



# **Midwest Reliability Organization Draft 2022 Business Plan and Budget**

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Draft

## Introduction

The following table summarizes the 2022 Midwest Reliability Organization (MRO) budget.

TOTAL RESOURCES (in whole dollars)				
	2022 Budget	U.S.	Canada	Mexico
Statutory FTEs	71.00			
Non-statutory FTEs				
<b>Total FTEs</b>	71.00			
Statutory Expenses	\$ 19,909,361			
Non-Statutory Expenses	\$ -			
<b>Total Expenses</b>	\$ 19,909,361			
Statutory Inc(Dec) in Fixed Assets	\$ 125,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
<b>Total Inc(Dec) in Fixed Assets</b>	\$ 125,000			
Assessment Stabilization Adjustment	\$ (2,201,948)			
Non-Statutory Stabilization Adjustment				
<b>Total Assessment Stabilization Adjustment</b>	\$ (2,201,948)			
Total Statutory Funding Requirement	\$ 17,832,414			
Total Non-Statutory Funding Requirement	\$ -			
<b>Total Funding Requirement</b>	\$ 17,832,414			
<b>Statutory Funding Assessments</b>	\$ 17,832,414	\$ 15,806,979	\$ 2,025,435	-
<b>Non-Statutory Fees</b>				
NEL	491,563,306	440,703,906	50,859,400	-
NEL%	100.00%	89.65%	10.35%	0.00%

**Table 1. MRO 2022 Budget**

### Organizational Overview

MRO is a Delaware nonprofit<sup>1</sup> corporation that is a cross-border Regional Entity<sup>2</sup> operating under a delegation agreement (Delegation Agreement) with the North American Electric Reliability Corporation (NERC)<sup>3</sup> and in accordance with the MRO Bylaws. The MRO Region

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

<sup>2</sup> 16 U.S.C. § 824o(a)(7)

<sup>3</sup> The Commission certified NERC as the Electric Reliability Organization (ERO) in accordance with Section 215 of the Federal Power Act on July 20, 2006. *N. Am. Elec. Reliability Corp.*, 116 FERC ¶ 61, 062 (2006) (“ERO Certification Order”), *order on reh’g and compliance*, 117 FERC ¶ 61, 126 (2006), *aff’d sub nom. Alcoa Inc. v. FERC*, 564 F.3d 342 (D.C. Cir. 2009).

covers central North America and includes all or portions of 16 states within the United States,<sup>4</sup> and the Canadian provinces of Saskatchewan and Manitoba. MRO's current Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC)<sup>5</sup> pursuant to FERC's authority under the Federal Power Act (FPA)<sup>6</sup> and is effective through December 31, 2025.

MRO's vision is:

*"A highly reliable and secure North American bulk power system."*

MRO's mission is:

*"To identify, prioritize and assure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system by promoting Highly Effective Reliability Organizations® (HEROs)."*

MRO's vision and mission align with, and support, the Electric Reliability Organization (ERO) Enterprise's<sup>7</sup> vision and mission.<sup>8</sup>

Further, MRO supports the ERO Enterprise Long-Term Strategy.<sup>9</sup> Working closely with registered entities and subject matter experts in the MRO Region, MRO continually identifies and assesses risks to reliability of the regional bulk power system. Region-specific activities to support the direction of the ERO Enterprise and address regional risks are reflected in MRO's Strategic Plan, Operating Objectives and Supporting Activities (MRO Strategic Plan).

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

### **MRO Core Principles**

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

- **Accountability**
  - *Maintain the public trust in fulfilling responsibilities and use our funding wisely.*
  - *Act in a timely manner on the basis of facts to address issues related to events, emerging reliability risks, the needs of stakeholders, and the public interest.*

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<sup>4</sup> The MRO Region covers the states of Iowa, Kansas, Nebraska, Minnesota, North Dakota, and Oklahoma; and portions of Arkansas, Illinois, Louisiana, Michigan, Missouri, Montana, New Mexico, South Dakota, Texas, and Wisconsin.

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

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

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

<sup>8</sup> MRO expands upon the ERO Enterprise mission statement *"To assure the effective and efficient reduction of risks to the reliability and security of the grid"* adding the concepts of identifying and prioritizing mitigation of risks and to include the High Reliability Organization (HRO) theory and principles, which MRO brands as "HERO." Although this is not explicitly included in the ERO Enterprise mission statement, NERC also promotes the HRO theory.

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

<sup>10</sup> MRO made three additions in keeping with the ERO Enterprise Core Principles: 1) the addition of accountability for clarity, assurance, and results; 2) an addition to articulate using funding wisely; and 3) a description of how to strive for operational excellence.

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

## Membership and Governance

MRO membership<sup>11</sup> consists of members and adjunct members. As of April 2021, MRO had 83 members, seven of which are non-voting, adjunct members. Each voting member organization belongs to one of seven industry sectors:

- Transmission System Operator
- Generator and/or Power Marketer
- Investor Owned Utility
- Cooperative
- Municipal Utility
- Federal Power Marketing Agency
- Canadian Utility

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

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

- Finance and Audit Committee (FAC)
- Governance and Personnel Committee (GPC)
- Organizational Group Oversight Committee (OGOC)

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

The board has established three advisory councils comprised of stakeholder members:

- Compliance Monitoring and Enforcement Program Advisory Council (CMEPAC)
- Reliability Advisory Council (RAC)
- Security Advisory Council (SAC)

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

Each advisory council may have subgroups that it oversees. All organizational group charters are published on MRO's website. Board-approved *Policy and Procedure 3: Establishment, Responsibilities, and Procedures of Organizational Groups and MRO Sponsored Representatives on NERC Organizational Groups* sets out the processes for the organizational groups and MRO sponsored NERC Representatives. The three most active groups are the NERC Standards Review Forum (NSRF) which meets weekly to discuss ongoing NERC Standards projects, the Protective Relay Subgroup (PRS) which focuses on protection system misoperations and reviews power system events in the Region, and the Security Advisory Council Threat Forum (SACTF), which meets weekly in a trusted forum with E-ISAC staff to discuss timely threat information for the power industry. During 2020 and 2021, the SACTF conducted a second weekly call for MRO members to share best practices related to COVID-19 impacts on the reliable and secure operation of the BPS.

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

### Business Plan and Budget Development

Each year, MRO prepares a Business Plan and Budget for the following calendar year. The Business Plan and Budget takes into account the ERO Enterprise Long-Term Strategy and the MRO Strategic Plan. MRO staff develops the Business Plan and Budget with board and stakeholder input. The Business Plan and Budget process is a coordinated effort with NERC and the other Regional Entities.

NERC and the Regional Entities implement revisions to the Statement of Activities (SOA) report from time-to-time to address compliance with changing accounting standards in accordance with GAAP. The report is also presented in a fashion that improves the effectiveness of the report to the reader and to provide a total budget amount that more closely reflects the amount of annual revenues required from assessments and other funding sources.

The draft Business Plan and Budget is reviewed by the MRO FAC and the board, and is subsequently posted for stakeholder comment. After consideration of stakeholder comments, but prior to obtaining final approval from its board of directors, MRO seeks NERC input. The MRO Board considers the final version of the Business Plan and Budget at its second quarter meeting, and upon approval, staff submits it to NERC for approval by NERC's Board of Trustees. Upon approval of NERC's Business Plan and Budget and all six Regional Entities' Business Plans and Budgets, a filing is submitted to FERC for approval, which is typically obtained in October or November of the year preceding the budget year.

### **Financial Policies and Controls**

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

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

### **Accounting and Recordkeeping**

MRO uses Generally Accepted Accounting Principles (GAAP) to consistently record its financial transactions, and uses a Chart of Accounts based on NERC's System of Accounts, as required in the Delegation Agreement. Additionally, MRO maintains an accounting manual to provide instructions to accounting staff on accounting transactions and functions. MRO maintains its books on an accrual basis with monthly closings, recognizing revenues when earned and expenses when incurred. The majority of MRO expenses are labor and benefit costs. General and Administrative costs are allocated to each MRO program area based on the number of full-time equivalents (FTEs) in each program area.

### **Organizational Structure and Staffing**

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

### **Statutory Programs and Departments**

- The Reliability Standards Program is responsible for monitoring NERC Reliability Standards projects, supporting the NERC Standards Review Forum, coordinating SME teams as necessary, and providing MRO representation in the balloting of standards. The oversight of this program is performed under the Risk Assessment and Mitigation Department.
- The Compliance Monitoring Department encompasses MRO's oversight activities (including the development of Compliance Oversight Plans (COPs)) and conducts oversight activities such as audits, spot checks, and self-certifications. This department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.
- MRO's Risk Assessment and Mitigation (RAM) Department is responsible for providing an independent review of all identified potential noncompliances in the MRO Region.



RAM assesses the risk that potential noncompliances pose to the Bulk Electric System (BES) and ensures that mitigation activities not only address the immediate issue, but also prevent recurrence. The RAM Department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.

- The Enforcement Department is responsible for the disposition and enforcement of noncompliance with Reliability Standards and is managed by a director who reports to the Vice President, General Counsel and Corporate Secretary.
- The Reliability Analysis Department is responsible for reliability assessments, performance analysis, event analysis, situational awareness, and organization registration and certification. This department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.
- The Security Department focuses on activities to promote identification, assessment, mitigation, and communication of cyber, physical, and operational security risks to the North American bulk power system. This department is managed by a director who reports to the Senior Vice President and Chief Operating Officer.

### General and Administrative Departments

- The Information Technology (IT) Department is responsible for providing a secure network infrastructure and information technology systems that support the users. Systems include IT, cyber, and physical security. This department is managed by a director who reports to the Vice President and Engineer for Strategy, Innovation, and Finance.
- The Legal Department is responsible for providing advice to MRO on legal and regulatory matters. The department is led by the Vice President, General Counsel and Corporate Secretary who, along with the Assistant Corporate Secretary and Senior Counsel, provides legal advice to MRO. Internal and external MRO communications matters are also overseen by a director who reports to the Vice President, General Counsel and Corporate Secretary.
- The Human Resource Department performs all employee-related functions, including benefits administration, recruitment, retention, and talent management. This department includes a director who reports to the Vice President and Engineer for Strategy, Innovation, and Finance.
- The Finance and Accounting Department performs accounting, finance, budget, event planning, facilities management, and treasury functions and reports to the Vice President and Engineer for Strategy, Innovation, and Finance, who is also the Corporate Compliance Officer.
- The General and Administrative Department reports to MRO's President and CEO and performs normal administrative functions for the President and CEO and the Vice President, General Counsel and Corporate Secretary.

### 2022 Strategic Priorities

The MRO President and CEO has established three strategic priorities for MRO staff in 2022:

- *Execute* NERC delegated functions; and
- *Align* our efforts with others across the ERO Enterprise; and
- *Enhance* our focus on risk.

**Execute NERC delegated functions.** MRO will identify, prioritize, and ensure effective and efficient mitigation of risks to the reliability and security of the North American bulk power

system across our geographical footprint. MRO must continue to execute its delegated functions with a high degree of accuracy pursuant to its principles for all MRO registered entities, including Compliance Monitoring and Enforcement Program (CMEP) activities, event analysis, performance analysis, and reliability assessments.

**Align our efforts with others across the ERO Enterprise.** MRO will remain aligned with the ERO Enterprise and will continue to provide support to ERO Enterprise goals and the ERO Enterprise Long-Term Strategy. This alignment is critical to sustaining effective and efficient operations and producing optimal results.

**Enhance our focus on risk.** MRO will develop and deliver innovative and risk-based programs and tools. MRO will continue to deliver risk-based outreach and CMEP activities, as well as continue to mature its internal approach to identifying, prioritizing, and managing corporate risks.

## 2022 Key Strategic Goals and Supporting Activities

### **ERO Enterprise Model and Transformation**

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a high reliable and secure North American bulk power system (BPS). Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

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

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations was established in 2019, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles;
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work;
- Collaborate to develop clear and consistent guidance across the ERO Enterprise;
- Share information, knowledge, and resources across the ERO Enterprise;
- Develop and share harmonized messages across ERO Enterprise communications; and

- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

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



### ERO Enterprise Strategic and Operational Planning

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regions, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership came together to revise the **ERO Enterprise Long-Term Strategy** as part of an effort to streamline its strategic and operational documents and ensure alignment with the NERC Reliability Issues Steering Committee's (RISC's) currently identified BPS risks. This strategy, which was approved by the NERC Board of Trustees (Board) on December 12, 2019, and reaffirmed by ERO Enterprise leadership in September 2020, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs;
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial **ERO Reliability Risk Priorities Report**;
3. Build a strong, Electricity Information Sharing and Analysis Center (E-ISAC)-based security capability;
4. Strengthen engagement across the reliability and security ecosystem in North America; and
5. Capture effectiveness, efficiency, and continuous improvement opportunities.

As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate. Program area narratives in each organization's Business Plan and Budget may reference how activities support each of the strategic focus areas.

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

MRO supports the ERO Enterprise's Long-Term Strategy through the execution of MRO's strategic goals:

Goal 1: Risk-Responsive Reliability Standards

Goal 2: Objective, Risk Informed Entity Registration, Compliance Monitoring, Mitigation, and Enforcement

Goal 3: Reduction of Known Reliability Risks

Goal 4: Identification and Assessment of Emerging Reliability Risks

Goal 5: Identification and Reduction of Cyber and Physical Security Risks

Goal 6: Improving ERO Enterprise Efficiency and Effectiveness

MRO annually develops objectives and supporting activities in support of these strategic goals.

## 2022 Overview of Cost Impacts

In developing MRO's 2022 Business Plan and Budget (2022 BP&B), MRO used shared assumptions, in developing this 2022 BP&B. Prior to obtaining final approval from its board of directors, MRO seeks NERC input and review of its annual Regional Entity BP&B, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

Overall, the MRO 2022 statutory expenses (\$20.0M) increased by 8.8 percent from the 2021 statutory expenses (\$18.4M). The 2022 statutory assessment (\$17.8M) represents a 5 percent increase from the 2021 assessment. A key factor of the assessment determination was the consideration towards the state of the economy within a pandemic environment. MRO proposes to use its reserves to manage the variance between the budgeted expenses and the assessments.

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<sup>12</sup> The 2021 ERO Work Plan Priorities were approved by the Board in November 2020. NERC management and the Board evaluate annual work plan priorities throughout the year.

