

- **COVER SLIDE**

- OVER THE COURSE OF THE NEXT HALF HOUR GARY REYNOLDS AND I WILL PROVIDE YOU WITH AN OVERVIEW OF THE BALANCING POOL'S MANDATE, ..THE PRIMARY ROLES WE FULFIL, ..OUR KEY ACTIVITIES, ACHIEVEMENTS AND FINANCIAL RESULTS FROM 2001, ..THE CURRENT STATUS OF THE BALANCING POOL'S ACCOUNTS,.. AND OUR VISION AND PLANS LOOKING FORWARD FOR THE ASSETS WE MANAGE.

- I WOULD ASK YOU TO HOLD YOUR QUESTIONS UNTIL THE END OF GARY'S TALK AT WHICH TIME WE WILL OPEN THE FLOOR TO QUESTIONS AND DISCUSSION.

- **TIMELINE SLIDE**

- THE BALANCING POOL WAS FORMED IN THE FALL OF 1999 TO MANAGE THE FINANCIAL ACCOUNTS ARISING FROM THE TRANSITION TO A COMPETITIVE GENERATION MARKET, AND TO BE THE COUNTERPARTY TO THE TRANSALTA HYDRO POWER PURCHASE ARRANGEMENT. THIS PPA IS A FINANCIAL ARRANGEMENT THAT OBLIGATES TRANSALTA TO PAY THE BALANCING POOL FOR 1.6 MILLION MEGAWATT HOURS OF ENERGY PER YEAR AND 400 MW'S OF RESERVES, ..BOTH AT PREVAILING MARKET PRICES.
- IN THE SUMMER OF 2000 THE GOVERNMENT HELD ITS POWER PURCHASE ARRANGEMENT AUCTION FOR THERMAL PPA'S. THE CLOVER BAR, GENESEE, AND SHEERNESS PPA'S DID NOT SELL AND THE H.R. MILNER PPA WAS WITHHELD FROM THE AUCTION DUE TO UNCERTAINTY RELATED TO ITS FUEL SUPPLY. THE BALANCING POOL HAS ASSUMED THE ROLE OF THE DEEMED PURCHASER FOR ALL OF THESE PPA'S.

- AT THE END OF 2000 THE BALANCING POOL HELD AN AUCTION OF THE UNSOLD CAPACITY. THIS SALE, ..WHICH WAS CALLED THE MARKET ACHIEVEMENT PLAN OR MAP1,AND WHICH CONSISTED OF THE SALE OF 2MW CONTRACTS WITH CORRESPONDING LOAD OBLIGATIONS,... WAS VERY SUCCESSFUL. AN AGGREGATE OF TWENTY EIGHT HUNDRED (2800) MW'S WERE SOLD ...TO 45 SEPARATE BUYERS... FOR 1 YEAR TERMS . FOR 2001 ,...THE PRICES RECEIVED AVERAGED \$154 PER MWH ON PEAK, AND \$117 OFF PEAK. FOR 2002 AND 2003 THE PRICES WERE \$67 AND \$60 PER MWH RESPECTIVELY.
- **KEY 2001 ACTIVITIES SLIDE**
- OVER THE PAST YEAR WE HAVE CONCENTRATED ON DEVELOPING THE BUSINESS PROCESSES AND ACQUIRING THE STAFF NECESSARY TO MANAGE THE PPA'S AND TO ADMINISTER ALL OF THE MAP 1 CONTRACTS. A SIGNIFICANT EFFORT GOES INTO THE COMMERCIAL MANAGEMENT OF THE PPA'S ON AN ONGOING BASIS, TO ENSURE PROPER MONTHLY SETTLEMENT. DOUG HEATH AND JEFF NISH HAVE PLAYED VITAL ROLES IN DEVELOPING THESE PROCESSES AND RESOLVING ISSUES THAT HAVE ARISEN REGARDING THE MANAGEMENT OF THESE PPA'S OVER THE COURSE OF 2001.
- IN 2001 THE BALANCING POOL ADMINISTERED THE GOVERNMENT'S ELECTRICITY REBATE PROGRAM, REFUNDING APPROXIMATELY \$2 BILLION TO CONSUMERS. FUNDING FOR THIS REBATE PROGRAM CAME FROM THE \$1.0 BILLION RECEIVED FROM THE GOVERNMENT PPA AUCTION, ...AND THE REMAINDER CAME FROM THE SURPLUS CREATED BY THE BALANCING POOL'S OPERATIONS IN 2001. I WOULD LIKE TO THANK OUR ACCOUNTING

STAFF FOR THEIR EFFORTS IN IMPLEMENTING THIS PROGRAM ON VERY SHORT NOTICE.

