assess operating reliability and resource adequacy.
2. Review event analysis efforts by Registered Entities to ensure causes are identified and corrected and that lessons learned are shared with industry.
3. Assemble modeling data and prepare models.
4. Perform legacy Regional Reliability Organization functions until those functions are assigned to registered entities through Reliability Standards (fill in the blank standards).
5. Support MRO stakeholder groups and participate in NERC efforts.

2014 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 Program can be located in the Key Assumptions section of Exhibit A in NERC's 2014 Business Plan and Budget.

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 Authorities, 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 MRO and NERC Reliability Standards related to system performance.

In 2014, continued attention will be given to transmission adequacy and security, protection and

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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.

2014 Goals and Key Deliverables

- Annually review the overall reliability of the MRO Region and interregional BES for near-term and long-term planning horizons and provide planning horizon assessment reports to the Board and NERC
- Review the seasonal assessments (summer and winter) of the MRO Region and interregional BES from an operational perspective
- Review the post-seasonal assessments (summer and winter) of the BES to determine if the system performed according to the preseason plans
- 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
- Annually (or as often as required by NERC), assess the MRO Region for an emerging issue/scenario as determined by NERC
- 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
- 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”)

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources (Other than ERO Assessments)

Penalty Sanctions – Total penalty monies to be received (and in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page [5860](#).

Personnel Expenses

Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

- Recognizing continued facility savings in meeting costs due to hosting more meetings in the office versus renting a meeting room. Expenditures in the “meeting expense” account are expected to be lower in 2014.
- 2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

Operating Expenses

Consultants and contracts decreased in 2014 primarily because MRO removed the contingency dollars for an Event Analysis.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 2,274,076	\$ 2,274,076	\$ -	\$ 2,166,868	\$ (107,208)
Penalty Sanctions	3,370	3,370	-	27,559	24,189
Total NERC Funding	\$ 2,277,446	\$ 2,277,446	\$ -	\$ 2,194,427	\$ (83,019)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,277,446	\$ 2,277,446	\$ -	\$ 2,194,427	\$ (83,019)
Expenses					
Personnel Expenses					
Salaries	\$ 795,326	\$ 795,326	\$ -	\$ 793,111	\$ (2,215)
Payroll Taxes	54,654	54,654	-	53,718	(936)
Benefits	71,795	71,795	-	68,241	(3,554)
Retirement Costs	160,752	160,752	-	170,310	9,558
Total Personnel Expenses	\$ 1,082,527	\$ 1,082,527	\$ -	\$ 1,085,380	\$ 2,853
Meeting Expenses					
Meetings	\$ 20,000	\$ 20,000	\$ -	\$ 5,500	\$ (14,500)
Travel	106,150	106,150	-	81,000	(25,150)
Conference Calls	2,500	2,500	-	-	(2,500)
Total Meeting Expenses	\$ 128,650	\$ 128,650	\$ -	\$ 86,500	\$ (42,150)
Operating Expenses					
Consultants & Contracts	\$ 141,100	\$ 141,100	\$ -	\$ 126,700	\$ (14,400)
Office Rent	-	-	-	-	-
Office Costs	28,400	28,400	-	30,900	2,500
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 169,500	\$ 169,500	\$ -	\$ 157,600	\$ (11,900)
Total Direct Expenses	\$ 1,380,677	\$ 1,380,677	\$ -	\$ 1,329,480	\$ (51,197)
Indirect Expenses	\$ 876,504	\$ 876,504	\$ -	\$ 886,842	\$ 10,338
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,257,181	\$ 2,257,181	\$ -	\$ 2,216,322	\$ (40,859)
Change in Assets	\$ 20,265	\$ 20,265	\$ -	\$ (21,895)	\$ (42,160)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 20,265	20,265	\$ -	(21,895)	\$ (42,160)
Inc(Dec) in Fixed Assets (C)	\$ 20,265	\$ 20,265	\$ -	\$ (21,895)	\$ (42,160)
TOTAL BUDGET (=B + C)	\$ 2,277,446	\$ 2,277,446	\$ -	\$ 2,194,427	\$ (83,019)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ (0)
FTEs	6.68	6.68	-	6.49	(0.19)

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Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 2,274,076	\$ 2,274,076	\$ -	\$ 2,164,689	\$ (109,386)
Penalty Sanctions	3,370	3,370	-	29,738	26,368
Total NERC Funding	\$ 2,277,446	\$ 2,277,446	\$ -	\$ 2,194,427	\$ (83,019)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,277,446	\$ 2,277,446	\$ -	\$ 2,194,427	\$ (83,019)
Expenses					
Personnel Expenses					
Salaries	\$ 795,326	\$ 795,326	\$ -	\$ 793,111	\$ (2,215)
Payroll Taxes	54,654	54,654	-	53,718	(936)
Benefits	71,795	71,795	-	68,241	(3,554)
Retirement Costs	160,752	160,752	-	170,310	9,558
Total Personnel Expenses	\$ 1,082,527	\$ 1,082,527	\$ -	\$ 1,085,380	\$ 2,853
Meeting Expenses					
Meetings	\$ 20,000	\$ 20,000	\$ -	\$ 5,500	\$ (14,500)
Travel	106,150	106,150	-	81,000	(25,150)
Conference Calls	2,500	2,500	-	-	(2,500)
Total Meeting Expenses	\$ 128,650	\$ 128,650	\$ -	\$ 86,500	\$ (42,150)
Operating Expenses					
Consultants & Contracts	\$ 141,100	\$ 141,100	\$ -	\$ 126,700	\$ (14,400)
Office Rent	-	-	-	-	-
Office Costs	28,400	28,400	-	30,900	2,500
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 169,500	\$ 169,500	\$ -	\$ 157,600	\$ (11,900)
Total Direct Expenses	\$ 1,380,677	\$ 1,380,677	\$ -	\$ 1,329,480	\$ (51,197)
Indirect Expenses	\$ 876,504	\$ 876,504	\$ -	\$ 886,842	\$ 10,338
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,257,181	\$ 2,257,181	\$ -	\$ 2,216,322	\$ (40,859)
Change in Assets	\$ 20,265	\$ 20,265	\$ -	\$ (21,895)	\$ (42,160)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 20,265	20,265	\$ -	(21,895)	\$ (42,160)
In(Dec) in Fixed Assets (C)	\$ 20,265	\$ 20,265	\$ -	\$ (21,895)	\$ (42,160)
TOTAL BUDGET (=B + C)	\$ 2,277,446	\$ 2,277,446	\$ -	\$ 2,194,427	\$ (83,019)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ (0)
FTEs	6.68	6.68	-	6.49	(0.19)

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4. Training, Education, and Operator Certification Program

Training, Education and Operator Certification (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.27	0.65	0.38
Direct Expenses	\$ 193,171	\$ 246,509	\$ 53,338
Indirect Expenses	\$ 35,428	\$ 88,821	\$ 53,393
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 819	\$ (2,193)	\$ (3,012)
Total Funding Requirement	\$ 229,419	\$ 333,137	\$ 103,719

Program Scope and Functional Description

Maintaining the reliability of the BES through implementation of the Reliability Standards 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, Reliability Assessment information, performing quality event analysis, identifying lessons learned from event analysis, 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 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.

2014 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 Training, Education, and Operator Certification Program can be located in the Key Assumptions section of Exhibit A in NERC’s 2014 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, and the Planning and Operating Committees contribute to planning Reliability Conferences.

MRO organizes and administers specific training for Hearing Body participants when necessary.

2014 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, and one Standards Workshop). In addition, smaller workshops will be held for specific technical topics.

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2014, 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 publications. 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.

Funding Sources (Other than ERO Assessments)

Penalty Sanctions – Total penalty monies to be received (in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page [5860](#).

Personnel Expenses

- Budgeted payroll taxes, benefits and retirement costs reflect an increase in the actual trend of executive involvement in the workshops, newsletters, and speaker engagements.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

- Expenditures in the “meeting expense” account will decrease in 2014. MRO will provide three training forums. Hearing Body training is not required on an annual basis. It was offered in 2013.
- 2013 upgrades in audio and web conferencing media will impact future conferencing costs by bringing the capabilities in-house and eliminating the need to pay an outside vendor for conference calls.

Travel Expenses

Expenditures in the “travel expense” account reflect the lower trending in 2014 of member reimbursement for stakeholders presenting to other stakeholders.

