GOVERNMENT OF ALBERTA

Affordability and Utilities

Annual Report
2023-24

Affordability and Utilities, Government of Alberta | Affordability and Utilities 2023–2024 Annual Report

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Note to Readers: Copies of the annual report are available on the Alberta Open Government Portal website www.alberta.ca

Table of Contents

Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Sustainable Fiscal Planning and Reporting Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each ministry.

The 2023-24 Annual Report reflects the 2023-26 ministry business plans, the Government of Alberta Strategic Plan, and the ministry's activities and accomplishments during the 2023-24 fiscal year, which ended on March 31, 2024.

The Annual Report of the Government of Alberta contains *Budget 2023* Key Results, the audited Consolidated Financial Statements, and Performance Results, which compare actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Affordability and Utilities contains the Minister's Accountability Statement, the ministry's Financial Information and Results Analysis, a comparison actual performance results to desired results set out in the Ministry Business Plan. The ministry annual report also includes:

- the financial statements of entities making up the ministry, including the Alberta Utilities Commission and the Balancing Pool, for which the minister is responsible; and
- other financial information as required by the Financial Administration Act and the Fiscal Planning and Transparency Act, as separate reports, to the extent that the ministry has anything to report.

All Ministry Annual Report should be considered along with the Government of Alberta Annual Report to provide a complete overview of the government's commitment to openness, accountability, and fiscal transparency.

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2024, was prepared under my direction in accordance with the *Sustainable Fiscal Planning and Reporting Act* and the government's accounting policies. All of the government's policy decisions as at June 19, 2024, with material economic or fiscal implications of which I am aware, have been considered in the preparation of this report.

[Original signed by]

Honourable Nathan Neudorf

Minister of Affordability and Utilities

Message from the Minister

I am pleased to introduce the annual report of the Ministry of Affordability and Utilities for the 2023-24 fiscal year.

The main focus of the past year was continuing to support Albertans with the rising cost of living while enacting reforms to Alberta's electricity grid.

As part of the Ministry's mandate to lead and coordinate government's ongoing efforts to make everyday life more affordable, Affordability and Utilities worked across ministries to provide timely, effective relief where it was needed most. This included broad support for all Albertans, and targeted measures for families, seniors, and vulnerable Albertans.

As part of that work, Affordability and Utilities provided $49.6 million through the electricity rebate program in April 2023, to conclude the Electricity Rebate Program, helping more than 1.9 million homes, farms, and businesses manage high electricity costs. The Ministry's Natural Gas Rebate Program also continued to provide cost certainty and price protection for millions of Albertans throughout the year.

Our government's Affordability Action Plan has helped measurably lower the rate of inflation for Albertans, and in 2023 the province's rate remained below the national average. Estimates indicate that for Alberta households in the $50,000 - $100,000 income range, our affordability measures reduced the impact of inflation by 68 per cent for the average couple with two children, and by 87 per cent for the average senior couple in this income range.

On the utilities side, the Ministry focused on building an electricity grid that is affordable, reliable, and sustainable, that can keep pace with our growing needs and desire to reduce emissions, that attracts investment, and that supports job creation. This work included:

- proclamation of the Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act, to help lower long-term electricity costs while keeping the grid reliable by:
  - enabling energy storage;
  - enabling the Affordability and Utilities Minister to make regulations about proactive distribution planning;
  - allowing more on-site power generation, with the option to sell excess power to grid, for Alberta businesses and individuals; and
  - reducing the size and resource needs of the Balancing Pool.
- the Generation Approvals Pause Regulation, which provides new policy direction for renewable energy development following the Alberta Utilities Commission's brief pause on approvals for renewables projects, from August 2023 to February 2024;
- announcing the interim Market Power Mitigation Regulation, which limits large generators' ability to use their price offers to raise electricity prices through a practice known as economic withholding;
- announcing the interim Supply Cushion Regulation, which requires certain generating units to be made available, as directed by the Alberta Electric System Operator, at times of scarce supply conditions;

- distributing $6.9 million in grants to support construction of gas and electricity services throughout rural Alberta; and
- providing $7 million to the Utilities Consumer Advocate to support its work to educate and advocate for Alberta's utility consumers.

Looking ahead, in 2024-25 the Ministry will continue to work across government to build on existing affordability measures – with a specific focus on housing, utilities, food costs, and insurance, as well as further reducing red tape for Albertans, non-profits, and businesses – to keep the province affordable. This includes launching an Affordable Advice for Life website to empower Albertans to keep more of their hard-earned money in their pockets.

Further steps will also be taken to modernize the province's electricity grid, including:

- working with the Ministries of Energy and Minerals and Municipal Affairs to explore legislative requirements for hydrogen blending in the natural gas utility system;
- engaging with stakeholders to gather feedback that will inform changes to transmission policy;
- working with the Alberta Electric System Operator and other stakeholders on the technical design of a Restructured Energy Market; and
- working with the Ministries of Environment and Protected Areas, Agriculture and Irrigation, Forestry and Parks, and Tourism and Sport to develop and implement policies for responsible renewable energy development.

I want to acknowledge everyone at Affordability and Utilities for their work over the past year. The achievements and key initiatives presented in this report are a testament to your dedication and efforts in service of your fellow Albertans, and I am excited for what lies ahead for the Ministry.

[Originally signed by]

Honourable Nathan Neudorf

Minister of Affordability and Utilities

Management's Responsibility for Reporting

The Ministry of Affordability and Utilities includes:

- Department of Affordability and Utilities,
- Alberta Utility Commission; and,
- Balancing Pool.

The executives of the individual entities within the ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the ministry complies with all relevant legislation, regulations and policies.

Ministry Business Plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports, and other financial and performance reporting.

Responsibility for the integrity and objectivity of the accompanying ministry financial information and performance results for the ministry rests with the Minister of Affordability and Utilities. Under the direction of the Minister, I oversee the preparation of the ministry's annual report, which includes the financial information, performance results on all objectives and initiatives identified in the Ministry Business Plan, and performance results for all ministry-supported commitments that were included in the 2023-26 Government of Alberta Strategic Plan. The financial information and performance results, out of necessity, include amounts that are based on estimates and judgments. The financial information is prepared using the government's stated accounting policies, which are based on Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliable – Information used in applying performance measure methodologies agrees with the underlying source data for the current and prior years' results.
- Understandable – the performance measure methodologies and results are presented clearly.
- Comparable – the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Complete – outcomes, performance measures and related targets match those included in the ministry's Budget 2023.

As Deputy Minister, in addition to program responsibilities, I am responsible for the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance, and the Minister of Affordability and Utilities the information needed to fulfill their responsibilities; and

- facilitate preparation of Ministry Business Plans and annual reports required under the *Sustainable Fiscal Planning and Reporting Act*.

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executives of the individual entities within the ministry.

[Original signed by]

David James

Deputy Minister of Affordability and Utilities

June 7, 2024

Results Analysis

Table of Contents

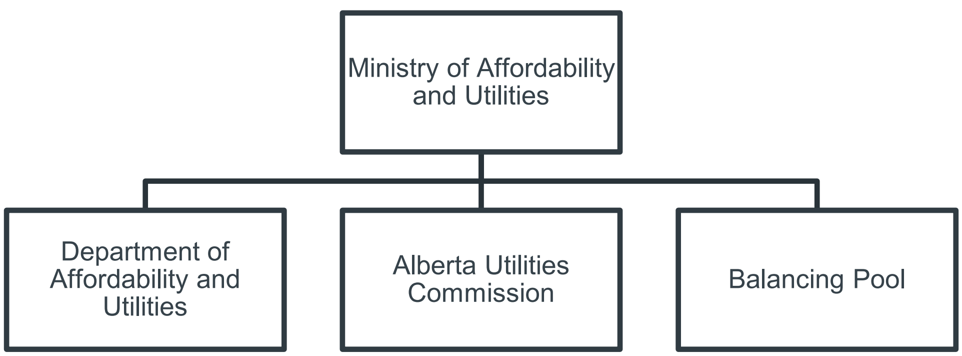
Ministry Overview

The Ministry of Affordability and Utilities leads and coordinates the government's ongoing efforts to make everyday life more affordable for Albertans. Affordability is a significant challenge facing Albertans today, and the Government of Alberta has taken action to address the rising cost of living. This includes Alberta's Affordability Action Plan, announced in November 2022 and continuing through the 2023-24 fiscal year, which included a suite of initiatives to help Albertans manage the impacts of inflation and increased cost-of-living. The ministry has taken a leadership role in the development and coordination of this Plan, with specific targeted supports for families, seniors, and vulnerable Albertans.

The Ministry of Affordability and Utilities is responsible for the province's utility systems, ensuring Albertans can reliably power and heat their homes and businesses. In addition, the ministry works to ensure a safe, reliable, and affordable electricity system for all Albertans.

A more detailed description of the Ministry of Affordability and Utilities and its programs and initiatives can be found at www.alberta.ca/affordability-and-utilities.aspx.

Organizational Structure



Operational Overview

The Department of Affordability and Utilities

- Leads the government's ongoing efforts to make everyday life more affordable for Albertans.
- Manages policy, legislation, regulation, and programming related to the generation, transmission, distribution, and retail and wholesale markets for electricity to support a competitive, safe, reliable, and affordable power system for Albertans.
- Manages policy, legislation, regulation, and programming related to the distribution and retail marketing of natural gas to ensure a competitive, safe, reliable, and affordable supply of natural gas for retail gas consumers.
- Manages the policy and programs supporting the expansion and upgrading of rural utility infrastructure.
- Represents, educates, and supports residential, small-business, and farm consumers of electricity and natural gas through the Utilities Consumers Advocate.

The Alberta Utilities Commission

- Regulates investor owned electric, natural gas and water utilities, and certain municipally owned electricity utilities to ensure customers receive safe and reliable utility service at just and reasonable rates.
- Independently makes decisions on the need, siting, construction, alteration, operation, and decommissioning of natural gas utilities' facilities and electricity transmission facilities.
- Regulates power plants in a similar fashion, except the need for new power plants, which is determined by market forces.
- Develops and amends rules that support the orderly operation of the retail natural gas and electricity markets and adjudicates on market and operational rule contraventions that the Market Surveillance Administrator may bring before the Alberta Utilities Commission.
- Ensures that the delivery of Alberta's utility services takes place in a manner that is fair, responsible, and in the public interest.

The Balancing Pool

- Supports a fair, efficient, and openly competitive electricity market in Alberta by performing the legislated duties and responsibilities set out in its mandate.

Key Highlights

The Ministry of Affordability and Utilities focused on accomplishing two outcomes identified in the 2023-26 Ministry Business Plan:

- Outcome 1: Everyday life is more affordable for Albertans.
- Outcome 2: Albertans benefit from a safe, reliable, affordable utilities system.

Key highlights and results achieved by the Ministry of Affordability and Utilities in 2023-24 include:

- Coordinated the Government's Affordability Action Plan which contributed to Alberta's headline inflation cooling from the multi-decade high of 6 per cent in 2022-23 to 3.2 per cent in 2023-24.
- Continuing from payments issued in the period of January to March 2023, the Government of Alberta issued three $100 payments, covering the period April to June 2023, for each dependent child and senior in households whose 2021 adjusted income was less than $180,000.
- Continuing from payments issued from January to March 2023, the Government of Alberta issued three payments of $100 for Albertans on the following core-benefits programs: Assured Income for the Severely Handicapped (AISH), Income Support (IS), Alberta Seniors Benefit (ASB), Persons with Developmental Disabilities program (PDD) and those receiving the Canada Pension Plan Disability Benefit, for the period of April to June 2023.
- In 2023, Alberta's Affordability Action Plan measures were estimated to offset the impact of inflation by substantial amounts for various households:
    - 12.2 per cent for couples with two children
    - 15.7 per cent for single parents with two children
    - 17 per cent for single seniors, and
    - 18.8 per cent for senior couples
- The *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act* received proclamation on March 6, 2024. The Act and its accompanying regulatory amendments will help Alberta's electricity system adapt to new technologies and the changing ways that consumers interact with the grid. The Act also supports government's ongoing work towards a carbon-neutral electricity grid by 2050.
- Introduced the *Market Power Mitigation Regulation* and the *Supply Cushion Regulation* which are intended to encourage more competition, improve reliability and make utility bills more affordable for Albertans.
- The Utilities Consumer Advocate (UCA) advertising campaigns intending to educate Albertans of the purpose of the UCA, increased website visits to 1.2 million. Additionally, the call centre received 26,269 calls and conducted 1,177 mediations.
- The Electricity Rebate Program provided $49.6 million to 1.9 million electricity consumers during the month of April.
- The Rural Gas Program administered $5.7 million in grants.
- Through the Rural Electric Program, issued $700,000 in grants to support the construction of electrical services on Alberta's farms and ranches to further expand electrical infrastructure in rural Alberta.

The Ministry of Affordability and Utilities remains committed to regulatory approaches and program delivery that reduce unnecessary government oversight and emphasizes outcomes to improve access to government services, attract investment, support innovation and competitiveness, and grow Alberta businesses.

Discussion and Analysis of Results

Actions that support the priorities of the Government of Alberta Strategic Plan

Government of Alberta Strategic Plan Key Priority One:

Securing Alberta's Future

Objective three: Building Alberta

Affordability and Utilities Actions:

- Through the Rural Gas Program, providing grants to gas distributors to provide gas services to sparsely populated areas in rural Alberta,
- Through the Rural Electric Program and in collaboration with the Alberta Federation of Rural Electrification Associations Ltd, administering grants to support the construction of electrical services on Albertan farms and ranches.

Detailed reporting on these actions can be found on pages 26 to 28.

Government of Alberta Strategic Plan Key Priority Two:

Standing up for Albertans

Objective two: Making life more affordable

Affordability and Utilities Actions:

- Coordinated, facilitated and implemented initiatives announced in the Government's Affordability Action Plan.

Detailed reporting on these actions can be found on pages 14 to 20.

Outcome One: Everyday life is more affordable for Albertans

Throughout 2023-24, inflation has moderated but remained elevated. The Ministry of Affordability and Utilities led and coordinated the Government of Alberta's inflation relief response in 2023-24. The Government of Alberta was focused on timely, effective action to help reduce or alleviate the current cost-of-living pressures, while also identifying policy options to reduce inflation and cost of living over the long term.

Key Objectives

1.1 Lead, facilitate and coordinate the Government of Alberta's ongoing efforts to identify and advance opportunities to address affordability and cost of living concerns of Albertans.

In November 2022, Government announced the Affordability Action Plan to address the global inflation crisis that was impacting Alberta at the time. The Ministry of Affordability and Utilities led and coordinated the Government of Alberta's inflation relief response in 2023-24. The cornerstone of that work was the coordination and implementation of a suite of affordability measures that included broad-based support for all Albertans and targeted measures for families, seniors, and vulnerable groups. In 2023, the affordability payment program featured payments of up to $600 for eligible Albertans between January and June 2023, totalling $773 million provided to more than 1.4 million Albertans for the duration of the program. For 2023-24, this reflects payments between April and June 2023.

The actions taken in 2023-24 to support affordability have been a collaborative government effort involving numerous ministries, (including Advanced Education, Children and Family Services, Indigenous Relations, Seniors, Community and Social Services, Service Alberta and Red Tape Reduction, Technology and Innovation, and Treasury Board and Finance). Budget and program leadership were spread across the Government of Alberta. Due to government's response, Albertans and Alberta businesses experienced continued support in 2023-24 in their efforts to manage their cost of living and conduct business.

Affordability Action Plan for 2023-24 highlights:

The individual effects of the Affordability Action Plan measures active throughout 2023-24 are summarized in Tables 1 to 4 (below).

- **Children's benefit payments:** Couples in the $50,000 to $100,000 income range with two children were assisted by the children's benefit payments, offsetting inflation by 11 per cent on average (see Table 2).
- **Senior affordability payments:** Senior couples with a household income below $50,000 were assisted by the senior affordability payments, offsetting inflation by 19 per cent on average (see Table 3).
- **Electricity rebates:** Electricity rebates in 2023-24 provided support to households, amounting to approximately 0.5 per cent. The electricity rebate was implemented over one month (April 2023) (see Key Objective 1.2).
- **Fuel tax relief:** Fuel tax relief consistently offset inflation for all household types; ranging from 2 per cent for couples with no children, to 6 per cent, for senior couples (see Table 4).

Affordability Payments:

- The Government of Alberta issued $600 payments, covering the period January to June 2023 (April 2023 – June 2023 in 2023-24), for each dependent child and senior in households whose 2021 adjusted income was less than $180,000. Payments of $600 for Albertans on the following core-benefits programs: Assured Income for the Severely Handicapped (AISH), Income Support (IS), Alberta Seniors Benefit (ASB), Persons with Developmental Disabilities program (PDD) and those receiving the Canada Pension Plan Disability Benefit were also distributed. These efforts were led by Seniors, Community and Social Services.

Other ways Albertans were supported:

- Provided $4 million in funding to school authorities through the Fuel Price Contingency Program. Led by Education.
- Utilized $173 million on indexing social assistance support for AISH, ASB, IS and $20 million to index the Alberta Child and Family Benefit (ACFB), providing much needed relief to Albertans. Led by Children and Family Services, and Seniors, Community and Social Services.
- Indexed personal income tax system to maintain Alberta's competitive tax advantage, helping Albertans who need it the most. Led by Treasury Board and Finance.
- Provided $10 million of funding for food banks and $16 million on low-income transit passes. Led by Seniors, Community and Social Services.
- Paused private passenger auto insurance rate increases to the end of 2023. Capped rate increase for good drivers starting 2024. Led by Treasury Board and Finance.
- Expanded an agreement with the federal government to increase the number of childcare spaces eligible for support. Led by Children and Family Services.
- Provided $13 million in supports to post-secondary students, including student loan interest and repayment supports, and grants for low-income students. Led by Advanced Education.
- Provided supports for adopters, social sector workers, caregivers, seniors, administrators. Led by Seniors, Community and Social Services.

