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Balancing Pool Annual Meeting

**Sheraton Eau Claire
Calgary, AB
April 30, 2003**



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Meeting Agenda

- Welcome and Opening Remarks
- Overview of Key Activities in 2002
- Review of 2002 Financial Results
- Outlook and Activities in 2003
- Closing Remarks and Questions



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Managing Existing Capacity

- During 2002, capacity from thermal PPAs and H. R. Milner continued to be sold into the market.
- Following MAP II sales process, residual capacity is below holding restriction limits.
- Power Pool Council recently approved change allowing flexibility in offer strategy from variable cost to a commercially reasonable manner.



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Establishing Corporate Credit Rating

- Credit rating was required to enable the MAP II sale process and securitization transactions.
- Dominion Bond Rating Service has assigned a rating of AA (low).
- This rating is one of the highest in the Canadian power industry and provides counterparties a high level of confidence in dealing with us.



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Securitization Transactions

- Balancing Pool played key role in securitization of utility deferral accounts by providing indemnification re “change of law”.
- During 2002, transactions completed with ATCO, Aquila and EPCOR groups.
- Over \$500 million of transactions have been completed to date.



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Ongoing PPA Obligations

- Ongoing obligations related to sold PPAs for events such as force majeure, buyer or owner default, change of law, etc.
- During 2002, the following were resolved:
 - Force Majeure at Wabamun Unit 4
 - Force Majeure at Sundance & Keephills
 - Other situations



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Managing Balancing Pool Funds

- Managed average \$200 million investment position during the year
- Objective is to preserve capital and maintain liquidity of the Fund
- Portion of funds are pledged to support Letters of Credit issued in securitization transactions resulting in lower financing costs



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Implementing MAP II

- Upon final phase of Genesee sale, some 2,000 MWs of capacity has been sold.
- Competitive process resulted in sale prices that exceeded reserve prices.
- Total value of MAP II sales over 3 year terms will total almost \$1.0 billion .



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Market Achievement Plan II Summary of Results



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Balancing Pool-Held PPA Capacity

Q1 2002: Balancing Pool Held PPA Capacity

- Clover Bar 4 x 157 MW 628 MW
- Sheerness 2 x 378 MW 756 MW
- Genesee 2 x 381 MW 762 MW

Total

2146 MW



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MAP II Objectives

“Transfer control of Balancing Pool held capacity and A/S into the marketplace.”

- **Guiding Principles**

- Enhance competition in the electricity market by encouraging entry of new participants and enhancing liquidity in forward markets.
- Optimize the value of the Balancing Pool held PPA's to consumers.



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MAP II Design Team

Financial/Marketing Advisors



Management Consultants



Contract Development/Legal **Macleod Dixon** LLP

IT/MOBI System Development





MAP II Product Options

	UNITS	STRIPS
PEAKING		
<i>Clover Bar</i>	4 x 157 MW, each with 24 MW of Ancillary Services	4 x 50 MW 4 x 107 MW, each with 24 MW of Ancillary Services
BASE LOAD		
<i>Genesee</i>	2 x 381 MW, each with 80 MW of Ancillary Services	6 x 100 MW 2 x 80 MW, each with 80 MW of Ancillary Services
<i>Sheerness</i>	2 x 378 MW, each with 80 MW of AGC Ancillary Services	6 x 100 MW 2 x 78 MW, each with 80 MW of Ancillary Services



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Contract Characteristics

De-control Balancing Pool-held Capacity

- Transfer Offer Rights to Buyers

Extract Value

- Smaller blocks: 80 MW to 157 MW
- Shorter terms: 3 Year Terms
- Simpler: costs passed from Balancing Pool to Buyers

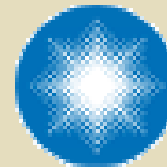
Risk Management

- Force Majeure & Change in Law risks to Buyers



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Clover Bar MAP II Sales Q3 2002



Constellation
Power Source



4 Units @ 157 MW



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MAP II Strip Contracts

- **Sheerness**

- 2 x 78 MW Energy & AS (unit specific)

- 6 x 100 MW Energy only (plant specific)

