Alberta Energy Regulator
Consolidated Financial Statements
For the Year Ended March 31, 2025

Independent Auditor's Report

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Security Classification: Protected A

Independent Auditor's Report

Auditor General OF ALBERTA

To the Board of Directors of the Alberta Energy Regulator

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Alberta Energy Regulator (the Group), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of operations, change in net financial assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, 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 Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. I am responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

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 15, 2025
Edmonton, Alberta

ALBERTA ENERGY REGULATOR
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2025
(in thousands)

	2025		2024
	Budget (Note 4, Schedule 3)	Actual	Actual
Revenues			
Administration fees	$ 225,246	$ 226,107	$ 218,234
Orphan fund levies and transfers (Note 5)	135,500	150,376	150,241
Government of Alberta grants	15,877	18,127	14,185
Investment income	6,299	6,339	7,223
Information, services and fees	1,499	4,039	2,701
	384,421	404,988	392,584
Expenses			
Energy regulation (Schedule 1)	246,421	247,604	237,132
Orphan well abandonment (Note 5)	135,500	150,376	150,241
	381,921	397,980	387,373
Annual operating surplus	2,500	7,008	5,211
Accumulated surplus at beginning of year	80,146	80,146	74,935
Accumulated surplus at end of year	$ 82,646	$ 87,154	$ 80,146

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

ALBERTA ENERGY REGULATOR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2025
(in thousands)

	2025	2024
Financial assets		
Cash and cash equivalents (Note 6)	$ 13,180	$ 19,142
Accounts receivable (Note 7)	7,759	2,641
Portfolio investments (Note 8)	20,354	19,902
Pension assets (Note 15)	15,718	13,737
	57,011	55,422
Liabilities		
Accounts payable and other accrued liabilities (Note 9)	24,586	25,317
Payable to Orphan Well Association	3,521	1,459
Deferred revenue (Note 10)	9,770	6,588
Deferred lease incentives (Note 12)	7,018	8,387
	44,895	41,751
Net financial assets	12,116	13,671
Non-financial assets		
Tangible capital assets (Note 16)	64,297	57,723
Prepaid expenses and other assets	10,741	8,752
	75,038	66,475
Net assets		
Accumulated surplus (Note 17)	$ 87,154	$ 80,146

Asset Retirement Obligation (Note 14)
Contractual rights (Note 18)
Contingent liabilities (Note 19)
Contractual obligations (Note 20)

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

ALBERTA ENERGY REGULATOR
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2025
(in thousands)

	2025		2024
	Budget (Note 4, Schedule 3)	Actual	Actual
Annual operating surplus	$ 2,500	$ 7,008	$ 5,211
Acquisition of tangible capital assets (Note 16)	(14,500)	(18,710)	(14,114)
Amortization of tangible capital assets (Note 16)	12,000	11,944	12,903
Net loss on disposal and write-down of tangible capital assets		174	148
Proceeds on disposal of tangible capital assets		18	12
Increase in prepaid expenses and other assets		(1,989)	(548)
(Decrease)/increase in net financial assets	-	(1,555)	3,612
Net financial assets at beginning of year	13,671	13,671	10,059
Net financial assets at end of year	$ 13,671	$ 12,116	$ 13,671

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

ALBERTA ENERGY REGULATOR
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2025
(in thousands)