Estimated Impacts of Alberta's Affordability Action Plan:

In 2023-24, Alberta's AAP measures were estimated to offset the impact of inflation by 12 per cent for the representative Alberta household, with two adults and two children (see Table 1). Couples with children account for the largest proportion of the Alberta Statistics Canada's Survey of Household Spending (SHS).

The SHS is a national survey that collects data about household expenditures of Canadians. Data from the survey was used to estimate how much Albertans' household spending increased due to inflation. To calculate the effect of Alberta's Affordability Action Plan in offsetting inflation, the government estimates offset by comparing the total benefits from the programs in the AAP to the estimated total effect of inflation on household spending.

Moderate and middle-income households benefited the most from the Alberta AAP measures. Estimates indicate that inflation was offset by 16 per cent on average for Alberta households in the $50,000 to $100,000 income range with two parents and two children.

Offset inflation was lowest for couples with no children and with income lower than $50,000, at 3 per cent on average, followed closely by single person households in the $50,000 to $100,000 income range at 4 per cent (see Table 1).

Table 1 and Figure 1 presents the estimated impacts of Alberta's AAP measures in offsetting inflation for Albertan households.

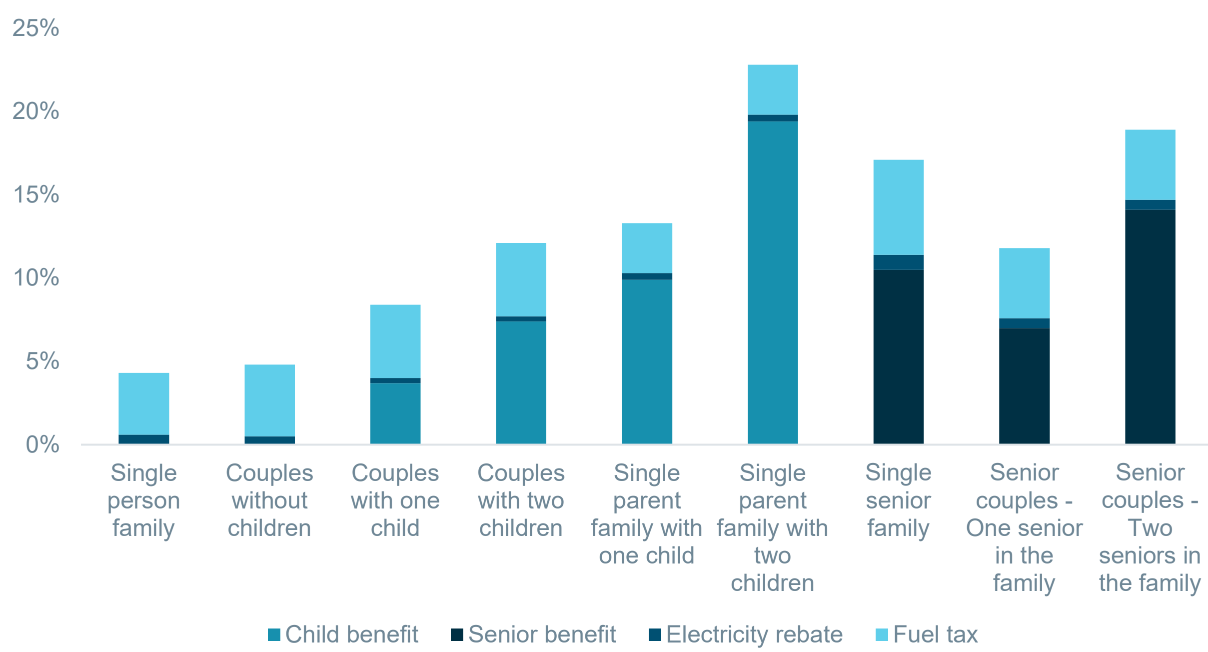
Table 1 – Aggregate inflation offset by Alberta's Affordability Action Plans (2023-24 fiscal year)

Type of family	Inflation offset – 2023-24 fiscal year (%)			
	$0 - $50k	$50k - $100k	$100k+	Average
Single person households	5.9%	3.8%	N/A *	4.3%
Couples - No children	2.8%	5.2%	4.8%	4.8%
Couples - One child	N/A *	10.2%	8.3%	8.4%
Couples - Two children	N/A *	15.6%	11.7%	12.2%
Single parents - One child	N/A *	N/A *	N/A *	10.9%
Single parents - Two children	N/A *	N/A *	N/A *	15.7%
Single senior households	17.4%	14.1%	11.6%	17.0%
Senior couples - One senior	16.0%	13.0%	9.5%	11.8%
Senior couples - Two seniors	25.4%	20.1%	14.3%	18.8%

Source: Statistics Canada and Alberta Treasury Board and Finance calculations

* N/A indicates that data was suppressed in the Survey of Household Spending, 2019.

Figure 1 – The impact of Alberta affordability measures in offsetting inflation, 2023-24 fiscal year



Sources: Treasury Board and Finance calculations

Table 2 presents the estimated impacts of Alberta's AAP children benefit payments relative to offsetting the effect of inflation on Albertan households with children.

Table 2 - Inflation offset by AAP children's benefit payments (2023-24 fiscal year) *

Type of family	Inflation offset – 2023-24 fiscal year (%)			
	$0 - $50k	$50k - $100k	$100k+	Average
Couple households				
One child	N/A **	5.40%	3.40%	3.70%
Two children	N/A **	10.80%	6.80%	7.40%
Single parent households				
One child	N/A **	N/A **	N/A **	4.70%
Two children	N/A **	N/A **	N/A **	9.50%

Source: Treasury Board and Finance calculations

* Households without children were excluded from this table. Senior households were assumed not to have children under 18 years old.

** N/A indicates that data was suppressed in the Survey of Household Spending, 2019.

Table 3 presents the estimated impacts of Alberta's AAP senior benefit payments relative to offsetting the effect of inflation on Albertan households with seniors.

Table 3 – Inflation offset by AAP senior's benefit payments (2023-24 fiscal year)*

Type of family	Inflation offset – 2023-24 fiscal year (%)			
	$0 - $50k	$50k - $100k	$100k+	Average
Single senior households	12.00%	9.00%	6.10%	10.50%
Senior couple households				
One senior	9.40%	7.00%	4.80%	7.00%
Two seniors	18.90%	14.10%	9.60%	14.10%

Source: Treasury Board and Finance calculations

* Households without seniors were excluded from this table.

Table 4 presents the estimated impacts of Alberta's AAP fuel tax relief program relative to offsetting the effect of inflation on Albertan households.

Table 4 – Inflation offset by AAP fuel tax relief program (2023-24 fiscal year)*

Type of family	Inflation offset – 2023-24 fiscal year (%)			
	$0 - $50k	$50k - $100k	$100k+	Average
Single person households	5.10%	3.30%	N/A *	3.70%
Couples – No children	2.20%	4.70%	4.40%	4.30%
Couples – One child	N/A *	4.30%	4.60%	4.40%
Couples – Two children	N/A *	4.30%	4.60%	4.40%
Single parents – One child	N/A *	N/A *	N/A *	3.00%
Single parents – Two children	N/A *	N/A *	N/A *	3.00%
Single senior households	4.30%	4.40%	5.10%	5.70%
Senior couples – One senior	5.80%	4.30%	5.40%	4.20%
Senior couples – Two seniors	5.80%	4.30%	5.40%	4.20%

Source: Treasury Board and Finance calculations

* N/A indicates that data was suppressed in the Survey of Household Spending, 2019.

Affordability Action Plan: The Impact of Indexing the Personal Income Tax System

As part of the Government of Alberta's Affordability Action Plan, Alberta has resumed indexation of the provincial personal income tax system for inflation, beginning for the 2022 tax year. Tax bracket thresholds and credit amounts increased by 2.3 per cent in 2022, 6 per cent in 2023, and 4.2 per cent in 2024.

Table 5 – The Impact of Indexing the Personal Income Tax System, tax years 2022, 2023, and 2024

Type of family	Personal income tax savings – 2022 tax year ($)				
	$0	**$50k**	**$100k**	**$150 k**	**$200k**
Single person households	$0.00	$44.50	$44.50	$104.86	$141.08
Couples - No children	$0.00	$44.50	$89.00	$89.00	$89.00
Couples - One child	$0.00	$44.50	$89.00	$89.00	$89.00
Couples - Two children	$0.00	$44.50	$89.00	$89.00	$89.00
Single parents - One child	$0.00	$89.00	$89.00	$149.36	$185.58
Single parents - Two children	$0.00	$89.00	$89.00	$149.36	$185.58
Single senior households	$0.00	$74.27	$48.00	$108.36	$144.58
Senior couples	$0.00	$0.00	$148.55	$122.28	$96.00
	Personal income tax savings – 2023 tax year ($)				
	$0	**$50k**	**$100k**	**$150 k**	**$200k**
Single person households	$0.00	$163.40	$163.40	$384.84	$517.71
Couples - No children	$0.00	$263.70	$326.80	$326.80	$326.80
Couples - One child	$80.00	$388.34	$326.80	$326.80	$326.80
Couples - Two children	$120.00	$501.35	$326.80	$326.80	$326.80
Single parents - One child	$80.00	$451.44	$326.80	$548.24	$681.11
Single parents - Two children	$120.00	$564.45	$326.80	$548.24	$681.11
Single senior households	$0.00	$272.47	$176.00	$397.44	$530.31
Senior couples	$0.00	$0.00	$516.72	$448.47	$352.00
	Personal income tax savings – 2024 tax year ($)				
	$0	**$50k**	**$100k**	**$150k**	**$200k**
Single person households	$0.00	$251.60	$251.60	$592.58	$797.16
Couples - No children	$0.00	$440.10	$503.20	$503.20	$503.20
Couples - One child	$109.50	$610.77	$503.20	$503.20	$503.20
Couples - Two children	$164.50	$765.98	$503.20	$503.20	$503.20
Single parents - One child	$109.50	$673.87	$503.20	$844.18	$1,048.76
Single parents - Two children	$164.50	$829.08	$503.20	$844.18	$1,048.76
Single senior households	$0.00	$419.52	$271.00	$611.98	$816.56
Senior couples	$0.00	$0.00	$784.17	$690.52	$581.83

Source: Treasury Board and Finance calculations

Table 5 presents the impact of the policy change to resume indexation of the provincial personal income tax system for 2022 and subsequent taxation years, for different family types and income levels. The results are provided for the taxation year rather than the fiscal year.

Affordability and Utilities will continue to monitor the impact of the supports put in place and will identify new approaches or mechanisms that may be required as cost-of-living pressures evolve.

Reporting on affordability initiatives implemented by other ministries can be found in the annual reports of their lead ministries. For initiatives led by Affordability and Utilities, more information can be found later in this report.

1.2 Provide financial relief to Albertans through programs such as the Natural Gas Rebate Program, the Electricity Rebate Program, and the Remote Area Heating Allowance Program.

Natural Gas Rebate Program

In April 2022, the Government of Alberta announced the Natural Gas Rebate Program to help Albertans pay for high winter heating costs. The program began on October 1, 2022. In November 2022, the Government of Alberta announced it would make the program year-round under the Affordability Action Plan. The program provides price protection for more than 1.6 million Alberta households, small apartment buildings, farms, and small industrial and commercial operations:

Did you know?

The Natural Gas Rebate Program portal is available to Albertans and includes comprehensive information about the natural gas rebates and program eligibility at: https://www.alberta.ca/natural-gas-rebate-program

- Albertans connected to the natural-gas distribution system and who use less than 2,500 gigajoules (GJ) of natural gas annually.
- Albertans who are not connected to the natural-gas distribution system or who use other heating fuels, such as propane, kerosene, and heating oil. Monthly and yearly limits apply. Refer to Table 6 for monthly and yearly limits on other heating fuels.

Table 6 – Monthly and yearly limits on other heating fuels and non-connected natural gas

	Monthly Limit	Yearly Limit
Propane (litres)	16,334	97,925
Heating Oil (litres)	10,780	64,625
Kerosene (litres)	11,068	66,350
Non-connected Natural Gas (gigajoules)	417	2,500

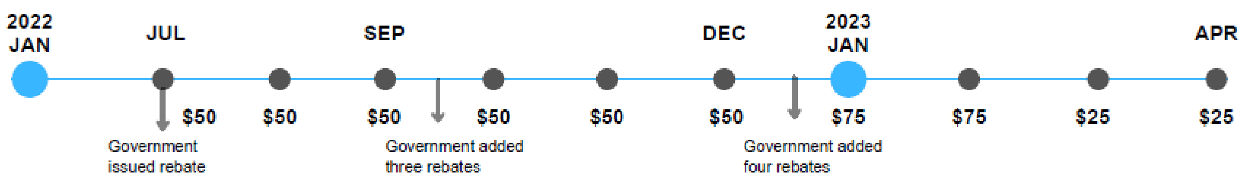
- Rebates are triggered if regulated monthly natural gas rates exceed \$6.50/GJ. Rebates will cover the difference between \$6.50/GJ and the highest regulated rate for that calendar month. For example, if the highest monthly rate is \$7.50/GJ, all eligible consumers would get rebates on their bills, covering \$1 for every gigajoule consumed. The 'Alberta Price' for natural gas did not exceed \$6.50 per gigajoule during the April 2023 to March 2024 budget period; as a result, no rebates were issued.

Electricity Rebate Program

In April 2022, the Government of Alberta announced the Electricity Rebate Program to help eligible Albertans pay for high electricity costs during the winter of 2022.

- The Electricity Rebate Program provided nearly \$1 billion in support to over 1.9 million Albertans since its inception. In total, the Government of Alberta provided \$500 in electricity rebates starting July 2022 over ten consecutive months. The program concluded in April 2023, with the Government of Alberta spending $49.6 million in 2023-24 on this program. Refer to the timeline below:

Figure 2 – Government Electricity Rebate Implementation Timeline



To implement the program, Affordability and Utilities:

- Ensured consumers received their rebates in a timely fashion. Rebates were designated as bill credits titled "GOA Utility Commodity Rebate".
- Ensured retailers and distributors complied with program requirements, such as including the rebates as line items on utility bills.

Table 7 presents the estimated impacts of Alberta's AAP electricity rebates relative to offsetting the effect of inflation on Albertan households.

Table 7 – Inflation offset by AAP electricity rebates (2023-24 fiscal year)

Type of family	Inflation offset - 2023-24 fiscal year (%)			
	$0 - $50k	**$50k - $100k**	**$100k+**	**Average**
Single person households	0.80%	0.60%	N/A *	0.60%
Couples - No children	0.60%	0.50%	0.40%	0.50%
Couples - One child	N/A *	0.40%	0.30%	0.30%
Couples - Two children	N/A *	0.40%	0.30%	0.30%
Single parents - One child	N/A *	N/A *	N/A *	0.40%
Single parents - Two children	N/A *	N/A *	N/A *	0.40%
Single senior households	1.00%	0.70%	0.50%	0.90%
Senior couples - One senior	0.80%	0.60%	0.40%	0.60%
Senior couples - Two seniors	0.80%	0.60%	0.40%	0.60%

Source: Treasury Board and Finance calculations

* N/A indicates that data was suppressed in the Survey of Household Spending, 2019. The term "average" refers to all single parents regardless of income level, representing the average for the entire sample.

Remote Area Heating Allowance Program.

See Key Objective 2.3 on page 26.

1.3 Educate, mediate and advocate for Alberta's small business, farm, and residential electricity, natural gas and water consumers through the Utilities Consumer Advocate.

Established in 2003, the Utilities Consumer Advocate (UCA) has a mandate to advocate on behalf of consumers on regulatory decisions before the Alberta Utilities Commission (AUC) as well as to provide information, education, and consumer mediation. It specifically serves Alberta's small-business, farm, and residential electricity, natural-gas, and water consumers.

> **Utility Awareness Campaign**
>
> During the 2023-24 advertising campaigns, there were nearly 1.2 million visits to the UCA website, 44 per cent of which came directly from the ad campaign.

The Office of the UCA is established under the *Government Organization Act* and the *Utilities Consumer Advocate Regulation*. The overall UCA program was budgeted at $7.5 million in 2023-24, with actual 2023-24 expenditures being $7 million. The UCA is funded through a levy on utilities, 80 per cent coming from the Balancing Pool for electricity consumers and 20 per cent coming from natural gas distributors for gas consumers. The $7 million equates to about 25 cents on the average monthly consumer bill in 2023–24 and is easily offset by the benefits of the UCA's regulatory advocacy to consumers.

- The UCA educates consumers via the www.ucahelps.alberta.ca website, UCA and Government of Alberta social media channels, and the UCA Consumer Outreach Program.
- The UCA regulatory program is focused on prioritizing submissions to the Alberta Utilities Commission that emphasize affordability issues on behalf of residential, farm and small commercial customers. The Alberta Utilities Commission issued decisions that agreed with the UCA's evidence 78 per cent of the time, resulting in utility provider cost disallowances, or costs that do not get passed along to consumers through rates, of over $829 million in 2023-24. The UCA's rolling three-year average of cost disallowances is $328 million for 2023-24. This increase results from two main factors: several of the traditionally "high value" rate proceedings were conducted this year, and the UCA was successful influencing key issues within those proceedings.
- The UCA Mediation Program is administered through a call centre staffed by mediation officers who provide objective, non-biased information to support consumers with advice and resolve disputes between utilities and consumers. Mediation officers also provide advice and information to consumers about their retail options in the Alberta market. The centre received 26,269 calls and opened 1,177 mediations between April 1, 2023, and March 31, 2024. Compared to the same period in the prior year, calls and mediations increased, but within ranges experienced over the last five years. The increase in call volumes was a result of periods of high utility prices, as well as increased advertising intended to ensure more Albertans were aware of services available from the UCA.

