

## Memo

**To:** Nicole Hall, Vice President, Finance  
**From:** Karl Johannsen, AESO Board Chair  
**Date:** January 8, 2026  
**Subject:** **AESO Board Decision: AESO 2026 Business Plan and Budget Proposal**

The AESO Board finds the AESO's 2026 budgeted costs for general and administrative, borrowing, amortization and depreciation, project expenditures<sup>1</sup> and other industry costs, and the forecasts for 2026 wires, transmission lines losses, ancillary services costs and unit commitment costs as identified in the summary table below to be reasonable and hereby approved.

These costs are outlined in detail in the 2026 Business Plan and Budget Proposal ("Business Plan"), with the exception of one subsequent amendment to reduce project expenditures by \$5.0 million. The amendment reflects updated information related to budgeted REM IT systems spend. We received the requisite information on which to base our decision.

We engaged with stakeholders regarding the organization's strategic focus and priorities for 2026 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 2026. The AESO Board has considered the information presented and approves the organization's strategic focus and priorities for 2026 as outlined in the Business Plan.

We engaged with stakeholders regarding the AESO's 2026 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, ancillary service costs and unit commitment 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.

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<sup>1</sup> Includes both Capital and General and Administrative project implementation expenditures

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 2026**

	Budget Category	Page Reference <sup>2</sup>	Revenue Source (\$ million)				
			Transmission	Energy Market	Load Settlement	Renewables	Total
OWN COSTS	General and Administrative	12	117.0	56.0 <sup>3</sup>	0.8	1.3	175.0
	Borrowing	17	2.4	1.2	0.0	0.0	3.6
	Amortization and Depreciation	17	19.3	7.9	0.1	0.1	27.5
	Project Expenditures <sup>45</sup>	20					119.7
TOTAL OWN COSTS			138.7	65.1	0.9	1.4	325.8
	Other Industry Costs	10	18.7	10.2	-	-	28.9
OPERATING COSTS	Wires	7	2,049.6	-	-	-	2,049.6
	Ancillary Services	7	278.1	-	-	-	278.1
	Transmission Line Losses	7	144.1	-	-	-	144.1
	Unit Commitment	7	-	0.8	-	-	0.8
TOTAL OPERATING COSTS			2,471.8	0.8	-	-	2,472.6

*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 2026 Business Plan.

<sup>2</sup> Details provided on the referenced pages, as summarized in the Financial Highlights section on Page 6 of the AESO 2026 Business Plan and Budget Proposal

<sup>3</sup> Costs will be offset by an estimated \$2.9 million in Connection fee revenue

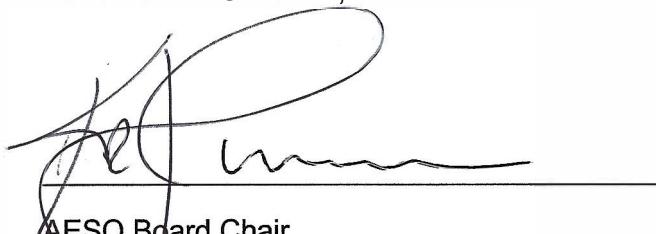
<sup>4</sup> Project Expenditures was reduced from \$124.7M in the AESO 2026 Business Plan and Budget Proposal to \$119.7M prior to the December 2025 Board meeting as noted above

<sup>5</sup> Consists of an estimated \$36.7 million G&A component and an estimated \$83.0 million Capital component

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 8, 2026

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