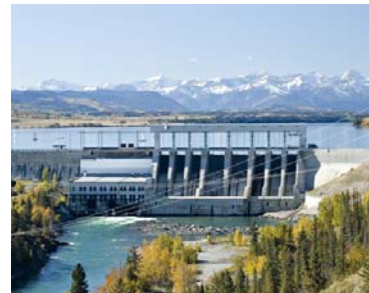


ANNUAL MEETING

April 24, 2007

Calgary, Alberta



balancingpool

Management Team



Gary Reynolds

President and CEO

Doug Heath

Vice President, Operations

Jim Pasieka

Corporate Secretary



Analysts:

Ross Fortune

Brendan Gray

Sean Hewitt

Michelle Manuliak

Greg Wagner



Administration:

Jeannette Castillo

Meeting Agenda



- Review of 2006 financial results
- Overview of key activities and outlook for 2007
- Closing remarks and questions

Review of 2006 Financial Results



2006 Metrics

Market Prices:



	<u>2006</u>	<u>2005</u>
Average Pool price:	\$80.79	\$70.19
Market Heat rate:	13	8



PPA Generation Volumes (in GWh):

	<u>2006</u>	<u>2005</u>	<u>Avg Capacity Factor</u>
Genesee	6,250	6,073	94%
Hydro (fixed volume)	<u>1,650</u>	<u>1,650</u>	N/A
	7,900	7,733	



Revenues and Funding

(in millions)

2006 2005

Genesee PPA electricity revenue **\$345** -

Genesee PPA MAP II sales revenue **66** 257

Hydro PPA **118** 106

PILOT funding **23** 66

Investment income **27** 2

Total revenues and funding **\$579** \$431



Expenses

(in millions)

	<u>2006</u>	<u>2005</u>
Genesee PPA costs	\$248	\$269
Amortization	20	21
Regulatory expenses	4	2
Other expenses	3	4
Other PPA charges	-	4
SPP contracts	(6)	(7)
Total expenses	<u>\$269</u>	<u>\$293</u>



Other Income & Expense

(in millions)

	<u>2006</u>	<u>2005</u>
Revaluation of Hydro PPA asset	\$116	-
Revaluation of SPP contract liability	31	8
Consumer allocation	(54)	-
Reclamation & abandonment expense	(23)	(20)
Other	-	24
Other income	\$70	\$12



Operating Results

(in millions)

2006 **2005**

Revenues

\$579

\$431

Expenses

(269)

(293)

Operating Income

310

138

Other income and expenses

70

12

Discontinued operations

(1)

678

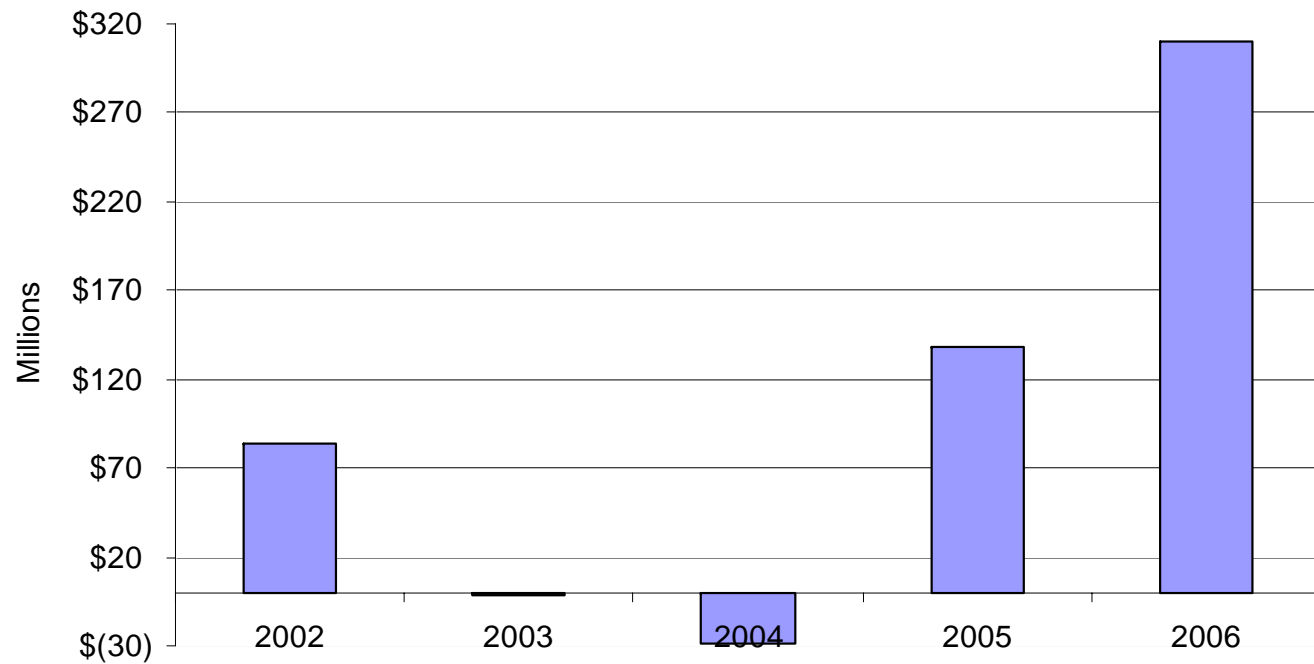
Net surplus attributed to the deferral
account