	2025	2024
Operating transactions		
Annual operating surplus	$ 7,008	$ 5,211
Non-cash items included in annual operating surplus:		
Amortization of tangible capital assets (Note 16)	11,944	12,903
Net loss on disposal and write-down of tangible capital assets	174	148
Change in pension assets	(1,981)	(3,834)
Bad debt expense	2,095	1,325
Change to deferred lease incentives	21	-
Amortization of deferred lease incentives (Note 12)	(1,390)	(1,462)
	17,871	14,291
Increase in accounts receivable	(7,213)	(1,039)
Increase in prepaid expenses and other assets	(1,989)	(548)
Decrease in accounts payable and other accrued liabilities	(731)	(700)
Increase/(decrease) in payable to Orphan Well Association	2,062	(960)
Increase/(decrease) in deferred revenue	3,182	(1,069)
Cash provided by operating transactions	13,182	9,975
Capital transactions		
Acquisition of tangible capital assets (Note 16)	(18,710)	(14,114)
Proceeds on disposal of tangible capital assets	18	12
Cash applied to capital transactions	(18,692)	(14,102)
Investing transactions		
Purchase of portfolio investments (Note 8)	-	(19,902)
Increase in portfolio investments	(452)	-
Cash applied to investing transactions	(452)	(19,902)
Decrease in cash and cash equivalents	(5,962)	(24,029)
Cash and cash equivalents at beginning of year	19,142	43,171
Cash and cash equivalents at end of year	$ 13,180	$ 19,142

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

Note 1 AUTHORITY

The Alberta Energy Regulator (AER) is an independent and quasi-judicial organization of the Government of Alberta. The AER operates under the *Responsible Energy Development Act.* The AER's mandate provides for the efficient, safe, orderly and environmentally responsible development of energy and mineral resources in Alberta through regulatory activities. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans. The AER is exempt from income taxes under the *Income Tax Act.*

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Reporting Entity and Method of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the AER, which is composed of all components controlled by the AER. The orphan fund is a fund retained and administered by the AER. The AER collects an orphan fund levy and a large facility program orphan levy (when applicable), and transfers the funds to the Orphan Well Association through the orphan fund. The AER also transfers funds for first time licensee application fees, including regulator directed transfer fees, and forfeited security deposits through the orphan fund. The AER and the orphan fund are consolidated using the line-by-line method.

Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting.

The AER recognizes revenue from transactions with no performance obligations, such as administration fees and orphan fund levies, at their realizable value. Revenue from transactions with performance obligations, including information, services and fees, is recognized when the AER provides the promised goods and/or service to a payor.

Cash received for goods and/or services not yet provided before year end is recognized as deferred revenue and recorded in accounts payable and other accrued liabilities.

Government of Alberta grants

Transfers from the Government of Alberta are referred to as provincial grants.

Provincial grants without stipulations for the use of the transfer are recognized as revenue when the transfer is authorized and the AER meets the eligibility criteria (if any). Provincial grants with stipulations for the use of the transfer are recognized as deferred revenue and subsequently recognized when the AER meets the stipulations.

Investment income

Investment income includes interest income and realized gains and losses on the sale of portfolio investments. Once realized, these gains or losses are recognized in the Consolidated Statement of Operations.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Employee future benefits

The AER 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.

Pension assets represent the sum of the accumulated cash contributions less the sum of the current and prior years' pension expense.

Accrued benefit obligations are 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 retirement age of employees.

Accrued benefit obligations and pension benefit costs for the year are calculated using the expected rate of return on plan assets as the discount rate, which is determined using market values of plan assets.

Actuarial gains and losses are amortized over the average remaining service period of the active employees, which is 11.1 years (2024 - 11.1 years).

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

Basis of Financial Reporting (continued)

Employee future benefits (continued)

Past service cost arising from plan amendments is accounted for in the period of the plan amendments.

Gains and losses determined upon a plan curtailment are accounted for in the period of curtailment.

The AER participates in the Government of Alberta's multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. Defined contribution plan accounting is applied to these plans as the AER has insufficient information to apply defined benefit plan accounting. Accordingly, pension expense comprises employer contributions to the plans that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plans' future benefits.

Valuation of financial assets and liabilities

The AER'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
Portfolio investments	Amortized cost
Pension assets	Lower of cost or net recoverable value
Accounts payable and other accrued liabilities	Cost
Payable to the Orphan Well Association	Cost
Environmental liabilities	Cost
Deferred lease incentives	Amortized cost

The AER has not designated any financial assets or liabilities in the fair value category, does not have any significant foreign currency transactions and does not hold any derivative contracts. The AER has no significant remeasurement gains or losses and consequently has not presented a Consolidated Statement of Remeasurement Gains and Losses.

