



**MIDWEST
RELIABILITY
ORGANIZATION**

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Midwest Reliability Organization

2017 Business Plan and Budget

Draft 1.0

**Date:
May 4, 2016**

Introduction

The following table summarizes the Midwest Reliability Organization (MRO) budget for 2017.

TOTAL RESOURCES (in whole dollars)				
	2017 Budget	U.S.	Canada	Mexico
Statutory FTEs	43.00			
Non-statutory FTEs				
Total FTEs	43.00			
Statutory Expenses	\$ 11,413,887			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 11,413,887			
Statutory Inc(Dec) in Fixed Assets	\$ (187,219)			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ (187,219)			
Statutory Working Capital Requirement	\$ (566,073)			
Non-Statutory Working Capital Requirement				
Total Working Capital Requirement	\$ (566,073)			
Total Statutory Funding Requirement	\$ 10,660,595			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 10,660,595			
Statutory Funding Assessments	\$ 10,494,345	\$ 8,734,490	\$ 1,759,855	-
Non-Statutory Fees				
NEL	288,744,100	241,078,112	47,665,988	-
NEL%	100.00%	83.49%	16.51%	0.00%

Table 1. MRO Budget for 2017

Organizational Overview

MRO is a nonprofit corporation¹ responsible for promoting and improving the reliability of the bulk power system (BPS). MRO's Region is the north central area of North America, including parts of both the United States and Canada. Under section 215(e)(4) of the Federal Power Act (FPA), the Federal Energy Regulatory Commission (FERC) approved the North American Electric Reliability Corporation (NERC) as the electric reliability organization (ERO) and the delegation of certain statutory functions to the Regional Entities (REs). NERC executed an initial Delegation Agreement with MRO on May 2, 2007 for the purpose of delegating to MRO certain responsibilities and authorities of an RE as defined by FPA section 215. The most recent Delegation Agreement was approved by the Federal Energy Regulatory Commission on March 23, 2016 and expires December 31, 2020. MRO's delegated functions under the approved agreement are: Development and Proposal of Reliability Standards and Organization Registration and

¹ MRO is classified under the Internal Revenue Service as a 501(c)(3) organization.

Certification, Compliance, Risk Assessment and Mitigation, Enforcement, Reliability Assessment and Performance Analysis, Event Analysis, Training and Education, Situation Awareness, and Infrastructure Security.

Membership and Governance

Membership in MRO is voluntary and at no cost, affording organizations the opportunity to participate in the technical activities and governance of the organization. MRO has approximately fifty-eight 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 ERO. The Board has four committees:

- Dispute Resolution Committee
- Finance and Audit Committee
- Governance and Personnel Committee
- Hearing Body Committee

The Board's primary role is to ensure 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 ensure it carries out its responsibilities free of conflicts. The Hearing Body of the Board fulfills the obligations in the conduct of hearings, a mandated function under the Hearing Procedures found in the Compliance Monitoring and Enforcement Program (CMEP).

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

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

The charters for these standing committees are published on MRO's website and the processes for all organizational groups are defined in the Board-approved Policy and Procedure 3 (Establishment, Responsibilities, and Procedures of Organizational Groups).²

Statutory Functional Scope

The primary purposes of MRO are to:

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

² 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

5. Perform other services consistent with its reliability charter, Delegation Agreement, and the Rules of Procedure.

MRO provides a transparent, effective, and efficient reliability organization³ across a broad geographic region with open meetings:

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

The 2017 Business Plan and Budget fulfills MRO’s commitments related to the delegated functions, consistent with FERC and Canadian authorities to:

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

Budget

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

³ In its *Order on the Electric Reliability Organization’s Five-Year Performance Assessment* the Federal Energy Regulatory Commission found that “the Regional Entities [including MRO] continue to satisfy applicable statutory and regulatory criteria.” North American Electric Reliability Corporation, 149 F.E.R.C. ¶ 61,141 at P 2 (2014).

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

MRO maintains a cash reserve at all times, capable of funding MRO's operations as laid out in MRO's Operating and Working Capital Reserves policy. This cash reserve is in addition to the funding necessary for MRO's normal operations. MRO's annual Business Plan and Budget includes a request to fund MRO's operating and working capital reserves consistent with the policy. The operating and working capital reserves shall be identified and quantified each year in the Business Plan and Budget, submitted first to the 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. The Business Plan and Budget is posted for stakeholder comment and then sent to the Board for approval. Once approved by the Board, the plan is submitted to NERC for approval and then to the government regulator. The plan is typically finalized by FERC approval in October or November of the year preceding the budget year.

Accounting and Recordkeeping

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

Organizational Structure and Staffing

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

All MRO employees have a "home" department area to which they are assigned. However, most MRO employees work in multiple program areas. For instance, employees whose home

department area is compliance may also assist in Reliability Standards 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 audit, spot checks and self-certification activities and is headed by a Vice President.

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

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

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

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

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

The Executive department, led by the CEO, is responsible for governance activities of the Board.

Financial Controls and Expense Approvals

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

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

An independent auditing firm annually audits MRO's financial statements. MRO staff consults the FAC in reviewing the selection of the external auditor and the scope of the audit work. Once hired, the independent auditor communicates directly with the FAC Chair regarding audit matters. The FAC and MRO staff perform 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 MRO's President and CEO.

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

Compensation Process and Personnel Policies

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

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

2017 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 located in Exhibit A of NERC's 2017 Business Plan and Budget.

2017 Goals and Key Deliverables

1. Serve as an independent, objective, and fair enforcement authority, without conflicts of interest.
 - A. Register entities commensurate to the risk to the BPS and ensure all key reliability entities are certified to have essential capabilities.
 - B. Enforce compliance of Registered Entities with mandatory Reliability Standards in accordance with the Delegation Agreement and CMEP. Perform timely and transparent reviews.
 - C. Ensure that all violations of mandatory Reliability Standards are mitigated in a timely, thorough, and comprehensive manner to prevent recurrence.
2. Promote a culture of compliance that addresses reliability risks across the MRO Region and the ERO.
 - A. Ensure that the industry understands the essential purpose of standards and compliance expectations.
 - B. Work with the industry to maintain effective risk control programs for compliance, reliability, and security.
 - C. Use efficient processes and proportional exercise of discretion to verify that the industry meets compliance objectives.
3. Identify the most significant risks to reliability in the MRO Region.
 - A. Identify and prioritize risks based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.

- B. Analyze events and system performance consistently to determine sequence, cause, and remediation. Identify reliability risks and trends to inform standards, compliance, and other programs.
 - C. Ensure that the industry is well-informed of emerging trends, risk analysis, lessons learned, and expected actions.
4. Mitigate reliability risks.
- A. Ensure that the industry understands security threats and addresses them effectively.
 - B. Facilitate information-sharing among industry, Regions, ERO, and government.
 - C. Work with the ERO to track industry accountability for critical reliability and security recommendations.
5. Promote a culture of reliability excellence.
- A. Ensure reliable data modeling. Verify that the data represents system behavior accurately. Facilitate data-sharing among reliability entities.
 - B. Serve as a leading resource to industry and policy makers to supply reliability information.
6. Improve transparency, consistency, quality and timeliness of results; collaborate with NERC and the other Regions; improve efficiencies and cost effectiveness.
- A. Identify, understand, and manage internal risks.
 - B. Ensure processes are effective, efficient, and continually improving.

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

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

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

Long-Term Business Planning

NERC and the Regional Entities are actively working together to improve the overall business planning and budgeting process, including long-term resource and financial planning. The 2017 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 the REs regarding budget assumptions, resource requirements, and opportunities to improve operational efficiency and effectiveness, including factors affecting resource needs beyond the 2017 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 2017 Business Plan and Budget incorporates assumptions affecting resource demands through the 2019 planning horizon. NERC and the REs continue to work together to develop, strengthen and improve an integrated long-term business plan and budget that leverages and builds on the combined strengths and resources of NERC and the REs to improve the overall effectiveness and efficiency of operations. NERC and the REs will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes consistent with their respective roles and responsibilities.

2017 Overview of Cost Impacts

MRO proposes to decrease its operating budget from \$11.35 million to \$11.23 million, a decrease of \$127,975. Funding assessments will decrease by \$397,215 or 3.7%.

Operational Programs

Funding Requirements — Explanation of Increase (Decrease)

Standards and Organization Registration and Certification

MRO will continue to focus on continent-wide standards. MRO will coordinate with NERC and the other regions on the implementation of Risk-Based Registration, which establishes a new NERC-led technical panel (containing three MRO employees) for the review of entity-specific registration requests based on risk. MRO will also participate in any ERO-wide efforts that impact Registration or Certification processes.

Compliance Monitoring and Enforcement Program (CMEP)

MRO has three independent programs within the NERC-defined CMEP:

1) Compliance

Compliance staff is responsible for conducting compliance monitoring activities, including Compliance Audits, Self-Certifications, and Spot Checks. Additionally, Compliance conducts Internal Control Evaluations (ICEs) and leads development of Compliance Oversight Plans (COPs). Increased efforts tied to COP development in 2017 will be offset by a decrease in effort related to preparation for CIP v5 monitoring compliance, resulting in no significant net change in workload. Costs associated with this program are budgeted to decrease in 2017, primarily due to decreased business travel as there are fewer on-site audits scheduled for 2017.

2) Risk Assessment and Mitigation (RAM)

Risk Assessment and Mitigation (RAM) undertakes an independent review of the facts and circumstances surrounding each potential noncompliance, and then determines whether sufficient evidence supports each finding. RAM works with the registered entity to develop an effective mitigation plan in the event that a finding is validated, and develops a recommended risk determination of the noncompliance for MRO Enforcement. RAM reviews each BPS event from a compliance perspective. RAM leads the development of entity Inherent Risk Assessments (IRAs) in order to develop customized oversight plans for each entity based

upon risk, and is working with NERC and the other Regions to develop ERO-wide procedures and concepts to ensure consistent approaches to the IRA process. RAM coordinates MRO's outreach with registered entities regarding application of standards for entity-specific facilities and configurations. CIP v5 has necessitated an expansion in these outreach efforts, which is expected to continue into 2017 and will include involvement in the development of the next version of CIP Standards with NERC and industry, as well as continued one-on-one meetings with entities requiring guidance.

3) Enforcement

Validated violations move to the Enforcement staff, who review recommendations made by Risk Assessment and Mitigation, verify all relevant facts, and evaluate appropriate enforcement actions for final disposition and resolution. Enforcement staff reports to NERC regarding the status of all possible violations. 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 decrease in 2017 because there is no planned Hearing Body training.

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

Budgeted 2017 costs are flat compared to the 2016 budget when considering the overall impact of the three independent programs combined. However, in 2017 there is a shift in resources to Risk Assessment and Mitigation as we put more emphasis on outreach efforts and less on Compliance and Enforcement.

Reliability Assessment and Performance Analysis (RAPA)

MRO's RAPA staff ensures comprehensive periodic assessments are performed, oversees periodic data collection, and reviews all event analysis efforts. RAPA identifies reliability risks to the BES in the MRO footprint in accordance with the Delegation Agreement and NERC's Rules of Procedure. RAPA's mission is to promote a culture of reliability excellence within the MRO BES. The program accomplishes this mission by identifying risks to reliability, analyzing performance, and prioritizing mitigation of significant risks. MRO reimburses travel expenses for stakeholder representation on both NERC and MRO technical groups to ensure organizations can participate on a "level playing field."

Training and Education

For 2017, MRO will provide training to Registered Entities through workshops, webinars and via other opportunities at industry meetings; and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify training opportunities for Registered Entities in the MRO region so that they can also accomplish the objectives of the NERC programs.

Situation Awareness & Infrastructure Security Program

Situation Awareness

MRO utilizes the NERC Situation Awareness tool and monitors other communication systems to maintain an awareness of BES events and incidents. Staff is prepared to maintain awareness about the conditions of the BES and to respond to events by providing coordination assistance and communications between key parties.

General and Administrative

There is an increase in the number of meetings and outreach efforts planned in 2017; however, budgeted meeting expenses are reduced slightly because of efficiencies and cost savings realized from hosting meetings at MRO. Reimbursement for stakeholder participant travel expenses will increase. Fees for independent MRO board members are included in Legal and Regulatory.

Legal and Regulatory

There is a reduction in costs in legal and regulatory, as the staff in this area supports the expanded efforts in outreach, which is charged to the Training and Education program. Overall legal and regulatory budgeted costs for outside counsel will increase slightly.

Information Technology

MRO strives to provide a secure network infrastructure and information technology systems to support the users. Systems that provide cyber and physical security will continue to be reviewed and updated to address the latest risks and protect data and information. MRO will use an independent party to assess the security of its infrastructure. MRO will continue to work with NERC and the other Regions to share solutions and work together on common issues.

Accounting / Human Resources

Building Rent and Facilities

2017 costs include 12 months of the expanded facility.

