



MIDWEST  
RELIABILITY  
ORGANIZATION

# Midwest Reliability Organization Draft 2021 Business Plan & Budget Overview

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CLARITY

ASSURANCE

RESULTS

# 2021 Statutory Budget and Assessment Overview

- **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 at June Board

## 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

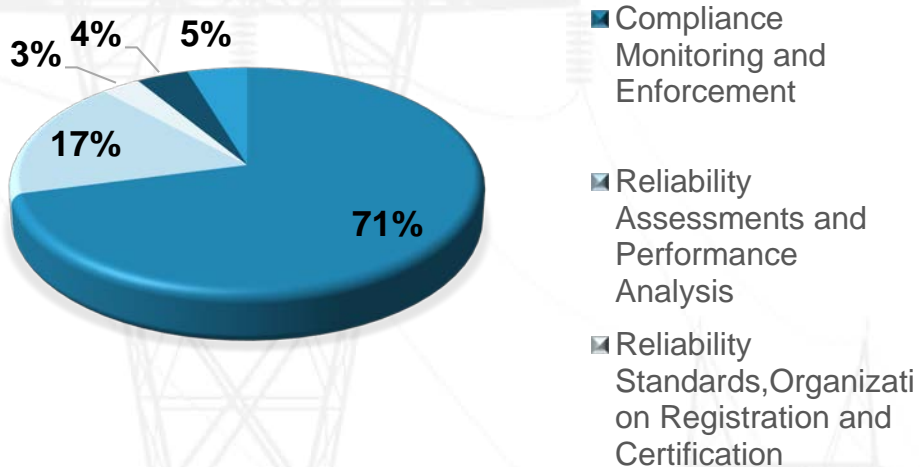


# 2021 Budget by Category

	2020 Budget	2021 Budget	\$ Variance 2021 to 2020 Budget Over(Under)	% Variance 2021 to 2020 Budget Over(Under)	
<b>Expenses</b>					
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
<b>Fixed Assets</b>	\$ 235,000	\$ 250,000	\$ 15,000	6.4%	Cyclical replacement of end-of-life assets
<b>TOTAL BUDGET</b>	\$ 17,540,969	\$ 18,412,202	\$ 871,233	5.0%	
FTEs	63.00	66.00	3.00	4.8%	



# Budget by Program Area



# 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

