



First Quarter Letter to Members

April 4, 2019



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*NextEra Energy Senior Director
NERC Standards & Compliance
and MRO Board Chair*



Sara Patrick
MRO President and CEO

From the Board Chair

Dear Members and Stakeholders:

The Midwest Reliability Organization (MRO) Board of Directors held its first quarter meeting on March 28, 2019, at MRO's offices in Saint Paul, Minnesota. At this meeting, we welcomed ten new board directors:

- Darcy Neigum, Montana-Dakota Utilities
- Dehn Stevens, MidAmerican Energy Company
- Jeanne Tisinger, Independent Director
- Jennifer Flandermeyer, Kansas City Power & Light, an Evergy Company
- Julius Cox, Independent Director
- Keri Glitch, MISO
- Michael Lamb, Xcel Energy
- Paul Roehr, American Transmission Company
- Sidney Jackson, Rochester Public Utilities
- Stuart Lowry, Sunflower Electric Power Corporation

In my opening remarks, I reflected on the many changes that occurred at MRO and across the ERO in 2018, and how these changes presented opportunities to further improve our processes, rethink how we conduct our business, and in doing so, continued to strengthen reliability of the North American bulk power system. I am pleased to see that MRO has fully embraced these opportunities. In February, the board began its work as an expanded and more diverse board by participating in a two-day strategic planning meeting with staff. We had robust and thoughtful discussions about risk and how MRO contributes to a highly reliable and secure bulk power system.

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Staff made revisions to MRO's strategic plan following this meeting and the board approved the revised [MRO Strategic Plan](#) and [MRO 2019 Metrics](#) at the first quarter meeting.

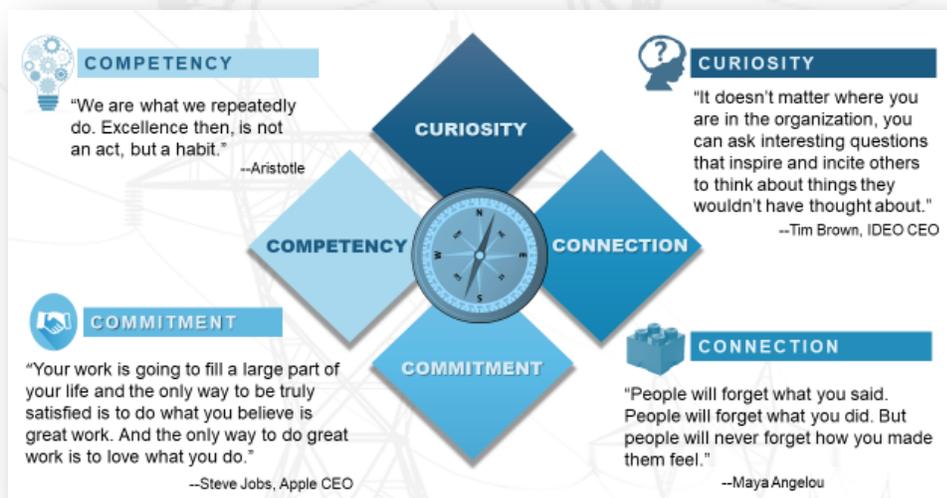
The advisory councils too, began their work in the first quarter to address risks to the regional bulk power system. Ron Gunderson, chair of the new Reliability Advisory Council, provided an update to the board on the council's planned activities at the meeting. These activities include stakeholder outreach on reliability-related topics, including MRO's upcoming [Reliability Conference](#), providing guidance on the reliability standards, reviewing system events to identify near-misses and prevent recurrence, to name a few. I am excited to see this work unfold!

Of course we have more work ahead of us, and I am confident that the collaboration, cooperation, coordination, and competency that we exhibited in 2018 will keep us successful in our efforts.

I look forward to working with each of you in the coming year.

From the President and CEO

At the first quarter board meeting, I shared my thoughts on the critical components of sustainable success for MRO. They are Curiosity, Connection, Commitment and Competency.



I have previously shared my thoughts about Curiosity and Connection, and will likely revisit those topics in the future. At this meeting, I talked about Competency. Edwin Catmull, former president of Pixar and Walt Disney Animation Studios, said, "Technical understanding should be a core competency of any company." It is here at MRO.

Competency is the ability to do something well. It takes intelligence, experience, and expertise and produces a successful outcome. For us, competency results in a highly reliable and secure bulk power system. Competency is reflected in the High Reliability Organization principle of Deference to Expertise, and is the foundation of all of our initiatives – whether it is building trust, identifying risk and a language to better articulate risk and residual risk, or simply becoming more effective and efficient.

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I often remark how impressed I am with the talent and competency of MRO staff; it is one of our greatest strengths. For example, the recent 2019 NERC Reliability Leadership Summit was replete with references to the need for models to understand all of the impacts of the changing resources on the system. MRO is blessed to have 10 engineers with modeling expertise. Another area of competency is in our financial reporting. At the board meeting, MRO's Vice President Finance and Administration Sue Clarke provided a presentation to the board on the financial controls MRO has in place to prevent, detect, and correct fraud. These controls consider the Federal Sentencing Guidelines for Organizations in designing an effective compliance and ethics program and are part of a broader corporate compliance and ethics program. MRO's external auditor, Baker Tilly, reported to the board that no risks of fraud were discovered during its recent audit of MRO's 2018 financial statements. The audit resulted in a clean, unmodified opinion, which is the highest opinion an organization can receive.

In 2019, we will revamp our job descriptions and performance management system to a competency-based model identifying today's and tomorrow's essential competencies for MRO employees. This will facilitate our commitment to the ongoing development of MRO's professional, competent, versatile, and motivated team. A razor sharp focus on competency will not only make us stronger and more efficient as an organization, it will provide opportunities for our staff.

You will hear more about this work in the months to come -- ***our future is bright!***

Actions Taken at the Meeting

In addition to discussing important policy and operational matters, the board took the following actions:

- Passed a resolution recognizing outgoing board members Doug Johnson and Larry Koshire
- Approved the MRO Strategic Plan and MRO 2019 Metrics
- Accepted the draft independent audit report of MRO's 2018 financials, subject to no material changes in the final report
- Set MRO Board Independent Director compensation for 2020 at 65% of NERC Trustee compensation, or \$76,375 for board and committee service
- Approved the consent agenda, which included:
 - Minutes from the 2018 annual member and board, and annual board-only meetings
 - Dissolution of the board's Special Oversight Committee for the SPP RE transition

Additional information on these and other reports to the board can be found in the full draft meeting minutes, which will be available soon on [MRO's website](#). MRO's next regularly scheduled board meeting is Thursday, June 20, 2019, in Saint Paul, Minnesota.

MRO Board meetings are available to attend in person and are live streamed by web. The board encourages your attendance.