Other Non-Operating Expenses

None

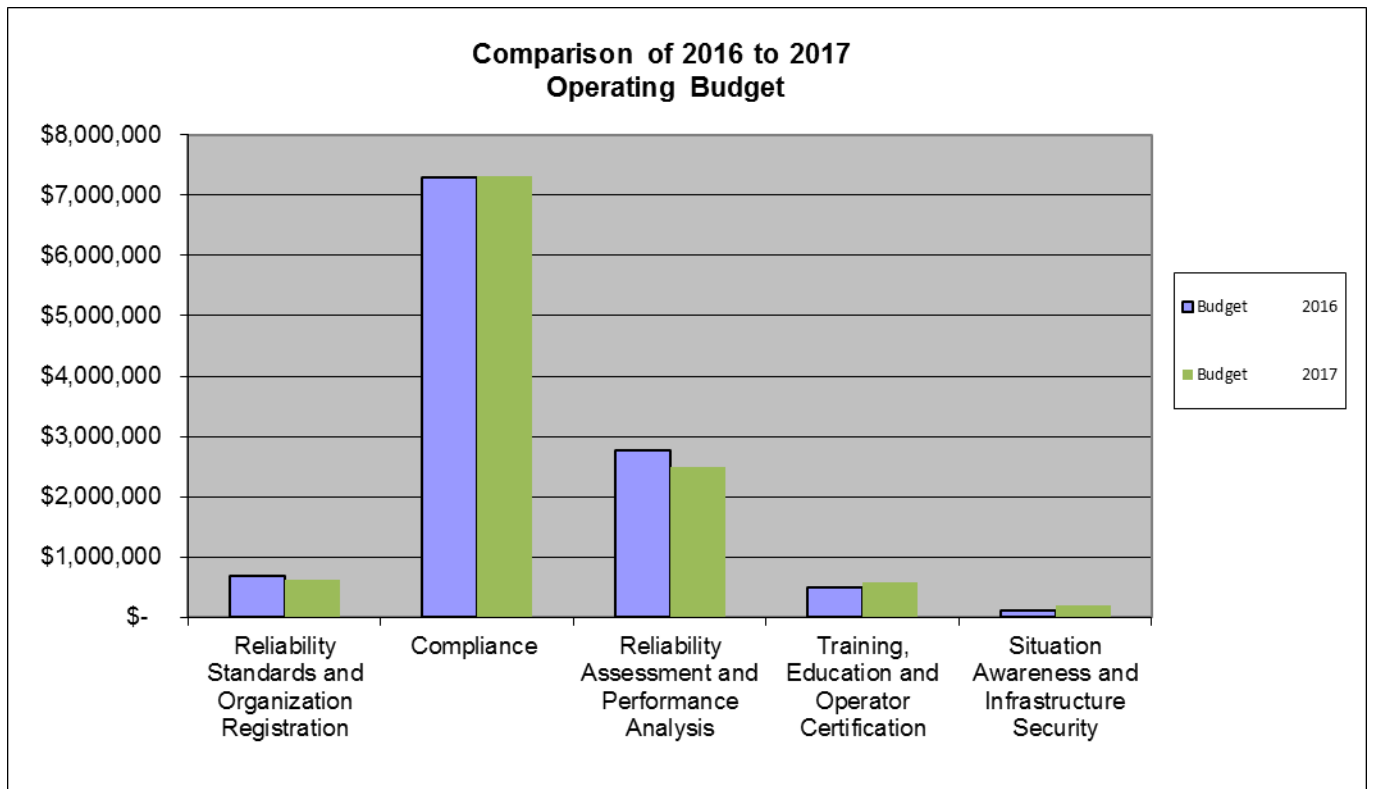
Summary by Program

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

Program	Budget		Change 2017 Budget v 2016 Budget		% Change
	2016	2017	2016	2017	
Reliability Standards and Organization Registration	\$ 684,208	\$ 633,865		\$ (50,343)	-7.36%
Compliance	7,297,310	7,313,627		16,317	0.22%
Reliability Assessment and Performance Analysis	2,758,745	2,498,586		(260,160)	-9.43%
Training, Education and Operator Certification	488,858	589,598		100,741	20.61%
Situation Awareness and Infrastructure Security	125,523	190,992		65,470	52.16%
TOTAL BUDGET	\$ 11,354,643	\$ 11,226,668		\$ (127,975)	-1.13%

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

Table 2. Budget by Program Area



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

Figure 1. Budget by Program Area Chart

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2016	2016	2017 Budget	FTEs 20167 Budget ¹	2017 Budget	from 2016 Budget
STATUTORY						
Operational Programs						
Reliability Standards and Organization and Certification	2.11	2.11	1.96		1.96	(0.15)
Compliance	11.22	11.22	9.77		9.77	(1.45)
Compliance Risk Assessment and Mitigation	6.97	6.97	8.39		8.39	1.42
Compliance Enforcement	3.07	3.07	2.95		2.95	(0.12)
Training and Education	1.34	1.34	1.35		1.35	0.01
Reliability Assessment and Performance Analysis	7.52	7.52	6.42		6.42	(1.10)
Situation Awareness and Infrastructure Security	0.28	0.28	0.49		0.49	0.21
Total FTEs Operational Programs	32.51	32.51	31.33	-	31.33	(1.18)
Administrative Programs						
Technical Committees and Member Forums	-	-	-		-	-
General and Administrative	2.61	2.61	2.91		2.91	0.30
Legal and Regulatory	0.87	0.87	0.95		0.95	0.08
Information Technology	3.26	3.26	3.92		3.92	0.66
Human Resources	-	-	-		-	-
Finance and Accounting	3.75	3.75	3.89		3.89	0.14
Total FTEs Administrative Programs	10.49	10.49	11.67	-	11.67	1.18
Total FTEs	43.00	43.00	43.00	-	43.00	-

Table 3. Total FTEs by Program Area

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

2016 Budget and Projection and 2017 Budget Comparisons

The following table lists the 2016 budget and projection compared to the 2017 budget.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
STATUTORY					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 10,891,562	\$ 10,891,562	\$ -	\$ 10,494,345	\$ (397,217)
Penalty Sanctions	136,250	136,250	-	166,250	30,000
Total NERC Funding	\$ 11,027,812	\$ 11,027,812	\$ -	\$ 10,660,595	\$ (367,217)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 11,027,812	\$ 11,027,812	\$ -	\$ 10,660,595	\$ (367,217)
Expenses					
Personnel Expenses					
Salaries	\$ 5,682,871	\$ 5,682,871	-	\$ 5,874,689	\$ 191,818
Payroll Taxes	361,827	361,827	-	366,600	4,773
Benefits	582,253	582,253	-	608,751	26,498
Retirement Costs	1,094,515	1,094,515	-	1,195,387	100,872
Total Personnel Expenses	\$ 7,721,466	\$ 7,721,466	\$ -	\$ 8,045,427	\$ 323,961
Meeting Expenses					
Meetings	\$ 85,500	\$ 85,500	\$ -	\$ 85,000	\$ (500)
Travel	680,330	680,330	-	635,000	(45,330)
Conference Calls	900	900	-	-	(900)
Total Meeting Expenses	\$ 766,730	\$ 766,730	\$ -	\$ 720,000	\$ (46,730)
Operating Expenses					
Consultants & Contracts	\$ 679,681	\$ 679,681	\$ -	\$ 674,077	\$ (5,604)
Office Rent	648,946	648,946	-	701,900	52,954
Office Costs	534,818	534,818	-	539,933	5,115
Professional Services	218,500	218,500	-	228,550	10,050
Miscellaneous	-	-	-	-	-
Depreciation	480,722	480,722	-	504,000	23,278
Total Operating Expenses	\$ 2,562,667	\$ 2,562,667	\$ -	\$ 2,648,460	\$ 85,793
Total Direct Expenses	\$ 11,050,863	\$ 11,050,863	\$ -	\$ 11,413,887	\$ 363,024
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,050,863	\$ 11,050,863	\$ -	\$ 11,413,887	\$ 363,024
Change in Assets	\$ (23,051)	\$ (23,051)	\$ -	\$ (753,292)	\$ (730,241)
Fixed Assets					
Depreciation	\$ (480,722)	\$ (480,722)	\$ -	\$ (504,000)	\$ (23,278)
Computer & Software CapEx	317,500	317,500	-	173,670	(143,830)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	467,000	467,000	-	143,111	(323,889)
Allocation of Fixed Assets	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	303,778	303,778	-	(187,219)	(490,997)
TOTAL BUDGET (=B + C)	\$ 11,354,641	\$ 11,354,641	\$ -	\$ 11,226,668	\$ (127,973)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (326,829)	\$ (326,829)	\$ -	\$ (566,073)	\$ (239,244)
FTEs	43.00	43.00	-	43.00	(0.00)

Table 4. Budget and Projection Comparison, 2016 to 2017

Section A – Statutory Programs

2017 Business Plan and Budget



Section A – Statutory Programs

Reliability Standards Program, Organization Registration and Certification Program

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

Reliability Standards Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	2.11	1.96	(0.15)
Direct Expenses	\$ 390,234	\$ 356,096	\$ (34,138)
Indirect Expenses	\$ 274,257	\$ 289,481	\$ 15,225
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 19,716	\$ (11,712)	\$ (31,429)
Total Funding Requirement	\$ 684,208	\$ 633,865	\$ (50,343)

Table A-1. Reliability Standards Budget

Program Scope and Functional Description

NERC uses stakeholder-driven processes consistent with the Rules of Procedure to develop and maintain Reliability Standards that apply to bulk power system owners, operators, and users and that enable NERC and Regional Entities to measure the reliability performance of bulk power system owners, operators and users; and to hold them accountable for reliable operation of the Bulk Electric System. 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 (SC). 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.

2017 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 2017 Business Plan and Budget.

MRO utilizes a balanced stakeholder 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 and emerging risks 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 implementation plans from MRO stakeholders
- Where necessary, ensure Regional Reliability Standards are consistent with continent-wide Reliability Standards
- Process all requests for new or modifications to Reliability Standards
- Maintain MRO Reliability Standards process documentation
- Assign the development of a regional Reliability Standard to a drafting team
- Present new, or modifications to, regional reliability standards for adoption by the MRO Board upon recommendation from the SC

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

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

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

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

Organization Registration

- 2017 variance: Elimination of third party vendor costs associated with a software application used to ballot regional standards. MRO's use of this software has been replaced with a manual process, due to the expectation that MRO will not need to develop any regional standards and can therefore rely upon a manual process.
- Workload associated with maintaining the registry will likely continue, but there are anticipated increased travel costs associated with the new NERC-led review panel for materiality, which includes MRO staff being called upon to travel and deliberate registration materiality cases across North America.
- Pre-June 18, 2007 voluntary program (28 participants/255 functions.)
- June 18, 2007 mandatory implementation (110 Registered Entities/432 functions.)
- 2016 (94 Registered Entities/314 functions.)
- Registration is an ongoing assignment.
- Continue to inventory Bulk Electric System facilities.
- Joint Registration Organization (JRO) maintenance.
- Coordinated Functional Registration (CFR) development and maintenance.
- Modify registry if it is discovered an entity meets additional functional criteria or no longer performs any function.
- Continue to obtain and review system one-line diagrams, maps, and agreements used to identify owners and operators of the Bulk Electric System.
- Continue to manage overall registry by having a staff person directly assigned to this task.

Organization Certification

- 2017 variance: no material changes.
- Work performed to review changes to existing Registered Entities, and work performed to certify new Registered Entities, are expected to continue. The equivalent rate or amount of work is expected to stabilize in 2017 as many Registered Entities have replaced their EMS/SCADA systems.
- The ERO Organization, Registration and Certification Group (ORCG) is expected to review the overall ERO process for Certifications, which could impact workload based on any changes adopted to the Certification program.

2017 Goals and Key Deliverables

The 2017 goals and key deliverables are the following:

- Provide comments and support to other NERC and MRO SC activities
- Work with NERC to improve interpretation of existing Reliability Standards
- Work with NERC to improve the timeliness of Reliability Standards development
- Communicate with stakeholders and vote on all NERC Standards
- Support and inform the MRO SC and Board of standards-related activities
- Participate on various NERC committees and subgroups

- MRO SME teams and staff train and educate Registered Entities on the application of standards by participating in MRO workshops (costs are captured in Training and Education)

Resource Requirements

No additional resource requirements are projected for 2017.

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 in prior years. MRO reimburses travel expenses for stakeholder participation.

Consultants and Contracts

There are no expected consultant or contract costs for 2017. Third party vendor costs associated with a software application used to ballot regional standards have been eliminated. MRO's use of this software has been replaced with a manual process, due to the expectation that MRO will not need to develop any regional standards and can therefore rely upon a manual process.