Operating Expenses

Office Costs will hold steady in 2014.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

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Training, Education, and Operator Certification Program

Funding sources and related expenses for the Training, Education, and Operator Certification section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2013	2013	Variance	2014	Variance
	Budget	Projection	2013 Projection	Budget	2014 Budget
			v 2013 Budget		v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 229,281	\$ 229,281	\$ -	\$ 330,377	\$ 101,095
Penalty Sanctions	136	136	-	2,760	2,624
Total NERC Funding	\$ 229,418	\$ 229,418	\$ -	\$ 333,137	\$ 103,719
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 229,418	\$ 229,418	\$ -	\$ 333,137	\$ 103,719
Expenses					
Personnel Expenses					
Salaries	\$ 65,436	\$ 65,436	\$ -	\$ 135,804	\$ 70,368
Payroll Taxes	2,231	2,231	-	6,128	3,897
Benefits	1,935	1,935	-	6,856	4,921
Retirement Costs	11,469	11,469	-	22,921	11,452
Total Personnel Expenses	\$ 81,071	\$ 81,071	\$ -	\$ 171,709	\$ 90,638
Meeting Expenses					
Meetings	\$ 63,500	\$ 63,500	\$ -	\$ 49,000	\$ (14,500)
Travel	28,600	28,600	-	20,800	(7,800)
Conference Calls	15,000	15,000	-	-	(15,000)
Total Meeting Expenses	\$ 107,100	\$ 107,100	\$ -	\$ 69,800	\$ (37,300)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,000	5,000	-	5,000	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -
Total Direct Expenses	\$ 193,171	\$ 193,171	\$ -	\$ 246,509	\$ 53,338
Indirect Expenses	\$ 35,428	\$ 35,428	\$ -	\$ 88,821	\$ 53,393
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 228,599	\$ 228,599	\$ -	\$ 335,330	\$ 106,731
Change in Assets	\$ 819	\$ 819	\$ -	\$ (2,193)	\$ (3,012)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 819	819	-	(2,193)	(3,012)
Inc(Dec) in Fixed Assets (C)	\$ 819	\$ 819	\$ -	\$ (2,193)	\$ (3,012)
TOTAL BUDGET (=B + C)	\$ 229,418	\$ 229,418	\$ -	\$ 333,137	\$ 103,719
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.27	0.27	-	0.65	0.38

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Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TRAINING, EDUCATION and OPERATOR CERTIFICATION					
	2013	2013	Variance	2014	Variance
	Budget	Projection	v 2013 Budget	Budget	v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 229,281	\$ 229,281	\$ -	\$ 330,159	\$ 100,877
Penalty Sanctions	136	136	-	2,978	2,842
Total NERC Funding	\$ 229,418	\$ 229,418	\$ -	\$ 333,137	\$ 103,719
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 229,418	\$ 229,418	\$ -	\$ 333,137	\$ 103,719
Expenses					
Personnel Expenses					
Salaries	\$ 65,436	\$ 65,436	\$ -	\$ 135,804	\$ 70,368
Payroll Taxes	2,231	2,231	-	6,128	3,897
Benefits	1,935	1,935	-	6,856	4,921
Retirement Costs	11,469	11,469	-	22,921	11,452
Total Personnel Expenses	\$ 81,071	\$ 81,071	\$ -	\$ 171,709	\$ 90,638
Meeting Expenses					
Meetings	\$ 63,500	\$ 63,500	\$ -	\$ 49,000	\$ (14,500)
Travel	28,600	28,600	-	20,800	(7,800)
Conference Calls	15,000	15,000	-	-	(15,000)
Total Meeting Expenses	\$ 107,100	\$ 107,100	\$ -	\$ 69,800	\$ (37,300)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,000	5,000	-	5,000	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -
Total Direct Expenses	\$ 193,171	\$ 193,171	\$ -	\$ 246,509	\$ 53,338
Indirect Expenses	\$ 35,428	\$ 35,428	\$ -	\$ 88,821	\$ 53,393
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 228,599	\$ 228,599	\$ -	\$ 335,330	\$ 106,731
Change in Assets	\$ 819	\$ 819	\$ -	\$ (2,193)	\$ (3,012)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 819	819	-	(2,193)	(3,012)
Inc(Dec) in Fixed Assets (C)	\$ 819	\$ 819	\$ -	\$ (2,193)	\$ (3,012)
TOTAL BUDGET (=B + C)	\$ 229,418	\$ 229,418	\$ -	\$ 333,137	\$ 103,719
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.27	0.27	-	0.65	0.38

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5. Situation Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	0.30	0.22	(0.08)
Direct Expenses	\$ 57,074	\$ 54,963	\$ (2,111)
Indirect Expenses	\$ 39,364	\$ 30,062	\$ (9,302)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	910	(742)	(1,652)
Total Funding Requirement	\$ 97,348	\$ 84,283	\$ (13,065)

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.

2014 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 Situation Awareness and Infrastructure Security Program can be located in the Key Assumptions section of Exhibit A in NERC's 2014 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.

2014 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 2014, 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.

2014 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

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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 2014 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, develop guidance on the application of standards, and provide opportunities for sharing security implementation approaches utilized by Registered Entities. The Standards Committee is comprised of MRO sector representatives and facilitated by MRO staff. Regional representatives also participate on the NERC Critical Infrastructure Protection Committee (“CIPC”).

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

2014 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.

Funding Requirements – Explanation of Increase (Decrease)

The 2014 Budget ~~includes dollars for~~ reflects a reduction from 2013 in the MRO Standards Committee’s travel to attend security related meetings, Situation Awareness and conferences. Infrastructure Security Program area as operator accountability reduces the scope of MRO’s work.

Funding Sources (Other than ERO Assessments)

Penalty Sanctions – Total penalty monies to be received (in escrow) and the allocation method used to allocate funds to this Program as an offset to assessments are disclosed in MRO’s Supplemental Financial Information section, Table B-2, page 5860.

Personnel Expenses

Personnel costs for 2014 Budget ~~remains~~ remain flat.

Meeting Expenses

MRO does not anticipate travel costs.

Operating Expenses

Office ~~expenses~~ Costs are unchanged.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is a decrease in the indirect expenses for 2014 as a result of a lower percentage of total FTEs in the direct programs.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 Fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

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Situation Awareness and Infrastructure Security Program

Funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 97,197	\$ 97,197	\$ -	\$ 83,349	\$ (13,848)
Penalty Sanctions	151	151	-	934	783
Total NERC Funding	\$ 97,348	\$ 97,348	\$ -	\$ 84,283	\$ (13,065)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 97,348	\$ 97,348	\$ -	\$ 84,283	\$ (13,065)
Expenses					
Personnel Expenses					
Salaries	\$ 37,373	\$ 37,373	\$ -	\$ 39,332	\$ 1,959
Payroll Taxes	1,824	1,824	-	2,173	349
Benefits	1,935	1,935	-	2,320	385
Retirement Costs	7,642	7,642	-	6,138	(1,504)
Total Personnel Expenses	\$ 48,774	\$ 48,774	\$ -	\$ 49,963	\$ 1,189
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,300	3,300	-	-	(3,300)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 3,300	\$ 3,300	\$ -	\$ -	\$ (3,300)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,000	5,000	-	5,000	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -
Total Direct Expenses	\$ 57,074	\$ 57,074	\$ -	\$ 54,963	\$ (2,111)
Indirect Expenses	\$ 39,364	\$ 39,364	\$ -	\$ 30,062	\$ (9,302)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 96,438	\$ 96,438	\$ -	\$ 85,025	\$ (11,413)
Change in Assets	\$ 910	\$ 910	\$ -	\$ (742)	\$ (1,652)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 910	910	-	(742)	(1,652)
Inc(Dec) in Fixed Assets (C)	\$ 910	\$ 910	\$ -	\$ (742)	\$ (1,652)
TOTAL BUDGET (=B + C)	\$ 97,348	\$ 97,348	\$ -	\$ 84,283	\$ (13,065)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.30	0.30	-	0.22	(0.08)

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Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
			Variance		Variance
	2013	2013	2013 Projection	2014	2014 Budget
	Budget	Projection	v 2013 Budget	Budget	v 2013 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 97,197	\$ 97,197	\$ -	\$ 83,275	\$ (13,922)
Penalty Sanctions	151	151	-	1,008	857
Total NERC Funding	\$ 97,348	\$ 97,348	\$ -	\$ 84,283	\$ (13,065)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 97,348	\$ 97,348	\$ -	\$ 84,283	\$ (13,065)
Expenses					
Personnel Expenses					
Salaries	\$ 37,373	\$ 37,373	\$ -	\$ 39,332	\$ 1,959
Payroll Taxes	1,824	1,824	-	2,173	349
Benefits	1,935	1,935	-	2,320	385
Retirement Costs	7,642	7,642	-	6,138	(1,504)
Total Personnel Expenses	\$ 48,774	\$ 48,774	\$ -	\$ 49,963	\$ 1,189
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	3,300	3,300	-	-	(3,300)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 3,300	\$ 3,300	\$ -	\$ -	\$ (3,300)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,000	5,000	-	5,000	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 5,000	\$ 5,000	\$ -	\$ 5,000	\$ -
Total Direct Expenses	\$ 57,074	\$ 57,074	\$ -	\$ 54,963	\$ (2,111)
Indirect Expenses	\$ 39,364	\$ 39,364	\$ -	\$ 30,062	\$ (9,302)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 96,438	\$ 96,438	\$ -	\$ 85,025	\$ (11,413)
Change in Assets	\$ 910	\$ 910	\$ -	\$ (742)	\$ (1,652)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 910	910	-	(742)	(1,652)
Inc(Dec) in Fixed Assets (C)	\$ 910	\$ 910	\$ -	\$ (742)	\$ (1,652)
TOTAL BUDGET (=B + C)	\$ 97,348	\$ 97,348	\$ -	\$ 84,283	\$ (13,065)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.30	0.30	-	0.22	(0.08)

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6. Administrative Services

Administrative Services (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	10.00	10.96	0.96
Total Direct Expenses	\$ 3,641,165	\$ 4,070,727	\$ 429,562
Inc(Dec) in Fixed Assets	\$ 84,186	\$ (100,500)	\$ (184,686)
Less: Other Funding Sources			\$ -
Total Allocation to Statutory Programs as Indirect Expenses	\$ 3,725,351	\$ 3,970,227	\$ 244,876
Funding Requirement for Working Capital	\$ (170,613)	\$ (866,855)	\$ (696,243)

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 technical committees and member forums, 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.

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6a. Technical Committees and Member Forums

Technical Committees and Member Forums (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.35	1.66	0.31
Total Direct Expenses	\$ 577,314	\$ 605,216	\$ 27,902
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

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.

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2014 Key Assumptions

This budget item covers all travel costs for MRO staff participation in various NERC committees. This budget also covers MRO's reimbursement of approved stakeholder travel costs for participation in the NERC committees as an MRO representative.

2014 Goals and Key Deliverables

MRO's goal is to actively participate in NERC committees to develop best practices and continuously improve; to ensure consistency among the Regions; and to meet the goals of the MRO Registered Entities to be highly effective reliability organizations.