- AS CONTEMPLATED BY THE NEGOTIATED SETTLEMENT AGREEMENT FOR HR MILNER, ...AND WITH THE ASSISTANCE OF A SALES COMMITTEE,... WE DEVELOPED AND CONDUCTED A SALE PROCESS FOR THE PLANT. UNFORTUNATELY ELECTRICITY PRICES SOFTENED IN THE SECOND HALF OF THE YEAR,.. AND WE WERE NOT ABLE TO FINALIZE A SALE. WE ARE CURRENTLY LOOKING AT WAYS TO ENHANCE THE FUEL SUPPLY TO MILNER AND ARE RE-EVALUATING THE POSSIBILITY OF SELLING THE PLANT NEAR THE END OF THIS YEAR OR IN 2003.
- ANOTHER OF THE ROLES FOR THE BALANCING POOL, OUTLINED IN THE REGULATIONS,... IS TO ACT AS A RISK BACKSTOP FOR THE PPA'S. THE REGULATIONS ENABLE US TO ASSUME THE FIXED CAPACITY PAYMENTS FOR A PPA,... IF AN EXTRAORDINARY EVENT HAS OCCURRED THAT PRECLUDES THE PLANT OWNER OR BUYER FROM MEETING THEIR OBLIGATIONS. IN 2001, WE INVESTIGATED TWO EXTRAORDINARY EVENTS,.... ONE RELATED TO A BOILER FAILURE AT UNIT 4 OF TRANSALTA'S WABAMUN PLANT,... AND THE OTHER IN RESPECT OF A LABOUR DISPUTE AT THE HIGHVALE MINE,.. WHICH SUPPLIES COAL TO THE SUNDANCE AND KEEPHILLS PLANTS.
- POWER POOL COUNCIL DETERMINED THAT THE WABAMUN 4 EVENT DID NOT CONSTITUTE AN EVENT OF FORCE MAJEURE. THIS DECISION WAS APPEALED BY TRANSALTA AND THE MATTER IS STILL BEFORE AN ARBITRATION PANEL AWAITING THEIR DECISION. THE MATTER OF THE LABOUR DISPUTE IS STILL UNDER INVESTIGATION.

- DURING 2001, WE UNDERTOOK EXTENSIVE WORK AND CONSULTATION WITH STAKEHOLDERS ON HOW TO MOVE THE ENERGY ... ASSOCIATED WITH THE BALANCING POOL HELD PPA'S... INTO THE MARKETPLACE FOR BOTH THE SHORT AND FOR THE MID TO LONG TERMS. OUR OVERALL OBJECTIVE IS TO REMOVE THE BALANCING POOL FROM DIRECT PARTICIPATION IN THE MARKET. WE HAVE ALWAYS VIEWED OUR PARTICIPATION IN THE MARKET AS AN INTERIM ROLE.
- WITH RESPECT TO THE SHORT TERM,... LATE IN 2001 WE SIGNED AN AGENCY AGREEMENT WITH CANDELA ENERGY CORPORATION TO MANAGE OUR ENERGY AND ANCILLARY SERVICES PORTFOLIO WITH THE OBJECTIVE OF INCREASING LIQUIDITY AND DEPTH IN THE FORWARD MARKETS. TO DATE CANDELA HAS TRADED APPROXIMATELY 4 MILLION MWH'S ON OUR BEHALF... THROUGH WATT EX,... OVER THE COUNTER,... AND THROUGH THE IMPORT /EXPORT MARKETS.
- **MARKET ACHIEVEMENT PLAN 2 SLIDE**
- WITH RESPECT TO THE MID TO LONG TERM,... CONSIDERABLE EFFORT WAS PUT INTO DEVELOPING DERIVATIVE CONTRACTS FOR THE CAPACITY WE HOLD IN CLOVER BAR, GENESEE, AND SHEERNESS. TWO WEEKS AGO, ON APRIL 11TH, WE ANNOUNCED THAT WE WERE PROCEEDING WITH A STAGED SALE OF OUR CAPACITY. THE CONTRACTS, ...FOR THREE YEAR TERMS,... WILL BE SIMPLIFIED VERSIONS OF THE EXISTING PPA'S. THEY WILL CONVEY OFFER OR DISPATCH RIGHTS, ...AND WILL TRANSFER PHYSICAL RISK TO THE BUYERS. THE CLOVER BAR SALES PROCESS,... WHICH IS CURRENTLY UNDERWAY,... WILL CLOSE AT THE END OF THE FIRST WEEK OF JUNE, WITH THE CAPACITY TRANSFERRING INTO THE HANDS OF BUYERS ON