Reliability Standards Program, Organization Registration and Certification Program Budget Details

The following table shows funding sources and related expenses for the Reliability Standards Program, Organization Registration and Certification Program section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2016 Budget & Projection, and 2017 Budget					
RELIABILITY STANDARDS AND ORGANIZATIONAL REGISTRATION					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 675,364	\$ 675,364		\$ 623,464	\$ (51,899)
Penalty Sanctions	8,843	8,843		10,401	1,558
Total NERC Funding	\$ 684,207	\$ 684,207		\$ 633,865	\$ (50,342)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 684,207	\$ 684,207		\$ 633,865	\$ (50,342)
Expenses					
Personnel Expenses					
Salaries	\$ 235,577	\$ 235,577	\$ -	\$ 214,962	\$ (20,615)
Payroll Taxes	14,726	14,726	-	13,591	(1,135)
Benefits	28,571	28,571	-	26,474	(2,097)
Retirement Costs	53,266	53,266	-	50,081	(3,185)
Total Personnel Expenses	\$ 332,140	\$ 332,140	\$ -	\$ 305,108	\$ (27,032)
Meeting Expenses					
Meetings	\$ 2,000	\$ 2,000	\$ -	\$ 2,500	\$ 500
Travel	37,200	37,200	-	42,400	5,200
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 39,200	\$ 39,200	\$ -	\$ 44,900	\$ 5,700
Operating Expenses					
Consultants & Contracts	\$ 13,236	\$ 13,236	\$ -	\$ -	\$ (13,236)
Office Rent	-	-	-	-	-
Office Costs	5,658	5,658	-	6,088	430
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 18,894	\$ 18,894	\$ -	\$ 6,088	\$ (12,806)
Total Direct Expenses	\$ 390,234	\$ 390,234	\$ -	\$ 356,096	\$ (34,138)
Indirect Expenses	\$ 274,257	\$ 274,257	\$ -	\$ 289,481	\$ 15,225
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 664,491	\$ 664,491	\$ -	\$ 645,577	\$ (18,913)
Change in Assets	\$ 19,716	\$ 19,716	\$ -	\$ (11,712)	\$ (31,429)
Fixed Assets					
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 19,716	19,716	-	(11,712)	(31,429)
Inc(Dec) in Fixed Assets (C)	19,716	19,716	-	(11,712)	(31,429)
TOTAL BUDGET (=B + C)	\$ 684,207	\$ 684,207	\$ -	\$ 633,865	\$ (50,342)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	2.11	2.11	-	1.96	(0.15)

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

Compliance Monitoring and Enforcement Program

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

Compliance Monitoring and Enforcement Program (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	21.26	21.11	(0.15)
Direct Expenses	\$ 4,335,290	\$ 4,321,942	\$ (13,347)
Indirect Expenses	\$ 2,763,363	\$ 3,117,832	\$ 354,469
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 198,656	\$ (126,147)	\$ (324,804)
Total Funding Requirement	\$ 7,297,310	\$ 7,313,627	\$ 16,318

Table A-3. Compliance Monitoring and Enforcement Program Budget

Program Scope and Functional Description

In 2017, the MRO Compliance Monitoring and Enforcement Program (CMEP) includes performing CMEP activities with approximately 94 Registered Entities in the MRO Region.

All Registered Entities are subject to periodic compliance audits and/or spot checks. For 2017, there are a total of 6 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 2017. Investigations are handled through MRO's Risk Assessment and Mitigation team.

2017 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 Program can be located in the Key Assumptions section of Exhibit A in NERC's 2017 Business Plan and Budget.

MRO will monitor compliance with Reliability Standards for each Registered Entity that has compliance responsibilities as defined in the Compliance Registry for MRO. In the United States, MRO monitors Reliability Standards according to Commission-approved Rules. In Manitoba, MRO monitors Reliability Standards under provincial law as implemented in the Manitoba Reliability Standards Regulation. In Saskatchewan, MRO carries out its compliance monitoring responsibilities according to an agreement with the Saskatchewan Electric Reliability Authority. 2017 key focus areas include:

- Monitoring and management of enforcement measures and metrics in support of NERC's

- Strategic Plan and Oversight Program;
- Ongoing implementation of the risk-based CMEP;
- Use of consistent compliance monitoring and enforcement practices focused on higher reliability risks.

Compliance Monitoring and Enforcement

Using generally accepted risk-based approaches to compliance monitoring and enforcement as transformed through the Reliability Assurance Initiative (RAI), requires revisions to processes and procedures. MRO does not anticipate a material impact from the revisions in 2017.

2017 Compliance Monitoring Program Goals and Key Deliverables

- Ensure that professionally-trained staff is available to perform the required activities under the NERC Rules of Procedure
- Deliver consistent results when processing all instances of noncompliance
- Process initial compliance determinations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls for “one-up and next door” reviews to ensure all determinations receive adequate “due care” and review
- Conduct secondary independent review to ensure all determinations of possible noncompliance are accurate, complete, and technically sufficient
- Ensure accurate and complete work papers are created, maintained, and retained for each noncompliance discovered, as well as where there are no findings
- Conduct system performance compliance monitoring (such as due diligence review of misoperations, physical inspections, etc.)
- Conduct compliance investigations as warranted
- Participate in working groups or task forces where ERO-wide compliance and enforcement program processes and procedures will be developed to drive consistency

Funding Requirements — Explanation of Increase (Decrease)

Compliance Monitoring Explanation of Variances – 2017 Budget versus 2016 Budget

Annual Implementation Plan

- Monitor compliance with all regulatory-approved Reliability Standards as defined in the NERC Annual Implementation Plan
- Continued implementation of the risk-based compliance monitoring framework, customizing scope of individual compliance monitoring engagements and putting forth additional effort when reviewing Registered Entities’ internal controls
- Per the NERC CMEP Implementation Plan, it is assumed that Compliance audits will only be required in 2017 for those entities registered for the Reliability Coordinator (RC), Balancing Authority (BA), and Transmission Operator (TOP) functions. Additionally, in place of the annual Self-Certification, a quarterly program of guided Self-Certifications will be employed to address those NERC Reliability Standards and requirements that mitigate the most significant risks in the MRO region.
- Unscheduled spot checks and/or compliance audits may be conducted if:
 - Entity registration changes (such as adding TOP, BA, RC function)
 - Evidence of compliance provided during an audit (or other discovery 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

- 2017 variance: decrease workload
- MRO shifted resources to Risk Assessment and Mitigation (RAM) to develop risk assessments for compliance oversight scopes
- The rigor, scope, depth and recurrence of audits and spot checks will be driven by reliability risk. Beginning in 2017, oversight plans will be developed for registered entities according to their risk and the best CMEP tools. This is reflected in the annual implementation plan.

Self-Certifications

- 2017 variance: stable workload
- In 2014, MRO instituted an internal quality assurance process (C-QA) to ensure proper rigor in using risk-based methods in the CMEP
- Quarterly guided Self-Certifications will continue to be conducted in 2017. The number of requirements for which Self-Certifications are issued, as well as the number of affected registered entities, are anticipated to be similar to 2016.

Spot Checks

- 2017 variance: increase of workload
- The use of spots checks may increase as a result of more reliance on guided self-certification and self-logging, but should have little effect on overall resource requirements

Technical Feasibility Exceptions (TFEs)

- 2017 variance: stable workload
- During 2017, MRO Compliance staff does not anticipate significant variation in effort associated with TFE processing.

Compliance Investigations (CIs) and Compliance Evaluations of Events

- 2017 variance: increase in workload
- Workload related to compliance evaluations of events is anticipated to remain consistent.
- MRO Risk Assessment and Mitigation staff are responsible for conducting a review of all reported events, and developing compliance assessments of those events for all Category 2 and above events.

Compliance Findings Discovery

- 2017 variance: stable workload
- For every potential noncompliance, MRO Risk Assessment and Mitigation performs a fact and circumstance review necessary to determine the potential and actual risk posed by the noncompliance, as well as appropriate mitigating activities.
- MRO expects an increase in workload associated with reviewing facts and circumstances around entity implementations of CIP v5.

Compliance Findings Record Development

- 2017 variance: consistent workload
- MRO's CMEP Quality Assurance (C-QA) program was fully implemented in 2016. The program seeks to ensure that all CMEP activities have sufficient technical rigor and discretion is applied without discrimination.

Mitigation Plan Acceptance and Verification of Completion

- 2017 variance: stable workload
- MRO uses number of days in process (DIP) and violation aging as key indicators for process efficiency and effectiveness. CIP personnel will continue to be focused on the conversion from v3 to v5, with a large number of registered entities being subject to CIP for the first time in 2017. Instances of noncompliance related to operations and planning standards are expected to remain at their current levels as most Registered Entities have been audited and their compliance programs have matured; however, risk-based approaches to compliance monitoring are focusing efforts on certain Standards for the first time.
- For every noncompliance identified by MRO staff or a Registered Entity, a description of mitigating activities/mitigation plan must be submitted. MRO Risk Assessment and Mitigation staff reviews each submission to assess whether the proposed actions will mitigate and prevent recurrence of the subject noncompliance. The development of the mitigating activities/mitigation plan provides the information necessary to determine the potential and actual risk to the reliability of the BES.

Compliance Enforcement and Mitigation Explanation of Variances – 2017 Budget versus 2016 Budget

2017 Enforcement and Mitigation Program Goals and Key Deliverables

- Ensure that 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 and Possible Violations
- Process noncompliance and Possible Violations of standards in a fair, uniform, systematic, and timely manner
- Maintain internal controls for “one-up and next door” reviews to ensure all determinations receive adequate “due care” and review
- Provide security related outreach to MRO members.

MRO is evaluating the formation of an MRO Security Advisory Panel, which would provide opportunities for sharing security implementation approaches utilized by Registered Entities, contain representatives on the NERC CIPC from within the MRO Region, and sponsor the annual MRO Security Workshop. If formed, this committee would begin meeting in late 2016 or 2017. The 2017 budget for this proposed committee shows a 25% decrease to reflect the expectation that this group would utilize technology for remote meetings, rather than holding four face-to-face committee meetings per year at MRO’s offices.

Processing of Alleged Violations

- 2017 variance: decreased workload
- For every instance of noncompliance identified by MRO Compliance staff or a Registered Entity, MRO Risk Assessment and Mitigation staff performs a review to confirm its validity.
- For Possible Violations deemed valid and subject to enforcement, MRO Enforcement staff prepares and issues a Notice of Possible Violation and MRO Risk Assessment and Mitigation staff performs a facts and circumstances review to determine if the Registered Entity was or was not in violation of the Reliability Standard(s). If the Registered Entity is in violation of a standard, MRO Enforcement staff prepares a Notice of Alleged Violation that may include a Disposition Document for each alleged violation or a Notice of Find, Fix, Track and Report processing for each remediated issue. Where a Notice of Alleged Violation is issued, a proposed penalty is calculated and reviewed and considered by at

least two MRO Enforcement staff. Upon acceptance or lapse of the required time for response to the Notice of Alleged Violation, MRO Enforcement staff prepares a Notice of Confirmed Violation. The drafting of these notices is an iterative process and requires resources. For more complex or significant matters, MRO Enforcement staff anticipates resolution through negotiated settlement. This process is sometimes lengthy and typically results in ongoing tracking and monitoring requirements for MRO and the Registered Entity to ensure completion of agreed-upon remedies. MRO encourages Registered Entities to make investments in equipment and people as an offset for proposed penalties. This results in longer-term monitoring commitments in the enforcement process. MRO will continue to promote self-identification of noncompliance as a factor in determining how to resolve instances of noncompliance.

- It is anticipated that a high percentage of self-identified instances of noncompliance will be resolved as Compliance Exceptions
- Instances of noncompliance and/or Possible Violations related to operations and planning standards are expected to remain low as most Registered Entities have been audited and their compliance efforts and programs have matured

Record Development and Maintenance

- 2017 variance: stable workload
- Processes have been formalized and necessary documentation identified to complete the record
- The webCDMS application provides for a central repository accessible to each Registered Entity
- An assessment project was completed in 2014 to evaluate software systems used for compliance, registration, analysis and tracking, which may result in changing or replacing existing systems in the future. Until a decision is made to change or replace systems, MRO is continuing to maintain its current multi-year contract to utilize webCDMS compliance, registration, analysis and tracking.

Resource Requirements

The transition to CIP v5 will continue to be a mission critical activity in 2017. MRO plans to support the ongoing CIP v5 transition and has seen an expansion in the number of Registered Entities that require CIP guidance, which is expected to continue into 2017.