Funding Sources and Requirements — Explanation of Increase (Decrease)

MRO reimburses approved regional stakeholder representatives for travel expenses for NERC committee meetings.

Funding Sources (Other than ERO Assessments)

In 2014, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore, have no ERO assessment revenue.

Personnel Expenses

FTEs will be relatively flat in 2014 from 2013. -

Business Travel Expenses

MRO reimburses travel expenses for approved regional representatives. The 2014 Budget shows an increase to reflect the general increase in the number of staff and stakeholder participation on NERC committees, task forces, trade, BOT and MRC meetings.

Operating Expenses

No operating expenses are budgeted in 2014.

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Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

N/A

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Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2014 business plan are shown in the table below.

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Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
TECHNICAL COMMITTEES and MEMBER FORUMS					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues		-	-	-	-
Testing Fees		-	-	-	-
Services & Software		-	-	-	-
Workshops		-	-	-	-
Interest		-	-	-	-
Miscellaneous		-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 297,396	\$ 297,396	\$ -	\$ 286,447	\$ (10,949)
Payroll Taxes	16,595	16,595	-	15,986	(609)
Benefits	18,916	18,916	-	15,715	(3,201)
Retirement Costs	57,407	57,407	-	58,368	961
Total Personnel Expenses	<u>\$ 390,314</u>	<u>\$ 390,314</u>	<u>\$ -</u>	<u>\$ 376,516</u>	<u>\$ (13,798)</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	187,000	187,000	-	228,700	41,700
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 187,000</u>	<u>\$ 187,000</u>	<u>\$ -</u>	<u>\$ 228,700</u>	<u>\$ 41,700</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Direct Expenses	<u>\$ 577,314</u>	<u>\$ 577,314</u>	<u>\$ -</u>	<u>\$ 605,216</u>	<u>\$ 27,902</u>
Indirect Expenses	<u>\$ (577,314)</u>	<u>\$ (577,314)</u>		<u>\$ (605,216)</u>	<u>\$ (27,902)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	1.35	1.35	-	1.66	0.31

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6b. General and Administrative

General and Administrative (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.32	1.94	0.62
Total Direct Expenses	\$ 559,018	\$ 692,365	\$ 133,347
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (170,612)	\$ (866,855)	\$ (696,243)

Program Scope and Functional Description

The MRO General and Administrative function provides executive management of the Corporation.

2014 Key Assumptions

- Cost pressures will continue into 2014 and adversely affect stakeholder travel budgets and resourcing for work in regional programs.
- MRO will continue the reimbursement of approved stakeholder travel costs for participation in the NERC committees.
- Any increase or decrease in assessments to achieve desired working capital reserve will be included in the General and Administrative area and are to be allocated proportionately based on FTE to the direct programs.
- Flat costs of \$100,000 are anticipated for the fees and expenses for the two independent Board members who joined the MRO Board in January 2013.

2014 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 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)

The 2014 Budget includes increased travel dollars that reflect the trend of higher travel costs and reimbursement of expenses for the MRO Board of Directors as well as the additional expenses associated with the two new independent directors.

Assessments

The Board approved an Operating and Working Capital Reserves Policy on March 14, 2013 (see Attachment B) which is subject to re-evaluation on an annual basis.

Funding Sources

In 2014, the expenses related to the indirect program areas are being allocated entirely to the direct programs.

Personnel Expenses

- Budgeted FTE increased in 2014 as a result of supporting an increase in MRO staff.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

The 2014 Budget meeting dollars remained unchanged because the number of meetings that are now being held at the new facility is expected to remain the same. Travel Expense has increased in 2014 primarily due to anticipation of higher airline costs.

Operating Expenses

- The 2014 Budget for consultants and contracts are unchanged. ~~Past trends as well as Trending of historic costs revealed very little cost change for consultants and contracts. Also, media training costs being, which was a variable cost,~~ moved from General and Administrative to Legal ~~where the internal legal sources will the communication coordinator of the MRO Crisis Communication Team in 2012.~~
- The 2014 Budget for Professional Services is unchanged.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

N/A

General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget GENERAL and ADMINISTRATIVE					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
Expenses					
Personnel Expenses					
Salaries	\$ 192,366	\$ 192,366	\$ -	\$ 289,381	\$ 97,015
Payroll Taxes	10,760	10,760	-	15,884	5,124
Benefits	13,435	13,435	-	14,661	1,226
Retirement Costs	34,693	34,693	-	49,575	14,882
Total Personnel Expenses	\$ 251,254	\$ 251,254	\$ -	\$ 369,501	\$ 118,247
Meeting Expenses					
Meetings	\$ 35,864	\$ 35,864	\$ -	\$ 35,864	\$ -
Travel	60,000	60,000	-	83,000	23,000
Conference Calls	800	800	-	-	(800)
Total Meeting Expenses	\$ 96,664	\$ 96,664	\$ -	\$ 118,864	\$ 22,200
Operating Expenses					
Consultants & Contracts	\$ 40,000	\$ 40,000	\$ -	\$ 40,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	71,100	71,100	-	64,000	(7,100)
Professional Services	100,000	100,000	-	100,000	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 211,100	\$ 211,100	\$ -	\$ 204,000	\$ (7,100)
Total Direct Expenses	\$ 559,018	\$ 559,018	\$ -	\$ 692,365	\$ 133,347
Indirect Expenses	\$ (559,018)	\$ (559,018)	\$ -	\$ (692,365)	\$ (133,347)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (170,612)	\$ (170,612)	\$ -	\$ (866,855)	\$ (696,243)
FTEs	1.32	1.32	-	1.94	0.62

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6c. Legal and Regulatory

Legal and Regulatory (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	1.22	0.93	(0.29)
Total Direct Expenses	\$ 344,983	\$ 271,822	\$ (73,161)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

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

2014 Key Assumptions

- In the 2014 Budget, as in the 2013 and 2012 budgets, there are no specific funds for hearings under CMEP Rules, and MRO would use its current budget and reserves in the first instance.
- MRO reduced its Professional Services budget for 2014 by eliminating outside legal contingency dollars.
- Travel costs will increase due to more external affairs and communication activities related to new initiatives.

2014 Goals and Key Deliverables

Legal and Regulatory functions are responsible for general corporate legal advice, legal training, and timely, accurate filings to Regulatory authorities. This function is provided by MRO staff 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.

Media training has been moved from General and Administrative to Legal and Regulatory. Media training is provided as part of MRO's Crisis Communication function, where the internal legal source will be the communication coordinator of the MRO Crisis Communication Team.

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

In 2014, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Personnel Expenses

- 2014 Budget has decreased ~~slightly~~ from the 2013 budget, reflecting an anticipated personnel shift supporting program areas outside of Legal and Regulatory.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

The 2014 meeting expenses are at a minimal amount. Travel costs were increased to reflect continued outreach to state public utility commissions in our region through individual meetings and through participation in the Mid-American Regulatory Conference (MARC), outreach to Canadian provincial regulators, and participation in the NERC BOT and Trade meetings.

Operating Expenses

The 2014 Professional Services account was reduced from 2013 ~~to recognize efforts of corporate internal legal counsel which will offset in part the need for outside counsel, again showing MRO's trend of using in sourced "core" responsibilities thereby reducing costs significantly~~ by eliminating outside legal contingency dollars.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

N/A

Legal and Regulatory

Funding sources and related expenses for the Legal and Regulatory section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
LEGAL and REGULATORY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 219,355	\$ 219,355	\$ -	\$ 173,407	\$ (45,948)
Payroll Taxes	11,538	11,538	-	8,754	(2,784)
Benefits	2,150	2,150	-	2,848	698
Retirement Costs	37,375	37,375	-	28,163	(9,212)
Total Personnel Expenses	<u>\$ 270,418</u>	<u>\$ 270,418</u>	<u>\$ -</u>	<u>\$ 213,172</u>	<u>\$ (57,246)</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 150	\$ 150
Travel	9,515	9,515	-	12,500	2,985
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 9,515</u>	<u>\$ 9,515</u>	<u>\$ -</u>	<u>\$ 12,650</u>	<u>\$ 3,135</u>
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	5,050	5,050	-	6,000	950
Professional Services	60,000	60,000	-	40,000	(20,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 65,050</u>	<u>\$ 65,050</u>	<u>\$ -</u>	<u>\$ 46,000</u>	<u>\$ (19,050)</u>
Total Direct Expenses	<u>\$ 344,983</u>	<u>\$ 344,983</u>	<u>\$ -</u>	<u>\$ 271,822</u>	<u>\$ (73,161)</u>
Indirect Expenses	<u>\$ (344,983)</u>	<u>\$ (344,983)</u>	<u>\$ -</u>	<u>\$ (271,822)</u>	<u>\$ 73,161</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	-	-	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	1.22	1.22		0.93	(0.29)

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6d. Information Technology

Information Technology (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.10	3.13	0.03
Total Direct Expenses	\$ 1,019,203	\$ 1,294,652	\$ 275,449
Inc(Dec) in Fixed Assets	\$ 34,186	\$ (150,500)	\$ (184,686)
Working Capital Requirement	\$ -	\$ -	\$ -

Program Scope and Functional Description

MRO's Information Technology ("IT") program provides the technology and communications tools for staff to perform Regional Entity functions.

2014 Key Assumptions

IT provides support and guidance for the technologies deployed at MRO. Technologies include secure networks, systems and business applications, office equipment such as copiers and ~~faxes~~ fax machines, servers to support connected and shared resources, 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.

2014 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 their functions and the communications technologies to support their interaction among staff, registered entities and others.

Funding Sources and Requirements — Explanation of Increase (Decrease)

Higher MRO staff resulted in higher administrative service costs directly related to hardware, software, and maintenance costs.

Funding Sources

In 2014, the expenses related to indirect program areas are being allocated entirely to the direct programs.

