



MIDWEST
RELIABILITY
ORGANIZATION

MRO 2022 Business Plan and Budget Review

June 24, 2021

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and Finance

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CLARITY

ASSURANCE

RESULTS

Budget Development and Review Timelines

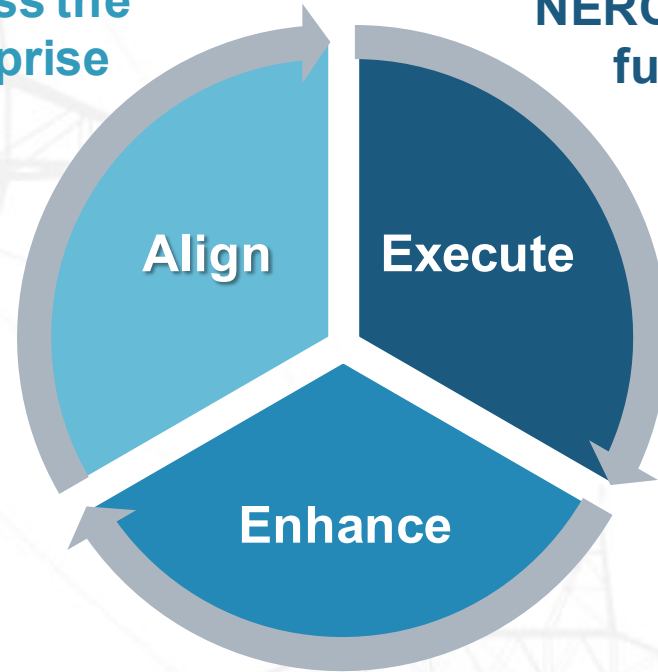
- February – MRO staff commences budget development
- April 8 – MRO FAC reviews draft BP&B
- April 15 – MRO Board reviews draft BP&B
- May 6 – MRO FAC reviews and endorses draft BP&B
- May 6 – NERC posts draft ERO BP&Bs for stakeholder review
- May 12-June 12 – Draft BP&B posted for public comment (no comments received)
- May 26 – Draft BP&B presented to FERC for review
- June 3 – Draft BP&B presented to NERC FAC for review
- June 24 – MRO Board reviews draft BP&B for approval
- July 22 – NERC FAC BP&B info session and webinar
- August 12 – NERC Board reviews ERO BP&Bs for approval
- August-Nov – NERC files ERO BP&Bs with FERC for approval



MRO 2022 Strategic Priorities

ALIGN
efforts across the
ERO Enterprise

EXECUTE
NERC-delegated
functions



ENHANCE
focus on risk



Addressing Complex Risk

INDUSTRY

- **Extreme weather events**
- **Changing resource mix**
- **Cyber and physical security**
- **Human performance**
- **Loss of situational awareness**
- **Critical infrastructure interdependencies**

CORPORATE

- **Security**
 - Physical, cyber, network and information security
- **Emergency preparedness and response**
 - COVID-19, civil unrest, supply chain, Microsoft exchange
- **Governance (independence)**
- **Legal, financial, human resources**



Budget Highlights

- **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)**
 - Assessment stabilization adjustment of \$2.2 million
 - includes penalties assessed prior to June 30, 2021
- **FTEs – 71 (increase of 5 from 2021)**



Resource Investments

- In support of MRO's mandate and strategic priorities
 - 12 resource requests were identified
 - MRO is still in the process of “right sizing”
 - Resource needs were reviewed by the executive team based on three criteria: *Sustain*, *Enhance*, and *Transform*
 - Sustain = necessary to address current workload
 - Enhance = improves effectiveness and efficiency
 - Transform = raises the level of service and value provided
 - 5 of the 12 fit the sustain or enhance criteria and were proposed for inclusion in the 2022 budget



Execute



Enhance



Align

Risk Addressed	Investment	Sustain/Enhance /Transform
Support Aggregate Risk Initiative and expanded audit schedule	2 Compliance Auditors	Sustain/Enhance
Support human resource needs of 65+ employees and dedicate resource to mitigate legal/compliance risk with benefit plans Free up resources for Corporate Risk Management Program	1 HR/Benefit Specialist	Sustain/Enhance
Support increased security efforts and coordination amongst ERO Enterprise and industry partners Triage and mitigate increased cyber threats and support EY and NERC audits	1 Security Engineer 1 Security Specialist	Sustain/Enhance

