



Midwest Reliability Organization

2015 Business Plan and Budget Draft 1.0

Approved by:
MRO Board of Directors

Date: May 16, 2014

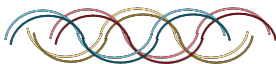


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Summary of Financials and Resources

| TOTAL RESOURCES (in whole dollars) | | | | |
|--|---------------|--------------|--------------|--------|
| | 2015 Budget | U.S. | Canada | Mexico |
| Statutory FTEs | 42.50 | | | |
| Non-statutory FTEs | | | | |
| Total FTEs | 42.50 | | | |
| Statutory Expenses | \$ 10,512,887 | | | |
| Non-Statutory Expenses | \$ - | | | |
| Total Expenses | \$ 10,512,887 | | | |
| Statutory Inc(Dec) in Fixed Assets | \$ (184,200) | | | |
| Non-Statutory Inc(Dec) in Fixed Assets | \$ - | | | |
| Total Inc(Dec) in Fixed Assets | \$ (184,200) | | | |
| Statutory Working Capital Requirement | \$ (507,668) | | | |
| Non-Statutory Working Capital Requirement | | | | |
| Total Working Capital Requirement | \$ (507,668) | | | |
| Total Statutory Funding Requirement | \$ 9,821,019 | | | |
| Total Non-Statutory Funding Requirement | \$ - | | | |
| Total Funding Requirement | \$ 9,821,019 | | | |
| Statutory Funding Assessments | \$ 9,446,019 | \$ 7,954,492 | \$ 1,491,526 | - |
| Non-Statutory Fees | | | | |
| NEL | 284,519,075 | 239,585,401 | 44,933,674 | - |
| NEL% | 100.00% | 84.21% | 15.79% | 0.00% |

The Midwest Reliability Organization (“MRO”) 2015 Business Plan and Budget was developed by MRO staff and reviewed and approved by the MRO Board of Directors (“Board”) following the opportunity for stakeholder review and comment.

1. Organizational Overview

Under section 215(e)(4) of the Federal Power Act (FPA), the Commission approved NERC’s delegation of certain statutory functions to the Regional Entities (REs). NERC executed a Delegation Agreement with MRO on May 2, 2007 for the purpose of delegating to MRO certain responsibilities and authorities of a Regional Entity as defined by FPA section 215. The most recent Delegation Agreement was approved by the Federal Energy Regulatory Commission in June 2013. 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, Situation Awareness, and Infrastructure Security.

2. *Governance*

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

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

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

The Board's primary role is to assure the organization meets its requirements under the bylaws and performs its responsibilities with due care and in an efficient manner. The Board makes no determinations on compliance or enforcement matters. The Board has adopted procedures to assure it carries out its responsibilities free of conflicts. The Hearing Body fulfills the obligations of the Board 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 technical 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 the Board-approved 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 NERC Rules of Procedure.
2. Perform seasonal, long-term, and other assessments of reliability.
3. Provide independent technical analysis of system events and work with industry on recommendations and lessons learned.

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

4. Develop, propose, and/or adopt regional reliability standards or variances to reliability standards.
5. Perform other services consistent with its reliability charter, delegation agreement, and the Rules of Procedure.

MRO provides a transparent, effective, and efficient reliability organization across a broad geographic region with open meetings:

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

The 2015 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) as implemented in the Manitoba Reliability Standards Regulation.
- Maintain a Standards Process Manual that provides for an open, technically valid process to adopt standards as needed to benefit the reliability of the MRO Region.
- 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.

4. Budget, Accounting, and Recordkeeping

Budget

MRO prepares an annual Business Plan and Budget each calendar year. The development of the Business Plan and Budget begins with an annual MRO Board strategic planning session,

at which long-term goals are set for MRO. The Business Plan and Budget is then developed by MRO staff between March and June of the year preceding the budget year with input from MRO's stakeholders. The Business Plan and Budget is developed in conjunction with those of other Regional Entities 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 budget development employs both a "top-down" and a "bottom-up" approach. The top-down approach is initiated by MRO's CEO, who sets the parameters for number of staff and an initial overall percent increase in the budget based on the strategic initiatives of the organization. The bottom-up approach is coordinated among MRO's managers and vice presidents, who calculate budget amounts for their respective departments using a detailed, line-by-line approach after reviewing actual costs from the most recent year end as well as current year-to-date costs. This is a zero based budgeting approach. The bottom-up figures from all departments are then aggregated and reconciled with the CEO's top-down budget figures.

MRO maintains a cash reserve at all times, capable of funding MRO's operations as laid out in MRO's Operating and Working Capital Reserves policy. This cash reserve is in addition to the funding necessary for MRO's normal operations. MRO's annual Business Plan and Budget includes a request for funding necessary to maintain or restore 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 employee equivalents (FTEs) in each program area.

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. The NERC System of Accounts assigns an account number to each statutory function outlined in the delegation agreements between NERC and the Regional Entities. MRO's accounting system is similarly organized by NERC account, meaning that while MRO tracks costs by department, MRO simultaneously tracks costs by NERC account.

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

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

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

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

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

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

MRO's Finance and Administration Department performs human resources, accounting, finance, budget, and treasury functions and is headed by a vice president.

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.

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

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

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 policies and systems upon hiring.

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.

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.

9. *2015 Key Assumptions*

NERC and the Regional Entities aligned the ERO Enterprise's business planning goals, objectives, metrics and assumptions for the 2014-2017 planning period. The ERO Enterprise Strategic Plan for 2014-2017 includes five consolidated goals, within the existing areas of standards; compliance, registration and certification; risks to reliability; and coordination and collaboration. New in 2014, NERC and the Regional Entities agreed to implement performance metrics to assess the overall effectiveness of the ERO Enterprise. These metrics will be reviewed and revised as necessary to ensure the metrics are meaningful to the performance of the ERO Enterprise.

10. *2015 Goals and Key Deliverables*

The vision of MRO is to "Maintain and improve the quality of life through a highly reliable regional Bulk Power System." MRO's purpose is to: "Strive to assure each Bulk Power System owner and operator within our region is a Highly Effective Reliability Organization." MRO will leverage industry experts to address risks and improve reliability and security for the overall benefit of regional reliability. Through stakeholder processes, MRO will provide clarity on expectations and requirements; look to embed risk controls for assurance across the networked Bulk Electric System; and demonstrate results that improve reliability. For

more information on MRO's Vision, Purpose, and Principles, please refer to MRO's website at <http://www.midwestreliability.org/>.

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

1. Develop CMEP processes, procedures and practices to scope work around risk and reserve enforcement for significant matters across the ERO Enterprise.
2. Seek closer coordination within the Eastern Interconnection and North America.
3. Establish key indicators of reliable and secure performance and reduction of risk with ERO Enterprise and stakeholders.
4. Address reliability risks and communicate lessons learned and trends from events, assessments, technical analysis, compliance, and enforcement activities in a timely, transparent manner with stakeholders.
5. Develop guidance with stakeholders for Registered Entities on reliability standards and model controls/procedures to assure compliance with the requirements.

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 2015 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 2015 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 2015 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. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities.

11. 2015 Overview of Cost Impacts

MRO proposes to increase its operating budget from \$9.74 million to \$10.33 million, an increase of \$583,885. Funding assessments from 2014 will increase by \$704,575 or 8%.

Operational Programs

Funding Requirements — Explanation of Increase (Decrease)

Standards and Organization Registration and Certification

For 2015, 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.

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 and spot checks. Budgeted costs for this program will increase in 2015.

Risk Assessment and Mitigation

Risk Assessment and Mitigation undertakes an independent review of the facts and circumstances surrounding each potential noncompliance 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 has been validated. MRO is anticipating an increase in costs for this program in 2015 and has budgeted for the same.

Enforcement

Validated violations move to the Enforcement staff, who review recommendations made by Risk Assessment and Mitigation staff, verify all relevant facts, and evaluate appropriate enforcement actions for final disposition and resolution. Enforcement staff reports to NERC regarding the status of all PVs. MRO Enforcement staff may negotiate penalty settlements with Registered Entities, and coordinates review of settlement agreements by MRO's Hearing Body Committee. Enforcement determinations are submitted by MRO staff to NERC for approval. Costs for this program are budgeted to increase in 2015.

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

Reliability Assessment and Performance Analysis

MRO's Reliability Assessment and Performance Analysis staff 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 provides 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”).

Situation Awareness & Infrastructure Security Program

Situation Awareness

MRO utilizes the NERC Situation Awareness tool and monitors other communication systems to maintain an awareness of BES events and incidents. Staff is prepared to respond through timely reporting and effective communication of any identified potential risks to the BES.

Infrastructure Security Program

In recognition of the criticality of protection of cyber infrastructure and BES control systems, the 2015 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.

Administrative Programs

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. In 2014 business travel relating to quarterly NERC Board of Trustees (NERC BOT) was captured in the Technical Committees and Member Forums program area. The 2015 Budget reflects the elimination of this program area to conform with the other regions and NERC. All other regions and NERC record costs in the program of the participant. We will track all the technical committees and member forums along with the NERC BOT travel and time separately by program of the MRO participant.

General and Administrative

The 2015 Budget includes no change in travel dollars, reflecting a stable trend of expense reimbursements for the MRO Board of Directors.

The 2014 Budget fees for independent MRO board members were included in General and Administrative. The 2015 Budget includes these fees under Legal and Regulatory.

Information Technology

In 2015 MRO 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 Regional Entities expand the common IT platform increasing scale and reducing costs by spreading costs across the increased number of participating regions.

Legal and Regulatory

For 2015, overall Legal and Regulatory budgeted costs for outside counsel will remain flat with 2014. However the fees for independent MRO board members were moved from General and Administrative in 2014 to Legal and Regulatory in 2015. The dollar shift from one program to another does not include an increase in dollars.

Accounting / Human Resources

Personnel Costs - Employee Paid Benefits

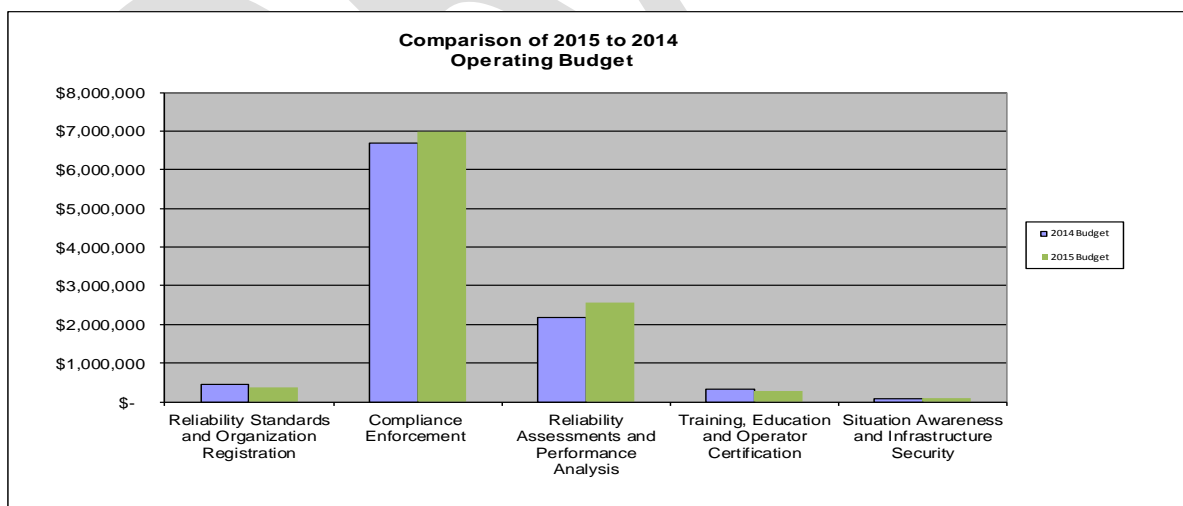
The 2015 Budget has an increase in the number of FTEs from 3.30 to 3.63. The additional .33 staff came from a transfer of staff from General and Administrative. The part-time administrative meeting coordinator was moved from General and Administrative to Finance, Accounting and Human Resources.

MRO's overall FTE staffing has increased from 20.0 in 2007 to 42.5 in 2015. 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.