Consultants and Contracts

2017 Consultants and Contracts reflects the addition of consulting costs to augment MRO CIP staff.

Compliance Monitoring and Enforcement Program Budget Detail

The following table shows funding sources and related expenses for the Compliance Monitoring and Enforcement and Organization Registration and Certification section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM					
	2016	2016	Variance	2017	Variance
	Budget	Projection	2016 Projection	Budget	2017 Budget
			v 2016 Budget		v 2016 Budget
			Over(Under)		Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 7,208,209	\$ 7,208,209		\$ 7,201,608	\$ (6,600)
Penalty Sanctions	89,101	89,101		112,018	22,917
Total NERC Funding	\$ 7,297,310	\$ 7,297,310		\$ 7,313,627	\$ 16,317
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 7,297,310	\$ 7,297,310		\$ 7,313,627	\$ 16,317
Expenses					
Personnel Expenses					
Salaries	\$ 2,888,818	\$ 2,888,818	\$ -	\$ 2,842,052	\$ (46,766)
Payroll Taxes	188,646	188,646	-	187,019	(1,627)
Benefits	288,012	288,012	-	298,571	10,559
Retirement Costs	496,769	496,769	-	535,130	38,361
Total Personnel Expenses	\$ 3,862,245	\$ 3,862,245	\$ -	\$ 3,862,772	\$ 527
Meeting Expenses					
Meetings	\$ 7,250	\$ 7,250	\$ -	\$ 6,500	\$ (750)
Travel	235,400	235,400	-	199,900	(35,500)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 242,650	\$ 242,650	\$ -	\$ 206,400	\$ (36,250)
Operating Expenses					
Consultants & Contracts	\$ 114,000	\$ 114,000	\$ -	\$ 169,000	\$ 55,000
Office Rent	-	-	-	-	-
Office Costs	91,395	91,395	-	83,770	(7,625)
Professional Services	25,000	25,000	-	-	(25,000)
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 230,395	\$ 230,395	\$ -	\$ 252,770	\$ 22,375
Total Direct Expenses	\$ 4,335,290	\$ 4,335,290	\$ -	\$ 4,321,942	\$ (13,348)
Indirect Expenses	\$ 2,763,363	\$ 2,763,363	\$ -	\$ 3,117,832	\$ 354,469
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 7,098,653	\$ 7,098,653	\$ -	\$ 7,439,774	\$ 341,121
Change in Assets	\$ 198,656	\$ 198,656	\$ -	\$ (126,147)	\$ (324,804)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 198,656	198,656	-	(126,147)	(324,804)
Inc(Dec) in Fixed Assets (C)	\$ 198,656	\$ 198,656	\$ -	\$ (126,147)	\$ (324,804)
TOTAL BUDGET (=B + C)	\$ 7,297,310	\$ 7,297,310	\$ -	\$ 7,313,627	\$ 16,317
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	21.26	21.26	-	21.11	(0.15)

Table A-4. Compliance Monitoring and Enforcement Budget Detail

Reliability Assessment and Performance Analysis Program (RAPA)

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

Reliability Assessment and Performance Analysis (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	7.52	6.42	(1.10)
Direct Expenses	\$ 1,711,032	\$ 1,588,751	\$ (122,281)
Indirect Expenses	\$ 977,445	\$ 948,199	\$ (29,247)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 70,268	\$ (38,364)	\$ (108,632)
Total Funding Requirement	\$ 2,758,745	\$ 2,498,586	\$ (260,161)

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

Program Scope and Functional Description

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

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

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

2017 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 RAPA program can be located in the Key Assumptions section of Exhibit A in NERC's 2017 Business Plan and Budget.

Regarding periodic assessments, Planning Coordinators in the MRO Region perform assessments of reliability and adequacy and report results of short-term, long-term and specific

scenario assessments. MRO staff performs independent reviews of reports with supplemental analysis to ensure competence and rigor.

These MRO committees have balanced stakeholder representation, report to the MRO Board and provide input to the staff reviews of the assessments.

Other activities in the 2017 RAPA program include:

- Review of protection system misoperation trends and development of ways to reduce misoperations.
- Periodic special protection scheme reviews.
- Identification of reliability impacts related to the changing resource mix and integration of renewables.
- Development of enhanced reliability metrics.
- Monitoring situation awareness.
- Reviews of event analysis efforts to ensure thoroughness, root cause identification and sharing lessons learned.
- Enhancing Eastern Interconnection Reliability Assessment Group (ERAG) assessment efforts.
- Responding to NERC and regulatory data requests.
- Improvement of electric system models.
- Analysis of measures of essential reliability services.
- Ongoing reviews of regional reliability criteria and procedures.
- Validation of data collected by Generating Availability Data System, Transmission Availability Data System, and Demand Response Availability Data System.
- Facilitation and validation of BES exception reporting.

2017 Goals and Key Deliverables

- Review the assessments developed by the Planning Coordinators in the MRO Region and Eastern Interconnection to ensure they are comprehensive, complete and address all risks including 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.
- Review system disturbance reports and event analyses to ensure the appropriate analysis is performed and that lessons learned are identified and shared with the industry.
- Coordinate with NERC on system event analyses on a regional, interregional, and interconnection basis as conditions warrant.
- Support the compilation of long-term sustainable Eastern Interconnection models.
- 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), the NERC Planning Committee (PC) and the NERC Operating Committee (OC).
- Support the ongoing implementation of BES exception process and validate exception requests.
- Develop and implement improved enterprise-based data collection and analysis systems and capabilities.
- Support the integration of RAPA information systems.
- Provide for technical resources and expertise to perform analyses as needed to support and determine risk priorities for standards development and compliance and enforcement

activities.

- Support quality analysis and overall assessment of high impact, low frequency system risks, including physical security, geomagnetic disturbance (GMD) vulnerability, planning guides, and planning standards.
- Support the development of measures and assessment of adequate levels of Essential Reliability Services.
- Continue to develop quality metrics of BES performance to demonstrate effectiveness of activities to improve reliability.

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

Resource Requirements

MRO reimburses travel expenses for stakeholder participation on MRO and NERC committees.

Personnel Expenses

The overall budgeted FTE count for RAPA was reduced by 1.1 FTE as headcount was shifted to RAM. Resource allocation is aligned with current priorities.

Reliability Assessment and Performance Analysis Budget Detail

The following table lists funding sources and related expenses for the Reliability Assessment and Performance Analysis section of the 2017 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
RELIABILITY ASSESSMENT and PERFORMANCE ANALYSIS					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 2,727,229	\$ 2,727,229		\$ 2,464,519	\$ (262,710)
Penalty Sanctions	31,516	31,516		34,067	2,551
Total NERC Funding	\$ 2,758,745	\$ 2,758,745		\$ 2,498,586	\$ (260,160)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 2,758,745	\$ 2,758,745		\$ 2,498,586	\$ (260,160)
Expenses					
Personnel Expenses					
Salaries	\$ 997,720	\$ 997,720	\$ -	\$ 917,627	\$ (80,093)
Payroll Taxes	64,905	64,905	-	56,875	(8,030)
Benefits	101,421	101,421	-	88,481	(12,940)
Retirement Costs	229,851	229,851	-	225,268	(4,583)
Total Personnel Expenses	\$ 1,393,897	\$ 1,393,897	\$ -	\$ 1,288,251	\$ (105,646)
Meeting Expenses					
Meetings	\$ 18,600	\$ 18,600	\$ -	\$ 15,000	\$ (3,600)
Travel	202,000	202,000	-	197,000	(5,000)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 220,600	\$ 220,600	\$ -	\$ 212,000	\$ (8,600)
Operating Expenses					
Consultants & Contracts	\$ 79,435	\$ 79,435	\$ -	\$ 72,000	\$ (7,435)
Office Rent	-	-	-	-	-
Office Costs	17,100	17,100	-	16,500	(600)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 96,535	\$ 96,535	\$ -	\$ 88,500	\$ (8,035)
Total Direct Expenses	\$ 1,711,032	\$ 1,711,032	\$ -	\$ 1,588,751	\$ (122,281)
Indirect Expenses	\$ 977,445	\$ 977,445	\$ -	\$ 948,199	\$ (29,247)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 2,688,477	\$ 2,688,477	\$ -	\$ 2,536,950	\$ (151,528)
Change in Assets	\$ 70,268	\$ 70,268	\$ -	\$ (38,364)	\$ (108,632)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 70,268	70,268	\$ -	(38,364)	\$ (108,632)
Inc(Dec) in Fixed Assets (C)	\$ 70,268	\$ 70,268	\$ -	\$ (38,364)	\$ (108,632)
TOTAL BUDGET (=B + C)	\$ 2,758,745	\$ 2,758,745	\$ -	\$ 2,498,586	\$ (260,160)
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	7.52	7.52	-	6.42	(1.10)

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

Training and Education Program

The following table summarizes the budget for Training and Education.

Training and Education (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	1.34	1.35	0.01
Direct Expenses	\$ 302,163	\$ 398,278	\$ 96,115
Indirect Expenses	\$ 174,172	\$ 199,388	\$ 25,215
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 12,521	\$ (8,067)	\$ (20,588)
Total Funding Requirement	\$ 488,858	\$ 589,598	\$ 100,742

Table A-7. Training and Education Budget

Program Scope and Functional Description

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

Maintaining the reliability of the BES requires informed and trained Regional and Registered Entity personnel. Education and training, or outreach, is one of the primary objectives of MRO. The education and training program specifically pertains to the implementation of the CMEP, the application of Reliability Standards, reviewing reliability assessments, performing quality event analysis, identifying lessons learned from event analysis, defining expectations and responsibilities for "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 outreach to Registered Entities through workshops, conferences, and presentation opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify additional outreach opportunities for Registered Entities.

The objectives outlined in the key assumptions support the education and training of industry on CMEP implementation, the requirements and application of the Standards, lessons learned, and elements of an effective compliance program.

2017 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measurable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Training and Education Program can be located in the Key Assumptions section of Exhibit A in NERC's 2017 Business Plan and Budget.

Registered Entities should have processes and procedures in place to ensure adherence to 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 CMEP workshops, 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.

2017 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 CMEP workshop, one Reliability Conference, and one Security Workshop). In addition, smaller workshops and/or webinars will be held for specific technical topics.

Resource Requirements

For 2017, MRO will provide outreach to Registered Entities through workshops and other opportunities at industry meetings and by providing lessons learned in MRO's newsletter and other publications. MRO will continue to identify education options for Registered Entities in the MRO Region so that they can also accomplish the objectives of the NERC program through a third party.

Personnel Expenses

MRO's FTEs remain flat in 2017

- No additional staff are added in 2017
- 3% salary increase plus promotions
- The 2017 medical premium reflects an additional 7% increase
- 2017 retirement costs increase
 - Cost of living adjustment in retirement plans
 - Postretirement medical plan expense increase reflecting the actuarial calculation prepared annually by a third party expert. The future obligation is a result of the discount rate, expected rate of return on the plan assets, and health care cost trend rate.
 - Average staff age increases from 43 to 45 and average staff years of service increases from 6 years to 7 years

FTEs in this particular program area remain fairly flat in 2017; however, the involvement of higher management in our outreach efforts is reflected in the increased personnel expenses. We are continuing to trend an increase in 2017 compared to the 2016 budget. The increase in this program area is accompanied by a reduction in other program areas.

Meeting Expenses

Travel costs increased in 2017 to reflect the dollars associated with outreach to stakeholders and regulators that were previously in Legal in Regulatory, which in turn reflects the reduction.

Training and Education Budget Detail

The following table shows funding sources and related expenses for the Training and Education section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
TRAINING and EDUCATION					
	2016	2016	Variance	2017	Variance
	Budget	Projection	2016 Projection v 2016 Budget Over(Under)	Budget	2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 483,241	\$ 483,241		\$ 582,435	\$ 99,194
Penalty Sanctions	5,616	5,616		7,164	1,548
Total NERC Funding	\$ 488,857	\$ 488,857		\$ 589,598	\$ 100,742
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 488,857	\$ 488,857		\$ 589,598	\$ 100,742
Expenses					
Personnel Expenses					
Salaries	\$ 180,187	\$ 180,187	\$ -	\$ 243,378	\$ 63,191
Payroll Taxes	9,800	9,800	-	12,985	3,185
Benefits	18,280	18,280	-	22,934	4,654
Retirement Costs	31,896	31,896	-	47,081	15,185
Total Personnel Expenses	\$ 240,163	\$ 240,163	\$ -	\$ 326,378	\$ 86,215
Meeting Expenses					
Meetings	\$ 28,800	\$ 28,800	\$ -	\$ 30,700	\$ 1,900
Travel	33,200	33,200	-	41,200	8,000
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 62,000	\$ 62,000	\$ -	\$ 71,900	\$ 9,900
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Direct Expenses	\$ 302,163	\$ 302,163	\$ -	\$ 398,278	\$ 96,115
Indirect Expenses	\$ 174,172	\$ 174,172	\$ -	\$ 199,388	\$ 25,215
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 476,335	\$ 476,335	\$ -	\$ 597,666	\$ 121,330
Change in Assets	\$ 12,521	\$ 12,521	\$ -	\$ (8,067)	\$ (20,588)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 12,521	12,521	-	(8,067)	(20,588)
Inc(Dec) in Fixed Assets (C)	\$ 12,521	\$ 12,521	\$ -	\$ (8,067)	\$ (20,588)
TOTAL BUDGET (=B + C)	\$ 488,857	\$ 488,857	\$ -	\$ 589,598	\$ 100,742
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	1.34	1.34	-	1.35	0.01

Table A-8. Training and Education Budget Detail

Situation Awareness and Infrastructure Security Program

The following table lists the budget for Situation Awareness and Infrastructure Security.