Other significant statutory expense changes (including capital expenditures) in the 2022 BP&B compared to its 2021 budget include:

- **Increase in FTEs.** MRO's personnel resources were evaluated for additional personnel needs. The evaluation determined a need for five additional staff to sustain and enhance strategic activities in the upcoming year. Two staff persons will be added to support administrative programs in the area of human resources and information technology. Three staff persons will be added to the operational programs to address CMEP and infrastructure security initiatives. Total FTEs increase from 66 to 71 in the 2022 BP&B.
- **Increase in Salaries.** MRO completed a comprehensive review of all of its positions in 2019, to remain competitive with the job market. Current competitive salaries were increased by three percent.
- **Increase in Benefits.** MRO measured the average cost in its health premiums per employee based on premium cost assumptions, which are higher than budgeted in 2021. A proposed increase to FTEs also result in benefit costs being higher than in the 2021 budget. The per-employee cost is applied to each department based on FTEs.
- **Decrease in Meetings and Travel.**<sup>13</sup> MRO will host the majority of its in-person educational events to support mitigation and outreach strategies for addressing identified risks at its Saint Paul office. There is one off-site workshop planned in the southern area of the MRO Region. Increased usage of virtual platforms for meetings and events aid in the reduction of travel. Historic cost trends and emerging trends in use of virtual technology were used to adjust travel cost estimates in 2022.
- **Increase in Consultant and Contract Support.** The majority of MRO's consultants and contracts are in IT and Compliance. These programs utilize additional technical support to maintain MRO's IT infrastructure and support newly implemented ERO-wide applications and tools.
- **Decrease in Office Rent.** Office rent is adjusted as a result of improved cost assumptions based on actual expenses.
- **Other Operating Expenses.** Other operating expenses are decreasing to reflect a reduction in the use of external support in some administrative service areas and reduced cost in office supplies.

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<sup>13</sup> The extent to which COVID-19 assumptions impact meetings and travel in 2022 is based on current trends in travel and use of virtual technology. Meetings and travel are not presumed to return to pre-COVID-19 levels in 2022.

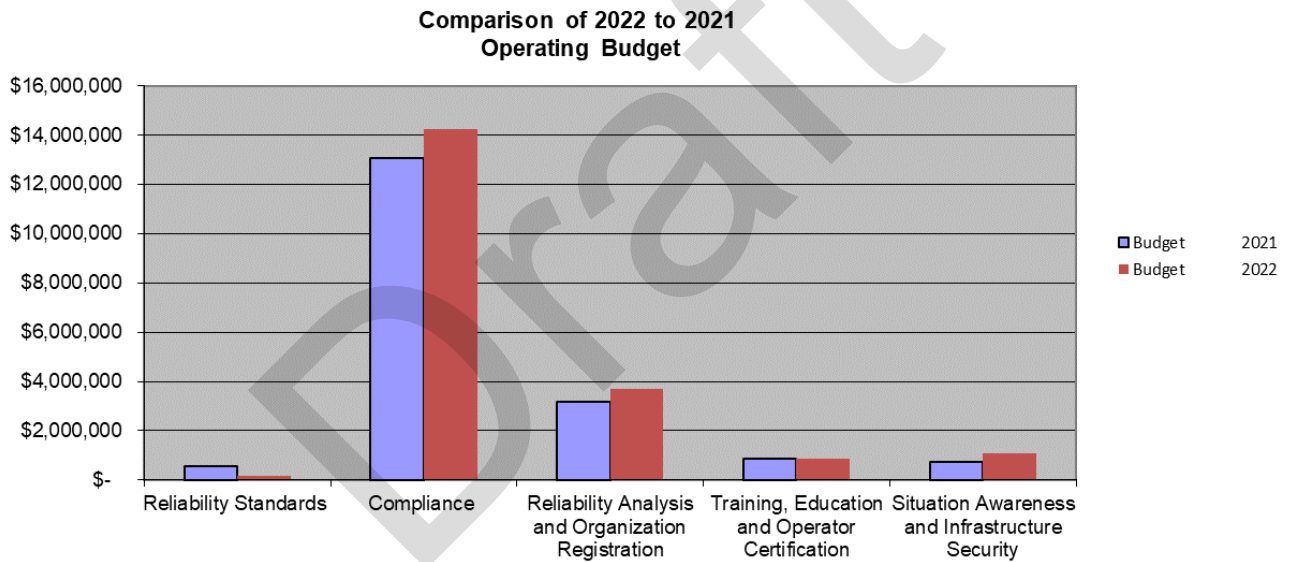
## Comparison of 2022 and 2021 Statutory Budgets

The following table and figure summarize and illustrate MRO’s 2022 BP&B by program area.

Base Operating Budget	Budget	Projection	Budget	Variance	
	2021	2021	2022	2022 Budget v 2021 Budget	Variance %
Reliability Standards	559,677	559,677	158,553	(401,124)	-71.7%
Compliance Enforcement	13,056,084	13,056,084	14,238,948	1,182,864	9.1%
Reliability Analysis and Organization Registration	3,193,130	3,193,130	3,692,737	499,607	15.6%
Training, Education and Operator Certification	857,332	857,332	858,992	1,660	0.2%
Situation Awareness and Infrastructure Security	745,980	745,980	1,085,132	339,152	45.5%
<b>Total</b>	<b>18,412,202</b>	<b>18,412,202</b>	<b>20,034,361</b>	<b>1,622,159</b>	<b>8.8%</b>

This table combines Compliance Monitoring, Risk Assessment and Mitigation, and Enforcement.

**Table 2. Budget by Program Area**



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

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget 2021	Budget 2022	Variance from 2021 Budget
<b>STATUTORY</b>			
<b>Operational Programs</b>			
Reliability Standards	1.50	0.45	(1.05)
Compliance	18.00	19.01	1.01
Compliance Risk Assessment and Mitigation	16.00	15.68	(0.32)
Compliance Enforcement	2.00	1.87	(0.13)
Training and Education	2.16	1.89	(0.27)
Reliability Analysis and Organization and Certification	8.34	9.13	0.79
Situation Awareness and Infrastructure Security	2.00	2.95	0.95
<b>Total FTEs Operational Programs</b>	<b>50.00</b>	<b>50.98</b>	<b>0.98</b>
<b>Administrative Programs</b>			
Technical Committees and Member Forums	-	-	-
General and Administrative	3.36	2.75	(0.61)
Legal	1.55	2.79	1.24
Information Technology	6.00	7.98	1.98
Human Resources	1.29	2.15	0.86
Finance and Accounting	3.80	4.35	0.55
<b>Total FTEs Administrative Programs</b>	<b>16.00</b>	<b>20.02</b>	<b>4.02</b>
<b>Total FTEs</b>	<b>66.00</b>	<b>71.00</b>	<b>5.00</b>

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

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

**2021 Budget and Projection and 2022 Budget Comparisons**

The following table lists the 2021 budget and projection compared to the 2022 budget.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2021 Budget &amp; Projection, and 2022 Budget</b>					
STATUTORY					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2022 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 16,983,251	\$ 16,983,251	\$ -	\$ 17,832,414	\$ 849,162
Penalties Released*	360,504	360,504	-	458,250	97,746
<b>Total Funding (A)</b>	<b>\$ 17,343,755</b>	<b>\$ 17,343,755</b>	<b>\$ -</b>	<b>\$ 18,290,664</b>	<b>\$ 946,908</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 10,059,263	\$ 10,059,263	\$ -	\$ 11,416,562	\$ 1,357,299
Payroll Taxes	\$ 631,891	\$ 631,891	-	744,165	112,275
Benefits	\$ 1,064,375	\$ 1,064,375	-	1,193,996	129,621
Retirement Costs	\$ 1,528,209	\$ 1,528,209	-	1,922,258	394,048
<b>Total Personnel Expenses</b>	<b>\$ 13,283,737</b>	<b>\$ 13,283,737</b>	<b>\$ -</b>	<b>\$ 15,276,980</b>	<b>\$ 1,993,243</b>
<b>Meeting Expenses</b>					
Meetings & Conference Calls	\$ 204,900	\$ 204,900	\$ -	\$ 178,877	\$ (26,023)
Travel	\$ 739,967	\$ 739,967	-	581,670	(158,297)
<b>Total Meeting Expenses</b>	<b>\$ 944,867</b>	<b>\$ 944,867</b>	<b>\$ -</b>	<b>\$ 760,547</b>	<b>\$ (184,320)</b>
<b>Operating Expenses, excluding Depreciation</b>					
Consultants & Contracts	\$ 1,339,701	\$ 1,339,701	\$ -	\$ 1,204,800	\$ (134,901)
Office Rent	\$ 1,168,700	\$ 1,168,700	-	1,132,100	(36,600)
Office Costs	\$ 905,697	\$ 905,697	-	967,934	62,237
Professional Services	\$ 519,500	\$ 519,500	-	567,000	47,500
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 3,933,598</b>	<b>\$ 3,933,598</b>	<b>\$ -</b>	<b>\$ 3,871,834</b>	<b>\$ (61,764)</b>
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Indirect Expenses</b>	\$ -	\$ -	-	\$ -	-
<b>Total Expenses (B)</b>	<b>\$ 18,162,202</b>	<b>\$ 18,162,202</b>	<b>\$ -</b>	<b>\$ 19,909,361</b>	<b>\$ 1,747,159</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ (818,447)</b>	<b>\$ (818,447)</b>	<b>\$ -</b>	<b>\$ (1,618,698)</b>	<b>\$ (800,251)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>	<b>125,000</b>	<b>(125,000)</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 18,412,202</b>	<b>\$ 18,412,202</b>	<b>\$ -</b>	<b>\$ 20,034,361</b>	<b>\$ 1,622,159</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ (1,068,447)</b>	<b>\$ (1,068,447)</b>	<b>\$ -</b>	<b>\$ (1,743,698)</b>	<b>\$ (675,251)</b>
<b>FTEs</b>	<b>66.00</b>	<b>66.00</b>	<b>-</b>	<b>71.00</b>	<b>5.00</b>

**Table 4. 2021 Budget and Projection and 2022 Comparisons<sup>14</sup>**

<sup>14</sup> \*Penalties released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve (ASR) to offset U.S. assessments as approved by the NERC Board of Trustees and FERC. Actual penalties invoiced in the current reporting year are shown as an increase in the ASR on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).





## Section A – Statutory Programs

### Reliability Standards Program

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

Reliability Standards Program (in whole dollars)			
	2021 Budget	2022 Budget	Increase (Decrease)
Total FTEs	1.50	0.45	(1.05)
Direct Expenses	\$ 344,886	\$ 88,447	\$ (256,439)
Indirect Expenses	\$ 207,291	\$ 69,003	\$ (138,288)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 7,500	\$ 1,103	\$ (6,397)
Total Funding Requirement	\$ 559,677	\$ 158,553	\$ (401,125)

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

### Reliability Standards

#### Program Scope and Functional Description

MRO's efforts related to NERC Reliability Standards support NERC's stakeholder-driven processes to develop and maintain risk-responsive Reliability Standards by providing feedback into the standards process, conducting outreach during standards development, and providing clarity to industry on enforceable standards and requirements. MRO's CMEPAC and its subgroups develop Standard Application Guides (SAGs), comment on NERC Standard Authorization Requests, and participate in standards development.

MRO's Reliability Standards Program activities support the ERO Enterprise Long-Term Strategy through the execution of MRO's Strategic Goal 1.

#### Goal 1: Risk-Responsive Reliability Standards

*Reliability Standards establish threshold requirements for ensuring the BES is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the BPS. Reliability Standards are clear, timely, effective in mitigating risks to reliability, and consider cost-effectiveness/impact.*

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

Workload and travel for Reliability Standards staff will stabilize as staff conducts the supporting activities for Goal 1. Member travel will decrease as virtual conferences and meetings become more common.

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

Workload for Organizational Registration and Certification is stable in 2022. MRO anticipates two certification reviews in 2022.

## Reliability Standards Program Resource Requirements

### Overall Budget Change 2022 vs 2021 (Decrease \$400K, 71.7%)

Overall, activities in this area have decreased leading to a budget reduction in 2022. Subject matter expert teams that develop SAGs were moved under the CMEPAC, and member travel reimbursement costs for outreach support in this area is reduced for 2022.

The budget for this function had received increases in prior years to meet demands for NERC-led Review Panels and the development of a new registration tool. Completion of those initiatives has reduced the need for resources in this program.

### Personnel Expenses (Decrease \$231K, 74.2%)

The average salary increase was budgeted at 3 percent. However, MRO shifted staff resources to meet priorities in other program areas. This resulted in lower allocation of labor hours to this program.

### Meeting Expenses (Decrease \$18.5K, 70.1%)

There is an overall travel expense decrease for staff travel. Travel dollars for participation on ERO working groups, the Align project, and member travel for organizational group face-to-face meetings trended very low in prior years. It is anticipated that these costs will further decrease due to increased use of virtual technology.

### Indirect Expenses (Decrease \$138K, 66.7%)

There is an overall decrease in administrative services expenditures that are allocated to the operational programs based on the program's FTEs. The allocation of indirect costs is lower due to the reduced FTE in this program.

## Reliability Standards Budget Details

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2021 Budget & Projection, and 2022 Budget					
STANDARDS					
	2021	2021	Variance	2022	Variance
	Budget	Projection	2021 Projection v 2021 Budget Over(Under)	Budget	2022 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 548,862	\$ 548,862	\$ -	\$ 154,508	\$ (394,353)
Penalties Released*	10,815	10,815	-	4,045	(6,770)
<b>Total Funding (A)</b>	<b>\$ 559,677</b>	<b>\$ 559,677</b>		<b>\$ 158,553</b>	<b>\$ (401,124)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 233,737	\$ 233,737	\$ -	\$ 58,474	\$ (175,262)
Payroll Taxes	14,862	14,862	-	3,914	(10,947)
Benefits	26,129	26,129	-	7,319	(18,811)
Retirement Costs	37,175	37,175	-	10,839	(26,336)
<b>Total Personnel Expenses</b>	<b>\$ 311,903</b>	<b>\$ 311,903</b>	<b>\$ -</b>	<b>\$ 80,547</b>	<b>\$ (231,356)</b>
<b>Meeting Expenses</b>					
Meetings	\$ 1,400	\$ 1,400	\$ -	\$ 1,400	\$ -
Travel	25,000	25,000	-	6,500	(18,500)
<b>Total Meeting Expenses</b>	<b>\$ 26,400</b>	<b>\$ 26,400</b>	<b>\$ -</b>	<b>\$ 7,900</b>	<b>\$ (18,500)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	6,583	6,583	-	-	(6,583)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 6,583</b>	<b>\$ 6,583</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,583)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 207,291</b>	<b>\$ 207,291</b>	<b>\$ -</b>	<b>\$ 69,003</b>	<b>\$ (138,288)</b>
<b>Total Expenses (B)</b>	<b>\$ 552,177</b>	<b>\$ 552,177</b>	<b>\$ -</b>	<b>\$ 157,450</b>	<b>\$ (394,727)</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 7,500</b>	<b>\$ 7,500</b>	<b>\$ -</b>	<b>\$ 1,103</b>	<b>\$ (6,397)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>7,500</b>	<b>7,500</b>	<b>-</b>	<b>1,103</b>	<b>(6,397)</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 559,677</b>	<b>\$ 559,677</b>	<b>\$ -</b>	<b>\$ 158,553</b>	<b>\$ (401,124)</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
FTEs	1.50	1.50	-	0.45	(1.05)

Table A-2. Reliability Standards Budget Detail

## Compliance Monitoring and Enforcement Program

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

<b>Compliance Monitoring and Enforcement Program</b> (in whole dollars)			
	2021 Budget	2022 Budget	Increase (Decrease)
Total FTEs	36.00	36.56	0.56
Direct Expenses	\$ 7,901,109	\$ 8,543,197	\$ 642,089
Indirect Expenses	\$ 4,974,975	\$ 5,606,108	\$ 631,133
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 180,000	\$ 89,643	\$ (90,357)
Total Funding Requirement	\$ 13,056,084	\$ 14,238,948	\$ 1,182,865

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

### Program Scope and Functional Description

MRO's CMEP work is performed by three departments: Compliance Monitoring, Risk Assessment and Mitigation (RAM), and Enforcement, creating an effective "check and balance" for making decisions about noncompliance and enforcement. MRO's RAM Department develops Inherent Risk Assessments (IRAs) for registered entities; Compliance Monitoring uses the IRA along with entity performance, internal controls, and other qualitative assessments to develop Compliance Oversight Plans (COPs) and conduct compliance monitoring for registered entities. In addition, RAM conducts risk assessments for registered entity noncompliances and violations, and evaluates and monitors mitigation efforts and processes and submits Compliance Exception notifications. Enforcement processes noncompliances and violations using risk-based disposition methods, including any penalty determinations.