- **Genesee**

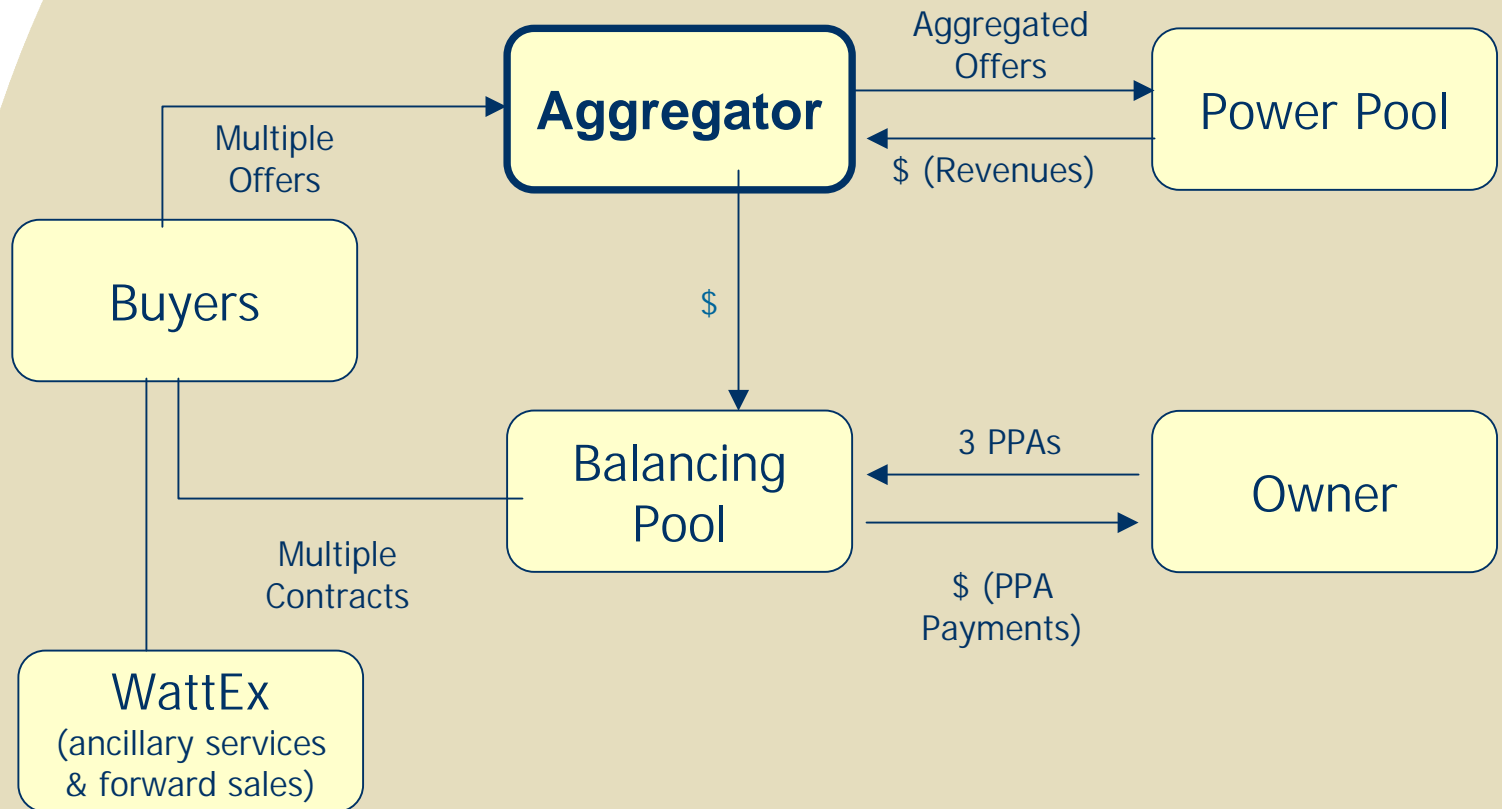
- 2 x 80 MW Energy & AS (unit specific)

- 6 x 100 MW Energy only (plant specific)