Other Non-Operating Expenses

None

| Program | 2014 Budget | 2015 Budget | Variance 2015 Budget v 2014 Budget | % of Change |
|---|---------------------|----------------------|------------------------------------|--------------|
| Reliability Standards and Organization Registration | \$ 435,359 | \$ 387,929 | \$ (47,431) | -10.89% |
| Compliance Enforcement | 6,697,593 | 6,994,216 | 296,623 | 4.43% |
| Reliability Assessments and Performance Analysis | 2,194,427 | 2,571,309 | 376,882 | 17.17% |
| Training, Education and Operator Certification | 333,138 | 295,306 | (37,832) | -11.36% |
| Situation Awareness and Infrastructure Security | 84,283 | 79,927 | (4,356) | -5.17% |
| TOTAL BUDGET | \$ 9,744,801 | \$ 10,328,687 | \$ 583,886 | 5.99% |



| Total FTEs by Program Area | Budget 2014 | Projection 2014 | Direct FTEs 2015 Budget | Shared FTEs 2015 Budget ¹ | Total FTEs 2015 Budget | Change from 2014 Budget |
|--|----------------|--------------------|-------------------------------|--|------------------------------|-------------------------------|
| STATUTORY | | | | | | |
| Operational Programs | | | | | | |
| Reliability Standards and Organization and Certification | 1.17 | 1.17 | 1.01 | | 1.01 | (0.16) |
| Compliance | 11.16 | 11.16 | 10.63 | | 10.63 | (0.53) |
| Compliance Risk Assessment and Mitigation | 6.31 | 6.31 | 7.03 | | 7.03 | 0.72 |
| Compliance Enforcement | 3.79 | 3.79 | 4.42 | | 4.42 | 0.63 |
| Training and Education | 0.65 | 0.65 | 0.28 | | 0.28 | (0.37) |
| Reliability Assessment and Performance Analysis | 6.49 | 6.49 | 7.55 | | 7.55 | 1.06 |
| Situation Awareness and Infrastructure Security | 0.22 | 0.22 | 0.16 | | 0.16 | (0.06) |
| Total FTEs Operational Programs | 29.79 | 29.79 | 31.08 | - | 31.08 | 1.29 |
| Administrative Programs | | | | | | |
| Technical Committees and Member Forums | 1.66 | 1.66 | - | | - | (1.66) |
| General and Administrative | 1.94 | 1.94 | 2.24 | | 2.24 | 0.30 |
| Legal and Regulatory | 0.93 | 0.93 | 1.31 | | 1.31 | 0.38 |
| Information Technology | 3.13 | 3.13 | 4.24 | | 4.24 | 1.11 |
| Human Resources | - | - | - | | - | - |
| Finance and Accounting | 3.30 | 3.30 | 3.63 | | 3.63 | 0.33 |
| Total FTEs Administrative Programs | 10.96 | 10.96 | 11.42 | - | 11.42 | 0.46 |
| Total FTEs | 40.75 | 40.75 | 42.50 | - | 42.50 | 1.75 |

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

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|---|---------------------|---------------------|---|----------------------|---|
| 2014 Budget & Projection, and 2015 Budget | | | | | |
| STATUTORY | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 8,741,444 | \$ 8,741,444 | \$ - | \$ 9,446,019 | \$ 704,575 |
| Penalty Sanctions | 136,500 | 136,500 | - | 375,000 | 238,500 |
| Total NERC Funding | \$ 8,877,944 | \$ 8,877,944 | \$ - | \$ 9,821,019 | \$ 943,075 |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding (A) | \$ 8,877,944 | \$ 8,877,944 | \$ - | \$ 9,821,019 | \$ 943,075 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 5,178,538 | \$ 5,178,538 | \$ - | \$ 5,522,559 | \$ 344,021 |
| Payroll Taxes | 339,154 | 339,154 | - | 357,594 | 18,440 |
| Benefits | 412,222 | 412,222 | - | 438,920 | 26,698 |
| Retirement Costs | 968,920 | 968,920 | - | 1,033,187 | 64,267 |
| Total Personnel Expenses | \$ 6,898,834 | \$ 6,898,834 | \$ - | \$ 7,352,260 | \$ 453,426 |
| Meeting Expenses | | | | | |
| Meetings | \$ 100,514 | \$ 100,514 | \$ - | \$ 106,600 | \$ 6,086 |
| Travel | 598,900 | 598,900 | - | 622,200 | 23,300 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 699,414 | \$ 699,414 | \$ - | \$ 728,800 | \$ 29,386 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 543,100 | \$ 543,100 | \$ - | \$ 676,436 | \$ 133,336 |
| Office Rent | 524,827 | 524,827 | - | 501,000 | (23,827) |
| Office Costs | 503,124 | 503,124 | - | 539,891 | 36,767 |
| Professional Services | 205,000 | 205,000 | - | 193,500 | (11,500) |
| Miscellaneous | - | - | - | - | - |
| Depreciation | 471,000 | 471,000 | - | 521,000 | 50,000 |
| Total Operating Expenses | \$ 2,247,051 | \$ 2,247,051 | \$ - | \$ 2,431,827 | \$ 184,776 |
| Total Direct Expenses | \$ 9,845,299 | \$ 9,845,299 | \$ - | \$ 10,512,887 | \$ 667,588 |
| Indirect Expenses | \$ - | \$ - | \$ - | \$ - | \$ (0) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses (B) | \$ 9,845,299 | \$ 9,845,299 | \$ - | \$ 10,512,887 | \$ 667,588 |
| Change in Assets | \$ (967,355) | \$ (967,355) | \$ - | \$ (691,868) | \$ 275,487 |
| Fixed Assets | | | | | |
| Depreciation | \$ (471,000) | \$ (471,000) | \$ - | \$ (521,000) | \$ (50,000) |
| Computer & Software CapEx | 320,500 | 320,500 | - | 316,800 | (3,700) |
| Furniture & Fixtures CapEx | - | - | - | 20,000 | 20,000 |
| Equipment CapEx | - | - | - | - | - |
| Leasehold Improvements | 50,000 | 50,000 | - | - | (50,000) |
| Allocation of Fixed Assets | \$ - | \$ - | \$ - | \$ 0 | \$ - |
| Inc(Dec) in Fixed Assets (C) | (100,500) | (100,500) | - | (184,200) | (83,700) |
| TOTAL BUDGET (=B + C) | \$ 9,744,799 | \$ 9,744,799 | \$ - | \$ 10,328,687 | \$ 583,888 |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ (866,855) | \$ (866,855) | \$ - | \$ (507,668) | \$ 359,187 |
| FTEs | 40.75 | 40.75 | - | 42.50 | 1.75 |

Section A – Statutory Programs

1. Reliability Standards, Organization Registration and Certification Program

| (in whole dollars) | | | |
|------------------------------|-------------|-------------|------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 1.17 | 1.01 | (0.16) |
| Direct Expenses | \$ 279,428 | \$ 261,242 | \$ (18,186) |
| Indirect Expenses | \$ 159,877 | \$ 132,672 | \$ (27,205) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - |
| Inc(Dec) in Fixed Assets | \$ (3,947) | \$ (5,986) | \$ (2,039) |
| Total Funding Requirement | \$ 435,359 | \$ 387,929 | \$ (47,431) |

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.

2015 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Standards Program and the Organization Registration and Certification Program can be located in the Key Assumptions section of Exhibit A in NERC's 2015 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, supports the significant effort required by MRO to participate in standards development.

Organization Registration

- 2015 variance: no material changes; BES definition may impact workload
- Workload associated with maintaining the registry will continue
- Registration is ongoing
- 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 is discovered an entity meets additional functional criteria through compliance monitoring processes
- Continue to obtain and review system on-line diagrams, maps, and agreements used to identify owners and operators of the Bulk Electric System
- Continue to manage overall registry by having a staff person directly assigned to this task

Organization Certification

- 2015 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 with no change.

2015 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 2015, MRO will maintain relatively flat staffing levels in the Standards and Organization Registration and Certification area. 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 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 2015 budgeted salaries is relatively flat when compared to the 2014 budget, with a slight decrease in FTEs as MRO staff is shifted in response to realigning staff in the program areas.

Meeting Expenses

- 2015 Meeting expenses will be reduced from the 2014 Budget. The reduction is a reflection of lower meeting costs by using the new facility.
- The travel increase in 2015 is largely reflective of the change in moving the expenses from Technical Committees and Member Forums, (department 1100) to the traveling employee’s department.

Operating Expenses

- 2015 Consultant and Contract costs reflects a third party vendor’s annual escalation starting March 2014.
- 2015 Office Costs will increase in the area of training costs. A certain amount of training is required over a two or three year span rather than each year. In 2013 staff did not take as much training as they will in 2014 and 2015.

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 2015 as a result of a lower total allocation to statutory programs as indirect expenses.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2015 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Reliability Standards and Organization Registration and Certification Program

Funding sources and related expenses for the reliability standards section of the 2015 business plan are shown in the table below.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|---|------------------------|----------------------------|---|------------------------|---|
| 2014 Budget & Projection, and 2015 Budget | | | | | |
| RELIABILITY STANDARDS AND ORGANIZATIONAL REGISTRATION | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 429,997 | \$ 429,997 | \$ - | \$ 375,742 | \$ (54,255) |
| Penalty Sanctions | 5,361 | 5,361 | - | 12,186 | 6,825 |
| Total NERC Funding | \$ 435,358 | \$ 435,358 | \$ - | \$ 387,929 | \$ (47,430) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding (A) | \$ 435,358 | \$ 435,358 | \$ - | \$ 387,929 | \$ (47,430) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 175,057 | \$ 175,057 | \$ - | \$ 156,160 | \$ (18,897) |
| Payroll Taxes | 9,981 | 9,981 | - | 9,024 | (957) |
| Benefits | 12,129 | 12,129 | - | 10,705 | (1,424) |
| Retirement Costs | 34,167 | 34,167 | - | 31,123 | (3,044) |
| Total Personnel Expenses | \$ 231,334 | \$ 231,334 | \$ - | \$ 207,012 | \$ (24,322) |
| Meeting Expenses | | | | | |
| Meetings | \$ 4,000 | \$ 4,000 | \$ - | \$ 2,000 | \$ (2,000) |
| Travel | 28,900 | 28,900 | - | 33,600 | 4,700 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 32,900 | \$ 32,900 | \$ - | \$ 35,600 | \$ 2,700 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 12,000 | \$ 12,000 | \$ - | \$ 13,236 | \$ 1,236 |
| Office Rent | - | - | - | - | - |
| Office Costs | 3,194 | 3,194 | - | 5,394 | 2,200 |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 15,194 | \$ 15,194 | \$ - | \$ 18,630 | \$ 3,436 |
| Total Direct Expenses | \$ 279,428 | \$ 279,428 | \$ - | \$ 261,242 | \$ (18,186) |
| Indirect Expenses | \$ 159,877 | \$ 159,877 | \$ - | \$ 132,672 | \$ (27,205) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses (B) | \$ 439,305 | \$ 439,305 | \$ - | \$ 393,914 | \$ (45,391) |
| Change in Assets | \$ (3,947) | \$ (3,947) | \$ - | \$ (5,986) | \$ (2,039) |
| Fixed Assets | | | | | |
| Depreciation | \$ - | \$ - | \$ - | \$ - | \$ - |
| Computer & Software CapEx | - | - | - | - | - |
| Furniture & Fixtures CapEx | - | - | - | - | - |
| Equipment CapEx | - | - | - | - | - |
| Leasehold Improvements | - | - | - | - | - |
| Allocation of Fixed Assets | \$ (3,947) | \$ (3,947) | - | \$ (5,986) | \$ (2,039) |
| Inc(Dec) in Fixed Assets (C) | (3,947) | (3,947) | - | (5,986) | (2,039) |
| TOTAL BUDGET (=B + C) | \$ 435,358 | \$ 435,358 | \$ - | \$ 387,929 | \$ (47,430) |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| FTEs | 1.17 | 1.17 | - | 1.01 | (0.16) |

2. Compliance Monitoring and Enforcement Program (CMEP)

| Compliance Monitoring and Enforcement Program (in whole dollars) | | | |
|--|--------------------|--------------------|--------------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 21.26 | 22.08 | 0.82 |
| Direct Expenses | \$ 3,864,192 | \$ 4,224,673 | \$ 360,482 |
| Indirect Expenses | \$ 2,905,124 | \$ 2,900,403 | \$ (4,721) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - |
| Inc(Dec) in Fixed Assets | \$ (71,723) | \$ (130,860) | \$ (59,137) |
| Total Funding Requirement | \$ 6,697,593 | \$ 6,994,216 | \$ 296,624 |

Program Scope and Functional Description

In 2015, the MRO Compliance Monitoring and Enforcement Program includes performing CMEP activities with approximately 125 Registered Entities in the MRO Region.

All Registered Entities are subject to periodic compliance audits and/or spot checks. For 2015, there are a total of 25 compliance audits planned, and spot checks will be conducted as needed.

In addition to the normal and ongoing compliance discovery activities under the NERC CMEP, MRO Compliance staff will be prepared to assist with compliance investigations, system performance monitoring and assessment, and compliance reviews for all events in which the NERC Event Analysis and Compliance Review Process is initiated. These activities are included in the business plan for 2015. Investigations are handled through MRO's Risk Assessment and Mitigation team.

2015 Key Assumptions

NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Compliance Monitoring can be located in the Key Assumptions section of Exhibit A in NERC's 2015 Business Plan and Budget.

The Reliability Assurance Initiative (RAI) and CIP v5 transition are anticipated to continue to be major activities throughout 2015. These joint ERO Enterprise initiatives provide benefits to NERC, the Regional Entities and Registered Entities.

MRO will monitor compliance with reliability standards for each Registered Entity that has compliance responsibilities as defined in the Compliance Registry for MRO. In the United States,

MRO monitors reliability standards according to Commission-approved Rules. In Manitoba, MRO monitors reliability standards under provincial law as implemented in the Manitoba Reliability Standards Regulation. In Saskatchewan, MRO carries out its compliance monitoring responsibilities according to an agreement with the Saskatchewan Electric Reliability Authority.

2015 Compliance Monitoring Program Goals and Key Deliverables

- Assure professionally-trained staff is available to perform the required activities under the NERC Rules of Procedure
- Deliver consistent results when processing all instances of noncompliance
- Process initial compliance determinations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls to assure all determinations receive adequate “due care” and review
- Conduct secondary independent review to assure all determinations of possible violations are accurate, complete, and technically sufficient
- 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.)
- Conduct compliance investigations as warranted
- Continue to maintain information in a secured environment through webCDMS; expand use of webCDMS tool suite for staff to drive more efficiencies in the conduct of the work and make the work more meaningful to Registered Entities
- Participate in working groups where ERO-wide compliance and enforcement program processes and procedures will be developed to drive consistency
- Continue to implement the Auditor Checklist and Auditor Handbook for compliance audits to ensure utilization of consistent audit practices across all Regions
- Implement applicable Reliability Assurance Initiatives

Funding Requirements — Explanation of Increase (Decrease)

Compliance Monitoring Explanation of Variances – 2015 Budget versus 2014 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 2015 Implementation Plan will hold steady for the other monitoring methods including annual self-certification, periodic data submittals, and spot checks, when compared to the 2014 Implementation Plan
- Unscheduled spot checks and/or compliance audits are conducted if:
 - Entity registration changes
 - Evidence of compliance provided during an audit (or other method) is found to be non-compliant and the entity is using another entity’s program or process

- Follow-up is needed as a result of self-certifications or events

Compliance Audits

- 2015 variance: increase of workload.
- The number of audits to be performed in 2015 is 25, which is an increase by five compared to 2014.
- The rigor, scope, depth and recurrence of audits and spot checks will be driven by reliability risk and not a predetermined schedule. While the impact of this transition is difficult to predict for 2015, there will be a long-term shift of resources away from compliance audits as the primary compliance monitoring tool in favor of self-certifications and spot checks.

