

To: Nicole Kinch, Vice President, Finance
From: Karl Johannson, AESO Board Chair
Date: Friday, January 14, 2022
Subject: **AESO Board Decision: AESO 2022 Business Plan and Budget Proposal**

The AESO Board finds the AESO's 2022 budgeted costs for general and administrative, interest, amortization, capital and other industry costs, and the forecasts for 2022 wires, transmission lines losses and ancillary services costs as identified in the summary table below and outlined in detail in the 2022 Business Plan and Budget Proposal ("Business Plan"), to be reasonable and are hereby approved.

We received the requisite information on the 2022 Budget Review Process ("BRP"), including an overview of the process undertaken, the disclosure of Stakeholder comments with corresponding Management responses, the disclosure of Stakeholder submissions to the AESO Board, and Managements' recommendation on the AESO's business initiatives, budgeted Own Costs, and 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.

Written Stakeholder comments and Stakeholder Board submissions regarding proposed 2022 business initiatives and the AESO's 2022 preliminary forecast and budget information and the associated replies from Management were reviewed and listened to. We find that the business initiatives as outlined in the Business Plan are comprehensive and necessary to achieve the organization's objectives in 2022. The AESO Board has considered the information presented and approves the business initiatives for 2022 as outlined in the Business Plan.

We understand that it is inherently difficult to forecast transmission line losses and operating reserve 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 Management makes reasonable efforts to forecast these costs as accurately as possible using the best information available.

Table: Summary of the Aggregated Budgeted and Forecasted Costs for 2022

	Budget Category/Year		Page Reference ¹	Revenue Source (\$ million)				
				Transmission	Energy Market	Load Settlement	Renewables	Total
OWN COSTS	General and Administrative	2022	22	72.7	21.1	1.0	0.9	95.7
	Interest	2022	27	1.3	1.3	0.1	0.1	2.8
	Amortization	2022	27	18.1	5.9	0.2	0.4	24.6
	Capital	2022	28					25.3
	Other Industry Costs	2022	19	16.0	8.1	-	-	24.1
TRANSMISSION OPERATING COSTS	Wires	2022	16	1,896.7	-	-	-	1,896.7
	Transmission Line Losses	2022	17	143.3	-	-	-	143.3
	Ancillary Services	2022	17	210.1	-	-	-	210.1
SUMMARY	Own Costs	2022		92.1	28.3	1.3	1.4	123.1
	Transmission Operating Costs	2022		2,250.1	-	-	-	2,250.1

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 BRP and commends Management for its efforts to inform Stakeholders and to seek their input on the 2022 Business Plan.

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

Signed at Calgary, Alberta on January 14, 2022

¹ Details provided on the referenced pages in Section 4 of the AESO's 2022 Business Plan and Budget Proposal

For the AESO Board,

A handwritten signature in blue ink, appearing to be 'Karl Johannson', written over a large, loopy scribble.

AESO Board Chair,

Karl Johannson

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