2022 Budget Investments

2022 Budget Impacts

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

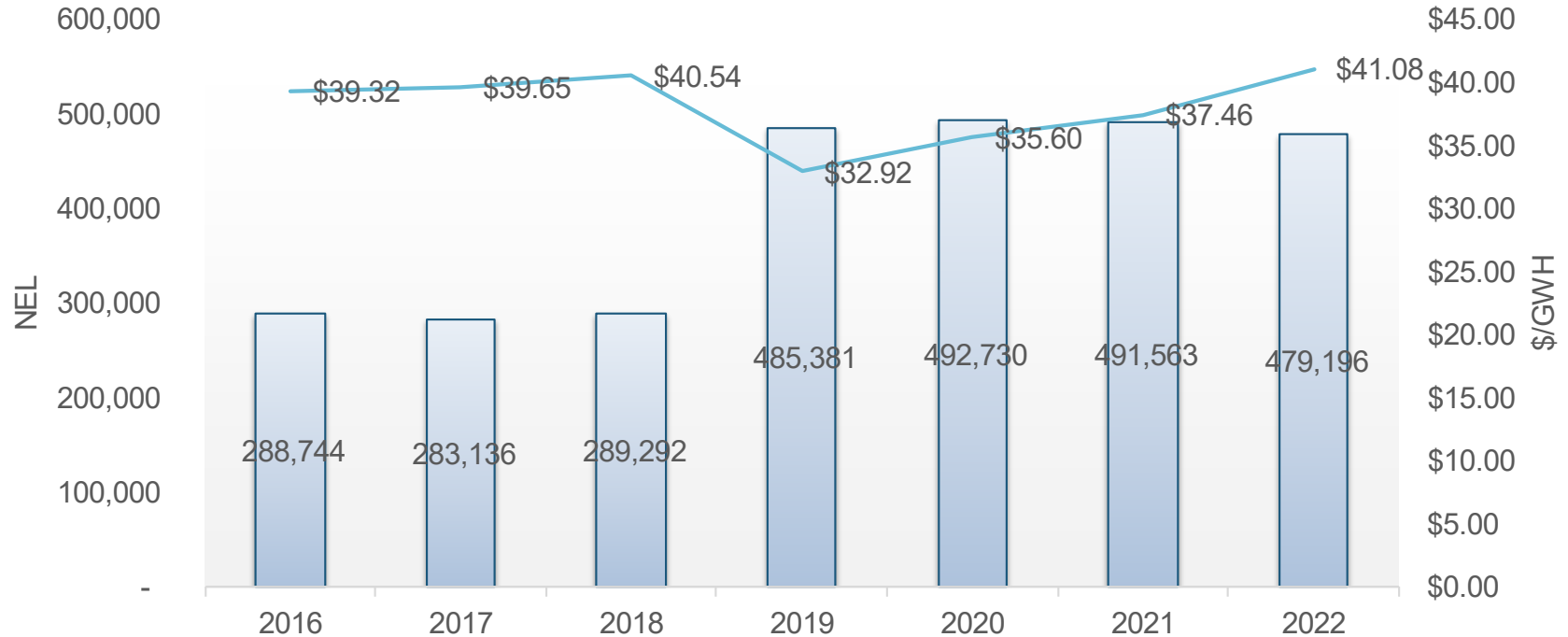
- **Personnel (+15%)**
 - Reflects the addition of 5 FTEs
 - Includes salary increase of 3% and benefit cost increase of 9%



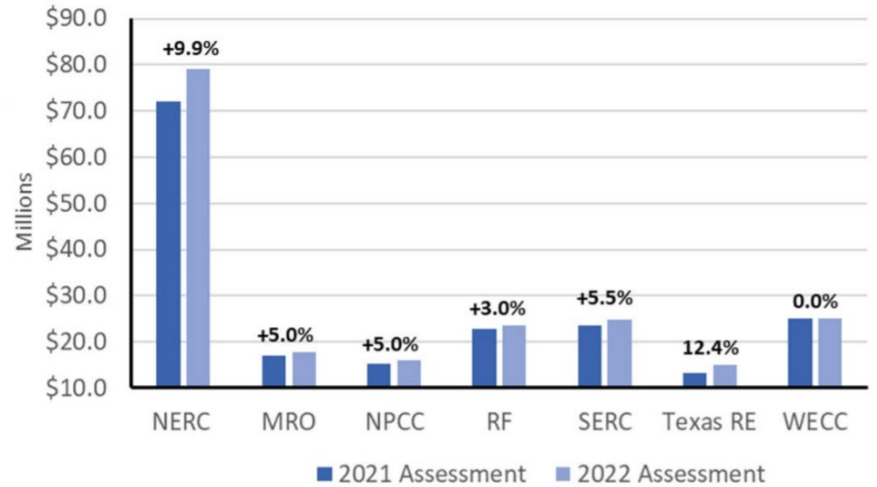
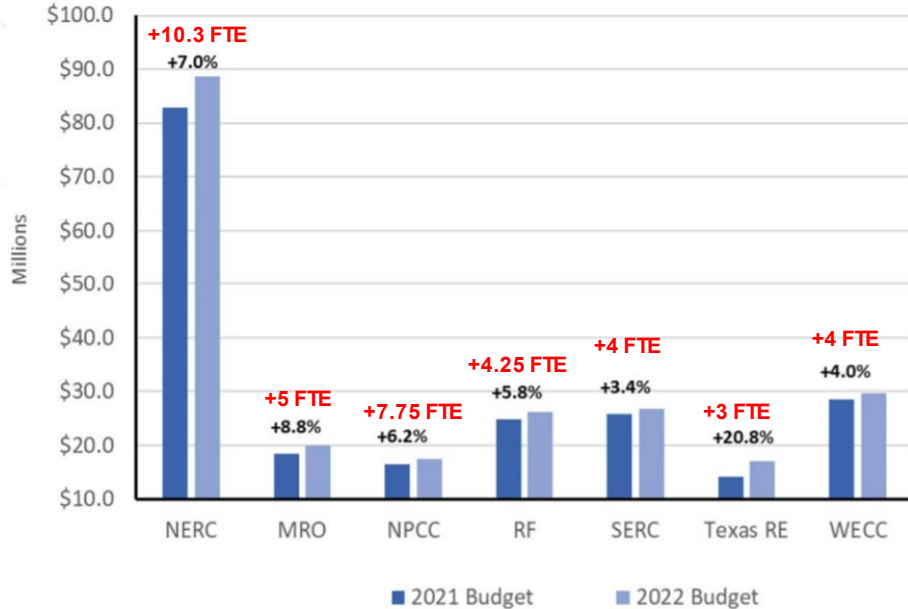
Yr/Yr Budget Detail