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Strip Contract Interfaces





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Sheerness MAP II Sales Q4 2002

Phase I



Phase II



8 Strip Contracts Totaling 756 MW



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Genesee MAP II Sales Q1 2003



Constellation
Power Source



Constellation
Power Source



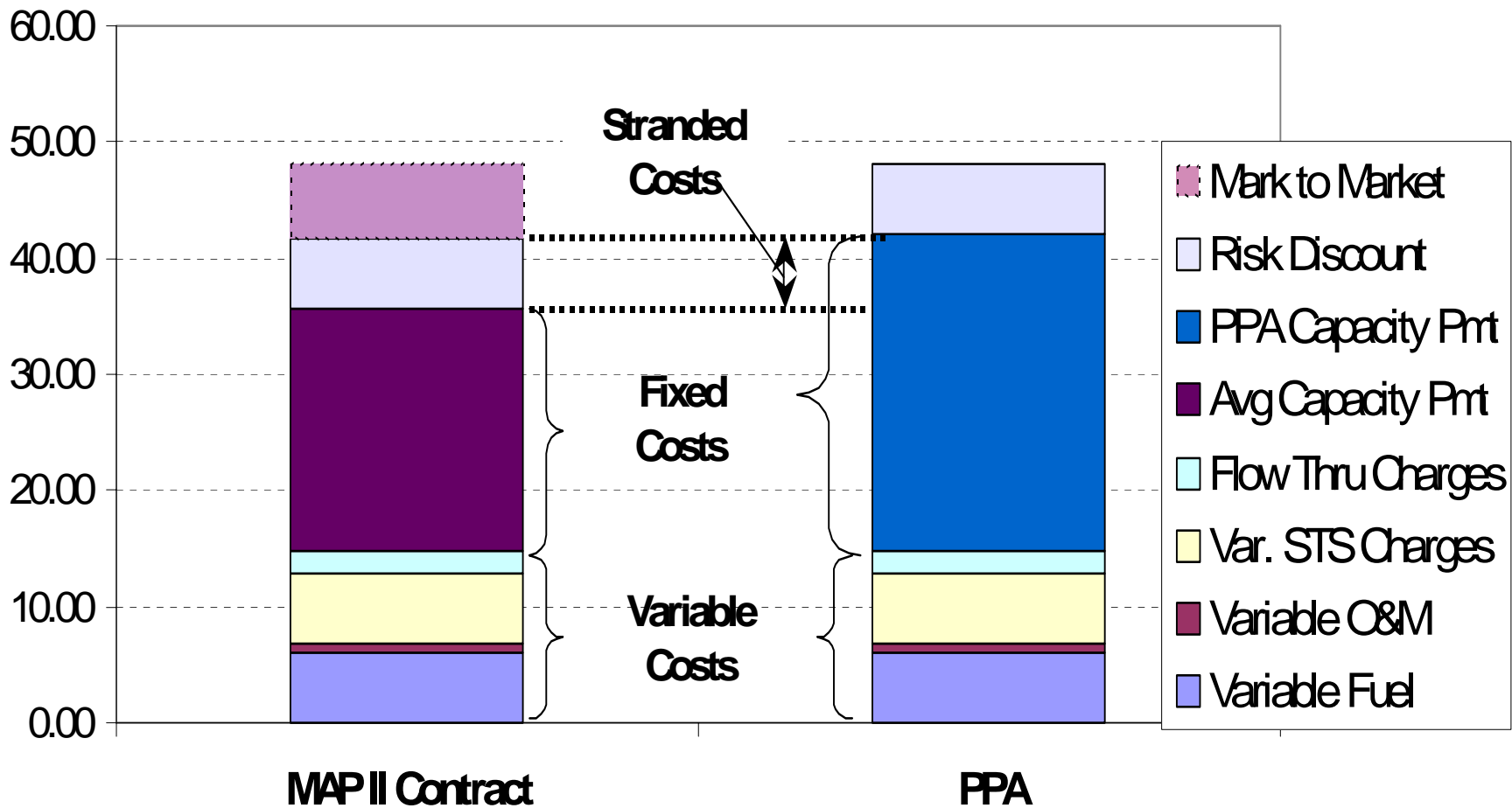
Constellation
Power Source



8 Strip Contracts Totaling 762 MW



“All In” Cost of PPA’s Exceeds Market Prices



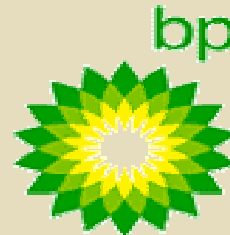


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MAP II Buyers

New Entrants

Incumbents



20 Contracts Totaling 2,146 MW



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2002 Financial Results



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Statement of Operations: Revenues

