

MIDWEST
RELIABILITY
ORGANIZATION

MRO 2023 Business Plan and Budget Overview

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CLARITY

ASSURANCE

RESULTS

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



Budget Highlights

- **Budget – \$23 million**
 - \$3 million or 15 percent increase from 2022
- **Assessments – \$20.5 million**
 - \$2.7 million or 15 percent increase from 2022
 - Assessment stabilization adjustment of \$2.6 million
 - includes penalties assessed prior to June 30, 2022
- **FTEs – 78**
 - Increase of 7 from 2022



2023 Budget Impacts

Budget Savings

- **Meetings & Travel (0%)**
 - Greater use of virtual technology and decreasing trend in travel and meeting costs for staff and stakeholders; 30% reduction in 2021; 20% reduction in 2022
 - One offsite workshop planned

Budget Investments

- **Personnel (+17%)**
 - Reflects the addition of 7 FTEs
 - Includes salary increase of 3%, promotions and market adjustments of 1.5%, and benefit cost increase of 12%
- **Operating Costs (+9%)**
 - Increase in consulting and vendor contracts
 - Increase in training expenses
 - Recruitment costs for Independent Directors
 - Increase in cyber insurance premiums
- **Fixed Assets (+100%)**
 - Replacement of end-of-life assets

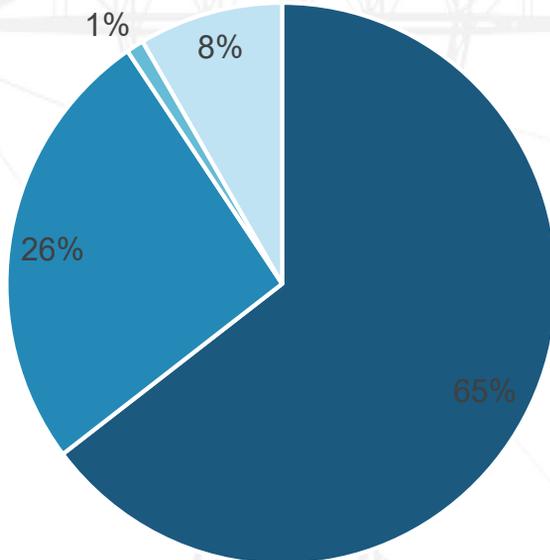


2023 Budget by Category

	2022 Budget	2023 Budget	\$ Variance 2023 to 2022 Budget Over(Under)	% Variance 2023 to 2022 Budget Over(Under)
Expenses				
Total Personnel Expenses	\$ 15,276,980	\$ 17,860,160	\$ 2,583,180	16.9%
Total Meeting Expenses	\$ 760,547	\$ 760,547	\$ -	0%
Total Operating Expenses	\$ 3,871,833	\$ 4,213,262	\$ 341,429	8.8%
Total Direct Expenses	\$ 19,909,360	\$ 22,833,969	\$ 2,924,609	14.7%
Fixed Assets	\$ 125,000	\$ 248,500	\$ 123,500	99%
TOTAL BUDGET	\$ 20,034,360	\$ 23,082,469	\$ 3,048,109	15.2%
FTEs	71.00	78.00	7.00	9.9%



Budget by Program Area



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



2023 Assessment Details

- **Assessments increase by 15 percent from \$17.8 million to \$20.5 million**
 - Assessments flat from 2020 to 2021
 - 2022 Assessments increased 5 percent
 - Assessment stabilization adjustment (ASR) of \$2.6 million
 - ASR includes penalties assessed prior to June 30, 2022 that total \$331,928



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 2022 \$6.4 million**
 - \$3.7M in working capital and operating reserve
 - \$2.7M in Assessment stabilization and penalty reserves
- **Projected reserves balance at end of 2023 is \$3.9 million**
 - \$3.7M in working capital and operating reserve
 - \$121K in assessment stabilization and penalty reserve
- **2024-2025 Projections include use of \$1.6 million of total reserves available**



Preliminary 2024 and 2025 Projections

- **2024**

- Total budget increase of \$2.2M or 9.4 percent
- Headcount increase of 5
- Assessment increase of 15 percent
- \$1.6M use of reserves

- **2025**

- Total budget increase of \$1.9M or 6.4 percent
- Headcount increase of 2
- Assessment increase of 14 percent

YEAR-END RESERVE BALANCES



Questions?