	2021 Budget	2022 Budget	2022 Budget v 2021 Budget Over(Under)	2022 Budget v 2021 Budget
Expenses				
Personnel Expenses				
Salaries	\$ 10,059,263	\$ 11,416,562	\$ 1,357,299	13%
Payroll Taxes	631,891	744,165	112,275	18%
Benefits	1,064,375	1,193,996	129,621	12%
Retirement Costs	1,528,209	1,922,258	394,048	26%
Total Personnel Expenses	\$ 13,283,737	\$ 15,276,980	\$ 1,993,243	15%
Meeting Expenses				
Meetings & Conference Calls	\$ 204,900	\$ 178,877	\$ (26,023)	-13%
Travel	739,967	581,670	(158,297)	-21%
Total Meeting Expenses	\$ 944,867	\$ 760,547	\$ (184,320)	-20%
Operating Expenses				
Consultants & Contracts	\$ 1,339,701	\$ 1,204,800	\$ (134,901)	-10%
Office Rent	1,168,700	1,132,100	(36,600)	-3%
Office Costs	905,697	967,933	62,236	7%
Professional Services	519,500	567,000	47,500	9%
Miscellaneous			-	
Total Operating Expenses	\$ 3,933,598	\$ 3,871,833	\$ (61,765)	-2%
Total Direct Expenses	\$ 18,162,202	\$ 19,909,360	\$ 1,747,158	10%
Total Expenses (B)	\$ 18,162,202	\$ 19,909,360	\$ 1,747,158	10%
Fixed Assets				
Inc(Dec) in Fixed Assets (C)	250,000	125,000	(125,000)	-50%
TOTAL BUDGET (=B + C)	\$ 18,412,202	\$ 20,034,360	\$ 1,622,158	8.81%

\$/GWh NEL Trending



ERO 2022 Comparison



Preliminary 2023 and 2024 Projections

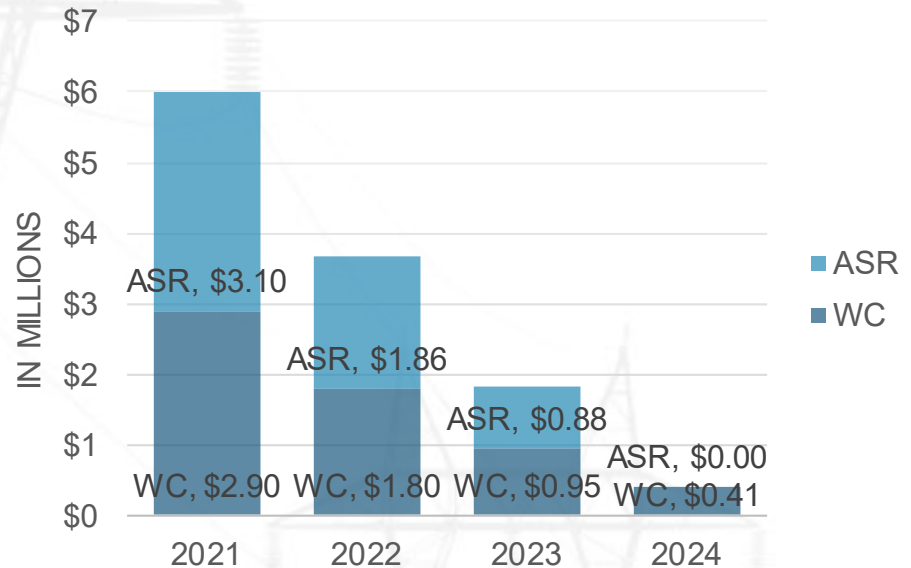
2023

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

2024

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

YEAR-END RESERVE BALANCES



PP12: General Finance

- ***Policy and Procedure 12: General Finance*** requires approval of:
 1. the postretirement medical plan funding; (Est. \$119,089)
 2. the reserves; (targeted \$1,669,530)
 3. the budget. (Expense \$20,034,360 = Assessments \$17,832,414 + Reserves \$2,201,946)



QUESTIONS

