



MIDWEST
RELIABILITY
ORGANIZATION

Midwest Reliability Organization 2020 Business Plan & Budget

Sue Clarke, VP Finance and Administration

CLARITY

ASSURANCE

RESULTS

2020 MRO Budget Highlights

- **Board approved on June 20, 2019 and there are no changes from the previous budget presentation**
- **2020 budget costs increase to \$17.5 million (9.8 percent from \$16.0 million in 2019)**
- **Assessments increase to \$17.0 million (9.8 percent from \$15.5 million in 2019)**
 - Neutralized swing in assessments due to penalty and working capital reserve changes
- **Assessment stabilization adjustment of \$557,718**
- **FTEs increase by 4 (59 to 63 FTEs)**



Basis for 2020 Business Plan & Budget Increase

- **February 2018, NERC Board of Trustees approved dissolution of SPP RE and transfer of 100 registered entities to MRO**
- **July 1, 2018, transfer of registered entities from SPP RE to MRO**
- **2018 Business Plan & Budget did not include transition costs totaling \$2.2M**
 - The combined 2018 budget totaled \$20.8M
- **The integrated budget savings in 2019 was \$4.8 million (23 percent) when compared to the 2018 budget**
- **2020 budget savings is \$3.2 million (16 percent) when compared to the 2018 budget**



Major Budget Assumptions

- **Salary increases**
 - Average 3 percent
 - Internal staff promotions
 - Alignment of salaries and the incentive program to compete with market
- **Benefit increase of 6 percent**
 - Medical/dental premiums budgeted based on actual 2019 premium rates
- **MRO facilities will be used to host all outreach workshops with the exception of one offsite workshop**
- **Addition of 4 FTEs**
- **Efficiency gains were recognized with the substantial combination of MRO and SPP RE**
 - Savings recognized in total budget and NEL assessments



Preliminary 2021 and 2022 Projections

- **2021**

- Total budget increase of \$0.5M or 3 percent
- Assessment increase of \$0.5M or 3 percent
- Headcount remains flat (zero increase)

- **2022**

- Total budget increase of \$0.5M or 3 percent
- Assessment increase of \$0.5M or 3 percent
- Headcount remains flat (zero increase)



QUESTIONS





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2020 Business Plan & Budget Appendix

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2020 Statutory Budget Overview

- **Budget costs increase by 9.8 percent from \$16.0 million in 2019 to \$17.5 million in 2020**
- **Assessments increase by 9.8 percent from \$15.5 million in 2019 to \$17.0 million in 2019**
 - Neutralized swing in assessments due to penalty and working capital reserve changes
 - Assessment stabilization adjustment of \$557,718
- **Headcount**
 - Increase by a net of 4 (59 to 63 FTEs)
- **Efficiency gains were recognized with the substantial combination of MRO and SPP RE**
 - Savings recognized in total budget and NEL assessments

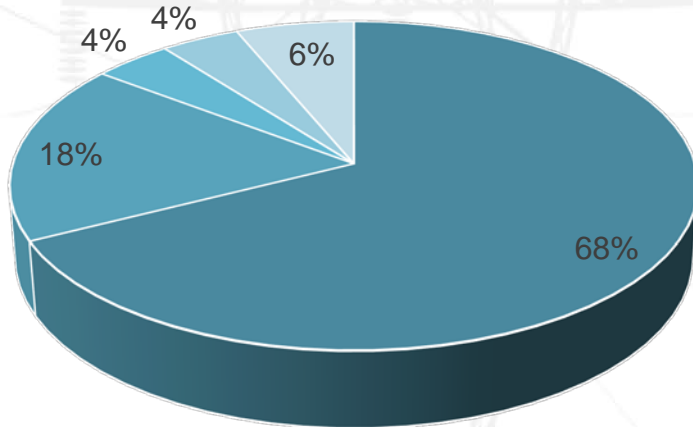


2020 Preliminary Budget by Category

	2018 Combined Budget	2019 Budget	% Variance 2019 to 2018 Budget Over(Under)	2020 Budget	\$ Variance 2020 to 2019 Budget Over(Under)	% Variance 2020 to 2019 Budget Over(Under)
Expenses						
Total Personnel Expenses	\$ 13,785,152	\$ 11,569,667	-16%	\$ 12,482,691	\$ 913,024	8%
Total Meeting Expenses	\$ 1,218,882	\$ 1,051,164	-14%	\$ 1,284,632	\$ 233,468	22%
Total Operating Expenses	\$ 5,509,796	\$ 3,114,523	-43%	\$ 3,538,646	\$ 424,123	14%
Fixed Assets	\$ 286,170	\$ 245,000	-14%	\$ 235,000	\$ (10,000)	-4%
TOTAL BUDGET	\$ 20,800,000	\$ 15,980,354	-23%	\$ 17,540,969	\$ 1,560,615	9.8%
FTEs	77.00	59.00	(18.00)	63.00	4.00	6.8%



