

Memo

To: Nicole Kinch, Vice President, Finance
From: Karl Johansson, AESO Board Chair
Date: January 17, 2025
Subject: **AESO Board Decision: AESO 2025 Business Plan and Budget Proposal**

The AESO Board finds the AESO's 2025 budgeted costs for general and administrative, borrowing, amortization and depreciation, project expenditures¹ and other industry costs, and the forecasts for 2025 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 2025 Business Plan and Budget Proposal ("Business Plan"), except for one amendment to reduce staff costs by \$1.5 million. The amendment reflects updated information related to market adjustments. We received the requisite information on which to base our decision.

We engaged with stakeholders regarding the organization's strategic focus and priorities for 2025 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 2025. The AESO Board has considered the information presented and approves the organization's strategic focus and priorities for 2025 as outlined in the Business Plan.

We engaged with stakeholders regarding the AESO's 2025 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

¹ Includes both Capital and General and Administrative project implementation expenditures

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 2025

	Budget Category/Year		Page Reference ²	Revenue Source (\$ million)				
				Transmission	Energy Market	Load Settlement	Renewables	Total
OWN COSTS	General and Administrative ³	2025	14	106.5	53.3	1.1	1.1	162.0
	Borrowing	2025	19	1.1	0.5	0.0	0.0	1.6
	Amortization and Depreciation	2025	19	19.0	6.7	0.2	0.1	26.0
	Project Expenditures	2025	22					109.3
	Other Industry Costs	2025	12	17.4	10.2	-	-	27.6
TRANSMISSION OPERATING COSTS	Wires	2025	9	2,021.7	-	-	-	2,021.7
	Transmission Line Losses	2025	9	136.9	-	-	-	136.9
	Ancillary Services	2025	9	252.3	-	-	-	252.3
RY	Own Costs	2025		126.6	60.5	1.3	1.2	189.6
	Transmission Operating Costs	2025		2,410.9	-	-	-	2,410.9

Differences are due to rounding

² Details provided on the referenced pages, as summarized in the Financial Highlights section on Page 8 of the AESO 2025 Business Plan and Budget Proposal

³ General and Administrative was reduced from \$163.5M in the AESO 2025 Business Plan and Budget Proposal to \$162.0M following the December 2024 Board meeting as noted above

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 2025 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 17, 2025

For the AESO Board,



AESO Board Chair,

Karl Johannson

cc: Aaron Engen, President, and Chief Executive Officer
Pam Tretiak, Director, Finance
Karen Campbell, Director, Settlement, Credit & Business Planning
Interested stakeholders