	(in millions)	(in millions)
	2002	2001
Sale of electricity	\$651	\$1,951
MAP II Sales	47	0
Hydro PPA	64	85
PILOT	30	60
Investment income	5	36
Total Revenues	\$797	\$2,132



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Statement of Operations: Expenses

	(in millions)	(in millions)
	2002	2001
Cost of Sales	\$646	\$945
SPP Liability	(9)	54
Other PPA charges	12	5
Amortization	86	133
G & A	3	2
Total Expenses	\$738	\$1,135



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Operating Results

	(in millions)	(in millions)
	2002	2001
Revenues	\$797	\$2,132
Expenses	738	1,135
Operating income	59	997
Other income	109	(1,012)
Net Change in Deferral Account	\$168	\$(15)



Balance Sheet: Assets

- \$2.2 billion asset balance at year-end.
- Major assets are the Thermal and Hydro PPAs carried at \$1.8 billion total book value.
- Year-end cash and investment balances of \$154 million.



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 (\$27mm)
 - Small power producer contracts (\$70mm)
- Paid \$35mm additional rebates and wrote-off the remaining liability.



Deferral Account Balance

- Amount by which value of liabilities exceeded assets, based on year-end valuations:

	(in millions)	
	2002	2001
	\$177	\$345

- Electric Utilities Act provides for a charge to end-use electricity consumers to fund any future deficit (or rebate surplus).
- Amount of charge or rebate, if any, will be determined annually.



Outlook for 2003

- Year-to-date results have exceeded budget due to Q1 Pool prices.
- 2003 results will be impacted by:
 - Variability in Power Pool prices
 - Market prices for ancillary services
 - Any unexpected events under other PPAs
- Continue to optimize the value of the assets held by the Balancing Pool for the benefit of Albertans.



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H.R. Milner Station

- Balancing Pool has solicited expressions of interest for the purchase of H.R. Milner station.
- At present, parties are being short-listed.
- If sale not concluded, station will revert to ATCO on October 1, 2003.
- \$14mm liability has been accrued for site reclamation.



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Overview of the Electric Utilities Act 2003