Personnel Expenses

- Personnel costs are relatively flat in 2014.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

Travel costs are unchanged.

Operating Expenses

- 2014 Consultants and Contracts expense has increased ~~in this timeline~~ due to one-time set-up costs for SharePoint expansion and other miscellaneous system upgrades.
- 2014 Office costs have gone up due to the impact of higher FTEs at MRO. MRO's overall FTE staffing has increased from 20.00 in 2007 to 40.75 in 2014 Budget.
- 2014 Depreciation expense has gone up due to a historical full year impact of depreciating building improvements, equipment, and other capital investments.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of -higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2014 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs. Other efficiencies of the in-sourced “core responsibilities” are reducing the overall cost of fixed asset additions in the 2014 Budget.

MRO believes we are not including any incremental funding that is duplicative to NERC's 2014 Business Plan and Budget IT applications.

Information Technology

Funding sources and related expenses for the Information Technology section of the 2014 business plan are shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2013 Budget & Projection, and 2014 Budget					
INFORMATION TECHNOLOGY					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses					
Personnel Expenses					
Salaries	\$ 291,579	\$ 291,579	\$ -	\$ 305,832	\$ 14,253
Payroll Taxes	22,502	22,502	-	23,186	684
Benefits	33,318	33,318	-	33,013	(305)
Retirement Costs	40,739	40,739	-	66,171	25,432
Total Personnel Expenses	<u>\$ 388,138</u>	<u>\$ 388,138</u>	<u>\$ -</u>	<u>\$ 428,202</u>	<u>\$ 40,064</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	4,000	4,000	-	4,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ 177,500	\$ 177,500	\$ -	\$ 212,400	\$ 34,900
Office Rent	-	-	-	-	-
Office Costs	143,900	143,900	-	179,050	35,150
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	305,665	305,665	-	471,000	165,335
Total Operating Expenses	<u>\$ 627,065</u>	<u>\$ 627,065</u>	<u>\$ -</u>	<u>\$ 862,450</u>	<u>\$ 235,385</u>
Total Direct Expenses	<u>\$ 1,019,203</u>	<u>\$ 1,019,203</u>	<u>\$ -</u>	<u>\$ 1,294,652</u>	<u>\$ 275,449</u>
Indirect Expenses	<u>(1,019,203)</u>	<u>(1,019,203)</u>	<u>\$ -</u>	<u>(1,294,652)</u>	<u>(275,449)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	(305,665)	(305,665)	-	(471,000)	(165,335)
Computer & Software CapEx	339,851	339,851	-	320,500	(19,351)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	(34,186)	(34,186)	-	150,500	184,686
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	3.10	3.10	-	3.13	0.03

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6e. Human Resources

Human Resources costs are included in Finance and Accounting.

6f. Human Resources, Finance, and Accounting

Accounting and Finance (in whole dollars)			
	2013 Budget	2014 Budget	Increase (Decrease)
Total FTEs	3.01	3.30	0.29
Total Direct Expenses	\$ 1,140,646	\$ 1,206,673	\$ 66,027
Inc(Dec) in Fixed Assets	\$ 50,000	\$ 50,000	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

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.

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.

2014 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

Funding Sources and Requirements — Explanation of Increase (Decrease)

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

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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.

Funding Sources (Other than ERO Assessments)

In 2014, the expenses related to indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Personnel Expenses

- Personnel expenses ~~have a slight~~ increase in 2014 due to an increase in FTEs in this department.
- Total retirement costs increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

Meeting Expenses

Costs are expected to remain relatively flat and consistent for attending regional budget group meetings.

Operating Expenses

- The 2014 budget decreased by 2% over 2013 due to stabilized costs in building and rent.
- A decrease ~~-in -Consultant -and -Contracts -costs -are-is~~ due ~~-to -the-~~ elimination of hiring costs, since MRO was fully staffed at the beginning of 2013.
- The 2014 increase in Office Costs is a result of moving tuition assistance from the individual programs to Human Resources. This change is consistent with the other regions and NERC.
- Professional Services expenses decrease as a result of negotiated service costs and reduction in the scope of professional services needed. Actuarial costs peaked in 2011 when the pension conversion was completed. Actuarial costs should remain flat.

Indirect Expenses

Expenses related to indirect programs have been allocated proportionately based on FTE count to the direct programs. There is an increase in the indirect expenses for 2014 as a result of higher administrative service costs associated with an increase in MRO staff.

Other Non-Operating Expenses

No dollars are necessary in 2014.

Fixed Asset Additions

2014 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

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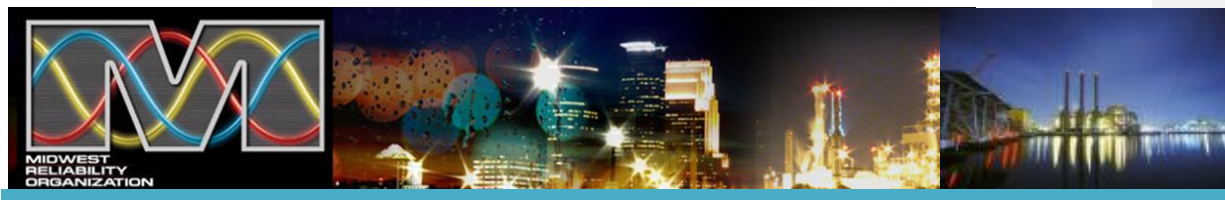
Human Resources, Finance, and Accounting

Funding sources and related expenses for the Human Resources, Accounting, and Finance section of the 2014 business plan is shown in the table below.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2013 Budget & Projection, and 2014 Budget					
FINANCE and ACCOUNTING					
	2013 Budget	2013 Projection	Variance 2013 Projection v 2013 Budget Over(Under)	2014 Budget	Variance 2014 Budget v 2013 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty Sanctions	\$ -	\$ -	\$ -	\$ -	\$ -
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 290,826	\$ 290,826	\$ -	\$ 348,717	\$ 57,891
Payroll Taxes	20,485	20,485	-	23,459	2,974
Benefits	32,351	32,351	-	34,384	2,033
Retirement Costs	56,737	56,737	-	71,365	14,628
Total Personnel Expenses	\$ 400,399	\$ 400,399	\$ -	\$ 477,926	\$ 77,527
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ 500	\$ 500
Travel	3,000	3,000	-	3,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 3,000	\$ 3,000	\$ -	\$ 3,500	\$ 500
Operating Expenses					
Consultants & Contracts	\$ 45,500	\$ 45,500	\$ -	\$ 25,000	\$ (20,500)
Office Rent	528,827	528,827	-	524,827	(4,000)
Office Costs	83,920	83,920	-	115,420	31,500
Professional Services	79,000	79,000	-	60,000	(19,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 737,247	\$ 737,247	\$ -	\$ 725,247	\$ (12,000)
Total Direct Expenses	\$ 1,140,646	\$ 1,140,646	\$ -	\$ 1,206,673	\$ 66,027
Indirect Expenses	\$ (1,140,646)	\$ (1,140,646)	\$ -	\$ (1,206,673)	\$ (66,027)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ (1)	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ 1	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-
All location of Fixed Assets	\$ (50,000)	\$ (50,000)	\$ -	-	50,000
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ (1)	\$ 50,000	\$ 50,000
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ 1	\$ (50,000)	\$ (50,000)
FTEs	3.01	3.01		3.30	0.29

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Section B – Supplemental Financial Information

2014 Business Plan and Budget

Section B — Supplemental Financial Information

1. Supplemental Financial Information Reserve Balance

Table B-1

Working Capital Reserve Analysis 2013-2014	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2012	2,252,881
Plus: 2013 MRO Funding (from LSEs or designees)	9,098,927
Less: 2013 Projected expenses & capital expenditures	(9,283,539)
Projected Working Capital Reserve (Deficit), December 31, 2013	2,068,269
Targeted Working Capital Reserve, December 31, 2014 (($\$9,744,802 / 365$ days) X 45 days)	1,201,414
Less: Projected Working Capital Reserve, December 31, 2013	(2,068,269)
Increase(decrease) in assessments to achieve targeted Working Capital Reserve	(866,855)
2014 Expenses and Capital Expenditures	9,744,799
Less: Penalty Sanctions ¹	(126,500)
Less: Other Funding Sources	0
Adjustment to achieve targeted Working Capital Reserve	(866,855)
2014 MRO Assessment	8,751,444

¹ Represents collections on or prior to June 30, 2012. See page 54 for full disclosure.

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Working Capital Reserve Analysis 2013-2014	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2012	2,252,881
Plus: 2013 MRO Funding (from LSEs or designees)	9,098,927
Less: 2013 Projected expenses & capital expenditures	(9,283,539)
Projected Working Capital Reserve (Deficit), December 31, 2013 ¹	2,068,269
Targeted Working Capital Reserve, December 31, 2014 ((9,744,802 / 365 days) X 45 days)	1,201,414
Less: Projected Working Capital Reserve, December 31, 2013	(2,068,269)
Increase(decrease) in assessments to achieve targeted Working Capital Reserve	(866,855)
2014 Expenses and Capital Expenditures	9,744,799
Less: Penalty Sanctions ²	(136,500)
Less: Other Funding Sources	0
Adjustment to achieve targeted Working Capital Reserve	(866,855)
2014 MRO Assessment	8,741,444

¹ MRO's projected reserve December 31, 2013 assumes that there will not be a material difference between budgeted versus actual/projected results from 2013.

² Represents collections on or prior to June 30, 2012. See page 54 for full disclosure.