JULY 1ST. SHEERNESS WILL FOLLOW CLOSELY BEHIND,... WITH CAPACITY TRANSFERRING ON OCTOBER 1ST FOLLOWED BY GENESEE ON JANUARY 1ST 2003.

- OVER THE NEXT FEW MONTHS WE WILL FINALIZE THE DEVELOPMENT AND IMPLEMENTATION OF THE AGGREGATOR ROLE AND THE SETTLEMENT SOFTWARE WHICH ARE NECESSARY TO SUPPORT THE ADMINISTRATION OF THE MAP 2 CONTRACTS. IN PREVIOUS PUBLIC PRESENTATIONS WE INDICATED AN OPTION OF HAVING THE AGGREGATOR ROLE RESIDE WITHIN THE POWER POOL OF ALBERTA. DURING SUBSEQUENT REVIEWS, ..WE DECIDED TO LOCATE THE AGGREGATOR ROLE WITHIN THE BALANCING POOL. THIS WILL AVOID ANY POTENTIAL.... FOR CONFLICT OF INTEREST WITH THE POWER POOL'S ROLE OF MANAGING THE MARKET.
- WHILE THE TIME WE HAVE TODAY IS TOO SHORT TO EXPLAIN MORE DETAILS ON MAP2,... BRUCE ROBERTS WHO IS LEADING OUR MAP2 PROJECT WOULD BE PLEASED TO DISCUSS ANY AREAS OF SPECIFIC INTEREST DURING THE QUESTION PERIOD OR DURING THE RECEPTION FOLLOWING OUR FORMAL PRESENTATIONS.
- **DESIRED END STATE SLIDE**
- WHILE IT IS IMPOSSIBLE FOR US TO PREDICT THE OUTCOME OF MAP2, WE CONTINUE TO BE COMMITTED TO DEVELOPING INNOVATIVE WAYS, OF MOVING THE CAPACITY WE HOLD INTO THE MARKET FOR THE LONG TERM. BY THE END OF THE YEAR WE WILL ALSO HAVE A BETTER PICTURE OF THE BALANCING POOL'S FUNDING REQUIREMENTS FOR THE NEXT FEW YEARS. OVER THE REMAINDER OF THE YEAR, ..WE WILL BE EXAMING WAYS OF MINIMIZING OR ELIMINATING THE NEED FOR A POSSIBLE CONSUMER

CHARGE, ..IN THE EVENT THAT THE MAP2 PROCEEDS ARE INSUFFICIENT TO COVER OUR PPA EXPENSE OBLIGATIONS.

- IN CLOSING I SHARE THE COMMITMENT OF POWER POOL COUNCIL TO ONGOING CONSULTATION WITH STAKEHOLDERS. NO INDUSTRY CAN MAKE SUCH A MAJOR TRANSITION WITHOUT OPENLY DISCUSSING AND DEALING WITH ISSUES. TO THAT END,... I ENCOURAGE ALL OF YOU TO TALK TO EITHER MYSELF OR ANY OF MY BALANCING POOL COLLEAGUES,... ABOUT THE IDEAS YOU HAVEON HOW WE MIGHT ACHIEVE OUR LONG TERM OBJECTIVES. WE CONTINUE TO VALUE YOUR INPUT.
- THANK YOU