\$379

\$828



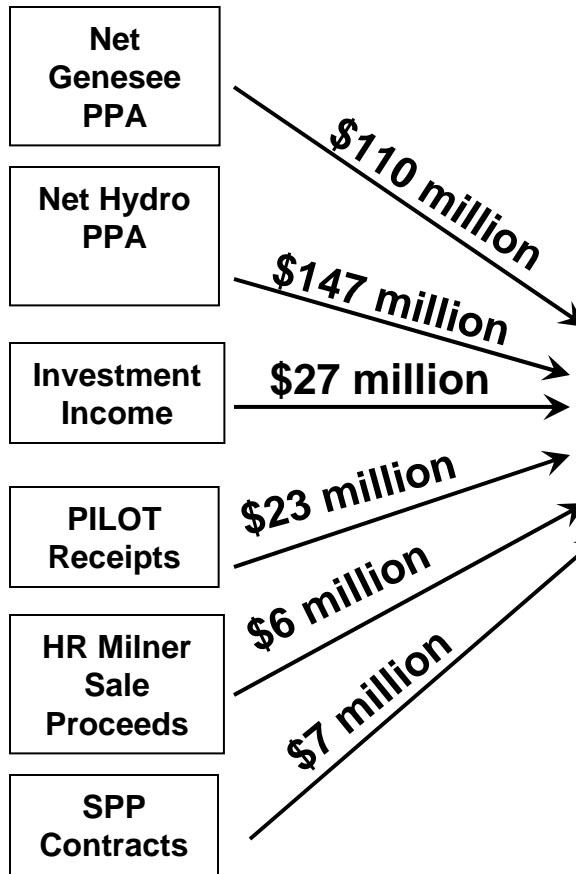
Operating Income (Loss)



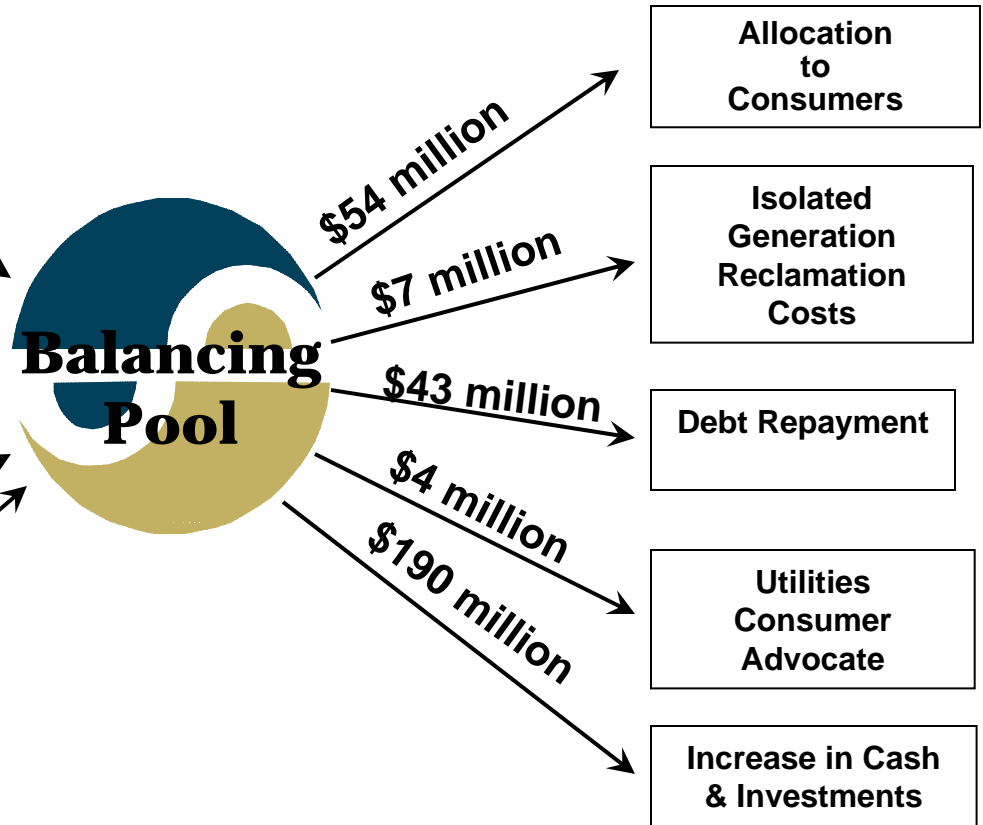
2006 Cashflow Summary



Major Inflows



Major Outflows



Balance Sheet

(in millions)