Situation Awareness and Infrastructure Security (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	0.28	0.49	0.21
Direct Expenses	\$ 86,512	\$ 121,550	\$ 35,038
Indirect Expenses	\$ 36,394	\$ 72,370	\$ 35,976
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 2,616	\$ (2,928)	\$ (5,544)
Total Funding Requirement	\$ 125,523	\$ 190,992	\$ 65,470

Table A-9. Situation Awareness and Infrastructure Security Budget

Situation Awareness Program Scope and Functional Description

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

2017 Key Assumptions

The NERC and Regional Entity business plans and budgets reflect a set of common assumptions developed jointly by NERC and the Regional Entities as part of the annual business plan and budget process. NERC and the Regional Entities will also continue to work collaboratively to refine and revise procedures to eliminate duplication, increase operational efficiencies, enhance ERO-wide consistency, and achieve measureable reliability outcomes, consistent with their respective roles and responsibilities. The common assumptions for the Situation Awareness and Infrastructure Security Program can be located in the Key Assumptions section of Exhibit A in NERC's 2017 Business Plan and Budget.

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

2017 Goals and Key Deliverables

The goal of the Situation Awareness program is to maintain awareness about the conditions of the BES and to respond to events by providing coordination assistance and communications between key parties. In 2017, staff will continue 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 BES 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.

2017 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 (CIP) can be located in the Key Assumptions section of NERC's 2017 Business Plan and Budget.

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

The MRO Standards Committee will participate in the development of CIP standards and develop guidance on the application of standards. The committee is comprised of MRO sector representatives and facilitated by MRO staff.

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

2017 Goals and Key Deliverables

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

Resource Requirements

MRO staff has budgeted to participate in NERC CIPC meetings.

Personnel Expenses

Personnel costs for 2017 increase, reflecting the increase in this program area's FTEs.

Consultants and Contracts

N/A

Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security section of the 2017 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2015 Budget	2015 Projection	Variance 2015 Projection v 2015 Budget Over(Under)	2016 Budget	Variance 2016 Budget v 2015 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 124,349	\$ 124,349	\$ -	\$ 188,392	\$ 64,043
Penalty Sanctions	1,173	1,173	-	2,600	1,427
Total NERC Funding	\$ 125,523	\$ 125,523	-	\$ 190,992	\$ 65,470
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	\$ 125,523	\$ 125,523	-	\$ 190,992	\$ 65,470
Expenses					
Personnel Expenses					
Salaries	\$ 41,582	\$ 41,582	\$ -	\$ 68,496	\$ 26,914
Payroll Taxes	2,763	2,763	-	4,642	1,879
Benefits	3,927	3,927	-	6,937	3,010
Retirement Costs	9,140	9,140	-	14,275	5,135
Total Personnel Expenses	\$ 57,412	\$ 57,412	\$ -	\$ 94,350	\$ 36,938
Meeting Expenses					
Meetings	\$ 200	\$ 200	\$ -	\$ 200	\$ -
Travel	22,000	22,000	-	20,500	(1,500)
Conference Calls	400	400	-	-	(400)
Total Meeting Expenses	\$ 22,600	\$ 22,600	\$ -	\$ 20,700	\$ (1,900)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,500	6,500	-	6,500	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 6,500	\$ 6,500	\$ -	\$ 6,500	\$ -
Total Direct Expenses	\$ 86,512	\$ 86,512	\$ -	\$ 121,550	\$ 35,038
Indirect Expenses	\$ 36,394	\$ 36,394	\$ -	\$ 72,370	\$ 35,976
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 122,906	\$ 122,906	\$ -	\$ 193,920	\$ 71,014
Change in Assets	\$ 2,616	\$ 2,616	\$ -	\$ (2,928)	\$ (5,544)
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 2,616	2,616	-	(2,928)	(5,544)
Inc(Dec) in Fixed Assets (C)	\$ 2,616	\$ 2,616	\$ -	\$ (2,928)	\$ (5,544)
TOTAL BUDGET (=B + C)	\$ 125,523	\$ 125,523	\$ -	\$ 190,992	\$ 65,470
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.28	0.28	-	0.49	0.21

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

Administrative Services

The following table outlines the budget for Administrative Services.

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2016 Budget	2017 Budget	Increase (Decrease)	2016 Budget	2017 Budget	Increase (Decrease)
General and Administrative	\$817,157.00	\$1,005,377.00	\$188,220.00	2.61	2.91	0.30
Legal and Regulatory	\$432,614.00	\$451,723.00	\$19,109.00	0.87	0.95	0.08
Information Technology	\$1,366,533.00	\$1,287,769.00	(\$78,764.00)	3.26	3.92	0.66
Human Resources, Finance and Accounting	\$1,913,106.00	\$1,695,182.00	(\$217,924.00)	3.75	3.89	0.14
Total Administrative Services	\$4,529,410.00	\$4,440,051.00	(\$89,359.00)	10.49	11.67	1.18

Table A-11. Administrative Services Budget

Methodology for Allocation of Administrative Services Expenses to Programs

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

Program Scope and Functional Description

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

General and Administrative

The following table lists the General and Administrative budget.

General and Administrative (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	2.61	2.91	0.30
Total Direct Expenses	\$ 817,157	\$ 1,005,377	\$ 188,220
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (326,829)	\$ (566,073)	\$ (239,244)

Table A-12. General and Administrative Budget

Program Scope and Functional Description

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

Methodology for Allocation of Administrative Services Expenses to Programs

Expenses related to indirect programs are allocated proportionately to the direct programs for 2017 based on the number of FTEs in those programs.

2017 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 FTEs in the direct program areas

2017 Goals and Key Deliverables

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

Funding Sources and Requirements — Explanation of Increase (Decrease)

Assessments

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

Funding Sources

In 2017, the expenses related to the indirect program areas are being allocated entirely to the direct programs and therefore the indirect program areas have no ERO assessment revenue.

Resource Requirements

The number of meetings and outreach efforts planned for 2017 has increased but meeting expenses are approximately the same as in the 2016 budget because of efficiencies and cost savings realized from hosting meetings at MRO's facility in Saint Paul, Minnesota. However, reimbursement for stakeholder participant travel-related expenses will increase.

Personnel Expenses

MRO's FTEs remain flat in 2017

- No additional staff are added in 2017
- 3% salary increase plus promotions
- The 2017 medical premium reflects an additional 7% increase
- 2017 retirement costs increase
 - Cost of living adjustment in retirement plans
 - Postretirement medical plan expense increase reflecting the actuarial calculation prepared annually by a third party expert. The future obligation is a result of the discount rate, expected rate of return on the plan assets, and health care cost trend rate.
 - Average staff age increases from 43 to 45 and average staff years of service increases from 6 years to 7 years

Personnel expenses in this particular area increase because of an increase in FTEs and because there is more management involvement related to ERO executive activities and other working groups.

General and Administrative Budget Detail

The following table shows funding sources and related expenses for the General and Administrative section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
GENERAL and ADMINISTRATIVE					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (326,829)	\$ (326,829)	\$ -	\$ (566,073)	\$ (239,244)
Penalty Sanctions	-	-	-	-	-
Total NERC Funding	<u>\$ (326,829)</u>	<u>\$ (326,829)</u>	<u>\$ -</u>	<u>\$ (566,073)</u>	<u>\$ (239,244)</u>
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding (A)	<u>\$ (326,829)</u>	<u>\$ (326,829)</u>	<u>\$ -</u>	<u>\$ (566,073)</u>	<u>\$ (239,244)</u>
Expenses					
Personnel Expenses					
Salaries	\$ 422,618	\$ 422,618	\$ -	\$ 573,621	\$ 151,003
Payroll Taxes	21,172	21,172	-	25,338	4,166
Benefits	35,341	35,341	-	43,745	8,404
Retirement Costs	89,526	89,526	-	109,173	19,647
Total Personnel Expenses	<u>\$ 568,657</u>	<u>\$ 568,657</u>	<u>\$ -</u>	<u>\$ 751,877</u>	<u>\$ 183,220</u>
Meeting Expenses					
Meetings	\$ 28,000	\$ 28,000	\$ -	\$ 30,000	\$ 2,000
Travel	113,000	113,000	-	113,000	-
Conference Calls	500	500	-	-	(500)
Total Meeting Expenses	<u>\$ 141,500</u>	<u>\$ 141,500</u>	<u>\$ -</u>	<u>\$ 143,000</u>	<u>\$ 1,500</u>
Operating Expenses					
Consultants & Contracts	\$ 75,000	\$ 75,000	\$ -	\$ 75,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	32,000	32,000	-	35,500	3,500
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	<u>\$ 107,000</u>	<u>\$ 107,000</u>	<u>\$ -</u>	<u>\$ 110,500</u>	<u>\$ 3,500</u>
Total Direct Expenses	<u>\$ 817,157</u>	<u>\$ 817,157</u>	<u>\$ -</u>	<u>\$ 1,005,377</u>	<u>\$ 188,220</u>
Indirect Expenses	<u>\$ (817,157)</u>	<u>\$ (817,157)</u>	<u>\$ -</u>	<u>\$ (1,005,377)</u>	<u>\$ (188,220)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ (326,829)</u>	<u>\$ (326,829)</u>	<u>\$ -</u>	<u>\$ (566,073)</u>	<u>\$ (239,244)</u>
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ (326,829)</u>	<u>\$ (326,829)</u>	<u>\$ -</u>	<u>\$ (566,073)</u>	<u>\$ (239,244)</u>
FTEs	2.61	2.61	-	2.91	0.30

Table A-13. General and Administrative Budget Detail

Legal and Regulatory

The following table lists the Legal and Regulatory budget.

Legal and Regulatory (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	0.87	0.95	0.08
Total Direct Expenses	\$ 432,614	\$ 451,723	\$ 19,109
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-14. Legal and Regulatory Budget

Program Scope and Functional Description

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

2017 Key Assumptions

In the 2017 Budget, as in the 2013 - 2016 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.

2017 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.

Resource Requirements

Funding Sources

In 2017, the expenses related to the indirect program areas are allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Resource Requirements

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

Meeting Expenses

Travel costs associated with outreach to stakeholders and regulators has been moved to Training and Education programs, causing a reduction in legal.

Consultants and Contracts

There is a decrease in communications training for 2017. The training was done in 2015 and is not held annually.

Professional Services

Overall legal and regulatory budgeted costs for outside counsel will decrease slightly. Independent MRO board member fees reflect a new schedule resulting in higher fees.

Legal and Regulatory Budget Detail

The following table shows funding sources and related expenses for the Legal and Regulatory section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
LEGAL and REGULATORY					
	2016	2016	Variance	2017	Variance
	Budget	Projection	2016 Projection v 2016 Budget Over(Under)	Budget	2017 Budget v 2016 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	\$ 193,551	\$ 193,551	\$ -	\$ 200,048	\$ 6,497
Payroll Taxes	9,185	9,185	-	9,439	254
Benefits	11,780	11,780	-	13,591	1,811
Retirement Costs	36,383	36,383	-	37,820	1,437
Total Personnel Expenses	\$ 250,899	\$ 250,899	\$ -	\$ 260,898	\$ 9,999
Meeting Expenses					
Meetings	\$ 150	\$ 150	\$ -	\$ -	\$ (150)
Travel	23,500	23,500	-	8,000	(15,500)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 23,650	\$ 23,650	\$ -	\$ 8,000	\$ (15,650)
Operating Expenses					
Consultants & Contracts	\$ 10,000	\$ 10,000	\$ -	\$ -	\$ (10,000)
Office Rent	-	-	-	-	-
Office Costs	8,065	8,065	-	7,775	(290)
Professional Services	140,000	140,000	-	175,050	35,050
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 158,065	\$ 158,065	\$ -	\$ 182,825	\$ 24,760
Total Direct Expenses	\$ 432,614	\$ 432,614	\$ -	\$ 451,723	\$ 19,109
Indirect Expenses	\$ (432,614)	\$ (432,614)	\$ -	\$ (451,723)	\$ (19,109)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	-	\$ -	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.87	0.87	-	0.95	0.08

Table A-15. Legal and Regulatory Budget Detail

Information Technology

The following table lists the Information Technology budget.