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 include cash and the AER's financial claims on external organizations and individuals at year end.

Cash and cash equivalents

Cash comprises cash on hand, externally restricted cash and demand deposits. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes, with terms to maturity of primarily less than three months from the date of acquisition.

Accounts receivable

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

Portfolio investments

Portfolio investments are recognized at amortized cost. Investment premiums and discounts are amortized proportionately over the term of the respective investments using an effective interest method. Any declines in market value below costs are considered to be temporary and therefore no write-downs have been recorded.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

Basis of Financial Reporting (continued)

Liabilities

Liabilities are present obligations of the AER 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. Liabilities include all financial claims payable by the AER at fiscal year end.

Deferred lease incentives

Deferred lease incentives, consisting of leasehold improvement costs, reduced rent benefits and rent-free periods, are amortized on a straight-line basis over the term of the leases.

Environmental liabilities

Liability for Contaminated Sites:

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment.

A liability for remediation of a contaminated site may arise from an operation that is either in productive use or no longer in productive use and may also arise from an unexpected event resulting in contamination. The resulting liability is recognized when all of the following criteria are met:

i. an environmental standard exists;
ii. contamination exceeds the environmental standard;
iii. the AER is directly responsible or accepts responsibility;
iv. it is expected that future economic benefits will be given up; and
v. a reasonable estimate of the amount can be made.

Contingent liabilities

A contingent liability is recognized when:

i. there is an existing condition or situation;
ii. there is an expected future event that will resolve the uncertainty as to whether a present obligation to sacrifice economic benefits exists;
iii. it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and
iv. a reasonable estimate of the amount can be made.

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 AER 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 of the AER include tangible capital assets, prepaid expenses and other assets.

Tangible capital assets

Tangible capital assets are recognized at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized over their estimated useful lives as follows:

Leasehold improvements	Straight line	Term of the lease
Furniture and equipment	Straight line	3 - 10 years
Vehicle	Straight line	5 - 15 years
Computer hardware	Straight line	3 - 10 years
Computer software - purchased	Straight line	3 - 10 years
Computer software - developed	Straight line	3 - 10 years

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

Basis of Financial Reporting (continued)

Non-financial assets (continued)

Amortization is only expensed when the tangible capital asset is put into service.

Work-in-progress, which may include developed computer software and leasehold improvements, is not amortized until a project is complete and the asset is put into service.

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

Prepaid expenses

Prepaid expenses are recognized at cost and amortized based on the terms of the agreements.

Measurement uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount, whenever estimates are used. The amounts recognized for amortization of tangible capital assets are based on estimates of the useful life of the related assets. Accrued defined benefit obligations are subject to measurement uncertainty due to the use of actuarial assumptions. The resulting estimates are within reasonable limits of materiality and are in accordance with the AER's significant accounting policies.

Estimates of contingent liabilities for contaminated sites are subject to measurement uncertainty because the existence and extent of contamination, the responsibility for clean-up, and the timing and costs of remediation cannot be reasonably estimated in all circumstances. The degree of measurement uncertainty cannot be reasonably determined.

Note 3 FUTURE CHANGES IN ACCOUNTING STANDARDS

The Public Sector Accounting Board has approved the following accounting standards, which are effective for fiscal years starting on or after April 1, 2026:

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 Consolidated Financial Statements.

Note 4 BUDGET

The budget and budget adjustments reflected on Schedule 3 have been approved by the Government of Alberta.

Note 5 ORPHAN WELL ABANDONMENT

(in thousands)

The Government of Alberta has delegated the authority to manage the abandonment and reclamation of wells, facilities, and pipelines that are licensed to defunct licensees to the Orphan Well Association. The AER collects an orphan fund levy and a large facility program orphan levy, and transfers the funds to the Orphan Well Association through the orphan fund. The AER also transfers funds for first time licensee application fees, including regulator directed transfer fees, and forfeited security deposits through the orphan fund. During the year ended March 31, 2025, the AER invoiced $135,715 (2024 - $135,516) in levies and penalties. Additionally, the AER collected and transferred $14,227 (2024 - $14,260) in forfeited security deposits and $434 (2024 - $465) in application fees.