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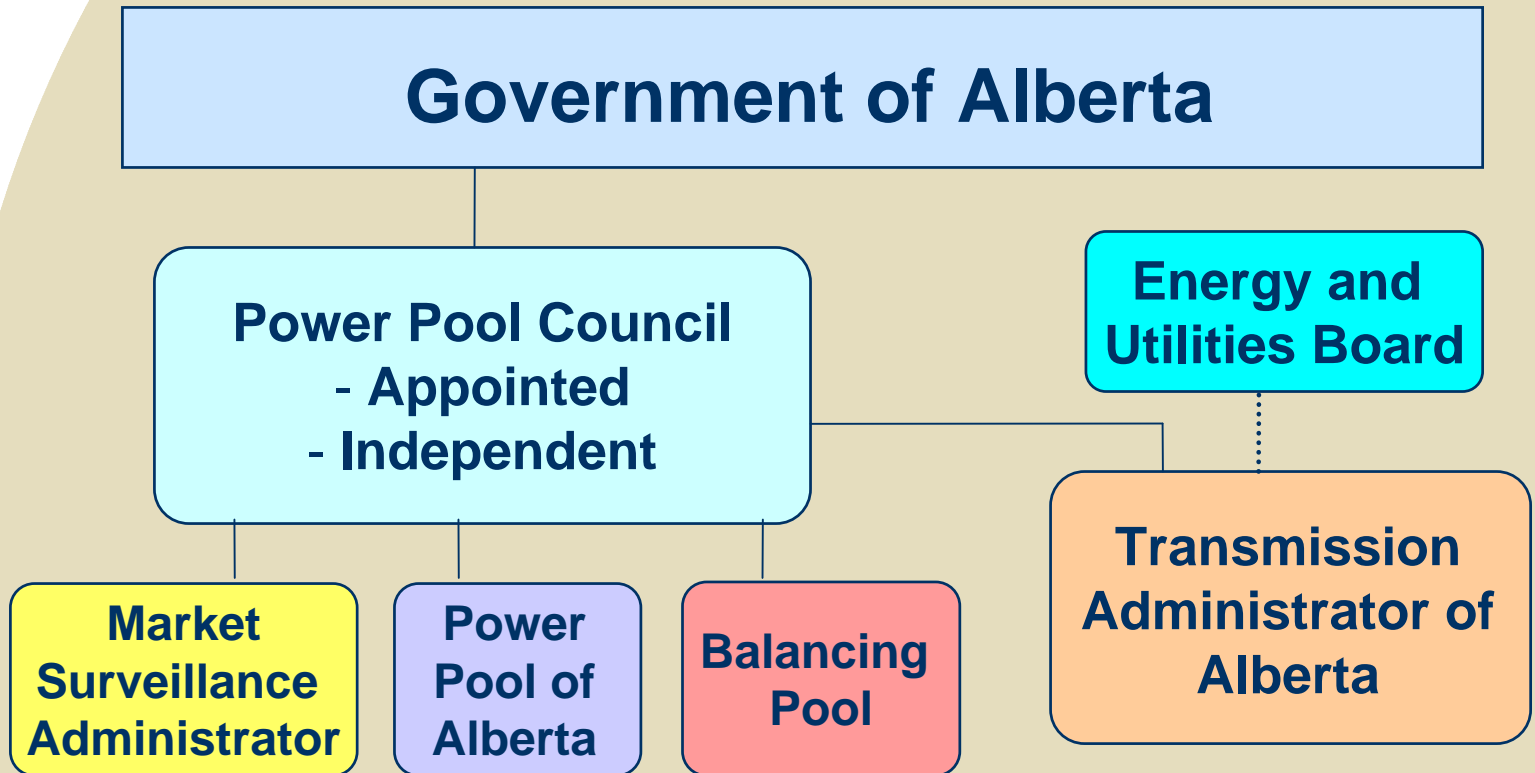
Purpose of the Act relating to Balancing Pool

- Efficient structure.
- Customers share benefits and costs.
- PPA framework continued.