MRO staff will perform CMEP activities for approximately 220 registered entities in 2022. The Compliance Monitoring Department will conduct approximately 20 audits in 2022. MRO will also contribute to audits, as needed, for entities that participate in coordinated oversight where MRO is the Affected Regional Entity. The Enforcement Department will review registered entity participation in the Self-Logging Program. The CMEP also supports the MRO CMEPAC and ERO Enterprise CMEP activities.

MRO's Compliance Monitoring, RAM, and Enforcement departments support ERO Enterprise efforts to appropriately monitor and enforce compliance as outlined in the ERO Enterprise Long-Term Strategy through the execution of MRO's Strategic Goals 1-4.

### Goal 1: Risk-Responsive Reliability Standards

*Reliability Standards establish threshold requirements for ensuring the BES is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the BPS. Reliability Standards are clear, timely, effective in mitigating risks to reliability, and consider cost-effectiveness/impact.*

### Goal 2: Objective, Risk-Informed Entity Registration, Compliance Monitoring, Mitigation, and Enforcement

*The ERO Enterprise is a strong enforcement authority that is objective, fair, and promotes a culture of reliability excellence through risk-informed compliance monitoring, mitigation, enforcement, and registration.*

### **Goal 3: Reduction of Known Reliability Risks**

*The ERO Enterprise recognizes significant known risks to reliability, assures those reliability risks are reduced, and promotes a culture of reliability excellence.*

### **Goal 4: Identification and Assessment of Emerging Reliability Risks**

*The ERO Enterprise identifies, objectively assesses, and prioritizes emerging risks to reliability to inform stakeholders and enable effective actions to reduce these risks to reliability.*

### **Impact on Resource Needs**

Staffing for these departments will increase in 2022, with one-half FTE added in Compliance Monitoring. In addition to regular oversight work, the CMEP departments will dedicate resources to support the development and implementation of the ERO Enterprise Align Project and the ERO Secure Evidence Locker, which are shared technology platforms that provide consistency and alignment of CMEP processes across NERC and the Regional Entities. The department's proposed resource additions will further the development of the Aggregated Risk program. This program will utilize Self-Certifications to monitor the risks associated with standards that have an increased likelihood of common mode failures across multiple organizations. The combination of the Aggregated Risk program and the CMEP Implementation Plan is leading to an increased use of Self-Certifications as a monitoring method. These initiatives effectively focus on assessment and mitigation of reliability and security risk to the bulk power system involving lower risk registered entities in aggregate.

Compliance Monitoring and Enforcement Program Resource Requirements

### **Overall Budget Change 2022 vs 2021 (Increase \$1.2M, 9.1%)**

The budget increase for 2022 is due to the increase in FTEs to this program and the increase in indirect expense.

### **Personnel Expenses (Increase \$821K, 11.8%)**

The average salary increase was budgeted at 3 percent. One-half additional FTE will be added to this program. Benefits increased due to projected increase in medical premium costs.

### **Meeting Expenses (Increase \$19K, 8.8%)**

There is an overall travel expense increase for both staff travel and member reimbursement. This increase is primarily attributed to the expectation that on-site audits will last longer due to the ERO Enterprise's increased focus on internal controls during monitoring activities, as well as additional FTEs that will also travel. It is anticipated that the state of travel with regard to compliance monitoring will recover as the restrictions in place during the global pandemic lessen.

### **Indirect Expenses (Increase \$631K, 12.7%)**

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

## Compliance Monitoring and Enforcement Program Budget Detail

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

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2021 Budget &amp; Projection, and 2022 Budget</b>					
<b>COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM</b>					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2022 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 12,796,521	\$ 12,796,521		\$ 13,910,317	\$ 1,113,795
Penalties Released*	259,563	259,563		328,631	69,068
<b>Total Funding (A)</b>	<b>\$ 13,056,084</b>	<b>\$ 13,056,084</b>		<b>\$ 14,238,948</b>	<b>\$ 1,182,864</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 5,282,183	\$ 5,282,183	\$ -	\$ 5,792,149	\$ 509,966
Payroll Taxes	340,856	340,856	-	399,863	59,006
Benefits	557,406	557,406	-	613,759	56,353
Retirement Costs	791,450	791,450	-	987,129	195,679
<b>Total Personnel Expenses</b>	<b>\$ 6,971,895</b>	<b>\$ 6,971,895</b>	<b>\$ -</b>	<b>\$ 7,792,900</b>	<b>\$ 821,005</b>
<b>Meeting Expenses</b>					
Meetings	\$ 10,500	\$ 10,500	\$ -	\$ 11,500	\$ 1,000
Travel	206,300	206,300	-	224,470	18,170
<b>Total Meeting Expenses</b>	<b>\$ 216,800</b>	<b>\$ 216,800</b>	<b>\$ -</b>	<b>\$ 235,970</b>	<b>\$ 19,170</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 583,394	\$ 583,394	\$ -	\$ 383,382	\$ (200,012)
Office Rent	-	-	-	-	-
Office Costs	129,020	129,020	-	130,945	1,925
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 712,414</b>	<b>\$ 712,414</b>	<b>\$ -</b>	<b>\$ 514,327</b>	<b>\$ (198,087)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 4,974,975</b>	<b>\$ 4,974,975</b>	<b>\$ -</b>	<b>\$ 5,606,108</b>	<b>\$ 631,133</b>
<b>Total Expenses (B)</b>	<b>\$ 12,876,084</b>	<b>\$ 12,876,084</b>	<b>\$ -</b>	<b>\$ 14,149,305</b>	<b>\$ 1,273,221</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 180,000</b>	<b>\$ 180,000</b>	<b>\$ -</b>	<b>\$ 89,643</b>	<b>\$ (90,357)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 180,000</b>	<b>180,000</b>	<b>-</b>	<b>89,643</b>	<b>(90,357)</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 13,056,084</b>	<b>\$ 13,056,084</b>	<b>\$ -</b>	<b>\$ 14,238,948</b>	<b>\$ 1,182,864</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	36.00	36.00	-	36.56	0.56

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

## Reliability Analysis and Organization Registration Program

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

<b>Reliability Analysis and Organization Registration and Certification</b> (in whole dollars)			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	8.34	9.13	0.79
Direct Expenses	\$ 1,998,894	\$ 2,270,357	\$ 271,463
Indirect Expenses	\$ 1,152,536	\$ 1,399,994	\$ 247,458
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 41,700	\$ 22,386	\$ (19,314)
Total Funding Requirement	\$ 3,193,130	\$ 3,692,737	\$ 499,606

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

### Program Scope and Functional Description

MRO's Reliability Analysis Department performs Reliability Assessments, Performance Analysis, and Event Analysis. NERC's Reliability Assessment Program includes reviewing, assessing and reporting on the adequacy and operating reliability of the interconnected bulk power system, both existing and planned. The Event Analysis Program includes analysis of large-scale outages, disturbances, and near misses to determine root causes and lessons learned. Performance Analysis involves reviewing quarterly data submissions to assess the performance and availability of electric generation equipment, electric transmission equipment, and reliable system operations through Transmission Availability Data Systems (TADS), Generating Availability Data Systems (GADS), Demand Response Availability Data Systems (DADS), and Misoperation Information Data Analysis Systems (MIDAS). This information may indicate the need to develop and implement targeted interventions. Reliability Analysis staff participate in the Eastern Interconnection Reliability Assessment Group (ERAG); this group facilitates data collection and the development of power flow and dynamics simulation models for the Eastern Interconnection. Reliability Analysis also supports the MRO RAC and ERO Enterprise RAPA activities.

In 2021, the department's responsibilities expanded to include Organization Registration and Certification. This involves appropriately registering owners, operators and users of the bulk power system. The Reliability Analysis Department ensures that organizations that apply for registration to perform the Reliability Coordinator, Balancing Authority, and Transmission Operator reliability functions meet or exceed minimum criteria demonstrating the capability to perform the incumbent tasks.

MRO's Reliability Analysis Department supports ERO Enterprise efforts to identify, provide insight into, and develop guidance for potential reliability risks to the BES as outlined in the ERO Enterprise Long-Term Strategy through the execution of MRO's strategic goals 3 and 4:



**Goal 3: Reduction of Known Reliability Risks**

*The ERO Enterprise recognizes significant known risks to reliability, assures those reliability risks are reduced, and promotes a culture of reliability excellence.*

**Goal 4: Identification and Assessment of Emerging Reliability Risks**

*The ERO Enterprise identifies, objectively assesses, and prioritizes emerging risks to reliability to inform stakeholders and enable effective actions to reduce these risks to reliability.*

**Impact on Resource Needs**

Staffing for this program will increase by an FTE of 0.79 due to a shift of resources and activity for the certification/registration of MRO entities.

**Reliability Analysis Resource Requirements****Overall Budget Change 2022 vs 2021 (Increase \$500K, 15.6%)**

The budget increase for 2022 is higher due to adding registration/certification activity in this program and an indirect expense increase.

**Personnel Expenses (Increase \$310K, 17.9%)**

The average salary increase was budgeted at 3 percent. Staff resources in this area increased as functional activities were expanded. Benefits increased due to projected increase in medical premium costs.

**Meeting Expenses (Decrease \$32K, 19.2%)**

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups, member travel for organizational group and MRO-sponsored NERC organizational group face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2022. The increased use of virtual technology is also a factor for the decrease in costs.

**Operating Costs (Decrease \$6K, 5.9%)**

Reflects flat costs in training and slightly lower contract costs.

**Indirect Expenses (Increase \$247K, 21.5%)**

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

## Reliability Analysis and Organization Registration and Certification Budget Detail

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2021 Budget & Projection, and 2022 Budget					
RELIABILITY ANALYSIS and ORGANIZATION REGISTRATION and CERTIFICATION					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2022 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 3,132,998	\$ 3,132,998		\$ 3,610,669	\$ 477,671
Penalties Released*	60,132	60,132		82,068	21,936
<b>Total Funding (A)</b>	<b>\$ 3,193,130</b>	<b>\$ 3,193,130</b>		<b>\$ 3,692,737</b>	<b>\$ 499,607</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 1,303,637	\$ 1,303,637	\$ -	\$ 1,528,561	\$ 224,924
Payroll Taxes	86,380	86,380	-	100,217	13,838
Benefits	136,669	136,669	-	154,429	17,760
Retirement Costs	201,108	201,108	-	254,449	53,341
<b>Total Personnel Expenses</b>	<b>\$ 1,727,794</b>	<b>\$ 1,727,794</b>	<b>\$ -</b>	<b>\$ 2,037,657</b>	<b>\$ 309,863</b>
<b>Meeting Expenses</b>					
Meetings	\$ 9,000	\$ 9,000	\$ -	\$ 9,000	\$ -
Travel	160,000	160,000	-	127,600	(32,400)
<b>Total Meeting Expenses</b>	<b>\$ 169,000</b>	<b>\$ 169,000</b>	<b>\$ -</b>	<b>\$ 136,600</b>	<b>\$ (32,400)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 71,100	\$ 71,100	\$ -	\$ 71,100	\$ -
Office Rent	-	-	-	-	-
Office Costs	31,000	31,000	-	25,000	(6,000)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 102,100</b>	<b>\$ 102,100</b>	<b>\$ -</b>	<b>\$ 96,100</b>	<b>\$ (6,000)</b>
<b>Other Non-Operating Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Indirect Expenses</b>	\$ 1,152,536	\$ 1,152,536	\$ -	\$ 1,399,994	\$ 247,458
<b>Total Expenses (B)</b>	<b>\$ 3,151,430</b>	<b>\$ 3,151,430</b>	<b>\$ -</b>	<b>\$ 3,670,351</b>	<b>\$ 518,921</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 41,700</b>	<b>\$ 41,700</b>	<b>\$ -</b>	<b>\$ 22,386</b>	<b>\$ (19,314)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 41,700</b>	<b>41,700</b>	<b>-</b>	<b>22,386</b>	<b>(19,314)</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 3,193,130</b>	<b>\$ 3,193,130</b>	<b>\$ -</b>	<b>\$ 3,692,737</b>	<b>\$ 499,607</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>FTEs</b>	<b>8.34</b>	<b>8.34</b>	<b>-</b>	<b>9.13</b>	<b>0.79</b>

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

## Training and Education Program

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

Training and Education (in whole dollars)			
	2021 Budget	2022 Budget	Increase (Decrease)
Total FTEs	2.16	1.89	(0.27)
Direct Expenses	\$ 548,033	\$ 564,545	\$ 16,511
Indirect Expenses	\$ 298,499	\$ 289,812	\$ (8,686)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 10,800	\$ 4,634	\$ (6,166)
Total Funding Requirement	\$ 857,333	\$ 858,992	\$ 1,660

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

### Program Scope and Functional Description

MRO is committed to its mission “to identify, prioritize and assure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system by promoting Highly Effective Reliability Organizations® (HEROs).” One way we do this is by providing training and education to industry on the implementation of the CMEP, the application of Reliability Standards, reviewing reliability assessments, performing quality event analysis, identifying lessons learned from event analysis, and other related information to system reliability, security, and compliance. The Training and Education Program provides outreach to MRO registered entities through MRO’s newsletter and other publications, workshops, webinars and conferences, as well as presentation opportunities at other industry events. The emphasis on Critical Infrastructure Protection and security over the last several years will continue in 2022. MRO and its advisory councils continually seek ways to share information, best practices, and lessons learned across the regional footprint.

