

GENERATING VALUE FOR ALBERTA'S CONSUMERS



**balancing**pool

# STAKEHOLDER RECEPTION

*May 22, 2008*

# Presentation

- Review of 2007 financial results
- Overview of key activities in 2008
- Closing remarks and questions

# 2007 Results at a Glance

(in millions)

	<u>2007</u>	<u>2006</u>
Revenues and Funding	<b>\$539</b>	\$580
Operating Income	<b>254</b>	310
Consumer Allocation	<b>162</b>	54
Cash and Investments	<b>\$947</b>	\$807
Ending Deferral Account Balance	<b>1,360</b>	975
Total Assets / Liabilities	<b>2,299</b>	1,964
Other Metrics:		
	<u>2007</u>	<u>2006</u>
PPA Volumes (in GWh)	<b>8,000</b>	7,900
Average Pool Price per MWh	<b>\$66.95</b>	\$80.79

# 2007 Cashflow Summary

## Major Inflows

Net  
Genesee  
PPA

Net Hydro  
PPA

Investment  
Income

PILOT  
Receipts

\$134 million

\$112 million

\$34 million

\$10 million

**Balancing  
Pool**

## Major Outflows

Allocation  
to  
Consumers

Cash &  
Investments

Isolated  
Generation  
Reclamation  
Costs

Utilities  
Consumer  
Advocate

\$162 million

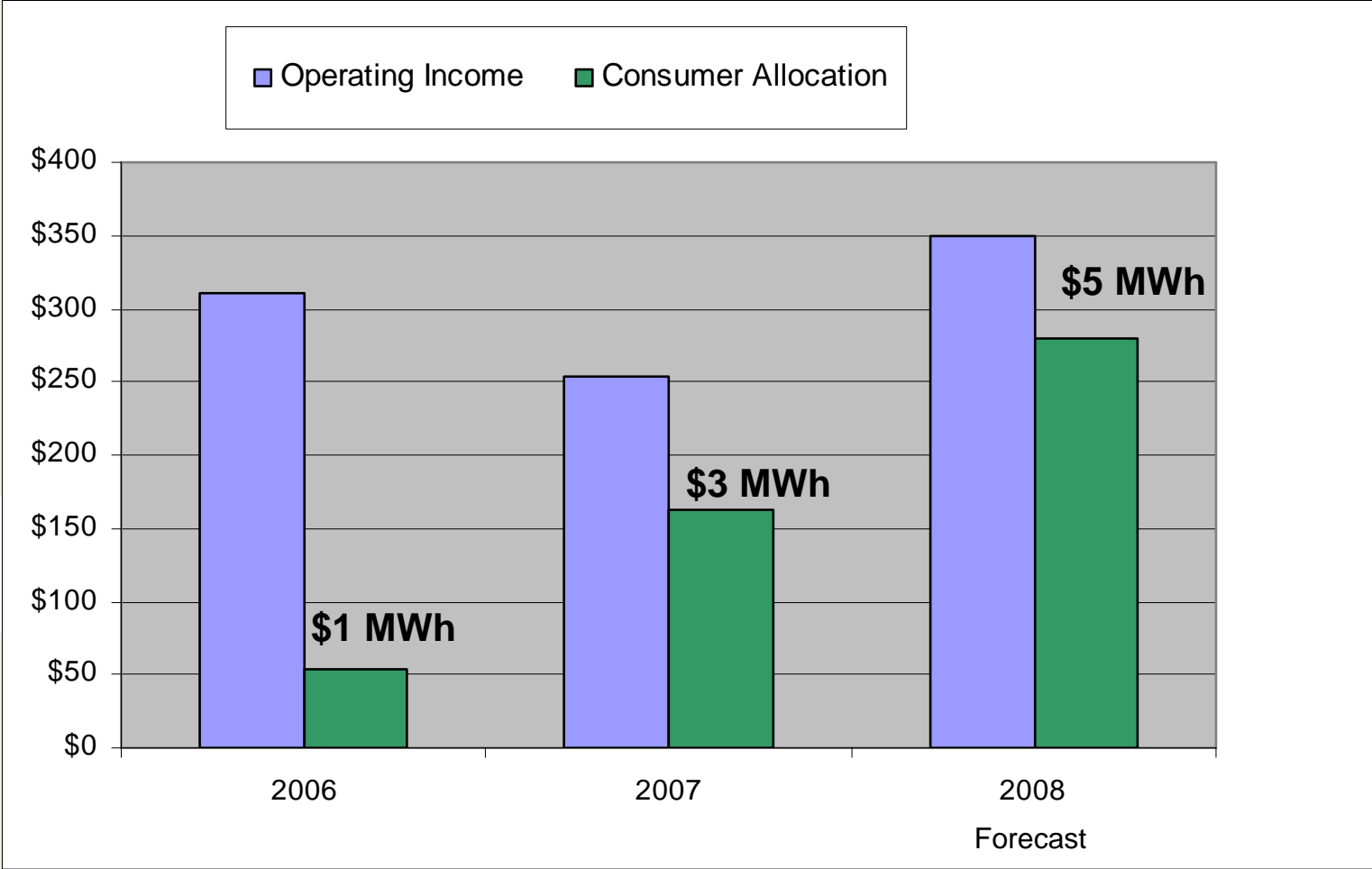
\$142 million

\$19 million

\$4 million

# Cashflow and Consumer Allocation

(in millions)



