



MIDWEST  
RELIABILITY  
ORGANIZATION

# Midwest Reliability Organization Final 2022 Business Plan & Budget Overview

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CLARITY

ASSURANCE

RESULTS

# 2022 Statutory Budget and Assessment Overview

- **Budget – \$20 million (\$1.6 million or 8.8 percent increase from 2021)**
- **Assessments – \$17.8 million (\$0.8 million or 5 percent increase from 2021)**
  - Use of assessment stabilization adjustment of \$2.2 million in 2022
    - Includes \$458K in penalties
- **FTEs – 71 (increase of 5 from 2021)**
- **Posted for stakeholder review and comment on May 12, no comments received**
- **MRO Board approved on June 24**



# MRO Budget Process Summary

## 1 Staff Develops a Preliminary Budget

- “Bottoms-up/Zero-based” budget developed with program managers and executives
- “Tops-down” expectations from president and chief executive officer
- Reconcile “bottoms-up” to “tops-down”

## 2 Present Budget to MRO FAC

- Detailed review and justification of all line items, contracts, etc.
- MRO FAC hosts board conference call to review budget, recommends approval

## 3 Comment Period and Board Approval

- Budget is circulated for comment to all stakeholders
- Budget is considered at the second quarter board meeting

## 4 Final Approval and Filing

- NERC Board approves (or may have questions, concerns to address)
- Final approval of NERC and RE BP&Bs are filed with FERC



# 2022 Key Budget Drivers

## Budget Savings

- **Meetings (-20%)**
  - Greater use of virtual technology and decreasing trend in travel and meeting costs for staff and stakeholders; 30% reduction in 2020
  - One offsite workshop planned in southern portion of MRO footprint
- **Operating Costs (-2%)**
  - Reduction in consulting and vendor contracts
  - Decrease in office and operating expenses
  - Offsets any impact from additional FTEs
- **Fixed Assets (-50%)**
  - Decrease is result of one-time capital purchases made in 2021

## Budget Investments

- **Personnel (+15%)**
  - Reflects the addition of 5 FTEs
  - Includes salary increase of 3% and benefit cost increase of 9%



# 2022 Budget Risks

- **Latent impacts of COVID-19**
  - It is difficult to predict the long-term impacts of COVID-19
- **ERO Enterprise Align Project deployment**
  - More time is needed to assess the impact this tool will have on company resources
- **Implementation of emerging matters including directives from NERC/FERC**
  - Need for travel, meeting costs, systems, etc., to implement
- **Regional investments**
  - As NERC develops centralized systems, could lead to back-end investments at Regions
  - IT tools and applications
- **Large scale event**
  - Need for external resources, diversion of staff from other work, more travel, etc.

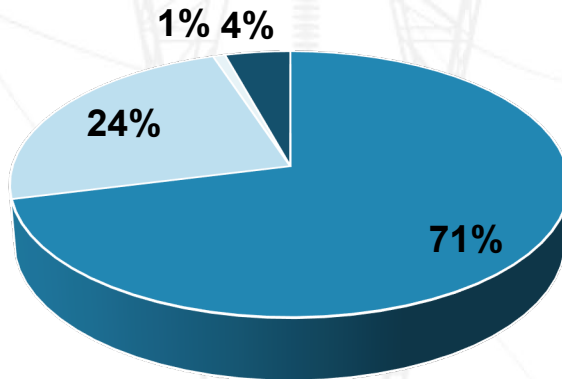


# 2022 Budget by Category

	2021 Budget	2022 Budget	\$ Variance 2022 to 2022 Budget Over(Under)	% Variance 2022 to 2022 Budget Over(Under)	
<b>Expenses</b>					
Total Personnel Expenses	\$ 13,283,737	\$ 15,276,980	\$ 1,993,243	15%	Increase in FTE and salary
Total Meeting Expenses	\$ 944,867	\$ 760,547	\$ (184,320)	-20%	Reduction in estimated travel costs
Total Operating Expenses	\$ 3,933,598	\$ 3,871,833	\$ (61,765)	-2%	Decrease in consulting and contract costs
Fixed Assets	\$ 250,000	\$ 125,000	\$ (125,000)	-50%	Reduction in replacement of end-of-life assets
<b>TOTAL BUDGET</b>	<b>\$ 18,412,202</b>	<b>\$ 20,034,360</b>	<b>\$ 1,622,158</b>	<b>8.8%</b>	
FTEs	66.00	71.00	5.00	7.6%	



# Budget by Program Area



- Compliance Monitoring and Enforcement
- Reliability Analysis, ORC, and SAIS
- Reliability Standards
- Training and Education



# 2022 Assessment Details

- **Assessments increase by 5 percent from \$17 million to \$17.8 million**
  - Assessments flat from 2020 to 2021 in consideration of the impacts of the global pandemic
  - Assessment stabilization adjustment (ASR) of \$2.2 million
    - ASR includes penalties assessed prior to June 30, 2021 that total \$458,250





# 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 impact the organization's ability to meet its functions under delegated authority
- **Operating reserve set at 30 days for the start of the budget year**



# Projected Reserves Balances

- **Projected reserves balance at end of 2021 \$7.5 million**
  - \$4.4M in working capital and operating reserve
  - \$3.1M in Assessment stabilization and penalty reserves
  - Budgeted use of ASR in 2021 was offset by transfer of excess working capital to ASR
- **Projected reserves balance at end of 2022 is \$5.3 million**
  - \$4.5M in working capital and operating reserve
  - \$863K in assessment stabilization and penalty reserve
- **2023-2024 Projections include use of \$3.1 million of total reserves available**



# Preliminary 2023 and 2024 Projections

## ● 2023

- Total budget increase of \$877K or 4.4 percent
- Headcount increase of 2
- Assessment increase of 7 percent
- Use of \$1.8M in reserves

## ● 2024

- Total budget increase of \$814K or 3.9 percent
- Headcount increase of 1
- Assessment increase of 7 percent
- Use of \$1.3M in reserves



# QUESTIONS