Note 6 CASH AND CASH EQUIVALENTS

(in thousands, unless otherwise noted)

Cash and cash equivalents are held in an account with a Canadian chartered bank and earn interest calculated based on the average monthly cash balance. The funds are available to be withdrawn upon request. During the year ended March 31, 2025, the AER earned interest at an annual average rate of 4.6**%** (2024 - 5.5%).

Cash and cash equivalents includes restricted funds of $9,593 (2024 - $6,411), as reflected in deferred revenue (discussed in Note 10).

Note 7 ACCOUNTS RECEIVABLE

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	2025			2024
	Gross amount	Allowance for doubtful accounts	Net recoverable value	Net recoverable value
Accounts receivable	$ 10,032	$ (2,273)	$ 7,759	$ 2,641

Note 8 PORTFOLIO INVESTMENTS

(in thousands)

	2025		2024	
	Book value	Fair value	Book value	Fair value
Bonds	$ 20,354	$ 20,832	$ 19,902	$ 19,654

The bonds are intended to be held long term with interest rates from 2.0% to 6.2% and maturity dates between 2026 and 2034. Any declines in market value below costs are considered to be temporary and therefore no write-downs have been recorded.

Note 9 ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

(in thousands)

	2025	2024
Trade and other accrued liabilities	$ 11,459	$ 11,839
Lease termination payable	3,150	3,716
Accrued salaries and benefits	9,977	9,762
	$ 24,586	$ 25,317

Note 10 DEFERRED REVENUE

(in thousands)

Deferred revenue consists of the following:

	2025	2024
Deferred contributions[(1)]	$ 9,593	$ 6,411
Unearned revenue	177	177
	$ 9,770	$ 6,588

(1) Deferred contributions

	2025			2024
	Government of Alberta	Other	Total	Total
Balance at beginning of year	$ 5,782	$ 629	$ 6,411	$ 7,447
Cash contributions received/receivable during year	20,019	1,834	21,853	13,555
Less: amounts recognized as revenue	(17,104)	(1,567)	(18,671)	(14,496)
Less: unused amounts returned	-	-	-	(95)
Balance at end of year	$ 8,697	$ 896	$ 9,593	$ 6,411

Note 11 FINANCIAL INSTRUMENTS

The AER has the following financial instruments: cash and cash equivalents, accounts receivable, portfolio investments, accounts payable and other accrued liabilities, and payable to the Orphan Well Association.

Financial Risk Management

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

(a) Liquidity risk

Liquidity risk is the risk that the AER will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the AER are met primarily through the collection of funding at the beginning of the year to fund operating and capital expenditures throughout the year. The AER manages liquidity risk by having established budget processes and regularly monitoring cash flows to ensure the necessary funds are available to fulfill upcoming obligations. In addition, the AER maintains a revolving line of credit which provides financial flexibility to allow the AER to meet its obligations if funding cannot be collected on a timely basis.

(b) Credit risk

The AER is exposed to credit risk from potential non-payment of accounts receivable and from the failure of a counterparty to fully honour its financial obligations with the AER. A substantial portion of the AER's accounts receivable include balances due from operators in the oil and gas industry, and are subject to normal industry credit risk. The AER regularly monitors the financial status of operators and assesses the collectability of accounts receivable. The AER's maximum exposure to credit risk is limited to the carrying amount of accounts receivable presented in the Consolidated Statement of Financial Position at the reporting date. The AER established a valuation allowance that corresponds to the specific credit risk of operators, historical trends and economic circumstances.

The AER is exposed to credit risk associated with the underlying debt securities held in investment funds managed by the Canadian Imperial Bank of Commerce (CIBC). All of the AER's investments in bonds are with counterparties considered to be investment grade (AAA to BBB-) at March 31, 2025.

