



Midwest Reliability Organization

2024 Business Plan and Budget

Approved by MRO Board of Directors: June 15, 2023

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Introduction

The following table summarizes the 2024 Midwest Reliability Organization (MRO) budget.

TOTAL RESOURCES (in whole dollars)				
	2024 Budget	U.S.	Canada	Mexico
Statutory FTEs	80.00			
Non-statutory FTEs				
Total FTEs	80.00			
Statutory Expenses	\$ 24,216,445			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 24,216,445			
Statutory Inc(Dec) in Fixed Assets	\$ 668,000			
Non-Statutory Inc(Dec) in Fixed Assets	\$ -			
Total Inc(Dec) in Fixed Assets	\$ 668,000			
Assessment Stabilization Adjustment	\$ (1,301,078)			
Non-Statutory Stabilization Adjustment				
Total Assessment Stabilization Adjustment	\$ (1,301,078)			
Total Statutory Funding Requirement	\$ 23,583,367			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 23,583,367			
Statutory Funding Assessments	\$ 23,583,367	\$ 21,241,737	\$ 2,341,630	-
Non-Statutory Fees				
NEL	514,164,004	463,368,204	50,795,800	-
NEL%	100.00%	90.12%	9.88%	0.00%

Table 1. MRO 2024 Budget

Organizational Overview

MRO is a Delaware nonprofit¹ corporation that is a cross-border Regional Entity² operating under a delegation agreement (Delegation Agreement) with the North American Electric Reliability Corporation (NERC)³ and in accordance with the MRO Bylaws. The MRO region covers central North America and includes all or portions of 16 states within the United States,⁴

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

² 16 U.S.C. § 824o(a)(7)

³ 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).

⁴ 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.

and the Canadian provinces of Saskatchewan and Manitoba. MRO's current Delegation Agreement was approved by the Federal Energy Regulatory Commission (FERC)⁵ pursuant to FERC's authority under the Federal Power Act (FPA)⁶ 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's⁷ vision and mission.⁸

Further, MRO supports the ERO Enterprise Long-Term Strategy.⁹ Working closely with registered entities and subject matter experts in the region, MRO continually identifies and assesses risks to reliability and security 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 2022-2024 Strategic Plan (MRO Strategic Plan).

In the MRO Strategic Plan, MRO adopted the ERO Enterprise Core Principles¹⁰ 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.*
- **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.*

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

⁶ 16 U.S.C. 824 o (e)(4)

⁷ The ERO Enterprise refers to NERC and the Regional Entities collectively.

⁸ 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.

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

¹⁰ 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.

- **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 membership¹¹ consists of members and adjunct members. As of April 2023, MRO had 93 members, nine 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)

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)

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

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 sponsors one major outreach conference annually. The advisory councils also contribute to MRO's annual Regional Risk Assessment (RRA).

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 subgroups 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 Electricity - Information Sharing and Analysis Center (E-ISAC) staff to discuss timely threat information for the power industry.

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. These representatives report back to one of MRO's advisory councils and are assigned an MRO staff member to assist with these efforts.

Pursuant to *Policy and Procedure 2: Expense Reimbursement*, MRO compensates organizational group members and NERC representatives for travel costs associated with MRO and NERC organizational group participation.

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.

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 NERC Board approval of the Business Plans and Budgets of NERC and all six Regional Entities, 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 financial stewardship and guide 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 operating expenses, MRO's budget includes a cash reserve as specified in *Policy and Procedure 13: Reserves Policy*.

Accounting and Recordkeeping

MRO uses GAAP to consistently record 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 statutory program area based on the number of full-time equivalents (FTEs) in each statutory program area.

Organizational Structure and Staffing

MRO has six statutory departments, each of which is dedicated to one or more statutory function or program area, and five general and administrative departments.

Statutory Programs and Departments

- 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. The department also has oversight of the Reliability Standards Program, which is responsible for monitoring NERC Reliability Standards projects. 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 NERC Reliability Standards, along with engagement and outreach efforts with state and provincial regulatory authorities and key decision makers, and is managed by a director who reports to the Senior Vice President and Chief Operating Officer.
- 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.
- The Communications and Outreach Department provides training and outreach to MRO registered entities of risks to reliability and security of the bulk power system. Education is offered to provide best practices and lessons learned to stakeholders across MRO's regional footprint in an effort to reduce risk and directly supports MRO's strategic plan and other ERO Enterprise initiatives. These efforts are led by a director who reports to the Vice President and Engineer for Strategy, Innovation and Finance. Each of the

statutory departments also contribute resources and technical expertise to support MRO's outreach efforts.

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 Vice President General Counsel and Corporate Secretary oversees this department.
- The Human Resource Department performs all employee-related functions, including benefits administration, recruitment, retention, and talent management. This department is managed by a director who reports to the Vice President General Counsel and Corporate Secretary.
- The Finance and Accounting Department performs accounting, finance, budget, treasury functions, internal compliance, ethics, corporate risk management, and facilities management. This department is managed by a director who reports to the Vice President and Engineer for Strategy, Innovation, and Finance, who is also the Corporate Compliance Officer and Treasurer.
- The General and Administrative Department is led by MRO's President and CEO and performs corporate executive functions.

2024 Key Strategic Goals and Supporting Activities

MRO's President and CEO has established three strategic priorities for MRO staff in 2024. The following strategic priorities support MRO's vision and mission and the ERO Enterprise Long-Term Strategy. They are forward-looking and serve to guide the key objectives and support activities found within MRO's Strategic Plan:

1. **People:** *Ensure that MRO remains an innovative, resilient, and high-performing organization with an increased emphasis on leadership development and culture;*
2. **Processes:** *Drive operational excellence throughout MRO in all processes and procedures, while emphasizing effectiveness and efficiency; and*
3. **Partnerships:** *Develop a nimble, adaptive, and collaborative culture that allows MRO to carry out its mission as a trusted and valued member of the ERO Enterprise.*

Priority 1: People

Ensure that MRO remains an innovative, resilient, and high performing organization with an increased emphasis on leadership development and culture. The future of MRO relies upon developing the next generation of leaders that will continue to advance the organization's vision and mission. Improving staff training, creating career advancement and development opportunities, focusing on soft skills (in addition to technical competency), and fostering a culture of diversity, equity and inclusion are objectives in this area.

Key Objectives:

1. Ensure continuous learning, growth, and career development opportunities.
2. Foster a culture of diversity, equity, inclusion, honesty, and trust through constructive feedback, empowerment, and clarity of roles.
3. Promote opportunities for cross-departmental and inter-ERO collaboration.

4. Formalize processes to ensure continuity of leadership and a skilled and engaged workforce.

Priority 2: Processes

Drive operational excellence throughout MRO in all processes and procedures, while emphasizing effectiveness and efficiency. Amazing results can be achieved through a mindset of continuous improvement and the ability to imagine an invented future. Leveraging the skills of futuristic thinkers at MRO, across the ERO, and within industry, is critical to addressing complex and evolving risk. Planning for the future must be integrated with delegated responsibilities and MRO's public trust obligation to be an effective and efficient regulator, and to use funding wisely.

Key Objectives

1. Focus on identifying, assessing, and mitigating corporate risks and ensure expenditure of resources are prioritized and appropriately deployed.
2. Foster a culture of continued improvement and innovation through forward thinking and futuristic visioning.
3. Leverage Key Performance Indicators (KPIs) to measure operational effectiveness.
4. Develop a process to assess and prioritize work.

Priority 3: Partnerships

Develop a nimble, adaptive, and collaborative culture that allows MRO to carry out its mission as a trusted and valued member of the ERO Enterprise. The electricity industry is facing numerous dynamic challenges that require forward-thinking insight and analysis to develop and support initiatives that ensure a highly reliable and secure bulk power system into the future. Increased coordination across all industry stakeholders, as well as other critical infrastructure sectors, is critical to MRO's success.

Key Objectives:

1. Focus on advanced methods for identifying, assessing, and actively mitigating new and emerging risks to the bulk power system and ensure resources are deployed appropriately.
2. Lead and support ERO transformation efforts.
3. Expand collaborative relationships with federal, state, and provincial regulators, independent system operators, industry leadership, and the broader reliability and security ecosystem.
4. Ensure security and confidentiality of our partners' data and information.
5. Increase capability to support mitigation of increasing frequency and sophistication of cyber risks for corporate and industry (ransomware, phishing, vulnerabilities, etc.).
6. Be a trusted leader in providing premier and cutting-edge outreach to our stakeholders.

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American bulk power system. 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 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 Regional entities, 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 bulk power system 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 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.¹²

2024 Overview of Cost Impacts

In developing MRO's 2024 Business Plan and Budget (2024 BP&B), MRO used shared enterprise-wide assumptions, internal strategic assumptions, and risk assumptions. Prior to obtaining final approval from its board of directors, MRO seeks NERC input and review of its annual Business Plan and Budget, including coordination of program requirements and any related key initiatives for the ERO Enterprise.

MRO's 2024 total budget (\$24.9M) increased by 7.8 percent from the 2023 total budget (\$23.1M). The 2024 statutory assessment (\$23.6M) represents a 15 percent increase from the 2023 assessment. As a result of the pandemic, significant draws of MRO's reserve balance were used to offset the variance between the budgeted expenditures and assessments in prior years. Increasing budget costs and fewer reserves results in higher assessments. MRO proposes to use the majority of its remaining assessment stabilization reserves to manage the variance between the budgeted expenditures and the assessments.

Other significant statutory expense changes (including capital expenditures) in the 2024 BP&B compared to the 2023 budget include:

- **Increase in FTEs.** An evaluation of MRO's personnel resources identified a need for two additional staff to support the priorities identified in the board-approved strategic plan.

¹² The 2023 *ERO Work Plan Priorities* were approved by the Board in November 2022. NERC management and the Board evaluate annual work plan priorities throughout the year.

Based on actual headcount, two staff persons will be added to support technical programs in the areas of Reliability Analysis and Compliance Enforcement¹³. Total FTEs increase from 78 to 80 in the 2024 BP&B. The allocation of FTEs is represented in table 3. An explanation of the FTE variances is included in the Resource Requirements section in each program area in Section A.

- **Increase in Salaries.** A comprehensive review was completed of all staff positions according to MRO's pay philosophy, the current job market, and competition for talent. The 2024 BP&B reflects an increase in salaries of 3 percent with an additional 2 percent allotted for promotions and market adjustments.
- **Increase in Benefits.** MRO measured the average cost related to health premiums per employee based on premium cost assumptions provided by MRO's benefit provider, which are higher than budgeted in 2023. A proposed increase to FTEs also results in benefit costs being higher than in the 2023 budget. The per employee cost is applied to each department based on FTEs.
- **Meetings and Travel.** MRO will host the majority of its outreach events that support the strategic plan at its Saint Paul office. There is one off-site conference planned in the southern area of MRO's regional footprint in the 2024 BP&B. MRO will also co-host a Grid Security Conference with NERC in 2024. Historic costs and emerging trends related to use of virtual technology will result in slightly reduced travel for MRO staff and members as compared with 2023.
- **Decrease in Consultant and Contract Support.** The majority of MRO's consultants and contracts are used in the areas of Information Technology and Compliance Monitoring. These areas utilize additional technical support to maintain MRO's IT infrastructure and support newly implemented ERO-wide applications and tools. In 2024, Compliance Monitoring will expire its consulting support for Align and its contract of WebCDMS.
- **Increase in Office Rent.** Office rent is adjusted as a result of increased rent and the adoption of lease accounting standard ASC 842.
- **Other Operating Expenses.** Other operating expenses are increasing as a result of a people first initiative that will result in staff-wide training, and other fringe benefits aimed at staff retention.

¹³ The term Compliance Enforcement = Compliance Monitoring, Risk Assessment and Mitigation, and Enforcement.

Comparison of 2024 and 2023 Statutory Budgets

The following table and figure summarize and illustrate MRO’s 2024 BP&B by program area.

