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Annual Meeting
April 29, 2004





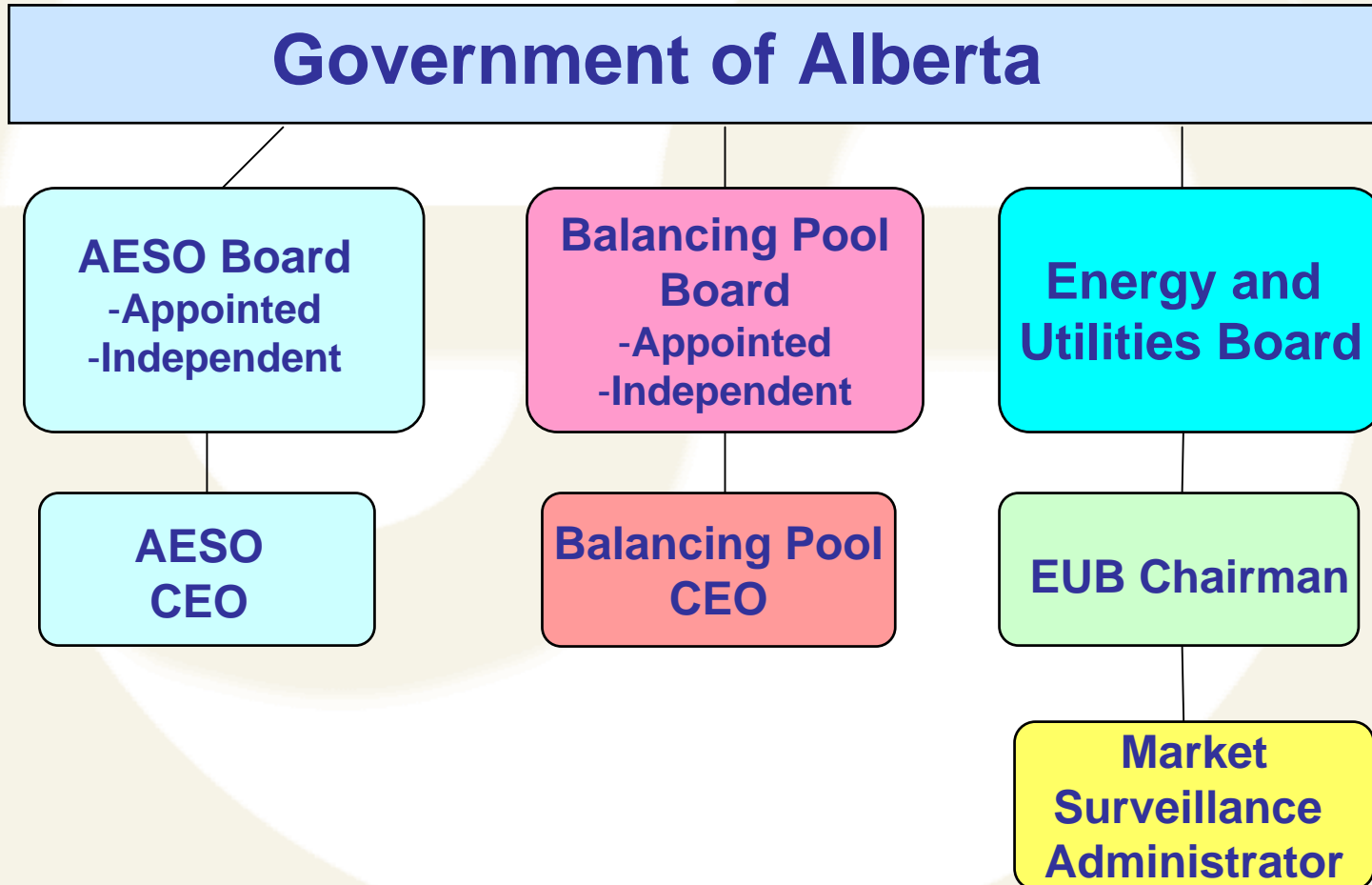
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Meeting Agenda