Annual Self-Certification Requirement

- 2015 variance: consistent in workload
- The number of entities participating in the annual self-certification is approximately 125 for 2015
- It is assumed that the NERC 2015 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 2015

Spot Checks

- 2015 variance: increase of workload
- The use of spots checks is expected to increase as risk-based monitoring is implemented, but should have little effect on overall resource requirements

Technical Feasibility Exceptions (TFEs)

- 2015 variance: consistent workload
- The implementation will continue for Technical Feasibility Exception (TFE) processing and will likely include equipment class-based exceptions, audit sampling and a less onerous process for reporting and reviewing

Compliance Investigations (CIs)

- 2015 variance: no change
- MRO Risk Assessment and Mitigation staff will assume the lead on investigations in the MRO Region

Compliance Possible Violation Discovery

- 2015 variance: consistent workload
- For every potential noncompliance, MRO Risk Assessment and Mitigation performs a fact and circumstance review
- The workload in this area will stabilize as MRO continues to expand the scope of compliance monitoring resulting from the new reliability standards, the expanded scope of system performance monitoring, and the instability of CIP standards (version 3/5 transition)
- MRO expects self-reported violations to continue on its past trend

Compliance Possible Violation Record Development

- 2015 variance: increase of workload
- A discovery record is developed for every instance of noncompliance. The discovery record and supplemental forms represent the initial development of the record to support the processing determinations.

Mitigation Plan Acceptance and Verification of Completion

- 2015 variance: workload expects to stabilize in 2015; cost impact of RAI unclear at this time.
- 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. Dedicated CIP personnel will need to be allocated to address the conversion from v3 to v5 and provide support to Registered Entities during the transition. Instances of noncompliance related to operations and planning standards are expected to continue to decrease as most Registered Entities have been audited and their compliance programs have matured.
- For every Alleged Violation identified by MRO staff, a description of mitigating activities/mitigation plan must be submitted. MRO Risk Assessment and Mitigation staff reviews each submission to assess whether the proposed actions will mitigate and prevent recurrence of the subject noncompliance. The development of the mitigating activities/mitigation plan provides the information necessary to determine the potential and actual risk to the reliability of the BES.

Compliance Enforcement Explanation of Variances – 2015 Budget versus 2014 Budget***2015 Key Assumptions***

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for Enforcement can be located in the Key Assumptions section of Exhibit A in NERC's 2015 Business Plan and Budget.

Reliability Assurance Initiative

The implementation of the Reliability Assurance Initiative (RAI) and expansion of the Find, Fix, Track and Report process (FFT) will require the allocation of dedicated resources from MRO to complete the design and to continue developing the processes necessary to implement RAI for compliance and enforcement. With regard to enforcement, the "end state" vision reserves the enforcement process for significant matters by creating a new path outside of the enforcement process for matters that do not pose significant risk to reliability of the BPS. This alternative path allows NERC and the Regional Entities to exercise appropriate discretion to determine whether to initiate an enforcement action or to resolve an issue outside of the enforcement process as a "Compliance Exception."

Leveraging the successful implementation of the FFT, throughout 2012 and 2013 MRO led efforts across the ERO to achieve this end state vision arriving at the point in 2014 where an instance of noncompliance that would have been processed as a violation in past years, does not trigger an enforcement action. Rather, MRO has the discretion not to initiate an enforcement action. This is an essential component of the work the ERO has done in the Reliability Assurance Initiative.

CIP Version 5 Transition

The transition to CIP v5 will be a mission critical activity in 2015. MRO plans to support the ongoing CIP v5 transition and anticipates an expansion in the number of Registered Entities that require guidance during 2015. While resource demands are expected to increase throughout the planning period on account of the CIP v5 transition, prior efficiency gains related to CIP compliance monitoring will likely lead to no significant net increase in workload.

Processing of Alleged Violations

For every instance of noncompliance identified by MRO Compliance staff or a Registered Entity, MRO Enforcement staff performs a review to confirm its validity. For instances of noncompliance resolved as Compliance Exceptions, MRO Enforcement staff verifies that there is a sufficient record to support the determination, based on the risk posed by the noncompliance and the documentation available to support processing as a Compliance Exception.

For possible violations deemed valid and subject to enforcement, 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.

MRO will continue to encourage self-identification of noncompliance as a factor in determining how to resolve instances of noncompliance. It is anticipated that a high percentage of self-identified instances of noncompliance will be resolved as Compliance Exceptions. Additionally, instances of noncompliance related to operations and planning standards are expected to continue to decrease as most Registered Entities have been audited and their compliance efforts and programs have matured.

Record Development and Maintenance

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. While an assessment project is planned to be completed in 2014, NERC and the Regions should maintain current multi-year contractor and consultant services to support the needs associated with maintaining the current system for compliance, registration, analysis and tracking.

Funding Sources and Requirements — Explanation of Increase (Decrease)

For 2015, MRO is devoting more resources to the compliance monitoring and enforcement area due to the increasing workload in mitigation and risk assessment.

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 58.

Personnel Expenses

The overall budgeted FTE count for Compliance reflects a .8 increase for 2015 when compared to the FTE count for the 2014 business plan and budget due to additional personnel required to support the RAI.

Travel Expense

The travel increase in 2015 is largely reflective of the change in moving the expenses from 1100 Technical Committees and Member Forums to the traveling employee's department.

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.

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 2015 as a result of lower total allocation to statutory programs as indirect expenses.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2015 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Compliance Monitoring and Enforcement Program

Funding sources and related expenses for the Compliance Enforcement section of the 2015 business plan are shown in the table below.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|---|---------------------|---------------------|---|---------------------|---|
| 2014 Budget & Projection, and 2015 Budget | | | | | |
| COMPLIANCE MONITORING, AND ENFORCEMENT | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 6,600,178 | \$ 6,600,178 | \$ - | \$ 6,727,807 | \$ 127,628 |
| Penalty Sanctions | 97,415 | 97,415 | - | 266,409 | 168,994 |
| Total NERC Funding | \$ 6,697,593 | \$ 6,697,593 | \$ - | \$ 6,994,216 | \$ 296,623 |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding (A) | \$ 6,697,593 | \$ 6,697,593 | \$ - | \$ 6,994,216 | \$ 296,623 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 2,631,450 | \$ 2,696,387 | \$ 64,937 | \$ 2,894,581 | \$ 263,131 |
| Payroll Taxes | 179,885 | 183,349 | 3,464 | 192,689 | 12,804 |
| Benefits | 222,055 | 225,747 | 3,692 | 233,912 | 11,857 |
| Retirement Costs | 461,742 | 471,999 | 10,257 | 475,589 | 13,847 |
| Total Personnel Expenses | \$ 3,495,132 | \$ 3,577,482 | \$ 82,350 | \$ 3,796,771 | \$ 301,639 |
| Meeting Expenses | | | | | |
| Meetings | \$ 5,500 | \$ 5,500 | \$ - | \$ 6,250 | \$ 750 |
| Travel | 137,000 | 173,550 | 36,550 | 221,900 | 84,900 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 142,500 | \$ 179,050 | \$ 36,550 | \$ 228,150 | \$ 85,650 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 127,000 | \$ 127,000 | \$ - | \$ 111,000 | \$ (16,000) |
| Office Rent | - | - | - | - | - |
| Office Costs | 94,560 | 94,560 | - | 88,752 | (5,808) |
| Professional Services | 5,000 | 5,000 | - | - | (5,000) |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 226,560 | \$ 226,560 | \$ - | \$ 199,752 | \$ (26,808) |
| Total Direct Expenses | \$ 3,864,192 | \$ 3,983,092 | \$ 118,900 | \$ 4,224,673 | \$ 360,481 |
| Indirect Expenses | \$ 2,905,124 | \$ 2,905,124 | \$ - | \$ 2,900,403 | \$ (4,721) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses (B) | \$ 6,769,316 | \$ 6,888,216 | \$ 118,900 | \$ 7,125,076 | \$ 355,760 |
| Change in Assets | \$ (71,723) | \$ (190,623) | \$ (118,900) | \$ (130,860) | \$ (59,137) |
| Fixed Assets | | | | | |
| Depreciation | - | - | - | - | - |
| Computer & Software CapEx | - | - | - | - | - |
| Furniture & Fixtures CapEx | - | - | - | - | 0 |
| Equipment CapEx | - | - | - | - | 0 |
| Leasehold Improvements | - | - | - | - | 0 |
| Allocation of Fixed Assets | \$ (71,723) | (71,723) | - | (130,860) | (59,137) |
| Inc(Dec) in Fixed Assets (C) | \$ (71,723) | \$ (71,723) | \$ - | \$ (130,860) | \$ (59,137) |
| TOTAL BUDGET (=B + C) | \$ 6,697,593 | \$ 6,816,493 | \$ 118,900 | \$ 6,994,216 | \$ 296,623 |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ - | \$ (118,900) | \$ (118,900) | \$ - | \$ - |
| FTEs | 21.26 | 21.26 | - | 22.08 | 0.82 |

3. Reliability Assessment and Performance Analysis Program

| Reliability Assessments and Performance Analysis (in whole dollars) | | | |
|---|--------------------|--------------------|--------------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 6.49 | 7.55 | 1.06 |
| Direct Expenses | \$ 1,329,480 | \$ 1,624,296 | \$ 294,816 |
| Indirect Expenses | \$ 886,842 | \$ 991,759 | \$ 104,917 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - |
| Inc(Dec) in Fixed Assets | \$ (21,895) | \$ (44,746) | \$ (22,851) |
| Total Funding Requirement | \$ 2,194,427 | \$ 2,571,309 | \$ 376,881 |

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.
6. Implement enhancements to improve ERO enterprise-wide efficiency and effectiveness of RAPA related functions.

2015 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for the Reliability Assessment and Performance Analysis (RAPA) program can be located in the Key Assumptions section of Exhibit A in NERC's 2015 Business Plan and Budget.

Regarding periodic assessments, MRO analyzes, assesses, and reports on reliability and adequacy in the past, present, and future. This includes the long-term and seasonal assessments developed by Planning 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.

Regarding other activities included in the RAPA program, in 2015 continued attention will be given to transmission adequacy and security, protection and control standards, special protection scheme reviews, resource adequacy, demand response, reliability metrics, integration of renewable generation per renewable portfolio standards, operational issues and event analysis, Eastern Interconnection Reliability Assessment Group (“ERAG”), NERC and regulatory data requests, electric system modeling data, and reviews of regional reliability criteria and procedures. The collection and validation of Generating Availability Data System, Transmission Availability Data System, and Demand Response Availability Data System will add to MRO’s workload as will efforts related to BES exception reporting. MRO did not include any resource requirements directly relating to the BES exception reporting due to the uncertainty.

2015 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. Address impacts of new technologies, changing resource or demand resource composition, and environmental-related regulations or legislation.
- Perform special reliability assessments on a regional, interregional, and interconnection basis as conditions warrant, or as directed by the Board or NERC
- Coordinate with NERC on system event analyses on a regional, interregional, and interconnection basis as conditions warrant

Annually prepare an MRO set of electric system modeling data. Support the compilation of long-term sustainable Eastern Interconnection models.

- Develop, verify and validate quality reliability assessment and analyses model and data quality characteristics
- Perform legacy Regional Reliability Organization (“RRO”) responsibilities associated with “fill in the blank” standards until they are transitioned to Registered Entities
- Participate in and represent the MRO Region in all ERAG and NERC groups, as required, that report to the ERAG Management Committee (“MC”) and NERC Planning Committee (“PC”) and Operating Committee (“OC”)
- The implementation of BES exception process will require resources to manage the process execution and the technical validation of the definition and exception requests. Resource time will be driven by the number and complexity of exception requests received.

- Develop and implement improved enterprise-based data collection and analysis systems and capabilities
- Support the integration of RAPA information systems for modeling and data requirements and achieve timelines for delivering high quality reports (e.g., Long-Term Reliability Assessment and State of Reliability Report)
- Support the establishment of a sustainable and technically-grounded working group to perform analyses as needed for standards development and compliance and enforcement activities.
- Support quality analysis and overall assessment of the geomagnetic disturbance (GMD) vulnerability, planning guides, and planning standards.
- Support implementation of the Reliability Risk Management projects, identified in the ERO Performance Metric #3, which will require varied resource commitments over a 14-17 month period to ensure measurable improvements in reliability outcomes.

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

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 58.

Personnel Expenses

The overall budgeted FTE count for Reliability Assessment and Performance Analysis reflects a 1.06 increase for 2015 when compared to the FTE count for the 2014 business plan and budget. The increased FTE reflects the increased activities in BES definition, new modeling, Protection System standards, RAPA and Event Analysis.

Meeting Expenses

The increased activities in BES definition, new modeling, Protection System standards, RAPA and Event Analysis require increased meeting expenses. The numbers are based on anticipated travel and attendance. These numbers are supported by actual 2013 costs which are anticipated to remain at the increased level of activity.

Operating Expenses

Consultants and contracts decreased in 2015 primarily because MRO removed the contingency dollars for model building cost over runs.