Note 11 FINANCIAL INSTRUMENTS (continued)

Financial Risk Management (continued)

(c) Interest Rate Risk

(in thousands)

The AER is exposed to interest rate associated with the underlying interest-bearing securities held in the investment funds. Interest rate risk relates to the possibility that the fair value of investments will change due to future fluctuations in market interest rates. In general, investment returns from bonds are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the AER would be approximately $1,194 (2024 - $1,251).

The following table summarizes the terms to maturity of interest-bearing securities held in bond investments at March 31, 2025.

Class	< 1 year	1-5 years	Over 5 years	Average effective market
Bonds	-	5	4	5.1%

Note 12 DEFERRED LEASE INCENTIVES

(in thousands)

The AER has entered into various lease agreements which provide for lease incentives comprising reduced rent benefits, rent-free periods and leasehold improvement costs. These amounts are amortized on a straight-line basis over the term of the lease.

	2025			2024
	Leasehold improvement costs	Reduced rent benefits and rent-free periods	Total	Total
Balance at beginning of year	$ 7,101	$ 1,286	$ 8,387	$ 9,849
Additions	-	79	79	-
Write-off of lease incentives	(58)	-	(58)	-
Amortization	(1,079)	(311)	(1,390)	(1,462)
Balance at end of year	$ 5,964	$ 1,054	$ 7,018	$ 8,387

Note 13 ENVIRONMENTAL LIABILITIES

(in thousands, unless otherwise noted)

The AER has a mandate to protect public safety and the environment. During the fiscal year ended March 31, 2025, responsibility for 31 legacy sites previously administered by the AER was transferred to the Ministry of Environment and Protected Areas (EPA).

Prior to the transfer, the AER had identified 31 legacy sites (2024 - 30), of which, one site (2024 - one) as having immediate public safety and environmental risk. During the year ended March 31, 2025, the AER incurred $nil (2024 - $4) in costs related to protective or remediation work at this site, as EPA is now responsible for all necessary mitigation measures.

As at March 31, 2025, the AER is not responsible, nor has it accepted responsibility, for performing remediation and reclamation work at contaminated sites. The AER has $nil (2024 - $nil) environmental liabilities recorded.

Note 14 ASSET RETIREMENT OBLIGATION

Tangible capital assets are assessed for asset retirement obligations annually. Asset retirement obligations are 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 subsequently re-measured taking into account any new information and the appropriateness of assumptions used. At March 31, 2025, the estimate of the liability is insignificant and therefore no liability was recognized. During the year ended March 31, 2025, the AER incurred $nil (2024 - $nil) in costs to settle the obligation.

Note 15 EMPLOYEE FUTURE BENEFITS

(in thousands, unless otherwise noted)

The AER participates in the Government of Alberta's multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. For the year ended March 31, 2025, the expense for these pension plans is equal to the contributions of $13,094 (2024 - $12,357) and is included in salaries, wages and employee benefits on Schedule 1. The AER is not responsible for future funding of the plan deficit other than through contribution increases.

In addition, the AER 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.

All the information presented in the note below is related to the AER's defined benefit pension plans.

The effective date of the most recent actuarial funding valuation for SEPP was December 31, 2023. The accrued benefit obligation as at March 31, 2025 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, 2026.

Pension plan assets are valued at market values. During the year ended March 31, 2025, the weighted average actual return on plan assets was 7.9**%** (6.6% in 2024).

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

Accrued benefit obligations	2025	2024
Discount rate	5.1%	5.3%
Rate of compensation increase	4.0% until March 31, 2025, 3.0% thereafter	6.0% until March 31, 2024, 3.0% thereafter
Long-term inflation rate	2.0%	2.0%

Pension benefit costs for the year	2025	2024
Discount rate	5.3%	5.4%
Expected rate of return on plan assets	5.3%	5.4%
Rate of compensation increase	3.0%	6.0% until March 31, 2024, 3.0% thereafter

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

	2025	2024
Market value of plan assets	$ 98,815	$ 90,265
Accrued benefit obligations	(79,394)	(72,374)
Plan surplus	19,421	17,891
Unamortized actuarial gains	(3,703)	(4,154)
Pension assets	$ 15,718	$ 13,737