Base Operating Budget	Budget 2023	Projection 2023	Budget 2024	Variance	
				2024 Budget v 2023 Budget	Variance %
Reliability Standards	\$ 236,896	\$ 236,896	\$ 67,514	\$ (169,381)	-71.5%
Compliance Enforcement	14,920,720	14,920,720	16,206,382	1,285,662	8.6%
Reliability Analysis, Organization Registration and Certification	4,846,672	4,846,672	5,479,694	633,022	13.1%
Training and Education	1,950,810	1,950,810	1,920,488	(30,321)	-1.6%
Situation Awareness and Infrastructure Security	1,127,372	1,127,372	1,210,366	82,994	7.4%
Total	\$ 23,082,469	\$ 23,082,469	\$ 24,884,445	\$ 1,801,976	7.8%

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

Table 2. Budget by Program Area

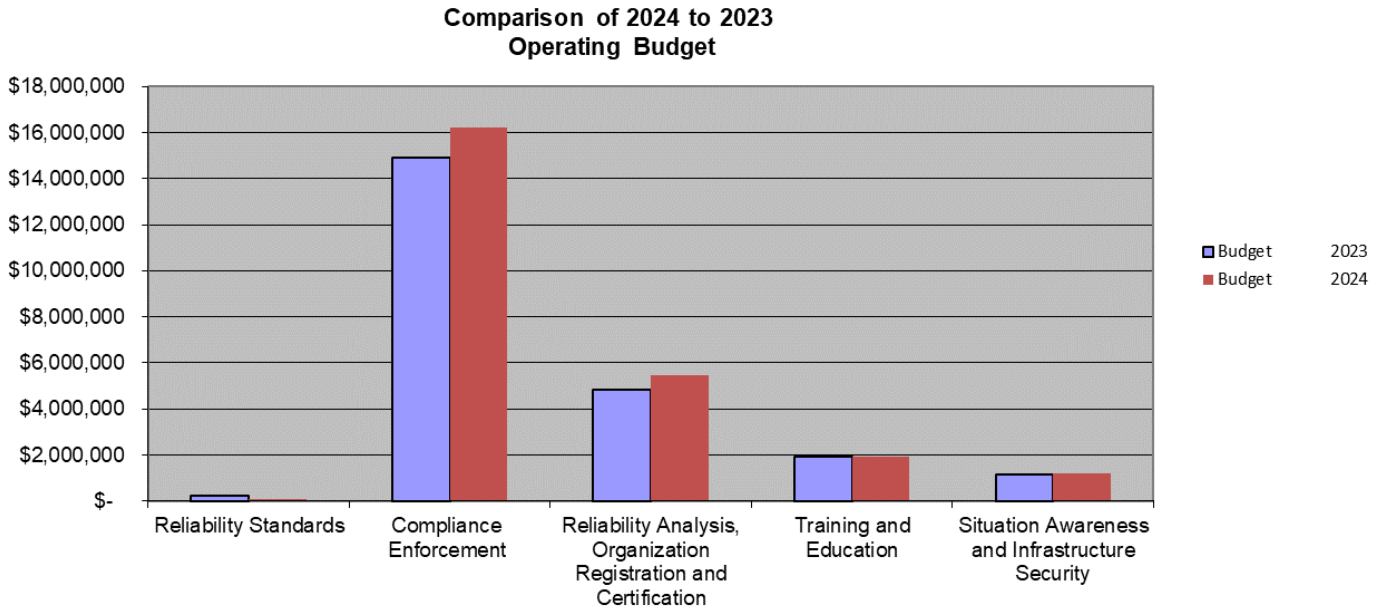


Figure 1. Budget by Program Area Chart

The following table displays total FTEs by program area.

Total FTEs by Program Area	Budget 2023	Budget 2024	Variance from 2023 Budget
STATUTORY			
Operational Programs			
Reliability Standards	0.63	0.16	(0.47)
Compliance Monitoring	18.82	19.10	0.28
Compliance Risk Assessment and Mitigation	15.63	16.30	0.67
Compliance Enforcement	2.85	3.47	0.62
Training and Education	5.05	4.56	(0.49)
Reliability Analysis and Organization Registration and Certification	12.07	12.91	0.84
Situation Awareness and Infrastructure Security	2.95	2.87	(0.08)
Total FTEs Operational Programs	58.00	59.37	1.37
Administrative Programs			
General and Administrative	2.68	3.07	0.39
Legal	2.66	1.87	(0.79)
Information Technology	9.14	9.01	(0.13)
Human Resources	2.00	2.05	0.05
Finance and Accounting	3.52	4.63	1.11
Total FTEs Administrative Programs	20.00	20.63	0.63
Total FTEs	78.00	80.00	2.00

Table 3. Total FTEs by Program Area

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

2023 Budget and Projection and 2024 Budget Comparisons

The following table lists the 2023 budget and projection compared to the 2024 budget.

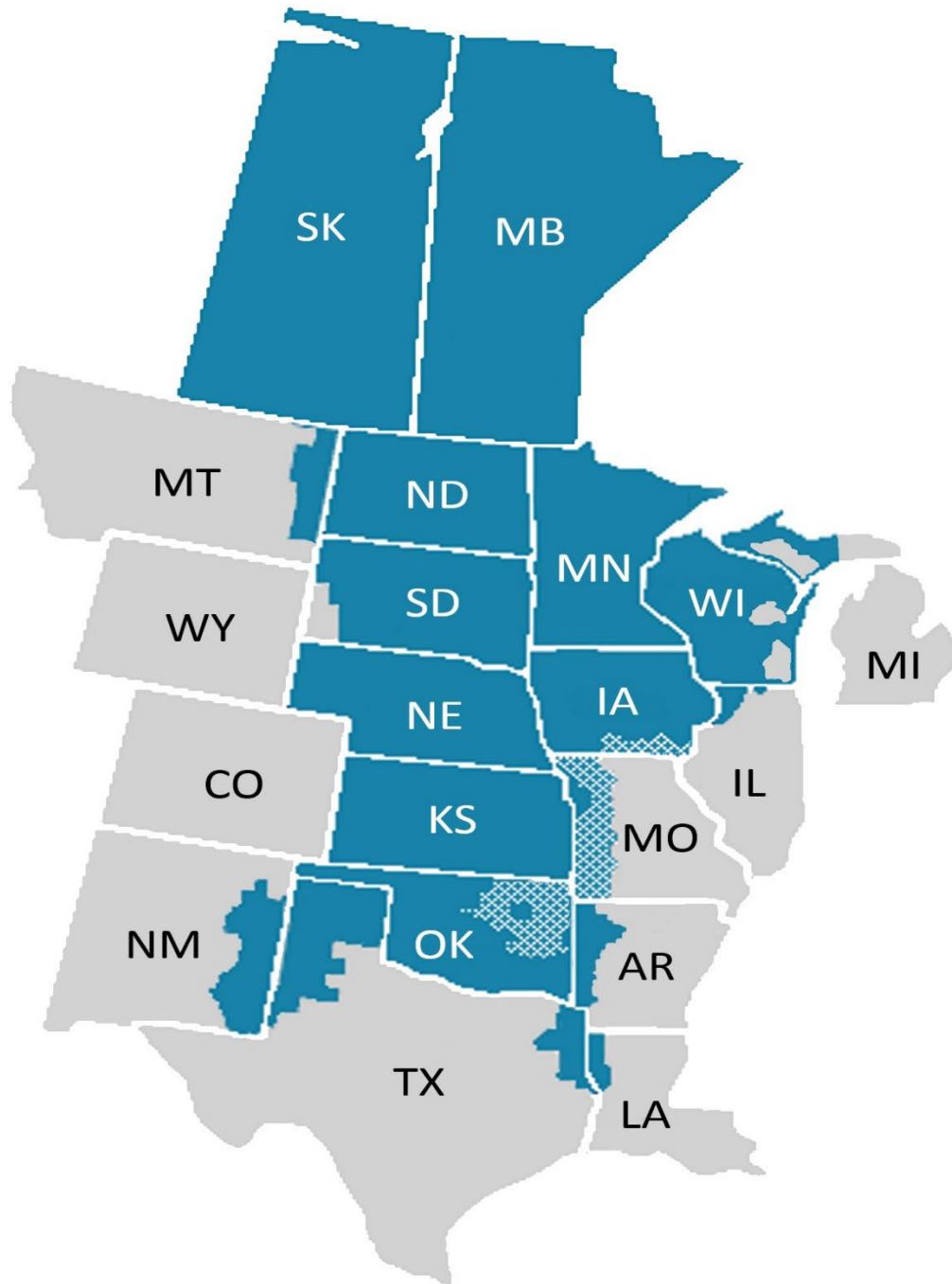
Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
STATUTORY					
	2023 Budget	2023 Projection	Variance 2023 Budget v 2023 Projection Over(Under)	2024 Budget	Variance 2024 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 20,507,275	\$ 20,507,275	\$ -	\$ 23,583,367	\$ 3,076,092
Penalties Released*	331,928	331,928	-	119,026	(212,902)
Interest & Investment Income	419	419	-	61,834	61,415
Total Funding (A)	\$ 20,839,622	\$ 20,839,622	\$ -	\$ 23,764,227	\$ 2,924,605
Expenses					
Personnel Expenses					
Salaries	\$ 13,294,284	\$ 13,294,284	\$ -	\$ 14,236,654	\$ 942,370
Payroll Taxes	863,417	863,417	-	940,730	77,313
Benefits	1,425,181	1,425,181	-	1,653,189	228,008
Retirement Costs	2,277,278	2,277,278	-	2,525,303	248,025
Total Personnel Expenses	\$ 17,860,160	\$ 17,860,160	\$ -	\$ 19,355,876	\$ 1,495,716
Meeting Expenses					
Meetings & Conference Calls	\$ 178,877	\$ 178,877	\$ -	\$ 200,000	\$ 21,123
Travel	581,670	581,670	-	512,925	(68,745)
Total Meeting Expenses	\$ 760,547	\$ 760,547	\$ -	\$ 712,925	\$ (47,622)
Operating Expenses, excluding Depreciation					
Consultants & Contracts	\$ 1,381,018	\$ 1,381,018	\$ -	\$ 1,150,498	\$ (230,520)
Office Rent	1,046,000	1,046,000	-	1,171,880	125,880
Office Costs	1,154,744	1,154,744	-	1,244,266	89,522
Professional Services	631,500	631,500	-	581,000	(50,500)
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 4,213,262	\$ 4,213,262	\$ -	\$ 4,147,644	\$ (65,618)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ -	\$ -	\$ -	\$ (0)	\$ -
Total Expenses (B)	\$ 22,833,969	\$ 22,833,969	\$ -	\$ 24,216,445	\$ 1,382,476
Change in Net Assets (=A - B)	\$ (1,994,347)	\$ (1,994,347)	\$ -	\$ (452,218)	\$ 1,542,129
Fixed Asset Additions, excluding Right of Use Assets (C)	248,500	248,500	-	668,000	419,500
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 23,082,469	\$ 23,082,469	\$ -	\$ 24,884,445	\$ 1,801,976
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ (2,242,847)	\$ (2,242,847)	\$ -	\$ (1,120,218)	\$ -
FTEs	78.00	78.00	-	80.00	2.00

Table 4. 2023 Budget and Projection and 2024 Comparisons¹⁴

¹⁴ *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 GAAP.

Section A – Statutory Programs

2024 Business Plan and Budget



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)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	0.63	0.16	(0.47)
Direct Expenses	\$ 142,117	\$ 41,537	\$ (100,579)
Indirect Expenses	\$ 92,080	\$ 24,176	\$ (67,903)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 2,699	\$ 1,800	\$ (899)
Total Funding Requirement	\$ 236,896	\$ 67,514	\$ (169,382)

Table A-1. Reliability Standards Budget

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 projects, participate in standards development, and maintain MRO’s Regional Reliability Standards Process Manual as required by the Delegation Agreement.

Impact on Resource Needs

Staff support of workload and activities in Reliability Standards has a decrease.

Reliability Standards Program Resource Requirements

Overall Budget Change 2024 vs 2023 (Decrease \$169.4K, 71.5%)

Overall, decreased cost is due to decreased staff support. Subject matter expertise that develop SAGs and support outreach in this area is carried out by the CMEP Advisory Council.

Personnel Expenses (Decrease \$92.7K, 69.1%)

Overall, decreased cost is due to decreased staff support.

Indirect Expenses (Decrease \$67.9K, 73.7%)

There is a decrease in administrative services allocated to this program based on FTEs.