2. Explanation of Changes in Reserve Policy from Prior Years to Current Year

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. On March 14, 2013, the MRO Board approved an Operating and Working Capital Reserve Policy. Pursuant to the approved policy the amount of MRO's operating capital reserves shall be identified and quantified each year in the business plan and budget (shown in Table B-1) submitted first to the MRO FAC for review, and then to the MRO board of directors for approval. If the approved amount is different than what MRO will have available for the upcoming budget year, then MRO will increase or decrease the reserve requirement as appropriate by the difference.

3. Breakdown by Statement of Activity Sections

The following detailed schedules are in support of the Statement of Activities on page [1415](#) of the MRO 2014 Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Penalty Sanctions

Penalty monies received prior to June 30, 2013 are to be used to offset assessments in the 2014 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND

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RECEIVED FOR VIOLATIONS OF RELIABILITY ~~STANDARD~~STANDARDS. Penalty monies received from July 1, 2013 through June 30, 2014 will be used to offset assessments in the 2015 Budget.

All penalties received prior to June 30, 2013 are listed below, 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 & Certification; Compliance Monitoring & Enforcement; Reliability Assessments and Performance Analysis; Training, Education and Operator Certification; and Situation Awareness and Infrastructure Security. Penalty sanctions are allocated based upon the number of FTEs in the Program divided by the aggregate total FTEs in the Programs receiving the allocation.

Table B-2

Penalty Sanctions Received On or Prior to June 30, 2013		
	Date Received	Amount Received
	7/13/2012	\$ 6,000
	8/13/2012	12,000
	9/5/2012	40,000
	9/5/2012	40,000
	9/7/2013	6,000
	2/14/2013	2,500
	3/20/2013	20,000
Total Penalties Received		\$ 126,500

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Penalty Sanctions Received On or Prior to June 30, 2013		Date Received	Amount Received
		7/13/2012	\$ 6,000
		8/13/2012	12,000
		9/5/2012	40,000
		9/5/2012	40,000
		9/7/2013	6,000
		2/14/2013	2,500
		3/20/2013	20,000
		5/14/2013	10,000
Total Penalties Received			\$ 136,500

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Supplemental Funding

Table B-3

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget
Compliance Monitoring, Enforcement & Org. Registration	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Reliability Assessment and Performance Analysis				
Total	\$ -	\$ -	\$ -	\$ -
Training and Education				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	\$ -
CEH Fees	-	-	-	-
Workshops	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
Situation Awareness and Infrastructure Security				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -
General and Administrative				
Interest Income	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -
Total Outside Funding	\$ -	\$ -	\$ -	\$ -

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

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

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4. Personnel Expenses

Table B-4

Personnel Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Total Salaries	\$ 4,772,320	\$ 4,772,320	\$ 5,178,538	\$ 406,218	8.5%
Total Payroll Taxes	312,394	312,394	339,154	26,760	8.6%
Total Benefits	394,086	394,086	412,222	18,136	4.6%
Total Retirement	833,228	833,228	968,920	135,692	16.3%
Total Personnel Costs	\$ 6,312,028	\$ 6,312,028	\$ 6,898,834	\$ 586,806	9.3%
FTEs	37.75	37.75	40.75	3.00	7.9%
Cost per FTE					
Salaries	\$ 126,419	\$ 126,419	\$ 127,081	662	0.5%
Payroll Taxes	8,275	8,275	8,323	47	0.6%
Benefits	10,439	10,439	10,116	(323)	-3.1%
Retirement	22,072	22,072	23,777	1,705	7.7%
Total Cost per FTE	\$ 167,206	\$ 167,206	\$ 169,297	\$ 2,091	1.3%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Total retirement cost increased in a higher percentage than the other personnel costs as a result of a change in assumptions of a lower long-term rate of return on assets.

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5. Consultants and Contracts

Table B-5

Consultants	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Consultants					
Reliability Standards and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	
Compliance	33,000	33,000	3,000	(30,000)	-91%
Reliability Assessment and Performance Analysis (Secure Portal Dev for Periodic Data Collection)	30,000	30,000	20,000	(10,000)	-33%
Event Analysis	20,000	20,000	-	(20,000)	-100%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	40,000	40,000	40,000	-	0%
Legal and Regulatory	-	-	-	-	
Information Technology	40,000	40,000	100,000	60,000	150%
Human Resources	-	-	-	-	
Accounting and Finance	5,000	5,000	5,000	-	0%
Consultants Total	\$ 168,000	\$ 168,000	\$ 168,000	\$ -	0%
Contracts					
Contracts					
Outsource Standards Tracking Software Applications	\$ 12,000	\$ 12,000	\$ 12,000	-	0%
Subtotal - Reliability Standards and Organization Registration and Certification Contracts	\$ 12,000	\$ 12,000	\$ 12,000	-	0%
Outsource Compliance Information Tracking Applications	-	-	-	-	
Subtotal - Compliance Contracts	\$ 124,000	\$ 124,000	\$ 124,000	-	0%
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	\$ 22,600	\$ 22,600	\$ 26,700	4,100	18%
Model Building	45,800	45,800	38,000	(7,800)	-17%
PTI Software	22,700	22,700	22,000	(700)	-3%
Data Collection Expansion	-	-	20,000	20,000	
Subtotal - Reliability Assessments Contracts	\$ 91,100	\$ 91,100	\$ 106,700	\$ 15,600	17%
Cisco	20,000	20,000	20,000	-	0%
Barracuda	5,000	5,000	5,500	500	10%
Domain Registration	500	500	500	-	0%
EFT Maintenance	-	-	6,900	6,900	
Symantec Antivirus	5,000	5,000	5,000	-	0%
Varonis File Maintenance	8,000	8,000	8,500	500	6%
Net App Data Storage Maintenance	25,000	25,000	20,000	(5,000)	-20%
Net App Shelves	3,000	3,000	-	(3,000)	-100%
VMWare	14,000	14,000	14,000	-	0%
Sharepoint Maintenance	15,000	15,000	-	(15,000)	-100%
SmartPhone Maintenance	6,000	6,000	6,000	-	0%
Server Support	5,000	5,000	6,000	1,000	20%
Great Plains Upgrade	13,000	13,000	-	(13,000)	-100%
IT Security Audit	18,000	18,000	-	(18,000)	-100%
Comodo-Certificates	-	-	1,500	1,500	
CRM and Scribe	-	-	11,500	11,500	
NetApp Multistore-Security software for SAN	-	-	7,000	7,000	
Subtotal - Information Technology Contracts	\$ 137,500	\$ 137,500	\$ 112,400	\$ (25,100)	-18%
401K / 457b, 457f 3rd Party Administrator	4,000	4,000	4,000	-	0%
FSA 3rd Party Administrator	1,200	1,200	1,200	-	0%
Transportation 3rd Party Administrator	2,800	2,800	2,800	-	0%
Benefits 3rd Party Administrator	2,000	2,000	2,000	-	0%
Payroll 3rd Party Administrator	5,500	5,500	10,000	4,500	82%
HR-Employment Costs	25,000	25,000	-	(25,000)	-100%
Subtotal - HR and Finance Contracts	\$ 40,500	\$ 40,500	\$ 20,000	(20,500)	-51%
Contracts Total	\$ 405,100	\$ 405,100	\$ 375,100	\$ (30,000)	-7%
Total Consulting and Contracts	\$ 573,100	\$ 573,100	\$ 543,100	\$ (30,000)	-5%

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Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Consulting Expenses

- Compliance consulting expenses are budgeted to decrease in 2014. Greater efficiencies are budgeted with this third party vendor as additional regions expand the common IT platform increasing efficiency and effectiveness as well as lower costs by spreading costs across the increased number of participating regions.
- Reliability Assessments and Performance Analysis decreased in 2014 because MRO removed the contingency dollars for Event Analysis.
- Information Technology will increase in 2014 because IT will be using outside consultants for new technology implementation.

Contract Expenses

- Reliability Assessments and Performance Analysis costs slightly increase for 2014 due to higher future costs for data collection expansion.
- Information Technology costs increased in this timeline due to one-time set-up costs.
- Human Resources and Finance costs decreased for 2014 due to an expected decrease in hiring costs. MRO was fully staffed as of December 31, 2012.

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Table B-6

Office Rent	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Office Rent	\$ 513,827	\$ 513,827	\$ 513,827	\$ -	0.0%
Utilities	5,000	5,000	5,000	-	0.0%
Maintenance	10,000	10,000	6,000	(4,000)	-40.0%
Office Cleaning	-	-	-	-	
Waste Management	-	-	-	-	
Total Office Rent	\$ 528,827	\$ 528,827	\$ 524,827	\$ (4,000)	-0.76%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Office Rent

The 2014 Budget includes budgeted Leasehold Improvements and associated Office Rent for a new facility. The lease costs from 2013 to 2014 remain relatively flat and are partially offset by the lower cost of routine maintenance which is covered in the lease.

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Table B-7

Office Costs	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Phone Service					
Data Curciut (qmoe)	\$ 20,000	\$ 20,000	\$ 13,500	\$ (6,500)	-32.50%
Data Circuit (dsl)	-	-	14,300	14,300	
Voice Circuits	13,000	13,000	14,000	1,000	7.69%
Business Cable	3,300	3,300	2,000	(1,300)	-39.39%
Sunguard 1/	33,000	33,000	32,850	(150)	-0.45%
Internet/Cell	44,307	44,307	45,864	1,557	3.51%
Office Supplies	26,350	26,350	24,300	(2,050)	-7.78%
Employee Member Events	17,800	17,800	15,000	(2,800)	-15.73%
Employee Related Expense (Drug Testing, Finder Fees Etc)	8,500	8,500	9,000	500	5.88%
Computer Supplies and Maintenance	37,000	37,000	60,300	23,300	62.97%
Publications & Subscriptions	5,400	5,400	5,400	-	0.00%
Professional Dues	13,859	13,859	22,960	9,101	65.67%
Postage	2,700	2,700	2,700	-	0.00%
Temporary Services	-	-	-	-	
Finance-Filing/Reg Fees	6,000	6,000	6,000	-	0.00%
Equipment Repair/Service Contracts 1/	25,000	25,000	20,800	(4,200)	-16.80%
Bank Charges	15,500	15,500	15,500	-	0.00%
Sales & Use Taxes	-	-	-	-	
Merchant Card Fees	-	-	-	-	
Presentation & Publicity & Supplies Promotional	3,000	3,000	-	(3,000)	-100.00%
Departmental Functional Training	108,588	108,588	148,650	40,062	36.89%
Insurance Expense	45,000	45,000	50,000	5,000	11.11%
Total Office Costs	\$ 428,304	\$ 428,304	\$ 503,124	\$ 74,820	17.47%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

Office Costs

These costs are affected by the higher number of FTEs in 2014 than 2013.