2020 Budget by Program Area



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



2018–2020 FTE Comparison

Total FTEs by Program Area	2018 Combined Budget	2019 Budget	Change over 2018	2020 Budget	Change over 2019
Operational Programs					
Reliability Standards and Organization and Certification	2.01	2.00	(0.01)	2.00	-
Compliance	32.06	16.00	(16.06)	16.00	-
Risk Assessment and Mitigation	9.97	15.00	5.03	16.00	1.00
Enforcement	2.99	3.00	0.01	3.00	-
Training and Education	2.10	1.92	(0.18)	2.00	0.08
Reliability Assessment and Performance Analysis	11.53	7.34	(4.19)	10.00	2.66
Situation Awareness and Infrastructure Security	0.43	0.33	(0.10)	0.33	-
Cybersecurity Outreach (not CIP Compliance)		2.00		2.00	-
Total FTEs Operational Programs	61.09	45.59	(15.50)	49.33	3.74
Administrative Programs					
Technical Committees and Member Forums	-	-	-	-	-
General and Administrative	7.35	2.85	(4.50)	3.00	0.15
Legal and Regulatory	0.92	1.92	1.00	1.67	(0.25)
Information Technology	4.02	4.02	-	4.00	(0.02)
Human Resources	-	1.00	1.00	1.50	0.50
Finance and Accounting	3.62	3.62	-	3.50	(0.12)
Total FTEs Administrative Programs	15.91	13.41	(2.50)	13.67	0.26
Total FTEs	77.00	59.00	(18.00)	63.00	4.00



2020 Budget Savings

- **2020 budget increases by \$1.6 million**
 - The integrated budget savings in 2019 was \$4.8 million (23 percent) over 2018
 - 2020 budget savings is \$3.2 million (16 percent) over 2018
- **2020 assessments increase by \$1.5 million**
 - NEL rate in 2019 experienced a net integrated savings of 19 percent
 - 2020 NEL rate remains lower than original 2018 NEL rate before integration
 - 2020 NEL rate saves 10 percent over 2018



Major Budget Impacts

- **Salary increases**
 - Average 3 percent
 - Internal staff promotions
 - Alignment of salaries and the incentive program to compete with market
- **Benefit increase of 6 percent**
 - Medical/dental premiums budgeted based on actual 2019 premium rates
- **MRO facilities will be used to host all outreach workshops with the exception of one offsite workshop**
- **Addition of 4 FTEs**
- **Efficiency gains were recognized with the substantial combination of MRO and SPP RE**
 - Savings recognized in total budget and NEL assessments



Other Budget Impacts

- **Transition of SPP RTO Compliance Enforcement Authority responsibilities to MRO**
 - Effort may consume more time and resources than anticipated
- **Appropriate staffing to manage the CMEP work**
 - Recruiting, onboarding, and integrating four additional staff
 - Continued integration of entities' transition from SPP RE
- **Increased participation of staff and advisory councils**
 - Councils to support a number of initiatives that may result in increased travel and meeting expenses
 - Active participation in industry and regional projects or efforts could consume more resources than anticipated



Projected Reserve Balance

- ***Proposed Policy and Procedure 13: Reserve Policy***
 - MRO's reserves are identified and quantified each year in the Business Plan and Budget
 - MRO's Business Plan and Budget is submitted first to the FAC for review and then to the board
- **The FAC and board approved a 30-day reserve for the 2019 BP&B**
 - More of an art than a science
 - An analysis is performed that establishes the targeted reserves amount
- **Budget process “resets” the targeted operating reserves at the current level of 30 days for the start of the budget year**
 - Proposed Reserve Policy releases \$557,718 of reserves to reduce assessments
 - Projected reserves balance at December 31, 2020 is \$2.9 million