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					
2023 Budget & Projection, and 2024 Budget					
STANDARDS					
	2023 Budget	2023 Projection	Variance 2023 Budget v 2023 Projection Over(Under)	2024 Budget	Variance 2024 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 233,286	\$ 233,286	\$ -	\$ 67,027	\$ (166,259)
Penalties Released	3,605	3,605	-	321	(3,285)
Interest	5	5	-	167	162
Total Funding (A)	\$ 236,896	\$ 236,896	\$ -	\$ 67,514	\$ (169,381)
Expenses					
Personnel Expenses					
Salaries	\$ 98,403	\$ 98,403	\$ -	\$ 30,922	\$ (67,481)
Payroll Taxes	6,424	6,424	-	2,040	(4,384)
Benefits	11,598	11,598	-	3,313	(8,284)
Retirement Costs	17,792	17,792	-	5,262	(12,530)
Total Personnel Expenses	\$ 134,217	\$ 134,217	\$ -	\$ 41,537	\$ (92,679)
Meeting Expenses					
Meetings	\$ 1,400	\$ 1,400	\$ -	\$ -	\$ (1,400)
Travel	6,500	6,500	-	-	(6,500)
Total Meeting Expenses	\$ 7,900	\$ 7,900	\$ -	\$ -	\$ (7,900)
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses					
	\$ 92,080	\$ 92,080	\$ -	\$ 24,176	\$ (67,903)
Total Expenses (B)	\$ 234,196	\$ 234,196	\$ -	\$ 65,714	\$ (168,483)
Change in Net Assets (=A - B)	\$ 2,699	\$ 2,699	\$ -	\$ 1,800	\$ (899)
Fixed Asset Additions, excluding Right of Use Assets (C)					
	2,699	2,699	-	1,800	(899)
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 236,896	\$ 236,896	\$ -	\$ 67,514	\$ (169,381)
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	0.63	0.63	-	0.16	(0.47)

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).

Compliance Monitoring and Enforcement Program (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	37.30	38.87	1.57
Direct Expenses	\$ 9,309,202	\$ 9,895,661	\$ 586,460
Indirect Expenses	\$ 5,451,707	\$ 5,873,376	\$ 421,670
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 159,811	\$ 437,345	\$ 277,534
Total Funding Requirement	\$ 14,920,720	\$ 16,206,382	\$ 1,285,663

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 to describe the risk each entity poses to the bulk power system by the nature of the facilities the entity owns and operates. This information is used to provide a ranking of requirements for monitoring an entity based on risk.

The Compliance Monitoring Department uses IRAs as input when developing Compliance Oversight Plans (COPs). COPs are registered entity-specific and inform the scope and timing of oversight activities for each registered entity based on the risk the entity poses to reliability and security of the regional bulk power system. A variety of discovery and compliance monitoring methods are used, including spot checks, audits, self-certifications, and self-reports.

Following identification of a proposed non-compliance, RAM conducts a risk assessment of the possible violation and evaluates and monitors related mitigation efforts. The Enforcement Department independently reviews and processes noncompliances and violations using risk-based disposition methods, including any penalty determinations. Enforcement also analyzes the registered entity's compliance history and culture of compliance that are used as inputs to the COP completed by the Compliance Monitoring Department.

All three of the CMEP departments are responsible for supporting and facilitating the work of the CMEP Advisory Council and its subgroups. Additionally, CMEP staff support ERO collaboration group activities that align MRO's CMEP program, including associated tools, with that of the other Regional Entities and NERC.

The 2024 BP&B anticipates that staff will perform CMEP activities for approximately 235 registered entities. The Compliance Monitoring Department will conduct approximately 14 audits and will also contribute to audits of registered entities that participate in coordinated oversight where MRO is the Affected Regional Entity. In addition to the activities described above, the Enforcement Department will review registered entity participation in the ERO Enterprise Self-Logging Program.

Impact on Resource Needs

In addition to regular oversight work, the CMEP departments will dedicate resources to support the continued implementation of ERO Enterprise Tools and the activities of the ERO Enterprise collaboration groups. These initiatives improve the effectiveness of MRO activities and better define the expectation of CMEP staff.

Compliance Monitoring and Enforcement Program Resource Requirements**Overall Budget Change 2024 vs 2023 (Increase \$1.3M, 8.6%)**

The budget increase for 2024 is due to an increase in personnel costs and allocation of increased indirect expenses.

Personnel Expenses (Increase \$912K, 10.7%)

Average salary increases in the 2024 BP&B were budgeted at 3 percent and an additional 2 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs. An increase of 1.57 FTE will be added to this program area.

Meeting Expenses (Decrease \$53.4K, 22.6%)

Historic cost trends reflect lower than budgeted expenditure. Virtual technology increased hybrid options for meeting attendance, which reduced travel and meeting cost estimates for 2024.

Operating Expense (Decrease \$272K, 50.1%)

Cost decrease to this program relates to reduced consulting costs associated with WebCDMS.

Compliance Monitoring and Enforcement Program Budget Detail

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM					
	2023 Budget	2023 Projection	Variance 2023 Budget v 2023 Projection Over(Under)	2024 Budget	Variance 2024 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 14,706,986	\$ 14,706,986		\$ 16,087,972	\$ 1,380,986
Penalties Released	213,464	213,464		77,927	(135,537)
Interest	269	269	-	40,483	40,214
Total Funding (A)	\$ 14,920,720	\$ 14,920,720		\$ 16,206,382	\$ 1,285,662
Expenses					
Personnel Expenses					
Salaries	\$ 6,323,947	\$ 6,323,947	\$ -	\$ 6,930,750	\$ 606,803
Payroll Taxes	427,795	427,795	-	476,081	48,285
Benefits	685,082	685,082	-	804,920	119,838
Retirement Costs	1,093,595	1,093,595	-	1,230,571	136,975
Total Personnel Expenses	\$ 8,530,420	\$ 8,530,420	\$ -	\$ 9,442,321	\$ 911,901
Meeting Expenses					
Meetings	\$ 11,500	\$ 11,500	\$ -	\$ 15,000	\$ 3,500
Travel	224,470	224,470	-	167,600	(56,870)
Total Meeting Expenses	\$ 235,970	\$ 235,970	\$ -	\$ 182,600	\$ (53,370)
Operating Expenses					
Consultants & Contracts	\$ 348,382	\$ 348,382	\$ -	\$ 75,000	\$ (273,382)
Office Rent	-	-	-	-	-
Office Costs	194,430	194,430	-	195,740	1,310
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 542,812	\$ 542,812	\$ -	\$ 270,740	\$ (272,072)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ 5,451,707	\$ 5,451,707	\$ -	\$ 5,873,376	\$ 421,670
Total Expenses (B)	\$ 14,760,908	\$ 14,760,908	\$ -	\$ 15,769,037	\$ 1,008,129
Change in Net Assets (=A - B)	\$ 159,811	\$ 159,811	\$ -	\$ 437,345	\$ 277,534
Fixed Asset Additions, excluding Right of Use Assets (C)	159,811	159,811	-	437,345	277,534
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 14,920,720	\$ 14,920,720	\$ -	\$ 16,206,382	\$ 1,285,662
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	37.30	37.30	-	38.87	1.57

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

Reliability Analysis and Organization Registration and Certification Program

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

Reliability Analysis and Organization Registration and Certification (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	12.07	12.91	0.84
Direct Expenses	\$ 3,030,827	\$ 3,383,697	\$ 352,870
Indirect Expenses	\$ 1,764,131	\$ 1,950,741	\$ 186,609
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 51,714	\$ 145,257	\$ 93,543
Total Funding Requirement	\$ 4,846,672	\$ 5,479,694	\$ 633,021

Table A-5. Reliability Analysis and Organization Registration and Certification Budget

Program Scope and Functional Description

MRO's Reliability Analysis Department performs event analysis, performance analysis, and reliability assessments in support of related NERC program areas. This work includes: analyses of large-scale bulk power system outages, disturbances, and near misses to determine root causes and lessons learned; the quarterly review of operational data submissions to assess system performance; and the availability of electric generation and transmission equipment through various NERC reporting systems, such as Transmission Availability Data Systems (TADS), Generating Availability Data Systems (GADS), Demand Response Availability Data Systems (DADS), and Misoperation Information Data Analysis Systems (MIDAS). The department also conducts assessments of the grid's ability to meet electric power demand within the region during specific time periods. This information may indicate the need to develop and implement targeted interventions based on reliability risk. Reliability Analysis staff participate in the Eastern Interconnection Reliability Assessment Group (ERAG), which facilitates data collection and development of power flow and dynamics simulation models for the Eastern Interconnection. Reliability Analysis also supports MRO's Reliability Advisory Council, the Protective Relay Subgroup, and related ERO Enterprise activities.

The Reliability Analysis Department is responsible for the organization registration and certification programs, which appropriately register all users, owners, and operators of the bulk power system in MRO's regional footprint as required by NERC. The program includes periodically certifying that certain registered entities (Reliability Coordinators, Balancing Authorities, and Transmission Operators) are able to perform associated tasks. All entities registered for any reliability function are required to comply with mandatory NERC Reliability Standards.

Impact on Resource Needs

Staffing for this program will increase by 0.84 FTEs. The addition of a registration and certification engineer will add value and streamline activities for ongoing reliability assessment analysis and an increase in work in the registration and certification programs expected in 2024.

Reliability Analysis and Organization Registration and Certification Resource Requirements

Overall Budget Change 2024 vs 2023 (Increase \$633K, 13.1%)

The budget increase for 2024 is due to an increase in personnel costs and allocation of increased indirect expenses.

Personnel Expenses (Increase \$350K, 12.5%)

The average salary increase was budgeted at 3 percent and an additional 2 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs. An increase of 0.84 FTE will be added to this program area.

Meeting Expenses (Decrease \$21K, 15.4%)

Historic cost trends reflect lower than budgeted expenditure. Virtual technology increased hybrid options for meeting attendance, which reduced travel and meeting cost estimates for 2024.

Operating Expense (Increase \$23.4K, 28.1%)

Cost increase to this program includes staff-related costs captured in office costs and costs associated with contracts and/or consulting related to increased registration and energy assessment activity.

Indirect Expenses (Increase \$186.6K, 10.6%)

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

Reliability Analysis and Organization Registration and Certification Budget Detail

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2023 Budget & Projection, and 2024 Budget					
RELIABILITY ANALYSIS and ORGANIZATION REGISTRATION and CERTIFICATION					
	2023 Budget	2023 Projection	Variance 2023 Budget v 2023 Projection Over(Under)	2024 Budget	Variance 2024 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 4,777,509	\$ 4,777,509		\$ 5,440,366	\$ 662,857
Penalties Released	69,075	69,075		25,882	(43,193)
Interest	87	87	-	13,446	13,359
Total Funding (A)	\$ 4,846,672	\$ 4,846,672		\$ 5,479,694	\$ 633,022
Expenses					
Personnel Expenses					
Salaries	\$ 2,101,041	\$ 2,101,041	\$ -	\$ 2,331,409	\$ 230,368
Payroll Taxes	139,972	139,972	-	159,883	19,911
Benefits	217,524	217,524	-	263,889	46,364
Retirement Costs	352,240	352,240	-	406,036	53,796
Total Personnel Expenses	\$ 2,810,777	\$ 2,810,777	\$ -	\$ 3,161,217	\$ 350,440
Meeting Expenses					
Meetings	\$ 9,000	\$ 9,000	\$ -	\$ 8,000	\$ (1,000)
Travel	127,600	127,600	-	107,600	(20,000)
Total Meeting Expenses	\$ 136,600	\$ 136,600	\$ -	\$ 115,600	\$ (21,000)
Operating Expenses					
Consultants & Contracts	\$ 41,100	\$ 41,100	\$ -	\$ 56,000	\$ 14,900
Office Rent	-	-	-	-	-
Office Costs	42,350	42,350	-	50,880	8,530
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 83,450	\$ 83,450	\$ -	\$ 106,880	\$ 23,430
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ 1,764,131	\$ 1,764,131	\$ -	\$ 1,950,741	\$ 186,609
Total Expenses (B)	\$ 4,794,958	\$ 4,794,958	\$ -	\$ 5,334,437	\$ 539,479
Change in Net Assets (=A - B)	\$ 51,714	\$ 51,714	\$ -	\$ 145,257	\$ 93,543
Fixed Asset Additions, excluding Right of Use Assets (C)	51,714	51,714	-	145,257	93,543
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 4,846,672	\$ 4,846,672	\$ -	\$ 5,479,694	\$ 633,022
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	12.07	12.07	-	12.91	0.84

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)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	5.05	4.56	(0.49)
Direct Expenses	\$ 1,191,073	\$ 1,180,152	\$ (10,922)
Indirect Expenses	\$ 738,100	\$ 689,030	\$ (49,070)
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 21,637	\$ 51,307	\$ 29,670
Total Funding Requirement	\$ 1,950,811	\$ 1,920,488	\$ (30,321)

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 NERC Reliability Standards, and sharing information and best practices related to reliability and security of the bulk power system in MRO’s regional footprint. The Training and Education Program provides outreach to MRO registered entities through various channels like newsletter articles, publications, conferences, webinars, roundtable events, video and social media, as well as presentation opportunities at other industry events. Raising awareness of risk and providing lessons learned and best practices to mitigate or reduce risk directly supports MRO’s strategic plan and other ERO Enterprise initiatives.