MRO’s Training and Education Program assists ERO Enterprise efforts to keep entity personnel trained and industry participants informed, and supports the ERO Enterprise Long Term Strategy through execution of MRO’s strategic goals 3, 4 and 5:

#### Goal 3: Reduction of Known Reliability Risks

*The ERO Enterprise recognizes significant known risks to reliability, assures those reliability risks are reduced, and promotes a culture of reliability excellence.*

#### Goal 4: Identification and Assessment of Emerging Reliability Risks

*The ERO Enterprise identifies, objectively assesses, and prioritizes emerging risks to reliability to inform stakeholders and enable effective actions to reduce these risks to reliability.*

#### Goal 5: Identification and Reduction of Cyber and Physical Security Risks

*The ERO Enterprise identifies and evaluates cyber and physical security risks to the BPS and assures those risks are reduced through active stakeholder engagement and information sharing of current threats and vulnerabilities, security workshops, and development of good industry practice guides. The ERO Enterprise supports the Electricity Information Sharing and Analysis Center (E-ISAC), the CRISP, technical protective programs, and physical and*

*cybersecurity preparedness exercises, and engages with government partners to de-classify sensitive security information needed to protect BPS devices and assets. The ERO Enterprise works with stakeholders to develop and share information to foster BPS resiliency in connection with both traditional and emerging risks.*

### **Impact on Resource Needs**

Training, education, and outreach costs are being supplemented with webinar and virtual courses, resulting in an increase in meeting expenses that is offset by an equal decrease in travel expenses.

## **Training and Education Resource Requirements**

### **Overall Budget Change 2022 vs 2021 (Increase \$1.7K, 0.2%)**

#### **Personnel Expenses (Increase \$35K, 9%)**

The average salary increase was budgeted at 3 percent. Executive staff resources increased to meet training, education, and outreach initiatives using webinar and virtual courses. This resulted in slightly higher salary costs.

#### **Meeting Expenses (Decrease \$18.6K, 11.7%)**

There is an overall meeting expense decrease due to use of webinars and virtual meetings that offsets an increase in both staff and member travel for a planned off-site conference.

#### **Indirect Expenses (Decrease \$8.7K, 2.9%)**

There is an overall decrease in administrative services expenditures that are allocated to the operational programs based on the FTEs. The decrease is reflective of a lower FTE in this program.

## Training and Education Budget Detail

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

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2021 Budget &amp; Projection, and 2022 Budget</b>					
<b>TRAINING and EDUCATION</b>					
	<b>2021</b>	<b>2021</b>	<b>Variance</b>	<b>2022</b>	<b>Variance</b>
<b>Funding</b>	<b>Budget</b>	<b>Projection</b>	<b>2021 Projection</b>	<b>Budget</b>	<b>2022 Budget</b>
			<b>v 2021 Budget</b>		<b>v 2021 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>ERO Funding</b>					
NERC Assessments	\$ 841,758	\$ 841,758		\$ 842,003	\$ 244
Penalties Released*	15,574	15,574		16,989	1,415
<b>Total Funding (A)</b>	<b>\$ 857,332</b>	<b>\$ 857,332</b>		<b>\$ 858,992</b>	<b>\$ 1,660</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 290,379	\$ 290,379	\$ -	\$ 319,838	\$ 29,459
Payroll Taxes	18,898	18,898	-	20,073	1,175
Benefits	33,080	33,080	-	31,529	(1,552)
Retirement Costs	46,609	46,609	-	52,605	5,996
<b>Total Personnel Expenses</b>	<b>\$ 388,967</b>	<b>\$ 388,967</b>	<b>\$ -</b>	<b>\$ 424,045</b>	<b>\$ 35,078</b>
<b>Meeting Expenses</b>					
Meetings	\$ 120,000	\$ 120,000	\$ -	\$ 90,000	\$ (30,000)
Travel	39,067	39,067	-	50,500	11,433
<b>Total Meeting Expenses</b>	<b>\$ 159,067</b>	<b>\$ 159,067</b>	<b>\$ -</b>	<b>\$ 140,500</b>	<b>\$ (18,567)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 298,499</b>	<b>\$ 298,499</b>	<b>\$ -</b>	<b>\$ 289,812</b>	<b>\$ (8,686)</b>
<b>Total Expenses (B)</b>	<b>\$ 846,532</b>	<b>\$ 846,532</b>	<b>\$ -</b>	<b>\$ 854,357</b>	<b>\$ 7,825</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 10,800</b>	<b>\$ 10,800</b>	<b>\$ -</b>	<b>\$ 4,634</b>	<b>\$ (6,166)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 10,800</b>	<b>10,800</b>	<b>-</b>	<b>4,634</b>	<b>(6,166)</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 857,332</b>	<b>\$ 857,332</b>	<b>\$ -</b>	<b>\$ 858,992</b>	<b>\$ 1,660</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>FTEs</b>	<b>2.16</b>	<b>2.16</b>	<b>-</b>	<b>1.89</b>	<b>(0.27)</b>

Table A-8. Training and Education Budget Detail

## Situation Awareness and Infrastructure Security Program

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

<b>Situation Awareness and Infrastructure Security</b> (in whole dollars)			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	2.00	2.95	0.95
Direct Expenses	\$ 459,593	\$ 625,546	\$ 165,953
Indirect Expenses	\$ 276,388	\$ 452,353	\$ 175,965
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 10,000	\$ 7,233	\$ (2,767)
Total Funding Requirement	\$ 745,980	\$ 1,085,132	\$ 339,152

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

### Program Scope and Functional Description

MRO, through the regional Reliability Coordinators and other available tools, monitors present conditions on the BES and provides leadership coordination, technical expertise, and assistance to industry and governmental partners in responding to events as necessary. The department also uses data obtained from NERC Alerts to determine which entities may be more susceptible to a specific risk based on the responses. The Security Department, sponsors the Security Advisory Council (SAC) and the SAC Threat Forum (SACTF). These organizational groups address Cyber, Physical, and Operational risks to the BES through training, outreach, intelligence briefings, risk assessments, weekly threat calls, and sponsor a large annual security conference that draws over 400 attendees. The department also maintains strong connections with the E-ISAC and other agencies to further increase the reliability and security of the BES.

This program supports the ERO Enterprise vision of a highly reliable and secure North American bulk power system and efforts to communicate risks to reliability, and supports ERO Enterprise efforts related to the ERO Enterprise Long-Term Strategy through execution of MRO's strategic goals 1, 3 and 5:

#### Goal 1: Risk-Responsive Reliability Standards

*Reliability Standards establish threshold requirements for ensuring the BES is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the BPS. Reliability Standards are clear, timely, effective in mitigating risks to reliability, and consider cost-effectiveness/impact.*

#### Goal 3: Reduction of Known Reliability Risks

*The ERO Enterprise recognizes significant known risks to reliability, assures those reliability risks are reduced, and promotes a culture of reliability excellence.*

#### Goal 5: Identification and Reduction of Cyber and Physical Security Risks

*The ERO Enterprise identifies and evaluates cyber and physical security risks to the BPS and assures those risks are reduced through active stakeholder engagement and information sharing of current threats and vulnerabilities, security workshops, and development of good industry practice guides. The ERO Enterprise supports the Electricity Information Sharing and Analysis Center (E-ISAC), the CRISP, technical protective programs, and physical and cybersecurity preparedness exercises, and engages with government partners to de-classify sensitive security information needed to protect BPS devices and assets. The ERO Enterprise works with stakeholders to develop and share information to foster BPS resiliency in connection with both traditional and emerging risks.*

### **Impact on Resource Needs**

The Situational Awareness Program will work with stakeholders to identify significant known risks to reliability, mitigate those risks, and promote a culture of reliability excellence. The workload in this area is stable.

The Infrastructure Security Program will focus on activities to promote identification, assessment, mitigation, and communication of cyber, physical, and operational risks to the reliability and security of the North American bulk power system. There is increased activity in this area and an increase in dedicated resources.

## **Situation Awareness and Infrastructure Security Resource Requirements**

### **Overall Budget Change 2022 vs 2021 (Increase \$339K, 45.5%)**

The budget for this area will increase to realign and dedicate MRO staffing to support increased focus on security.

### **Personnel Expenses (Increase \$201K, 53.2%)**

The average salary increase was budgeted at 3 percent. However, MRO added an FTE to focus on work related to detection and mitigation of cyber security risks. Also, benefits increased due to projected increase in medical premium costs.

### **Meeting Expenses (Decrease \$30.6K, 46.8%)**

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO working groups, NERC stakeholder committees, and member travel for organizational group and MRO-sponsored NERC organizational group face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2022. The increased use of virtual technology is also a factor for decrease in costs.

### **Indirect Expenses (Increase \$176K, 63.7%)**

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

## Situation Awareness and Infrastructure Security Budget Detail

The following table shows funding sources and related expenses for the Situation Awareness and Infrastructure Security Program.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2021 Budget &amp; Projection, and 2022 Budget</b>					
<b>SITUATION AWARENESS and INFRASTRUCTURE SECURITY</b>					
	<b>2021</b>	<b>2021</b>	<b>Variance</b>	<b>2022</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2021 Projection</b>	<b>Budget</b>	<b>2022 Budget</b>
			<b>v 2021 Budget</b>		<b>v 2021 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ 731,560	\$ 731,560	\$ -	\$ 1,058,615	\$ 327,055
Penalties Released*	14,420	14,420	-	26,517	12,097
<b>Total Funding (A)</b>	<b>\$ 745,980</b>	<b>\$ 745,980</b>	<b>\$ -</b>	<b>\$ 1,085,132</b>	<b>\$ 339,152</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 279,803	\$ 279,803	\$ -	\$ 426,796	\$ 146,994
Payroll Taxes	17,455	17,455	-	28,902	11,447
Benefits	34,037	34,037	-	48,790	14,753
Retirement Costs	46,398	46,398	-	74,320	27,923
<b>Total Personnel Expenses</b>	<b>\$ 377,693</b>	<b>\$ 377,693</b>	<b>\$ -</b>	<b>\$ 578,809</b>	<b>\$ 201,116</b>
<b>Meeting Expenses</b>					
Meetings	\$ 2,000	\$ 2,000	\$ -	\$ 4,277	\$ 2,277
Travel	63,400	63,400	-	30,500	(32,900)
<b>Total Meeting Expenses</b>	<b>\$ 65,400</b>	<b>\$ 65,400</b>	<b>\$ -</b>	<b>\$ 34,777</b>	<b>\$ (30,623)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	16,500	16,500	-	11,960	(4,540)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 16,500</b>	<b>\$ 16,500</b>	<b>\$ -</b>	<b>\$ 11,960</b>	<b>\$ (4,540)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ 276,388</b>	<b>\$ 276,388</b>	<b>\$ -</b>	<b>\$ 452,353</b>	<b>\$ 175,965</b>
<b>Total Expenses (B)</b>	<b>\$ 735,980</b>	<b>\$ 735,980</b>	<b>\$ -</b>	<b>\$ 1,077,899</b>	<b>\$ 341,919</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ 7,233</b>	<b>\$ (2,767)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 10,000</b>	<b>10,000</b>	<b>-</b>	<b>7,233</b>	<b>(2,767)</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 745,980</b>	<b>\$ 745,980</b>	<b>\$ -</b>	<b>\$ 1,085,132</b>	<b>\$ 339,152</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>2.00</b>	<b>2.00</b>	<b>-</b>	<b>2.95</b>	<b>0.95</b>

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



## Administrative Services

The following table outlines the budget for Administrative Services.

Administrative Services (in whole dollars)						
	Direct Expenses and Fixed Assets			FTEs		
	2021 Budget	2022 Budget	Increase (Decrease)	2021 Budget	2022 Budget	Increase (Decrease)
General and Administrative	\$1,481,685	\$1,862,449	\$380,764	3.36	2.75	(0.61)
Legal	\$834,634	\$976,919	\$142,285	1.55	2.79	1.24
Information Technology	\$2,198,094	\$2,298,664	\$100,570	6.00	7.98	1.98
Human Resources	\$431,072	\$474,285	\$43,213	1.29	2.15	0.86
Finance and Accounting	\$2,214,201	\$2,329,953	\$115,752	3.80	4.35	0.55
Total Administrative Services	\$7,159,688	\$7,942,270	\$782,583	16.00	20.02	4.02

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

### Program Scope and Functional Description

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

MRO's Administrative Services function supports ERO Enterprise efforts to be effective and efficient as outlined in the ERO Enterprise Long-Term Strategy through the execution of MRO's strategic goal 5 and 6:

#### Goal 5: Identification and Reduction of Cyber and Physical Security Risks

*The ERO Enterprise identifies and evaluates cyber and physical security risks to the BPS and assures those risks are reduced through active stakeholder engagement and information sharing of current threats and vulnerabilities, security workshops, and development of good industry practice guides. The ERO Enterprise supports the Electricity Information Sharing and Analysis Center (E-ISAC), the CRISP, technical protective programs, and physical and cybersecurity preparedness exercises, and engages with government partners to de-classify sensitive security information needed to protect BPS devices and assets. The ERO Enterprise works with stakeholders to develop and share information to foster BPS resiliency in connection with both traditional and emerging risks.*

#### Goal 6: Improving ERO Enterprise Effectiveness and Efficiency

*The ERO Enterprise embraces transparency, collaboration, consistency, quality, efficiency, and timeliness of results and operates as a coordinated and collaborative enterprise.*

### 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.

### Funding Sources

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

## General and Administrative

The following table lists the General and Administrative budget.

<b>General and Administrative</b> (in whole dollars)			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	3.36	2.75	(0.61)
Total Direct Expenses	\$ 1,481,685	\$ 1,862,449	\$ 380,764
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Assessment Stabilization Reserves Req'd	\$ (1,068,447)	\$ (1,743,698)	\$ (675,251)

**Table A-12. General and Administrative Budget**

### Program Scope and Functional Description

The General and Administrative Department is led by MRO's President and CEO. The department ensures that there is appropriate attention to the execution of MRO's strategic priorities and the day-to-day management of the corporation, board governance, policies and procedures to maintain and enhance operation of the corporation, proper record-keeping, and related responsibilities under applicable regulations, as well as MRO's Delegation Agreement.

### General and Administrative Services Resource Requirements

#### Overall Budget Change 2022 vs 2021 (Increase \$381K, 25.7%)

#### Personnel Expenses (Increase \$97.7K, 9.4%)

The average salary increase was budgeted at 3 percent. Retirement benefits budgeted at 3 percent but also incremental increase in benefit for leadership service years. .

#### Meeting Expenses (Decrease \$90.4K, 34.7%)

There is a decrease in overall meeting and travel expenses due to increased use of virtual meetings.

#### Operating Expenses (Increase \$373.5K, 201.9%)

Costs for Independent Director compensation and reimbursement were moved from the Legal Department to the General and Administrative Department. As compared to the expense budgeted for 2021 in legal, budgeted expense for independent director compensation and reimbursement is stable for 2022.