Departmental Functional and Training Costs

Training costs in the program areas increased in 2014 as a result of higher FTEs in 2014.

Insurance Expense

The 2014 budget includes business continuity coverage which is anticipated to be acquired in 2013.

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Table B-8

Professional Services	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Independent Trustee Fees	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	0.00%
Outside Legal	67,500	67,500	45,000	(22,500)	-33.33%
Accounting & Auditing Fees	53,000	53,000	45,000	(8,000)	-15.09%
Actuarial Fees	26,000	26,000	15,000	(11,000)	-42.31%
Total Services	\$ 246,500	\$ 246,500	\$ 205,000	\$ (41,500)	-16.84%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

- Independent Trustee fees have been added to the 2013 Budget. In 2014, these fees will remain unchanged. In 2012 members of MRO approved revised bylaws to include independent board members. The change in governance began in 2013.
- ~~Reduced costs for Outside Legal are due to an anticipated reduction in Professional Services by eliminating outside legal contingency dollars.~~
- Accounting and Auditing Fees were reduced to reflect actual expenditures in 2012.
- Actuarial fees reduced slightly in 2014 as efficiencies and lower negotiated fees are realized. Actuarial costs peaked in 2011 when the pension conversion was completed. Actuarial costs should remain flat.

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Table B-9

Other Non-Operating Expenses	Budget 2013	Projection 2013	Budget 2014	Variance 2014 Budget v 2013 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-	-	-
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Explanation of Significant Variances – 2014 Budget versus 2013 Budget

No dollars are necessary in 2014 Budget.

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Section C – Non-Statutory Activities

2014 Business Plan and Budget

Section C — 2014 Non-Statutory Business Plan and Budget

In the 2014 Business Plan and Budget, MRO will not have non-statutory functions.

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Section D – Additional Consolidated Financial Statements

2014 Business Plan and Budget

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Section D - Additional Financial Statements

1. 2014 Consolidated Statement of Activities by Program, Statutory and Non Statutory

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Section D - Additional Financial Statements

2014 Consolidated Statement of Activities

Statement of Activities and Capital Expenditures by Program 2014 Budget	Statutory Activities													Non-Statutory Functions		
	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards and Organizational Registration (Section 300 and 308)	Compliance and Organization Registration (Section 400)	Reliability Assessment and Performance Analysis (Section 600)	Training and Education (Section 700)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
Funding																
ERO Funding																
NERC Assessments	8,751,444	8,751,444	-	8,751,444	430,390	6,607,315	2,106,868	330,377	83,349	-	(866,855)	-	-	-	-	-
Penalty Sanctions	126,500	126,500	-	126,500	4,968	90,278	27,559	2,760	934	-	-	-	-	-	-	-
Total NERC Funding	8,877,944	8,877,944	-	8,877,944	435,358	6,697,593	2,134,427	333,137	84,283	-	(866,855)	-	-	-	-	-
Memberships Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	8,877,944	8,877,944	-	8,877,944	435,358	6,697,593	2,134,427	333,137	84,283	-	(866,855)	-	-	-	-	-
Expenses																
Personnel Expenses																
Salaries	5,178,538	5,178,538	-	5,178,538	175,057	2,631,450	793,111	135,804	39,332	286,447	289,381	173,407	305,832	-	348,717	-
Payroll Taxes	339,154	339,154	-	339,154	9,981	179,885	53,718	6,128	2,173	15,986	15,884	8,754	23,186	-	23,459	-
Benefits	412,222	412,222	-	412,222	12,129	222,955	68,241	6,856	2,320	15,715	14,661	2,848	33,013	-	34,384	-
Retirement Costs	968,920	968,920	-	968,920	34,167	461,742	170,310	22,921	6,138	58,368	49,575	28,163	66,171	-	71,365	-
Total Personnel Expenses	6,898,834	6,898,834	-	6,898,834	231,334	3,495,132	1,085,380	171,709	49,963	376,516	369,501	213,172	428,202	-	477,925	-
Meeting Expenses																
Meetings	100,514	100,514	-	100,514	4,000	5,500	5,500	49,000	-	-	35,864	150	-	-	500	-
Travel	598,900	598,900	-	598,900	28,900	137,000	81,000	20,800	-	228,700	83,000	12,500	4,000	-	3,000	-
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	699,414	699,414	-	699,414	32,900	142,500	86,500	69,800	-	228,700	118,864	12,650	4,000	-	3,500	-
Operating Expenses																
Consultants & Contracts	543,100	543,100	-	543,100	12,000	127,000	126,700	-	-	-	40,000	-	212,400	-	25,000	-
Office Rent	524,827	524,827	-	524,827	-	-	-	-	-	-	-	-	-	-	524,827	-
Office Costs	503,124	503,124	-	503,124	3,194	94,560	30,900	5,000	5,000	-	64,000	6,000	179,050	-	115,420	-
Professional Services	205,000	205,000	-	205,000	-	5,000	-	-	-	-	100,000	40,000	-	-	60,000	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	471,000	471,000	-	471,000	-	-	-	-	-	-	-	-	471,000	-	-	-
Total Operating Expenses	2,247,051	2,247,051	-	2,247,051	15,194	226,560	157,600	5,000	5,000	204,000	46,000	46,000	862,450	-	725,247	-
Total Direct Expenses	9,845,299	9,845,299	-	9,845,299	279,428	3,864,192	1,329,480	246,509	54,963	605,216	692,365	271,822	1,294,652	-	1,206,672	-
Indirect Expenses																
	-	-	-	-	159,877	2,905,124	886,842	88,821	30,062	(605,216)	(692,365)	(271,822)	(1,294,652)	-	(1,206,672)	-
Other Non-Operating Expenses																
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	9,845,299	9,845,299	-	9,845,299	439,305	6,769,316	2,216,322	335,330	85,025	-	-	-	-	-	-	-
Change in Assets																
	(967,355)	(967,355)	-	(967,355)	(3,947)	(71,723)	(21,895)	(2,193)	(742)	-	(866,855)	-	-	-	-	-
Fixed Assets																
Depreciation	(471,000)	(471,000)	-	(471,000)	-	-	-	-	-	-	-	-	(471,000)	-	-	-
Computer & Software CapEx	320,500	320,500	-	320,500	-	-	-	-	-	-	-	-	320,500	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-	-	-	-	-	-	-	-	-	-	50,000	-
Allocation of Fixed Assets	-	-	-	-	(3,947)	(71,723)	(21,895)	(2,193)	(742)	-	-	-	150,500	-	(50,000)	-
Inc/Dec in Fixed Assets (C)	(100,500)	(100,500)	-	(100,500)	(3,947)	(71,723)	(21,895)	(2,193)	(742)	-	-	-	-	-	-	-
TOTAL BUDGET (=B + C)	9,744,799	9,744,799	-	9,744,799	435,358	6,697,593	2,134,427	333,137	84,283	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	8,777,444	8,777,444	-	(866,855)	0	-	(0)	(0)	0	-	(866,855)	-	-	-	-	-
FFEs	40.76	40.76	-	40.76	1.17	21.26	6.49	0.65	0.33	1.66	1.94	0.93	3.13	-	3.30	-