In addition, in partnership with NERC and the other Regional Entities, MRO is expanding outreach to state and provincial regulators to educate and inform key decision and policy makers of risks to reliability and security of the bulk power system within MRO’s regional footprint. This outreach includes virtual and in-person interactions with both Canadian and U.S. regulatory agencies to share information about the ERO Enterprise and important work to assess and mitigate risk to the North American bulk power system. There is an increased need for greater coordination with state and provincial regulatory agencies as the lines between electricity generation and distribution intersect with the addition of behind the meter, renewable resources. This coordination has increased workload for MRO staff resources that assist with these efforts.

Impact on Resource Needs

In a post-pandemic environment, training, education, and outreach have been conducted through a hybrid approach that includes both in-person and virtual opportunities for participation – offering a “best of both worlds” experience for attendees. Providing this hybrid approach allows MRO to expand its audience and reach and enables industry stakeholders to participate in a way that works best for them. MRO has adapted to this hybrid outreach approach without adding any costs to outreach participants. All of MRO’s events are offered free of charge and virtual participation has the added benefit of eliminating travel costs for participants.

While this hybrid format provides significant benefit to industry, it does increase the amount of time and effort required to host outreach events. An Outreach Department was formed in 2022 and will have three full-time staff supporting outreach efforts by the close of 2023. This new department is charged with centralizing MRO's outreach efforts and meeting the strategic plan objective of "being a trusted leader in providing premier and cutting-edge outreach to MRO stakeholders."

Training and Education Resource Requirements

Overall Budget Change 2024 vs 2023 (Decrease \$30.3K, 1.6%)

The budget decrease for 2024 is primarily due to decrease in staff resources. Dedicated FTEs are focused in executing this program. Outreach activities increased as well as use of outreach tools and technology, fees for engaging best in class speakers and industry experts, and expenses related to cohosting with NERC the 2024 Grid Security Conference in the MRO region.

Personnel Expenses (Decrease \$141K, 13.6%)

Previously, staff resources from other areas were allocated to this program to run outreach activities. Dedicated staff in this area reduces need for support from other department staff.

Meeting Expenses (Increase \$44.7K, 31.8%)

Outreach activities increase as well as use of outreach tools and technology, fees for engaging speakers and industry experts, and expenses related to cohosting 2024 Grid Security Conference in the MRO region.

Operating Expense (Increase \$85.3K, 694%)

Cost increase to this program includes meeting supplies and staff-related costs captured in office costs. Costs associated with external communications and media consulting was moved to this functional area, formerly under legal.

Training and Education Budget Detail

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2023 Budget & Projection, and 2024 Budget					
TRAINING and EDUCATION					
	2023 Budget	2023 Projection	Variance 2023 Budget v 2023 Projection Over(Under)	2024 Budget	Variance 2024 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,921,873	\$ 1,921,873		\$ 1,906,597	\$ (15,275)
Penalties Released	28,901	28,901		9,142	(19,759)
Interest	36	36	-	4,749	4,713
Total Funding (A)	\$ 1,950,810	\$ 1,950,810		\$ 1,920,488	\$ (30,321)
Expenses					
Personnel Expenses					
Salaries	\$ 765,029	\$ 765,029	\$ -	\$ 627,888	\$ (137,140)
Payroll Taxes	52,590	52,590	-	45,854	(6,736)
Benefits	89,316	89,316	-	94,428	5,112
Retirement Costs	131,338	131,338	-	129,141	(2,197)
Total Personnel Expenses	\$ 1,038,273	\$ 1,038,273	\$ -	\$ 897,312	\$ (140,962)
Meeting Expenses					
Meetings	\$ 90,000	\$ 90,000	\$ -	\$ 125,000	\$ 35,000
Travel	50,500	50,500	-	60,225	9,725
Total Meeting Expenses	\$ 140,500	\$ 140,500	\$ -	\$ 185,225	\$ 44,725
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 50,550	\$ 50,550
Office Rent	-	-	-	-	-
Office Costs	12,300	12,300	-	32,065	19,765
Professional Services	-	-	-	15,000	15,000
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 12,300	\$ 12,300	\$ -	\$ 97,615	\$ 85,315
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ 738,100	\$ 738,100	\$ -	\$ 689,030	\$ (49,070)
Total Expenses (B)	\$ 1,929,173	\$ 1,929,173	\$ -	\$ 1,869,182	\$ (59,991)
Change in Net Assets (=A - B)	\$ 21,637	\$ 21,637	\$ -	\$ 51,307	\$ 29,670
Fixed Asset Additions, excluding Right of Use Assets (C)	21,637	21,637	-	51,307	29,670
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 1,950,810	\$ 1,950,810	\$ -	\$ 1,920,488	\$ (30,321)
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ 0
FTEs	5.05	5.05	-	4.56	(0.49)

Table A-8. Training and Education Budget Detail

Situation Awareness and Infrastructure Security Program

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

Situation Awareness and Infrastructure Security (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	2.95	2.87	(0.08)
Direct Expenses	\$ 683,566	\$ 744,409	\$ 60,843
Indirect Expenses	\$ 431,167	\$ 433,666	\$ 2,499
Other Non-Operating Expenses	\$ -	\$ -	\$ -
Inc(Dec) in Fixed Assets	\$ 12,639	\$ 32,292	\$ 19,653
Total Funding Requirement	\$ 1,127,372	\$ 1,210,366	\$ 82,994

Table A-9. Situation Awareness and Infrastructure Security Budget

Program Scope and Functional Description

MRO monitors present conditions and emerging threats to reliability and security of the bulk power system and provides leadership coordination, technical expertise, and assistance to industry and government partners as necessary. MRO's Reliability Analysis and Security Departments support these efforts.

The Reliability Analysis Department determines which entities may be more susceptible to a specific risk based on responses to NERC Alerts. NERC Alerts are used to effectively disseminate information to the electricity industry regarding reliability or security and at times require review of responses by MRO staff depending on the request.

The Security Department supports the efforts of the MRO SAC and its subgroup, the SAC Threat Forum. These organizational groups assess and help to mitigate and reduce cyber, physical, and operational risks to the bulk power system through a variety of outreach mechanisms. The department also develops and maintains strong connections with other industry security groups like the E-ISAC and federal security agencies and serves as a resource to MRO's IT Department.

Impact on Resource Needs

Situational Awareness Program staff work with stakeholders to identify known and emerging risks to reliability and security, assist industry in mitigating those risks, and promote a culture of continuous improvement across MRO's region.

The Infrastructure Security Program focuses on activities to promote identification, assessment, mitigation, and communication of cyber, physical, and operational risks to the security of the North American bulk power system. In addition, the department leads and administers emergency management and business continuity initiatives for MRO, the ERO Enterprise, and the Region.

Situation Awareness and Infrastructure Security Resource Requirements

Overall Budget Change 2024 vs 2023 (Increase \$83K, 7.4%)

The portion of this budget that addresses infrastructure security increased in overall program costs to address increased activities in improving MRO's security posture.

Operating Expense (Increase \$10.9K, 69.2%)

Cost increase to this program includes use of security consulting.

Situation Awareness and Infrastructure Security Budget Detail

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
SITUATION AWARENESS and INFRASTRUCTURE SECURITY					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Budget v 2023 Projection Over(Under)	Budget	2024 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ 1,110,468	\$ 1,110,468	\$ -	\$ 1,201,623	\$ 91,155
Penalties Released	16,883	16,883	-	5,754	(11,129)
Interest	21	21	-	2,989	2,968
Total Funding (A)	\$ 1,127,372	\$ 1,127,372		\$ 1,210,366	\$ 82,994
Expenses					
Personnel Expenses					
Salaries	\$ 464,895	\$ 464,895	\$ -	\$ 496,688	\$ 31,793
Payroll Taxes	30,578	30,578	-	31,586	1,008
Benefits	54,105	54,105	-	59,432	5,327
Retirement Costs	83,501	83,501	-	89,623	6,122
Total Personnel Expenses	\$ 633,079	\$ 633,079	\$ -	\$ 677,329	\$ 44,250
Meeting Expenses					
Meetings	\$ 4,277	\$ 4,277	\$ -	\$ -	\$ (4,277)
Travel	30,500	30,500	-	40,500	10,000
Total Meeting Expenses	\$ 34,777	\$ 34,777	\$ -	\$ 40,500	\$ 5,723
Operating Expenses					
Consultants & Contracts	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Office Rent	-	-	-	-	-
Office Costs	15,710	15,710	-	16,580	870
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 15,710	\$ 15,710	\$ -	\$ 26,580	\$ 10,870
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ 431,167	\$ 431,167	\$ -	\$ 433,666	\$ 2,499
Total Expenses (B)	\$ 1,114,733	\$ 1,114,733	\$ -	\$ 1,178,075	\$ 63,342
Change in Net Assets (=A - B)	\$ 12,639	\$ 12,639	\$ -	\$ 32,292	\$ 19,653
Fixed Asset Additions, excluding Right of Use Assets (C)	12,639	12,639	-	32,292	19,653
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 1,127,372	\$ 1,127,372	\$ -	\$ 1,210,366	\$ 82,994
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	
FTEs	2.95	2.95	-	2.87	(0.08)

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		
	2023 Budget	2024 Budget	Increase (Decrease)	2023 Budget	2024 Budget	Increase (Decrease)
General and Administrative	\$2,997,150	\$3,417,244	\$420,093	2.68	3.07	0.39
Legal	\$994,092	\$687,028	-\$307,064	2.66	1.87	(0.79)
Information Technology	\$2,971,820	\$3,500,772	\$528,952	9.14	9.01	(0.13)
Human Resources	\$643,783	\$726,633	\$82,850	2.00	2.05	0.05
Finance and Accounting	\$1,118,839	\$1,307,313	\$188,473	3.52	4.63	1.11
Total Administrative Services	\$8,725,684	\$9,638,989	\$913,305	20.00	20.63	0.63

Table A-11. Administrative Services Budget

Program Scope and Functional Description

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

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 the 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.

General and Administrative (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	2.68	3.07	0.39
Total Direct Expenses	\$ 2,997,150	\$ 3,417,244	\$ 420,093
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ (2,242,847)	\$ (1,120,218)	\$ 1,122,629

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 operations and risk management of the corporation, board governance, policies and procedures, proper record-keeping, and related responsibilities under applicable regulations, as well as MRO's Delegation Agreement with NERC.

Some of the external pressures that impact this budget area include escalating cyber security threats and vulnerabilities to the corporation, increased security requirements related to the handling and storage of corporate and external data, the need for greater coordination of emergency response and crisis communications across the ERO Enterprise, and expanded Regional Entity oversight from NERC. Additionally, under the guidance of MRO's Board of Directors, a Corporate Risk Management function was added in 2022 to monitor operational, cyber, legal, and reputational risks to the organization. Insights in this area provide additional input into MRO's strategic planning.

Impact on Resource Needs

New initiatives that align with MRO's strategic plan result in additional support required from the General and Administrative Departments. Dedicated resources will support the implementation of the three strategic plan initiatives: People, Processes, and Partnerships. Resources include staffing, technology, and consultation for organizational prioritization and continued leadership training.

General and Administrative Services Resource Requirements

Overall Budget Change 2024 vs 2023 (Increase \$420K, 14%)

The budget increase for 2024 is due to an increase in personnel costs, costs for consulting, and increase in rent costs.

Personnel Expenses (Increase \$308K, 27.8%)

Average salary increases were budgeted at 3 percent with an additional 2 percent in promotion, equity, and market adjustments. Also, benefits increased due to projected increase in medical premium costs.