Information Technology (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	3.26	3.92	0.66
Total Direct Expenses	\$ 1,529,755	\$ 1,618,099	\$ 88,344
Inc(Dec) in Fixed Assets	\$ (163,222)	\$ (330,330)	\$ (167,108)
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-16. Information Technology Budget

Program Scope and Functional Description

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

2017 Key Assumptions

IT deploys business systems and provides technical support and training for the technologies used at MRO. Systems include secure networks and databases, business applications, office equipment such as copiers, printers, labelers, servers to support connected and shared resources, personal computers, telephones, remote network access, internet access and conference AV solutions. In addition, IT is responsible for physical security systems for MRO offices.

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.

2017 Goals and Key Deliverables

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

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

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

Funding Sources

In 2017, the expenses related to indirect program areas are being allocated entirely to the direct programs, and therefore the indirect program areas have no ERO assessment revenue.

Resource Requirements

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

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

Consultants and Contracts

MRO uses contractors and consultants for technical assistance on network and security related projects, for real time network monitoring and for complex implementation and upgrade projects. In 2017 reduced focus will be on implementation and upgrades and transition to maintenance performed by in-house personnel, resulting in reduced Consultants and Contracts expense for Information Technology.

Personnel Expenses

Increase in 2017 is reflective of charging the time of the business system analyst to the IT program. The time requirement by the business system analyst by the other business applications is difficult to project but will be reflected in actuals.

Information Technology Budget Detail

The following table shows funding sources and related expenses for the Information Technology section of the 2017 Business Plan and Budget. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
INFORMATION TECHNOLOGY					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 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	\$ 334,488	\$ 334,488	\$ -	\$ 399,848	\$ 65,360
Payroll Taxes	24,454	24,454	-	29,685	5,231
Benefits	44,143	44,143	-	55,637	11,494
Retirement Costs	69,198	69,198	-	81,819	12,621
Total Personnel Expenses	<u>\$ 472,283</u>	<u>\$ 472,283</u>	<u>\$ -</u>	<u>\$ 566,989</u>	<u>\$ 94,706</u>
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	8,000	8,000	-	8,000	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 8,000</u>	<u>\$ -</u>
Operating Expenses					
Consultants & Contracts	\$ 359,200	\$ 359,200	\$ -	\$ 329,110	\$ (30,090)
Office Rent	-	-	-	-	-
Office Costs	209,550	209,550	-	210,000	450
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	480,722	480,722	-	504,000	23,278
Total Operating Expenses	<u>\$ 1,049,472</u>	<u>\$ 1,049,472</u>	<u>\$ -</u>	<u>\$ 1,043,110</u>	<u>\$ (6,362)</u>
Total Direct Expenses	<u>\$ 1,529,755</u>	<u>\$ 1,529,755</u>	<u>\$ -</u>	<u>\$ 1,618,099</u>	<u>\$ 88,344</u>
Indirect Expenses	<u>(1,529,755)</u>	<u>(1,529,755)</u>	<u>\$ -</u>	<u>(1,618,099)</u>	<u>(88,344)</u>
Other Non-Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenses (B)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fixed Assets					
Depreciation	(480,722)	(480,722)	-	(504,000)	(23,278)
Computer & Software CapEx	317,500	317,500	-	173,670	(143,830)
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Allocation of Fixed Assets	\$ 163,222	\$ 163,222	-	\$ 330,330	\$ 167,108
Inc(Dec) in Fixed Assets (C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL BUDGET (=B + C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FTEs	3.26	3.26	-	3.92	0.66

Table A-17. Information Technology Budget Detail

Human Resources, Finance and Accounting

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

Human Resources, Finance, and Accounting (in whole dollars)			
	2016 Budget	2017 Budget	Increase (Decrease)
Total FTEs	3.75	3.89	0.14
Total Direct Expenses	\$ 1,446,106	\$ 1,552,071	\$ 105,965
Inc(Dec) in Fixed Assets	\$ 467,000	\$ 143,111	\$ (323,889)
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-18. Human Resources, Finance and Accounting Budget

Program Scope and Functional Description

Human Resources

The Human Resources function of MRO designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws. The Human Resources 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 and enhanced 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," and therefore support attraction and retention of qualified staff.

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 MRO's annual activities to the MRO board.

2017 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 Retiree Medical Trust administration
- Finance and Accounting also coordinates all MRO internal and external meetings, workshops and events

Funding Sources

In 2017, the expenses related to indirect program areas are being allocated entirely to the direct programs and therefore have no ERO assessment revenue.

Resource Requirements

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

Buidling Rent and Facilities

2017 costs include 12 months of facility costs in the expanded MRO office facility.

Total depreciation expense for all assets are reflected in the IT program budget, including depreciation of leasehold improvements.

Human Resources, Finance, and Accounting Budget Detail

The following table shows funding sources and related expenses for the Human Resources, Finance, and Accounting section of the *2017 Business Plan and Budget*. Explanations of variances by expense category are included with the Supplemental Tables found in Section B.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2016 Budget & Projection, and 2017 Budget					
HUMAN RESOURCES, FINANCE, and ACCOUNTING					
	2016 Budget	2016 Projection	Variance 2016 Projection v 2016 Budget Over(Under)	2017 Budget	Variance 2017 Budget v 2016 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	\$ 388,330	\$ 388,330	\$ -	\$ 414,657	\$ 26,327
Payroll Taxes	26,176	26,176	-	27,026	850
Benefits	50,778	50,778	-	52,381	1,603
Retirement Costs	78,486	78,486	-	94,740	16,254
Total Personnel Expenses	\$ 543,770	\$ 543,770	\$ -	\$ 588,804	\$ 45,034
Meeting Expenses					
Meetings	\$ 500	\$ 500	\$ -	\$ 100	\$ (400)
Travel	6,030	6,030	-	5,000	(1,030)
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ 6,530	\$ 6,530	\$ -	\$ 5,100	\$ (1,430)
Operating Expenses					
Consultants & Contracts	\$ 28,810	\$ 28,810	\$ -	\$ 28,967	\$ 157
Office Rent	648,946	648,946	-	701,900	52,954
Office Costs	164,550	164,550	-	173,800	9,250
Professional Services	53,500	53,500	-	53,500	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Operating Expenses	\$ 895,806	\$ 895,806	\$ -	\$ 958,167	\$ 62,361
Total Direct Expenses	\$ 1,446,106	\$ 1,446,106	\$ -	\$ 1,552,071	\$ 105,965
Indirect Expenses	\$ (1,446,106)	\$ (1,446,106)	\$ -	\$ (1,552,071)	\$ (105,965)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Assets					
Depreciation	-	-	-	-	-
Computer & Software CapEx	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-
Equipment CapEx	-	-	-	-	-
Leasehold Improvements	467,000	467,000	-	143,111	(323,889)
Allocation of Fixed Assets	\$ (467,000)	\$ (467,000)	-	(143,111)	323,889
Inc(Dec) in Fixed Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL BUDGET (=B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	3.75	3.75	-	3.89	0.14

Table A-19. Human Resources, Finance, and Accounting Budget Detail

Section B – Supplemental Financial Information

2017 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the working capital reserve for 2016 through 2017.

Working Capital Reserve Analysis 2016-2017	
STATUTORY	
Beginning Working Capital Reserve (Deficit), December 31, 2015	1,951,894
Plus: 2016 MRO Funding (from LSEs or designees)	10,891,562
Less: 2016 Projected expenses & capital expenditures	(11,354,641)
Projected Working Capital Reserve (Deficit), December 31, 2016 ¹	1,488,815
Targeted Working Capital Reserve, December 31, 2017 (($\\$11,226,670 / 365$ days) X 30 days)	922,740
Less: Projected Working Capital Reserve, December 31, 2016	(1,488,815)
Increase(decrease) in assessments to achieve targeted Working Capital Reserve	(566,075)
2017 Expenses and Capital Expenditures	11,226,670
Less: Penalty Sanctions ²	(166,250)
Less: Other Funding Sources	0
Adjustment to achieve targeted Working Capital Reserve	(566,075)
 2016 MRO Assessment	 10,494,345

¹ MRO's projected reserve December 31, 2016 assumes that there will not be a material difference between budgeted versus actual/projected results from 2016.

² Represents collections on or prior to June 30, 2016. See page 56 for full disclosure.

Table B-1. Working Capital Reserve Analysis 2016 - 2017

Explanation of Changes in Reserve Policy from Prior Years

MRO's Finance and Audit Committee (FAC) resolved that 30 days of cash is sufficient based on MRO's cash flow risk, with the Board's approval in 2016 for working capital analysis 2016-2017. The certainty of MRO's funding stream supports that a 30-day reserve is reasonable for sustaining short-term contingencies. MRO resets its reserves at the beginning of each year to the approved policy.

Breakdown by Statement of Activity Sections

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2016.

Penalty Sanctions	Date Received	Amount Received
Penalties received between 7/1/2015 and 6/30/2016		
	Dec-15	\$ 89,250
	Dec-15	59,000
	Mar-16	9,000
	Mar-16	9,000
		\$ 166,250
Penalties received prior to 6/30/2015, held in the assessment stabilization reserve		\$ -
Total penalties available to offset assessments		\$ 166,250
Adjustments		
Penalties held in assessment stabilization reserve		-
Total Penalty Sanctions included in the 2017 Budget		\$ 166,250

Table B-2. Penalty Sanctions Received

Penalty Sanctions

Penalty monies received prior to June 30, 2016 are to be used to offset assessments in the 2017 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, 2016 through June 30, 2017 will be used to offset assessments in the 2018 Budget.

All penalties received prior to June 30, 2016 are listed above, including the amount and date received.

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

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget
Compliance Monitoring, Enforcement & Org. Registration				
	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reliability Assessment and Performance Analysis				
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Training and Education				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	-
CEH Fees	-	-	-	-
Workshops	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Situation Awareness and Infrastructure Security				
FIST Royalties	\$ -	\$ -	\$ -	-
TSIN Fees	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General and Administrative				
Interest Income	\$ -	\$ -	\$ -	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Outside Funding	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

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

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Total Salaries	\$ 5,682,871	\$ 5,682,871	\$ 5,874,689	\$ 191,818	3.4%
Total Payroll Taxes	361,827	361,827	366,600	4,773	1.3%
Total Benefits	582,253	582,253	608,751	26,498	4.6%
Total Retirement	1,094,515	1,094,515	1,195,387	100,872	9.2%
Total Personnel Costs	\$ 7,721,466	\$ 7,721,466	\$ 8,045,427	\$ 323,961	4.2%
FTEs	43.00	43.00	43.00	-	0.0%
Cost per FTE					
Salaries	\$ 132,160	\$ 132,160	\$ 136,621	4,461	3.4%
Payroll Taxes	8,415	8,415	8,526	111	1.3%
Benefits	13,541	13,541	14,157	616	4.6%
Retirement	25,454	25,454	27,800	2,346	9.2%
Total Cost per FTE	\$ 179,569	\$ 179,569	\$ 187,103	\$ 7,534	4.2%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

FTEs remain flat in 2017

- No additional staff are added in 2017; 43 FTEs reflects the 2016 nose count at year-end 2016
- 3% salary increase plus promotions
- The 2017 medical premium reflects an additional 7% increase
- 2017 retirement costs increase
 - Cost of living adjustment in retirement plans
 - Postretirement medical plan expense increase reflecting the actuarial calculation prepared annually by a third party expert. The future obligation is a result of the discount rate, expected rate of return on the plan assets, and health care cost trend rate.
 - Average staff age increases from 43 to 45 and average staff years of service increases from 6 years to 7 years

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Meeting Expenses	\$ 85,500	\$ 85,500	\$ 85,000	\$ (500)	-0.6%
Travel	680,330	680,330	635,000	(45,330)	-6.7%
Conference Calls	900	900	-	(900)	-100.0%
Total Meeting Expenses	\$ 766,730	\$ 766,730	\$ 720,000	\$ (46,730)	-6.1%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

General and Administrative

There is an increase in the number of meetings and outreach efforts planned in 2017; however, budgeted meeting expenses are approximately the same as in the 2016 budget because of efficiencies and cost savings realized from hosting meetings at MRO. Reimbursement for stakeholder participant travel expenses will increase.

Compliance Monitoring and Enforcement Program

Reflects fewer on-site audits for 2017 and reduced number of working groups.

