

To: Nicole Kinch, Vice President, Finance

From: Karl Johansson, AESO Board Chair

Date: Monday, January 29, 2024

Subject: **AESO Board Decision: AESO 2024 Business Plan and Budget Proposal**

The AESO Board finds the AESO's 2024 budgeted costs for general and administrative, interest, amortization, capital and other industry costs, and the forecasts for 2024 wires, transmission lines losses and ancillary services costs as identified in the summary table below to be reasonable and hereby approved. These costs are outlined in detail in the 2024 Business Plan and Budget Proposal ("Business Plan"), for which we received the requisite information on which to base our decision.

The summary table below reflects a slight amendment to the proposed general and administrative costs budget with a decrease from \$129.1 million in the Business Plan, to \$128.9 million. Subsequent, to the stakeholder sessions and posting of the Business Plan, market adjustments to staff costs have decreased by approximately \$0.2 million, due to the availability of updated market data. Also reflected in the table below is a subsequent amendment to the capital costs budget, which was increased by approximately \$3.7 million, from \$47.9 million in the Business Plan to \$51.6 million. This increase is related to the downtown office relocation, reflecting current cost estimates derived from finalized architectural plans. Increases are primarily due to escalating material costs and changing technical requirements. Average annual operating costs under the new lease remain consistent with historical actual costs for the separate locations.

We engaged with stakeholders regarding the organization's strategic focus and priorities for 2024 and were provided Management's recommendation on the same. We find that the priorities as outlined in the Business Plan are comprehensive and necessary to achieve the organization's objectives in 2024. The AESO Board has considered the information presented and approves the organization's strategic focus and priorities for 2024 as outlined in the Business Plan.

We engaged with stakeholders regarding the AESO's 2024 preliminary forecast and budget information. Management provided disclosure of stakeholder comments with corresponding Management summary response, as well as their recommendation on budgeted Own Costs, forecasted transmission line losses, and ancillary services costs as outlined in the Business Plan.

A detailed review of this information was performed with Management to develop this Decision. In addition, it should be noted that Management provides ongoing updates to the AESO Board on a regular basis, through its Audit Committee, on the AESO's actual financial results compared to approved budgets and forecasts.

We understand that it is inherently difficult to forecast transmission line losses and ancillary service costs as these costs are a function of volume and market-based commodity price forecasts. Volume forecasts tend to be reasonably accurate as volumes (generation and load) can be projected with a higher degree of certainty over time, generally reflecting historical trends. However, commodity price forecasts, specifically

pool price forecasts, are subject to greater variability as the forecasts are subject to various underlying factors (e.g., generator offer strategies, unplanned outages, load requirements) which are difficult to estimate. It is recognized that these forecasts are estimates and Management makes reasonable efforts to forecast these costs as accurately as possible using the best information available.

We understand that Wires costs represent the amounts paid primarily to transmission facility owners (TFOs) in accordance with their Alberta Utilities Commission (AUC)-approved tariffs and are not controllable costs of the AESO.

Table: Summary of the Aggregated Budgeted and Forecasted Costs for 2024

	Budget Category/Year		Page Reference ¹	Revenue Source (\$ million)				
				Transmission	Energy Market	Load Settlement	Renewables	Total
OWN COSTS	General and Administrative	2024	10*	96.2	30.5	1.1	1.1	128.9
	Borrowing	2024	10	0.5	0.2	0.0	0.0	0.7
	Amortization and Depreciation	2024	10	19.2	5.7	0.2	0.3	25.3
	Capital	2024	23*					51.6
	Other Industry Costs	2024	13	15.3	9.7	-	-	25.0
TRANSMISSION OPERATING COSTS	Wires	2024	11	1,937.2	-	-	-	1,937.2
	Transmission Line Losses	2024	11	178.3	-	-	-	178.3
	Ancillary Services	2024	11	363.9	-	-	-	363.9

¹ Details provided on the referenced pages in the Financial Highlights section of the AESO 2024 Business Plan and Budget Proposal

SUMMARY	Own Costs	2024		115.9	36.3	1.3	1.4	154.9
	Transmission Operating Costs	2024		2,479.4	-	-	-	2,479.4

**Adjusted subsequent to posting of the 2024 Business Plan and Budget Proposal
Differences are due to rounding*

In closing, the AESO Board would like to highlight its appreciation to stakeholders for their valued contributions and participation in the BDP and commends Management for its efforts to inform stakeholders and to seek their input for the 2024 Business Plan.

We welcome any comments from interested parties on ongoing refinements to the BDP and have requested that Management continue its discussions with stakeholders toward ongoing process improvement.

Signed at Calgary, Alberta on January 19, 2024

For the AESO Board,



AESO Board Chair,
Karl Johannson

cc: Mike Law, President, and Chief Executive Officer
Pam Tretiak, Director, Accounting & Treasury
Karen Campbell, Director, Settlement, Credit & Business Planning
Interested stakeholders