Section A – Statutory Programs

General and Administrative Budget Detail

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
GENERAL and ADMINISTRATIVE					
	2023 Budget	2023 Projection	Variance 2023 Budget v 2023 Projection Over(Under)	2024 Budget	Variance 2024 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ (2,242,847)	\$ (2,242,847)	\$ -	\$ (1,120,218)	\$ 1,122,629
Penalties Released	-	-	-	-	-
Total Funding (A)	\$ (2,242,847)	\$ (2,242,847)	\$ -	\$ (1,120,218)	\$ 1,122,629
Expenses					
Personnel Expenses					
Salaries	\$ 908,838	\$ 908,838	\$ -	\$ 1,162,540	\$ 253,702
Payroll Taxes	33,958	33,958	-	44,198	10,240
Benefits	49,320	49,320	-	63,574	14,253
Retirement Costs	117,584	117,584	-	147,757	30,173
Total Personnel Expenses	\$ 1,109,700	\$ 1,109,700	\$ -	\$ 1,418,069	\$ 308,368
Meeting Expenses					
Meetings	\$ 60,000	\$ 60,000	\$ -	\$ 50,000	\$ (10,000)
Travel	110,300	110,300	-	110,300	-
Total Meeting Expenses	\$ 170,300	\$ 170,300	\$ -	\$ 160,300	\$ (10,000)
Operating Expenses					
Consultants & Contracts	\$ 80,000	\$ 80,000	\$ -	\$ 130,000	\$ 50,000
Office Rent	1,046,000	1,046,000	-	1,171,880	125,880
Office Costs	130,650	130,650	-	136,995	6,345
Professional Services	460,500	460,500	-	400,000	(60,500)
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 1,717,150	\$ 1,717,150	\$ -	\$ 1,838,875	\$ 121,725
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ (2,997,150)	\$ (2,997,150)	\$ -	\$ (3,417,244)	\$ (420,093)
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ 0
Change in Net Assets (=A - B)	\$ (2,242,847)	\$ (2,242,847)	\$ -	\$ (1,120,218)	\$ 1,122,629
Fixed Asset Additions, excluding Right of Use Assets (C)	-	-	-	-	-
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ -	\$ -	\$ -	\$ -	\$ 0
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ (2,242,847)	\$ (2,242,847)	\$ -	\$ (1,120,218)	\$ 1,122,629
FTEs	2.68	2.68	-	3.07	0.39

Table A-13. General and Administrative Budget Detail

Legal

The following table lists the Legal budget.

Legal (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	2.66	1.87	(0.79)
Total Direct Expenses	\$ 994,092	\$ 687,028	\$ (307,064)
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-14. Legal Budget

Program Scope and Functional Description

MRO's Legal function provides advice to the board, the President and CEO, and staff on legal matters affecting MRO. This department also is responsible for supporting and facilitating the work of the MRO Governance and Personnel Committee that is responsible for the oversight of MRO's governance, board, and personnel matters. Corporate records for the board and organizational groups are maintained in this area. MRO may use external specialized legal resources on an as-needed basis.

Legal Resource Requirements**Overall Budget Change 2024 vs 2023 (Decrease \$307K, 30.9%)**

The decrease in this indirect program area is related to the decrease in personnel, meeting, and operating costs.

Personnel Expenses (Decrease \$207K, 27.1%)

Personnel costs are lower as a reflection of the lower FTE.

Meeting Expense (Decrease \$12.3K, 60.6%)

Historic cost trends reflect lower than budgeted expenditure. Virtual technology increased hybrid options for meeting attendance, which reduced travel and meeting cost estimates for 2024.

Operating Expense (Decrease \$87.4K, 41.7%)

Costs associated with external communications and media consulting were moved to the training and education functional area.

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					
2023 Budget & Projection, and 2024 Budget					
LEGAL					
	2023 Budget	2023 Projection	Variance 2023 Budget v 2023 Projection Over(Under)	2024 Budget	Variance 2024 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 591,987	\$ 591,987	\$ -	\$ 426,340	\$ (165,647)
Payroll Taxes	33,224	33,224	-	25,111	(8,113)
Benefits	48,952	48,952	-	38,724	(10,228)
Retirement Costs	90,199	90,199	-	66,839	(23,360)
Total Personnel Expenses	\$ 764,363	\$ 764,363	\$ -	\$ 557,014	\$ (207,349)
Meeting Expenses					
Meetings	\$ 500	\$ 500	\$ -	\$ 500	\$ -
Travel	19,800	19,800	-	7,500	(12,300)
Total Meeting Expenses	\$ 20,300	\$ 20,300	\$ -	\$ 8,000	\$ (12,300)
Operating Expenses					
Consultants & Contracts	\$ 54,900	\$ 54,900	\$ -	\$ -	\$ (54,900)
Office Rent	-	-	-	-	-
Office Costs	39,529	39,529	-	22,014	(17,515)
Professional Services	115,000	115,000	-	100,000	(15,000)
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 209,429	\$ 209,429	\$ -	\$ 122,014	\$ (87,415)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ (994,092)	\$ (994,092)	\$ -	\$ (687,028)	\$ 307,064
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A - B)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Asset Additions, excluding Right of Use Assets (C)	-	-	-	-	-
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	2.66	2.66	-	1.87	(0.79)

Table A-15. Legal Budget Detail

Information Technology

The following table lists the Information Technology budget.

Information Technology (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	9.14	9.01	(0.13)
Total Direct Expenses	\$ 2,971,820	\$ 3,500,772	\$ 528,952
Inc(Dec) in Fixed Assets	\$ -	\$ -	\$ -
Working Capital Requirement	\$ -	\$ -	\$ -

Table A-16. Information Technology Budget

Program Scope and Functional Description

MRO's Information Technology (IT) function is responsible for providing and supporting the technology tools and resources that staff use to perform delegated functions and other work.

As part of this function, the IT Department is also responsible for managing and securing the IT infrastructure and assets of the company. This includes providing ways for the company to preserve and protect the confidentiality, integrity, and availability of company data, and responding in a timely manner to the ever evolving cyber threats faced by the organization. Using a risk-based approach, tailored to the company's unique IT environment and associated risks and threats, this includes designing, implementing, and maintaining internal controls and processes to protect the organization.

As the complexity of the security risks and tools utilized to meet the organization's needs continues to evolve, this function at times also utilizes highly specialized external technical resources. Their use allows us to be more agile and ultimately respond more timely and at a deeper technical and security level when necessary.

Information Technology Resource Requirements

Overall Budget Change 2024 vs 2023 (Increase \$528.9K, 17.8%)

The increase is due to a combination of the convergence of some hardware on triennial and quinquennial end-of-life schedules coming due, and IT staff and consulting and contract costs related to the mitigation of cyber security threats and risks.

Fixed Asset (Increase \$419.5K, 168.8%)

Increased capital asset costs are due to scheduled replacement of three and five year end-of-life assets.

Information Technology Budget Detail

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
INFORMATION TECHNOLOGY					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Budget v 2023 Projection Over(Under)	Budget	2024 Budget v 2023 Projection Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 1,187,790	\$ 1,187,790	\$ -	\$ 1,207,389	\$ 19,599
Payroll Taxes	85,342	85,342	-	88,632	3,290
Benefits	167,699	167,699	-	186,579	18,880
Retirement Costs	236,004	236,004	-	252,434	16,430
Total Personnel Expenses	\$ 1,676,834	\$ 1,676,834	\$ -	\$ 1,735,034	\$ 58,200
Meeting Expenses					
Meetings	\$ 1,200	\$ 1,200	\$ -	\$ -	\$ (1,200)
Travel	5,000	5,000	-	9,200	4,200
Total Meeting Expenses	\$ 6,200	\$ 6,200	\$ -	\$ 9,200	\$ 3,000
Operating Expenses					
Consultants & Contracts	\$ 670,636	\$ 670,636	\$ -	\$ 716,848	\$ 46,212
Office Rent	-	-	-	-	-
Office Costs	369,650	369,650	-	371,690	2,040
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 1,040,286	\$ 1,040,286	\$ -	\$ 1,088,538	\$ 48,252
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ (2,723,320)	\$ (2,723,320)	\$ -	\$ (2,832,772)	\$ (109,452)
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A - B)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Asset Additions, excluding Right of Use Assets	\$ 248,500	\$ 248,500	-	\$ 668,000	\$ 419,500
Allocation of Fixed Assets	\$ (248,500)	\$ (248,500)	-	\$ (668,000)	\$ (419,500)
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	9.14	9.14	-	9.01	(0.13)

Table A-17. Information Technology Budget Detail

Human Resources

The following table lists the Human Resources budget.

Human Resources (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	2.00	2.05	0.05
Total Direct Expenses	\$ 643,783	\$ 726,633	\$ 82,850
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 employee related policies and procedures in adherence with applicable federal and state laws. The Human Resource Department facilitates recruiting and retention efforts, employee benefits, payroll, employee engagement initiatives, and tasks associated with employee life cycle activities, including onboarding, training, and professional development. The department engages in Diversity, Equity, and Inclusion (DEI) initiatives within the organization alongside the staff-led DEI Committee and works closely with the ERO Enterprise on similar efforts. Additionally, the department undertakes and supports important initiatives directed by the board's Governance and Personnel Committee.

MRO has developed a People First Philosophy and culture that supports talent management and MRO's four keys to sustainable success: connection, curiosity, commitment, and competency. Training initiatives and opportunities for employee collaboration are planned throughout the year to create peer-to-peer mentorship and information and knowledge sharing, theme-focused learning, and dedicated 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, as well as the overall corporate culture to be an "employer of choice" that attracts and retains qualified staff.

Human Resources Resource Requirements

Overall Budget Change 2024 vs 2023 (Increase \$82.8K, 12.9%)

The budget change in this administrative area is primarily due to the focus on on-going training and development initiatives.

Personnel Expense (Increase \$60K, 15.6%)

Average salary increases were budgeted at 3 percent with an additional 2 percent in promotion, equity, and market adjustments. The benefits increase is based on a projected increase in medical premium costs.

Human Resources Budget Detail

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

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
HUMAN RESOURCES					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Budget v 2023 Projection Over(Under)	Budget	2024 Budget v 2023 Projection Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released				-	
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 275,529	\$ 275,529	\$ -	\$ 318,823	\$ 43,294
Payroll Taxes	18,801	18,801	-	22,128	3,327
Benefits	36,806	36,806	-	42,451	5,645
Retirement Costs	53,322	53,322	-	61,061	7,739
Total Personnel Expenses	\$ 384,458	\$ 384,458	\$ -	\$ 444,463	\$ 60,005
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	2,000	2,000	-	2,000	-
Total Meeting Expenses	\$ 2,000	\$ 2,000	\$ -	\$ 2,000	\$ -
Operating Expenses					
Consultants & Contracts	\$ 125,000	\$ 125,000	\$ -	\$ 107,100	\$ (17,900)
Office Rent	-	-	-	-	-
Office Costs	132,325	132,325	-	173,070	40,745
Professional Services	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 257,325	\$ 257,325	\$ -	\$ 280,170	\$ 22,845
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ (643,783)	\$ (643,783)	\$ -	\$ (726,633)	\$ (82,850)
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A - B)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Asset Additions, excluding Right of Use Assets (C)	-	-	-	-	-
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	2.00	2.00		2.05	0.05

Table A-19. Human Resources Budget Detail

Finance and Accounting

The following table lists the Finance and Accounting budget.

Finance and Accounting (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
Total FTEs	3.52	4.63	1.11
Total Direct Expenses	\$ 1,118,839	\$ 1,307,313	\$ 188,473
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, budget, tax, and audit activities, as well as the financial and accounting system controls and standards. This department is responsible for supporting and facilitating the work of the MRO Finance and Audit Committee that is responsible for the oversight of MRO's financial health and to monitor the component parts of the financial audit process and the integrity of financial reporting. Also, this program manages the organization's corporate risk program which assesses and mitigates key corporate risks. Identified corporate risks are prioritized and then incorporated into the strategic planning process as an opportunity to proactively address risks. This program reports the overall outcome of MRO's annual financial and corporate risk activities to the MRO Board of Directors. Additionally, this staff supports ERO collaboration group activities that align MRO's Finance and Corporate Risk program, including associated tools, with that of the other Regional Entities and NERC.

Finance and Accounting Resource Requirements

Overall Budget Change 2024 vs 2023 (Increase \$188.5K, 16.8%)

The increased costs in the Finance and Accounting area are a result of increase in personnel costs.

Personnel Expenses (Increase \$203.5K, 26.2%)

Average salary increases were budgeted at 3 percent with an additional 2 percent in promotion, equity, and market adjustments. Benefits increased due to projected increase in medical premium costs. An increase of 1.11 FTE was added to this program area.