> The call centre received 26,269 calls and conducted 1,177 mediations between April 1, 2023, and March 31, 2024.

- To make it easier for businesses to operate in Alberta, the UCA continues to advocate to the Alberta Utilities Commission for further streamlining and standardization of distribution utilities terms and conditions of service.
- The UCA releases its own annual reports summarizing results, which are available at https://ucahelps.alberta.ca/annual-report.aspx.

Outcome One Performance Metrics

Performance Measure 1.b: Alberta Annual inflation rate compared to the national level.

Table 8: Alberta inflation rate on food, energy, and shelter compared to the national average

		2019	2020	2021	2022	2023
Alberta / Canada (per cent change)	All Items	1.7 / 2.0	1.1 / 0.7	3.2 / 3.4	6.5 / 6.8	3.3 / 3.9
	Food	3.7 / 3.4	2.6 / 2.3	2.7 / 2.5	8.3 / 8.9	7.2 / 7.5
	Energy	-3.5 / -2.2	-3.7 / -7.6	26.0 / 18.9	20.9 / 22.6	-6.3 / -4.2
	Shelter	2.4 / 2.5	1.3 / 1.7	3.2 / 3.9	6.6 / 6.9	6.6 / 5.6

Government has limited tools available to control the rate of inflation, but in 2023-24 some of the policy tools employed, notably the electricity rebates and the fuel tax relief, did reduce the headline rate in Alberta.

In 2023, Alberta experienced a lower overall inflation rate; this includes a slower increase in food prices, a steeper decline in energy prices and a higher increase in shelter costs compared to the national averages. When considering the April 2023 to March 2024 period, Alberta had the 7th lowest rate of inflation of all provinces at 3.2 per cent as noted in below:

Table 9: Alberta headline inflation rate in comparison to other provinces and national average

April 2023 to March 2024	% Change
Canada	3.3
Newfoundland And Labrador	2.7
Prince Edward Island	1.9
Nova Scotia	3.3
New Brunswick	2.8
Quebec	4.0
Ontario	3.2
Manitoba	2.3
Saskatchewan	3.0
Alberta	3.2
British Columbia	3.2

Outcome Two: Albertans benefit from a safe, reliable, affordable utilities system.

Key Objectives

2.1 Enable a modern, competitive and adaptive electricity system for Albertans to support job creation, attract investment and support the adoption of lower-carbon energy in the province.

Modernizing Alberta's Electricity Grid

In March 2024, the Government of Alberta proclaimed the *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act* to help lower long-term costs, while attracting private investment in the electricity sector and maintaining system reliability. The Act intends to integrate new technologies and innovations into Alberta's electricity system by enabling energy storage and self-supply with export, and by instituting a planning framework for the distribution system to help plan for electric vehicles, renewable power sources, and other distributed-energy resources. Additionally, the Act allows the Balancing Pool to focus on its legal and financial responsibilities and allows the government to review the Balancing Pool's role moving forward.

Prior to the act receiving proclamation in March 2024, the Ministry of Affordability and Utilities developed the appropriate regulatory amendments to nine regulations needed to fully enable the intent of the legislation.

The Act enables efficiencies and encourages investment in the following areas:

- Self-supply with export amendments enables previously restricted self-supply and export activities, opening new investment opportunities for on-site generation. This measure provides industrial consumers with additional revenue and increases competition and supply in the energy market.
- Energy storage amendments clarify energy storage regulatory treatment. This measure will maximize Alberta's use of its existing grid while minimizing the cost for upgrades, saving rate payers money. It will also encourage additional investment by promoting certainty to investors.
- Focus the Balancing Pool by reassigning non-core responsibilities to other government departments and agencies. This measure will deliver on creating efficiencies and savings to Alberta rate payers.

As of February 2024, there are currently 7,400 megawatts of energy-storage projects proposed in the coming years, and there are several self-supply and export projects pursuing regulatory approvals. Some of this investment is attributed to the anticipated changes to the electricity legislative framework.

Energy Storage

The *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act* provides regulatory certainty surrounding the ownership of energy storage resources. Energy storage resources are unique assets that can act as generating units or loads or as non-wires alternatives for transmission and distribution services. Energy storage resources reduce costs by enabling producers to build more renewable energy resources and by potentially lowering the cost of new transmission and distribution infrastructure.

The Act enables energy storage in Alberta in three ways:

- Formally define energy storage resources in relevant legislation to recognize its unique attributes.
- Allow transmission and distribution facility owners to own and operate energy storage resources under specific conditions.
- In most instances, enable the competitive procurement of energy storage for distribution and transmission services from market participants.

Alberta's deregulated electricity market has been able to attract 190 megawatts of energy storage resources. An additional 139 MW is under active construction, and 323 MW has been approved by the Alberta Utilities Commission. Some of this increase in investment may be related to the Act providing increased regulatory certainty to investors.

Renewable Electricity

Alberta's capacity for renewable electricity generation continues to grow as investment for renewable projects continues to increase. Renewable-electricity developers benefit from Alberta's optimal natural environment for renewable project development and from credits associated with being non-emitting generators.

Due to the concerns raised by stakeholders on the rapid pace of renewable energy development, Alberta directed the Alberta Utilities Commission (AUC) to pause approvals of new renewable power plants through the introduction of the *Generation Approvals Pause Regulation*. The pause lasted from August 3, 2023, to February 29, 2024.

As a part of the pause, the AUC was directed to review policy and procedures regarding the development of renewable energy. This inquiry intended to establish a balance between the competing priorities of renewable project development and addressing the concerns of Albertans.

During the pause, no ongoing renewable projects were cancelled and they were allowed to continue construction. Furthermore, the AUC engaged closely with industry partners on how to best focus the inquiry and implement the pause.

On February 28, 2024, the Government announced a clear and responsible path for renewable project development. Based on the AUC's findings, the Government of Alberta will continue with policy and regulatory changes to continue to support responsible renewable energy development through the following avenues:

- Taking an agriculture first approach to protect prime agricultural land from development;
- Developing reclamation security standards for projects approved by the AUC after March 1, 2024;
- Determining appropriate uses of Crown lands for renewables development;
- Establishing 35 kilometres buffer zones around protected areas and pristine viewscapes; and
- Automatically granting municipalities the right to participate in AUC hearings.

Furthermore, Affordability and Utilities is leading a cross-ministry effort to facilitate and coordinate policy development. Alberta is a leader in Canada when it comes to renewable projects and Alberta remains a global leader in developing its resources with world-class environmental standards and fair governance. The Government of Alberta remains committed to responsible development of renewable electricity in the province.

Renewable Electricity Program

Alberta's Renewable Electricity Program (REP) uses a contract-for-difference model, where confidential strike prices are contractually agreed to with each REP participant. The government receives revenue when electricity pool prices are higher than the strike price and is obligated to fund generators when the pool price is lower than the strike price.

Micro-Generation

The *Micro-Generation Regulation* enables Albertan consumers and businesses to offset their electricity consumption with generation from a renewable resource, such as rooftop solar panels, with a capacity less than 5,000 Kilowatts (kW). Micro-generators producing electricity in excess of their real-time consumption receive credits for what they feed into the electricity grid.

In March 2024, there were 19,427 micro-generation sites in Alberta with an installed generating capacity of 233,426 kW. This represents a generating capacity increase of 39 per cent since April 2023 when there were 11,991 micro-generation sites in Alberta with a generating capacity of 167,437 kW. The increased capacity for microgeneration allows for more clean electricity to be available in Alberta's grid, increasing stability. In conjunction with the *Micro-Generation Regulation*, more Albertans can offset their use of carbon-intensive sources for electricity with cleaner sources.

Hydrogen Blending

The Alberta Recovery Plan and Alberta's Natural Gas Vision and Strategy highlights hydrogen as a major opportunity for Alberta. The provincial Hydrogen Roadmap demonstrates Alberta's long-term commitment to hydrogen as a fuel source by emphasizing the need for legislative amendments to incorporate hydrogen blending into the natural gas utility system. The Roadmap also mentions the idea of utilizing pure hydrogen as a clean source for heating.

The work on implementing hydrogen blending into the natural gas utility system is still ongoing. Affordability and Utilities, along with its partners, continue to explore the legislative requirements needed to implement hydrogen blending into the utility system, specifically through making changes in the *Gas Utilities Act* and *Gas Distribution Act*. The Government of Alberta will establish appropriate performance metrics once it clarifies the scope of potential hydrogen blending and use.

ATCO currently operates a hydrogen blending pilot project, which blends hydrogen at five per cent volume of Fort Saskatchewan's natural gas distribution system, serving 2,100 customers. This project is being used to show the viability of using hydrogen and hydrogen blending to deliver clean resources for electricity generation and residential heating for Albertans. At the federal level, the national Oil and Gas Pipeline Systems standard was updated to address the inclusion of hydrogen and hydrogen pipelines. This signifies the positive results stemming from Alberta's work and commitment on using hydrogen as a clean resource for electricity generation.

2.2 Address the cost of utility payments for Albertans by:

Transmission Review and Engagement

Under the *Transmission Regulation*, government must regularly review transmission policies to ensure the optimal use of existing transmission assets, to avoid unnecessary costs, and to provide stakeholder certainty regarding the growth of Alberta's electricity sector. The Government of Alberta has been reviewing and engaging on transmission policy since 2021, with discussions re-initiated in 2022 and 2023 in response to stakeholder feedback.

Through the various discussions, the Government engaged with 53 stakeholders across nine virtual sessions, ranging from companies, associations and regulatory agencies, representing a diverse range of interests in Alberta's electricity sector. Participants presented their views and opinions on transmission policy. To supplement the virtual sessions, government gave stakeholders the opportunity to provide written feedback and received 24 separate submissions. The engagement had three goals:

- Maximize the value of the current transmission system.
- Minimize the cost of future transmission builds.
- Send the appropriate signals with respect to locations for new generation that will optimize the existing transmission infrastructure.

Affordability and Utilities used the feedback from the sessions to inform its discussion green paper, "Transmission Policy Review: Delivering the Electricity of Tomorrow." Released on October 23, 2023, the green paper identified potential policy changes that would address the goals of the engagement sessions as well as identify policy areas that need additional consideration.

In November 2023, Affordability and Utilities circulated the green paper amongst stakeholders for feedback. Comments were received from 46 stakeholders, representing a mix of consumers, generator, utility, and agency views. The feedback is informing specific changes to Alberta's transmission policy that will support affordability, reliability and decarbonization of Alberta's electricity grid.

2.3 Support the expansion and upgrading of rural utility infrastructure to encourage socio-economic growth and rural job creation.

Rural Electric Program

Rural electrification associations (REAs) have been distributing electricity to rural Albertans since the 1940s, contributing to rural economic and social development. The Ministry of Affordability and Utilities supports the construction of electrical services, such as wires, poles, and transformers, on Alberta's farms and ranches through Rural Electric Program grants. The Ministry of Affordability and Utilities delivers the grant to help electricity distributors provide services to farms and ranches in sparsely populated areas where providing these services would be uneconomical at the same level of service that they are provided in high- density areas. Distributors use program grants to build new distribution services or upgrade old ones.

Since March 2013, the Alberta Federation of Rural Electrification Associations Ltd (AFREA) has administered Rural Electric Program grants on behalf of the Ministry of Affordability and Utilities, using criteria developed in collaboration with the ministry.

Distributors apply to AFREA for grants on behalf of farms or ranches, which must be actively operating and must use the new services to augment their operations. AFREA determines eligibility for and processes the grants. The program awards grants of up to $5,250 for each service. There is no limit on the number of services held by any one grant recipient. Through the program, rural Albertans have access to an efficient, modern electricity distribution system that is safe, reliable, resilient, and environmentally responsible.

For 2022-23, AFREA received 173 applications with 145 qualifying for a grant. An average of $4,258 was paid to each grant recipient with $657,000 paid out.[1] For 2023-24, $700,000 was provided to AFREA to reimburse Albertans for eligible projects.

Table 10: Rural Electric Program Annual Applicants

	2018-19	2019-20	2020-21	2021-22	2022-23
Number of Applicants	148	142	127	157	173
Average Amount of Grant	$4,156	$3,915	$4,129	$4,044	$4,258

Table 10 provides an overview of the results achieved by the Rural Electric Program over the past five years. In 2022-23, the program received 173 applications and paid $657,000 in grants during the year. On average, each grant received about $4,258. This grant was given to Albertan farms and ranches who would use to build electrical services. Relative to the previous years, the amount spent to build new electrical has remained consistent, however, this also represents that the Alberta's rural electricity distribution infrastructure is continuously growing and reaching more Albertans.

Rural Gas Program

The Rural Gas Program enables rural gas distributors, through the administration of grants, to provide gas services to sparsely populated areas that are otherwise uneconomical to serve at an equal level as Alberta's high-density urban and industrial areas. Distributors apply on behalf of their customers and use the grants to build distribution services or upgrade aging infrastructure.

The Ministry of Affordability and Utilities has an agreement with the Federation of Alberta Gas Co-ops to administer program grants. The amount the program grants to each applicant is based on the applicant's construction activities from the prior year. As a result, consumers receive lower utility bills as the grant enables the construction of the infrastructure needed to make gas more accessible.

The Ministry of Affordability and Utilities annually tracks the number of new rural gas services and kilometres of distribution pipeline installed across the province. The number of new installations each year is dictated by the demand for rural utility services, henceforth the ministry does not set yearly construction targets. This demand driven approach explains why installation rates vary from year to year. Approximately 50 rural gas distribution utilities benefit from the program each year with 58 applications made in 2022-23.[2]

New installations make more-affordable natural gas available to areas in Alberta that currently use propane or heating oil to heat their homes. Households in these areas currently rely on the Remote Area Heating Allowance (RAHA), which rebates the higher costs of propane and heating oil.

[1] Last full year of data available before publication.
[2] Last full year of data available before publication.

Although not specifically tracked and not easily measured, expanding natural-gas infrastructure into northern and western Alberta should help Albertans rely less on the RAHA.

By helping distributors expand natural gas to Alberta's remote communities, the Rural Gas Program potentially creates long-term jobs in rural Alberta. The Federation of Alberta Gas Co-ops Ltd. cites that its member utilities employ over 580 full-time positions, totaling $35 million in annual wages, in rural Alberta.

During 2022–23, program recipients installed 2,289 gas services and built 710 kilometres of pipe. With over 142,000 kilometres of low-pressure natural-gas pipelines serving over 230,000 rural customers, Alberta's rural natural-gas distribution system is the largest of its kind in the world. For 2023-24, $5.7 million was invested in the Rural Gas Program. This included a $500,000 funding increase to support further distribution system expansion, maintenance, and upgrades.

Table 11: 2022-23 Gas Services and Pipeline Installed [3]

	2018-19	2019-20	2020-21	2021-22	2022-23
Gas Services Installed	2,462	2,225	1,930	2,164	2,289
Kilometres of Pipe	863	791	841	949	710

Table 11 outlines the results the Rural Gas Program has achieved over the past five years. This led to over 710 kilometres of pipe being built and 2,289 of gas services installed. The amount spent is nearly double the amount spent in 2018-19, signifying government's growing commitment to providing utility services to rural Albertans.

Remote Area Heating Allowance

The Remote Area Heating Allowance (RAHA) program aims to help rural Albertans pay for heating costs in areas without economical access to natural-gas services. The program benefits Albertans who live in rural and remote areas, Indigenous communities in remote areas (about 61 per cent of claims), and farmers without access to sufficient volumes of natural gas to dry their grain. The program differs from the alternative fuel component of the Natural Gas Rebate Program since that program addresses spikes in utility bills.

Providing natural-gas services to Alberta's remote rural communities, especially communities in northern and western Alberta, at levels equivalent to that in urban areas remains a challenge. Changing circumstances such as low populations, growing farm sizes, and expanding economic diversification efforts make the challenge more complex. While the Rural Gas Program expanded natural-gas services to over 80 per cent of rural Alberta, for many Albertans especially in northern Alberta and Indigenous communities, supply and service remains uneconomical. These Albertans resort to using expensive fuels such as propane and heating oil to heat their homes. Grain dryers also increased demand on the program because the high volume of natural gas required for large grain dryers often exceed the volume of gas that the existing distribution system can provide prior to any extensive and costly upgrades.

[3] Last full of data, available before publication

Program rebates are based on volume established by the *Heating Oil and Propane and Rebate Authorization Regulation*. The program provides rebates for up to 18,185 litres of propane, 12,275 litres of heating oil, or a proportionate combination of both for each calendar year. Rebates equal about 25 per cent of heating costs, to a maximum equivalent of 450 gigajoules of natural gas. Applicants learn about the program through their local gas distributors, their propane suppliers, or word of mouth.

Affordability and Utilities has not set specific targets for the RAHA program because it is consumer driven. The government tracks the annual number of successful applicants and value of claims made based on the four categories of eligibility: primary residence, commercial, not-for-profit, and grain dryers. Winter weather conditions drive variations in program expenditures; cold winters generally lead to an increase in applications and higher rebate values. Similarly, wet fall harvest conditions increase demand for grain drying. Over the past 20 years, the program has processed over 47,000 claims, valued at close to $22.9 million in rebates directly to eligible Albertans.