- Overview of Key Activities in 2003
- Review of 2003 Financial Results
- Activities and Outlook for 2004
- Closing Remarks and Questions



Governance Structure





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Governance Structure

- Currently 5 members on Board of Directors
- Members are independent of direct interests in the Alberta power industry
- Board has formed Committees responsible for Audit & Finance and Governance and Human Resources



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Key Duties under the Electric Utilities Act

- To manage generation assets in a commercial manner
- To sell generation assets when fair value can be achieved
- To manage risks/liabilities prudently
- To participate in regulatory and dispute resolution proceedings to protect interests and asset values
- To ultimately wind-up with a zero balance in the accounts



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MAP II Sale Process

Summary of Critical Path:

- Q4/2001: Consultation and product design
- Q1/2002: Industry presentations and input
- Q3/2002: Sale of Clover Bar Units
- Q4/2002: Sale of Sheerness Strips
- Q1/2003: Sale of Genesee Strips
- Q4/2003: Sale of Final Clover Bar Unit

.....effectively 2 years from start to finish



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MAP II Holdings

Contract Purchasers	Clover Bar Units	Sheerness Strips	Genesee Strips	Total MAP II Capacity
AltaGas Services			100	100
BP Canada Energy			81	81
Candela Energy Services		78		78
Constellation Power Source	157	100	300	557
Direct Energy Marketing		100	100	200
El Paso Merchant Energy	157	100		257
ENMAX Energy	157		81	238
SEEGEN Alberta			100	100
TransCanada Energy		100		100
UBS Energy Canada	157	278		435
Totals	628 MW	756 MW	762 MW	2,146 MW



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MAP II Summary

- MAP II sale process:
 - conducted with ongoing input from stakeholders
 - open to all bidders, subject to credit
 - conducted in four major rounds over a 9 month period
 - confidential and price competitive
 - MAP II strip contracts were over-subscribed
 - resulted in maturity dates staggered between December 2004 to March 2006



Sale of H.R. Milner

- In 2001, Balancing Pool assumed control of HR Milner, with operation under contract with ATCO
- Prior sale process in 2001 was not successful
- Future of H. R. Milner station was uncertain, as re-start of local mining in Grande Cache had not proceeded
- Timeline was critical: operating contract with ATCO ended in September 2003 and the station was likely to be decommissioned if no sale occurred



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Sale of H.R. Milner

- Sale process initiated January 2003 with deal in place by October 2003
- New owner is Milner Power L.P., a consortium of investors including Maxim Power, ENTx and private investors
- Transaction closed January 2004; Balancing Pool received \$5.5 million in sale proceeds plus further potential upside via \$15 million earn-out
- BP retains the reclamation and abandonment liability



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Sale of H.R. Milner

- Over 3 year operating period, BP received over \$50 million in cash flow from plant operations to offset payout to ATCO
- Sale proceeds could total \$20.5 million
- Under the Sale Agreement, H. R. Milner may continue to operate to 2015, keeping 156 MW of capacity supplied to the market
- Continued operation of the plant retains jobs in the Grande Cache community



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Risk Management

- Balancing Pool acts as the “risk backstop” for potential events affecting all PPAs:
 - Change in Law
 - Events of Force Majeure
 - PPA Unit Destruction
 - PPA Buyer Default

There are potential significant economic consequences of these events



Risk Management

- The BP has been involved in dispute resolution processes for PPA liabilities:
 - 2001: Wabamun Unit 4 Force Majeure
 - 2001: Sundance Force Majeure
 - 2002: Wabamun Unit 3 PPA Termination
 - 2003: Battle River Force Majeure
- The Battle River Force Majeure claim is currently in arbitration which will be resolved in 2004



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Risk Management

- Under regulation, the BP has the potential liability for any excess decommissioning costs under the legacy plants
- Application has been filed for decommissioning of Wabamun Units 1, 2 and 3
- Balancing Pool is taking an active role in the EUB hearing process