Finance and Accounting Budget Detail

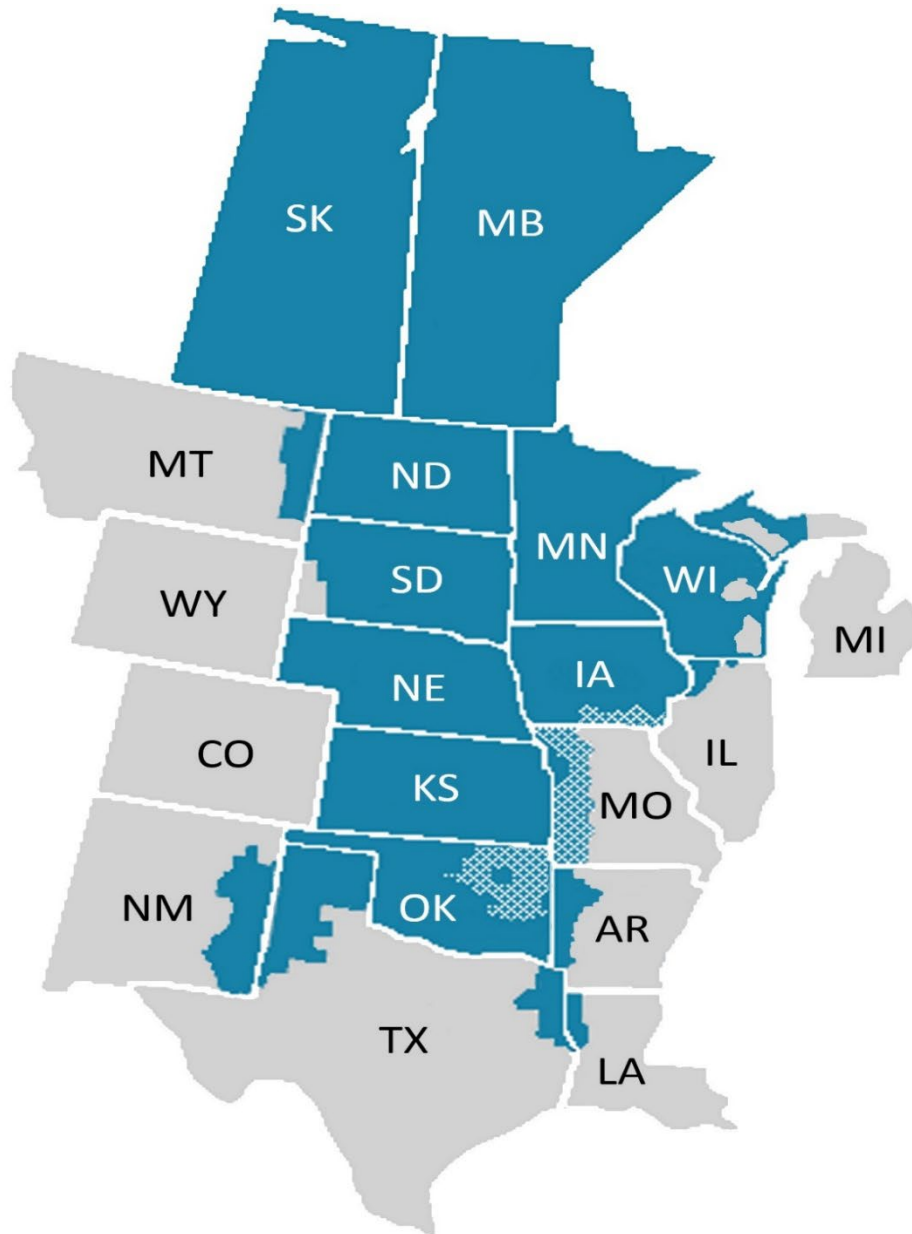
The following table shows funding sources and related expenses for the Finance and Accounting Program.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital					
2023 Budget & Projection, and 2024 Budget					
FINANCE AND ACCOUNTING					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Budget v 2023 Projection Over(Under)	Budget	2024 Budget v 2023 Budget Over(Under)
Funding					
ERO Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total Funding (A)	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses					
Personnel Expenses					
Salaries	\$ 576,825	\$ 576,825	\$ -	\$ 703,905	\$ 127,080
Payroll Taxes	34,733	34,733	-	45,218	10,485
Benefits	64,779	64,779	-	95,878	31,099
Retirement Costs	101,703	101,703	-	136,580	34,877
Total Personnel Expenses	\$ 778,039	\$ 778,039	\$ -	\$ 981,581	\$ 203,541
Meeting Expenses					
Meetings	\$ 1,000	\$ 1,000	\$ -	\$ 1,500	\$ 500
Travel	5,000	5,000	-	8,000	3,000
Total Meeting Expenses	\$ 6,000	\$ 6,000	\$ -	\$ 9,500	\$ 3,500
Operating Expenses					
Consultants & Contracts	\$ 61,000	\$ 61,000	\$ -	\$ 5,000	\$ (56,000)
Office Rent	-	-	-	-	-
Office Costs	217,800	217,800	-	245,232	27,432
Professional Services	56,000	56,000	-	66,000	10,000
Miscellaneous	-	-	-	-	-
Total Operating Expenses	\$ 334,800	\$ 334,800	\$ -	\$ 316,232	\$ (18,568)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Indirect Expenses	\$ (1,118,839)	\$ (1,118,839)	\$ -	\$ (1,307,313)	\$ (188,473)
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A - B)	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Asset Additions, excluding Right of Use Assets	-	-	-	-	-
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	3.52	3.52	-	4.63	1.11

Table A-21. Finance and Accounting Budget Detail

Section B – Supplemental Financial Information

2024 Business Plan and Budget



Section B – Supplemental Financial Information

Reserve Balance

Table B-1 analyzes the reserve for 2022 through 2024.

Reserve Analysis 2022-2024				
	Total Reserves	Working Capital Reserves	30-Day Reserves	Assessment Stabilization Reserves (ASR)
Beginning January 1, 2022	\$8,377,927	\$2,239,614	\$1,513,332	4,624,981
Plus: Penalty Sanctions ¹	453,960			453,960
Plus: Release from ASR	-			
Plus: 2022 Assessments	17,832,414	17,832,414		
Adjustment for targeted 30-day reserves		(156,198)	156,198	
Less: 2022 Expenditures	(19,489,587)	(19,489,587)		
Final Reserves December 31, 2022	\$7,174,714	\$426,243	\$1,669,530	\$5,078,941
Beginning January 1, 2023	\$7,174,714	\$426,243	\$1,669,530	\$5,078,941
Plus: Penalty Sanctions ¹	-	332,347		(332,347)
Plus: Release from ASR	-	2,242,847		(2,242,847)
Plus: 2023 Assessments	20,507,276	20,507,276		
Adjustment for targeted 30-day reserves		(254,009)	254,009	
Less: 2023 Projected Expenditures	(23,082,469)	(23,082,469)		
Projected Reserves December 31, 2023	\$4,599,521	\$172,235	\$1,923,539	\$2,503,747
Beginning January 1, 2024	\$4,599,521	\$172,235	\$1,923,539	\$2,503,747
Plus: Penalty Sanctions ¹	-	119,026		(119,026)
Plus: Release from ASR	-	1,182,052		(1,182,052)
Plus: 2024 Assessments	23,583,367	23,583,367		
Adjustment for targeted reserves up to \$1M		923,539	(923,539)	
Less: 2024 Projected Expenditures	(24,884,445)	(24,884,445)		
Projected Reserves December 31, 2024	\$3,298,443	\$1,095,774	\$1,000,000	\$1,202,669

¹ Penalty sanctions released represent penalties collected between July 1 of the previous year through June 30 of the current budget year plus interest earned

Table B-1. Reserve Analysis 2022 - 2024

Explanation of Significant Variances from 2023

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 reserve of cash up to \$1M 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 \$1M reserve is reasonable for sustaining short-term contingencies.

Policy and Procedure 13 also 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-over-year variations in assessments. MRO proposes to release \$1,301,078 from assessment stabilization reserves to offset assessment increases, which includes \$119,026 in penalty sanctions collected between July 1, 2022 and June 30, 2023, and \$61,834 of interest earned on the ASR.

Breakdown by Statement of Activity Sections

Table B-2 lists all penalties, including date received and amount, received prior to June 30, 2023.

Penalty Sanctions Received On or Prior to June 30, 2023	Date Received	Amount Received
	Jul-22	\$ 82,000
	Dec-22	37,026
Total Penalties Received		\$ 119,026

Table B-2. Penalty Sanctions Received

Penalty Sanctions

All penalties received after July 1, 2022, and prior to June 30, 2023, are listed above.

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-over-year variations in budget assessments. Assuming no additional penalties are collected, all remaining penalty dollars will be released in the 2024 budget year as part of assessment stabilization. Interest earned on penalties collected will also be added to the total amount released. \$62K in interest will be included in the total penalties used for 2024.

Table B-3 lists the budget for Supplemental Funding.

Outside Funding Breakdown By Program (Excluding Penalty Sanction)	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget
Reliability Standards				
Interest Income	\$ -	\$ -	\$ 167	\$ 167
Other	-	-	-	-
Total	\$ -	\$ -	\$ 167	\$ 167
Compliance Monitoring, Enforcement & Org. Registration				
Interest Income	\$ -	\$ -	\$ 40,483	\$ 40,483
Other	-	-	-	-
Total	\$ -	\$ -	\$ 40,483	\$ 40,483
Reliability Assessment and Performance Analysis				
Interest Income	\$ -	\$ -	\$ 13,446	\$ 13,446
Other	-	-	-	-
Total	\$ -	\$ -	\$ 13,446	\$ 13,446
Training and Education				
Interest Income	\$ -	\$ -	\$ 4,749	\$ 4,749
Other	-	-	-	-
Total	\$ -	\$ -	\$ 4,749	\$ 4,749
Situation Awareness and Infrastructure Security				
Interest Income	\$ -	\$ -	\$ 2,989	\$ 2,989
Other	-	-	-	-
Total	\$ -	\$ -	\$ 2,989	\$ 2,989
General and Administrative				
Interest Income	\$ 419	\$ -	\$ -	\$ (419)
Other	-	-	-	-
Total	\$ 419	\$ -	\$ -	\$ (419)
Total Outside Funding	\$ 419	\$ -	\$ 61,834	\$ 61,415

Table B-3. Supplemental Funding

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

Interest income on reserves held including penalties received are used in 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 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Total Salaries	\$ 13,294,284	\$ 13,294,284	\$ 14,236,654	\$ 942,370	7.1%
Total Payroll Taxes	863,417	863,417	940,730	77,313	9.0%
Total Benefits	1,425,181	1,425,181	1,653,189	228,008	16.0%
Total Retirement	2,277,278	2,277,278	2,525,303	248,025	10.9%
Total Personnel Costs	\$ 17,860,160	\$ 17,860,160	\$ 19,355,876	\$ 1,495,716	8.4%
FTEs	78.00	78.00	80.00	2.00	2.6%
Cost per FTE					
Salaries	170,440	\$ 170,440	\$ 177,958	7,519	4.4%
Payroll Taxes	11,069	11,069	11,759	690	6.2%
Benefits	18,272	18,272	20,665	2,393	13.1%
Retirement	29,196	29,196	31,566	2,370	8.1%
Total Cost per FTE	\$ 228,976	\$ 228,976	\$ 241,948	\$ 12,972	5.7%

Table B-4. Personnel Expenses

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

The following assumptions apply to Personnel:

- Total personnel expenses were increased to include the addition of 2 FTEs to support the statutory and administrative programs.
- Average salary increases were budgeted at 3 percent with an additional 2 percent in promotion, equity, and market adjustments. Medical premiums are projected to increase by 9 percent.

Table B-5 lists the budget for Meeting Expenses.

Meeting Expenses	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Meeting Expenses	\$ 178,877	\$ 178,877	\$ 200,000	\$ 21,123	11.8%
Travel	581,670	581,670	512,925	(68,745)	-11.8%
Total Meeting Expenses	\$ 760,547	\$ 760,547	\$ 712,925	\$ (47,622)	-6.3%

Table B-5. Meeting Expenses

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

Meeting Expenses

Historic cost trends reflect lower than budgeted expenditure. Virtual technology increased hybrid options for meeting attendance. Increase also includes MRO's co-host of the NERC Grid Security Conference.

Travel Expenses

Historic cost trends reflect lower than budgeted expenditure. MRO has adopted a hybrid approach of virtual and in-person meetings. The increased use of virtual technology is a key factor for declining costs.