Table 12: Remote Area Heating Allowance Annual Results for the Past Five Years

	2019-20	2020-21	2021-22	2022-23	2023-24
Number of Approved Applications	2,936	2,484	1,984	2,012	2,032
Average Rebate Amount	$589	$557	$525	$604	$583

Table 12 shows past results of the Remote Area Heating Allowance. For 2023-24, the total amount rebates paid out Albertans was $1.2 million which was distributed to rural Albertans to lower the cost of heating in areas without easy access to natural gas services. On average, applicants received a rebate of $583. Relative to previous years, the total amount paid out has remained consistent signifying the demand for the relief the allowance brings to Albertans. For 2023-24, the program processed over 2,000 claims, valued at over $1.2 million in rebates directly to Albertans. These amounts break down as follows:

Table 13: 2023-24 Rebate Application and Payment Summary

	Primary Residence	Commercial	Not-for-Profit	Grain Dryers	Total
Number of Approved Applications	1,814	132	49	37	2,032
Average Rebate Amount	$473	$1,760	$1,421	$668	$583
Total Rebates Paid	$857,000	$232,000	$70,000	$25,000	$1.2 million

Table 13 showcases a breakdown of the type of applicants who used the Remote Area Heating Allowance. A large majority of applications in 2023-24 came from primary residences accounting for $857,000 of the $1.2 million of the total rebates distributed during the year. The remaining balance was split between commercial, not-for-profit and grain dryers. This shows that Albertans in rural areas with primary residencies use the program the most to offset the high cost of natural gas in their areas.

2.4 Ensure the safe, reliable, efficient and environmentally responsible development and operation of the electric and natural gas system to protect the public interest of Alberta.

Clean Electricity Regulation

Under the proposed *Clean Electricity Regulations* (CER), Environment and Climate Change Canada (ECCC) is proposing to mandate a net zero greenhouse gas electricity grid in Canada by 2035. Alberta Affordability and Utilities continues to work with its partners at Alberta Environment and Protected Areas (EPA) and the Alberta Electric System Operator (AESO) in engaging the federal government and championing the best interest of Albertans.

On August 10, 2023, the Government of Canada released the draft of the CER through Canada Gazette 1. The Ministries of Affordability and Utilities and Environment and Protected Areas prepared Alberta's response to the draft regulations, which is publicly available. The letter outlines Alberta's position regarding the CER and provides technical input for improvements to the regulation. On November 27, the Government of Alberta invoked the *Alberta Sovereignty Within a United Canada Act* in response to the CER.

The ECCC released a public update to the draft CER engagement process titled "What We Heard" which covers the feedback provided by Alberta and other stakeholders during the consultations regarding the draft CER released in the Canada Gazette 1. The paper mentioned the changes to the CER currently being considered by the ECCC. The Government of Alberta provided a response to CER public update, which is publicly available[4]

Smart Renewables and Electrification Pathways (SREP) Program

Alberta has been actively engaging with Natural Resources Canada (NRCan) on the design of the next round of the Smart Renewables and Electrification Pathways Program by sharing information on how funding could benefit Alberta. Federal *Budget 2023* indicated that the program will receive $3 billion over a twelve-year period to focus critical regional priorities and indigenous involvement to help each region move towards net-zero.

The Department of Affordability and Utilities participates in the Pan-Canadian Electricity Working Group (EWG), led by NRCan, and collaborates on ongoing initiatives promoting investment in a sustainable and affordable electricity grid.

2.5 Streamline legislative requirements and regulatory processes for Alberta's utilities sector.

New Legislation, Amendments and Red Tape Reduction

In March 2024, the Government directed the Alberta Electric System Operator (AESO) to engage with stakeholders on the technical designs for a restructured energy market. In a temporary measure, the Government announced the creation of two interim regulations intending to protect

[4] https://open.alberta.ca/publications/albertas-response-clean-electricity-regulation-public-update-goa-technical-submission

consumers from prolonged spikes in electricity prices while larger reforms to the electricity market are designed.

- The *Market Power Mitigation Regulation* intends to limit the offer price of natural gas generating units owned by large generators, if net revenues cross a pre-defined threshold in a given month. This measure limits large generators' ability to use their price offers to raise electricity prices. This practice is called economic withholding.
- The *Supply Cushion Regulation* requires certain generating units to be made available, as directed by the AESO, at times of scarce supply conditions. This regulation prevents "long lead time" generators (generators that take greater than 1 hour to start-up) from physically withholding generating capacity from the market.

Both regulations will take effect by July 1, 2024.

Since 2019, when the Government of Alberta committed to cutting existing regulations by one-third to reduce costs, speed up approvals, and make life easier for Albertans and businesses, the Ministry of Affordability and Utilities and its agencies have reduced regulatory requirements by 38 per cent, exceeding the target of 33 per cent for fiscal year 2023–24.

Focusing the Balancing Pool

The Balancing Pool was created to manage Power Purchase Arrangements (PPA) when Alberta deregulated it electricity market in 1999. PPAs gave buyers the right to purchase electricity generated by contracted generators at fixed prices for specified periods of time. PPA electricity purchases were sold in the wholesale electricity market at the pool price. The last PPAs expired at the end of 2020, ending the Balancing Pool's core responsibility. The Government of Alberta decided to focus the role of the Balancing Pool through the *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act*.

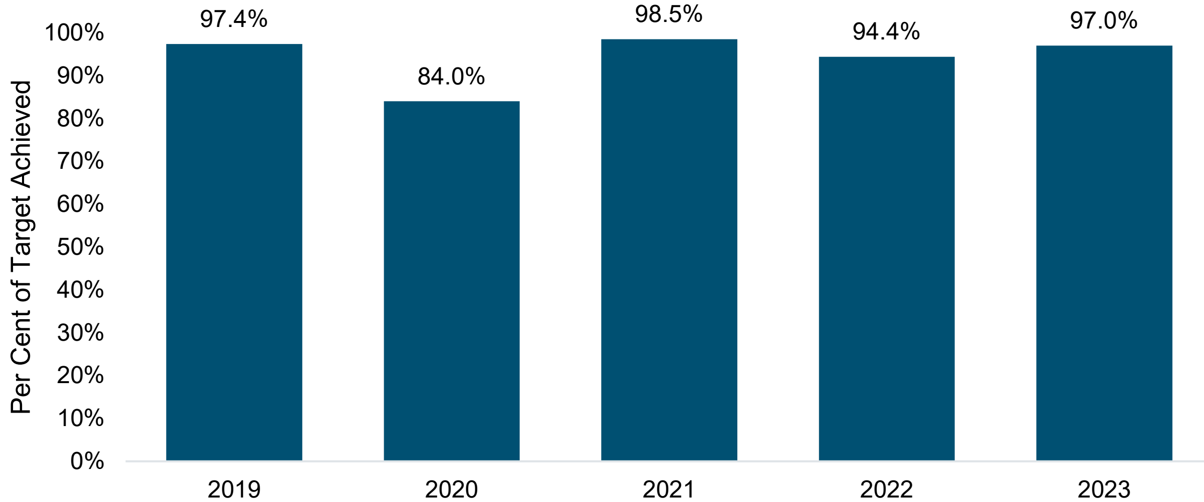
The Act received proclamation in March 2024, commencing the transfer of the Balancing Pool's ongoing responsibilities to other entities. The Balancing Pool will be downsized in stages and will operate under a limited scope until it discharges its remaining expiring responsibilities, including repayment of the Balancing Pool's remaining debt and the conclusion of its legal matters, after which the government will review its potential future role.

Outcome Two Performance Metrics

Performance Measure 2.a: Timeliness of need and facility application processing (Alberta Utilities Commission)

The target for the Alberta Utilities Commission is 100 per cent.

Percentange of Alberta Utilities Commission needs and facilities applications that were determined within 180 days.



According to standards established in legislation, the AUC, when considering an application for an approval, permit, or license in respect of a needs-identification document, transmission line, or part of a transmission line, must decide in a timely manner, and if possible, within 180 days after receipt of a complete application.

For 2023, the AUC met this standard 97.0 per cent of the time; the commission issued 56 of 58 decisions within the 180-day timeline.

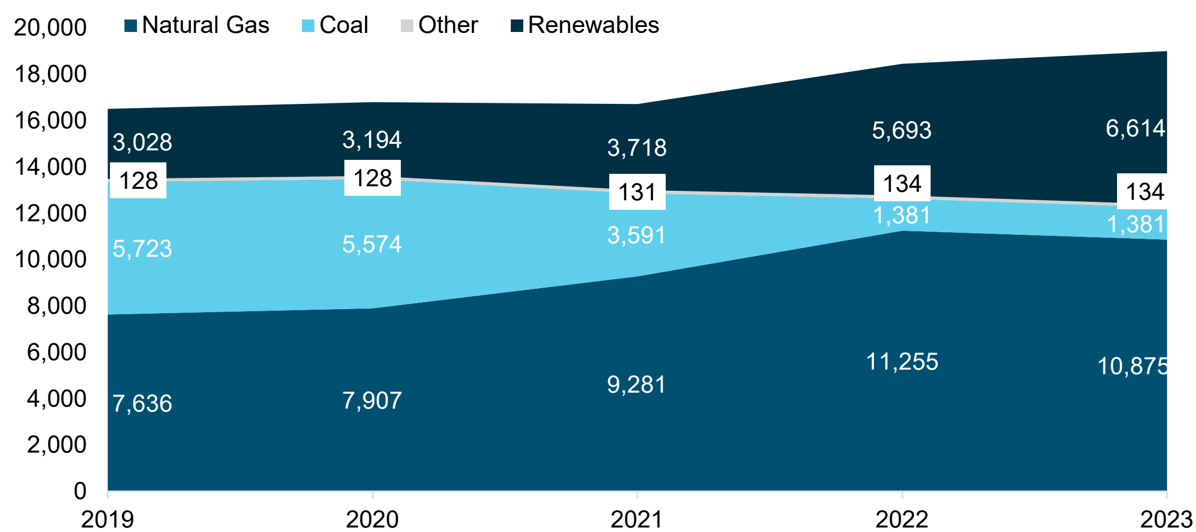
Performance Measure 2.b: Generation and storage capacity (in megawatts)

Generation Capacity

This indicator focuses on the generation capacity of electricity by type for Alberta as a whole and storage capacity of the entire system. The types of generation provided include natural gas, coal, renewables (hydro, wind, solar, and biomass or biogas), and others. The indicator supports the government's environment, social, and governance goals by demonstrating changes in capacity among generation sources and the shift from coal to less emissions-heavy sources.[5]

[5] Alberta Utilities Commission

Generation Capacity



Natural gas continues to represent the majority of Alberta's electricity generation at around 10,900 Megawatts (MW) of installed capacity, with cogeneration accounting for 5,446 MW of this capacity.

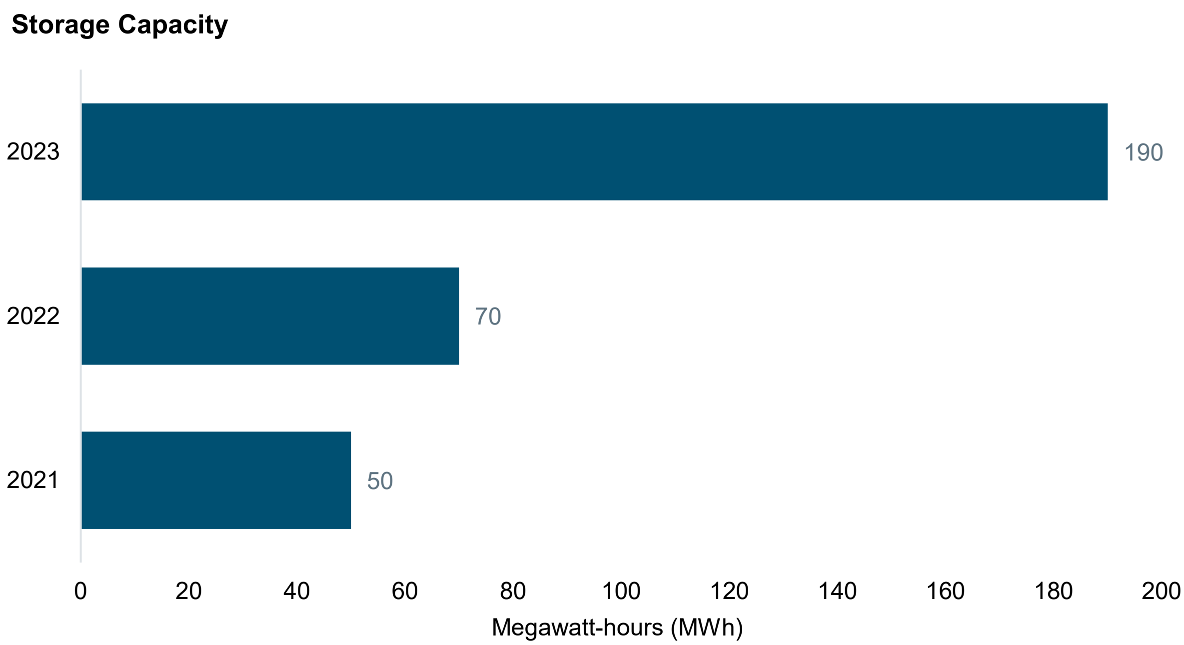
In 2023, over $1.6 billion worth of renewable energy projects were completed. Alberta's renewable-energy generation increased to 6,614 MW of installed capacity, up from 3,028 MW in 2019. Renewable-energy capacity is expected to continue growing. Currently, more than 3,300 MW of wind and solar projects, worth over $3.8 billion, are under construction in the province.

Reduction in coal generation is driven by Alberta's commitment to phase-out coal by 2030. Alberta's coal phase-out is measured by the amount of coal generation on the system each year leading up to 2030. Coal-fired power is expected to be fully phased out by the end of 2024 through shut-down, conversion to natural gas, or repowering to natural gas.

Storage Capacity

Energy-storage resources are increasing in Alberta. The province currently has 190 megawatts (MW) of energy-storage capacity available on its grid. In 2023, 120 MW of additional energy-storage capacity came online representing the largest addition of storage capacity since the province started measuring storage capacity. In 2022, Alberta only had 70 MW of storage and in 2021 the province only had 50 MW. The increased investment can be partially attributed to additional regulatory certainty provided by the *Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act.*

The Act establishes the required regulatory framework for advanced energy-storage resources. The Act aims to further increase energy storage capacity within the province by enabling energy-storage resources.



Additionally, there is 139 MW of storage capacity under construction and 323 MW approved by the AUC. There are also applications totaling over 7,400 MW in additional storage capacity which have been announced.

Energy-storage resources bring many benefits, including:

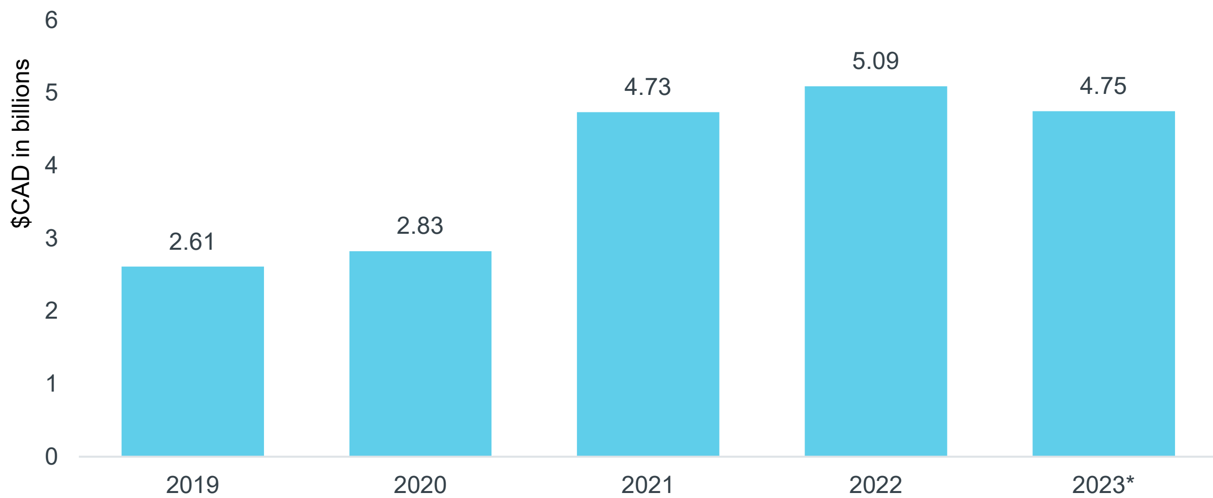
- helping reduce the long-term cost of electricity in Alberta;
- enabling the integration of intermittent renewable-energy resources;
- helping optimize future investments in transmission infrastructure.

This benefits Albertans by creating new opportunities to store energy at times when prices are low for use later and provides non-wires alternatives for further cost savings.[6]

[6] Alberta Utilities Commission

Performance Measure 2.c: Alberta investment in electricity generation, transmission, and distribution

Capital Investment in Electricity Generation, Transmission, and Distribution
2019-2023, Alberta



Source: Statistics Canada
* The 2023 result is preliminary actual and will likely be revised in the future.

Capital expenditures in electricity generation, transmission, and distribution continues to remain high in 2023, compared to 2019. The continual increased investments are likely driven by investments in electricity generation. Increased generation investment benefits Alberta because it increases supply and competition, which enhance reliability and reduce electricity prices.

Alberta has a deregulated market-based generation system. Private investors determine which investments are viable based on their expectations of earning a return in the market. Although Alberta relies on the market to guide private investors to develop new generation, rather than centralized planning like other Canadian jurisdictions, the Ministry of Affordability and Utilities plays a key role in fostering investment by setting the policy framework that governs the market.

Investment in the transmission and distribution sectors is also growing. This indicates that delivery infrastructure is being expanded to keep pace with broader system growth.