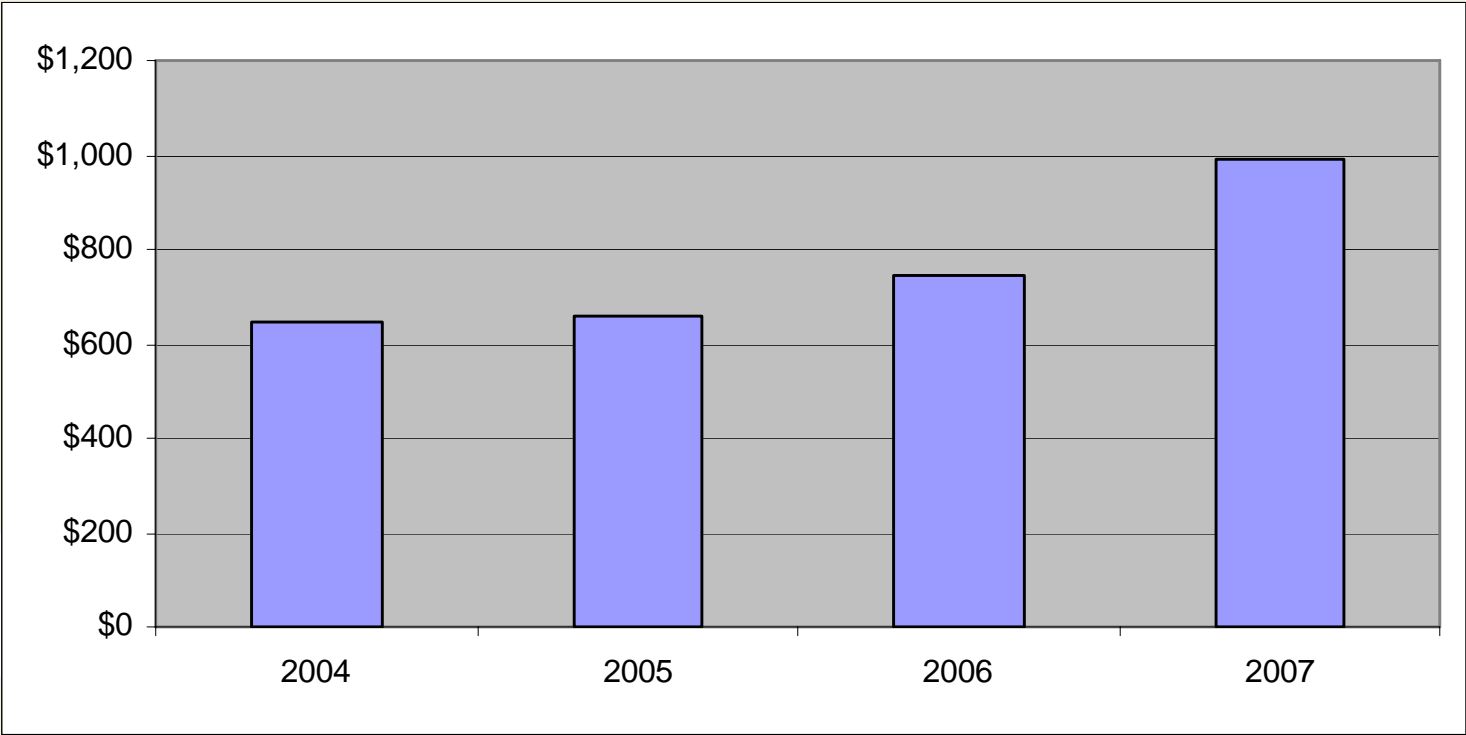
# Balance Sheet

( in millions )

<b>Assets</b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Current Assets	\$349	\$603
Receivable on H R Milner Sale	-	1
Investments	799	441
Property Plant & Equipment	256	276
Deferred Charges	1	-
Hydro PPA	894	643
Total Assets	<u>\$2,299</u>	<u>\$1,964</u>
<b>Liabilities</b>		
Current Liabilities	\$179	\$159
PPA lease obligations	728	783
Reclamation & Abandonment Provision	32	47
SPP Contracts	-	-
Balancing Pool – Deferral Account	1,360	975
<b>Total Liabilities</b>	<u>\$2,299</u>	<u>\$1,964</u>

# Hydro PPA – Asset Valuation

(in millions)



# Investment Portfolio

- Assets allocated to long-term investments rose to \$800m in 2007.
- Continue to hold Canadian and Global equity portfolios with external investment managers. Fixed Income assets are managed directly.
- Value of our Global investments fell modestly in 2007 due to the escalation of the Cdn dollar.
- No losses or write-downs incurred due to ABCP.

# Investment Portfolio

- Portfolio is diversified amongst various asset classes:

Market Value as at April 30, 2008 (millions)

Fixed Income	\$249	27%
Canadian Equities	246	27%
Non-Canadian Equities	272	30%
Short-Term Money Market	147	16%
<hr/>		
Total	\$914	100%

# RRO Auctions and Hedging

- In 2007 we sold over 2 million MWhs at an average price of \$87 while all-in RRO rates to consumers averaged \$94.
- For 2008 we have committed to selling over 1.7 million MWhs of RRO supply at an average price of \$96/MWh.
- We will continue to hedge part of our price exposure through RRO auctions or OTC transactions.