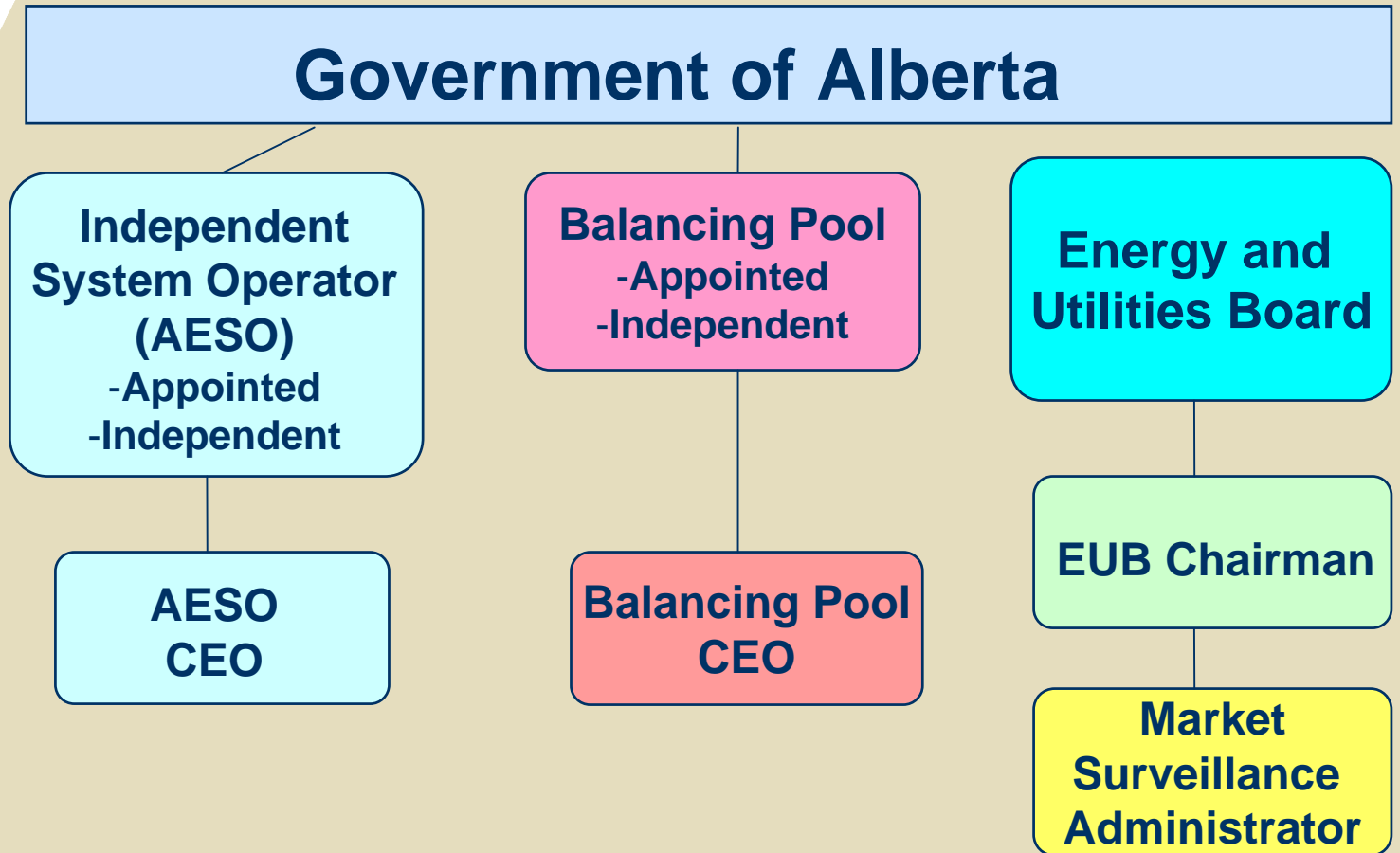
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Current Alberta Structure





Planned Structure





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Structure of the Balancing Pool

- Not for profit, statutory corporation established by the EUA.
- Up to 9 members, independent of other interests in the Alberta electric industry.



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Duties & Responsibilities of the Balancing Pool

- Sell generation assets if market conditions will allow for competitive sales at fair market value.
- Manage generation assets in a commercially reasonable manner.



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Duties & Responsibilities of the Balancing Pool (cont'd)

- Organize management of generation assets according to holding restriction limits.
- Each year, forecast an equal annual amount that, if included in the AESO service tariff, will result in \$0 left in the Balancing Pool by end of 2020.



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Duties & Responsibilities of the Balancing Pool...con't

- Manage risks prudently.
- Continue to hold the hydro PPA.
- Protect interests and assets in regulatory & dispute resolution processes.
- Appoint a CEO and an independent auditor.
- Oversee payments into or out of its accounts in accordance with the Act and regulations.



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Reporting Responsibilities to the Minister of Energy

- Complete audited financial statements within 120 days after the end of the fiscal year.
- Provide a report to the Minister of Energy containing audited financial statements and a summary of the activities of the Balancing Pool.
- The report must also be made available to the public.



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Timeline

- Proclamation of EUA expected early June.
- Regulations being revised to coincide with proclamation.
- Distribution of assets and liabilities from Power Pool within 15 days of proclamation.



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Closing Remarks

- During 2002, Balancing Pool was successful in achieving several major goals.
- Our thanks is extended to:
 - Balancing Pool Committee
 - MAP II Advisory Committee
 - H. R. Milner Operations Committee
 - Securitization Workgroup
 - Other stakeholders