



MIDWEST
RELIABILITY
ORGANIZATION

Midwest Reliability Organization 2021 Approved Business Plan & Budget Overview

Lam Chung, VP and Engineer for Strategy,
Innovation, and Finance

CLARITY

ASSURANCE

RESULTS

Final 2021 Statutory Budget and Assessment Overview

- **No changes from prior presentation and no comments received**
- **MRO Board approved on June 25, 2020**
 - **Budget costs increase by 5 percent from \$17.5 million to \$18.4 million**
 - **Assessments remain flat at \$17 million**
 - Used reserves to respond to economic concerns related to COVID-19
 - Neutralized swing in assessments due to penalty and working capital reserve changes
 - Assessment stabilization adjustment of \$1,428,951



MRO Budget Process Summary

Step One

Staff
Developed a
Preliminary
Budget

- Program activities and costs are guided by the ERO Enterprise Long-Term Strategy

Step Two

Presented
Budget to
MRO FAC and
Board

- Probable impacts of COVID-19 were a focus of discussion and comments

Step Three

Comment
Period and
Board
Approval

- Budget was circulated for comment by all stakeholders
- Budget is scheduled for the vote in June

Step Four

Final Approval
and Filing

- NERC Submitted final BP&B to FERC.



MRO Key Budget Assumptions

- **Personnel expense increases:**
 - Average 3 percent
 - Performed alignment of salaries and the incentive program to compete with market in 2020
 - Internal staff promotions awarded in 2020
 - Addition of 3 FTEs (63 to 66)
- **Meeting expense decreases:**
 - MRO facilities will be used to host all outreach workshops with the exception of one offsite workshop
 - Utilizing historic cost trends to better estimate travel costs in 2021
- **Operating expense increases:**
 - Higher facility rent and maintenance costs as a result of an office expansion in 2020
- **Fixed asset increases:**
 - Cyclical capital purchases replacing end-of-life assets



2021 Budget Risks

- **Latent impacts of COVID-19**
 - During these uncertain times, it is difficult to predict the long-term impacts of COVID-19
- **Development and deployment of the ERO Enterprise Align project**
 - More time is needed to assess the impact this tool will have on company resources
- **2020 Office expansion**
 - Negotiations on a planned office expansion could result in an unplanned change to building costs
 - Costs related to delays as a result of COVID-19

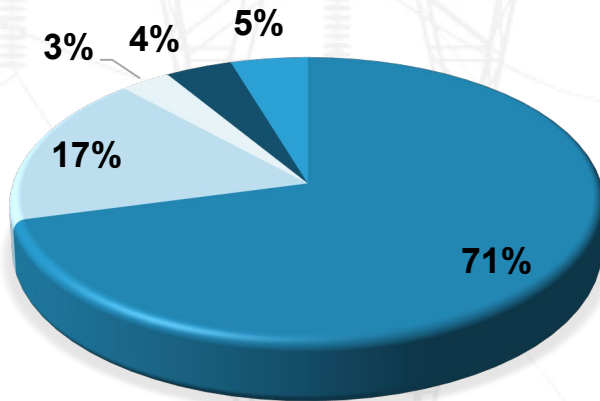


2021 Budget by Category

	2020 Budget	2021 Budget	\$ Variance 2021 to 2020 Budget Over(Under)	% Variance 2021 to 2020 Budget Over(Under)	
Expenses					
Total Personnel Expenses	\$ 12,482,691	\$ 13,283,737	\$ 801,046	6.4%	Increase in FTE and salary
Total Meeting Expenses	\$ 1,284,632	\$ 944,867	\$ (339,765)	-26.4%	Reduction in estimated travel costs
Total Operating Expenses	\$ 3,538,646	\$ 3,933,598	\$ 394,952	11.2%	Increase in facility and facility maint. costs
Fixed Assets	\$ 235,000	\$ 250,000	\$ 15,000	6.4%	Cyclical replacement of end-of-life assets
TOTAL BUDGET	\$ 17,540,969	\$ 18,412,202	\$ 871,233	5.0%	
FTEs	63.00	66.00	3.00	4.8%	



Budget by Program Area



- Compliance Monitoring and Enforcement
- Reliability Assessments and Performance Analysis
- Reliability Standards, Organization Registration and Certification
- Situation Awareness and Infrastructure Security
- Training and Education



2021 Assessment Details

- **Assessments remain flat at \$17 million**
 - Assessment stabilization reserve releases \$1.4M
 - \$360K in penalties
 - \$1M in reserves



Reserve Policy

- **Policy and Procedure 13: Reserve Policy**
 - MRO's reserves are identified and quantified each year in the Business Plan and Budget
 - Reserves are held for future budget stabilization; significant, short-term, operating, or capital spending needs; or for unforeseen changes that materially influence the ability to meet its functions under delegated authority
- **Operating reserve set at 30 days for the start of the budget year**
- **Projected reserves balance at end of 2020 \$4.6 million**
- **Projected reserves balance at end of 2021 is \$1.6 million**
 - \$1.5M to be held in 2021 as operating reserve
 - \$1.4M in assessment stabilization reserve released in 2021



Preliminary 2022 and 2023 Projections

● 2022

- Total budget increase of \$1M or 5 percent
- Headcount increase of 3
- Salary increases of 3 percent

● 2023

- Total budget increase of \$587K or 3 percent
- Headcount increase of 0
- Salary increases of 3 percent



QUESTIONS

