

**To:** Nicole Kinch, Vice President, Finance  
**From:** Karl Johannson, AESO Board Chair  
**Date:** Thursday, January 19, 2023  
**Subject:** **AESO Board Decision: AESO 2023 Business Plan and Budget Proposal**

The AESO Board finds the AESO's 2023 budgeted costs for general and administrative, interest, amortization, capital and other industry costs, and the forecasts for 2023 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 2023 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 from the Business Plan. The AESO's proposed 2023 general and administrative costs were \$109.1 million, which has been reduced to \$108.3 million. Given feedback and recommendations from the AESO Board, the 2023 general and administrative costs budget has been amended to reduce the budgeted staff costs by \$0.8 million.

We engaged with stakeholders regarding the organization's strategic focus and priorities for 2023 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 2023. The AESO Board has considered the information presented and approves the organization's strategic focus and priorities for 2023 as outlined in the Business Plan.

We engaged with stakeholders regarding the AESO's 2023 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 2023**

	Budget Category/Year		Page Reference <sup>1</sup>	Revenue Source (\$ million)				
				Transmission	Energy Market	Load Settlement	Renewables	Total
<b>OWN COSTS</b>	General and Administrative	2023	15	82.4	23.5	1.2	1.2	108.3
	Interest	2023	20	0.6	0.4	0.0	0.0	1.0
	Amortization	2023	20	17.1	5.5	0.2	0.5	23.3
	Capital	2023	21					25.6
	Other Industry Costs	2023	12	14.9	10.1	-	-	25.0
<b>TRANSMISSION OPERATING COSTS</b>	Wires	2023	10	1,918.3	-	-	-	1,918.3
	Transmission Line Losses	2023	10	183.8	-	-	-	183.8
	Ancillary Services	2023	11	303.0	-	-	-	303.0
<b>SUMMARY</b>	Own Costs	2023		100.1	29.4	1.4	1.7	132.6
	Transmission Operating Costs	2023		2,405.1	-	-	-	2,405.1

*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 2023 Business Plan.

<sup>1</sup> Details provided on the referenced pages in the AESO's 2023 Business Plan and Budget Proposal

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 20, 2023

For the AESO Board,

A handwritten signature in black ink, appearing to be 'KJ', is written over a circular stamp. The signature is fluid and cursive.

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