



MIDWEST
RELIABILITY
ORGANIZATION

Midwest Reliability Organization Draft 2020 Business Plan & Budget

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CLARITY

ASSURANCE

RESULTS

2020 Statutory Budget Overview

- **Budget costs increase by 9.8 percent from \$16.0 million to \$17.5 million**
- **Assessments increase by 9.8 percent from \$15.5 million to \$17.0 million**
 - 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 (63 FTEs)



2020 Preliminary Budget by Category

	2019 Budget	2020 Budget	\$ Variance Over(Under)	% Variance Over(Under)
Expenses				
Total Personnel Expenses	\$ 11,569,667	\$ 12,482,691	\$ 913,024	8%
Total Meeting Expenses	\$ 1,051,164	\$ 1,284,632	\$ 233,468	22%
Total Operating Expenses	\$ 3,114,523	\$ 3,538,646	\$ 424,123	14%
Other Non-Operating Expenses	\$ -	\$ -	\$ -	0%
Total Expenses (B)	\$ 15,735,354	\$ 17,305,969	\$ 1,570,615	10%
Fixed Assets (C)	\$ 245,000	\$ 235,000	\$ (10,000)	-4%
TOTAL BUDGET (=B+C)	\$ 15,980,354	\$ 17,540,969	\$ 1,560,615	9.8%
FTEs	59.00	63.00	4.00	6.8%

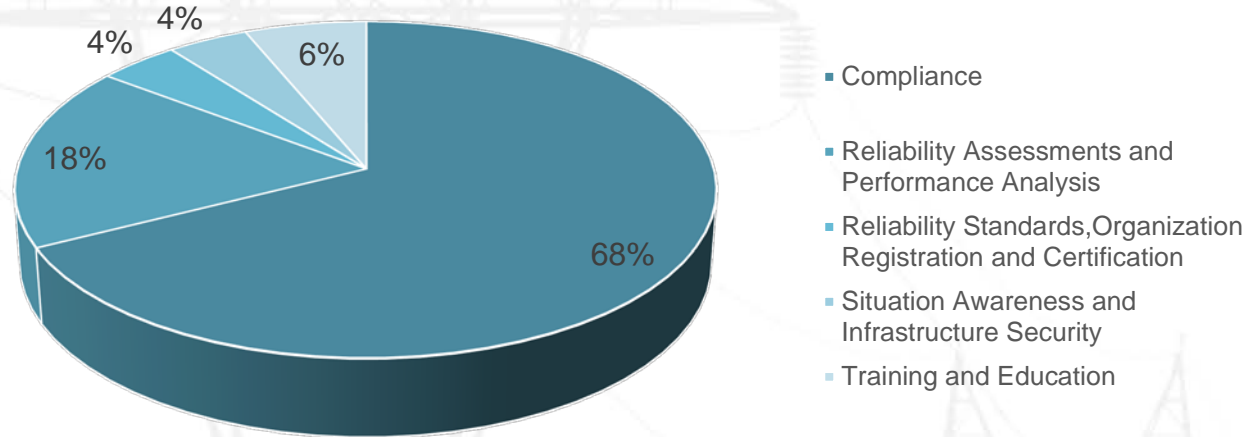


2019-2020 FTE Comparison

Total FTEs by Program Area	Budget 2019	Direct FTEs 2020 Budget	Variance from 2019 Budget
STATUTORY			
Operational Programs			
Reliability Standards and Organization and Certification	1.88	2.08	0.20
Compliance	16.72	15.33	(1.39)
Risk Assessment and Mitigation	12.62	15.75	3.13
Enforcement	3.01	2.55	(0.46)
Training and Education	2.58	2.97	0.39
Reliability Assessment and Performance Analysis	8.33	8.38	0.05
Situation Awareness and Infrastructure Security	2.64	2.08	(0.56)
Total FTEs Operational Programs	47.78	49.14	1.36
Administrative Programs			
Technical Committees and Member Forums	-	-	-
General and Administrative	2.84	2.62	(0.22)
Legal and Regulatory	0.86	2.07	1.21
Information Technology	3.97	4.44	0.47
Human Resources	-	1.35	1.35
Finance and Accounting	3.55	3.38	(0.17)
Total FTEs Administrative Programs	11.22	13.86	2.64
Total FTEs	59.00	63.00	4.00



Budget by Program Area



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 (59 to 63)**



Major Budget Impacts, continued

- **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



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



Projected Reserve Balance

- ***Policy and Procedure 13: Reserves***
 - 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**
 - Release of \$557,718 to reduce assessments to the 2020 budget
 - Projected reserves balance at December 31, 2020 is \$2.9 million



Preliminary 2021 and 2022 Projections

● 2021

- Total budget increase of \$.5M or 3 percent
- Headcount increase of 0
- Salary increases of 3 percent

● 2022

- Total budget increase of \$.5M or 3 percent
- Headcount increase of 0
- Salary increases of 3 percent



QUESTIONS