Section D - Additional Financial Statements

2014 Consolidated Statement of Activities

Statement of Activities and Capital Expenditures by Program 2014 Budget	Statutory Activities													Non-Statutory Functions		
	Total	Statutory Total	Non-Statutory Total	Statutory Total	Reliability Standards and Organizational Registration (Section 300 and 308)	Compliance and Organization Registration (Section 400)	Reliability Assessment and Performance Analysis (Section 600)	Training and Education (Section 900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forum	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance	Non-Statutory Total
Funding																
ERO Funding																
NERC Assessments	8,741,444	8,741,444	-	8,741,444	429,997	6,600,178	2,164,689	330,159	83,275	-	(866,855)	-	-	-	-	-
Penalty Sanctions	136,500	136,500	-	136,500	5,361	97,815	29,738	2,978	1,008	-	-	-	-	-	-	-
Total NERC Funding	8,877,944	8,877,944	-	8,877,944	435,358	6,697,993	2,194,427	333,137	84,283	-	(866,855)	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	8,877,944	8,877,944	-	8,877,944	435,358	6,697,993	2,194,427	333,137	84,283	-	(866,855)	-	-	-	-	-
Expenses																
Personnel Expenses																
Salaries	5,178,538	5,178,538	-	5,178,538	175,057	2,631,450	793,111	135,804	39,332	286,447	289,381	173,407	305,832	-	-	348,717
Payroll Taxes	339,154	339,154	-	339,154	9,981	179,885	53,718	6,128	2,173	15,986	15,884	8,754	23,186	-	-	23,459
Benefits	412,222	412,222	-	412,222	12,129	222,955	68,241	6,856	2,300	15,715	14,661	2,848	33,013	-	-	34,384
Retirement Costs	968,920	968,920	-	968,920	34,167	461,742	170,310	22,921	6,138	58,368	49,575	28,163	66,171	-	-	71,365
Total Personnel Expenses	6,898,834	6,898,834	-	6,898,834	231,334	3,495,132	1,085,380	171,709	49,963	376,516	369,501	213,172	428,202	-	-	477,925
Meeting Expenses																
Meetings	100,514	100,514	-	100,514	4,000	5,500	5,500	49,000	-	-	35,864	150	-	-	-	500
Travel	598,900	598,900	-	598,900	28,900	137,000	81,000	20,800	-	228,700	83,000	12,500	4,000	-	-	3,000
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	699,414	699,414	-	699,414	32,900	142,500	86,500	69,800	-	228,700	118,864	12,650	4,000	-	-	3,500
Operating Expenses																
Consultants & Contracts	543,100	543,100	-	543,100	12,000	127,000	126,700	-	-	-	40,000	-	212,400	-	-	25,000
Office Rent	524,827	524,827	-	524,827	-	-	-	-	-	-	-	-	-	-	-	524,827
Office Costs	503,124	503,124	-	503,124	3,194	94,560	30,900	5,000	5,000	-	64,000	6,000	179,050	-	-	115,420
Professional Services	205,000	205,000	-	205,000	-	5,000	-	-	-	-	100,000	40,000	-	-	-	60,000
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	471,000	471,000	-	471,000	-	-	-	-	-	-	-	-	471,000	-	-	-
Total Operating Expenses	2,247,051	2,247,051	-	2,247,051	15,194	226,560	157,600	5,000	5,000	204,000	46,000	46,000	862,450	-	-	725,247
Total Direct Expenses	9,845,299	9,845,299	-	9,845,299	279,428	3,864,192	1,325,480	246,509	54,963	605,216	692,365	271,822	1,294,652	-	-	1,206,672
Indirect Expenses																
	-	-	-	-	159,877	2,905,124	886,842	88,821	30,062	(605,216)	(692,365)	(271,822)	(1,294,652)	-	-	(1,206,672)
Other Non-Operating Expenses																
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	9,845,299	9,845,299	-	9,845,299	439,305	6,769,316	2,216,322	335,330	85,025	-	-	-	-	-	-	-
Change in Assets	(967,355)	(967,355)	-	(967,355)	(3,947)	(71,723)	(21,895)	(2,193)	(742)	-	(866,855)	-	-	-	-	-
Fixed Assets																
Depreciation	(471,000)	(471,000)	-	(471,000)	-	-	-	-	-	-	-	-	(471,000)	-	-	-
Computer & Software CapEx	320,500	320,500	-	320,500	-	-	-	-	-	-	-	-	320,500	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	50,000	50,000	-	50,000	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Fixed Assets	-	-	-	-	(3,947)	(71,723)	(21,895)	(2,193)	(742)	-	-	-	150,500	-	-	(50,000)
Inc(Dec) in Fixed Assets (C)	(100,500)	(100,500)	-	(100,500)	(3,947)	(71,723)	(21,895)	(2,193)	(742)	-	-	-	-	-	-	-
TOTAL BUDGET (B + C)	9,744,799	9,744,799	-	9,744,799	435,358	6,697,993	2,194,427	333,137	84,283	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (A-B-C)	8,777,444	8,777,444	-	(866,855)	0	-	(0)	(0)	0	-	(866,855)	-	-	-	-	-
FTEs	40.75	40.75	-	40.75	1.17	21.26	6.49	0.65	0.22	1.66	1.94	0.93	3.13	-	-	3.30

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2. Statement of Financial Position

- ~~As of December 31, 2011, per audit~~
- As of December 31, 2012, projected per audit
- As of December 31, 2013, projected
- As of December 31, 2014, as budgeted

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Statement of Financial Position			
2011 Audited, 2012 Projection, and 2013 Budget			
STATUTORY			
	(Per Audit) 31-Dec-11	Projected 31-Dec-12	Budget 31-Dec-13
ASSETS			
Cash	3,042,970	1,315,158	1,144,546
Trade Accounts receivable, net of allowance for uncollectible accounts of \$152,323 (2009)	-	-	-
Other Receivables	-	-	-
Prepaid expenses and other current assets	549,444	549,444	549,444
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	10,000	-	-
Property and equipment and capitalized software	655,154	1,097,604	1,000,000
Total Assets	4,297,426	3,002,064	2,733,848
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,569,281	1,447,478	865,826
Postretirement medical benefit obligation	188,064	288,064	388,064
Deferred assessments - non-current	10,000	-	-
Deferred rent - non-current	-	121,976	300,163
Total Liabilities	1,767,345	1,857,518	1,554,053
Net Assets - unrestricted	2,530,081	1,144,546	1,179,795
Total Liabilities and Net Assets	4,297,426	3,002,064	2,733,848

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Statement of Financial Position
2012 Audited, 2013 Projection, and 2014 Budget

STATUTORY

	(Per Audit) 31-Dec-12	Projected 31-Dec-13	Budget 31-Dec-14
ASSETS			
Cash	3,190,831	3,138,330	2,500,964
Restricted Cash	14,002	136,000	-
Other Receivables	191,366	-	-
Prepaid expenses and other current assets	200,276	173,237	138,237
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	104,003	-	-
Property and equipment and capitalized software	1,348,844	1,537,629	1,437,129
Total Assets	5,089,180	5,025,054	4,116,188
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	1,343,595	1,379,298	1,437,500
Postretirement medical benefit obligation	347,334	382,334	478,064
Deferred assessments - non-current	104,004	-	-
Deferred rent - non-current	121,976	331,077	439,174
Total Liabilities	1,916,909	2,092,709	2,354,738
Net Assets - unrestricted	3,172,271	2,932,345	1,761,450
Total Liabilities and Net Assets	5,089,180	5,025,054	4,116,188

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3. Statement of Activities and Capital Expenditures

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Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2012 Budget & Projection, and 2013 Budget 2012 Budget & Projected 2013 and 2014 Budgets							
	2013 Budget	2014 Projection	\$ Change 14 v 13	% Change 14 v 13	2015 Projection	\$ Change 15 v 14	% Change 15 v 14
Funding							
ERO Funding							
NERC Assessments	\$ 9,912,927	\$ 9,569,450	\$ (343,477)	-3.5%	\$ 9,892,630	\$ 323,180	3.3%
Penalty Sanctions	14,000	-	(14,000)	-100.00%	-	-	-
Total NERC Funding	\$ 9,912,927	\$ 9,569,450	\$ 456,523	5.0%	\$ 9,892,630	\$ 323,180	3.3%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 9,912,927	\$ 9,569,450	\$ 456,523	5.0%	\$ 9,892,630	\$ 323,180	3.4%
Expenses							
Personnel Expenses							
Salaries	\$ 4,772,320	\$ 4,988,213	\$ 215,893	4.5%	\$ 5,187,741	\$ 199,529	4.0%
Payroll Taxes	312,394	324,890	12,496	4.0%	337,885	12,996	4.0%
Benefits	394,086	409,849	15,763	4.0%	426,243	16,394	4.0%
Retirement Costs	833,228	866,557	33,329	4.0%	901,219	34,662	4.0%
Total Personnel Expenses	\$ 6,312,028	\$ 6,589,509	\$ 277,481	4.4%	\$ 6,853,089	\$ 263,580	4.0%
Meeting Expenses							
Meetings	\$ 132,464	\$ 135,113	\$ 2,649	2.0%	\$ 137,816	\$ 2,702	2.0%
Travel	630,765	643,380	12,615	2.0%	656,248	12,868	2.0%
Conference Calls	41,700	42,534	834	2.0%	43,385	851	2.0%
Total Meeting Expenses	\$ 804,929	\$ 821,028	\$ 16,099	2.0%	\$ 837,448	\$ 16,421	2.0%
Operating Expenses							
Consultants & Contracts	\$ 573,100	\$ 584,562	11,462	2.0%	\$ 596,253	11,691	2.0%
Office Rent	528,827	539,404	10,577	2.0%	550,192	10,788	2.0%
Office Costs	428,304	436,870	8,566	2.0%	445,607	8,737	2.0%
Professional Services	246,500	251,430	4,930	2.0%	256,459	5,029	2.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	305,665	311,778	6,113	2.0%	318,014	6,236	2.0%
Total Operating Expenses	\$ 2,082,396	\$ 2,124,044	\$ 41,648	2.0%	\$ 2,166,525	\$ 42,481	2.0%
Total Direct Expenses	\$ 9,199,353	\$ 9,534,581	\$ 335,228	3.6%	\$ 9,857,062	\$ 322,482	3.4%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 9,199,353	\$ 9,534,581	\$ 335,228	3.6%	\$ 9,857,062	\$ 322,482	3.4%
Change in Assets	\$ (86,426)	\$ 34,869	\$ 121,295	-140.3%	\$ 35,568	\$ 698	2.0%
Fixed Assets							
Depreciation	\$ (305,665)	\$ (311,778)	\$ (6,113)	2.0%	\$ (318,014)	\$ (6,236)	2.0%
Computer & Software CapEx	339,851	346,648	6,797	2.0%	353,581	6,933	2.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	50,000	-	(50,000)	-100.0%	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ 84,186	\$ 34,870	\$ (49,316)	-58.6%	\$ 35,567	\$ 698	0.0%
TOTAL BUDGET (=B + C)	\$ 9,283,539	\$ 9,569,450	\$ 285,911	3.1%	\$ 9,892,630	\$ 322,482	3.4%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (170,612)	\$ (0)	\$ 170,612	-100.0%	\$ 0	\$ 1	-238.5%
FTEs	37.75	40.00	2.25		40.00	-	

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**Statement of Activities, Fixed Assets Expenditures and Change in Working Capital
2015 and 2016 Projections**

