

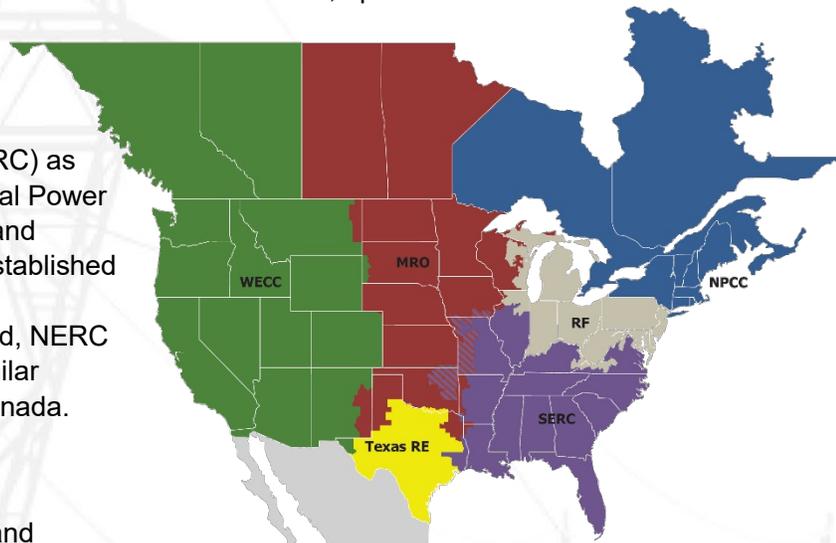


MRO Background Information

History

Midwest Reliability Organization (MRO) is dedicated to its vision of **a highly reliable and secure North American bulk power system**. To ensure reliability of the bulk power system in the United States, Congress passed the Energy Policy Act of 2005, creating a new regulatory organization called the Electric Reliability Organization (ERO) to establish mandatory Reliability Standards and monitor and enforce compliance with those standards on those who own, operate or use the interconnected power grid.

In 2006, the Federal Energy Regulatory Commission (FERC) approved the North American Electric Reliability Corporation (NERC) as the ERO under section 215(e)(4) of the Federal Power Act. NERC delegates its authority to monitor and enforce compliance to six Regional Entities established across North America, of which MRO is one. Recognizing the international nature of the grid, NERC as the ERO, along with MRO, established similar arrangements with provincial authorities in Canada.



The North American Power Grid

The North American power grid is physically and administratively subdivided into three distinct interconnects: the Eastern Interconnection, covering the eastern two-thirds of the United States and Canada; the Western Interconnection, encompassing the mountain states, Pacific Coast and Canada; and the Texas Interconnection, covering most of Texas.

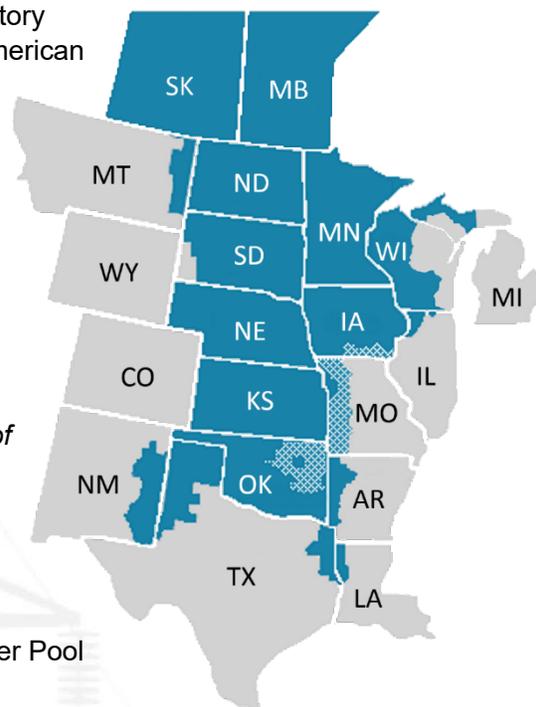
Both the Western and Texas Interconnects are linked with Mexico, and the Eastern and Western Interconnects are strongly integrated with Canada. Quebec is its own interconnection. MRO operates within the Eastern Interconnection.

About MRO

The MRO region spans the provinces of Saskatchewan and Manitoba, and all or parts of the states of Arkansas, Illinois, Iowa, Kansas, Louisiana, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wisconsin. The region includes roughly 225 organizations that are involved in the production and delivery of electric power, including municipal utilities, cooperatives, investor-owned utilities, transmission system operators, federal power marketing agencies, Canadian Crown Corporations, and independent power producers.

MRO's primary responsibilities are to: ensure compliance with mandatory reliability standards by entities who use, own, or operate the North American bulk power system; conduct assessments of the grid's ability to meet electric power demand in the region; and analyze regional system disturbances and events. Additionally, MRO creates an open forum for stakeholder experts in the region to discuss important topics related to addressing risk and improving reliable operations of the bulk power system.

MRO uses the theory and principles of [High Reliability Organizations \(HRO\)](#) as a framework for ensuring reliable operations of the regional bulk power system. Our 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).”* You can read more about HEROs on our [website](#).



Company Profile

MRO began operations in 2003 as part of the Midcontinent Area Power Pool (MAPP) and was incorporated in 2007 as a separate entity. MRO is a 501(c)(3) Non-Profit headquartered in Saint Paul, Minnesota. Membership with MRO is voluntary, free, and does not affect an entity's registration status with NERC.

To be [eligible for membership](#), an entity must demonstrate that it belongs to one of seven industry sectors. MRO has more than 90 members.

The organization is governed by a [23-member hybrid board](#) of both independent and stakeholder directors. The stakeholder positions are balanced in a way that assures regional reliability interests are equally represented and that no two sectors can control a vote. The board's primary role is to assure the organization meets the requirements of its bylaws and Regional Delegation Agreement with NERC, and performs its responsibilities with due care and in an efficient manner. The board has adopted policies and procedures to assure it carries out its responsibilities free of conflicts, and makes no determinations on compliance or enforcement matters.

Funding

Each year, MRO develops a business plan and budget for approval by the MRO Board of Directors with subsequent approval by the NERC Board of Trustees and then FERC. NERC and the Regional Entities allocate operating costs to Load Serving Entities (LSEs), or those that own, operate, and use the bulk power system to deliver electricity to retail consumers. The LSEs are assessed based on how much net energy they need to meet end-user energy requirements. Additionally, any penalty monies imposed and received for violations of mandatory Reliability Standards are used to offset the following year's LSE funding assessments.

MRO Media Contacts:

Jessie Mitchell

Director of Communications

jessie.mitchell@mro.net

651-855-1733 | 651-238-7803



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380 St. Peter Street, Suite 800, Saint Paul, MN 55102 | www.MRO.net | 651-855-1760