# Genesee PPA Auction

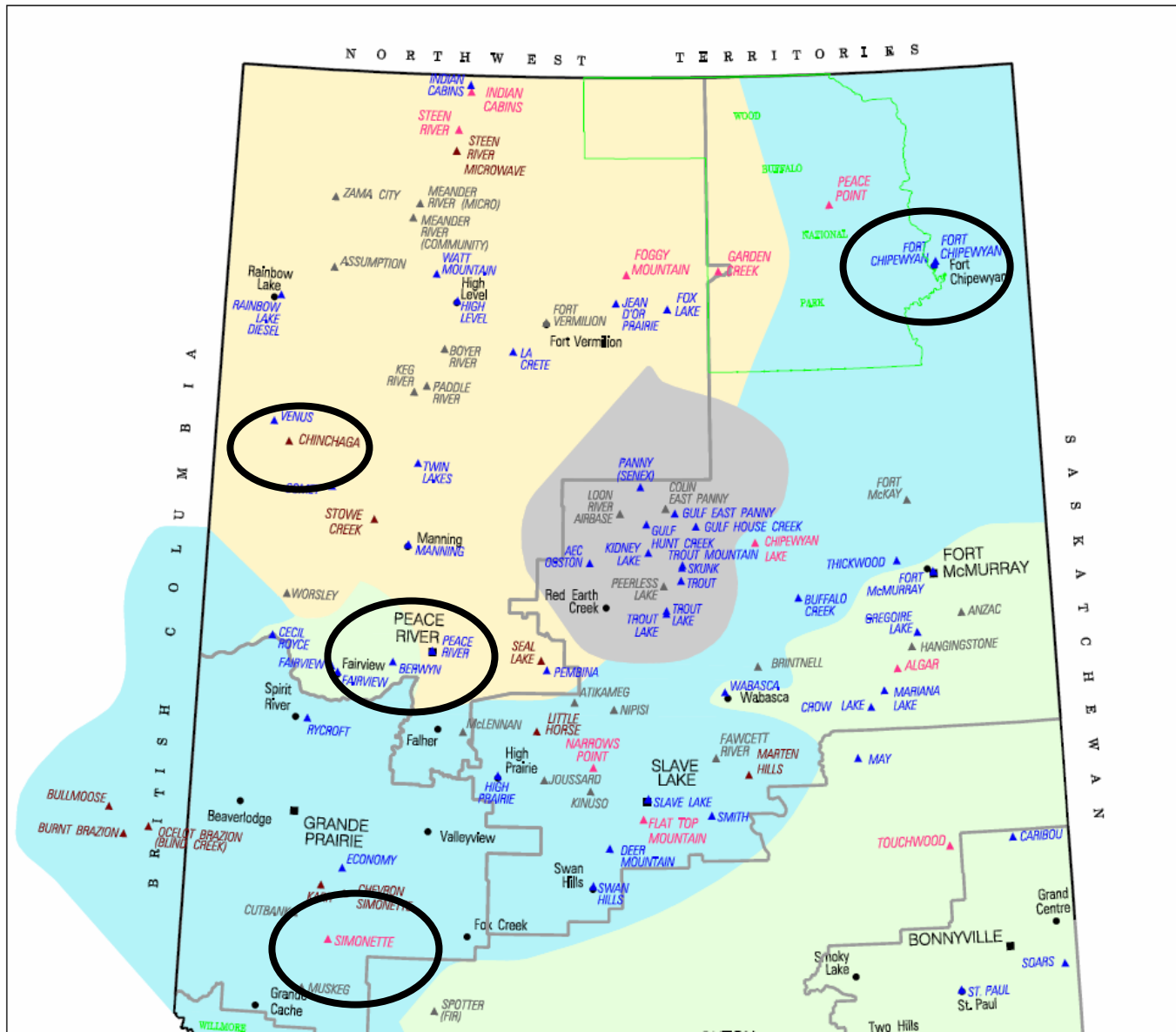
- Reactivation of the Genesee PPA auction contingent on:
  - Finalization and Implementation of the DOE's policy on wholesale market power;
  - Further delineation of Federal GHG legislation;
  - An assessment that market conditions will result in the Balancing Pool receiving fair value.
- Auction process not expected to occur during 2008.

# Update for 2008

- Isolated Generation Remediation
- Wabamun Decommissioning
- KEG Transmission Upgrade

# Isolated Generation Remediation

- Total of 77 ATCO sites in remote northern Alberta being remediated. Five major sites have yet to be completed.
- Costs have risen significantly from original estimate:
  - Original application budget was \$26 million
  - Costs to date are ~ \$56 million
  - Latest budget is over \$84 million
- BP and Consumer Groups re-constituted the RRC oversight committee in March 2008 to bring stronger governance practices to the project.





# Wabamun Decommissioning

- Financially responsible for asbestos abatement and a share of land remediation for Wabamun units 1, 2, and 3.
- Currently two-third's complete, expected completion is June 2009.
- \$12M spent to date, expected total costs are \$20M-\$25M.
- Decommissioning funds collected by TransAlta have reached a zero balance. All future expenditures will be paid by the Balancing Pool.