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 2015 as a result of higher percent total of FTEs in the direct programs.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2015 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

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Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2015 business plan are shown in the table below.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|---|---------------------|---------------------|---|---------------------|---|
| 2014 Budget & Projection, and 2015 Budget | | | | | |
| RELIABILITY ASSESSMENTS and PERFORMANCE ANALYSIS | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 2,164,689 | \$ 2,164,689 | \$ - | \$ 2,480,214 | \$ 315,524 |
| Penalty Sanctions | 29,738 | 29,738 | | 91,096 | 61,358 |
| Total NERC Funding | \$ 2,194,427 | \$ 2,194,427 | \$ - | \$ 2,571,309 | \$ 376,882 |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding (A) | \$ 2,194,427 | \$ 2,194,427 | \$ - | \$ 2,571,309 | \$ 376,882 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 793,111 | \$ 941,468 | \$ 148,357 | \$ 934,523 | \$ 141,412 |
| Payroll Taxes | 53,718 | 63,351 | 9,633 | 63,510 | 9,792 |
| Benefits | 68,241 | 79,315 | 11,074 | 79,541 | 11,300 |
| Retirement Costs | 170,310 | 206,252 | 35,942 | 210,377 | 40,067 |
| Total Personnel Expenses | \$ 1,085,380 | \$ 1,290,386 | \$ 205,006 | \$ 1,287,951 | \$ 202,571 |
| Meeting Expenses | | | | | |
| Meetings | \$ 5,500 | \$ 5,500 | \$ - | \$ 7,700 | \$ 2,200 |
| Travel | 81,000 | 224,150 | 143,150 | 187,100 | 106,100 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 86,500 | \$ 229,650 | \$ 143,150 | \$ 194,800 | \$ 108,300 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 126,700 | \$ 126,700 | \$ - | \$ 118,700 | \$ (8,000) |
| Office Rent | - | - | - | - | - |
| Office Costs | 30,900 | 30,900 | - | 22,845 | (8,055) |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 157,600 | \$ 157,600 | \$ - | \$ 141,545 | \$ (16,055) |
| Total Direct Expenses | \$ 1,329,480 | \$ 1,677,636 | \$ 348,156 | \$ 1,624,296 | \$ 294,816 |
| Indirect Expenses | \$ 886,842 | \$ 886,842 | \$ - | \$ 991,759 | \$ 104,917 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses (B) | \$ 2,216,322 | \$ 2,564,478 | \$ 348,156 | \$ 2,616,055 | \$ 399,733 |
| Change in Assets | \$ (21,895) | \$ (370,051) | \$ (348,156) | \$ (44,746) | \$ (22,851) |
| Fixed Assets | | | | | |
| Depreciation | - | - | - | - | - |
| Computer & Software CapEx | - | - | - | - | - |
| Furniture & Fixtures CapEx | - | - | - | - | - |
| Equipment CapEx | - | - | - | - | - |
| Leasehold Improvements | - | - | - | - | - |
| Allocation of Fixed Assets | \$ (21,895) | (21,895) | \$ - | (44,746) | \$ (22,851) |
| Inc(Dec) in Fixed Assets (C) | \$ (21,895) | \$ (21,895) | \$ - | \$ (44,746) | \$ (22,851) |
| TOTAL BUDGET (=B + C) | \$ 2,194,427 | \$ 2,542,583 | \$ 348,156 | \$ 2,571,309 | \$ 376,882 |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ - | \$ (348,156) | \$ (348,156) | \$ - | \$ - |
| FTEs | 6.49 | 6.49 | - | 7.55 | 1.06 |

4. Training, Education, and Operator Certification Program

| Training, Education and Operator Certification (in whole dollars) | | | |
|---|--------------------|--------------------|--------------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 0.65 | 0.28 | (0.37) |
| Direct Expenses | \$ 246,509 | \$ 260,185 | \$ 13,676 |
| Indirect Expenses | \$ 88,821 | \$ 36,780 | \$ (52,040) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - |
| Inc(Dec) in Fixed Assets | \$ (2,193) | \$ (1,659) | \$ 533 |
| Total Funding Requirement | \$ 333,138 | \$ 295,306 | \$ (37,831) |

Program Scope and Functional Description

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

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

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

2015 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Training, Education, and Operator Certification Program can be located in the Key Assumptions section of Exhibit A in NERC’s 2015 Business Plan and Budget.

Registered Entities should have processes and procedures in place to ensure adherence with the reliability standards and address risks to reliability, which is why education and training is a key

initiative for MRO. The MRO Compliance Committee assists and oversees the compliance and enforcement training and education initiatives for Registered Entities, including participation in Compliance Monitoring and Enforcement Program workshops, and stakeholder forums and group training initiatives. The MRO Standards Committee assists and oversees the reliability standards requirement and application training for Registered Entities. The Planning and Operating Committees contribute to planning Reliability Conferences and other technical workshops as appropriate.

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

2015 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 2015, 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 58.

Personnel Expenses

FTE count remains relatively flat in 2015 when compared to 2014 business plan and budget because we expect that the executive involvement in the workshops, newsletters, and speaker engagements to remain at the current levels.

Meeting Expenses

Expenditures in the “meeting expense” account will increase in 2015. MRO will provide three training forums. The additional cost reflects the trending of higher attendance.

Travel Expenses

Expenditures in the “Business Travel” account reflect increased travel in response to the stakeholders that want increased outreach.

Operating Expenses

Office Costs were eliminated in the 2015 business plan and budget because actuals were trending at minimal or zero costs.

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 2015 as a result of a lower total allocation to statutory programs as indirect expenses.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2015 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 2015 business plan are shown in the table below.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|---|-------------------|--------------------|---|-------------------|---|
| 2014 Budget & Projection, and 2015 Budget | | | | | |
| TRAINING, EDUCATION and OPERATOR CERTIFICATION | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 330,159 | \$ 330,159 | \$ - | \$ 291,928 | \$ (38,231) |
| Penalty Sanctions | 2,978 | 2,978 | - | 3,378 | 400 |
| Total NERC Funding | \$ 333,137 | \$ 333,137 | \$ - | \$ 295,306 | \$ (37,831) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding (A) | \$ 333,137 | \$ 333,137 | \$ - | \$ 295,306 | \$ (37,831) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 135,804 | \$ 135,804 | \$ - | \$ 135,117 | \$ (687) |
| Payroll Taxes | 6,128 | 6,128 | - | 6,618 | 490 |
| Benefits | 6,856 | 6,856 | - | 6,209 | (647) |
| Retirement Costs | 22,921 | 22,921 | - | 22,841 | (80) |
| Total Personnel Expenses | \$ 171,709 | \$ 171,709 | \$ - | \$ 170,785 | \$ (924) |
| Meeting Expenses | | | | | |
| Meetings | \$ 49,000 | \$ 49,000 | \$ - | \$ 60,000 | \$ 11,000 |
| Travel | 20,800 | 20,800 | - | 29,400 | 8,600 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 69,800 | \$ 69,800 | \$ - | \$ 89,400 | \$ 19,600 |
| 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 | \$ 246,509 | \$ 246,509 | \$ - | \$ 260,185 | \$ 13,676 |
| Indirect Expenses | \$ 88,821 | \$ 88,821 | \$ - | \$ 36,780 | \$ (52,040) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses (B) | \$ 335,330 | \$ 335,330 | \$ - | \$ 296,965 | \$ (38,364) |
| Change in Assets | \$ (2,193) | \$ (2,193) | \$ - | \$ (1,659) | \$ 533 |
| Fixed Assets | | | | | |
| Depreciation | - | - | - | - | - |
| Computer & Software CapEx | - | - | - | - | - |
| Furniture & Fixtures CapEx | - | - | - | - | - |
| Equipment CapEx | - | - | - | - | - |
| Leasehold Improvements | - | - | - | - | - |
| Allocation of Fixed Assets | \$ (2,193) | (2,193) | - | (1,659) | 533 |
| Inc(Dec) in Fixed Assets (C) | \$ (2,193) | \$ (2,193) | \$ - | \$ (1,659) | \$ 533 |
| TOTAL BUDGET (=B + C) | \$ 333,137 | \$ 333,137 | \$ - | \$ 295,306 | \$ (37,831) |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| FTEs | 0.65 | 0.65 | - | 0.28 | (0.37) |

5. Situation Awareness and Infrastructure Security Program

| Situation Awareness and Infrastructure Security (in whole dollars) | | | |
|--|--------------------|--------------------|--------------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 0.22 | 0.16 | (0.06) |
| Direct Expenses | \$ 54,963 | \$ 59,858 | \$ 4,895 |
| Indirect Expenses | \$ 30,062 | \$ 21,017 | \$ (9,045) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - |
| Inc(Dec) in Fixed Assets | \$ (742) | \$ (948) | \$ (206) |
| Total Funding Requirement | \$ 84,283 | \$ 79,927 | \$ (4,356) |

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.

2015 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Situation Awareness and Infrastructure Security Program can be located in the Key Assumptions section of Exhibit A in NERC's 2015 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.

2015 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 2015, 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.

2015 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. The common assumptions for Critical Infrastructure Protection can be located in the Key Assumptions section of Exhibit A in NERC’s 2015 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 Situation Awareness responsibilities, which are budgeted in their respective areas.

2015 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 2015 Budget reflects a reduction from 2014 in the Situation Awareness and Infrastructure Security Program area due to a decrease in the allocation of the indirect expenses.

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 58.

Personnel Expenses

Personnel costs for 2015 slightly decrease as operator accountability reduces the scope of MRO’s work.

Meeting Expenses

MRO has included travel costs for MRO staff and MRO sector representatives attending four NERC CIPC meetings.

Operating Expenses

There is a reduction in Office Costs for training since current staff has already received SCADA training.

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 2015 as a result of a lower total allocation to statutory programs as indirect expenses.

Other Non-Operating Expenses

N/A

Fixed Asset Additions

2015 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 2015 business plan are shown in the table below.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|---|------------------|--------------------|---|------------------|---|
| 2014 Budget & Projection, and 2015 Budget | | | | | |
| SITUATION AWARENESS and INFRASTRUCTURE SECURITY | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ 83,275 | \$ 83,275 | \$ - | \$ 77,997 | \$ (5,279) |
| Penalty Sanctions | 1,008 | 1,008 | - | 1,931 | 922 |
| Total NERC Funding | \$ 84,283 | \$ 84,283 | \$ - | \$ 79,927 | \$ (4,356) |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding (A) | \$ 84,283 | \$ 84,283 | \$ - | \$ 79,927 | \$ (4,356) |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 39,332 | \$ 39,332 | \$ - | \$ 32,947 | \$ (6,385) |
| Payroll Taxes | 2,173 | 2,173 | - | 1,976 | (197) |
| Benefits | 2,320 | 2,320 | - | 2,141 | (179) |
| Retirement Costs | 6,138 | 6,138 | - | 4,794 | (1,344) |
| Total Personnel Expenses | \$ 49,963 | \$ 49,963 | \$ - | \$ 41,858 | \$ (8,105) |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | - | - | - | 16,000 | 16,000 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ - | \$ - | \$ - | \$ 16,000 | \$ 16,000 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | 5,000 | 5,000 | - | 2,000 | (3,000) |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 5,000 | \$ 5,000 | \$ - | \$ 2,000 | \$ (3,000) |
| Total Direct Expenses | \$ 54,963 | \$ 54,963 | \$ - | \$ 59,858 | \$ 4,895 |
| Indirect Expenses | \$ 30,062 | \$ 30,062 | \$ - | \$ 21,017 | \$ (9,045) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses (B) | \$ 85,025 | \$ 85,025 | \$ - | \$ 80,875 | \$ (4,150) |
| Change in Assets | \$ (742) | \$ (742) | \$ - | \$ (948) | \$ (206) |
| Fixed Assets | | | | | |
| Depreciation | - | - | - | - | - |
| Computer & Software CapEx | - | - | - | - | - |
| Furniture & Fixtures CapEx | - | - | - | - | - |
| Equipment CapEx | - | - | - | - | - |
| Leasehold Improvements | - | - | - | - | - |
| Allocation of Fixed Assets | \$ (742) | (742) | - | (948) | (206) |
| Inc(Dec) in Fixed Assets (C) | \$ (742) | \$ (742) | \$ - | \$ (948) | \$ (206) |
| TOTAL BUDGET (=B + C) | \$ 84,283 | \$ 84,283 | \$ - | \$ 79,927 | \$ (4,356) |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ - | \$ - | \$ - | \$ - | \$ 0 |
| FTEs | 0.22 | 0.22 | - | 0.16 | (0.06) |

6. Administrative Services

| Administrative Services (in whole dollars) | | | |
|---|--------------------|--------------------|--------------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 10.96 | 11.42 | 0.46 |
| Total Direct Expenses | \$ 4,070,727 | \$ 4,082,633 | \$ 11,906 |
| Inc(Dec) in Fixed Assets | \$ (100,500) | \$ (184,200) | \$ (83,700) |
| Less: Other Funding Sources | \$ - | \$ - | \$ - |
| Total Allocation to Statutory Programs as Indirect Expenses | \$ 3,970,227 | \$ 3,898,433 | \$ (71,794) |
| Funding Requirement for Working Capital | \$ (866,855) | \$ (507,668) | \$ 359,187 |

Methodology for Allocation of Administrative Services Expenses to Programs

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

Program Scope and Functional Description

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

6a. Technical Committees and Member Forums

| Technical Committees and Member Forums (in whole dollars) | | | |
|---|--------------------|--------------------|--------------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 1.66 | - | (1.66) |
| Total Direct Expenses | \$ 605,216 | \$ - | \$ (605,216) |
| 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. In order to conform to NERC and the other Regions, in mid-2013 MRO began recording these costs in the traveling employee's department rather than in 1100 Technical Committees and Member Forums. Therefore no costs are budgeted for this program in 2015.