Assets

	<u>2006</u>	<u>2005</u>
Current Assets	\$603	\$818
Receivable on H R Milner Sale	1	7
Investments	441	-
Property Plant & Equipment	276	295
Hydro PPA	643	591
Total Assets	\$1,964	\$1,711

Liabilities

Current Liabilities	\$159	\$221
PPA lease obligations	783	838
Reclamation & Abandonment Provision	47	27
SPP Contracts	-	29
Balancing Pool – Deferral Account	975	596
Total Liabilities	\$1,964	\$1,711



Update for 2007



Overview of Key Activities



- Long-Term Investment Strategy

- Regulated Rate Option Auctions



- Decommissioning Liabilities

- Financial Position and Consumer Allocation



- Genesee Auction Process

Long-Term Investment Strategy



- Following sale of Sheerness PPA for \$585 million in December 2005, we had surplus funds to manage over the long-term



- During 2006, we developed an Investment Policy to manage funds prudently, effectively, and receive a fair return



- Investment Policy has been structured based on 60% equity and 40% fixed income investments

Long-Term Investment Strategy



- We have appointed several external investment managers based in Calgary, Toronto and NYC



- Based upon high cashflow generated during 2006, surplus funds exceeded \$800 million at year-end



- Presently have over \$500 million invested in Canadian fixed income and Canadian, U.S., and international equities

RRO Auctions



- Since July 2006, EPCOR and ENMAX sourced their Regulated Rate Option (RRO) load requirements via competitive auctions



- We have been a successful participant in the RRO auctions which provide supply to small consumers



- The RRO auctions offer the Balancing Pool an option to reduce Pool price exposure for the Genesee and Hydro PPAs

RRO Auctions



- During 2006, we supplied some 900,000 MWhs of RRO supply at an average price of \$72 MWh
- For 2007, we have committed to sell over 2 million MWhs of RRO supply
- All-in rates charged to RRO consumers have been higher e.g. for Q1 2007, we sold at \$77/MWh while ENMAX's and EPCOR's rates were \$89 and \$85/MWh respectively

Decommissioning Liabilities

Rossdale PPA:

- PPA ended in 2003
- Plant continues as EPCOR and AESO reached an agreement for transmission reliability



Clover Bar PPA:

- PPA terminated in 2005
- EPCOR assumed all costs and replacing existing plant with new peaking capacity



Rainbow PPA:

- PPA ended in 2005
- Plant continues as ATCO and AESO reached an agreement for transmission reliability



Decommissioning Liabilities



- Negotiated Settlement Agreement (NSA) for Wabamun Units 1,2 &3 signed with TransAlta Utilities Corporation and approved by AEUB in December, 2006
- Balancing Pool is actively involved in the project to ensure costs are reasonable and in compliance with the NSA
 - Asbestos abatement underway
 - Land remediation to commence in 2007
 - Project completion mid-2009

Decommissioning Liabilities

Isolated Generation Sites



- 77 ATCO sites in remote northern Alberta being remediated
- 85% of these sites have been completed
- Costs have risen significantly from original estimate:
 - original application budget was \$26 million
 - latest budget is over \$80 million

Consumer Allocation



- As per the *Electric Utilities Act*, the Balancing Pool is required to allocate any surplus funds on an annualized basis



- In 2006, we began allocating \$1 per MWh of consumption or over \$50 million per annum



- In 2007, we increased the consumer allocation to Alberta's electricity consumers to \$3 per MWh of consumption or over \$150 million per annum
- The amount of the allocation will be reviewed on an annual basis

2007 Cashflow Forecast

@ \$75 per MWh Pool Price



Major Inflows

Net
Genesee
PPA

\$130 million

Hydro
PPA

\$120 million

Investment
Income

\$50 million

PILOT
Receipts

\$6 million

SPP
Contracts

\$5 million



Major Outflows

Allocation
to
Consumers

\$165 million

Isolated
Generation
Reclamation
Costs

\$20 million

Utilities
Consumer
Advocate

\$4 million

Genesee Auction Process



- PPA represents 762 MWs of base load coal-fired capacity
- Genesee station has reliable performance with over 94% availability factor for 2006
- Value to bidders:
 - opportunity to diversify plant risk
 - immediate low-risk entry into Alberta power market
 - no end-of-term costs

Genesee Auction Process

- Term: expect to offer varying maturities of 3, 5, 10 years and full term
- Contract Size: expect to offer strip contract sizes of 25 to 100 MWs; we will also accept bids for the whole PPA
- Potential PPA risk-sharing for post-auction change of law e.g. environmental law
- Consistent with past auctions, reserve prices will be set and contracts will be sold only if bid prices exceed reserve prices



Genesee Auction Process

- Initial marketing completed during the first quarter of 2006;
- Auction put on hold pending the finalization of the DOE's regulatory review process (to be concluded by June 30, 2007)
- Accordingly, the Genesee auction will resume no earlier than Q4 2007



In Closing



- We remain focused on operating in a commercial manner to enhance asset value 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



Comments and Questions?