	2014 Budget	2015 Projection	\$ Change 15 v 14	% Change 15 v 14	2016 Projection	\$ Change 16 v 15	% Change 16 v 15
Funding							
ERO Funding							
NERC Assessments	\$ 8,741,444	\$ 9,569,450	\$ 828,006	9.47%	\$ 9,892,630	\$ 323,180	3.3%
Penalty Sanctions	136,500	-	(136,500)	-100.00%	-	-	-
Total NERC Funding	\$ 8,877,944	\$ 9,569,450	\$ 691,506	7.8%	\$ 9,892,630	\$ 323,180	3.3%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 8,877,944	\$ 9,569,450	\$ 691,506	7.8%	\$ 9,892,630	\$ 323,180	3.4%
Expenses							
Personnel Expenses							
Salaries	\$ 5,178,538	\$ 5,333,894	\$ 155,356	3.0%	\$ 5,493,911	\$ 160,017	3.0%
Payroll Taxes	339,154	349,329	10,175	3.0%	359,808	10,480	3.0%
Benefits	412,222	424,589	12,367	3.0%	437,326	12,738	3.0%
Retirement Costs	968,920	997,988	29,068	3.0%	1,027,927	29,940	3.0%
Total Personnel Expenses	\$ 6,898,834	\$ 7,105,799	\$ 206,965	3.0%	\$ 7,318,973	\$ 213,174	3.0%
Meeting Expenses							
Meetings	\$ 100,514	\$ 102,524	\$ 2,010	2.0%	\$ 104,575	\$ 2,050	2.0%
Travel	598,900	610,878	11,978	2.0%	623,096	12,218	2.0%
Conference Calls	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 699,414	\$ 713,402	\$ 13,988	2.0%	\$ 727,670	\$ 14,268	2.0%
Operating Expenses							
Consultants & Contracts	\$ 543,100	\$ 553,962	10,862	2.0%	\$ 565,041	11,079	2.0%
Office Rent	524,827	535,324	10,497	2.0%	546,030	10,706	2.0%
Office Costs	503,124	513,186	10,062	2.0%	523,450	10,264	2.0%
Professional Services	205,000	209,100	4,100	2.0%	213,282	4,182	2.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	471,000	480,420	9,420	2.0%	490,028	9,608	2.0%
Total Operating Expenses	\$ 2,247,051	\$ 2,291,992	\$ 44,941	2.0%	\$ 2,337,832	\$ 45,840	2.0%
Total Direct Expenses	\$ 9,845,299	\$ 10,111,193	\$ 265,894	2.7%	\$ 10,384,475	\$ 273,282	2.7%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 9,845,299	\$ 10,111,193	\$ 265,894	2.7%	\$ 10,384,475	\$ 273,282	2.7%
Change in Assets	\$ (967,355)	\$ (541,743)	\$ 425,612	-44.0%	\$ (491,845)	\$ 49,898	-9.2%
Fixed Assets							
Depreciation	\$ (471,000)	\$ (480,420)	\$ (9,420)	2.0%	\$ (490,028)	\$ (9,608)	2.0%
Computer & Software CapEx	320,500	326,910	6,410	2.0%	333,448	6,538	2.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	50,000	-	(50,000)	-100.0%	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ (100,500)	\$ (153,510)	\$ (53,010)	52.7%	\$ (156,580)	\$ 49,898	0.0%
TOTAL BUDGET (=B + C)	\$ 9,744,799	\$ 9,957,683	\$ 212,884	2.2%	\$ 10,227,895	\$ 273,282	2.7%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (866,855)	\$ (388,233)	\$ 478,622	-55.2%	\$ (335,265)	\$ 52,968	-13.6%
FTEs	37.75	40.00	2.25		40.00	-	

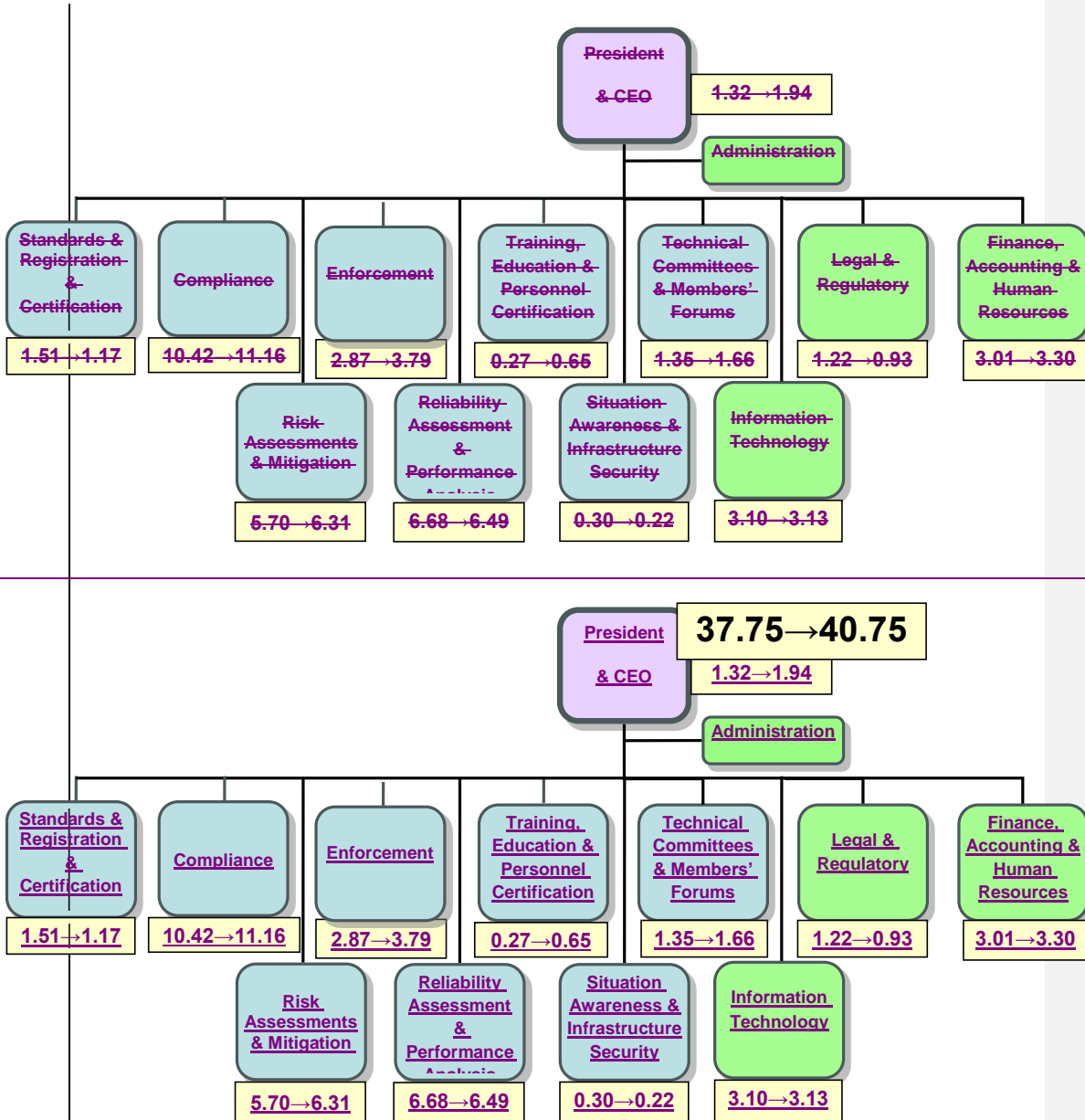
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Attachment A

2013 to 2014 Full Time Equivalent (FTE)
Comparison Organization Chart



FTE Trend from 2013 to 2016

2013	2014	2015 Estimate	2016 Estimate
37.75	40.75	41.50	41.50

Attachment B

MIDWEST RELIABILITY ORGANIZATION POLICY AND PROCEDURE 13: MRO Operating and Working Capital Reserve Policy

OBJECTIVE

The purpose of this policy and procedure is to identify and communicate Midwest Reliability Organization's (MRO) policy on its operating and working capital reserves for improved transparency.

Policy

This policy governs the determination of the company's annual operating and working capital reserves requirements and the authorization of management to access these funds.

Policy Statement

MRO's operating and working capital reserves requirement shall be the amount necessary to satisfy projected annual cash flow and cash balance requirements. The operating and working capital reserves requirement shall be reviewed annually by the

~~Finance and Audit Committee (FAC)~~ to evaluate whether the level is sufficient to satisfy projected annual cash flow and cash balance requirements. Approval by the board of directors is required if the FAC recommends that the operating and working capital reserves requirement be revised. The operating and working capital reserves can be found in the annual business plan and budget.

The amount of MRO's 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 of directors for approval. If the approved amount is different than what MRO will have available for the upcoming budget year, then MRO will increase or decrease the reserve requirement as appropriate by the difference.

Guidelines and Authorities Applicable to Expenditures of Operating and Operating and Working Capital Reserves

The following guidelines, limitation and authorities shall apply to expenditures of operating and working capital reserves:

1. MRO staff shall have the authority with respect to the approved aggregate annual budget, where a reduction or re-allocation is needed that does not result in the need for additional funding in the current or future years, to make such reduction or reallocation provided it reports it to the FAC. The following budget re-allocations require approvals by the FAC and the Board:
 - a. Re-allocation of current budget funds which have budget implications in future years.
 - b. Re-allocation of current budget funds which materially impact the organization's ability to meet its functions under the Delegation Agreement.
2. Any expenditure of funds from the annual operating and working capital reserves requires notification to the FAC prior to the expenditure.
3. Any expenditure of funds from the credit line requires the prior approval by the FAC and notification to the board of directors.

All expenditures of funds are subject to other applicable company policies and procedures, including currently effective procurement policies and delegation of authority.

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