Technical Committees and Member Forums

Funding sources and related expenses for the Technical Committees and Member Forums section of the 2015 business plan are shown in the table below.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2014 Budget & Projection, and 2015 Budget | | | | | |
|---|---------------------|--------------------|---|----------------|---|
| TECHNICAL COMMITTEES and MEMBER FORUMS | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 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 | \$ 286,447 | \$ - | \$ (286,447) | \$ - | \$ (286,447) |
| Payroll Taxes | 15,986 | - | (15,986) | - | (15,986) |
| Benefits | 15,715 | - | (15,715) | - | (15,715) |
| Retirement Costs | 58,368 | - | (58,368) | - | (58,368) |
| Total Personnel Expenses | <u>\$ 376,516</u> | <u>\$ -</u> | <u>\$ (376,516)</u> | <u>\$ -</u> | <u>\$ (376,516)</u> |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 228,700 | - | (228,700) | - | (228,700) |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | <u>\$ 228,700</u> | <u>\$ -</u> | <u>\$ (228,700)</u> | <u>\$ -</u> | <u>\$ (228,700)</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>\$ 605,216</u> | <u>\$ -</u> | <u>\$ (605,216)</u> | <u>\$ -</u> | <u>\$ (605,216)</u> |
| Indirect Expenses | <u>\$ (605,216)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 605,216</u> |
| Other Non-Operating Expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Expenses (B) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (605,216)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Change in Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 605,216</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>\$ (605,216)</u> | <u>\$ -</u> | <u>\$ -</u> |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 605,216</u> | <u>\$ -</u> | <u>\$ -</u> |
| FTEs | 1.66 | 1.66 | - | - | (1.66) |

6b. General and Administrative

| General and Administrative (in whole dollars) | | | |
|---|--------------------|--------------------|--------------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 1.94 | 2.24 | 0.30 |
| Total Direct Expenses | \$ 692,365 | \$ 689,147 | \$ (3,218) |
| Inc(Dec) in Fixed Assets | \$ - | \$ - | \$ - |
| Working Capital Requirement | \$ (866,855) | \$ (507,668) | \$ 359,187 |

Program Scope and Functional Description

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

2015 Key Assumptions

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

2015 Goals and Key Deliverables

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

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

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

Funding Sources

In 2015, the expenses related to the indirect program areas are being allocated entirely to the direct programs.

Personnel Expenses

Budgeted FTEs increase in 2015 as a result of supporting an increase in MRO staff.

Meeting Expenses

The 2015 budgeted meeting expenses decreased because of efficiencies and cost savings realized from hosting meetings at MRO’s facility in Saint Paul, Minnesota. The travel increase in 2015 is largely reflective of the change in moving the expenses from Technical Committees and Member Forums, (department 1100) to the traveling employee’s department.

Operating Expenses

- The 2015 budget for Consultants and Contracts increased as a result of a shared project manager for REMG initiatives
- The 2015 Budget for Professional Services has been shifted to Legal and Regulatory which supports the independent director fees

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

General and Administrative

Funding sources and related expenses for the General and Administrative section of the 2015 business plan are shown in the table below.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|---|------------------------|----------------------------|---|------------------------|---|
| 2014 Budget & Projection, and 2015 Budget | | | | | |
| GENERAL and ADMINISTRATIVE | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 Budget Over(Under) |
| Funding | | | | | |
| ERO Funding | | | | | |
| NERC Assessments | \$ (866,855) | \$ (866,855) | \$ - | \$ (507,668) | \$ 359,187 |
| Penalty Sanctions | - | - | - | - | - |
| Total NERC Funding | \$ (866,855) | \$ (866,855) | \$ - | \$ (507,668) | \$ 359,187 |
| Membership Dues | - | - | - | - | - |
| Testing Fees | - | - | - | - | - |
| Services & Software | - | - | - | - | - |
| Workshops | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total Funding (A) | \$ (866,855) | \$ (866,855) | \$ - | \$ (507,668) | \$ 359,187 |
| Expenses | | | | | |
| Personnel Expenses | | | | | |
| Salaries | \$ 289,381 | \$ 329,681 | \$ 40,300 | \$ 335,471 | \$ 46,090 |
| Payroll Taxes | 15,884 | 17,203 | 1,319 | 17,104 | 1,220 |
| Benefits | 14,661 | 15,610 | 949 | 26,121 | 11,460 |
| Retirement Costs | 49,575 | 56,491 | 6,916 | 77,751 | 28,176 |
| Total Personnel Expenses | \$ 369,501 | \$ 418,986 | \$ 49,485 | \$ 456,447 | \$ 86,946 |
| Meeting Expenses | | | | | |
| Meetings | \$ 35,864 | \$ 35,864 | \$ - | \$ 30,000 | \$ (5,864) |
| Travel | 83,000 | 121,000 | 38,000 | 100,000 | 17,000 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 118,864 | \$ 156,864 | \$ 38,000 | \$ 130,000 | \$ 11,136 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 40,000 | \$ 40,000 | \$ - | \$ 70,000 | \$ 30,000 |
| Office Rent | - | - | - | - | - |
| Office Costs | 64,000 | 64,000 | - | 32,700 | (31,300) |
| Professional Services | 100,000 | 100,000 | - | - | (100,000) |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 204,000 | \$ 204,000 | \$ - | \$ 102,700 | \$ (101,300) |
| Total Direct Expenses | \$ 692,365 | \$ 779,850 | \$ 87,485 | \$ 689,147 | \$ (3,218) |
| Indirect Expenses | \$ (692,365) | \$ (692,365) | \$ - | \$ (689,147) | \$ 3,218 |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses (B) | \$ - | \$ 87,485 | \$ 87,485 | \$ - | \$ - |
| Change in Assets | \$ (866,855) | \$ (954,340) | \$ (87,485) | \$ (507,668) | \$ 359,187 |
| 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) | \$ - | \$ 87,485 | \$ 87,485 | \$ - | \$ - |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ (866,855) | \$ (954,340) | \$ (87,485) | \$ (507,668) | \$ 359,187 |
| FTEs | 1.94 | 1.94 | - | 2.24 | 0.30 |

6c. Legal and Regulatory

| Legal and Regulatory (in whole dollars) | | | |
|---|--------------------|--------------------|--------------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 0.93 | 1.31 | 0.38 |
| Total Direct Expenses | \$ 271,822 | \$ 471,607 | \$ 199,785 |
| Inc(Dec) in Fixed Assets | \$ - | \$ - | \$ - |
| Working Capital Requirement | \$ - | \$ - | \$ - |

Program Scope and Functional Description

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

2015 Key Assumptions

- In the 2015 Budget, as in the 2014 and 2013 budgets, there are no specific funds for hearings under CMEP Rules; therefore if there were a hearing, MRO would use its current budget resources and reserves to fund the expense
- Travel costs will increase due to more external affairs and communication activities related to new initiatives
- A flat cost of \$100,000 is anticipated for the fees and expenses related to participation of the two independent board directors who joined the MRO Board in January 2013

2015 Goals and Key Deliverables

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

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

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

In 2015, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Personnel Expenses

2015 Budget has increased from the 2014 budget reflecting an anticipated personnel shift supporting Legal and Regulatory.

Meeting Expenses

The travel increase in 2015 is partially reflective of the change in moving the expenses from Technical Committees and Member Forums, (department 1100) to the traveling employee's department. Travel costs were also increased to reflect the increased engagement of members of the MRO Board of Director's outreach to U.S. federal regulators and Canadian provincial regulators, two unspecified trips (there were three such trips in 2013) offset by a decrease in the number of trade meetings attended as the Regions are rotating attendance at these meetings.

Operating Expenses

The 2015 Professional Services account has been shifted from General and Administrative to Legal and Regulatory which supports the independent directors. A flat cost of \$100,000 is anticipated for the fees and expenses related to the participation of the two independent board directors who joined the MRO Board in January 2013.

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 2015 business plan are shown in the table below.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|---|---------------------|---------------------|---|---------------------|---|
| 2014 Budget & Projection, and 2015 Budget | | | | | |
| LEGAL and REGULATORY | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 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 | \$ 173,407 | \$ 206,260 | \$ 32,853 | \$ 252,886 | \$ 79,479 |
| Payroll Taxes | 8,754 | 10,323 | 1,569 | 11,417 | 2,663 |
| Benefits | 2,848 | 2,848 | - | 1,499 | (1,349) |
| Retirement Costs | 28,163 | 33,416 | 5,253 | 38,255 | 10,092 |
| Total Personnel Expenses | \$ 213,172 | \$ 252,847 | \$ 39,675 | \$ 304,057 | \$ 90,885 |
| Meeting Expenses | | | | | |
| Meetings | \$ 150 | \$ 150 | \$ - | \$ 150 | \$ - |
| Travel | 12,500 | 23,500 | 11,000 | 21,700 | 9,200 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 12,650 | \$ 23,650 | \$ 11,000 | \$ 21,850 | \$ 9,200 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ - | \$ - | \$ - | \$ - | \$ - |
| Office Rent | - | - | - | - | - |
| Office Costs | 6,000 | 6,000 | - | 5,700 | (300) |
| Professional Services | 40,000 | 40,000 | - | 140,000 | 100,000 |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 46,000 | \$ 46,000 | \$ - | \$ 145,700 | \$ 99,700 |
| Total Direct Expenses | \$ 271,822 | \$ 322,497 | \$ 50,675 | \$ 471,607 | \$ 199,785 |
| Indirect Expenses | \$ (271,822) | \$ (271,822) | \$ - | \$ (471,607) | \$ (199,785) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses (B) | \$ - | \$ 50,675 | \$ 50,675 | \$ - | \$ - |
| Change in Assets | \$ - | \$ (50,675) | \$ (50,675) | \$ - | \$ - |
| 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) | \$ - | \$ 50,675 | \$ 50,675 | \$ - | \$ - |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ - | \$ (50,675) | \$ (50,675) | \$ - | \$ - |
| FTEs | 0.93 | 0.93 | | 1.31 | 0.38 |

6d. Information Technology

| Information Technology (in whole dollars) | | | |
|---|--------------------|--------------------|--------------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 3.13 | 4.24 | 1.11 |
| Total Direct Expenses | \$ 1,294,652 | \$ 1,683,178 | \$ 388,526 |
| Inc(Dec) in Fixed Assets | \$ (150,500) | \$ (184,200) | \$ (33,700) |
| Working Capital Requirement | \$ - | \$ - | \$ - |

Program Scope and Functional Description

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

2015 Key Assumptions

NERC and the Regional Entities will collaboratively work to refine existing strategies, governance, and procurement practices applicable to the development, operation, and maintenance of enterprise architecture, software, and data systems supporting both NERC and Regional Entity operation, and maintenance of NERC and Regional Entity approved enterprise applications. Enterprise approved business plan and budget. MRO shall include appropriate funding for applications and supporting systems designed to satisfy Regional business needs that are not within the mutually agreed upon scope of the ERO Enterprise applications which are funded by NERC.

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

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

2015 Goals and Key Deliverables

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

The SharePoint application will continue to grow in terms of functionality implemented by MRO to provide greater support for business needs.

A detailed network review will be completed in 2015 to ensure maximum efficiency and security of the MRO network. This effort started in 2014.

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

NERC and the Regions anticipate a need to support the following projects: (i) an ERO Enterprise project resulting from the compliance assessment project being conducted in 2014, which may include a common audit management tool and some level of work associated with the CRATS platform and (ii) the development of a Reliability Assessment Data System (RADS).

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

Funding Sources and Requirements — Explanation of Increase (Decrease)

Funding Sources

In 2015, the expenses related to indirect program areas are being allocated entirely to the direct programs.

Personnel Expenses

Personnel costs increased in 2015 as a result of adding a business analyst to the MRO staff as well as increasing executive support in this area. In 2013 MRO added a Business System Analyst to its staff. The role of this position is to work with IT staff to implement technologies to enable greater business efficiencies. The position was added at the beginning of the MRO SharePoint and website projects and is responsible for coordinating the SharePoint implementation along with all future enhancements, the new MRO website implementation, as well as other business applications in the Compliance and Finance areas.

Meeting Expenses

Travel costs increased as a result of additional staff.

Operating Expenses

- 2015 Consultants and Contracts expense has increased due to one-time set-up costs for SharePoint expansion and a detailed network review
- 2015 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 42.50 in 2015

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

2015 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

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 | | | | | |
|---|------------------------|----------------------------|---|------------------------|---|
| 2014 Budget & Projection, and 2015 Budget | | | | | |
| INFORMATION TECHNOLOGY | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 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 | \$ 305,832 | \$ 305,832 | \$ - | \$ 427,779 | \$ 121,947 |
| Payroll Taxes | 23,186 | 23,186 | - | 32,213 | 9,027 |
| Benefits | 33,013 | 33,013 | - | 45,177 | 12,164 |
| Retirement Costs | 66,171 | 66,171 | - | 103,259 | 37,088 |
| Total Personnel Expenses | \$ 428,202 | \$ 428,202 | \$ - | \$ 608,428 | \$ 180,226 |
| Meeting Expenses | | | | | |
| Meetings | \$ - | \$ - | \$ - | \$ - | \$ - |
| Travel | 4,000 | 4,000 | - | 8,000 | 4,000 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 4,000 | \$ 4,000 | \$ - | \$ 8,000 | \$ 4,000 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 212,400 | \$ 212,400 | \$ - | \$ 332,600 | \$ 120,200 |
| Office Rent | - | - | - | - | - |
| Office Costs | 179,050 | 179,050 | - | 213,150 | 34,100 |
| Professional Services | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Depreciation | 471,000 | 471,000 | - | 521,000 | 50,000 |
| Total Operating Expenses | \$ 862,450 | \$ 862,450 | \$ - | \$ 1,066,750 | \$ 204,300 |
| Total Direct Expenses | \$ 1,294,652 | \$ 1,294,652 | \$ - | \$ 1,683,178 | \$ 388,526 |
| Indirect Expenses | (1,294,652) | (1,294,652) | \$ - | (1,683,178) | (388,526) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses (B) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Change in Assets | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fixed Assets | | | | | |
| Depreciation | (471,000) | (471,000) | - | (521,000) | (50,000) |
| Computer & Software CapEx | 320,500 | 320,500 | - | 316,800 | (3,700) |
| Furniture & Fixtures CapEx | - | - | - | 20,000 | 20,000 |
| Equipment CapEx | - | - | - | - | - |
| Leasehold Improvements | - | - | - | - | - |
| Allocation of Fixed Assets | \$ 150,500 | \$ 150,500 | - | \$ 184,200 | \$ 33,700 |
| Inc(Dec) in Fixed Assets (C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL BUDGET (=B + C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| FTEs | 3.13 | 3.13 | - | 4.24 | 1.11 |

6e. Human Resources

Human Resources costs are included in Finance and Accounting.

6f. Human Resources, Finance, and Accounting

| Accounting and Finance (in whole dollars) | | | |
|---|--------------------|--------------------|--------------------------------|
| | 2014 Budget | 2015 Budget | Increase (Decrease) |
| Total FTEs | 3.30 | 3.63 | 0.33 |
| Total Direct Expenses | \$ 1,206,672 | \$ 1,238,701 | \$ 32,029 |
| 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. The Human Resource function also organizes the recruitment efforts of the organization and coordinates onboarding, training, personnel development, and best practice employee retention initiatives.

