

REVENUES:

- THE BALANCING POOL EARNED REVENUES FROM FOUR DIFFERENT SOURCES IN 2001.
 - (1) THE MAJOR SOURCE OF REVENUE WAS FROM SALE OF ELECTRICITY AND ANCILLIARY SERVICES GENERATED UNDER THE THERMAL PPA'S WHICH AMOUNTED TO OVER \$1.9 BILLION.
 - (2) THERE WAS AN ADDITIONAL \$57 MILLION IN NET REVENUES EARNED UNDER THE HYDRO PPA
 - (3) AS WELL AS \$36 MILLION IN INVESTMENT INCOME
 - (4) AND \$63 MILLION RECEIVED FROM PAYMENTS IN LIEU OF TAXES AND OTHER INCOME.
- IN TOTAL, REVENUES EXCEEDED \$2.1 BILLION.
- (NOTE RE PILOT: THE BP COLLECTS AMOUNT S FROM MUNICIPAL UTILITIES WHICH THEY OTHERWISE WOULD PAY AS TAXES)

EXPENSES & DISBURSEMENTS:

- THERE WERE FOUR CATEGORIES OF EXPENDITURES AND EXPENSES DURING 2001.
- (1) THE LARGEST EXPENDITURE WAS FOR REBATES PAID DURING 2001 TO ALBERTA CONSUMERS, BOTH COMMERCIAL AND INDUSTRIAL, WHICH TOTALLED ALMOST \$2 BILLION. THIS AMOUNT WAS SOURCED FROM THE \$1.1 BILLION IN PROCEEDS FROM THE MAP 1 AUCTION, AND \$900 MILLION FROM CASHFLOW.

- (2) THE BALANCING POOL PAYS THE FIXED AND FLOATING OPERATING COSTS OF GENERATING ASSETS UNDERLYING THE PPAs TOGETHER WITH ASSOCIATED TRANSMISSION COSTS; THESE EXPENSES TOTALED \$945 MILLION. DURING THE YEAR;
- (3) AMORTIZATION EXPENSE WAS \$133 MILLION AND
- (4) G&A EXPENSES WERE \$2 MILLION.
- UNDER LEGISLATION, THE BP HAS VARIOUS PAYMENT RESPONSIBILITIES INCLUDING R&A ON ISOLATED GENERATION SITES AND SHORTFALLS IF ANY UNDER THE SMALL POWER PRODUCER CONTRACTS.

2001 OPERATING RESULTS:

- TOTAL REVENUES WERE \$2.1 BILLION
- TOTAL EXPENSES WERE SOME \$1.1 BILLION,
- AS A RESULT, OPERATING INCOME WAS \$1.026 BILLION.
- AFTER THE COMBINED EFFECT OF ASSET REVALUATIONS OF \$1.041 BILLION (RECOGNIZED BUT WHICH ARE NON-CASH ITEMS),
- THE NET LOSS FOR THE YEAR WAS \$15 MILLION.

BALANCE SHEET ASSETS:

- TOTAL ASSETS AT YEAR-END WERE \$2.6 BILLION, REPRESENTING A DECREASE OF \$1.9 BILLION FROM YEAR-END 2000.
- THIS REDUCTION IS A RESULT OF TWO MAIN FACTORS:

- A REDUCTION OF OVER \$900 MILLION IN INVESTMENT BALANCES AS PART OF THE 2001 ELECTRICITY REBATE PROGRAM;
- A \$1 BILLION REDUCTION IN THE CARRYING VALUES OF THE THERMAL PPAs DUE TO THE UTILIZATION OF A LOWER PRICE FORECAST FOR FUTURE YEARS. THIS VALUATION REDUCTION WAS REQUIRED IN ACCORDANCE WITH CICA GUIDELINES.

BALANCE SHEET LIABILITES:

- TOTAL LIABILITIES WERE REDUCED TO \$2.6 BILLION AT YEAR END, RESULTING FROM THE \$1.9 BILLION REDUCTION IN LIABILITIES FOR ELECTRICITY REBATES.
- REMAINING MAJOR LIABILITIES ARE REPRESENTED PRIMARILY BY \$2 BILLION IN FUTURE PAYMENTS UNDER THE PPAs.
- THE BALANCING POOL HAS NO OUTSTANDING DEBT, BUT PLANS TO ARRANGE BANK LINES FOR PRUDENTIAL REQUIREMENTS AND TO FUND CASHFLOW SHORTFALL, IF ANY.

DEFERRAL ACCOUNT

- THE DEFERRAL ACCOUNT BALANCE WAS \$345 MILLION AT YEAR-END, AN INCREASE OF \$15 MILLION FROM THE PRIOR YEAR. BASED ON CURRENT VALUATIONS, THIS BALANCE REPRESENTS THE AMOUNT REQUIRED TO FUND THE EXCESS OF LIABILITES OVER

ASSETS OVER THEIR REMAINING LIFEi.e. SOME OF WHICH
ARE TO THE YEAR 2020.

- THE ELECTRICITY UTILITIES ACT REQUIRES THE BALANCING POOL TO ASSESS A CHARGE TO CONSUMERS TO FUND FUTURE DEFICITS (OR TO REBATE SURPLUSES AS WAS THE CASE IN 2001). THE AMOUNT OF CHARGE OF REBATE IS DETERMINED ANNUALLY. (DEC)

BALANCING POOL FUND

- THE OBJECTIVE OF THE FUND IS TO PRESERVE CAPITAL AND MAINTAIN FUND LIQUIDITY; AS SUCH, THE FUND IS INVESTED IN HIGH QUALITY SHORT-TERM INSTRUMENTS.
- THE FUND INCOME LAST YEAR WAS \$36 MILLION, AND THE ALL-IN RATE OF RETURN OUTPERFORMED THE INDUSTRY BENCHMARK BY 5%.

OUTLOOK FOR 2002

- AS MENTIONED IN JOHN'S EARLIER REMARKS, 2002 WILL BE AN IMPORTANT YEAR FOR THE BALANCING POOL. THE RESULTS OF OUR ACTIVITIES ARE PROJECTED TO BE FAVOURABLE, BUT WILL BE AFFECTED BY SEVERAL FACTORS, INCLUDING:
 - POWER POOL PRICES,
 - MARKET PRICES FOR ANCILLIARY SERVICES,
 - PLANT AVAILABILITY UNDER THE PPA's
 - RESULTS OF THE MAP II SALES.
- WHILE THESE FACTORS ARE NOT IN THE DIRECT CONTROL OF THE BALANCING POOL, WE WILL USE ALL AVAILABLE METHODS IN MANAGING THE ASSET PORTFOLIO TO ACHIEVE THE BEST RESULTS FOR OUR STAKEHOLDERS.