



MIDWEST
RELIABILITY
ORGANIZATION

Midwest Reliability Organization Draft 2022 Business Plan & Budget Overview

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CLARITY

ASSURANCE

RESULTS

2022 Statutory Budget and Assessment Overview

- **Budget costs increase by 8.8 percent from \$18.4 million to \$20.0 million**
- **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
 - Consideration toward economic recovery through 2022
 - Assessment stabilization adjustment of \$2.2 million



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.

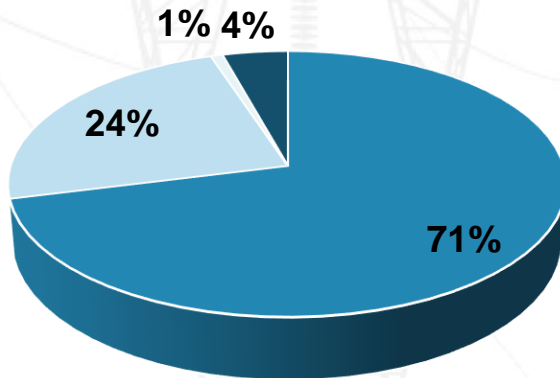


2022 Budget by Category

	2021 Budget	2022 Budget	\$ Variance 2022 to 2022 Budget Over(Under)	% Variance 2022 to 2022 Budget Over(Under)	
Expenses					
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					
Fixed Assets	\$ 250,000	\$ 125,000	\$ (125,000)	-50%	Reduction in replacement of end-of-life assets
TOTAL BUDGET	\$ 18,412,202	\$ 20,034,360	\$ 1,622,158	8.8%	
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