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

Finance and Accounting

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

2015 Goals and Key Deliverables

- Forecasts and projections
- Payroll and expense administration
- Preparation of Quarterly Financial Statements
- IRS Reporting - Form 990
- Review and improve fiscal controls

- Annual Independent Audit initiated by the Regional Entity
- Enterprise-wide Corporate Compliance and Ethics Program
- Treasury Functions with MRO Board
- 401(k) and VEBA Trust Administration

Funding Sources 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 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 2015, 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 increase in 2015 due to an increase in FTEs in this department offset by a reduction of other program executive support.

Meeting Expenses

Costs are expected to increase for attending regional budget group meetings rather than teleconferencing in as in the past.

Operating Expenses

- The Office Rent from 2014 to 2015 decreased based on actual trending of common area maintenance (CAM) and taxes
- An increase in Consultants and Contracts costs is due to the upgrade of accounting and human resource information systems
- The 2015 increase in Office Costs is a result of relocation of office supply and employee-related expenses from General and Administrative to Finance
- Professional Services expenses decrease as a result of negotiated service costs and reduction in the scope of professional services needed

Indirect Expenses

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

Other Non-Operating Expenses

No dollars are necessary in 2015.

Fixed Asset Additions

2015 fixed assets related to indirect programs have been allocated proportionately based on FTE to the direct programs.

Human Resources, Finance, and Accounting

Funding sources and related expenses for the Human Resources, Accounting, and Finance section of the 2015 business plan is shown in the table below.

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital | | | | | |
|---|------------------------|----------------------------|---|------------------------|---|
| 2014 Budget & Projection, and 2015 Budget | | | | | |
| FINANCE and ACCOUNTING | | | | | |
| | 2014 Budget | 2014 Projection | Variance 2014 Projection v 2014 Budget Over(Under) | 2015 Budget | Variance 2015 Budget v 2014 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 | \$ 348,717 | \$ 348,717 | \$ - | \$ 353,095 | \$ 4,378 |
| Payroll Taxes | 23,459 | 23,459 | - | 23,043 | (416) |
| Benefits | 34,384 | 34,384 | - | 33,615 | (769) |
| Retirement Costs | 71,365 | 71,365 | - | 69,199 | (2,166) |
| Total Personnel Expenses | \$ 477,925 | \$ 477,925 | \$ - | \$ 478,951 | \$ 1,026 |
| Meeting Expenses | | | | | |
| Meetings | \$ 500 | \$ 500 | \$ - | \$ 500 | \$ - |
| Travel | 3,000 | 3,000 | - | 4,500 | 1,500 |
| Conference Calls | - | - | - | - | - |
| Total Meeting Expenses | \$ 3,500 | \$ 3,500 | \$ - | \$ 5,000 | \$ 1,500 |
| Operating Expenses | | | | | |
| Consultants & Contracts | \$ 25,000 | \$ 25,000 | \$ - | \$ 30,900 | \$ 5,900 |
| Office Rent | 524,827 | 524,827 | - | 501,000 | (23,827) |
| Office Costs | 115,420 | 115,420 | - | 169,350 | 53,930 |
| Professional Services | 60,000 | 60,000 | - | 53,500 | (6,500) |
| Miscellaneous | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | \$ 725,247 | \$ 725,247 | \$ - | \$ 754,750 | \$ 29,503 |
| Total Direct Expenses | \$ 1,206,672 | \$ 1,206,672 | \$ - | \$ 1,238,701 | \$ 32,029 |
| Indirect Expenses | \$ (1,206,672) | \$ (1,206,672) | \$ - | \$ (1,238,701) | \$ (32,029) |
| 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) |
| Allocation of Fixed Assets | \$ (50,000) | \$ (50,000) | \$ - | - | 50,000 |
| Inc(Dec) in Fixed Assets (C) | \$ - | \$ - | \$ - | \$ - | \$ - |
| TOTAL BUDGET (=B + C) | \$ - | \$ - | \$ (1) | \$ - | \$ - |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ - | \$ - | \$ 1 | \$ - | \$ - |
| FTEs | 3.30 | 3.30 | | 3.63 | 0.33 |

Section B – Supplemental Financial Information

1. Supplemental Financial Information Reserve Balance

| Table B-1 | |
|---|------------------|
| Working Capital Reserve Analysis 2014-2015 | |
| STATUTORY | |
| Beginning Working Capital Reserve (Deficit), December 31, 2013 | 2,784,423 |
| Plus: 2014 MRO Funding (from LSEs or designees) | 8,741,444 |
| Less: 2014 Projected expenses & capital expenditures | (9,744,799) |
| Projected Working Capital Reserve (Deficit), December 31, 2014 ¹ | 1,781,068 |
| Targeted Working Capital Reserve, December 31, 2015 (((\$10,328,687 / 365 days) X 45 days) | 1,273,400 |
| Less: Projected Working Capital Reserve, December 31, 2014 | (1,781,068) |
| Increase(decrease) in assessments to achieve targeted Working Capital Reserve | (507,668) |
| 2015 Expenses and Capital Expenditures | 10,328,687 |
| Less: Penalty Sanctions ² | (375,000) |
| Less: Other Funding Sources | 0 |
| Adjustment to achieve targeted Working Capital Reserve | (507,668) |
| 2015 MRO Assessment | 9,446,019 |

¹ MRO's projected reserve December 31, 2014 assumes that there will not be a material difference between budgeted versus actual/projected results from 2014.

² Represents collections on or prior to June 30, 2014. 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 15 of the MRO 2015 Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

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Penalty Sanctions

Penalty monies received prior to June 30, 2014 are to be used to offset assessments in the 2015 Budget, as documented in the NERC Policy – ACCOUNTING, FINANCIAL STATEMENT AND BUDGETARY TREATMENT OF PENALTIES IMPOSED AND RECEIVED FOR VIOLATIONS OF RELIABILITY STANDARDS. Penalty monies received from July 1, 2014 through June 30, 2015 will be used to offset assessments in the 2016 Budget.

All penalties received prior to June 30, 2014 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, 2014 | | |
|--|----------------------|------------------------|
| | Date Received | Amount Received |
| | 8/8/2013 | \$ 10,000 |
| | 8/12/2013 | 20,000 |
| | 10/31/2013 | 250,000 |
| | 12/23/2013 | 6,000 |
| | 12/20/2013 | 34,000 |
| | 2/27/2014 | 10,000 |
| | 3/5/2014 | 45,000 |
| Total Penalties Received | | <u>\$ 375,000</u> |

Supplemental Funding**Table B-3**

| Outside Funding Breakdown By Program (Excluding Penalty Sanction) | Budget 2014 | Projection 2014 | Budget 2015 | Variance 2015 Budget v 2014 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 – 2015 Budget versus 2014 Budget

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

4. Personnel Expenses**Table B-4**

| Personnel Expenses | Budget 2014 | Projection 2014 | Budget 2015 | Variance 2015 Budget v 2014 Budget | Variance % |
|------------------------------|---------------------|---------------------|---------------------|--|-------------|
| Total Salaries | \$ 5,178,538 | \$ 5,178,538 | \$ 5,522,559 | \$ 344,021 | 6.6% |
| Total Payroll Taxes | 339,154 | 339,154 | 357,594 | 18,440 | 5.4% |
| Total Benefits | 412,222 | 412,222 | 438,920 | 26,698 | 6.5% |
| Total Retirement | 968,920 | 968,920 | 1,033,187 | 64,267 | 6.6% |
| Total Personnel Costs | <u>\$ 6,898,834</u> | <u>\$ 6,898,834</u> | <u>\$ 7,352,260</u> | <u>\$ 453,426</u> | <u>6.6%</u> |
| FTEs | 40.75 | 40.75 | 42.50 | 1.75 | 4.3% |
| Cost per FTE | | | | | |
| Salaries | \$ 127,081 | \$ 127,081 | \$ 129,943 | 2,862 | 2.3% |
| Payroll Taxes | 8,323 | 8,323 | 8,414 | 91 | 1.1% |
| Benefits | 10,116 | 10,116 | 10,328 | 212 | 2.1% |
| Retirement | 23,777 | 23,777 | 24,310 | 533 | 2.2% |
| Total Cost per FTE | \$ 169,297 | \$ 169,297 | \$ 172,994 | \$ 3,698 | 2.2% |

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

5. Consultants and Contracts

Table B-5

| Consultants | Budget 2014 | Projection 2014 | Budget 2015 | Variance 2015 Budget v 2014 Budget | Variance % |
|--|------------------------|----------------------------|------------------------|---|-----------------------|
| Consultants | | | | | |
| Reliability Standards and Organization Registration and Certification | \$ - | \$ - | \$ - | \$ - | |
| Compliance | 3,000 | 3,000 | 28,000 | 25,000 | 833% |
| Reliability Assessment and Performance Analysis (Alert) | 20,000 | 20,000 | 20,000 | - | 0% |
| Event Analysis | - | - | - | - | |
| Training and Education | - | - | - | - | |
| Situation Awareness and Infrastructure Security | - | - | - | - | |
| Committee and Member Forums | - | - | - | - | |
| General and Administrative | 40,000 | 40,000 | 70,000 | 30,000 | 75% |
| Legal and Regulatory | - | - | - | - | |
| Information Technology | 100,000 | 100,000 | 205,000 | 105,000 | 105% |
| Human Resources | - | - | - | - | |
| Accounting and Finance | 5,000 | 5,000 | 5,000 | - | 0 |
| Consultants Total | \$ 168,000 | \$ 168,000 | \$ 328,000 | \$ 160,000 | 95% |
| Contracts | | | | | |
| | Budget 2014 | Projection 2014 | Budget 2015 | Variance 2015 Budget v 2014 Budget | Variance % |
| Contracts | | | | | |
| Outsource Standards Tracking Software Applications | \$ 12,000 | \$ 12,000 | \$ 13,236 | 1,236 | 10% |
| Subtotal - Reliability Standards Contracts | \$ 12,000 | \$ 12,000 | \$ 13,236 | 1,236 | 10% |
| Outsource Compliance Information Tracking Applications | | | | - | |
| Subtotal - Compliance and Organization Registration and Certification Contracts | \$ 124,000 | \$ 124,000 | \$ 83,000 | (41,000) | -33% |
| | \$ 124,000 | \$ 124,000 | \$ 83,000 | (41,000) | -33% |
| Model Series Development (MRO's portion of expenses of the MMWG/ERAG) | \$ 26,700 | \$ 26,700 | \$ 25,400 | (1,300) | -5% |
| Model Building | 38,000 | 38,000 | 30,100 | (7,900) | -21% |
| PTI Software | 22,000 | 22,000 | 23,200 | 1,200 | 5% |
| Data Collection Expansion | 20,000 | 20,000 | 20,000 | - | 0% |
| Subtotal - Reliability Assessments Contracts | \$ 106,700 | \$ 106,700 | \$ 98,700 | (8,000) | -7% |
| Cisco | 20,000 | 20,000 | 25,000 | 5,000 | 25% |
| Barracuda | 5,500 | 5,500 | 2,600 | (2,900) | -53% |
| Domain Registration | 500 | 500 | 500 | - | 0% |
| EFT Maintenance | 6,900 | 6,900 | 7,200 | 300 | 4% |
| Symantec Antivirus | 5,000 | 5,000 | 5,000 | - | 0% |
| Varonis File Maintenance | 8,500 | 8,500 | 8,500 | - | 0% |
| Net App Data Storage Maintenance | 20,000 | 20,000 | 23,000 | 3,000 | 15% |
| Lyris | - | - | 1,300 | 1,300 | |
| VMWare | 14,000 | 14,000 | 14,000 | - | 0% |
| SmartPhone Maintenance | 6,000 | 6,000 | 6,000 | - | 0% |
| Server Support | 6,000 | 6,000 | 6,000 | - | 0% |
| Great Plains | - | - | 4,000 | 4,000 | |
| Comodo-Certificates | 1,500 | 1,500 | 1,500 | - | 0% |
| CRM and Scribe | 11,500 | 11,500 | - | (11,500) | -100% |
| NetApp Multistore-Security software for SAN | 7,000 | 7,000 | 8,000 | 1,000 | 14% |
| Load Balancer Support | - | - | 5,500 | 5,500 | |
| Network Monitor | - | - | 3,300 | 3,300 | |
| Somus HW Support | - | - | 4,000 | 4,000 | |
| Anitspam Service | - | - | 2,200 | 2,200 | |
| Subtotal - Information Technology Contracts | \$ 112,400 | \$ 112,400 | \$ 127,600 | \$ 15,200 | 14% |
| 401K / 457b, 457f 3rd Party Administrator | 4,000 | 4,000 | - | (4,000) | -100% |
| FSA 3rd Party Administrator | 1,200 | 1,200 | 1,800 | 600 | 50% |
| Transportation 3rd Party Administrator | 2,800 | 2,800 | 1,200 | (1,600) | -57% |
| Benefits 3rd Party Administrator | 2,000 | 2,000 | 3,900 | 1,900 | 95% |
| Payroll 3rd Party Administrator | 10,000 | 10,000 | 19,000 | 9,000 | 90% |
| HR-Employment Costs | - | - | - | - | |
| Subtotal - HR and Finance Contracts | \$ 20,000 | \$ 20,000 | \$ 25,900 | 5,900 | 30% |
| Contracts Total | \$ 375,100 | \$ 375,100 | \$ 348,436 | \$ (26,664) | -7% |
| Total Consulting and Contracts | \$ 543,100 | \$ 543,100 | \$ 676,436 | \$ 133,336 | 25% |

Explanation of Significant Variances – 2015 Budget versus 2014 Budget**Consulting Expenses**

- Compliance consulting expenses are budgeted to increase in 2015 caused by change orders for webCDMS design which is more than offset by the decrease in compliance contract costs. Enhancements are either paid by a single upgrade consulting cost or by increasing the monthly contractual amount. In this instance it is anticipated to be charged through a consulting cost.
- Reliability Assessments and Performance Analysis remains flat in 2015.
- General and Administrative increased as a result of shared project manager for REMG.
- IT increased as SharePoint application will continue to grow in terms of functionality implemented by MRO to provide greater support for business needs. A detailed network review will be completed in 2015 to ensure maximum efficiency and security of the MRO network. This effort started in 2014.