Performance Measure and Indicator Methodology

Performance Measure 1.a: under development

This performance measure was formulated within the framework of the Affordability and Utilities 2024-27 Business Plan and will be detailed in the upcoming Affordability and Utilities 2024-25 Annual Report, scheduled for release next year.

This measure will evaluate the effectiveness of Affordability and Utilities' online affordability initiatives by measuring website visitation to Affordability and Utilities web resources (Affordability Portal, Utilities Consumer Advocate) educating Albertans about affordability opportunities.

Performance Measure 1.b: Alberta Annual inflation rate compared to the national level.

Using 2023 as an example, the annual inflation rate for a particular year for one of the three sub-indices (food, energy, shelter) is calculated by taking the average of the monthly Consumer Price Index for 2023 (there would be 12 of them), subtracting the average monthly Consumer Price Index for 2022, and then dividing that result by the average monthly Consumer Price Index for 2022.

Source: Consumer Price Index for Alberta and Canada, table 18-10-0005-01. The individual monthly indices for both Alberta and Canada can be found in table 18-10-0004-01.

Performance Measure 2.a: Timeliness of need and facility application processing (Alberta Utilities Commission)

The statutory deadline for issuing decision reports is 180 days, with possible 90-day extensions under certain circumstances. These statutory timelines begin on the date when the Alberta Utilities Commission (AUC) deems the application complete. The status of applications is tracked daily via the AUC's eFiling system.

Data for the preceding fiscal year becomes available in mid-April of the succeeding fiscal year.

Source: Alberta Utilities Commission

Performance Measure 2.b: Generation and storage capacity (in megawatts)

Generation Capacity

The Alberta Utilities Commission (AUC) publicly releases generation capacity data on its Annual electricity data web page. This data is compiled and used by Affordability and Utilities for planning and forecasting, the Alberta Electric System Operator to compile its Long-term Outlook providing a supply-demand outlook, and by the AUC.

Some of the original data provided on the AUC's website was put into categories to summarize the capacity of various means of generating electricity. The category of "Renewables" includes the generation capacity of hydro, wind, solar, biogas and biomass. The category of "Other" includes oil, diesel, and waste heat.

Data is provided to the AUC annually. It is restated rarely, if ever, and only to correct errors.

Performance Measure 2.c: Alberta investment in electricity generation, transmission, and distribution

The Ministry of Affordability and Utilities introduced this indicator in the ministry's 2023–26 Business Plan. The indicator reflects capital expenditures in Alberta's "Electric power generation, transmission, and distribution," which is identified under the North American Industry Classification System (NAICS) code 2211.

Generally, Statistics Canada updates the data required for this indicator annually. Statistics Canada releases preliminary actuals for the most recent year and actuals for the prior year. The Government of Alberta obtained statistics with the requested breakdown from Statistics Canada in December 2023.

Source: Statistics Canada

Financial Information

Table of Contents

Reporting Entity and Method Consolidation

The financial information is prepared in accordance with government's stated accounting policies, which are based on Canadian Public Sector Accounting Standards.

The Minister of Affordability and Utilities is accountable for the reporting entity comprising of entity which comprise of the ministry and related entities. The account of the ministry includes the department and the entities making up the ministry and are consolidated using the line-by-line method, except those designated as government business enterprises (GBEs).

Under line-by-line consolidation method, accounting policies of the consolidated entities are adjusted to conform to those of the government and the results of each line item in the entity's financial statements (revenue, expense, assets, liabilities, and accumulated surplus/deficit) are included in government's results. Revenue and expense, capital, investing, and financing transactions and related asset and liability balances between the consolidated entities have been eliminated.

GBEs are accounted for on a modified equity basis, with the equity being computed in accordance with the accounting standards applicable to those entities. Under the modified equity method, the accounting policies of the GBEs are not adjusted to conform to those of the government. Inter-entity revenue and expense transactions and related asset and liability balances are not eliminated. A list of the individual entities making up the ministry are shown on the "Management's Responsibility for Reporting" statement included in this annual report.

Ministry Financial Highlights

Statement of Revenues and Expenses (unaudited)

End of the year March 31, 2024

(in thousands)	2024		2023	Change from	
	Budget	Actual	Actual	Budget	2023 Actual
Revenues					
Investment Income	$ 400	$ 860	$ 933	$ 460	$ (73)
Net Income from Balancing Pool	102,649	160,460	144,690	57,811	15,770
Utilities Regulation Industry Levies and Licenses	32,250	30,675	27,351	(1,575)	3,324
Other revenue	13,819	76,637	157,614	62,818	(80,977)
Ministry total	149,118	268,632	330,588	119,514	(61,956)
Inter-ministry consolidation adjustments	-	(854)	(433)	(854)	(421)
Adjusted ministry total	149,118	267,778	330,155	118,660	(62,377)
Expenses-directly incurred					
Ministry Support Services	3,374	4,033	2,326	659	1,707
Affordability and Utilities	23,809	19,197	22,243	(4,612)	(3,046)
Utility Rebate and Grant Programs	47,575	51,622	644,442	4,047	(592,820)
Climate Change	31,493	20,412	21,178	(11,081)	(766)
Utilities Regulation	33,523	31,692	28,947	(1,831)	2,745
Ministry total	139,774	126,956	719,136	(12,818)	(592,180)
Inter-ministry consolidation adjustments	-	(167)	(115)	(167)	(52)
Adjusted ministry total	139,774	126,789	719,021	(12,985)	(592,232)
Annual surplus (Deficit)	**$ 9,344**	**$ 140,989**	**$ (388,866)**	**$ 131,645**	**$ 529,855**

Revenue and Expense Highlights

Revenues

Total revenues for the Ministry of Affordability and Utilities in 2023-24 were $267.8 million. This figure is $118.7 million higher than the budgeted amount but $62.4 million less than the revenue generated in 2022-23.

The breakdown of the Ministry's 2023-24 revenues is as follows:

- **Investment Income** – The Alberta Utilities Commission earned $860,000 in interest on investments, exceeding both the budget and prior year due to higher than anticipated interest rates.
- **Income from Government Business Enterprises** –$160.5 million of revenue from the Balancing Pool (BP), which includes BP operations and Payments in Lieu of Taxes (PILOT) from municipal entities. This revenue was $57.8 million higher than budgeted and $15.8 million higher than the prior year. This increase compared to budget was primarily due to a $43.7 million one-time emission credit received for the Hydro Power Purchase Agreement (PPA) settlement.
- **Industry levies and licenses** – The Alberta Utilities Commission collected $30.7 million in levies and licenses from the utilities industry to finance its operations. This amount was $1.6 million less than budget, but $3.3 million more than the prior year.
- **Other Revenue** – Other Revenue sources includes Renewable Electricity Program (REP) revenue, fundraising, donations, fines, penalties, and other contributions, totaled $76.6 million. This represents an increase of $62.8 million over the budget, but a decrease of $81 million compared to the prior year. These variances are primarily due to REP, which is highly volatile and dependent on weather conditions.

Expenses

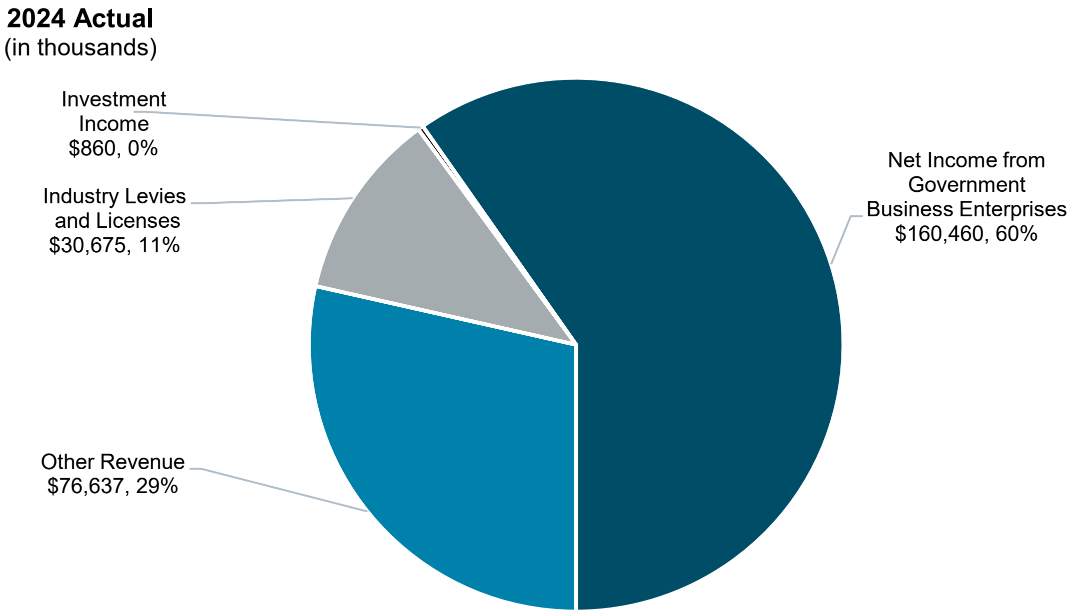
The Ministry's total expenses for 2023-24 totaled $126.8 million, which is $13 million less than budgeted and $592.2 million less than the expenses for 2022-23.

The breakdown of the Ministry's 2023-24 expenses is as follows:

- **Ministry Support Services –** Expenses were $659,000 higher than budgeted and $1.7 million higher than the prior year. These expenses include costs associated with the Minister's and Deputy Minister's Offices, and Corporate Services.
- **Affordability and Utilities** – Expenses were $4.6 million less than budgeted and $3 million less than the prior year. This decrease is primarily due to a reduction in advertising and media campaign costs.
- **Utility Rebate and Grant Programs** – Expenses were $592.8 million lower than the prior year, primarily due to the completion of the Electricity Rebate Program in April 2023. This category also includes the accretion expense for the Coal Phase-Out Agreements.
- **Climate Change** – Expenses were $11.1 million less than budgeted, primarily due to lower payments for the Renewable Electricity Program. The expenses were comparable to the prior year.
- **Utilities Regulation** – Expenses were $1.8 million less than budget, but $2.7 million more than the prior year, which includes the Alberta Utilities Commission operations.

Breakdown of Revenues (unaudited)

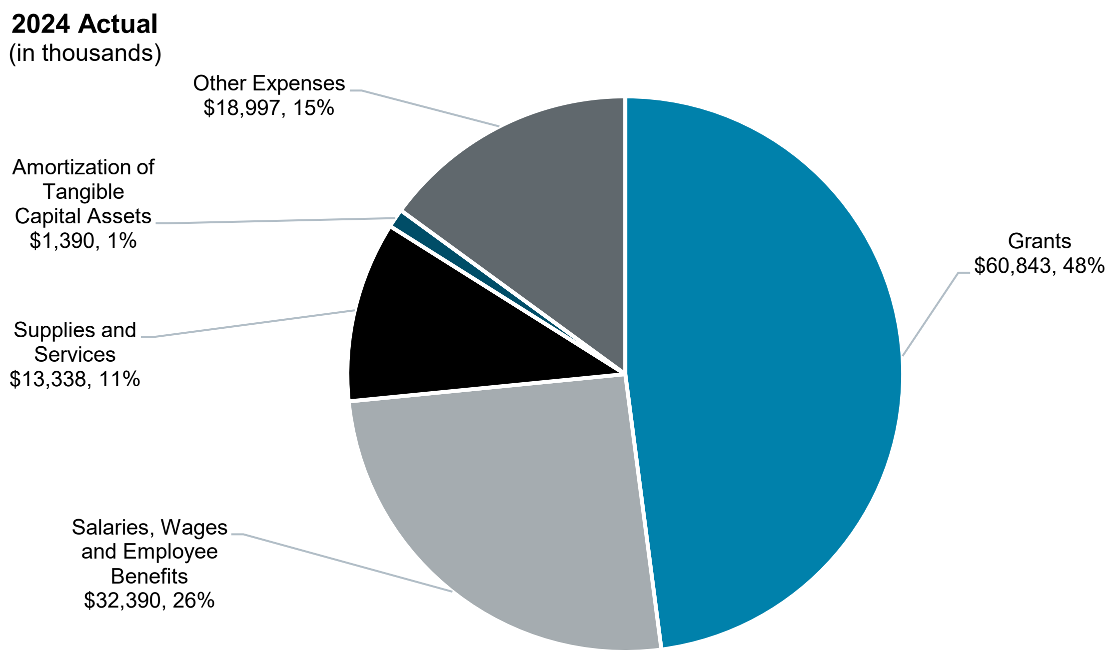
Presented below are the consolidated revenues of the ministry. The objective of disclosing the revenues is to provide information that aids in comprehending and evaluating the financial ramifications of government revenue generation, thereby strengthening legislative oversight.



- **Investment Income** – Representing less than one per cent ($860,000) of total revenues, interest was earned on investments by the Alberta Utilities Commission.
- **Income from Government Business Enterprises**– Represents sixty per cent ($160.5 million) of total revenue, the Balancing Pool collects revenue from electricity consumers and Payments in Lieu of Taxes (PILOT) from municipal entities.
- **Industry levies and licenses** – Represents eleven per cent ($30.7 million) of total revenue, which was collected from levies and licenses by the Alberta Utility Commission to finance its operations.
- **Other Revenue** – Represents twenty-nine per cent ($76.6 million) of total revenue, which comprised primarily of Renewable Electricity Program receipts, Alberta Utilities Commission fines and Utilities Consumer Advocate revenues.

Expenses – Directly Incurred Detailed by Object (unaudited)

The following chart illustrates the ministry's expenses incurred by objects. The purpose of disclosing expenses by object is to furnish information that is useful in evaluating the economic impact of the government's acquisition or utilization of various resources.



- **Salaries, Wages and Employee Benefits** – These expenses accounted for twenty-six per cent ($32.4 million) of the total expenses. The costs were primarily incurred to support affordability and utility programs, policy development, regulatory work by the Alberta Utilities Commission and the Balancing Pool, and the overall support and management of the ministry operations.
- **Supplies and Services** – This category accounts for eleven per cent ($13.4 million) of the total expenses. It encompasses costs associated with the Alberta Utilities Commission ($7.8 million), expenses incurred by Utilities Consumer Advocate in fulfilling its mission to educate, advocate, and mediate for Alberta residential, farm, and small business energy consumers ($3.8 million), and ongoing supply needs for the ministry, including contracted services and materials and supplies ($1.2 million).
- **Grants** – Represents forty-eight per cent ($60.8 million) of total expense, which was the largest component of the ministry's expense. Grants primarily consist of payments under the Electricity Rebate Program ($49.6 million), foregone interest under the Regulated Rate Option Stabilization Program ($8.9 million), and Renewable Electricity Program ($1.7 million).
- **Amortization of Tangible Capital Assets** – Represents one per cent ($1.4 million) of total expense, which records the amortization of capital assets used in the ministry, primarily arising from computer hardware and software.
- **Other Expenses** - Represents fifteen percent ($19 million) of total expense, primarily accretion expense related to the Coal Phase–Out Agreements.

Supplemental Financial Information

Assets

Regulated Rate Option (RRO) Stability Loans

In 2023, electricity providers were provided $222 million in interest free loans to stabilize energy prices for Albertans. The loans were interest free to ensure that interest costs were not an additional burden for ratepayers. Under the *RRO Stability Act*, a 13.5 cents per kilowatt hour price ceiling was set for January, February, and March 2023 for RRO customers, to protect utility consumers with regulated rates from high electricity prices. The costs above the price ceiling were deferred and will be recovered from RRO consumers over 21 months, from April 2023 to December 2024. The recovery period for the loan commenced on April 1, 2023, and will end on December 31, 2024.

Liabilities

Coal Phase-Out Agreements

On November 24, 2016, the Minister of Energy, representing the Province of Alberta, reached agreements with three coal-fired generators to cease operations by December 31, 2030. The agreements cover the following coal-fired generation plants: Sheerness 1 and 2; Genesee 1, 2, and 3; and Keephills 3.

Under these agreements, the Ministry of Affordability and Utilities will pay $96 million annually to the three generators over a 15-year period, which began on July 31, 2017. In exchange, the coal-fired plants will meet defined annual conditions and will cease operations by the end of 2030. These conditions require the coal-fired generator owners to invest a minimum specified amount in the communities where the plants were located and make future investments related to the electricity business in Alberta.

The present value of the remaining seven payments, discounted at an imputed interest rate of 3 per cent (representing the government's average 10-year bond rate at time of negotiations), is $609.5 million. The amount of the draw down over the next five years and thereafter are as follows:

(in thousands)	Annual Payment	Principal	Interest
2024-25	96,024	79,457	16,567
2025-26	96,024	81,869	14,155
2026-27	96,024	84,354	11,670
2027-28	96,024	86,914	9,110
2028-29	96,024	89,552	6,472
Thereafter	192,048	187,343	4,705
	$ 672,168	**$ 609,489**	**$ 62,679**

Financial Statements of Other Reporting Entities

Table of Contents

Index of Audited Financial Statements

Alberta Utilities Commission
Financial Statements
Table of Contents

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Alberta Utilities Commission (AUC) have been prepared and presented by management, who is responsible for the integrity and fair presentation of the information.

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). The financial statements necessarily include some amounts that are based on informed judgments and best estimates of management.

Management is responsible for maintaining an effective system of internal controls designed to provide reasonable assurance that financial information is reliable, transactions are properly authorized, assets are safeguarded and liabilities are recognized.

The Auditor General of Alberta, the AUC's external auditor appointed under the *Auditor General Act* , performed an independent external audit of these financial statements in accordance with Canadian generally accepted auditing standards, and has expressed his opinion in the accompanying Independent Auditor's Report.

The Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Commission exercises this responsibility through the Chair's Management Committee, composed of the Chair, any Vice-Chair(s), or any Commission member assigned by the Chair. The Chair's Management Committee meets with the external auditors-both in the presence and in the absence of management to discuss their audit, including any findings as to the integrity of financial reporting processes and the adequacy of AUC's systems of internal controls. The external auditors have full and unrestricted access to the Chair's Management Committee.

[Original signed by Bob Heggie]

Chief Executive

[Original signed by Darek Kogut]

Executive Director, Corporate Services

Date: May 13, 2024

Auditor General
OF ALBERTA

Independent Auditor’s Report

To the Members of the Alberta Utilities Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of the Alberta Utilities Commission (the AUC), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AUC as at March 31, 2024, and the results of its operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the AUC in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor’s report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor’s report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the AUC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the AUC's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AUC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AUC's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the AUC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General
May 13, 2024
Edmonton, Alberta

ALBERTA UTILITIES COMMISSION
STATEMENT OF OPERATIONS
Year Ended March 31, 2024

	2024		2023
	Budget (Schedule 3)	**Actual**	**Actual**
	(in thousands)		
Revenues			
Administration fees	$ 32,250	$ 30,675	$ 27,738
Investment income (Note 6)	400	860	500
Professional services and other revenue	15	19	119
	32,665	31,554	28,357
Expenses			
Utility regulation (Schedule 1)	33,515	31,692	28,947
Annual operating deficit	(850)	(138)	(590)
Accumulated surplus at beginning of year	11,708	11,708	12,298
Accumulated surplus at end of year	**$ 10,858**	**$ 11,570**	**$ 11,708**

The accompanying notes and schedules are part of these financial statements.

ALBERTA UTILITIES COMMISSION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2024

	2024	2023
	(in thousands)	
Financial Assets		
Cash and cash equivalents (Note 7)	$ 8,721	$ 9,731
Accounts receivable	77	60
Accrued pension asset (Note 8)	1,559	983
	10,357	10,774
Liabilities		
Accounts payable and other accrued liabilities (Note 9)	2,062	2,341
Deferred lease incentive (Note 10)	2,778	3,467
Asset retirement obligation (Note 11)	198	191
	5,038	5,999
Net Financial Assets	5,319	4,775
Non-Financial Assets		
Tangible capital assets (Note 12)	5,377	6,112
Prepaid expenses	874	821
	6,251	6,933
Net Assets		
Accumulated surplus (Note 13)	$ 11,570	$ 11,708

Contractual obligations (Note 14)

The accompanying notes and schedules are part of these financial statements.

ALBERTA UTILITIES COMMISSION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year Ended March 31, 2024

	2024		2023
	Budget (Schedule 3)	**Actual**	**Actual**
	(in thousands)		
Annual operating deficit	$ (850)	$ (138)	$ (590)
Acquisition of tangible capital assets (Note 12)	(750)	(680)	(561)
Amortization of tangible capital assets (Note 12)	1,600	1,389	1,554
Net loss (gain) on disposal of tangible capital assets	-	22	(1)
Proceeds on disposal of tangible capital assets	-	4	8
Increase in prepaid expenses	-	(53)	(75)
Increase in net financial assets in the year	-	544	335
Net financial assets at beginning of year	4,775	4,775	4,440
Net financial assets at end of year	**$ 4,775**	**$ 5,319**	**$ 4,775**

The accompanying notes and schedules are part of these financial statements.

ALBERTA UTILITIES COMMISSION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2024

	2024	2023
	(in thousands)	
Operating transactions		
Annual operating deficit	$ (138)	$ (590)
Non-cash items included in annual deficit:		
Amortization of tangible capital assets (Note 12)	1,389	1,554
Pension expense	345	553
Asset retirement obligation accretion (Note 11)	7	7
Net loss (gain) on disposal of tangible capital assets	22	(1)
(Increase) decrease in accounts receivable	(17)	23
(Decrease) increase in accounts payable and other accrued liabilities	(279)	350
Increase in prepaid expenses	(53)	(75)
Cash provided by operating transactions	1,276	1,821
Capital transactions		
Acquisition of tangible capital assets (Note 12)	(680)	(561)
Proceeds on disposal of tangible capital assets	4	8
Cash applied to capital transactions	(676)	(553)
Financing transactions		
Pension obligations funded	(921)	(767)
Net lease incentives repaid	(689)	(654)
Net lease obligations repaid	-	(15)
Cash applied to financing transactions	(1,610)	(1,436)
Decrease in cash and cash equivalents	(1,010)	(168)
Cash and cash equivalents at beginning of year	9,731	9,899
Cash and cash equivalents at end of year	**$ 8,721**	**$ 9,731**

The accompanying notes and schedules are part of these financial statements.

Note 1 Authority

The Alberta Utilities Commission (AUC) operates under authority of the *Alberta Utilities Commission Act, Chapter A-37.2* . The AUC also exercises powers and authorities under a number of other statutes. The AUC is an independent, quasi-judicial agency of the province of Alberta that ensures the delivery of Alberta's utility service takes place in a manner that is fair, responsible and in the public interest. The AUC regulates investor-owned electric, natural gas and water utilities and certain municipally owned electric utilities to ensure that customers receive safe and reliable service at just and reasonable rates. The AUC is responsible for making timely decisions on the need, siting, construction, alteration, operation and decommissioning of natural gas and certain electricity transmission facilities. The AUC also regulates power plants in a similar fashion except the need for new power plants is determined by market forces. The AUC develops and amends rules that support the orderly operation of the retail natural gas and electricity markets, and adjudicates on market and operational rule contraventions that the Market Surveillance Administrator may bring before the AUC. The AUC is exempt from income taxes under the *Income Tax Act* .

Note 2 Summary of significant accounting policies and reporting practices

Basis of financial reporting

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards. Significant accounting policies are as follows:

Revenues

All revenues are reported on the accrual basis of accounting.

Revenues from transactions with performance obligations are recognized when the AUC provides the promised services to a payor. Professional services revenue is recognized as earned over time, as service is provided over the life of the contract term.

Cash received for services not yet provided before year end is recognized as unearned revenue and recorded in accounts payable and other accrued liabilities until the performance obligation is fulfilled.

Revenues from transactions without performance obligations are recognized at their realizable value when the AUC has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event that gives rise to an asset. The AUC does not have a performance obligation to the utilities it regulates due to the non-exchange nature of the regulatory activities. Administration fee revenue is recognized when the AUC has legal authority to claim the funds, which occurs upon issuance of orders.

Expenses

All expenses are reported on the accrual basis of accounting. The cost of all goods consumed and services received during the year is expensed. Contributed services are not recognized in the Statement of Operations but are disclosed in Note 15 of the financial statements.

Foreign currency translation

Foreign currency transactions are translated at the exchange rate prevailing at the date of transaction. Monetary liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at fiscal year-end.

Valuation of financial assets and liabilities

The AUC's financial assets and liabilities are generally measured as follows:

Financial Statement Component	Measurement
Cash and cash equivalents	Cost
Accounts receivable	Lower of cost or net recoverable value
Accrued pension asset	Projected benefit method
Accounts payable and other accrued liabilities	Cost
Deferred lease incentive	Amortized cost
Capital lease obligation	Lower of cost or present value of minimum lease payments
Asset retirement obligation	Present value

The AUC does not carry any financial assets or liabilities at fair value and has no derivatives or unsettled exchange gains or losses, therefore the statement of remeasurement gains or losses is not included in these financial statements.

Note 2 Summary of significant accounting policies and reporting practices (continued)

Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the AUC's financial claims on external organizations and individuals at the year end.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Accounts receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recorded when recovery is uncertain.

Accrued pension asset

Accrued pension asset represents pension plan contributions made in excess of the pension expense which is actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels, and length of service to the time of retirement.

For the purpose of calculating pension expense, the AUC uses the expected future rate of return on plan assets as its discount rate. For the purpose of calculating the expected return, plan assets are valued at market-related values.

Past service costs arising from plan amendments are expensed in the period of the plan amendment. Any actuarial gain or loss is amortized over the average remaining service period of active employees.

Defined contribution plan accounting is applied to the government of Alberta multi-employer defined benefit pension plans as the AUC has insufficient information to apply defined benefit plan accounting.

Liabilities

Liabilities are present obligations of the AUC to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts. Generally, liabilities include trade payables, accrued liabilities and accrued employee vacation entitlements.

Deferred lease incentive

Lease incentive benefits are amortized on a straight line basis over the term of lease as a reduction to rental expense.

Capital lease obligation

Capital lease obligation and the corresponding leased tangible capital asset is recorded at the lower of the leased property's fair value and the present value of the minimum lease payments.

Asset Retirement Obligation (ARO)

Asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset (TCA). Asset retirement activities include all activities relating to an asset retirement obligation. This may include, but is not limited to decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed.

A liability for an asset retirement obligation is recognized when, as at the financial reporting date:
(a) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
(b) the past transaction or event giving rise to the liability has occurred;
(c) it is expected that future economic benefits will be given up; and
(d) a reasonable estimate of the amount can be made.

When a liability for asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset and are amortized over the estimated useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

Note 2 Summary of significant accounting policies and reporting practices (continued)

Non-financial assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

(a) are normally employed to deliver AUC services;
(b) may be consumed in the normal course of operations; and
(c) are not for sale in the normal course of operations.

Non-financial assets include tangible capital assets and prepaid expenses.

Tangible capital assets

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of tangible capital assets, are amortized on a straight-line basis over its estimated useful life as follows:

Computer hardware and software	Four to seven years
Furniture and equipment	Four to forty years
Leasehold improvements	Lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to the AUC's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

The capitalization threshold for all tangible capital assets is $1.5 unless they are included in certain tangible capital asset pools.

Prepaid expenses

Prepaid expenses are recorded at cost and amortized based on the terms of the agreement.

Measurement uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. The amounts recorded for amortization of tangible capital assets are based on estimates of the useful life of the related assets. Also, the accrued pension asset incorporates multiple assumptions. Actual results for amortization and accrued pension asset may differ from reported values.

There is measurement uncertainty related to asset retirement obligation as it involves estimates in discount rates used and settlement timing and amount. Changes to any of these estimates and assumptions may result in a change to the obligation.

Note 3 Change in accounting policy

Effective April 1, 2023, the AUC adopted PS 3400 Revenue. There were no changes to the measurement of revenues on adoption of the new standard.

At the beginning of the same fiscal reporting period, the AUC also adopted PSG-8 Purchased Intangibles. There were no changes to the financial statements.

The AUC used prospective application to adopt both the new standard and guideline.

(in thousands of dollars)

Note 4 Future changes in accounting standards

On April 1, 2026, the AUC will adopt the following new conceptual framework and accounting standard approved by the Public Sector Accounting Board:

The Conceptual Framework for Financial Reporting in the Public Sector

The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of Section PS 1000 Financial Statement Concepts and Section PS 1100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

PS 1202 Financial Statement Presentation

Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

Management is currently assessing the impact of the conceptual framework and the standard on the financial statements.

Note 5 Financial instruments

The AUC has the following financial instruments: accounts receivable, accounts payable and other accrued liabilities.

The AUC has exposure to the following risks from its use of financial instruments:

Liquidity risk

Liquidity risk is the risk that the AUC will encounter difficulty in meeting obligations associated with financial liabilities. The AUC does not consider this to be a significant risk as it collects the majority of annual revenues at the beginning of the year and maintains a significant cash reserve to meet all obligations that arise during the year.

Credit risk

The AUC is not exposed to any significant credit risk from potential non-payment of accounts receivable. As at March 31, 2024, the balance of accounts receivables does not contain amounts that were past due or uncollectible.

Note 6 Investment income

Investment income includes interest income.

	2024	2023
Consolidated Liquidity Solution	$ 854	$ 498
Other	6	2
	$ 860	$ 500

Note 7 Cash and cash equivalents

Cash and cash equivalents consist of deposits in the Consolidated Liquidity Solution (CLS). Effective July 4, 2022, the CLS replaced the Consolidated Cash Trust Fund (CCITF). Under the CCITF, money was pooled to make investments whereas under the CLS, money is pooled to reduce government debt outstanding. The CLS participants are paid interest monthly on their cash balance at an interest rate based on the twelve weeks rolling average of the province's borrowing rate.

(in thousands of dollars)

Note 8 Pension

The AUC participates in the Government of Alberta's multi-employer pension plans of Management Employees Pension Plan, Public Service Pension Plan, and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equal to the contribution of $1,648 for the year ended March 31, 2024 (2023: $1,701). The AUC is not responsible for future funding of the plans deficit other than through contribution increases.

In addition, the AUC maintains its own defined benefit Senior Employees Pension Plan (SEPP) and two supplementary pension plans to compensate senior staff who do not participate in the government management pension plans. Retirement benefits are based on each employee's years of service and remuneration.

The effective date of the most recent actuarial funding valuation for SEPP was December 31, 2021. The accrued benefit obligation as at March 31, 2024 is based on the extrapolation of the results of this valuation. The effective date of the next required funding valuation for SEPP is December 31, 2024.

Pension plan assets are valued at market values. During the year ended March 31, 2024 the weighted average actual return on plan assets was 7.01 per cent (2023: -1.11 per cent).

Significant weighted average actuarial and economic assumptions used to value accrued benefit obligations and pension benefit costs are as follows:

	March 31, 2024	March 31, 2023
Accrued benefit obligations		
Discount rate	4.44%	4.65%
Rate of compensation increase	3.00%	3.00%
Long-term inflation rate	2.00%	2.00%

	2024	2023
Pension Benefit costs for the year		
Discount rate	4.65%	4.00%
Expected rate of return on plan assets	4.65%	4.00%
Rate of compensation increase	3.00%	3.00%

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	March 31, 2024	March 31, 2023
Market value of plan assets	$ 17,758	$ 16,830
Accrued benefit obligations	15,921	15,549
Plan (deficit) surplus	1,837	1,281
Unamortized actuarial loss (gain)	(278)	(298)
Accrued pension asset	$ 1,559	$ 983

The pension benefit costs for the year include the following components:

	2024	2023
Current period benefit costs	$ 512	$ 660
Interest cost	740	628
Expected return on plan assets	(814)	(679)
Amortization of actuarial losses	(93)	(56)
	$ 345	$ 553

The average remaining service period of active employees is 9.7 years (2023: 6.2 years).

(in thousands of dollars)

Note 8 Pension (continued)

Additional information about the defined benefit pension plans is as follows:

	2024	2023
AUC contribution	$ 920	$ 767
Employees' contribution	161	151
Benefits paid	1,325	616

The asset allocation of the defined benefit pension plans' investments is as follows:

	March 31, 2024	March 31, 2023
Equity securities	47.12%	45.49%
Debt securities	15.21%	15.57%
Other	37.67%	38.94%
	100.00%	100.00%

Note 9 Accounts payable and other accrued liabilities

	2024	2023
Accounts payable	$ 504	$ 644
Other accrued liabilities	1,558	1,697
	$ 2,062	$ 2,341

Note 10 Deferred lease incentive

The AUC has received lease incentives through its office lease agreements. During 2024, the AUC received $0 in lease incentives in the form of cash (2023: $35).

	2024	2023
Balance at beginning of year	$ 3,467	$ 4,121
Cash incentive received	-	35
Lease incentive amortized	(689)	(689)
Balance at end of year	$ 2,778	$ 3,467

Note 11 Asset retirement obligation

	2024	2023
Asset retirement obligation, beginning of year	$ 191	$ 184
Accretion expense	7	7
Revision in estimates	-	-
Asset retirement obligation, end of year	$ 198	$ 191

Tangible capital assets with associated retirement obligations include leasehold improvements for leased office building.

Asset retirement obligation is initially measured as of the date the legal obligation was incurred, based on management's best estimate of the amount required to retire tangible capital assets and may be subsequently re-measured at each financial reporting date taking into account any new information and the appropriateness of assumptions used. The estimate of the liability is based on a third-party quote.

A present value technique is used to measure the liability where the liability is adjusted for the passage of time and is recognized as accretion expense in the Statement of Operations. At March 31, 2024, the undiscounted amount of estimated future cash required to settle this obligation is $166 and is discounted using a discount rate of 3.5 per cent. The ARO is expected to be settled in 2028.

(in thousands of dollars)

Note 12 Tangible capital assets

	March 31, 2024				March 31, 2023
	Computer hardware and software	Furniture and equipment	Leasehold improvement	Total	Total
Historical cost					
Beginning of year	$ 7,149	$ 2,546	$ 6,051	$ 15,746	$ 16,675
Additions	670	10	-	680	561
Disposals	(1,072)	(33)	-	(1,105)	(1,490)
	6,747	2,523	6,051	15,321	15,746
Accumulated amortization					
Beginning of year	$ 5,368	$ 1,357	$ 2,909	$ 9,634	$ 9,563
Amortization expense	625	122	642	1,389	1,554
Effect of disposals	(1,061)	(18)	-	(1,079)	(1,483)
	4,932	1,461	3,551	9,944	9,634
Net book value at March 31, 2024	$ 1,815	$ 1,062	$ 2,500	$ 5,377	
Net book value at March 31, 2023	$ 1,781	$ 1,189	$ 3,142		$ 6,112

Note 13 Accumulated surplus

Accumulated surplus is comprised of the following:

	2024			2023
	Investments in tangible capital assets	Unrestricted surplus	Total	Total
Balance at beginning of year	$ 6,112	$ 5,596	$ 11,708	$ 12,298
Annual operating surplus deficit	-	(138)	(138)	(590)
Net investment in tangible capital assets	(735)	735	-	-
Balance at end of year	$ 5,377	$ 6,193	$ 11,570	$ 11,708

Note 14 Contractual obligations

Contractual obligations are obligations of the AUC to others that will become liabilities in the future when the terms of those contracts or agreements are met. Contractual obligations for each of the next five fiscal years and thereafter are as follows:

Obligations under operating leases, contracts and programs:

	Total
2025	$ 3,339
2026	2,884
2027	2,651
2028	2,456
2029	336
Thereafter	3
	$ 11,669

Note 15 Related party transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. For the year ended March 31, 2024, the AUC received interest income of $854 (2023: $498) and incurred expenses of $199 (2023: $153) for services received from other government of Alberta organizations. The AUC had not received or provided any contributed goods or services from other government of Alberta organizations. Related parties also include key management personnel and close family members of those individuals at the AUC. There were no transactions between the AUC and its key management personnel or close family members during the year.