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

Consultants	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Consultants					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement	130,000	130,000	35,000	(95,000)	-73%
Reliability Analysis and Organization Registration and Certification	-	-	-	-	
Training and Education	-	-	50,550	50,550	
Situation Awareness and Infrastructure Security	-	-	10,000	10,000	
General and Administrative	80,000	80,000	130,000	50,000	63%
Legal	54,900	54,900	-	(54,900)	-100%
Information Technology	165,200	165,200	175,200	10,000	6%
Human Resources	-	-	-	-	
Accounting and Finance	9,000	9,000	-	(9,000)	-100%
Consultants Total	\$ 439,100	\$ 439,100	\$ 400,750	\$ (38,350)	-9%

Contracts	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Contracts					
Reliability Standards	\$ -	\$ -	\$ -	\$ -	
Compliance Monitoring and Enforcement	218,382	218,382	40,000	(178,382)	-82%
Reliability Analysis and Organization Registration and Certification	41,100	41,100	56,000	14,900	36%
Training and Education	-	-	-	-	
Situation Awareness and Infrastructure Security	-	-	-	-	
General and Administrative	-	-	-	-	
Legal	-	-	-	-	
Information Technology	505,436	505,436	541,648	36,212	7%
Human Resources	125,000	125,000	107,100	(17,900)	-14%
Accounting and Finance	52,000	52,000	5,000	(47,000)	-90%
Contracts Total	\$ 941,918	\$ 941,918	\$ 749,748	\$ (192,170)	-20%

Table B-6. Consultants and Contracts

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

Consultants for Compliance (Decrease \$95K, 73%)

The scope of consulting work for compliance in the 2024 BP&B is to seek outside expertise in process efficiencies around the new Align tool. MRO is projecting a decreased need for consultants in 2024.

Consultants for Training and Education (Increase \$50.5K, 100%)

The increase in this area includes costs related to communications that are now represented in training and education.

Consultants for General and Administrative (Increase \$50K, 63%)

The increase in this area includes organizational consulting fees for efficiencies in 2024 prioritization.

Consultants for Legal (Decrease \$54.9K, 100%)

The decrease in this area includes costs related to communications that are now represented in training and education.

Contracts for Compliance (Decrease \$178.4K, 82%)

Contracts consist of usage to WebCDMS application. MRO is projecting elimination of this application in 2024.

Contracts for Reliability Analysis (Increase \$14.9K, 36%)

Contracts consist of new PSSE modeling subscription software.

Contracts for Human Resources (Decrease \$17.9K, 14%)

The decrease in contracts is related to elimination of external benefit administration services being managed internally.

Contracts for Accounting and Finance (Decrease \$47K, 90%)

Contracts related to payroll and benefits transitioned to Human Resources.

Table B-7 lists the budget for Office Rent.

Office Rent	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Office Rent	\$ 1,000,000	\$ 1,000,000	\$ 1,125,880	\$ 125,880	12.6%
Utilities	11,000	\$ 11,000	11,000	-	0.0%
Maintenance	35,000	\$ 35,000	35,000	-	0.0%
Total Office Rent	\$ 1,046,000	\$ 1,046,000	\$ 1,171,880	\$ 125,880	12.03%

Table B-7. Office Rent

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

Rent is higher due to increase in rent and adjustments resulting from the adoption of new accounting standards for leases.

Table B-8 lists the budget for Office Costs.

Office Costs	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Phone Service	111,250	111,250	173,250	62,000	55.73%
Internet/parking	117,030	117,030	169,529	52,499	44.86%
Office Supplies	36,700	36,700	21,300	(15,400)	-41.96%
Employee Member Events	39,000	39,000	38,000	(1,000)	-2.56%
Employee Related Expense	30,900	30,900	28,500	(2,400)	-7.77%
Computer Supplies and Maintenance	180,500	180,500	117,000	(63,500)	-35.18%
Publications & Subscriptions	26,525	26,525	30,792	4,267	16.09%
Professional Dues	27,489	27,489	32,234	4,745	17.26%
Postage	3,200	3,200	3,000	(200)	-6.25%
Temporary Services	55,000	55,000	50,000	(5,000)	-9.09%
Finance-Filing/Reg Fees	4,400	4,400	4,411	11	0.25%
Equipment Repair/Service Contracts	39,000	39,000	39,000	-	0.00%
Bank Charges	20,000	20,000	20,000	-	0.00%
Presentation, Publicity, & Supplies Promotional	25,000	25,000	22,200	(2,800)	-11.20%
Departmental Functional Training	328,750	328,750	345,050	16,300	4.96%
Insurance Expense	110,000	110,000	150,000	40,000	36.36%
Total Office Costs	\$ 1,154,744	\$ 1,154,744	\$ 1,244,266	\$ 89,522	7.8%

Table B-8. Office Costs

Explanation of Significant Variances – 2024 Budget versus 2023 Budget (Increase \$94.5K, 8.2%)

The increase in Office Costs is a result of initiating some people first initiatives led by Human Resources. This is reflected in functional training and new parking expenses. Additionally, initiatives to enhance MRO's security includes MRO provided cell phones and an increase in cyber liability insurance premiums.

Table B-9 lists the budget for Professional Services.

Professional Services	Budget 2023	Projection 2023	Budget 2024	Variance	
				2024 Budget v 2023 Budget	Variance %
Independent Trustee Fees	\$ 430,500	\$ 430,500	\$ 370,000	\$ (60,500)	-14.05%
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	15,000	15,000	15,000	-	0.00%
Accounting and Auditing Fees	36,000	36,000	40,000	4,000	11.11%
Actuarial Fees	20,000	20,000	26,000	6,000	30.00%
Total Services	\$ 631,500	\$ 631,500	\$ 581,000	\$ (50,500)	-8.00%

Table B-9. Professional Services

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

Independent Trustee fees decreased due to the relocation of recruiter fees from professional services to consulting for recruitment of an independent director.

Table B-10 lists the budget for Miscellaneous.

Miscellaneous Expenses	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
	\$ -	\$ -	\$ -	\$ -	-
					-
					-
Total Miscellaneous Expenses	\$ -	\$ -	\$ -	\$ -	0.00%

Table B-10. Miscellaneous

Explanation of Significant Variances – 2024 Budget versus 2023 Budget
MRO has not budgeted any Miscellaneous Expenses in 2024.

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

Other Non-Operating Expenses	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	
Line of Credit Payment		-		-	
Office Relocation	-	-	-	-	
Total Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	0.00%

Table B-11. Other Non-Operating Expenses

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

MRO has not budgeted any Non-Operating Expenses in 2024.

Table B-12 lists the budget for Fixed Assets.

Fixed Assets	Budget 2023	Projection 2023	Budget 2024	Variance 2024 Budget v 2023 Budget	Variance %
Computer Equipment	248,500	248,500	668,000	419,500	168.8%
Capitalized Software	-	-	-	-	
Furniture and Equipment	-	-	-	-	
Leasehold Improvements	-	-	-	-	
Total Change in Fixed Assets	\$ 248,500	\$ 248,500	\$ 668,000	\$ 419,500	168.8%

Table B-12. Fixed Assets

Explanation of Significant Variances – 2024 Budget versus 2023 Budget

MRO's capital asset costs average \$250K per year for the replacement of end-of life assets. MRO experienced an end-of-life on its major IT network equipment, which is cyclical to approximately every 5 years, which is an additional \$419K to the average \$250K. The budgeted 2025 capital assets are expected to decline to \$125K for an off cycle year and return to normal at the \$250K level for the replacement of end-of-life assets scheduled for 2026.

Table B-13 compares the 2024 budget with projections for 2025 - 2026.

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital								
2025 through 2026 Projections								
	2024	2025	\$ Change	% Change	2026	\$ Change	% Change	
	Budget	Projections	24 v 25	24 v 25	Projection	25 v 26	25 v 26	
Funding								
ERO Funding								
NERC Assessments	\$ 23,583,367	\$ 25,705,870	\$ 2,122,503	9.00%	\$ 28,790,575	\$ 3,084,704		12.00%
Assessment Stabilization Reserves	180,860	-	(180,860)	-100.00%	-	-		
Membership Dues	-	-	-		-	-		
Testing Fees	-	-	-		-	-		
Services & Software	-	-	-		-	-		
Workshop Fees & Miscellaneous	-	-	-		-	-		
Interest & Investment Income	-	-	-		-	-		
Total Funding (A)	\$ 23,764,227	\$ 25,705,870	\$ 1,941,643	8.2%	\$ 28,790,575	\$ 3,084,704		12.0%
Expenses								
Personnel Expenses								
Salaries	\$ 14,236,654	\$ 15,958,399	\$ 1,721,745	12.1%	\$ 17,585,239	\$ 1,626,840		10.2%
Payroll Taxes	940,730	1,054,500	113,770	12.1%	1,172,150	117,650		11.2%
Benefits	1,653,189	1,853,121	199,933	12.1%	2,059,873	206,752		11.2%
Retirement Costs	2,525,303	2,830,707	305,404	12.1%	3,146,528	315,821		11.2%
Total Personnel Expenses	\$ 19,355,876	\$ 21,696,727	\$ 2,340,851	12.1%	\$ 23,963,790	\$ 2,267,063		10.4%
Meeting Expenses								
Meetings & Conference Calls	\$ 200,000	\$ 210,000	\$ 10,000	5.0%	\$ 220,500	10,500		5.0%
Travel	512,925	538,571	25,646	5.0%	565,500	26,929		5.0%
Total Meeting Expenses	\$ 712,925	\$ 748,571	\$ 35,646	5.0%	\$ 786,000	\$ 37,429		5.0%
Operating Expenses, excluding Depreciation								
Consultants & Contracts	\$ 1,150,498	\$ 1,380,598	230,100	20.0%	\$ 1,380,598	-		0.0%
Office Rent	1,171,880	1,230,474	58,594	5.0%	1,291,998	61,524		5.0%
Office Costs	1,244,266	1,306,479	62,213	5.0%	1,371,803	65,324		5.0%
Professional Services	581,000	601,335	20,335	3.5%	631,402	30,067		5.0%
Miscellaneous	-	-	-		-	-		
Total Operating Expenses	\$ 4,147,644	\$ 4,518,886	\$ 371,242	9.0%	\$ 4,675,800	\$ 156,914		3.5%
Other Non-Operating Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Indirect Expenses	\$ -	\$ -	\$ -		\$ -	\$ -		
Total Expenses (B)	\$ 24,216,445	\$ 26,964,184	\$ 2,747,739	11.3%	\$ 29,425,590	\$ 2,461,406		9.1%
Change in Net Assets (=A - B)	\$ (452,218)	\$ (1,258,314)	\$ (806,096)	178.3%	\$ (635,015)	623,299		-49.5%
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 668,000	\$ 125,000	\$ (543,000)	-81.3%	\$ 250,000	\$ 125,000		100.0%
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	\$ 24,884,445	\$ 27,089,184	\$ 2,204,739	8.9%	\$ 29,675,590	\$ 2,586,406		9.5%
TOTAL CHANGE IN RESERVES (=A-B-C)	\$ (1,120,218)	\$ (1,383,314)			\$ (885,015)			
FTEs	80.00	85.00	5.00		89.00	4.00		

Table B-13. Budget 2024 Compared with 2025-2026 Projections

Explanation of 2024-2026 Projections

MRO has a strategic plan that addresses resource changes resulting from the implementation of the Align tool, increased risk focus in cyber and infrastructure security, and stakeholder and industry outreach.