## General and Administrative Budget Detail

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

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2021 Budget &amp; Projection, and 2022 Budget</b>					
<b>GENERAL and ADMINISTRATIVE</b>					
	<b>2021</b>	<b>2021</b>	<b>Variance</b>	<b>2022</b>	<b>Variance</b>
	<b>Budget</b>	<b>Projection</b>	<b>2021 Projection</b>	<b>Budget</b>	<b>2022 Budget</b>
			<b>v 2021 Budget</b>		<b>v 2021 Budget</b>
			<b>Over(Under)</b>		<b>Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ (1,068,447)	\$ (1,068,447)	\$ -	\$ (1,743,698)	\$ (675,251)
Penalties Released	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ (1,068,447)</b>	<b>\$ (1,068,447)</b>	<b>\$ -</b>	<b>\$ (1,743,698)</b>	<b>\$ (675,251)</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 845,317	\$ 845,317	\$ -	\$ 936,453	\$ 91,137
Payroll Taxes	34,161	34,161	-	34,547	385
Benefits	51,571	51,571	-	45,829	(5,743)
Retirement Costs	104,936	104,936	-	116,820	11,884
<b>Total Personnel Expenses</b>	<b>\$ 1,035,985</b>	<b>\$ 1,035,985</b>	<b>\$ -</b>	<b>\$ 1,133,649</b>	<b>\$ 97,664</b>
<b>Meeting Expenses</b>					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ -
Travel	200,700	200,700	-	110,300	(90,400)
<b>Total Meeting Expenses</b>	<b>\$ 260,700</b>	<b>\$ 260,700</b>	<b>\$ -</b>	<b>\$ 170,300</b>	<b>\$ (90,400)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 65,000	\$ 65,000	\$ -	\$ 65,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	120,000	120,000	-	133,000	13,000
Professional Services	-	-	-	360,500	360,500
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 185,000</b>	<b>\$ 185,000</b>	<b>\$ -</b>	<b>\$ 558,500</b>	<b>\$ 373,500</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (1,481,685)</b>	<b>\$ (1,481,685)</b>	<b>\$ -</b>	<b>\$ (1,862,449)</b>	<b>\$ (380,764)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ (1,068,447)</b>	<b>\$ (1,068,447)</b>	<b>\$ -</b>	<b>\$ (1,743,698)</b>	<b>\$ (675,251)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ (1,068,447)</b>	<b>\$ (1,068,447)</b>	<b>\$ -</b>	<b>\$ (1,743,698)</b>	<b>\$ (675,251)</b>

**Table A-13. General and Administrative Budget Detail**

## Legal

The following table lists the Legal budget.

<b>Legal</b> (in whole dollars)			
	<b>2021 Budget</b>	<b>2022 Budget</b>	<b>Increase (Decrease)</b>
Total FTEs	1.55	2.79	1.24
Total Direct Expenses	\$ 834,634	\$ 976,919	\$ 142,285
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-14. Legal Budget**

### Program Scope and Functional Description

MRO's Legal function is staffed by the Vice President General Counsel and Corporate Secretary, and Assistant Corporate Secretary and Senior Counsel. Advice is provided to the board, the President and CEO, and staff on legal matters affecting MRO; and corporate records for the board are maintained in this area. MRO may use external specialized legal resources on an as-needed basis. In 2021, this functional area added an FTE focused on external and internal communications, work that had previously been spread across multiple departments.

### Legal Resource Requirements

#### Overall Budget Change 2022 vs 2021 (Increase \$142K, 17.0%)

The increase in this indirect program area is related to the increase in FTEs to reflect the addition of communications.

#### Personnel Expenses (Increase \$384K, 114.8%)

The average salary increase was budgeted at 3 percent. Additionally, there is an increase in FTEs. Benefits increased due to projected increase in medical premium costs.

#### Meeting Expense (Decrease \$3.2K, 13.6%)

This decrease is due to reallocation of travel costs for on-site visit of remotely located staff to the enforcement budget. The decrease is also due to less planned business travel.

#### Operating Expense (Decrease \$238.5K, 50%)

The decrease in this indirect program area is related to a reallocation of budget for Independent Director Compensation and reimbursement to the General and Administrative budget. The increase in office costs is due to added costs for communications and outreach training, outreach supplies and additional cost of professional licenses.

## Legal Budget Detail

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2021 Budget & Projection, and 2022 Budget					
LEGAL					
	2021 Budget	2021 Projection	Variance 2021 Projection v 2021 Budget Over(Under)	2022 Budget	Variance 2022 Budget v 2021 Budget Over(Under)
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 268,391	\$ 268,391	\$ -	\$ 552,889	\$ 284,497
Payroll Taxes	12,352	12,352	-	33,056	20,704
Benefits	20,113	20,113	-	47,452	27,339
Retirement Costs	33,534	33,534	-	85,019	51,484
<b>Total Personnel Expenses</b>	<b>\$ 334,390</b>	<b>\$ 334,390</b>	<b>\$ -</b>	<b>\$ 718,415</b>	<b>\$ 384,025</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 500	\$ 500
Travel	23,500	23,500	-	19,800	(3,700)
<b>Total Meeting Expenses</b>	<b>\$ 23,500</b>	<b>\$ 23,500</b>	<b>\$ -</b>	<b>\$ 20,300</b>	<b>\$ (3,200)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 54,900	\$ 54,900
Office Rent	-	-	-	-	-
Office Costs	15,244	15,244	-	35,804	20,560
Professional Services	461,500	461,500	-	147,500	(314,000)
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 476,744</b>	<b>\$ 476,744</b>	<b>\$ -</b>	<b>\$ 238,204</b>	<b>\$ (238,540)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (834,634)</b>	<b>\$ (834,634)</b>	<b>\$ -</b>	<b>\$ (976,919)</b>	<b>\$ (142,285)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	1.55	1.55	-	2.79	1.24

Table A-15. Legal Budget Detail

## Information Technology

The following table lists the Information Technology budget.

<b>Information Technology</b> (in whole dollars)			
	2021 Budget	2022 Budget	Increase (Decrease)
Total FTEs	6.00	7.98	1.98
Total Direct Expenses	\$ 2,198,094	\$ 2,298,664	\$ 100,570
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

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

### Program Scope and Functional Description

MRO's Information Technology Program responds to business needs by providing the technology and communications tools for staff to perform Regional Entity functions. Information Technology is also responsible for maintaining the security of the organization's business network and information.

In addition, this program contributes to the ERO Enterprise focus to capture effectiveness, efficiency, and continuous improvement opportunities. This program coordinates efforts with NERC and other regional IT programs to find best practice and cost efficiencies through shared tools and applications and supports ERO Enterprise efforts related to the ERO Enterprise Long-Term Strategy through execution of MRO's strategic goals 5 and 6:

#### **Goal 5: Identification and Reduction of Cyber and Physical Security Risks:**

*As part of the ERO Enterprise, MRO identifies and evaluates cyber and physical security risks to the BPS and assures those risks are reduced through active stakeholder engagement and information sharing of current threats and vulnerabilities, security workshops, and development of good industry practice guides. The ERO Enterprise supports the Electricity Information Sharing and Analysis Center (E-ISAC), the CRISP, technical protective programs, and physical and cybersecurity preparedness exercises, and engages with government partners to de-classify sensitive security information needed to protect BPS devices and assets. The ERO Enterprise works with stakeholders to develop and share information to foster BPS resiliency in connection with both traditional and emerging risks.*

### Information Technology Resource Requirements

#### **Overall Budget Change 2022 vs 2021 (Increase \$100.6K, 4.6%)**

The increase in the indirect programs is largely due to an increase in IT staff. Cyber security threats and risks continue to increase and evolve, and testing and analysis in this program identified a staff shortage. Additional FTEs are needed to manage an increased focus on security efforts.

#### **Personnel Expenses (Increase \$267.5K, 25.8%)**

The average salary increase was budgeted at 3 percent. There is a net increase of two FTEs in this program area. Additionally, benefits increased due to projected increase in medical premium costs.

**Meeting Expenses (Decrease \$3.8K, 38.0%)**

Staff travel decreased as increased use of virtual meetings take the place of in-person meetings.

**Operating Expenses (Decrease \$38K, 4.2%)**

This decrease reflects some cost savings in repairs and maintenance.

**Fixed Asset (Decrease \$125K, 50%)**

Major capital purchases were made in 2021. Fewer purchases are needed in 2022. Purchases are mainly replacements on retired computer hardware.

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## Information Technology Budget Detail

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

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2021 Budget &amp; Projection, and 2022 Budget</b>					
<b>INFORMATION TECHNOLOGY</b>					
	<b>2021 Budget</b>	<b>2021 Projection</b>	<b>Variance 2021 Projection v 2021 Budget Over(Under)</b>	<b>2022 Budget</b>	<b>Variance 2022 Budget v 2021 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 746,507	\$ 746,507	\$ -	\$ 921,491	\$ 174,984
Payroll Taxes	55,252	55,252	-	67,927	12,675
Benefits	104,289	104,289	-	135,988	31,700
Retirement Costs	130,990	130,990	-	179,140	48,150
<b>Total Personnel Expenses</b>	<b>\$ 1,037,037</b>	<b>\$ 1,037,037</b>	<b>\$ -</b>	<b>\$ 1,304,546</b>	<b>\$ 267,509</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ 1,200	\$ 1,200
Travel	10,000	10,000	-	5,000	(5,000)
<b>Total Meeting Expenses</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ 6,200</b>	<b>\$ (3,800)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 549,707	\$ 549,707	\$ -	\$ 549,568	\$ (139)
Office Rent	-	-	-	-	-
Office Costs	351,350	351,350	-	313,350	(38,000)
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 901,057</b>	<b>\$ 901,057</b>	<b>\$ -</b>	<b>\$ 862,918</b>	<b>\$ (38,139)</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>(1,948,094)</b>	<b>(1,948,094)</b>	<b>\$ -</b>	<b>(2,173,664)</b>	<b>(225,570)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>-</b>	<b>\$ 125,000</b>	<b>\$ (125,000)</b>
Allocation of Fixed Assets	\$ (250,000)	\$ (250,000)	-	\$ (125,000)	\$ 125,000
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>FTEs</b>	<b>6.00</b>	<b>6.00</b>	<b>-</b>	<b>7.98</b>	<b>1.98</b>

Table A-17. Information Technology Budget Detail



## Human Resources

The following table lists the Human Resources budget.

<b>Human Resources</b> (in whole dollars)			
	2021 Budget	2022 Budget	Increase (Decrease)
Total FTEs	1.29	2.15	0.86
Total Direct Expenses	\$ 431,072	\$ 474,285	\$ 43,213
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-18. Human Resources Budget**

### Program Scope and Functional Description

#### Human Resources

The Human Resources function designs, plans, and implements Human Resource policies and procedures in adherence with applicable federal and state laws. This function also facilitates the recruitment and retention efforts of the organization by coordinating tasks associated with the employee life cycle activities including onboarding, training, professional development, and best practice employee retention initiatives. This department also engages in Diversity and Inclusion initiatives as well as works closely with the ERO Enterprise on similar efforts, and undertakes or supports several other important initiatives as directed by MRO's Governance and Personnel Committee.

MRO has developed a culture and talent management program that features in-depth communication and training. New hire training initiatives and employee collaborations are planned to create opportunities for peer-to-peer internal mentorship, learning opportunities, and team building. MRO continues to review and enhance its employee engagement and culture enrichment activities in an effort to positively impact all stages of the employee life cycle from candidate identification, the onboarding experience of new employees, throughout the life cycle, as well as the overall corporate culture to be an "employer of choice," to attract and retain qualified staff.

#### Human Resources Resource Requirements

##### Overall Budget Change 2022 vs 2021 (Increase \$43K, 10.0%)

The budget change in this administrative area is primarily due to the increase in FTEs. MRO has doubled its staff under existing resources, increased its participation in ERO groups, and engages in other important initiatives, making the addition of a dedicated HR FTE necessary.

##### Personnel Expense (Increase \$39K, 11.6%)

The average salary increase was budgeted at 3 percent. An additional FTE is needed to support staff growth and the reallocation of resources to support the development of the corporate risk management program.

**Operating Expense (Increase \$4K, 4.6%)**

Budgeted amounts in office costs increased slightly for costs related to the addition of one FTE.

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## Human Resources Budget Detail

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

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2021 Budget &amp; Projection, and 2022 Budget</b>					
<b>HUMAN RESOURCES</b>					
	<b>2021 Budget</b>	<b>2021 Projection</b>	<b>Variance 2021 Projection v 2021 Budget Over(Under)</b>	<b>2022 Budget</b>	<b>Variance 2022 Budget v 2021 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released				-	
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 259,627	\$ 259,627	\$ -	\$ 273,690	\$ 14,063
Payroll Taxes	15,704	15,704	-	18,244	2,540
Benefits	24,239	24,239	-	34,323	10,085
Retirement Costs	38,003	38,003	-	50,353	12,350
<b>Total Personnel Expenses</b>	<b>\$ 337,572</b>	<b>\$ 337,572</b>	<b>\$ -</b>	<b>\$ 376,610</b>	<b>\$ 39,038</b>
<b>Meeting Expenses</b>					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,000	2,000	-	2,000	-
<b>Total Meeting Expenses</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 2,000</b>	<b>\$ -</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 27,000	\$ 27,000	\$ -	\$ 27,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	64,500	64,500	-	68,675	4,175
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 91,500</b>	<b>\$ 91,500</b>	<b>\$ -</b>	<b>\$ 95,675</b>	<b>\$ 4,175</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (431,072)</b>	<b>\$ (431,072)</b>	<b>\$ -</b>	<b>\$ (474,285)</b>	<b>\$ (43,213)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
FTEs	1.29	1.29		2.15	0.86

Table A-19. Human Resources Budget Detail

## Finance and Accounting

The following table lists the Finance and Accounting budget.

<b>Finance and Accounting</b> (in whole dollars)			
	2021 Budget	2022 Budget	Increase (Decrease)
Total FTEs	3.80	4.35	0.55
Total Direct Expenses	\$ 2,214,201	\$ 2,329,953	\$ 115,752
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

**Table A-20. Finance and Accounting Budget**

### Program Scope and Functional Description

#### Finance and Accounting

The Finance and Accounting function directs the overall financial planning and accounting practices of the organization, oversees treasury, accounting, budget, tax, and audit activities, as well as the financial and accounting system controls and standards. The Finance and Accounting function also administers employee benefit plans, including the 401(k) and Retiree Medical Trust, and reports the overall outcome of MRO's annual activities to the MRO Board. This function also facilitates all MRO internal and external meetings, workshops, and events.

#### Finance and Accounting Resource Requirements

##### Overall Budget Change 2022 vs 2021 (Increase \$115.8K, 5.2%)

The increased costs in the Finance and Accounting area are primarily a result of increase in office space and a focus on facility management.

##### Personnel Expenses (Increase \$69K, 9.1%)

The average salary increase was budgeted at 3 percent. Additionally, there is an increase of one-half FTE in this program area.