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

	2025	2024
Current period benefit cost	$ 2,646	$ 2,421
Interest cost	3,932	3,705
Expected return on plan assets	(4,940)	(4,549)
Amortization of actuarial gains	(288)	(280)
	$ 1,350	$ 1,297

Note 15 EMPLOYEE FUTURE BENEFITS (continued)

(in thousands, unless otherwise noted)

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

	2025	2024
Benefits paid	$ 2,885	$ 2,756
AER contributions	3,328	5,134
Employees' contributions	910	850

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

	2025	2024
Equity securities	45.5%	44.9%
Debt securities	24.9%	24.6%
Alternatives	19.9%	19.7%
Other	9.7%	10.8%
	100.0%	100.0%

Note 16 TANGIBLE CAPITAL ASSETS

(in thousands)

	2025						2024
	Land	Leasehold improvements	Furniture and equipment	Vehicle	Computer hardware and software	Total	Total
Estimated useful life	Indefinite	Term of the lease	3-10 years	5-15 years	3-10 years		
Historical cost [1]							
Beginning of year	$ 282	$ 49,100	$ 12,499	$ 584	$ 147,777	$ 210,242	$ 201,063
Additions	-	2,687	1,378	1,330	13,315	18,710	14,114
Disposals, including write-downs	-	(8,757)	(3,225)	-	(1,663)	(13,645)	(4,935)
	282	43,030	10,652	1,914	159,429	215,307	210,242
Accumulated amortization							
Beginning of year	$ -	$ 29,635	$ 10,956	$ 74	$ 111,854	$ 152,519	$ 144,391
Amortization expense	-	2,040	445	145	9,314	$ 11,944	11,948
Effect of disposals, including write-downs	-	(8,656)	(3,179)	-	(1,618)	$ (13,453)	(4,775)
Transfers and adjustments	-	-	-	-	-	$ -	955
	-	23,019	8,222	219	119,550	151,010	152,519
Net book value at March 31, 2025	$ 282	$ 20,011	$ 2,430	$ 1,695	$ 39,879	$ 64,297	
Net book value at March 31, 2024	$ 282	$ 19,465	$ 1,543	$ 510	$ 35,923		$ 57,723

[1] Historical costs include work-in-progress at March 31, 2025 totalling $16,550 (2024 - $12,055) comprised of: computer hardware and software of $16,539 (2024 - $10,896) and leasehold improvements of $11 (2024 - $1,159).

Note 17 ACCUMULATED SURPLUS

(in thousands)

Accumulated surplus is comprised of the following:

	2025			2024
	Investments in tangible capital assets [1]	Unrestricted net assets	Total	Total
Balance at beginning of year	$ 50,622	$ 29,524	$ 80,146	$ 74,935
Annual operating surplus	-	7,008	7,008	5,211
Net investment in tangible capital assets [1]	7,711	(7,711)	-	-
Balance at end of year	$ 58,333	$ 28,821	$ 87,154	$ 80,146

[1] Excludes leasehold improvement costs received by the AER as a lease incentive and related amortization.

Note 18 CONTRACTUAL RIGHTS

(in thousands)

Contractual rights are rights of the AER to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

During the year ended March 31, the AER collected the following amounts for its contractual rights under operating subleases:

	2025	2024
Contractual rights from operating subleases	$ 442	$ 592

As at March 31, 2025, estimated amounts that will be received or receivable for each of the next five years are as follows:

2025-26	439
2026-27	182
2027-28	-
2028-29	-
2029-30	-
	$ 621

Note 19 CONTINGENT LIABILITIES

(in thousands, unless otherwise noted)

The AER is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate. As at March 31, 2025, accruals totalling $14 (2024 - $25) have been recognized as a liability.

Note 20 CONTRACTUAL OBLIGATIONS

(in thousands)

As at March 31, 2025, the AER had contractual obligations totalling $123,917 (2024 - $146,267).

Contractual obligations are obligations of the AER to others that will become liabilities in the future when the terms of those contracts or agreements are met.