- FTEs increase by nine from 2024 to 2026
- Consultants and contracts expenses increase 20 percent in 2025 but remain flat in 2026
- Five percent escalation rate applied to meeting and most other operating expense categories
- Total budget increase of \$2.2M in 2025
- Total budget increase of \$2.6M in 2026
- Zero penalties budgeted

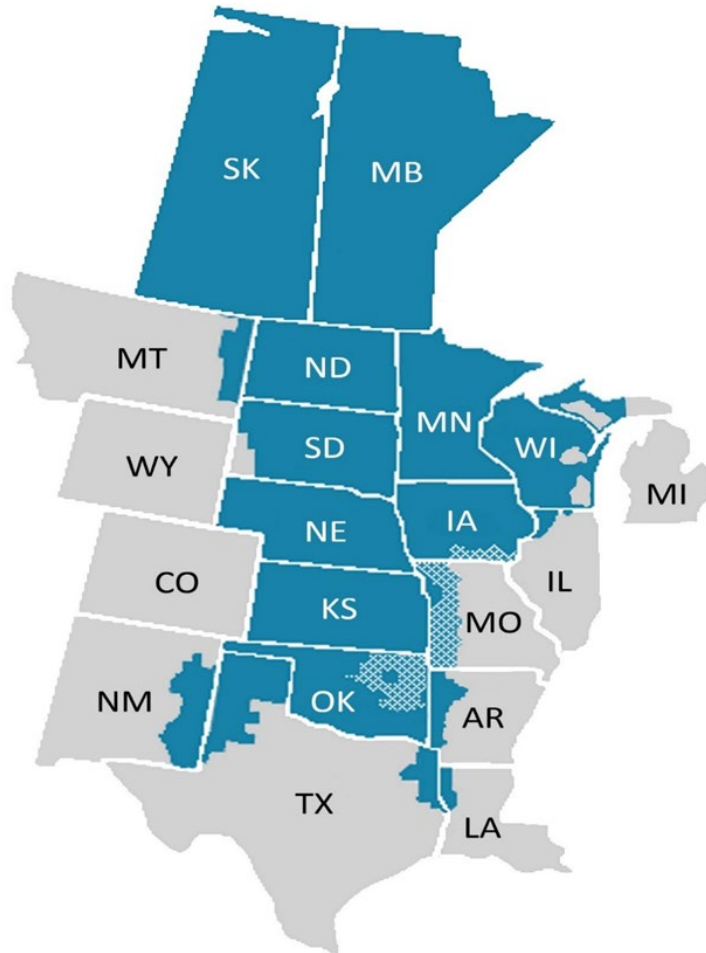
Section C – Non-Statutory Activities

2024 Business Plan and Budget

Section C – Non-Statutory Activities

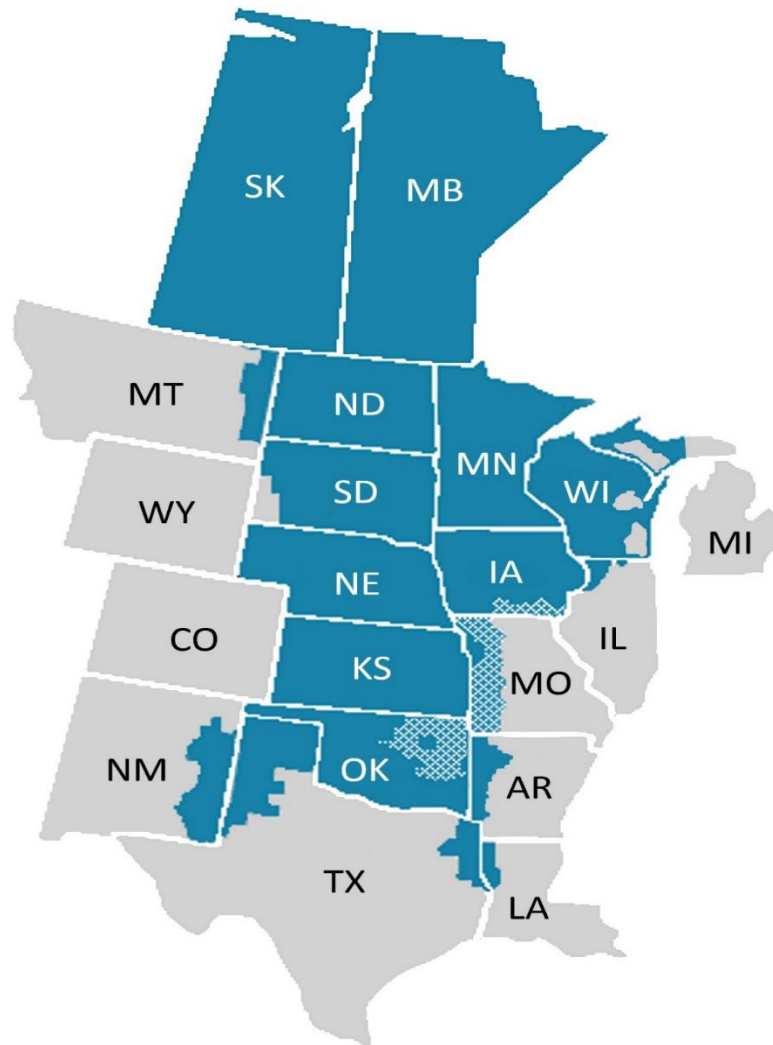
2024 Non-Statutory Business Plan and Budget

MRO has no non-statutory activities.



Section D – Additional Consolidated Financial Statements

2024 Business Plan and Budget



Section D – Additional Consolidated Financial Statements

2024 Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Statement of Activities and Capital Expenditures by Program 2023 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
Funding												
ERO Funding												
NERC Assessments	23,583,367	67,027	16,087,972	5,440,366	1,906,597	1,201,623		(1,120,218)				
Assessment Stabilization Adjustment	119,026	321	77,927	25,882	9,142	5,754						
Membership Dues	-											
Testing Fees	-											
Services & Software	-											
Workshops & Miscellaneous Revenue	-											
Interest & Investment Income	61,834	167	40,483	13,446	4,749	2,989						
Total Funding (A)	23,764,227	67,514	16,206,382	5,479,694	1,920,488	1,210,366	-	(1,120,218)	-	-	-	-
Expenses												
Personnel Expenses												
Salaries	14,236,654	30,922	6,930,750	2,331,409	627,888	496,688	-	1,162,540	426,340	1,207,389	318,823	703,905
Payroll Taxes	940,730	2,040	476,081	159,883	45,854	31,586	-	44,198	25,111	88,632	22,128	45,218
Benefits	1,653,189	3,313	804,920	263,889	94,428	59,432	-	63,574	38,724	186,579	42,451	95,878
Retirement Costs	2,525,303	5,262	1,230,571	406,036	129,141	89,623	-	147,757	66,839	252,434	61,061	136,580
Total Personnel Expenses	19,355,876	41,537	9,442,321	3,161,217	897,312	677,329	-	1,418,069	557,014	1,735,034	444,463	981,581
Meeting Expenses												
Meetings	200,000	-	15,000	8,000	125,000	-	-	50,000	500	-	-	1,500
Travel	512,925	-	167,600	107,600	60,225	40,500	-	110,300	7,500	9,200	2,000	8,000
Total Meeting Expenses	712,925	-	182,600	115,600	185,225	40,500	-	160,300	8,000	9,200	2,000	9,500
Operating Expenses												
Consultants & Contracts	1,150,498	-	75,000	56,000	50,550	10,000	-	130,000	-	716,848	107,100	5,000
Office Rent	1,171,880	-	-	-	-	-	-	1,171,880	-	-	-	-
Office Costs	1,244,266	-	195,740	50,880	32,065	16,580	-	136,995	22,014	371,690	173,070	245,232
Professional Services	581,000	-	-	-	15,000	-	-	400,000	100,000	-	-	66,000
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	4,147,644	-	270,740	106,880	97,615	26,580	-	1,838,875	122,014	1,088,538	280,170	316,232
Total Direct Expenses	24,216,445	41,537	9,895,661	3,383,697	1,180,152	744,409	-	3,417,244	687,028	2,832,772	726,633	1,307,313
Indirect Expenses	-	24,176	5,873,376	1,950,741	689,030	433,666	-	(3,417,244)	(687,028)	(2,832,772)	(726,633)	(1,307,313)
Other Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses (B)	24,216,445	65,714	15,769,037	5,334,437	1,869,182	1,178,075	-	-	-	-	-	-
Change in Net Assets	(452,218)	1,800	437,345	145,257	51,307	32,292	-	(1,120,218)	-	-	-	-
Fixed Assets												
Computer & Software CapEx	668,000									668,000		
Allocation of Fixed Assets	(0)	1,800	437,345	145,257	51,307	32,292				(668,000)		
Inc(Dec) in Fixed Assets (C)	668,000	1,800	437,345	145,257	51,307	32,292	-	-	-	-	-	-
TOTAL BUDGET (Total Expenses plus Fixed Asset Additions =B + C)	24,884,445	67,514	16,206,382	5,479,694	1,920,488	1,210,366	-	-	-	-	-	-
TOTAL CHANGE IN WORKING CAPITAL (=A-B-C)	(1,120,218)	(0)	(0)	(0)	-	-	-	(1,120,218)	-	-	-	-
FTEs	80.00	0.16	38.87	12.91	4.56	2.87	-	3.07	1.87	9.01	2.05	4.63

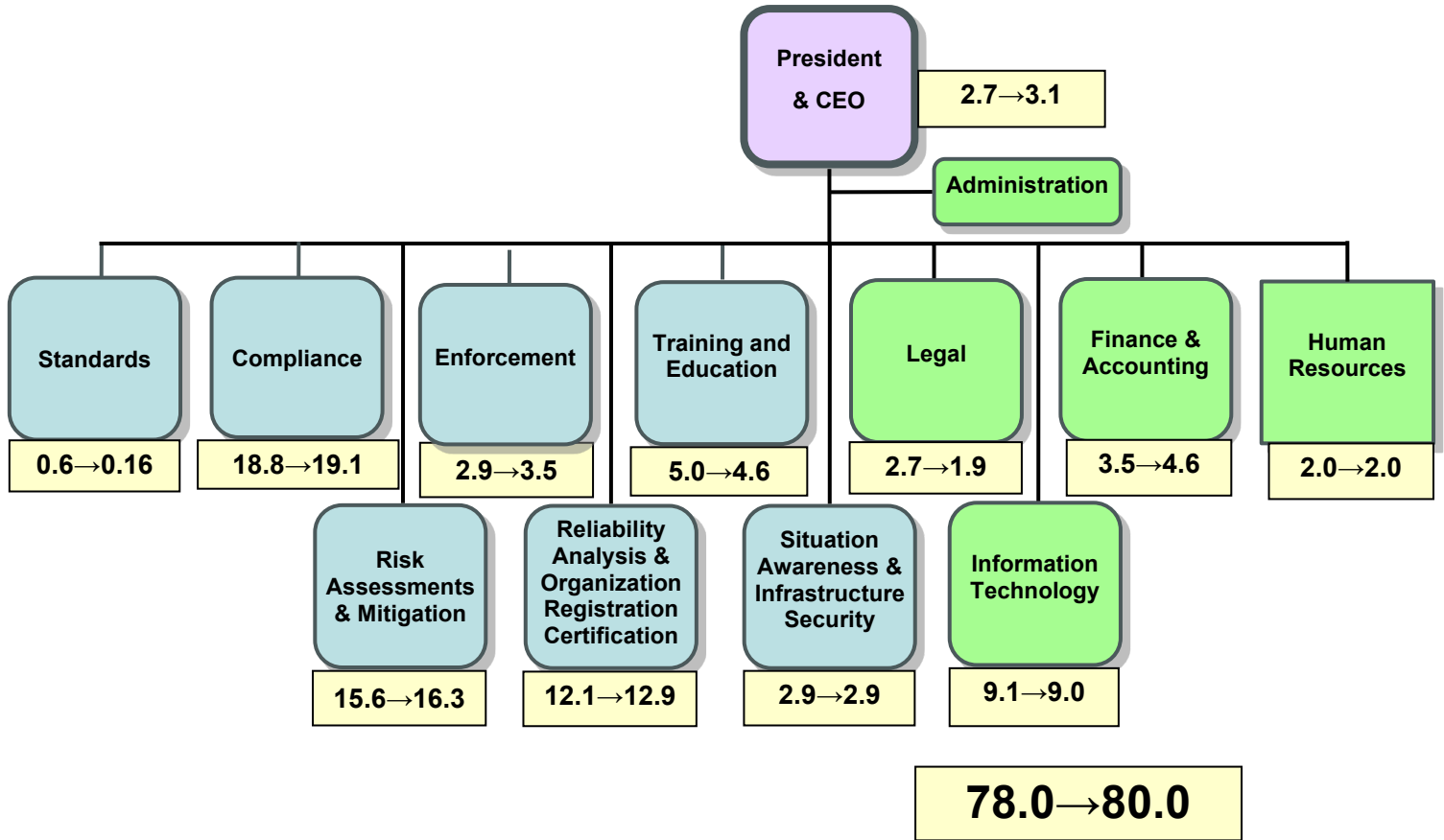
Table D-1. Consolidated Statement of Activities by Program, Statutory and Non-Statutory

Appendix A

Organization Chart

The MRO Organization Chart is shown below.

2023 to 2024 Full Time Equivalent (FTE) Comparison Organization Chart



FTE Trend from 2022 to 2026

2022	2023	2024	2025 Estimate	2026 Estimate
71.0	78.0	80.0	85.0	89.0

Figure 2. Organization Chart and FTE Trend

Appendix B

This section lists acronyms used in this document.

Approved by MRO Board of Directors:

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
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
TADS	Transmission Availability Data System

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