##### Meeting Expenses (Decrease \$6K, 50%)

Staff travel decreased as increased use of virtual meetings take the place of in-person meetings.

##### Operating Expenses (Increase \$52K, 3.6%)

The increase in this area is due to higher contract and office costs. This cost is partially offset by reduced budgeted amounts in rent.

## Finance, and Accounting Budget Detail

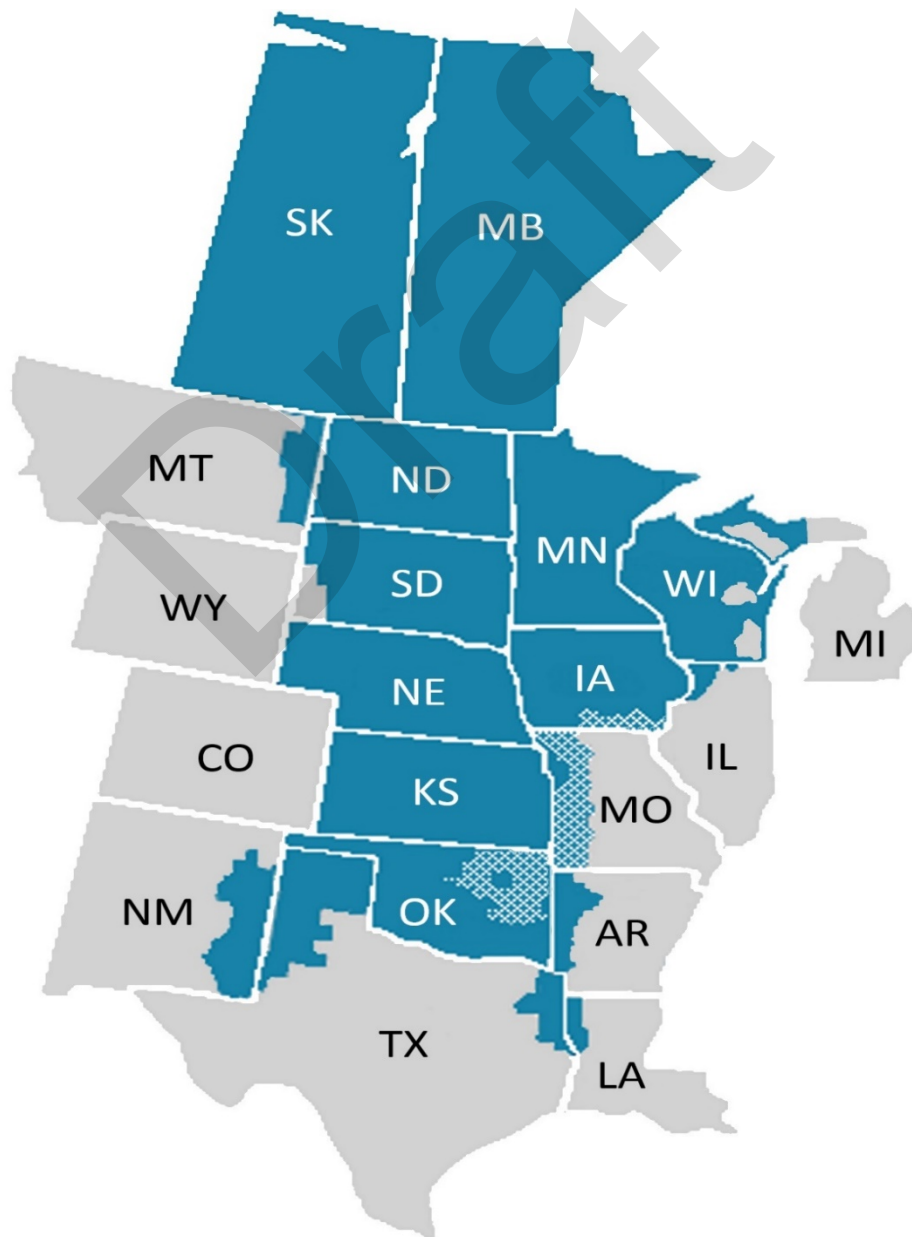
The following table shows funding sources and related expenses for the Finance and Accounting Program.

<b>Statement of Activities, Fixed Assets Expenditures and Change in Working Capital</b>					
<b>2021 Budget &amp; Projection, and 2022 Budget</b>					
<b>FINANCE and ACCOUNTING</b>					
	<b>2021 Budget</b>	<b>2021 Projection</b>	<b>Variance 2021 Projection v 2021 Budget Over(Under)</b>	<b>2022 Budget</b>	<b>Variance 2022 Budget v 2021 Budget Over(Under)</b>
<b>Funding</b>					
<b>ERO Funding</b>					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
<b>Total Funding (A)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>					
<b>Personnel Expenses</b>					
Salaries	\$ 549,682	\$ 549,682	\$ -	\$ 606,220	\$ 56,537
Payroll Taxes	35,972	35,972	-	37,423	1,451
Benefits	76,841	76,841	-	74,578	(2,263)
Retirement Costs	98,006	98,006	-	111,583	13,577
<b>Total Personnel Expenses</b>	<b>\$ 760,501</b>	<b>\$ 760,501</b>	<b>\$ -</b>	<b>\$ 829,803</b>	<b>\$ 69,302</b>
<b>Meeting Expenses</b>					
Meetings	\$ 2,000	\$ 2,000	\$ -	\$ 1,000	\$ (1,000)
Travel	10,000	10,000	-	5,000	(5,000)
<b>Total Meeting Expenses</b>	<b>\$ 12,000</b>	<b>\$ 12,000</b>	<b>\$ -</b>	<b>\$ 6,000</b>	<b>\$ (6,000)</b>
<b>Operating Expenses</b>					
Consultants & Contracts	\$ 43,500	\$ 43,500	\$ -	\$ 53,850	\$ 10,350
Office Rent	1,168,700	1,168,700	-	1,132,100	(36,600)
Office Costs	171,500	171,500	-	249,200	77,700
Professional Services	58,000	58,000	-	59,000	1,000
Miscellaneous	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,441,700</b>	<b>\$ 1,441,700</b>	<b>\$ -</b>	<b>\$ 1,494,150</b>	<b>\$ 52,450</b>
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Indirect Expenses</b>	<b>\$ (2,214,201)</b>	<b>\$ (2,214,201)</b>	<b>\$ -</b>	<b>\$ (2,329,953)</b>	<b>\$ (115,752)</b>
<b>Total Expenses (B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>Change in Net Assets (=A - B)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
<b>Fixed Asset Additions, excluding Right of Use Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation of Fixed Assets	\$ -	\$ -	-	-	-
<b>Inc(Dec) in Fixed Assets ( C )</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (0)</b>
FTEs	3.80	3.80	-	4.35	0.55

Table A-21. Finance and Accounting Budget Detail

## Section B – Supplemental Financial Information

### 2022 Business Plan and Budget



## Section B – Supplemental Financial Information

### Reserve Balance

Table B-1 analyzes the reserve for 2021 through 2022.

Reserve Analysis 2021-2022				
	Total Reserves	Working Capital Reserves	30-Day Reserves	Assessment Stabilization Reserves (ASR)
Beginning, January 1, 2021	8,512,161	5,904,677		2,607,484
Plus: Penalty Sanctions <sup>1</sup>	458,250			458,250
Plus: Release from ASR	-			-
Plus: 2021 Assessments	16,983,251	16,983,251		
Adjustment for targeted 30-day reserves		(1,513,332)	1,513,332	
Less: 2021 Budgeted Expenditures	(18,412,202)	(18,412,202)		
<b>Projected Reserves December 31, 2021</b>	<b>7,541,460</b>	<b>2,962,394</b>	<b>1,513,332</b>	<b>3,065,734</b>
Beginning, January 1, 2022	7,541,460	2,962,394	1,513,332	3,065,734
Plus: Penalty Sanctions <sup>1</sup>	-	458,250		(458,250)
Plus: Release from ASR	-	1,743,698		(1,743,698)
Plus: 2022 Assessments	17,832,414	17,832,414		
Adjustment for targeted 30-day reserves		(156,198)	156,198	
Less: 2022 Budgeted Expenditures	(20,034,361)	(20,034,361)		
<b>Projected Reserves December 31, 2022</b>	<b>5,339,512</b>	<b>2,806,196</b>	<b>1,669,530</b>	<b>863,786</b>

<sup>1</sup> Penalties collected between January 1, 2021 - June 30, 2021 are released in the following budget year

**Table B-1. Reserve Analysis 2021 - 2022**

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

Per Policy and Procedure 13, MRO's reserves are identified and quantified each year in the business plan and budget. MRO resets its reserves at the beginning of each year. MRO's FAC resolved that a 30-day reserve of cash is sufficient based on MRO's cash flow risk. The FAC and the board determined that the certainty of MRO's funding stream supports the resolution that a 30-day reserve is reasonable for sustaining short-term contingencies.

Additionally, Policy and Procedure 13 addresses additional cash-on-hand necessary to meet unplanned, short-term financial needs resulting from changes in the level of expenditures that would adversely affect the company's total annual operating budget during the budget year. The policy combines penalties received and surplus working capital. MRO staff may propose to set aside these funds in a separate reserve account to be released in future periods to mitigate year-to-year variations in assessments. MRO proposes to release \$2,201,948 from assessment stabilization reserves to stabilize assessments.

## Breakdown by Statement of Activity Sections

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2021.

<b>Penalty Sanctions Received On or Prior to June 30, 2021</b>	<b>Date Received</b>	<b>Amount Received</b>
	Feb-21	\$ 27,000
	Apr-21	41,250
	May-21	390,000
<b>Total Penalties Received</b>		<u>\$ 458,250</u>

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

## Penalty Sanctions

All penalties received after July 1, 2020, and prior to June 30, 2021, are listed above, including the amount and date received.

Allocation Method: Penalty sanctions received have been combined with surplus working capital (if any). MRO staff may set aside these funds in a separate reserve account to be released in future budget periods to mitigate year-to-year variations in budget assessments. Assuming no additional penalties collected, all remaining penalty dollars will be released in the 2022 budget year as part of assessment stabilization.



Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget
<b>Compliance Monitoring, Enforcement &amp; Org. Registration</b>				
Other	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Reliability Assessment and Performance Analysis</b>				
Other		-		
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Training and Education</b>				
Testing Fees and Certificate Renewals	\$ -	\$ -	\$ -	-
CEH Fees	-	-	-	-
Workshops	-	-	-	-
Other		-		
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Situation Awareness and Infrastructure Security</b>				
FIST Royalties	\$ -	\$ -	\$ -	\$ -
TSIN Fees				
Other		-		
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>General and Administrative</b>				
Interest Income	\$ -	\$ -	\$ -	-
Other				
<b>Total</b>	\$ -	\$ -	\$ -	\$ -
<b>Total Outside Funding</b>	\$ -	\$ -	\$ -	\$ -

**Table B-3. Supplemental Funding**

**Explanation of Significant Variances – 2022 Budget versus 2021 Budget**

MRO does not earn interest income on general cash held. MRO does not budget interest income on penalties received and held for future budget years. All interest earned is applied to reserves for the reduction of future assessments.

Table B-4 summarizes Personnel Expenses.

Personnel Expenses	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
<b>Total Salaries</b>	\$ 10,059,263	\$ 10,059,263	\$ 11,416,562	\$ 1,357,299	13.5%
<b>Total Payroll Taxes</b>	631,891	631,891	744,165	112,275	17.8%
<b>Total Benefits</b>	1,064,375	1,064,375	1,193,996	129,621	12.2%
<b>Total Retirement</b>	1,528,209	1,528,209	1,922,258	394,048	25.8%
<b>Total Personnel Costs</b>	<b>\$ 13,283,737</b>	<b>\$ 13,283,737</b>	<b>\$ 15,276,980</b>	<b>\$ 1,993,243</b>	<b>15.0%</b>
<b>FTEs</b>	66.00	66.00	71.00	5.00	7.6%
<b>Cost per FTE</b>					
Salaries	152,413	\$ 152,413	\$ 160,797	8,384	5.5%
Payroll Taxes	9,574	9,574	10,481	907	9.5%
Benefits	16,127	16,127	16,817	690	4.3%
Retirement	23,155	23,155	27,074	3,919	16.9%
<b>Total Cost per FTE</b>	<b>\$ 201,269</b>	<b>\$ 201,269</b>	<b>\$ 215,169</b>	<b>\$ 13,900</b>	<b>6.9%</b>

**Table B-4. Personnel Expenses**

**Explanation of Significant Variances – 2022 Budget versus 2021 Budget**

**Personnel Expenses (Increase \$2M, 15.0%)**

The following assumptions were used to determine the 2022 MRO budget:

- Total personnel expenses were increased to include the addition of 1 net FTE to support the statutory programs and 4 net FTEs in administrative services.
- The average salary increase was budgeted at 3 percent. Benefit costs are projected to increase by 9 percent .

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
Meeting Expenses	\$ 204,900	\$ 204,900	\$ 178,877	\$ (26,023)	-12.7%
Travel	739,967	\$ 739,967	581,670	(158,297)	-21.4%
<b>Total Meeting Expenses</b>	<b>\$ 944,867</b>	<b>\$ 944,867</b>	<b>\$ 760,547</b>	<b>\$ (184,320)</b>	<b>-19.5%</b>

**Table B-5. Meeting Expenses**

### Explanation of Significant Variances – 2022 Budget versus 2021 Budget

#### Meeting Expenses (Decrease \$184K, 19.5%)

The decrease in meeting and travel expense reflects increased use of virtual meetings.

#### Travel Expenses (Decrease \$158K, 21.4%)

There is an overall travel expense decrease for both staff travel and member reimbursement. Travel dollars for participation on ERO collaboration groups, the Align project, and member travel for organizational group face-to-face meetings trended very low in prior years. It is anticipated that these costs will not be as high as budgeted in prior years and thus costs are budgeted much lower in 2022. The increased use of virtual technology is also a factor for decrease in costs.

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

Consultants	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
<b>Consultants</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance	403,000	282,100	165,000	(238,000)	-59%
Reliability Analysis and Organization Registration and Certification	-	-	-	-	
Event Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	65,000	65,000	65,000	-	0%
Legal	-	-	54,900	54,900	
Information Technology	191,200	191,200	165,200	(26,000)	-14%
Human Resources	-	-	-	-	
Accounting and Finance	7,500	7,500	7,500	-	0%
<b>Consultants Total</b>	<b>\$ 666,700</b>	<b>\$ 545,800</b>	<b>\$ 457,600</b>	<b>\$ (209,100)</b>	<b>-31%</b>

Contracts	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
<b>Contracts</b>					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance	180,394	126,276	218,382	37,988	21%
Reliability Analysis and Organization Registration and Certification	71,100	49,770	71,100	-	0%
Event Analysis	-	-	-	-	
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
Committee and Member Forums	-	-	-	-	
General and Administrative	-	-	-	-	
Legal	-	-	-	-	
Information Technology	358,507	268,880	384,368	25,861	7%
Human Resources	27,000	27,000	27,000	-	0%
Accounting and Finance	36,000	36,000	46,350	10,350	29%
<b>Contracts Total</b>	<b>\$ 673,001</b>	<b>\$ 507,926</b>	<b>\$ 747,200</b>	<b>\$ 74,199</b>	<b>11%</b>

**Table B-6. Consultants and Contracts**

### Explanation of Significant Variances – 2022 Budget versus 2021 Budget

#### Consultants for Compliance (Decrease \$238K, 59%)

Consultants for Compliance was historically budgeted to have resources to perform CMEP activity in case staffing levels were not adequate to perform required work. MRO is not projecting a need for this in 2022. The scope of the consulting budget for compliance in 2022 is to seek outside expertise in process efficiencies to review the department's processes.