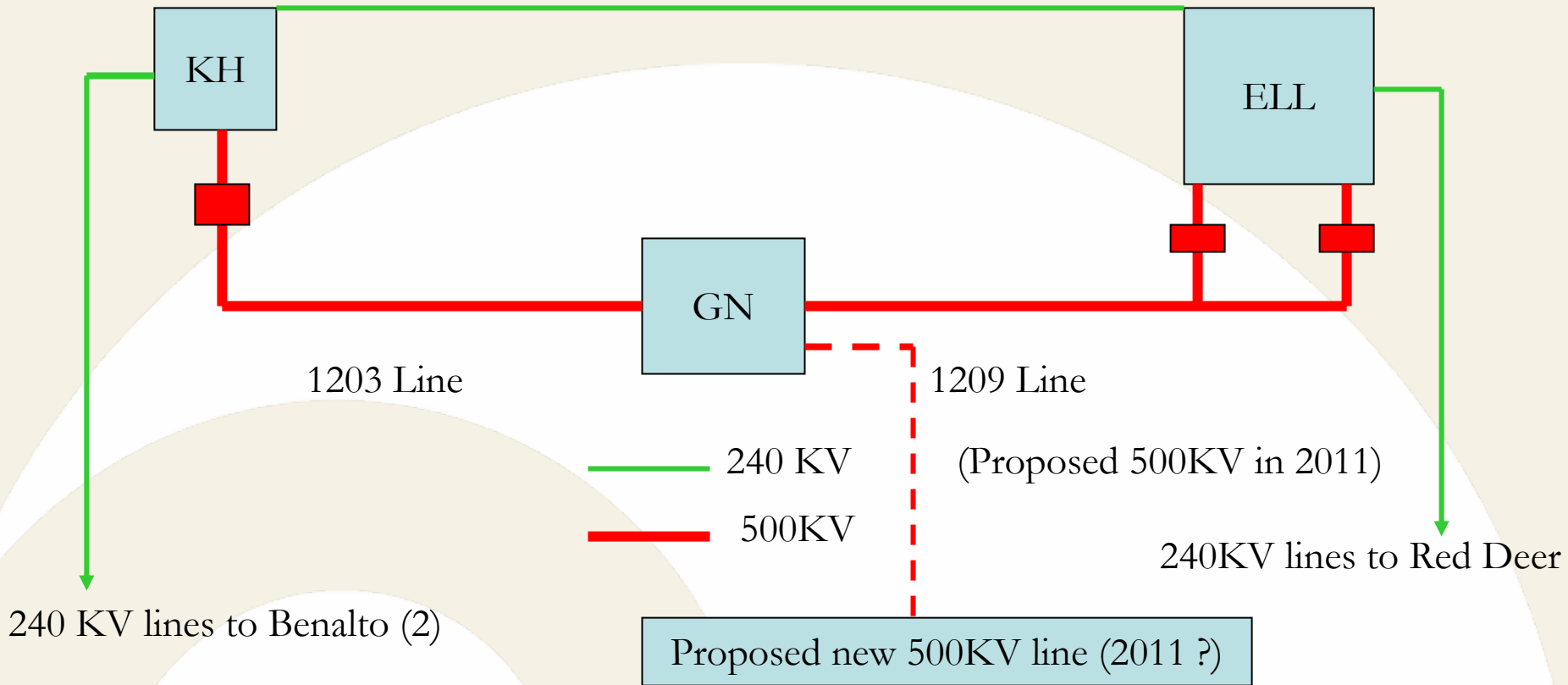
# KEG Transmission Upgrade

- From March-May 2008, Genesee & Keephills units derated or off-line to facilitate 500 KV upgrade in the Wabamun to Edmonton corridor.
- Capacity payments to Keephills owner of approx \$3.5 million – via backstop role of Balancing Pool.
- Foregone revenue to Balancing Pool estimated at \$4.5 million.
- Benefit to consumers of decreased system transmission losses.

# KEG Upgrade

## Keephills – Ellerslie - Genesee

1202 Line [240 KV]



# In Closing

- We remain focused on operating in a commercial manner to optimize asset values and manage liabilities.
- We will provide regular updates to stakeholders regarding the Genesee auction process and other significant developments.
- Our thanks go to our stakeholders for your continued input and support.

[www.balancingpool.ca](http://www.balancingpool.ca)

# Balancing Pool Team

**President and CEO:** Gary Reynolds

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**Administration:** Marie Gallant

# Comments and Questions?