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

Consultants	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Consultants					
Reliability Standards and Organization Registration and Certification	\$ -	\$ -	\$ -	\$ -	
Compliance	31,000	31,000	77,000	46,000	148%
Reliability Assessment and Performance Analysis (Alert)	8,000	8,000	8,000	-	0%
Event Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	75,000	75,000	75,000	-	0%
Legal and Regulatory	10,000	10,000	-	(10,000)	-100%
Information Technology	227,500	227,500	241,000	13,500	6%
Human Resources	-	-	-	-	
Accounting and Finance	2,000	2,000	-	(2,000)	-1%
Consultants Total	\$ 353,500	\$ 353,500	\$ 401,000	\$ 47,500	13%
Contracts					
Outsource Standards Tracking Software Applications	\$ 13,236	\$ 13,236	\$ -	(13,236)	-100%
Subtotal - Reliability Standards Contracts	\$ 13,236	\$ 13,236	\$ -	(13,236)	-100%
Outsource Compliance Information Tracking Applications				-	
Subtotal - Compliance and Organization Registration and Certification Contracts	\$ 83,000	\$ 83,000	\$ 92,000	9,000	11%
	\$ 83,000	\$ 83,000	\$ 92,000	9,000	11%
Model Series Development (MRO's portion of expenses of the MMWG/ERAG)	\$ 28,235	\$ 28,235	\$ 30,100	1,865	7%
Model Building	20,000	20,000	-	(20,000)	-100%
PTI Software	23,200	23,200	16,300	(6,900)	-30%
Proposed Frequency Response Study	-	-	17,600	17,600	
Subtotal - Reliability Assessments Contracts	\$ 71,435	\$ 71,435	\$ 64,000	\$ (7,435)	-10%
Cisco	25,000	25,000	7,800	(17,200)	-69%
Barracuda	800	800	1,800	1,000	125%
EFT Maintenance	7,500	7,500	4,200	(3,300)	-44%
Symantec Antivirus	1,850	1,850	-	(1,850)	-100%
Varonis File Maintenance	8,500	8,500	8,500	-	0%
Lyris	4,050	4,050	1,400	(2,650)	-65%
VMWare Support	30,000	30,000	-	(30,000)	-100%
SmartPhone Maintenance	6,500	6,500	1,600	(4,900)	-75%
Server Support	7,000	7,000	10,000	3,000	43%
Great Plains	4,000	4,000	4,000	-	0%
Comodo-Certificates	1,000	1,000	-	(1,000)	-100%
Lync Monitoring	14,400	14,400	14,400	-	0%
NetApp Multistore-Security software for SAN	9,000	9,000	800	(8,200)	-91%
Load Balancer Support	5,500	5,500	-	(5,500)	-100%
Network Monitor	700	700	700	-	0%
Sonus HW Support	2,400	2,400	1,300	(1,100)	-46%
Anitspam Service	3,500	3,500	1,500	(2,000)	-57%
Impreva	-	-	2,500	2,500	
Multi factor	-	-	3,300	3,300	
Cisco Amp	-	-	3,000	3,000	
AV Maintenance	-	-	20,000	20,000	
Misc Items	-	-	1,310	1,310	
Subtotal - Information Technology Contracts	\$ 131,700	\$ 131,700	\$ 88,110	\$ (73,700)	-33%
401K / 457b, 457f 3rd Party Administrator	-	-	-	-	
FSA 3rd Party Administrator	1,800	1,800	2,707	907	50%
Transportation 3rd Party Administrator	2,100	2,100	3,125	1,025	49%
Benefits 3rd Party Administrator	3,910	3,910	4,135	225	6%
Payroll 3rd Party Administrator	19,000	19,000	19,000	-	0%
HR-Employment Costs	-	-	-	-	
Subtotal - HR and Finance Contracts	\$ 26,810	\$ 26,810	\$ 28,967	2,157	8%
Contracts Total	\$ 326,181	\$ 326,181	\$ 273,077	\$ (83,214)	-16%
Total Consulting and Contracts	\$ 679,681	\$ 679,681	\$ 674,077	\$ (35,714)	-1%

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

Reliability Standards Program, Organization Registration and Certification Program

2017 Consultants and Contracts decreased as result of eliminating third party vendor costs associated with a software application used to ballot regional standards. MRO's use of this software has been replaced with a manual process, due to the expectation that MRO will not need to develop any regional standards and can therefore rely upon a manual process.

Compliance Monitoring and Enforcement Program

2017 Consultants and Contracts reflects an addition of a part-time CIP consultant.

Information Technology

MRO uses contractors and consultants for technical assistance on network and security related projects, for real time network monitoring and for complex implementation and upgrade projects. In 2017 reduced focus will be on implementation and upgrades and transition to maintenance performed by in-house personnel, resulting in reduced Consultants and Contracts expense for Information Technology.

Table B-7 lists the budget for Office Rent.

Office Rent	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Office Rent	\$ 633,946	\$ 633,946	\$ 690,400	\$ 56,454	8.9%
Utilities	8,000	8,000	6,500	(1,500)	-18.8%
Maintenance	7,000	7,000	5,000	(2,000)	-28.6%
Total Office Rent	\$ 648,946	\$ 648,946	\$ 701,900	\$ 52,954	8.16%

Table B-7. Office Rent

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

2017 annual lease cost has an increase of \$52,954 reflecting twelve full months of rent with new leased space.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Phone Service					
Data Circuit (qmo)	\$ 66,000	\$ 66,000	\$ 60,000	\$ (6,000)	-9.09%
Webex	-	-	6,300	6,300	
Voice Circuits	18,000	18,000	18,000	-	0.00%
Business Cable	2,000	2,000	2,000	-	0.00%
Disaster Recovery Site	19,000	19,000	19,000	-	0.00%
Internet/Cell	49,383	49,383	46,388	(2,995)	-6.06%
Office Supplies	24,450	24,450	31,450	7,000	28.63%
Employee Member Events	15,000	15,000	20,000	5,000	33.33%
Employee Related Expense (Drug Testing, Finder Fees Etc)	13,000	13,000	16,500	3,500	26.92%
Computer Supplies and Maintenance	67,000	67,000	68,500	1,500	2.24%
Publications & Subscriptions	6,700	6,700	5,225	(1,475)	-22.01%
Professional Dues	16,120	16,120	15,470	(650)	-4.03%
Postage	2,700	2,700	2,700	-	0.00%
Temporary Services	-	-	-	-	
Finance-Filing/Reg Fees	5,000	5,000	3,000	(2,000)	-40.00%
Equipment Repair/Service Contracts	14,050	14,050	13,500	(550)	-3.91%
Bank Charges	23,000	23,000	23,000	-	0.00%
Presentation & Publicity & Supplies Promotional	2,000	2,000	5,000	3,000	150.00%
Departmental Functional Training	134,415	134,415	126,900	(7,515)	-5.59%
Insurance Expense	57,000	57,000	57,000	-	0.00%
Total Office Costs	\$ 534,818	\$ 534,818	\$ 539,933	\$ 5,115	0.96%

Table B-8. Office Costs

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

2017 office costs are relatively flat compared to the 2016 budget and there are no significant changes to individual line items.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Independent Trustee Fees	\$ 100,000	\$ 100,000	\$ 125,050	\$ 25,050	25.05%
Outside Legal	65,000	65,000	50,000	(15,000)	-23.08%
Accounting and Auditing Fees	28,500	28,500	28,500	-	0.00%
Actuarial Fees	25,000	25,000	25,000	-	0.00%
Total Services	\$ 218,500	\$ 218,500	\$ 228,550	\$ 10,050	4.60%

Table B-9. Professional Services

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

Professional Services

2017 professional services budgeted in Legal and Regulatory increase because the independent MRO board member fees reflect higher fees, which were approved in 2016.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	-
					-
					-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Table B-10. Miscellaneous

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

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

Other Non-Operating Expenses	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment		-		-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	100.00%

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2016	Projection 2016	Budget 2017	Variance 2017 Budget v 2016 Budget	Variance %
Depreciation	\$ (480,722)	\$ (480,722)	\$ (504,000)	\$ (23,278)	4.8%
Computer Equipment	317,500	317,500	144,500	(173,000)	-54.5%
Capitalized Software	-	-	29,170	29,170	
Furniture and Equipment	-	-	-	-	
Leasehold Improvements	467,000	467,000	143,111	(323,889)	-69.4%
Total Change in Fixed Assets	\$ 303,778	\$ 303,778	\$ (187,219)	\$ (490,997)	-161.6%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2017 Budget versus 2016 Budget

Depreciation/Computer Equipment/Capitalization Software

2017 costs increase as equipment purchases made in late 2015 and 2016 are now being depreciated.

Computer Equipment

MRO replaces the equipment that supports the virtual servers and storage area network every four to five years. This is the most expensive capital equipment we purchase – either to expand the system or replace major components, and it is configured in high availability at HQ and at the disaster recovery site so there are multiple sets of this equipment. There is no equipment due for upgrade in 2017, but there will be in 2018 so we can expect the capital budget to increase again in 2018.

Leasehold Improvements

MRO is reorganizing existing space to accommodate MRO's current and future needs. The one-time capital cost in 2017 is \$143k. This is a decrease from the 2016 budget, which included more significant expenditures on leasehold improvements due to the expansion of MRO's facilities.

Table B-13 compares the 2017 budget with projections for 2018-2019.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2018 and 2019 Projections							
	2017 Budget	2018 Projection	\$ Change 18 v 17	% Change 18 v 17	2019 Projection	\$ Change 19 v 18	% Change 19 v 18
Funding							
ERO Funding							
NERC Assessments	\$ 10,494,345	\$ 11,416,064		8.78%	\$ 11,758,546	\$ 342,482	2.9%
Penalty Sanctions	166,250	-		-100.00%	-	-	
Total NERC Funding	\$ 10,660,595	\$ 11,416,064	\$ 755,469	7.1%	\$ 11,758,546	\$ 342,482	2.9%
Membership Dues	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total Funding (A)	\$ 10,660,595	\$ 11,416,064	\$ 755,469	7.1%	\$ 11,758,546	\$ 342,482	3.0%
Expenses							
Personnel Expenses							
Salaries	\$ 5,874,689	\$ 6,050,930	\$ 176,241	3.0%	\$ 6,232,458	\$ 181,528	3.0%
Payroll Taxes	366,600	377,598	10,998	3.0%	388,926	11,328	3.0%
Benefits	608,751	627,014	18,263	3.0%	645,824	18,810	3.0%
Retirement Costs	1,195,387	1,231,249	35,862	3.0%	1,268,186	36,937	3.0%
Total Personnel Expenses	\$ 8,045,427	\$ 8,286,790	\$ 241,363	3.0%	\$ 8,535,394	\$ 248,604	3.0%
Meeting Expenses							
Meetings	\$ 85,000	\$ 87,550	\$ 2,550	3.0%	\$ 90,177	2,627	3.0%
Travel	635,000	654,050	19,050	3.0%	673,672	19,622	3.0%
Conference Calls	-	-	-	-	-	-	-
Total Meeting Expenses	\$ 720,000	\$ 741,600	\$ 21,600	3.0%	\$ 763,848	\$ 22,248	3.0%
Operating Expenses							
Consultants & Contracts	\$ 674,077	\$ 694,299	20,222	3.0%	\$ 715,128	20,829	3.0%
Office Rent	701,900	722,957	21,057	3.0%	744,646	21,689	3.0%
Office Costs	539,933	556,131	16,198	3.0%	572,815	16,684	3.0%
Professional Services	228,550	235,407	6,857	3.0%	242,469	7,062	3.0%
Miscellaneous	-	-	-	-	-	-	-
Depreciation	504,000	519,120	15,120	3.0%	534,694	15,574	3.0%
Total Operating Expenses	\$ 2,648,460	\$ 2,727,914	\$ 79,454	3.0%	\$ 2,809,751	\$ 81,837	3.0%
Total Direct Expenses	\$ 11,413,887	\$ 11,756,304	\$ 342,417	3.0%	\$ 12,108,993	\$ 352,689	3.0%
Indirect Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Other Non-Operating Expenses	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
Total Expenses (B)	\$ 11,413,887	\$ 11,756,304	\$ 342,417	3.0%	\$ 12,108,993	\$ 352,689	3.0%
Change in Assets	\$ (753,292)	\$ (340,240)	\$ 413,052	-54.8%	\$ (350,447)	\$ (10,207)	3.0%
Fixed Assets							
Depreciation	\$ (504,000)	\$ (519,120)	\$ (15,120)	3.0%	\$ (534,694)	\$ (15,574)	3.0%
Computer & Software CapEx	173,670	178,880	5,210	3.0%	184,247	5,366	3.0%
Furniture & Fixtures CapEx	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-
Leasehold Improvements	143,111	-	(143,111)	-100.0%	-	-	-
Allocation of Fixed Assets	-	-	-	-	-	-	-
Inc(Dec) in Fixed Assets (C)	\$ (187,219)	\$ (340,240)	\$ (153,021)	81.7%	\$ (350,447)	\$ (10,207)	0.0%
TOTAL BUDGET (=B + C)	\$ 11,226,668	\$ 11,416,064	\$ 189,396	1.7%	\$ 11,758,546	\$ 352,689	3.1%
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	\$ (566,073)	\$ -	\$ 566,073	-100.0%	\$ -	\$ -	30.6%
FTEs	43.00	43.00	-	-	43.00	-	-

Table B-13. Budget 2017 Compared with 2018-2019 Projections

Explanation of 2017, 2018, 2019 Projections

At this time, MRO does not anticipate significant changes in program areas for the next 3 years.