#### Legal (Increase \$54.9K, 100%)

This increase includes communication initiatives for crisis and media preparation and training.

#### IT Consultants (Decrease \$26K, 14%)

Consultants consist of external technical support of the MRO communication network. Internal staff have been able to maintain MRO's IT network with less external technical support.

#### Contracts for Compliance (Increase \$38K, 21%)

The increase is due to contract costs for continued carrying costs for webCDMS.

#### IT Contracts (Increase \$25.9K, 7%)

IT contracts consist of maintenance of IT networks, systems, and software applications. Increased costs in contracts are due to the addition of business applications and newly acquired communication systems for greater efficiency and robust technological operation.

**Accounting and Finance Contracts (Increase \$10.4K, 29%)**

Contracts consist of the use of third-party vendors that support the use of finance applications.

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Table B-7 lists the budget for Office Rent.

Office Rent	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
Office Rent	\$ 1,128,700	\$ 1,128,700	\$ 1,086,100	\$ (42,600)	-3.8%
Utilities	10,000	\$ 10,000	11,000	1,000	10.0%
Maintenance	30,000	\$ 30,000	35,000	5,000	16.7%
<b>Total Office Rent</b>	<b>\$ 1,168,700</b>	<b>\$ 1,168,700</b>	<b>\$ 1,132,100</b>	<b>\$ (36,600)</b>	<b>-3.13%</b>

**Table B-7. Office Rent**

**Explanation of Significant Variances – 2022 Budget versus 2021 Budget**

Rent is slightly lower due to adjusted occupancy costs from prior year.

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Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
Phone Service					
Data Circuit (qmo)	\$ 60,000	\$ 60,000	\$ 60,000	\$ -	0.00%
Webex	19,200	19,200	19,200	-	0.00%
Voice Circuits	18,000	18,000	18,000	-	0.00%
Business Cable	3,250	3,250	3,250	-	0.00%
Disaster Recovery Site	-	-	-	-	
Internet/Cell	64,520	64,520	63,854	(666)	-1.03%
Office Supplies	35,000	35,000	36,700	1,700	4.86%
Employee Member Events	32,000	32,000	34,000	2,000	6.25%
Employee Related Expense	25,000	25,000	27,400	2,400	9.60%
Computer Supplies and Maintenance	149,000	149,000	138,500	(10,500)	-7.05%
Publications & Subscriptions	13,600	13,600	23,675	10,075	74.08%
Professional Dues	19,076	19,076	23,560	4,484	23.51%
Postage	4,200	4,200	4,200	-	0.00%
Temporary Services	-	-	55,000	55,000	
Finance-Filing/Reg Fees	4,000	4,000	4,400	400	10.00%
Equipment Repair/Service Contracts	39,000	39,000	39,000	-	0.00%
Bank Charges	6,000	6,000	20,000	14,000	233.33%
Presentation & Publicity & Supplies Promotional	20,000	20,000	25,000	5,000	25.00%
Departmental Functional Training	303,851	303,851	282,195	(21,656)	-7.13%
Insurance Expense	90,000	90,000	90,000	-	0.00%
<b>Total Office Costs</b>	<b>\$ 905,697</b>	<b>\$ 905,697</b>	<b>\$ 967,934</b>	<b>\$ 62,237</b>	<b>6.87%</b>

**Table B-8. Office Costs**

**Explanation of Significant Variances – 2022 Budget versus 2021 Budget (Increase \$62K, 6.9%)**

The primary increase is due to the added costs of temporary services.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
Independent Trustee Fees	\$ 331,500	\$ 331,500	\$ 330,500	\$ (1,000)	-0.30%
Independent Trustee Travel Reimbursement	30,000	30,000	30,000	-	0.00%
Outside Legal	100,000	100,000	100,000	-	0.00%
Branding and Videography			47,500	47,500	
Accounting and Auditing Fees	35,000	35,000	36,000	1,000	2.86%
Actuarial Fees	23,000	23,000	23,000	-	0.00%
<b>Total Services</b>	<b>\$ 519,500</b>	<b>\$ 519,500</b>	<b>\$ 567,000</b>	<b>\$ 47,500</b>	<b>9.14%</b>

**Table B-9. Professional Services**

#### **Explanation of Significant Variances – 2022 Budget versus 2021 Budget**

The variance in costs is mainly attributable to the rebranding and design of MRO's new website (the current website is slated for retirement).

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Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	-
					-
					-
<b>Total Miscellaneous Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>

**Table B-10. Miscellaneous**

**Explanation of Significant Variances – 2022 Budget versus 2021 Budget**

MRO has not budgeted any Miscellaneous Expenses in 2022 or 2021.

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

Other Non-Operating Expenses	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Line of Credit Payment					-
Office Relocation	-	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>

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

**Explanation of Significant Variances – 2022 Budget versus 2021 Budget**

MRO has not budgeted any Non-Operating Expenses in 2022 or 2021.

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Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2021	Projection 2021	Budget 2022	Variance 2022 Budget v 2021 Budget	Variance %
Computer Equipment	250,000	250,000	125,000	(125,000)	-50.0%
Capitalized Software	-	-	-	-	
Furniture and Equipment	-	-	-	-	
Leasehold Improvements	-	(10,000)	-	-	
<b>Total Change in Fixed Assets</b>	<b>\$ 250,000</b>	<b>\$ 240,000</b>	<b>\$ 125,000</b>	<b>\$ (125,000)</b>	<b>-50.0%</b>

Table B-12. Fixed Assets

#### Explanation of Significant Variances – 2022 Budget versus 2021 Budget

MRO experienced one-time purchases in computer equipment in 2020-2021. Fewer computer purchases are expected in 2022.

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Table B-13 compares the 2022 budget with projections for 2023 - 2024.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2023 and 2024 Projections								
	2022	2023	\$ Change	% Change	2024	\$ Change	% Change	
	Budget	Projection	22 v 23	22 v 23	Projection	23 v 24	23 v 24	
<b>Funding</b>								
<b>ERO Funding</b>								
NERC Assessments	\$ 17,832,414	\$ 19,080,682	\$ 1,248,269	7.00%	\$ 20,416,330	\$ 1,335,648	7.00%	
Penalties Released	458,250	-	(458,250)	-100.00%	-	-		
Membership Dues	-	-	-		-	-		
Testing Fees	-	-	-		-	-		
Services & Software	-	-	-		-	-		
Workshop Fees & Miscellaneous	-	-	-		-	-		
Interest & Investment Income	-	-	-		-	-		
<b>Total Funding (A)</b>	<b>\$ 18,290,664</b>	<b>\$ 19,080,682</b>	<b>\$ 790,019</b>	<b>4.3%</b>	<b>\$ 20,416,330</b>	<b>\$ 1,335,648</b>	<b>7.0%</b>	
<b>Expenses</b>								
<b>Personnel Expenses</b>								
Salaries	\$ 11,416,562	\$ 12,078,722	\$ 662,161	5.8%	\$ 12,755,131	\$ 676,408	5.6%	
Payroll Taxes	744,165	787,327	43,162	5.8%	831,417	44,090	5.6%	
Benefits	1,193,996	1,263,248	69,252	5.8%	1,333,989	70,742	5.6%	
Retirement Costs	1,922,258	2,033,749	111,491	5.8%	2,147,639	113,890	5.6%	
<b>Total Personnel Expenses</b>	<b>\$ 15,276,980</b>	<b>\$ 16,163,045</b>	<b>\$ 886,065</b>	<b>5.8%</b>	<b>\$ 17,068,176</b>	<b>\$ 905,131</b>	<b>5.6%</b>	
<b>Meeting Expenses</b>								
Meetings & Conference Calls	\$ 178,877	\$ 178,877	\$ -	0.0%	\$ 178,877	\$ -	0.0%	
Travel	581,670	581,670	-	0.0%	581,670	-	0.0%	
<b>Total Meeting Expenses</b>	<b>\$ 760,547</b>	<b>\$ 760,547</b>	<b>\$ -</b>	<b>0.0%</b>	<b>\$ 760,547</b>	<b>\$ -</b>	<b>0.0%</b>	
<b>Operating Expenses, excluding Depreciation</b>								
Consultants & Contracts	\$ 1,204,800	\$ 1,240,944	\$ 36,144	3.0%	\$ 1,278,172	\$ 37,228	3.0%	
Office Rent	1,132,100	1,166,063	33,963	3.0%	1,201,045	34,982	3.0%	
Office Costs	967,934	996,972	29,038	3.0%	1,026,881	29,909	3.0%	
Professional Services	567,000	584,010	17,010	3.0%	601,530	17,520	3.0%	
Miscellaneous	-	-	-		-	-		
<b>Total Operating Expenses</b>	<b>\$ 3,871,834</b>	<b>\$ 3,987,989</b>	<b>\$ 116,155</b>	<b>3.0%</b>	<b>\$ 4,107,629</b>	<b>\$ 119,640</b>	<b>3.0%</b>	
<b>Other Non-Operating Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>		
<b>Indirect Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ -</b>		
<b>Total Expenses (B)</b>	<b>\$ 19,909,361</b>	<b>\$ 20,911,581</b>	<b>\$ 1,002,220</b>	<b>5.0%</b>	<b>\$ 21,936,352</b>	<b>\$ 1,024,770</b>	<b>4.9%</b>	
<b>Change in Net Assets (=A - B)</b>	<b>\$ (1,618,698)</b>	<b>\$ (1,830,899)</b>	<b>\$ (212,201)</b>	<b>13.1%</b>	<b>\$ (1,520,021)</b>	<b>\$ 310,878</b>	<b>-17.0%</b>	
<b>Fixed Asset Additions, excluding Right of Use Assets (C)</b>	<b>\$ 125,000</b>	<b>\$ -</b>	<b>\$ (125,000)</b>	<b>-100.0%</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>\$ 20,034,361</b>	<b>\$ 20,911,581</b>	<b>\$ 877,220</b>	<b>4.4%</b>	<b>\$ 21,936,352</b>	<b>\$ 1,024,770</b>	<b>4.9%</b>	
<b>TOTAL CHANGE IN RESERVES (=A-B-C)</b>	<b>\$ (1,743,698)</b>	<b>\$ (1,830,899)</b>			<b>\$ (1,520,021)</b>			
<b>FTEs</b>	71.00	73.00	2.00		76.00	3.00		

Table B-13. Budget 2022 Compared with 2023-2024 Projections

**Explanation of 2022, 2023, 2024 Projections**

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

- FTEs increase by three
- Meeting expenses remain flat
- Three percent escalation rate applied to operating expense categories
- Total budget increase of \$877K in 2023
- Total budget increase of \$815K in 2024
- Zero penalties budgeted

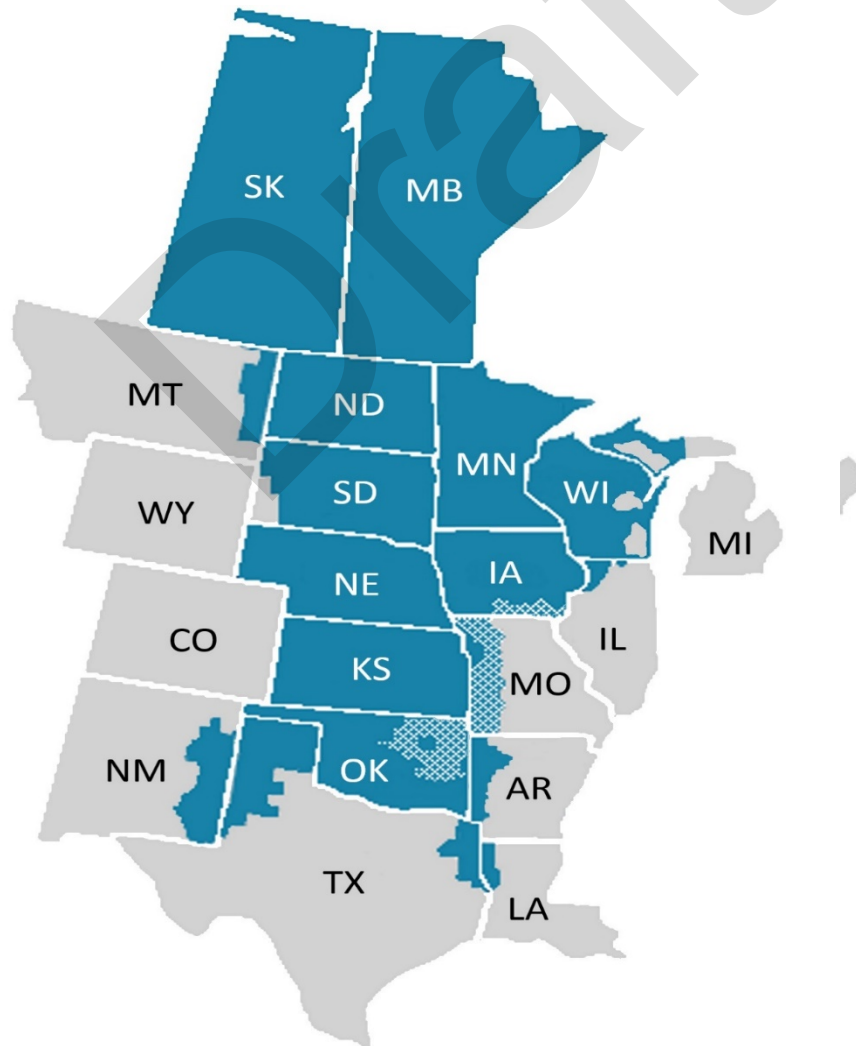
## Section C – Non-Statutory Activities

### 2022 Business Plan and Budget

#### Section C – Non-Statutory Activities

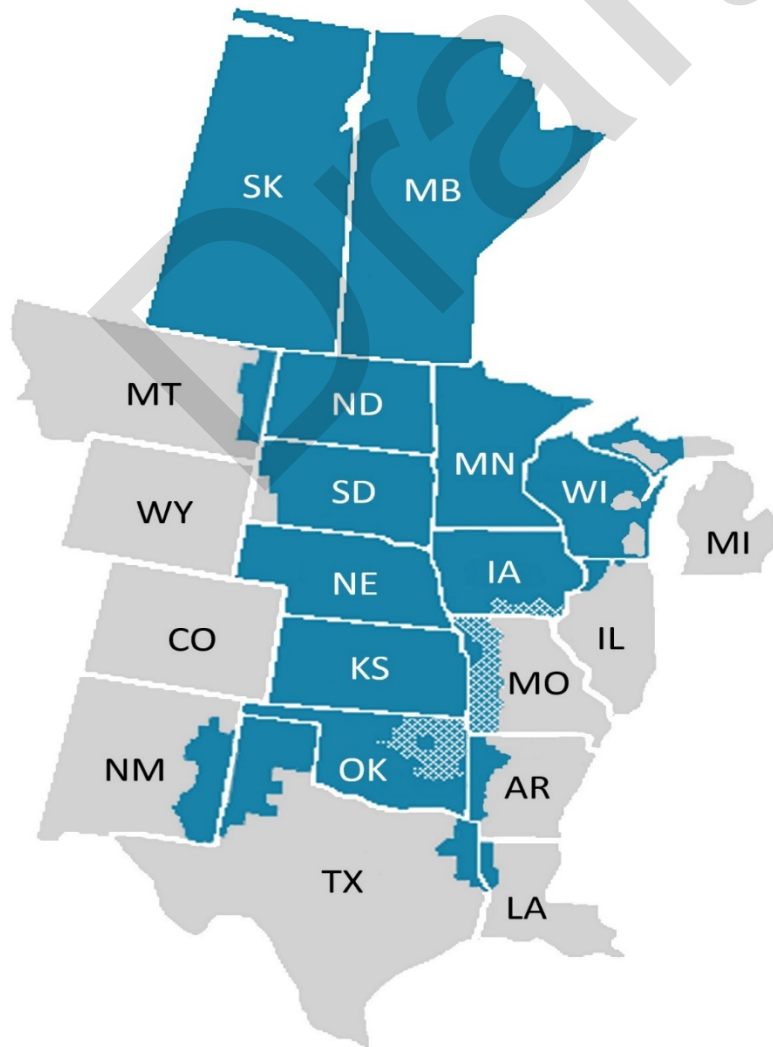
2022 Non-Statutory Business Plan and Budget

MRO has no non-statutory activities.