Note 16 Approval of financial statements

These financial statements were approved by the AUC's Chair's Management Committee.

ALBERTA UTILITIES COMMISSION
EXPENSES - DETAILED BY OBJECT
Year Ended March 31, 2024

	2024		2023
	Budget	**Actual**	**Actual**
	(in thousands)		
Salaries, wages and employee benefits	$ 25,434	$ 22,509	$ 22,337
Supplies and services	6,481	7,772	5,057
Amortization of tangible capital assets (Note 12)	1,600	1,389	1,554
Net loss (gain) on disposal of tangible capital assets	-	22	(1)
	$ 33,515	$ 31,692	$ 28,947

ALBERTA UTILITIES COMMISSION
SALARY AND BENEFITS DISCLOSURE
Year Ended March 31, 2024

Schedule 2

	2024				2023
	Base Salary [1]	Other Cash Benefits [2]	Other Non-cash Benefits [3]	Total	Total
	(in thousands)				
Chair of the Commission	$ 369	$ 83	$ 109	$ 561	$ 485
Vice-Chair [4]	255	34	72	361	270
Vice-Chair	255	43	27	325	317
Commission Member	209	29	54	292	275
Commission Member	212	21	56	289	287
Commission Member	212	43	31	286	259
Commission Member [5]	202	11	49	262	120
Commission Member	188	25	20	233	214
Commission Member [6]	-	-	-	-	63

(1) Base salary includes regular salary.

(2) Includes payments in lieu of vacation, health and pension benefits. No bonuses have been paid.

(3) Employer's contributions to all employee benefits including Employment Insurance, Canada Pension Plan, Alberta pension plans, health benefits, professional memberships, tuition fees and fair market value of parking. Except for the Chair of the Commission, automobiles were provided but no dollar amount included in other non-cash benefits.

(4) The position was vacant from October 23, 2021 to July 8, 2022. New Vice-Chair was appointed on July 9, 2022.

(5) The position was vacant from August 26, 2022 until April 3, 2023.

(6) The position became vacant on July 9, 2022.

ALBERTA UTILITIES COMMISSION
AUTHORIZED BUDGET
Year Ended March 31, 2024

Schedule 3

	Budget (Estimate)	Authorized Changes	Authorized Budget	Actual
	---(in thousands)---			
Revenues				
Administration fees	$ 32,250	$ -	$ 32,250	$ 30,675
Investment income	400	-	400	860
Professional services	15	-	15	19
	32,665	-	32,665	31,554
Expenses				
Utility regulation	33,515	-	33,515	31,692
Net Capital Investment				
Capital investment	750	-	750	680
Amortization	(1,600)	-	(1,600)	(1,389)
Proceeds on disposal of tangible capital assets	-	-	-	(4)
Net loss on disposal	-	-	-	(22)
	(850)	-	(850)	(735)
	$ -	$ -	$ -	$ 597

Note:

The AUC's Chair's Management Committee approved and submitted the preliminary business plan budget for the year ended March 31, 2024 to the Minister of Affordability and Utilities.The Budget was approved by the government of Alberta.

Balancing Pool

Financial Statements

Table of Contents

Independent auditor's report

To the Board of Directors of Balancing Pool

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Balancing Pool (the Corporation) as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Corporation's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of income and comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers LLP
Suncor Energy Centre, 111 5th Avenue South West, Suite 3100, Calgary, Alberta, Canada, T2P 5L3 T: +1 403 509 7500, F: +1 403 781 1825, ca_calgary_main_fax@pwc.com

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta

April 10, 2024

Statement of Financial Position

Balancing Pool

(in thousands of Canadian dollars)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	**52,079**	52,470
Trade and other receivables (Note 5)	**22,640**	17,270
Inventory (Note 7)	**43,690**	-
Right-of-use assets	**-**	2
	118,409	69,742
Property, plant and equipment	**-**	1
Total Assets	**118,409**	69,743
Liabilities		
Current liabilities		
Trade payables and other accrued liabilities (Note 9)	**10,197**	5,144
Related party loan (Note 15)	**483,965**	610,738
Current portion of Reclamation and abandonment provision (Note 10)	**21,105**	25,418
Lease liability	**-**	2
	515,267	641,302
Reclamation and abandonment provision (Note 10, Note 12)	**-**	28
Total Liabilities	**515,267**	641,330
Net liabilities attributable to the Balancing Pool deferral account (Note 11)	**(396,858)**	(571,587)
Contingencies and commitments (Note 12)		
Subsequent events (Note 16)		

On behalf of the Balancing Pool:

[originally signed by]

Greg Clark
Chair

[originally signed by]

Michelle Plouffe
Vice-Chair

Statement of Comprehensive Income

Balancing Pool

(in thousands of Canadian dollars)

	2023	2022
Revenue from contracts with customers		
Consumer collection (Note 3)	**129,355**	131,656
Other income from operating activities		
Payments in lieu of tax	**22,084**	23,446
Interest income	**1,438**	575
	23,522	24,021
Expenses (income)		
Cost of sales (Note 13)	**224**	144
Reclamation and abandonment recovery (Note 10, Note 12)	**(6,919)**	(6,787)
Mandated costs (Note 15)	**5,156**	4,111
General and administrative	**1,264**	1,897
Commercial dispute costs (recovery) (Note 14)	**2,293**	(891)
	2,018	(1,526)
Income from operating activities	**150,859**	157,203
Other income (expense)		
Finance expense (Note 8)	**(19,820)**	(16,377)
Other income (Note 7)	**43,690**	511
	23,870	(15,866)
Change to the Balancing Pool deferral account (Note 11)	**174,729**	141,337

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

Balancing Pool

(in thousands of Canadian dollars)

	2023	2022
Cash flow provided by (used in)		
Operating activities		
Change to the Balancing Pool deferral account	**174,729**	141,337
Adjustments for		
Amortization and depreciation	**3**	31
Reclamation and abandonment recovery (Note 10)	**(5,420)**	(6,787)
Finance expense (Note 8)	**19,820**	16,377
Hydro PPA negotiated settlement income (Note 7)	**(43,690)**	-
Reclamation and abandonment expenditures (Note 10)	**(71)**	(10,214)
Net change in non-cash working capital:		
Trade and other receivables	**(5,370)**	1,285
Trade payable and other accrued liabilities	**5,053**	(6,324)
Net cash provided by operating activities	**145,054**	135,705
Financing activities		
Lease payments	**(2)**	(25)
Payments on related party loan (Note 15)	**(1,181,633)**	(641,044)
Proceeds from issue of related party loan (Note 15)	**1,055,807**	540,077
Interest paid on related party loan	**(19,617)**	(15,206)
Net cash used in financing activities	**(145,445)**	(116,198)
Change in cash and cash equivalents	**(391)**	19,507
Cash and cash equivalents, beginning of year	**52,470**	32,963
Cash and cash equivalents, end of year	**52,079**	52,470

The accompanying notes are an integral part of these financial statements.

Note to Financial Statements

1. Reporting Entity and Nature of Operations

Formation and Duties of the Balancing Pool

The Balancing Pool was formed to facilitate policy implementation and to support the functioning of the electricity industry for the benefit of Albertans. The Electric Utilities Act (2003) ("EUA") and certain regulations made under it established the mandate of the Balancing Pool, which was principally to manage certain assets, liabilities, revenues, and expenses associated with the ongoing evolution of Alberta's electric industry.

The Balancing Pool was established in 1998 as a separate financial account of the Power Pool Council (the "Council") and commenced operations in 1999. The Council was a statutory corporation established under the Electric Utilities Act of Alberta (1995). With the proclamation of the EUA on June 1, 2003, the Balancing Pool was established as a separate statutory corporation (the "Corporation"). The assets and liabilities of the Council that related to the duties, responsibilities and powers of the Balancing Pool were transferred to the Corporation.

Under the EUA, the Corporation is required to operate without a profit or loss (Note 12). No share capital for the Corporation has been issued.

The Balancing Pool Board of Directors (the "Board") consists of individual members who are independent of persons having a material interest in the Alberta electric industry. The members of the Board are appointed by the Minister of Affordability and Utilities of the Government of Alberta.

The head office and records of the Balancing Pool are located at Suite 1800, 330 - 5 Avenue SW, Calgary, Alberta, Canada.

Activities of the Balancing Pool

The initial allocation of assets and liabilities to the Balancing Pool was charged to a deferral account. Differences between annual revenues and expenditures are also charged or credited to the Balancing Pool deferral account.

The EUA requires that the Balancing Pool forecast its revenues and expenses. Any excess or shortfall of funds in the accounts is to be allocated to, or provided by, electricity consumers over time.

The Balancing Pool's business activities include the collection of funds from electricity consumers, payments (refund) in lieu of tax, repayment of the outstanding loan with the Provincial government, resolving outstanding commercial and legal disputes related to the PPAs, acting as agent for Small Scale Generators, funding the Utility Consumer Advocate and funding certain decommissioning obligations.

Revenue from Contracts with Customers

i) Consumer collection

Pursuant to Section 82 of the EUA, the Balancing Pool collects or allocates an annualized amount from electricity customers. The consumer collection from the Alberta Electric System Operator ("AESO") is being accounted for as revenue of the Balancing Pool. The Balancing Pool has applied judgment in determining that the consumer collection collected via rate Rider F, as specified in the EUA, is analogous to a contract with a customer. The legislation contained in the EUA established the Balancing Pool's right to recover operating shortfalls from electricity customers via Rider F of the AESO tariff.

Other income

i) Investment income and changes in fair value of investments

Cash, cash equivalents and investments held by the Balancing Pool generate investment income consisting of interest.

ii) Payments (refunds) in Lieu of Tax ("PILOT")

Pursuant to Section 147 of the EUA, the Balancing Pool collects installments (refunds) a notional amount of tax from electricity companies controlled by municipal entities that are active in Alberta's competitive electricity market and are otherwise exempt from the payment of tax under the Income Tax Act or the Alberta Corporate Tax Act. The Balancing Pool does not calculate instalment payments or refunds and it does not audit PILOT filings. PILOT instalments are calculated by the payer and PILOT filings are subject to audit by Alberta Tax and Revenue.

Expenses

i) Cost of sales

Cost of sales includes amortization and depreciation, banking fees and costs associated with the administration of the Small Scale Generation Regulation.

ii) Other costs

Under the terms of government legislation, the Balancing Pool is obligated to make payments to certain entities for such matters as reclamation and abandonment. The Minister of Affordability and Utilities may direct the Balancing Pool to also fund specific payments under Section 148 of the EUA, which amounts are included in mandated costs.

2. Basis of Presentation

These financial statements for the year ended December 31, 2023, have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards") and include as comparative information for the year ended December 31, 2022.

These financial statements were authorized and approved for issue by the Board of the Balancing Pool on April 10, 2024.

3. Summary of Material Accounting Policies

The material accounting policies used in the preparation of these financial statements are as follows:

Basis of Measurement

These financial statements have been prepared on a historical cost convention, except for the emission credits which were initially recognized and measured at fair value as part of the Hydro PPA negotiated settlement.

Revenue from Contracts with Customers

The Balancing Pool applies IFRS 15, Revenue from contracts with customers, for its revenue arrangements.

Consumer Collection (Allocation)

Upon adoption of IFRS 15, consumer collection revenue is recognized in the statement of income and comprehensive income on an accrual basis in the period in which amounts are charged (refunded) to electricity customers based on an annualized tariff amount, which is the point in time when control of the goods and services passes to the customer. Consumer collection revenue is measured at the fair value of the consideration received or receivable. The Corporation has elected to recognize revenue based on amounts invoiced.

The timing of revenue recognition does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time. The Balancing Pool has applied judgment in the application of its accounting policy that the consumer collection (allocation) represents a contract with a customer in the scope of IFRS 15 (see Note 1).

Other Income (Expense) Recognition

(a) Investment income

Investment income resulting from interest is recorded on an accrual basis when there is reasonable assurance as to its measurement and collectability.

(b) Payments (refunds) in Lieu of Tax ("PILOT")

PILOT funds are accrued based on instalments received from or refunds paid to a municipal entity for a particular tax year. PILOT payments are calculated by the municipal entities and are subject to assessment and audit by Alberta Tax and Revenue Administration. Adjustments, if any, arising from audits, or other legal proceedings, are recorded in the current year, upon receipt.

Income Taxes

No provision has been made for current or deferred income tax as the Balancing Pool is exempt from Federal and Provincial income tax.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on deposit at the bank.

Trade and Other Receivables

Trade and other receivables are classified and measured at amortized cost less any impairment.

Leases

The Corporation has recognized a lease liability and right-of-use asset for the office lease. Lease liability for the office lease is measured at the present value of the remaining lease payments.

Right-of-use assets was recognized for the office lease and are amortized on a straight-line basis over the remaining term of the office lease.

Inventory

Emission credits, which have been acquired through the Hydro PPA negotiated settlement, are recorded as inventory, and carried at fair value. Emission credits are limited to a life of between five to eight years depending on the vintage.

Impairment – Financial Assets

The Corporation applies IFRS 9, Simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Corporation, and a failure to make contractual payments for a period of greater than 120 days past due.

No impairment provision has been recorded at December 31, 2023, related to trade and other receivables. The Corporation considers trade and other receivables to be low risk.

Reclamation and Abandonment Obligations

Reclamation and abandonment obligations include legal obligations requiring the Balancing Pool to fund the decommissioning of tangible long-lived assets such as generation and production facilities. A provision is made for the estimated cost of site reclamation and restoration.

Reclamation and abandonment obligations are measured as the present value of management's best estimate of expenditures required to settle the present obligation at the period end date. Subsequent to the initial measurement, the obligations are adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as a finance expense. Increases / decreases due to changes in the estimated future cash flows are expensed. Actual costs incurred upon settlement of the reclamation and abandonment obligations are charged against the provision to the extent the provision was established.

The Balancing Pool's estimates of reclamation and abandonment obligations are based on reclamation standards that meet current regulatory requirements. The estimate of the total liability of future site restoration costs may be subject to change based on amendments to laws and regulations. Accordingly, the amount of the liability will be subject to re-measurement at each period end date.

Pursuant to Section 5 of the Power Purchase Arrangements Regulation, a PPA Owner may apply to the Alberta Utilities Commission ("AUC") to receive from the Balancing Pool the amount by which decommissioning costs related to a former PPA unit exceed the amount the PPA Owner collected from consumers before January 1, 2001 and subsequently through the PPA, provided that the unit has ceased generating electricity and the application is made within one year of the termination or expiration of the PPA. Section 5 of the Power Purchase Arrangements Regulations does not apply after December 31, 2018.

The reclamation and abandonment provision includes an estimate of the costs associated with decommissioning costs for the Sundance A unit if the AUC approves the costs.

The discount rate used to value these liabilities is based upon the risk-free rate and may be adjusted for other risks associated with these liabilities.

Other Provisions

Provisions for obligations are recognized when the Balancing Pool has a present legal or constructive obligation as a result of past events, it may be probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a risk-free discount rate that reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognized as finance expense.

4. Significant Accounting Judgments, Estimates and Assumptions

The timely preparation of the financial statements requires that management make estimates and assumptions and use judgment regarding the reported value of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported for the year. Such estimates reflect management's best estimate of future events as of the date of the financial statements. These financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below. Accordingly, actual results will differ from estimated amounts as future confirming events occur.

Critical Judgment in Applying Accounting Policies

Management has made a critical judgment in applying its accounting policies, such as concluding that the consumer collection (allocation) is accounted for as revenue (refund of revenue) from a contract with a customer (Note 1, 11).

This critical judgement has been made in the process of applying accounting policies and has a significant effect on the amount recognized in the financial statements.

Key Sources of Estimation Uncertainty

Since the determination of certain assets, liabilities, revenues and expenses is dependent upon and determined by future events, the preparation of these financial statements requires the use of estimates and assumptions. These estimates and assumptions have been made using careful judgment. Actual results are likely to differ from the results derived using these estimates.

The following are items that have been derived using key assumptions concerning future outcomes and subject to several other key sources of estimation uncertainty. Consequently, there is a risk of a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- Inventory (Note 7)
- Reclamation and abandonment provision (Note 10)
- Contingent legal matters (Note 12)

In the opinion of management, these financial statements have been properly prepared in accordance with IFRS Accounting Standards, within reasonable limits of materiality and the framework of the material accounting policies summarized in Note 3 to the financial statements.

5. Trade and Other Receivables

(in thousands of dollars)	**2023**	2022
Trade receivables	22,640	12,076
Other receivables	-	5,194
	22,640	17,270

At December 31, 2023, no accounts receivable amounts are past due (2022 – No accounts receivable amounts were past due).