- FTEs remain flat
- Three percent escalation rate applied to expense categories
- Total budget increase of \$330k in 2017

- Total budget increase of \$340k in 2018
- Zero penalties budgeted

Section C – Non-Statutory Activities

2017 Business Plan and Budget



Section C – Non-Statutory Activities

2017 Non-Statutory Business Plan and Budget

MRO has no non-statutory activities.

Section D – Additional Consolidated Financial Statements

2017 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2017 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2017 Business Plan and Budget	Total	Statutory Total	Non-Statutory Total	Functions in Delegation Agreement															
				Statutory Total	Reliability Standards and Organization Registration and Certification (Section 300 & 500)	Compliance (Section 400)	Reliability Assessment and Performance Analysis (Section 800)	Training and Education (Section 600&900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance				
Funding																			
ERO Funding																			
NERC Assessments	10,494,345	10,494,345	-	10,494,345	623,464	7,201,608	2,464,519	582,435	188,392			(566,073)							
Penalty Sanctions	166,250	166,250	-	166,250	10,401	112,018	34,067	7,164	2,600										
Total NERC Funding	10,660,595	10,660,595	-	10,660,595	633,865	7,313,627	2,498,586	589,598	190,992	-	(566,073)	-	-	-	-	-	-	-	-
Membership Dues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Testing Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services & Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workshops	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funding (A)	10,660,595	10,660,595	-	10,660,595	633,865	7,313,627	2,498,586	589,598	190,992	-	(566,073)	-	-	-	-	-	-	-	-
Expenses																			
Personnel Expenses																			
Salaries	5,874,689	5,874,689	-	5,874,689	214,962	2,842,052	917,627	243,378	68,496	-	573,621	200,048	399,848	-	-	-	-	-	414,657
Payroll Taxes	366,600	366,600	-	366,600	13,591	187,019	56,875	12,985	4,642	-	25,338	9,439	29,685	-	-	-	-	-	27,026
Benefits	608,751	608,751	-	608,751	26,474	298,571	88,481	22,934	6,937	-	43,745	13,591	55,637	-	-	-	-	-	52,381
Retirement Costs	1,195,387	1,195,387	-	1,195,387	50,081	535,130	225,268	47,081	14,275	-	109,173	37,820	81,819	-	-	-	-	-	94,740
Total Personnel Expenses	8,045,427	8,045,427	-	8,045,427	305,108	3,862,772	1,288,251	326,378	94,350	-	751,877	260,898	566,989	-	-	-	-	-	588,804
Meeting Expenses																			
Meetings	85,000	85,000	-	85,000	2,500	6,500	15,000	30,700	200	-	30,000	-	-	-	-	-	-	-	100
Travel	635,000	635,000	-	635,000	42,400	199,900	197,000	41,200	20,500	-	113,000	8,000	8,000	-	-	-	-	-	5,000
Conference Calls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Meeting Expenses	720,000	720,000	-	720,000	44,900	206,400	212,000	71,900	20,700	-	143,000	8,000	8,000	-	8,000	-	-	-	5,100
Operating Expenses																			
Consultants & Contracts	674,077	674,077	-	674,077	-	169,000	72,000	-	-	-	75,000	-	329,110	-	-	-	-	-	28,967
Office Rent	701,900	701,900	-	701,900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	701,900
Office Costs	539,933	539,933	-	539,933	6,088	83,770	16,500	-	6,500	-	35,500	7,775	210,000	-	-	-	-	-	173,800
Professional Services	228,550	228,550	-	228,550	-	-	-	-	-	-	-	175,050	-	-	-	-	-	-	53,500
Miscellaneous	504,000	504,000	-	504,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	504,000	504,000	-	504,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	504,000
Total Operating Expenses	2,648,460	2,648,460	-	2,648,460	6,088	252,770	88,500	-	6,500	-	110,500	182,825	1,043,110	-	-	-	-	-	958,167
Total Direct Expenses	11,413,887	11,413,887	-	11,413,887	356,096	4,321,942	1,588,751	398,278	121,550	-	1,005,377	451,723	1,618,099	-	-	-	-	-	1,552,071
Indirect Expenses																			
	-	-	-	-	289,481	3,117,832	948,199	199,388	72,370	-	(1,005,377)	(451,723)	(1,618,099)	-	-	-	-	-	(1,552,071)
Other Non-Operating Expenses																			
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	11,413,887	11,413,887	-	11,413,887	645,577	7,439,774	2,536,950	597,666	193,920	-	-	-	-	-	-	-	-	-	-
Change in Assets																			
	(753,292)	(753,292)	-	(753,292)	(11,712)	(126,147)	(38,364)	(8,067)	(2,928)	-	(566,073)	-	-	-	-	-	-	-	-
Fixed Assets																			
Depreciation	(504,000)	(504,000)	-	(504,000)	-	-	-	-	-	-	-	-	(504,000)	-	-	-	-	-	-
Computer & Software CapEx	173,670	173,670	-	173,670	-	-	-	-	-	-	-	-	173,670	-	-	-	-	-	-
Furniture & Fixtures CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold Improvements	143,111	143,111	-	143,111	-	-	-	-	-	-	-	-	-	-	-	-	-	-	143,111
Allocation of Fixed Assets	-	-	-	-	(11,712)	(126,147)	(38,364)	(8,067)	(2,928)	-	-	-	330,330	-	-	-	-	-	(143,111)
Inc(Dec) in Fixed Assets (C)	(187,219)	(187,219)	-	(187,219)	(11,712)	(126,147)	(38,364)	(8,067)	(2,928)	-	-	-	-	-	-	-	-	-	-
TOTAL BUDGET (=B+C)	11,226,668	11,226,668	-	11,226,668	633,865	7,313,627	2,498,586	589,598	190,992	-	-	-	-	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(566,073)	(566,073)	-	(566,073)	(0)	0	(0)	(0)	(0)	-	(566,073)	-	-	-	-	-	-	-	-
FTEs	43.00	43.00	-	43.00	1.96	21.11	6.42	1.35	0.49	-	2.91	0.95	3.92	-	-	-	-	-	3.89

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

Statement of Financial Position

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

- As of December 31, 2015, per audit
- As of December 31, 2016, projected
- As of December 31, 2017, as budgeted

Statement of Financial Position			
2015 Audited, 2016 Projection, and 2017 Budget			
STATUTORY			
	(Per Audit)	Projected	Budget
	31-Dec-15	31-Dec-16	31-Dec-17
ASSETS			
Cash	3,630,789	3,607,738	3,004,446
Restricted Cash	136,275	166,250	18,000
Other Receivables	-	-	-
Prepaid expenses and other current assets	257,080	190,000	188,000
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	148,250	18,000	-
Property and equipment and capitalized software	1,507,456	1,811,234	2,024,015
Total Assets	5,719,708	5,833,080	5,274,319
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	2,072,250	2,475,173	2,287,706
Postretirement medical benefit obligation	521,702	621,000	700,000
Deferred assessments - non-current	148,250	-	-
Deferred rent - non-current	437,394	500,325	575,437
Total Liabilities	3,179,596	3,596,498	3,563,143
Net Assets - unrestricted	2,540,112	2,236,582	1,711,176
Total Liabilities and Net Assets	5,719,708	5,833,080	5,274,319

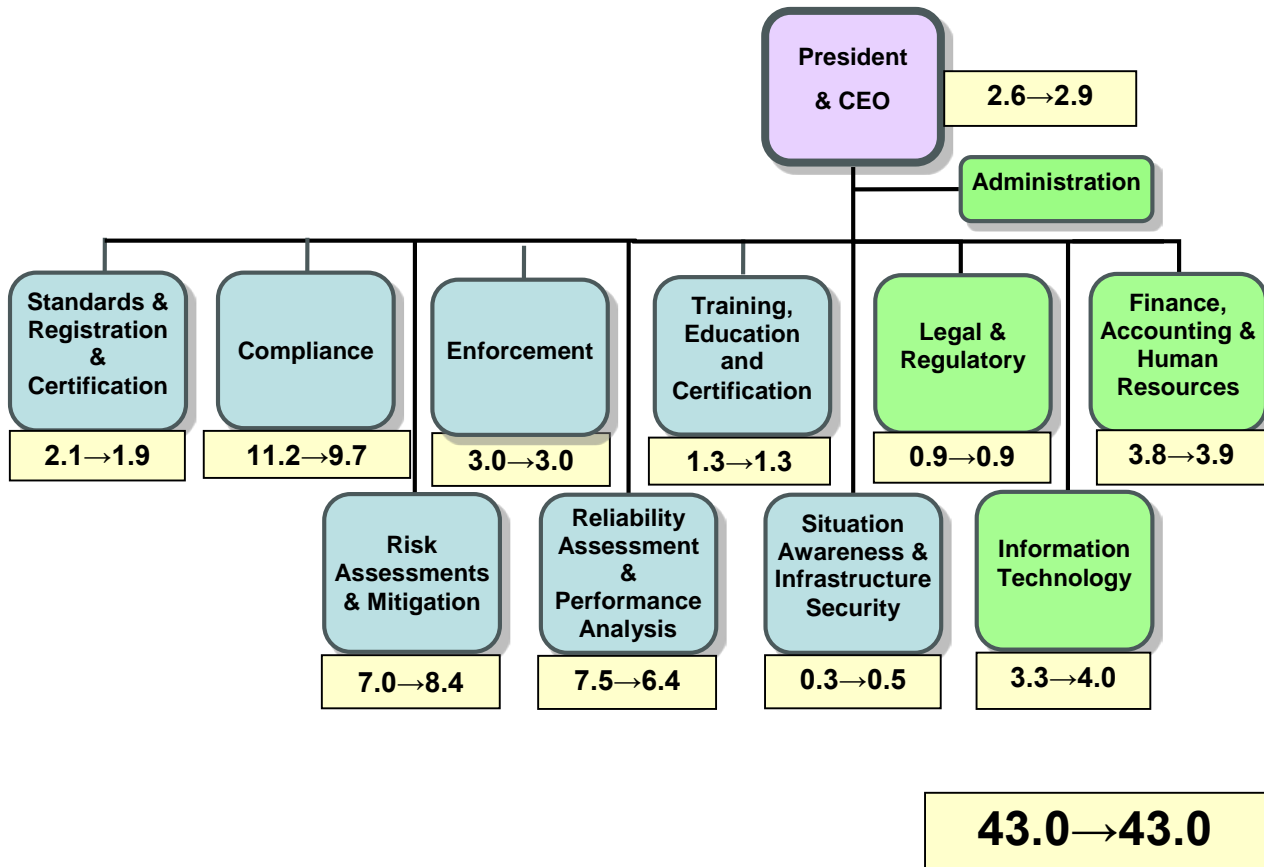
Table D-2. Statement of Financial Position, Three-Year Comparison

Appendix A

Organization Chart

The MRO Organization Chart is shown below.

2016 to 2017 Full Time Equivalent (FTE) Comparison Organization Chart



FTE Trend from 2015 to 2019

2015	2016	2017	2018 Estimate	2019 Estimate
42.5	43.0	43.0	43.0	43.0

Figure 2. Organization Chart

Appendix B

Acronyms

This section lists acronyms used in this document.

Acronym	Definition
APDA	American Power Dispatchers Association
BA	Balancing Authority
BES	Bulk Electric System
BPS	Bulk Power System
CDMS	Compliance Data Management System
CFR	Coordinated Functional Registration
CI	Compliance Investigation
CIP	Critical Infrastructure Protection
CMEP	Compliance Monitoring and Enforcement Program
DIP	Days in Process
EMS	Energy Management System
ERAG	Eastern Interconnection Reliability Assessment Group
ERO	Electric Reliability Organization
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FTE	Full-Time Equivalent
GMD	Geomagnetic Disturbance
IRA	Inherent Risk Assessment
ISO	Independent System Operator
IT	Information Technology
JRO	Joint Registration Organization
MC	Management Committee
MCCF	Mid-Continent Compliance Forum
MRO	Midwest Reliability Organization
NERC	North American Electric Reliability Corporation
OC	Operating Committee
PC	Planning Committee
PV	Possible Violation
RAI	Reliability Assurance Initiative
RAM	Risk Assessment and Mitigation

RAPA	Reliability Assessment and Performance Analysis
RC	Reliability Coordinator
RE	Regional Entity
RRO	Regional Reliability Organization
RTO	Regional Transmission Organization
SAR	Standards Authorization Request
SC	Standards Committee
SCADA	Supervisory Control and Data Acquisition
SME	Subject Matter Expert
TFE	Technical Feasibility Exception
TOP	Transmission Operator
VEBA	Voluntary Employee Beneficiary Association

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