# Section D – Additional Consolidated Financial Statements

## 2022 Business Plan and Budget



# Section D – Additional Consolidated Financial Statements

## 2022 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2022 Business Plan and Budget	Functions in Delegation Agreement											
	Statutory Total	Reliability Standards (Section 300)	Compliance (Section 400)	Reliability Analysis and Organization Registration and Certification (Section 800 & 500)	Training and Education (Section 600&900)	Situation Awareness and Infrastructure Security (Section 1000)	Committee and Member Forums	General and Administrative	Legal and Regulatory	Information Technology	Human Resources	Accounting and Finance
<b>Funding</b>												
<b>ERO Funding</b>												
NERC Assessments	17,832,414	154,508	13,910,317	3,610,669	842,003	1,058,615		(1,743,698)				
Assessment Stabilization Adjustment	458,250	4,045	328,631	82,068	16,989	26,517						
Membership Dues	-											
Testing Fees	-											
Services & Software	-											
Workshops & Miscellaneous Revenue	-											
Interest & Investment Income	-											
<b>Total Funding (A)</b>	<b>18,290,664</b>	<b>158,553</b>	<b>14,238,948</b>	<b>3,692,737</b>	<b>858,992</b>	<b>1,085,132</b>		<b>(1,743,698)</b>				
<b>Expenses</b>												
<b>Personnel Expenses</b>												
Salaries	11,416,562	58,474	5,792,149	1,528,561	319,838	426,796	-	936,453	552,889	921,491	273,690	606,220
Payroll Taxes	744,165	3,914	399,863	100,217	20,073	28,902	-	34,547	33,056	67,927	18,244	37,423
Benefits	1,193,996	7,319	613,759	154,429	31,529	48,790	-	45,829	135,988	47,452	34,323	74,578
Retirement Costs	1,922,258	10,839	987,129	254,449	52,605	74,320	-	116,820	85,019	179,140	50,353	111,583
<b>Total Personnel Expenses</b>	<b>15,276,980</b>	<b>80,547</b>	<b>7,792,900</b>	<b>2,037,657</b>	<b>424,045</b>	<b>578,809</b>		<b>1,133,649</b>	<b>718,415</b>	<b>1,304,546</b>	<b>376,610</b>	<b>829,803</b>
<b>Meeting Expenses</b>												
Meetings	178,877	1,400	11,500	9,000	90,000	4,277	-	60,000	500	1,200	-	1,000
Travel	581,670	6,500	224,470	127,600	50,500	30,500	-	110,300	19,800	5,000	2,000	5,000
<b>Total Meeting Expenses</b>	<b>760,547</b>	<b>7,900</b>	<b>235,970</b>	<b>136,600</b>	<b>140,500</b>	<b>34,777</b>		<b>170,300</b>	<b>20,300</b>	<b>6,200</b>	<b>2,000</b>	<b>6,000</b>
<b>Operating Expenses</b>												
Consultants & Contracts	1,204,800	-	383,382	71,100	-	-	-	65,000	54,900	549,568	27,000	53,850
Office Rent	1,132,100	-	-	-	-	-	-	-	-	-	-	1,132,100
Office Costs	967,934	-	130,945	25,000	-	11,960	-	133,000	35,804	313,350	68,675	249,200
Professional Services	567,000	-	-	-	-	-	-	360,500	147,500	-	-	59,000
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>3,871,834</b>	<b>-</b>	<b>514,327</b>	<b>96,100</b>	<b>-</b>	<b>11,960</b>		<b>558,500</b>	<b>238,204</b>	<b>862,918</b>	<b>95,675</b>	<b>1,494,150</b>
<b>Total Direct Expenses</b>	<b>19,909,361</b>	<b>88,447</b>	<b>8,543,197</b>	<b>2,270,357</b>	<b>564,545</b>	<b>625,546</b>		<b>1,862,449</b>	<b>976,919</b>	<b>2,173,664</b>	<b>474,285</b>	<b>2,329,953</b>
<b>Indirect Expenses</b>												
	-	69,003	5,606,108	1,399,994	289,812	452,353	-	(1,862,449)	(976,919)	(2,173,664)	(474,285)	(2,329,953)
<b>Other Non-Operating Expenses</b>												
	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses (B)</b>	<b>19,909,361</b>	<b>157,450</b>	<b>14,149,305</b>	<b>3,670,351</b>	<b>854,357</b>	<b>1,077,899</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>(1,618,698)</b>	<b>1,103</b>	<b>89,643</b>	<b>22,386</b>	<b>4,634</b>	<b>7,233</b>		<b>(1,743,698)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fixed Assets</b>												
Computer & Software CapEx	125,000									125,000		
Furniture & Fixtures CapEx	-									-		
Equipment CapEx	-									-		
Leasehold Improvements	-									-		
Allocation of Fixed Assets	(0)	1,103	89,643	22,386	4,634	7,233				(125,000)		
<b>Inc(Dec) in Fixed Assets (C)</b>	<b>125,000</b>	<b>1,103</b>	<b>89,643</b>	<b>22,386</b>	<b>4,634</b>	<b>7,233</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)</b>	<b>20,034,361</b>	<b>158,553</b>	<b>14,238,948</b>	<b>3,692,737</b>	<b>858,992</b>	<b>1,085,132</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)</b>	<b>(1,743,698)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>		<b>(1,743,698)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FTEs</b>	<b>71.00</b>	<b>0.45</b>	<b>36.56</b>	<b>9.13</b>	<b>1.89</b>	<b>2.95</b>		<b>2.75</b>	<b>2.79</b>	<b>7.98</b>	<b>2.15</b>	<b>4.35</b>

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, 2020, per audit
- As of December 31, 2021, projected
- As of December 31, 2022, as budgeted

Statement of Financial Position 2020 Audited, 2021 Projection, and 2022 Budget			
STATUTORY			
	(Per Audit) 31-Dec-20	Projected 31-Dec-21	Budget 31-Dec-22
<b>ASSETS</b>			
Cash	8,654,730	7,787,096	7,967,516
Restricted Cash	-	-	-
Other Receivables	-	-	-
Prepaid expenses and other current assets	376,264	320,000	280,000
Security deposit	39,858	39,858	39,858
Restricted Cash - non-current	2,607,484	2,634,484	432,536
Other Assets	166,208	196,466	228,539
Property and equipment and capitalized software	1,627,565	3,636,261	3,569,956
Total Assets	<b>13,472,109</b>	<b>14,614,165</b>	<b>12,518,406</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities			
Accounts payable and accrued expenses	3,345,191	3,007,000	3,187,420
Postretirement medical benefit obligation	609,597	840,463	1,081,798
Deferred assessments - non-current	-	-	-
Deferred rent - non-current	446,917	465,306	488,809
Other Liability	166,208	196,466	228,539
Total Liabilities	<b>4,567,913</b>	<b>4,509,235</b>	<b>4,986,566</b>
Net Assets - unrestricted	8,904,196	10,104,930	7,531,840
Total Liabilities and Net Assets	<b>13,472,109</b>	<b>14,614,165</b>	<b>12,518,406</b>

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

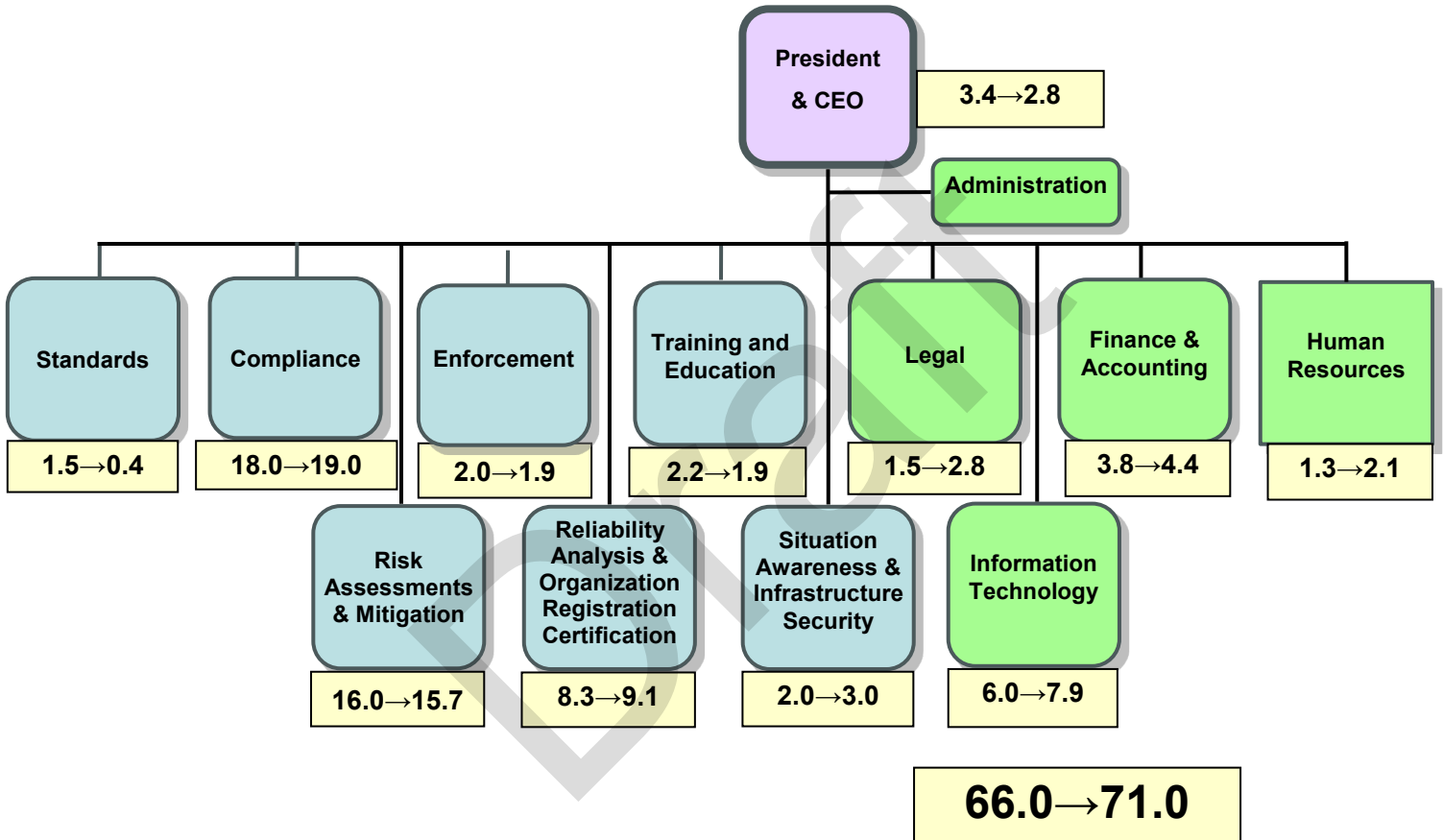


# Appendix A

## Organization Chart

The MRO Organization Chart is shown below.

### 2021 to 2022 Full Time Equivalent (FTE) Comparison Organization Chart



### FTE Trend from 2020 to 2024

2020	2021	2022	2023 Estimate	2024 Estimate
63.0	66.0	71.0	73.0	74.0

Figure 2. Organization Chart and FTE Trend

## Appendix B

This section lists acronyms used in this document.

Acronym	Definition
ASR	Assessment Stabilization Reserve
BES	Bulk Electric System
BPS	Bulk Power System
CMEP	Compliance Monitoring and Enforcement Program
CMEPAC	Compliance Monitoring and Enforcement Program Advisory Council
COP	Compliance Oversight Plan
CORES	Centralized Organization Registration ERO System
CRISP	Cybersecurity Risk Information Sharing Program
DADS	Demand Response Availability Data System
E-ISAC	Electricity Information Sharing and Analysis Center
ERAG	Eastern Interconnection Reliability Assessment Group
ERO	Electric Reliability Organization
FAC	Finance and Audit Committee
FERC	Federal Energy Regulatory Commission
FPA	Federal Power Act
FTE	Full-Time Equivalent
GAAP	Generally Accepted Accounting Principles
GADS	Generating Availability Data System
GPC	Governance & Personnel Committee
HERO	Highly Effective Reliability Organization
HRO	Highly Reliable Organization
IRA	Inherent Risk Assessment
IT	Information Technology
MRO	Midwest Reliability Organization
NEL	Net-Energy-for-Load
NERC	North American Electric Reliability Corporation
OGOC	Organizational Group Oversight Committee
RAC	Reliability Advisory Council
RAM	Risk Assessment and Mitigation
RE	Regional Entity

RISC	Reliability Issues Steering Committee
SAC	Security Advisory Council
SAG	Standard Application Guide
SOA	Statement of Activities
SPP RE	Southwest Power Pool Regional Entity
TADS	Transmission Availability Data System

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## Appendix C

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