Contract Expenses

- Compliance contract costs decreased as offset by the compliance consulting expense is increased.
- Reliability Assessments and Performance Analysis costs slightly increase for 2015 due to higher future costs for data collection expansion
- Information Technology costs remain flat in this timeline
- Human Resources and Finance costs increase for 2015 due to the time recording system upgrade and additional functionality

Table B-6

| Office Rent | Budget 2014 | Projection 2014 | Budget 2015 | Variance 2015 Budget v 2014 Budget | Variance % |
|--------------------------|------------------------|----------------------------|------------------------|---|-----------------------|
| Office Rent | \$ 513,827 | \$ 513,827 | \$ 490,000 | \$ (23,827) | -4.6% |
| Utilities | 5,000 | 5,000 | 6,000 | 1,000 | 20.0% |
| Maintenance | 6,000 | 6,000 | 5,000 | (1,000) | -16.7% |
| Office Cleaning | - | - | - | - | |
| Waste Management | - | - | - | - | |
| Total Office Rent | \$ 524,827 | \$ 524,827 | \$ 501,000 | \$ (23,827) | -4.54% |

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

Office Rent

The Office Rent from 2014 to 2015 decreased based on actual trending of common area maintenance (CAM) and taxes.

Table B-7

| Office Costs | Budget 2014 | Projection 2014 | Budget 2015 | Variance 2015 Budget v 2014 Budget | Variance % |
|--|-------------------|--------------------|-------------------|--|--------------|
| Phone Service | | | | | |
| Data Circuit (qmoe) | \$ 13,500 | \$ 13,500 | \$ 60,000 | \$ 46,500 | 344.44% |
| Data Circuit (dsl) | 14,300 | 14,300 | - | (14,300) | -100.00% |
| Voice Circuits | 14,000 | 14,000 | 14,000 | - | 0.00% |
| Business Cable | 2,000 | 2,000 | 2,000 | - | 0.00% |
| Internet Service Provider | 32,850 | 32,850 | 23,800 | (9,050) | -27.55% |
| Internet/Cell | 45,864 | 45,864 | 47,291 | 1,427 | 3.11% |
| Office Supplies | 24,300 | 24,300 | 24,000 | (300) | -1.23% |
| Employee Member Events | 15,000 | 15,000 | 15,000 | - | 0.00% |
| Employee Related Expense (Drug Testing, Finder Fees Etc) | 9,000 | 9,000 | 9,500 | 500 | 5.56% |
| Computer Supplies and Maintenance | 60,300 | 60,300 | 61,300 | 1,000 | 1.66% |
| Publications & Subscriptions | 5,400 | 5,400 | 5,900 | 500 | 9.26% |
| Professional Dues | 22,960 | 22,960 | 17,850 | (5,110) | -22.26% |
| Postage | 2,700 | 2,700 | 2,700 | - | 0.00% |
| Temporary Services | - | - | - | - | - |
| Finance-Filing/Reg Fees | 6,000 | 6,000 | 7,000 | 1,000 | 16.67% |
| Equipment Repair/Service Contracts | 20,800 | 20,800 | 28,150 | 7,350 | 35.34% |
| Bank Charges | 15,500 | 15,500 | 18,600 | 3,100 | 20.00% |
| Sales & Use Taxes | - | - | - | - | - |
| Merchant Card Fees | - | - | - | - | - |
| Presentation & Publicity & Supplies Promotional | - | - | 5,000 | 5,000 | - |
| Departmental Functional Training | 148,650 | 148,650 | 147,800 | (850) | -0.57% |
| Insurance Expense | 50,000 | 50,000 | 50,000 | - | 0.00% |
| Total Office Costs | \$ 503,124 | \$ 503,124 | \$ 539,891 | \$ 36,767 | 7.31% |

Explanation of Significant Variances – 2015 Budget versus 2014 Budget**Phone Service**

Increased our internet connection by a factor of 10 and added a redundant circuit. Part of the increase is offset by elimination of the DSL and a reduction of costs by our internet service provider.

Table B-8

| Professional Services | Budget 2014 | Projection 2014 | Budget 2015 | Variance 2015 Budget v 2014 Budget | Variance % |
|------------------------------|------------------------|----------------------------|------------------------|---|-------------------|
| Independent Trustee Fees | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ - | 0.00% |
| Outside Legal | 45,000 | 45,000 | 40,000 | (5,000) | -11.11% |
| Accounting and Auditing Fees | 45,000 | 45,000 | 28,500 | (16,500) | -36.67% |
| Actuarial Fees | 15,000 | 15,000 | 25,000 | 10,000 | 66.67% |
| Total Services | \$ 205,000 | \$ 205,000 | \$ 193,500 | \$ (11,500) | -5.61% |

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

IT audit scope for 2015 is included in IT consulting fees.

Table B-9

| Other Non-Operating Expenses | Budget 2014 | Projection 2014 | Budget 2015 | Variance 2015 Budget v 2014 Budget | Variance % |
|-------------------------------------|----------------|--------------------|----------------|--|----------------|
| Interest Expense | \$ - | \$ - | \$ - | \$ - | - |
| Line of Credit Payment | | | | | - |
| Office Relocation | - | - | - | - | - |
| Total Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | 100.00% |

Explanation of Significant Variances – 2015 Budget versus 2014 Budget

No dollars are necessary in 2015 Budget.

Section C – 2014 Non-Statutory Business Plan and Budget

In the 2015 Business Plan and Budget, MRO will not have non-statutory functions.

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Section D - Additional Financial Statements

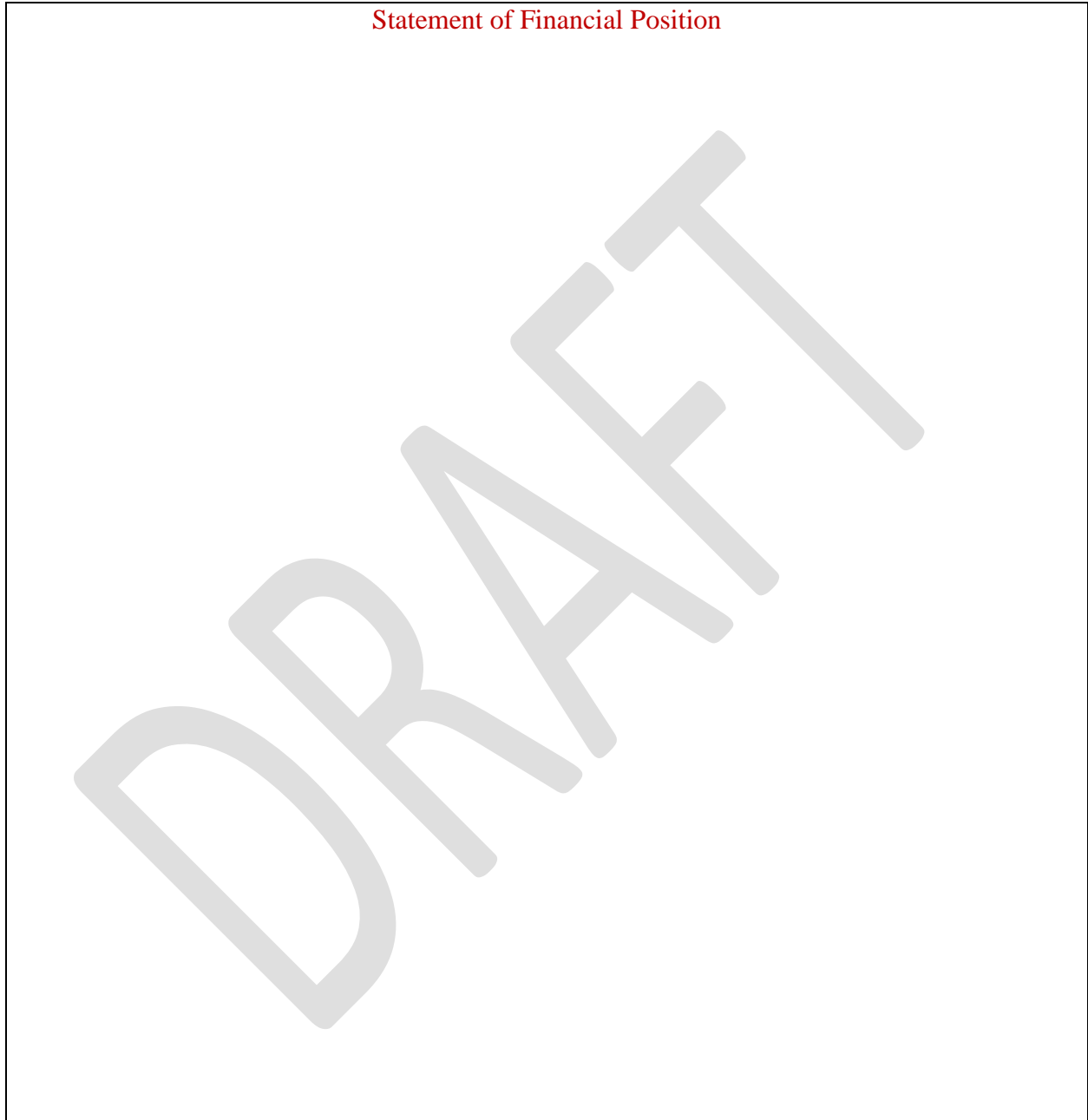
1. 2015 Consolidated Statement of Activities by Program, Statutory and Non Statutory

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| Statement of Activities and Capital Expenditures by Program 2015 Budget | | | | Statutory Activities | | | | | | | | | | | Non-Statutory Functions | | |
|--|-------------------|-------------------|---------------------|----------------------|---|--|---|--------------------------------------|--|-----------------------------|----------------------------|----------------------|------------------------|-----------------|-------------------------|---------------------|------------------|
| | Total | Statutory Total | Non-Statutory Total | Statutory Total | Reliability Standards and Organizational Registration (Section 300 and 500) | Compliance and Organization Registration (Section 400) | Reliability Assessment and Performance Analysis (Section 800) | Training and Education (Section 900) | Situation Awareness and Infrastructure Security (Section 1000) | Committee and Member Forums | General and Administrative | Legal and Regulatory | Information Technology | Human Resources | Accounting and Finance | Non-Statutory Total | |
| Funding | | | | | | | | | | | | | | | | | |
| ERO Funding | | | | | | | | | | | | | | | | | |
| NERC Assessments | 9,446,019 | 9,446,019 | - | 9,446,019 | 375,742 | 6,727,807 | 2,480,214 | 291,928 | 77,997 | | (507,668) | - | - | - | - | - | - |
| Penalty Sanctions | 375,000 | 375,000 | - | 375,000 | 12,186 | 266,409 | 91,096 | 3,378 | 1,931 | | | - | - | - | - | - | - |
| Total NERC Funding | 9,821,019 | 9,821,019 | - | 9,821,019 | 387,929 | 6,994,216 | 2,571,309 | 295,306 | 79,927 | | (507,668) | - | - | - | - | - | - |
| Membership Dues | - | - | - | - | - | - | - | - | - | | | - | - | - | - | - | - |
| Testing Fees | - | - | - | - | - | - | - | - | - | | | - | - | - | - | - | - |
| Services & Software | - | - | - | - | - | - | - | - | - | | | - | - | - | - | - | - |
| Workshops | - | - | - | - | - | - | - | - | - | | | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | | | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - | | | - | - | - | - | - | - |
| Total Funding (A) | 9,821,019 | 9,821,019 | - | 9,821,019 | 387,929 | 6,994,216 | 2,571,309 | 295,306 | 79,927 | | (507,668) | - | - | - | - | - | - |
| Expenses | | | | | | | | | | | | | | | | | |
| Personnel Expenses | | | | | | | | | | | | | | | | | |
| Salaries | 5,522,559 | 5,522,559 | - | 5,522,559 | 156,160 | 2,894,581 | 934,523 | 135,117 | 32,947 | | 335,471 | 252,886 | 427,779 | - | - | - | 353,095 |
| Payroll Taxes | 357,594 | 357,594 | - | 357,594 | 9,024 | 192,689 | 63,510 | 6,618 | 1,976 | | 17,104 | 11,417 | 32,213 | - | - | - | 23,048 |
| Benefits | 438,930 | 438,930 | - | 438,930 | 10,705 | 233,912 | 79,541 | 6,209 | 2,141 | | 26,121 | 1,499 | 45,177 | - | - | - | 33,615 |
| Retirement Costs | 1,033,187 | 1,033,187 | - | 1,033,187 | 31,123 | 475,589 | 210,177 | 22,841 | 4,734 | | 77,751 | 38,255 | 103,259 | - | - | - | 69,199 |
| Total Personnel Expenses | 7,352,260 | 7,352,260 | - | 7,352,260 | 207,012 | 3,796,771 | 1,287,951 | 170,785 | 41,858 | | 456,447 | 304,057 | 608,428 | - | - | - | 478,951 |
| Meeting Expenses | | | | | | | | | | | | | | | | | |
| Meetings | 114,600 | 114,600 | - | 114,600 | 2,000 | 6,250 | 7,700 | 60,000 | - | | 30,000 | 150 | 8,000 | - | - | - | 500 |
| Travel | 614,200 | 614,200 | - | 614,200 | 33,600 | 221,900 | 187,100 | 29,400 | 16,000 | | 100,000 | 21,700 | - | - | - | - | 4,500 |
| Conference Calls | - | - | - | - | - | - | - | - | - | | - | - | - | - | - | - | - |
| Total Meeting Expenses | 728,800 | 728,800 | - | 728,800 | 35,600 | 228,150 | 194,800 | 89,400 | 16,000 | | 130,000 | 21,850 | 8,000 | - | - | - | 5,000 |
| Operating Expenses | | | | | | | | | | | | | | | | | |
| Consultants & Contracts | 676,436 | 676,436 | - | 676,436 | 13,236 | 111,000 | 118,700 | - | - | | 70,000 | - | 332,600 | - | - | - | 30,900 |
| Office Rent | 501,000 | 501,000 | - | 501,000 | - | - | - | - | - | | - | - | - | - | - | - | 501,000 |
| Office Costs | 539,891 | 539,891 | - | 539,891 | 5,394 | 88,752 | 22,845 | - | 2,000 | | 32,700 | 5,700 | 213,150 | - | - | - | 169,350 |
| Professional Services | 193,500 | 193,500 | - | 193,500 | - | - | - | - | - | | - | 140,000 | - | - | - | - | 53,500 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | | - | - | - | - | - | - | - |
| Depreciation | 521,000 | 521,000 | - | 521,000 | - | - | - | - | - | | - | - | 521,000 | - | - | - | - |
| Total Operating Expenses | 2,431,827 | 2,431,827 | - | 2,431,827 | 18,630 | 199,752 | 141,545 | - | 2,000 | | 102,700 | 145,700 | 1,066,750 | - | - | - | 754,750 |
| Total Direct Expenses | 10,512,887 | 10,512,887 | - | 10,512,887 | 261,242 | 4,224,673 | 1,624,296 | 260,185 | 59,858 | | 689,147 | 471,607 | 1,683,178 | - | - | - | 1,238,701 |
| Indirect Expenses | | | | | | | | | | | | | | | | | |
| | - | - | - | - | 132,672 | 2,900,403 | 991,759 | 36,780 | 21,017 | | (689,147) | (471,607) | (1,683,178) | - | - | - | (1,238,701) |
| Other Non-Operating Expenses | | | | | | | | | | | | | | | | | |
| | - | - | - | - | - | - | - | - | - | | - | - | - | - | - | - | - |
| Total Expenses (B) | 10,512,887 | 10,512,887 | - | 10,512,887 | 393,914 | 7,125,076 | 2,616,055 | 296,965 | 80,875 | | - | - | - | - | - | - | - |
| Change in Assets | (691,868) | (691,868) | - | (691,868) | (5,986) | (130,860) | (44,746) | (1,659) | (948) | | (507,668) | - | - | - | - | - | - |
| Fixed Assets | | | | | | | | | | | | | | | | | |
| Depreciation | (521,000) | (521,000) | - | (521,000) | - | - | - | - | - | | - | - | (521,000) | - | - | - | - |
| Computer & Software CapEx | 316,800 | 316,800 | - | 316,800 | - | - | - | - | - | | - | - | 316,800 | - | - | - | - |
| Furniture & Fixtures CapEx | 20,000 | 20,000 | - | 20,000 | - | - | - | - | - | | - | - | 20,000 | - | - | - | - |
| Equipment CapEx | - | - | - | - | - | - | - | - | - | | - | - | - | - | - | - | - |
| Leasehold Improvements | - | - | - | - | - | - | - | - | - | | - | - | - | - | - | - | - |
| Allocation of Fixed Assets | 0 | 0 | - | 0 | (5,986) | (130,860) | (44,746) | (1,659) | (948) | | - | - | 184,200 | - | - | - | - |
| Inc(Dec) in Fixed Assets (C) | (184,200) | (184,200) | - | (184,200) | (5,986) | (130,860) | (44,746) | (1,659) | (948) | | - | - | - | - | - | - | - |
| TOTAL BUDGET (-B + C) | 10,328,687 | 10,328,687 | - | 10,328,687 | 387,929 | 6,994,216 | 2,571,309 | 295,306 | 79,927 | | - | - | - | - | - | - | - |
| TOTAL CHANGE IN WORKING CAPITAL (-A-B-C) | 9,636,819 | 9,636,819 | - | (507,668) | - | (0) | (0) | (0) | 0 | | (507,668) | - | - | - | - | - | - |
| FTEs | 42.50 | 42.50 | - | 42.50 | 1.01 | 22.08 | 7.55 | 0.28 | 0.16 | | 2.24 | 1.31 | 4.24 | - | - | - | 3.63 |