As at March 31, 2025, estimated payment requirements for obligations under operating leases and contracts for each of the next five years and thereafter are as follows:

2025-26	$ 36,649
2026-27	30,599
2027-28	19,385
2028-29	13,070
2029-30	13,325
Thereafter	10,889
	$ 123,917

Note 21 ASSETS UNDER ADMINISTRATION

(in thousands)

The AER administers security deposits in accordance with specified acts and regulations. Security deposits are held on behalf of depositors with no power of appropriation and therefore are not reported in these Consolidated Financial Statements. The AER does not have any financial risk associated with security collected. Security, along with any interest earned, will be returned to the depositors upon meeting specified refund criteria. Security may be forfeited and transferred to the Orphan Well Association for the cost of suspension, abandonment, site decontamination and surface land reclamation.

As at March 31, assets under administration included the following types of security deposits:

	2025				2024
	Cash	Letters of credit	Surety Bond	Total	Total
Liability Management programs and landfills	$ 106,665	$ 347,972	$ -	$ 454,637	$ 426,627
Mine Financial Security program	123,891	990,734	613,102	1,727,727	1,687,864
Other programs	12,550	13,890	5,628	32,068	31,020
	$ 243,106	$ 1,352,596	$ 618,730	$ 2,214,432	$ 2,145,511

Note 22 COMPARATIVE FIGURES

Certain 2024 figures have been reclassified, where necessary, to conform to the 2025 presentation.

Note 23 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These Consolidated Financial Statements were approved by the AER Board of Directors on May 15, 2025.

ALBERTA ENERGY REGULATOR **Schedule 1**

ENERGY REGULATION EXPENSES - DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2025

(in thousands)

	2025	2024
Salaries, wages and employee benefits	$ 166,876	$ 155,370
Consulting services	23,423	23,380
Computer services	20,089	20,668
Buildings	18,098	19,056
Amortization of tangible capital assets (Note 16)	11,944	12,903
Administrative	4,017	2,798
Travel and transportation	2,710	2,511
Equipment rent and maintenance	273	298
Loss on disposal and write-down of tangible capital assets	174	148
	$ 247,604	$ 237,132

ALBERTA ENERGY REGULATOR **Schedule 2**

SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2025

(in thousands)

Position	2025 Base salary [1]	2025 Other cash benefits [2]	2025 Other non-cash benefits [3]	2025 Total	2024 Restated [4] Total
Board Members [5]	$ 560	$ -	$ 51	$ 611	$ 534
President and Chief Executive Officer [6]	55	7	18	80	-
Former President and Chief Executive Officer [7]	318	28	89	435	465
Chief Hearing Commissioner	253	16	63	332	323
Chief Operations Officer	300	15	87	402	388
Executive Vice-President, Law and General Counsel [4]	296	12	85	393	387
Vice-President of Finance and Chief Financial Officer [4]	264	10	72	346	351
Vice-President of People, Culture and Learning [4]	255	13	64	332	317

(1) Includes retainers and per diems for Board Directors and regular salary for Executives.

(2) Other cash benefits include payments in lieu of vacation, pension and health benefits, variable pay, as well as vehicle allowances and other cash reimbursements.

(3) Other non-cash benefits includes employer's share of all employee benefits and contributions or payments made on behalf of employees, including pension, supplementary retirement plans, health care and payments made for professional memberships, tuition fees, parking and other taxable benefits.

(4) The 2024 figures have been restated to reflect a change in the pension contribution rates, following the completion of a valuation in October 2024 with an effective date of January 1, 2024.

(5) The incumbent Board of Directors consisted of seven members.

(6) The incumbent held the position effective February 18, 2025. Other cash benefits include a short-term incentive plan of $5 earned during the year.

(7) The incumbent held the position until February 18, 2025.

The costs detailed below are only for those employees, included in Schedule 2, who were employed during the years ended March 31, 2024 and 2025, and participated in the SEPP and SRP maintained by the AER. The SEPP and SRP provide retirement benefits to compensate senior staff who do not participate in the Government of Alberta's management pension plans.