Risk Management

- Conducted studies to evaluate and quantify risks emanating from these liabilities
- Devised strategies for mitigating the identified risks where possible
- BP requires cash reserves and/or credit facility to backstop these potential obligations



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2003 Financial Results



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Statement of Operations: Revenues

	(in millions) 2003	(in millions) 2002
MAP II Receipts	\$ 418	\$ 47
Sale of electricity	114	611
PILOT	39	30
Hydro PPA	15	64
Investment income	6	5
Total Revenues	\$592	\$757



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Statement of Operations: Expenses

	(in millions)	(in millions)
	2003	2002
Cost of Sales	\$547	\$610
Amortization	59	58
SPP Liability	(29)	(9)
Other PPA charges	4	12
Other	8	3
Total Expenses	\$589	\$674



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Operating Results

	(in millions)	(in millions)
	2003	2002
Revenues	\$592	\$757
Operating income	4	83
Discontinued Operations	(2)	(25)
Other income	6	110
Net Surplus attributed to the Deferral Account	\$8	\$168



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Balance Sheet: Assets

- \$2.1 billion asset balance at year-end.
- Major assets are the Thermal and Hydro PPAs carried at \$1.7 billion total book value.
- Year-end cash and investment balances of \$138 million.



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Balancing Pool Funds

- Managed average \$175 million investment position during the year.
- Objective is to preserve capital and maintain liquidity of Funds
- Investment Policy restricted to high-quality short-term fixed income investments



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Balance Sheet: Liabilities

- Major liabilities are the future capital payments under PPAs of some \$2 billion.
- Under legislation, Balancing Pool also has certain payment responsibilities including:
 - R & A on isolated generation sites + H.R. Milner Generating Station (\$35 million)
 - Small power producer contracts (\$39 million)



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Deferral Account Balance

- Represents amount by which value of liabilities exceeded assets, based on year-end valuations.
(in millions)

2003	2002
\$169	\$177

- Deferral Account is an accounting balance based on net book values.
- No contingent liabilities under other PPAs (e.g. force majeure or change of law claims) are reflected in this balance



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Financial Outlook for 2004

- Year-to-date results are tracking to budget.
- 2004 results will be impacted by:
 - Variability in Power Pool prices
 - Market prices for ancillary services
 - Any costs incurred under other PPAs
 - Force Majeure events
 - Wabamun decommissioning



Activities in 2004

- Review of Hydro PPA ancillary services
 - ensure that BP receives fair value for AS revenues
 - determine whether Hydro PPA terms may result in aberrations in market trading activity
- Review of Credit Policy
 - ensure credit limits reflect appropriate counterparty risk



Activities in 2004

- Strategic Planning Process
 - involves input from market participants
 - may be affected by any changes evolving from review of market design
 - includes long-term cash forecast



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Short Term Financial Forecast

- In 2001, Balancing Pool rebated \$2 billion to consumers
- BP has stranded costs in PPAs as MAP II recoveries presently do not cover costs
- Current cash position is some \$100 million; year- end cash forecast is \$20 million
- BP will need to cover cash deficit in 2005, potentially via charge to consumers



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Long Term Financial Forecast

- Long-term financial forecast result of many factors:
 - revenues & power pool prices versus PPA costs
 - potential obligations under other PPAs for force majeure, decommissioning costs, etc.
 - long-term plan for Clover Bar PPA
- Possibility may exist that cash flow deficit will turn positive in later years
- In this case, will consider bridge financing cash flow deficit over the short term



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Looking Forward... MAP III

- Will review potential for product design changes including
 - Term: offer varying maturities
 - Contract Size: offer varying sizes
 - PPA Risk Sharing

Anticipate that demand for future MAP product offerings will increase



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In Closing....

- Transition to a new corporation in 2003 has been successful
- Remain focused on enhancing asset value and managing liabilities...with the objective of minimizing any charges to consumers
- Our thanks go to our stakeholders for your continued support