2. Statement of Financial Position

- As of December 31, 2013, per audit
- As of December 31, 2014, projected
- As of December 31, 2015, as budgeted

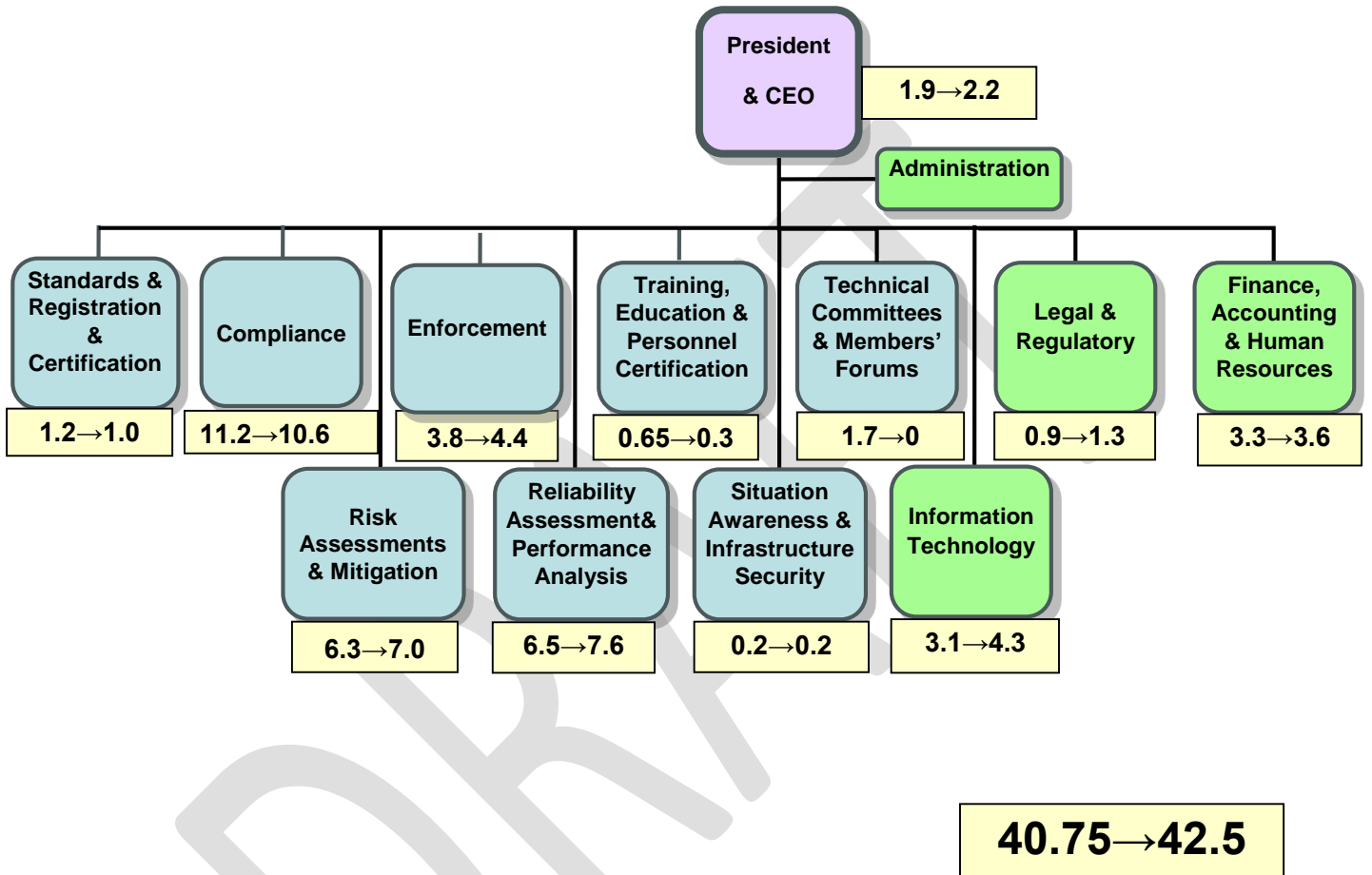


3. Statement of Activities and Capital Expenditures

| Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2015 and 2016 Projections | | | | | | | |
|---|----------------------|-----------------------|----------------------|---------------------|-----------------------|----------------------|---------------------|
| | 2015 Budget | 2016 Projection | \$ Change 16 v 15 | % Change 16 v 15 | 2017 Projection | \$ Change 17 v 16 | % Change 17 v 16 |
| Funding | | | | | | | |
| ERO Funding | | | | | | | |
| NERC Assessments | \$ 9,446,019 | \$ 9,569,450 | \$ 123,431 | 1.31% | \$ 9,892,630 | \$ 323,180 | 3.3% |
| Penalty Sanctions | 375,000 | - | (375,000) | -100.00% | - | - | |
| Total NERC Funding | \$ 9,821,019 | \$ 9,569,450 | \$ (251,569) | -2.6% | \$ 9,892,630 | \$ 323,180 | 3.3% |
| Membership Dues | - | - | - | | - | - | |
| Testing Fees | - | - | - | | - | - | |
| Services & Software | - | - | - | | - | - | |
| Workshops | - | - | - | | - | - | |
| Interest | - | - | - | | - | - | |
| Miscellaneous | - | - | - | | - | - | |
| Total Funding (A) | \$ 9,821,019 | \$ 9,569,450 | \$ (251,569) | -2.6% | \$ 9,892,630 | \$ 323,180 | 3.4% |
| Expenses | | | | | | | |
| Personnel Expenses | | | | | | | |
| Salaries | \$ 5,522,559 | \$ 5,688,236 | \$ 165,677 | 3.0% | \$ 5,887,324 | \$ 199,088 | 3.5% |
| Payroll Taxes | 357,594 | 368,322 | 10,728 | 3.0% | 381,213 | 12,891 | 3.5% |
| Benefits | 438,920 | 452,087 | 13,168 | 3.0% | 467,910 | 15,823 | 3.5% |
| Retirement Costs | 1,033,187 | 1,064,183 | 30,996 | 3.0% | 1,101,429 | 37,246 | 3.5% |
| Total Personnel Expenses | \$ 7,352,260 | \$ 7,572,828 | \$ 220,568 | 3.0% | \$ 7,837,877 | \$ 265,049 | 3.5% |
| Meeting Expenses | | | | | | | |
| Meetings | \$ 106,600 | \$ 109,798 | \$ 3,198 | 3.0% | \$ 113,641 | 3,843 | 3.5% |
| Travel | 622,200 | 640,866 | 18,666 | 3.0% | 663,296 | 22,430 | 3.5% |
| Conference Calls | - | - | - | | - | - | |
| Total Meeting Expenses | \$ 728,800 | \$ 750,664 | \$ 21,864 | 3.0% | \$ 776,937 | \$ 26,273 | 3.5% |
| Operating Expenses | | | | | | | |
| Consultants & Contracts | \$ 676,436 | \$ 703,493 | 27,057 | 4.0% | \$ 731,633 | 28,140 | 4.0% |
| Office Rent | 501,000 | 513,525 | 12,525 | 2.5% | 526,363 | 12,838 | 2.5% |
| Office Costs | 539,891 | 556,088 | 16,197 | 3.0% | 572,770 | 16,683 | 3.0% |
| Professional Services | 193,500 | 199,305 | 5,805 | 3.0% | 205,284 | 5,979 | 3.0% |
| Miscellaneous | - | - | - | | - | - | |
| Depreciation | 521,000 | 534,025 | 13,025 | 2.5% | 547,376 | 13,351 | 2.5% |
| Total Operating Expenses | \$ 2,431,827 | \$ 2,506,436 | \$ 74,609 | 3.1% | \$ 2,583,426 | \$ 76,990 | 3.1% |
| Total Direct Expenses | \$ 10,512,887 | \$ 10,829,928 | \$ 317,041 | 3.0% | \$ 11,198,240 | \$ 368,312 | 3.4% |
| Indirect Expenses | \$ - | \$ - | \$ - | | \$ - | \$ - | |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | | \$ - | \$ - | |
| Total Expenses (B) | \$ 10,512,887 | \$ 10,829,928 | \$ 317,041 | 3.0% | \$ 11,198,240 | \$ 368,312 | 3.4% |
| Change in Assets | \$ (691,868) | \$ (1,260,478) | \$ (568,610) | 82.2% | \$ (1,305,610) | \$ (45,132) | 3.6% |
| Fixed Assets | | | | | | | |
| Depreciation | \$ (521,000) | \$ (534,025) | \$ (13,025) | 2.5% | \$ (547,376) | \$ (13,351) | 2.5% |
| Computer & Software CapEx | 316,800 | 323,136 | 6,336 | 2.0% | 332,830 | 9,694 | 3.0% |
| Furniture & Fixtures CapEx | 20,000 | 20,400 | 400 | 2.0% | - | (20,400) | -100.0% |
| Equipment CapEx | - | - | - | | - | - | |
| Leasehold Improvements | - | - | - | | - | - | |
| Allocation of Fixed Assets | - | - | - | | - | - | |
| Inc(Dec) in Fixed Assets (C) | \$ (184,200) | \$ (190,489) | \$ (6,289) | 3.4% | \$ (214,546) | \$ (45,132) | 0.0% |
| TOTAL BUDGET (=B + C) | \$ 10,328,687 | \$ 10,639,439 | \$ 310,752 | 3.0% | \$ 10,983,695 | \$ 368,312 | 3.5% |
| TOTAL CHANGE IN WORKING CAPITAL (=A-B-C) | \$ (507,668) | \$ (1,069,989) | \$ (562,321) | 110.8% | \$ (1,091,065) | (21,076) | 2.0% |

Attachment A

**2014 to 2015 Full Time Equivalent (FTE)
Comparison Organization Chart**



FTE Trend from 2014 to 2017

| 2014 | 2015 | 2016 Estimate | 2017 Estimate |
|-------|------|---------------|---------------|
| 40.75 | 42.5 | 42.5 | 42.5 |