Position	2025 Current service cost	2025 Prior service and other costs	2025 Total	2024 Total
President and Chief Executive Officer	$ 11	$ -	$ 11	$ -
Executive Vice-President, Law and General Counsel	21	(6)	15	17
Vice-President of Finance and Chief Financial Officer	28	(3)	25	27
Vice-President of People, Culture and Learning	20	(3)	17	19

The accrued obligation for each executive under the SRP is outlined in the following table:

Position	Accrued obligation April 1, 2024	Changes in accrued obligation	Accrued obligation March 31, 2025	Accrued obligation March 31, 2024
President and Chief Executive Officer	$ -	$ 14	$ 14	$ -
Executive Vice-President, Law and General Counsel	244	214	458	244
Vice-President of Finance and Chief Financial Officer	139	43	182	139
Vice-President of People, Culture and Learning	100	17	117	100

ALBERTA ENERGY REGULATOR **Schedule 3**

CONSOLIDATED ACTUAL RESULTS COMPARED WITH BUDGET

YEAR ENDED MARCH 31, 2025

(in thousands)

	Budget (Note 4)	Adjustments [1]	Adjusted budget	Actual
Revenues				
Administration fees	$ 225,246	$ 860	$ 226,106	$ 226,107
Orphan fund levies and transfers	135,500	11,000	146,500	150,376
Government of Alberta grants	15,877	6,462	22,339	18,127
Investment income	6,299	(186)	6,113	6,339
Information, services and fees	1,499	1,840	3,339	4,039
	384,421	19,976	404,397	404,988
Expenses				
Energy regulation	246,421	8,976	255,397	247,604
Orphan well abandonment	135,500	11,000	146,500	150,376
	381,921	19,976	401,897	397,980
	2,500	-	2,500	7,008
Capital				
Capital investment	14,500		14,500	18,710
Less: Amortization of tangible capital assets	(12,000)		(12,000)	(11,944)
Net loss on disposal and write-down of tangible capital				(174)
Proceeds on disposal of tangible capital assets				(18)
Net capital investment	2,500	-	2,500	6,574
Surplus	$ -	$ -	$ -	$ 434

[1] The adjustments represent modifications to the original budget approved by the Treasury Board. These changes include incorporating additional grant funding for government-initiated projects that were not initially budgeted, a decrease in investment income due to declining interest rates, and adjustments for administration fee penalties. Security forfeitures and first-time license fees transferred to the Orphan Well Association are included as adjustments.

ALBERTA ENERGY REGULATOR **Schedule 4**

RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2025

(in thousands)

The AER, in the normal course of business, entered into various transactions with entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. These entities are considered to be related parties of the AER. Related parties also include key management personnel and close family members of those individuals in the AER. In 2025, there were no amounts or transactions, other than compensation, between the AER and its key management personnel. Key management personnel compensation is disclosed in Schedule 2.

Related Party Transactions with Government of Alberta Entities

The AER recognized the following transactions with Government of Alberta entities in the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry of Energy		Other entities	
	2025	2024	2025	2024
Revenues				
Government of Alberta grants	$ 17,104	$ 14,185	$ 1,023	$ -
Information, services and fees	305	346	695	700
	$ 17,409	$ 14,531	$ 1,718	$ 700

	Entities in the Ministry of Energy		Other entities	
	2025	2024	2025	2024
Expenses				
Computer services	$ 686	$ 414	$ 2,552	$ 3,006
Buildings	-	-	485	505
Administrative	-	-	559	476
Consulting services	-	-	537	182
	$ 686	$ 414	$ 4,133	$ 4,169
Receivable from	$ 168	$ 145	$ 6	$ 14
Prepaid expenses and other assets	$ -	$ -	$ 38	$ 38
Payable to	$ 195	$ -	$ 1,379	$ 1,216
Deferred revenue	$ 8,697	$ 5,782	$ 619	$ 133
Contractual obligations [1]	$ -	$ -	$ 6,340	$ 6,210

[1] Contractual obligations are obligations of the AER to related parties that will become liabilities in the future when the terms of those contracts or agreements are met.