6. Accounting for Financial Instruments

(a) Risk Management Overview

The Balancing Pool's activities expose the Corporation to interest rate risk and liquidity risk.

i) *Interest Rate Risk:* The Balancing Pool is exposed to interest rate risk on the related party loan. The value of the related party loan will change due to fluctuations in market interest rates. A one percent increase in interest rates will increase annual interest charges by $4.9 million. A one precent decrease in interest rates will decrease annual interest charges by $4.9 million.

ii) *Liquidity Risk:* Liquidity risk is the risk that the Balancing Pool will not be able to meet its financial obligations as they fall due. To manage this risk, management forecasts cash flows for a period of 12 months and beyond and will adjust the consumer collection according to the Balancing Pool Regulation and borrow from the Government of Alberta. The changes to the EUA, enacted in December of 2016, provide the Balancing Pool with the capacity to borrow from the Government of Alberta (Note 15).

The following table below analyzes the Balancing Pool's financial and other liabilities into relevant maturity groupings based on the remaining period from the period end date to the contract maturity date.

December 31, 2023

(in thousands of dollars)	**1 year**	**2 – 5 years**	**Total**
Trade payables	6,172	-	6,172
Other accrued liabilities	3,673	352	4,025
Related party loan – principal	480,058	-	480,058
Related party loan – interest	3,907	-	3,907
Reclamation and abandonment	21,105	-	21,105
Total	514,915	352	515,267

December 31, 2022

(in thousands of dollars)	**1 year**	**2 – 5 years**	**Total**
Trade payables	1,314	-	1,314
Other accrued liabilities	3,478	352	3,830
Related party loan – principal	604,239	-	604,239
Related party loan – interest	6,499	-	6,499
Reclamation and abandonment	25,418	28	25,446
Lease liability	2	-	2
Total	640,950	380	641,330

(b) Fair Value Hierarchy

Financial instruments carried at fair value are categorized as follows:

December 31, 2023

(in thousands of dollars)	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
Assets	Level 1	Level 2	Level 3	
Cash and cash equivalents	52,079		-	52,079

December 31, 2022

(in thousands of dollars)	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
Assets	Level 1	Level 2	Level 3	
Cash and cash equivalents	52,470	-	-	52,470

- Level 1

Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities.

- Level 2

Assets and liabilities in Level 2 include valuations using inputs other than Level 1 quoted prices for which all significant inputs are observable, either directly or indirectly.

- Level 3

Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. Changes in valuation methods may result in transfers into or out of an assigned level. There were no transfers between Level 3 and Level 2.

7. Inventory

Emission credits *(in thousands of dollars)*	**2023**	2022
At January 1	-	-
Additions	43,690	-
At December 31	43,690	-

In May 2023, the Balancing Pool reached a negotiated settlement related to a Hydro PPA change in law dispute. In the negotiated settlement, the Balancing Pool received 873,792 emission credits generated from the Hydro PPA units. The emission credits are held for trading and classified as inventory. At December 31, 2023, no write-down of the Company's emission credits inventory to net realizable value was required.

8. Finance Expense

(in thousands of dollars)	**2023**	2022
Interest expense – related party loan (Note 16)	18,670	16,087
Accretion expense – reclamation and abandonment (Note 10)	1,150	290
	19,820	16,377

9. Trade Payable and Other Accrued Liabilities

(in thousands of dollars)	**2023**	2022
Trade payables	5,463	977
Accrued liabilities – Historical line loss	-	45
Accrued liabilities – Mandated costs	3,580	3,197
Accrued liabilities – Other	1,154	925
	10,197	5,144

10. Reclamation and Abandonment Provision

(in thousands of dollars)	**H.R. Milner Generating Station**	**Isolated Generation Sites**	**Sundance A**	**Total**

At January 1, 2022	9,476	132	32,549	42,157
Increase (decrease) in liability	627	49	(7,463)	(6,787)
Liabilities paid in year	(10,145)	(69)	-	(10,214)
Accretion expense	42	1	247	290
At December 31, 2022	-	113	25,333	25,446
Less: Current portion	-	(85)	(25,333)	(25,418)
	-	28	-	28
At January 1, 2023	-	113	25,333	25,446
Increase (decrease) in liability	-	(47)	(5,373)	(5,420)
Liabilities paid in year	-	(71)	-	(71)
Accretion Expense	-	5	1,145	1,150
At December 31, 2023	-	-	21,105	21,105

(a) Decommissioning Costs of H.R. Milner Generating Station

Under the Asset Sale Agreement for the H.R. Milner generating station between the Balancing Pool and ATCO Power Ltd ("ATCO"), which was executed in 2001, the Balancing Pool assumed the liability for the costs of decommissioning the station at the end of operations. When the asset was subsequently re-sold to Milner Power Limited Partnership in 2004, the Balancing Pool retained the liability for decommissioning the generating station. In 2011, a bilateral agreement was reached with Milner Power Limited Partnership wherein the Balancing Pool's exposure to future decommissioning costs was capped at $15.0 million. On July 6, 2022, the Balancing Pool and Milner Power Limited Partnership amended the bilateral agreement wherein Milner Power Limited Partnership assumed responsibility to decommission the station at the end of operations. The Balancing Pool returned the collateral held to Milner Power Limited Partnership including a payment of $10.1 million representing the balance of the decommissioning obligation. At December 31, 2022, the Corporation has no further obligation related to decommissioning H.R. Milner generating station.

(b) Isolated Generation Sites

Under the Isolated Generating Units and Customer Choice Regulation, the Balancing Pool is liable for the reclamation and abandonment costs associated with various Isolated Generation sites. In 2023, ATCO returned $1.5 million to the Balancing Pool for previously paid reclamation and abandonment expenses that ATCO did not spend. Amendments to the Isolated Generating Units and Customer Choice Regulation came into force on March 6, 2024. The amendments to the regulation remove the Balancing Pool's liability for reclamation and abandonment costs associated with the Isolated Generation sites. At December 31, 2023, the Corporation has no further obligation.

(c) Decommissioning Costs of PPA Units

Pursuant to Section 5 of the Power Purchase Arrangements Regulation, a PPA Owner may apply to the AUC to receive from the Balancing Pool the amount by which decommissioning costs related to a former PPA unit exceed the amount the PPA Owner collected from consumers before January 1, 2001 and subsequently through the PPA, provided that the unit has ceased generating electricity and the application is made within one year of the termination or expiration of the PPA. Section 5 of the Power Purchase Arrangements Regulations does not apply after December 31, 2018.

In December 2018, TransAlta submitted an application to the AUC as well as numerous amendments to decommission Sundance unit A. On December 31, 2023, the Balancing Pool recorded a $5.4 million decrease (2022 – $7.5 million decrease) to the provision for decommissioning the Sundance A unit due to a change in estimation. The provision for Sundance A is based upon management's probability weighted estimate of decommissioning costs should the AUC approve TransAlta's application to decommission the unit. The Balancing Pool is disputing several aspects of TransAlta's application. Estimated decommissioning costs were discounted at 4.66% (2022 – 4.52%). The final amount due if any, will be determined by the AUC. See also Note 12.

11. Capital Management

The Balancing Pool's objective when managing capital is to operate as per the requirements of the EUA, which requires the Balancing Pool to operate with no profit or loss and no share capital and to forecast its revenues, expenses, and cash flows. Any excess or shortfall of funds in the accounts is to be allocated to, or provided by, electricity consumers over time.

A reconciliation of the opening and closing Balancing Pool deferral account is provided below.

Balancing Pool Deferral Account *(in thousands of dollars)*	**2023**	2022
Deferral account, beginning of year	(571,587)	(712,924)
Change to the Balancing Pool deferral account	174,729	141,337
Deferral account, end of year	(396,858)	(571,587)

The Board approved a 2023 consumer collection of $2.20/MWh for a total collection from electricity consumers of $129.4 million in accordance with the Balancing Pool Regulation. In October 2023, the Board approved a 2024 consumer collection of $1.30/MWh for an estimated total collection from electricity consumers of $75.9 million in accordance with the Balancing Pool Regulation.

12. Contingencies and Commitments

Reclamation and Abandonment

TransAlta submitted an application as well as numerous amendments to the AUC to decommission Sundance A and is seeking $53.8 million in funding from the Balancing Pool. The Balancing Pool disagrees with several aspects of the application and believe TransAlta is not entitled to any funding from the Balancing Pool. In accordance with IFRS Accounting Standards, a provision of $21.1 million (2022 - $25.3 million) has been recorded. The final amount due if any, will be determined by the AUC.

Legal Claim – Line Loss Proceeding

On January 27, 2021, the Balancing Pool received a statement of claim from a power producer related to the line loss rule proceeding and is seeking $53.2 million in damages from the Balancing Pool. The Balancing Pool's statement of defense has been filed. The Balancing Pool considers the claim to be without merit. At December 31, 2023, no contingent liability has been recorded (2022 - $nil).

Arbitration - Line Loss Proceeding

In April 2021, a power producer gave notice to the Balancing Pool of a formal arbitration proceeding regarding the historical line loss proceeding. The power producer was seeking $56.6 million from the Balancing Pool for historical line loss amounts invoiced by the AESO to the power producer. The arbitration concluded in December 2022. In April 2023, the arbitration panel released its decision and concluded the Balancing Pool was not liable for historical line loss amounts invoiced to the power producer.

Legal Claim

On April 28, 2022, the Balancing Pool received a statement of claim from a power producer seeking $483.0 million in damages from the Balancing Pool. Section 92 of the Electric Utilities Act provides the Balancing Pool with strong liability protection for such claims. In July 2023, the Balancing Pool reached an agreement with the power producer wherein the power producer agreed to discontinue the claim. No payment was remitted by the Balancing Pool to the power producer to settle the claim.

13. Cost of Sales

(in thousands of dollars)	**2023**	2022
Power Purchase Arrangements recovery	(44)	(17)
Small scale generator costs	261	130
Amortization, depreciation, and banking fees	7	31
	224	144

14. Commercial Dispute Costs (Recovery)

(in thousands of dollars)	**2023**	2022
Commercial dispute costs (recovery)	2,293	(891)

In 2023, the Balancing Pool incurred $2.3 million (2022 - $0.9 million recovery) in commercial dispute costs. Commercial dispute costs include legal and consulting expenditures related to PPA commercial disputes, the Sundance A decommissioning application and other legal matters.

15. Related Party Transactions

Key Management Compensation

Key management includes members of the Board of the Balancing Pool and the Chief Executive Officer. The compensation paid or payable to key management for services is shown below.

Key Management Compensation *(in thousands of dollars)*	**2023**	2022
Salaries, other short-term employee benefits and severance	397	481

Government-Related Entity

The Balancing Pool considers itself to be a government-related entity as defined by IAS 24 – Related Party Disclosures and applies the exemption from the disclosure requirements of Paragraph 18 of IAS 24 – Related Party Disclosures. The members of the Board are appointed by the Minister of Affordability and Utilities. The financial information of the Balancing Pool is consolidated with the Ministry of Affordability and Utilities.

The Balancing Pool signed a loan agreement with the Government of Alberta. The loan agreement will remain until December 31, 2030 when all outstanding loan amounts are due to be paid back to the provincial government. As the Balancing Pool has short-term related party notes outstanding which mature prior to December 31, 2030, the Balancing Pool expects to repay maturing notes through its consumer collection and subsequent to December 31, 2023, has refinanced maturing notes outstanding with the Government of Alberta (Note 16), subject to the terms of the loan agreement. Details of the Balancing Pool's related party loans outstanding at December 31, 2023 and 2022 are as follows:

(in thousands of dollars)	**Interest Rate**	**2023**
Short-term discount note due on January 26, 2024	5.09%	199,275
Short-term discount note due on February 27, 2024	5.07%	284,690
		483,965

(in thousands of dollars)	Interest Rate	2022
Long-term note due on September 13, 2023	2.65%	504,199
Short-term discount note due on January 10, 2023	3.56%	19,980
Short-term discount note due on February 14, 2023	4.11%	86,559
		610,738

(in thousands of dollars)	**2023**	2022
At January 1	610,738	710,825
Proceeds from issue of loans	1,055,807	540,077
Accrued interest	18,670	16,086
Repayments	(1,201,250)	(656,250)
At December 31	483,965	610,738

At December 31, 2023, the Balancing Pool had $484.0 million (2022 – $610.7 million) in short-term discount notes issued to the Government of Alberta, including accrued interest of

$3.9 million (2022 – $5.3 million). During 2023, net payments of $145.4 million (2022 - $116.2 million payment) were remitted on the outstanding loan. Fair value of the loan is the same as the amortized cost of borrowing. During 2023, interest of $12.3 million was paid on the related party loan (2022 – $14.1 million).

Directed by the Minister of Affordability and Utilities, the Balancing Pool is mandated to make payments to the Office of the Utilities Consumer Advocate ("UCA") to cover 80% of their annual operating costs. In 2023, the Balancing Pool expensed $5.2 million (2022 – $4.1 million) for the UCA.

The Balancing Pool also considers the AESO a government-related entity. The EUA requires the Balancing Pool to forecast its revenues and expenses with any excess or shortfall of funds in the accounts to be allocated to, or provided by, electricity consumers over time. Pursuant to the EUA, the AESO facilitates the collection or distribution of any excess or shortfall through an annualized amount included in the AESO's transmission tariff. In 2023, the Balancing Pool collected $129.4 million (2022 – $131.7 million) from electricity consumers through the AESO's transmission tariff.

16. Subsequent Events

Related Party Transactions

The short-term discount notes that matured on January 26 and February 27, 2024, were re-financed with short-term discount notes with the terms noted below.

(in thousands of dollars)	Interest Rate	Amount re-financed
Short-term discount note due on April 25, 2024	5.01%	200,000
Short-term discount note due on May 28, 2024	4.93%	287,000

On March 6, 2024, the Electricity Statutes (Modernizing Alberta's Electricity Grid) Amendment Act, 2022 was proclaimed and the related regulations were brought into force. The following Balancing Pool responsibilities are assigned to other agencies.

- The responsibilities of the Balancing Pool in the Small Scale Generation Regulation are assigned to the AESO effective October 1, 2024.
- The collection of installments (refunds) under the PILOT regulations is assigned to the Crown in right of Alberta effective January 1, 2025. The Balancing Pool will be responsible for collection of installments (refunds) for tax year 2024 and prior.
- Funding for the Utilities Consumer Advocate has been assigned to the utilities and collection of funding will be administered and enforced by the Alberta Utilities Commission effective March 6, 2024.
- Amendments to the Isolated Generating Units and Customer Choice Regulation removes the Balancing Pool's liability for reclamation and abandonment costs of Isolated Generating sites as well as funding the sale of Isolated Generating units effective March 6, 2024.

Financial Information

Table of Contents

Statement of Credit Recovery

Department of Affordability and Utilities
Year Ended March 31, 2024
(in thousands)

	Authorized Spending	Actual Revenue Recognized	Unearned Revenue/ Deferred Contributions	Total Amount Received/ Receivable	(Shortfall)/ Excess [1]
EXPENSE AMOUNTS					
2 Affordability and Utilities					
2.2 Utilities Consumer Advocate	7,512	6,950	-	6,950	(562)
Credit or Recovery (Shortfall)	7,512	6,950	-	6,950	(562)

Lapse and Encumbrance

Department of Affordability and Utilities
Year Ended March 31, 2024

	Voted Estimate	Supplementary Estimate	Adjustments	Adjusted Voted Estimate	Voted Actuals	Over Expended (Unexpended)
EXPENSE VOTE BY PROGRAM						
OPERATING EXPENSE						
1 Ministry Support Services						
1.1 Minister's Office	$ 847	-	-	$ 847	$ 698	$ (149)
1.2 Deputy Minister's Office	720	-	-	720	749	29
1.3 Corporate Services	1,807	-	-	1,807	2,397	590
	3,374	-	-	3,374	3,844	470
2 Affordability and Utilities						
2.1 Affordability and Utilities	10,192	-	-	10,192	5,251	(4,941)
2.2 Utilities Consumer Advocate	6,662	-	850	7,512	6,950	(562)
	16,854	-	850	17,704	12,201	(5,503)
3 Utility Rebate and Grant Programs	47,575	-	-	47,575	51,288	3,713
4 Climate Change						
4.1 Renewable Electricity Program	12,400	-	-	12,400	1,506	(10,894)
CAPITAL GRANTS						
2 Affordability and Utilities						
2.1 Affordability and Utilities	6,925	-	-	6,925	6,925	-
Total	87,128	-	850	87,978	75,764	(12,214)
Credit or Recovery Shortfall			(562)	(562)		562
	$87,128	$ -	$ 288	$ 87,416	$ 75,764	$ (11,652)
(Lapse)/Encumbrance						$ (11,652)
CAPITAL INVESTMNET VOTE BY PROGRAM						
DEPARTMENT CAPITAL ACQUISITIONS						
1 Ministry Support Services						
1.3 Corporate Services	25	-	-	25	-	(25)
Total	$ 25	$ -	$ -	$ 25	$ -	$ (25)
(Lapse)/Encumbrance						$ (25)
FINANCIAL TRANSACTIONS VOTE BY PROGRAM						
LEGAL LIABILITY RETIREMENT						
4 Climate Change						
4.2 Coal Phase-Out Agreements	96,970	-	-	96,970	96,024	(946)
Total	$96,970	$ -	$ -	$ 96,970	$ 96,024	$ (946)
(Lapse)/Encumbrance						$ (946)

Annual Report Extracts and Other Statutory Reports

Statutory Report: Public Interest Disclosure Act

Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* reads:

32 (1) Every chief officer must prepare a report annually on all disclosures that have been made to the designated officer of the department, public entity or office of the Legislature for which the chief officer is responsible.

(2) The report under subsection (1) must include the following information:

(a) the number of disclosures received by the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;

(b) the number of investigations commenced by the designated officer as a result of disclosures;

(c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

(3) The report under subsection (1) must be included in the annual report of the department, public entity or office of the Legislature if the annual report is made publicly available.

There were no disclosures of wrongdoing filed with my office for your department between April 1, 2023, and March 31, 2024.