



ECONOMICS SOCIETY OF CALGARY

Economics and Strategy for Alberta's New Electricity Market

May 10, 2000

EPCOR's Preparation for Deregulation

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EPCOR's Focus Areas

- ❁ EPCOR's Vision
- ❁ Focused Progress To Growth
- ❁ EPCOR's Corporate Structure
- ❁ EPCOR's Current Business Activities
- ❁ EPCOR Retail Readiness
- ❁ What is a PPA?
- ❁ Available PPAs
- ❁ PPA Auction Preparation
- ❁ Auction Participant Issues
- ❁ Deregulation is on Track

EPCOR's Vision

Our Vision

We provide essential elements for living. Today and tomorrow.

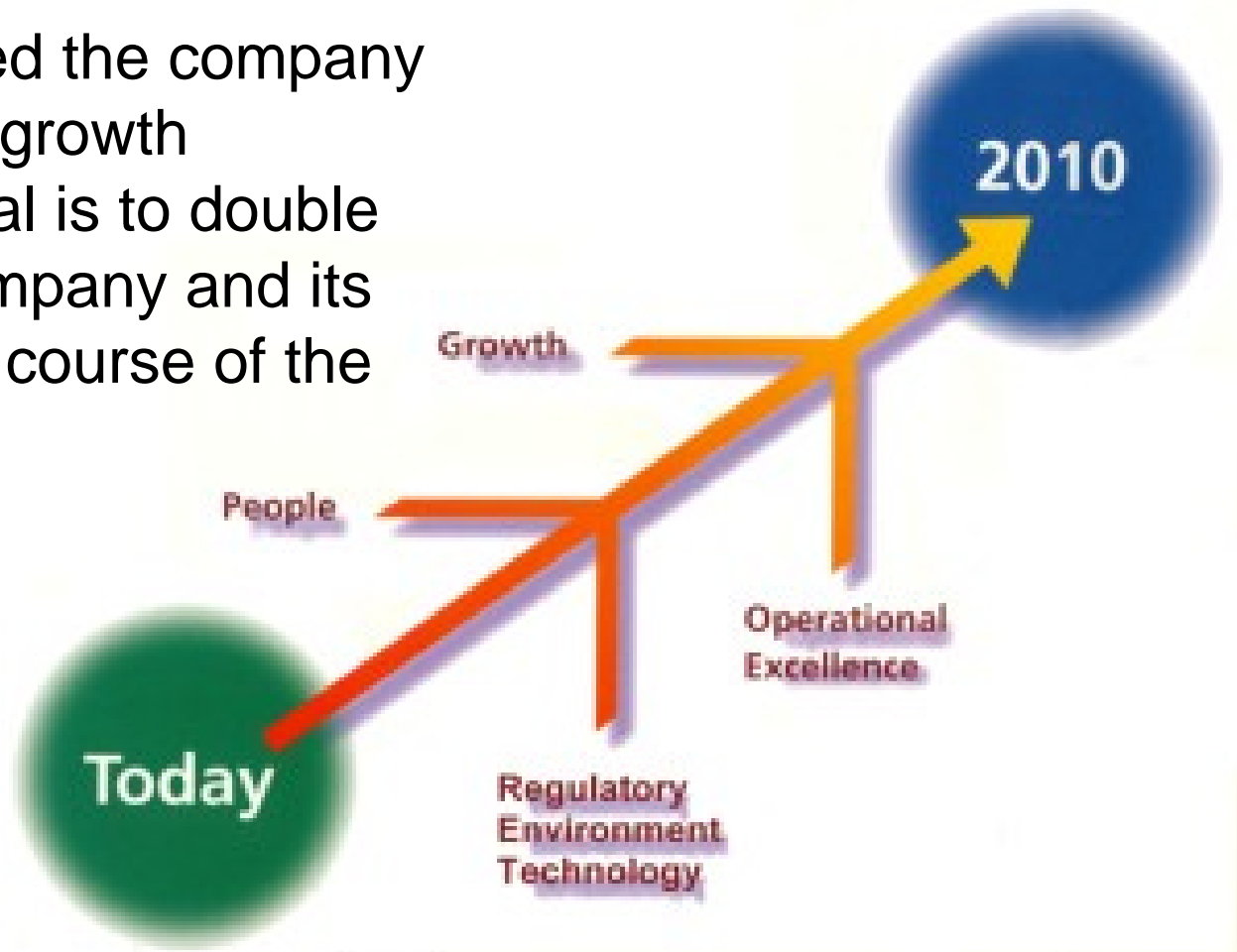
We create enduring customer relationships and enrich the quality of life for the people, businesses and communities we serve by providing cost-competitive and reliable services.

We will increase shareholder value as the leading provider of these services in Alberta and will become North American in scope.

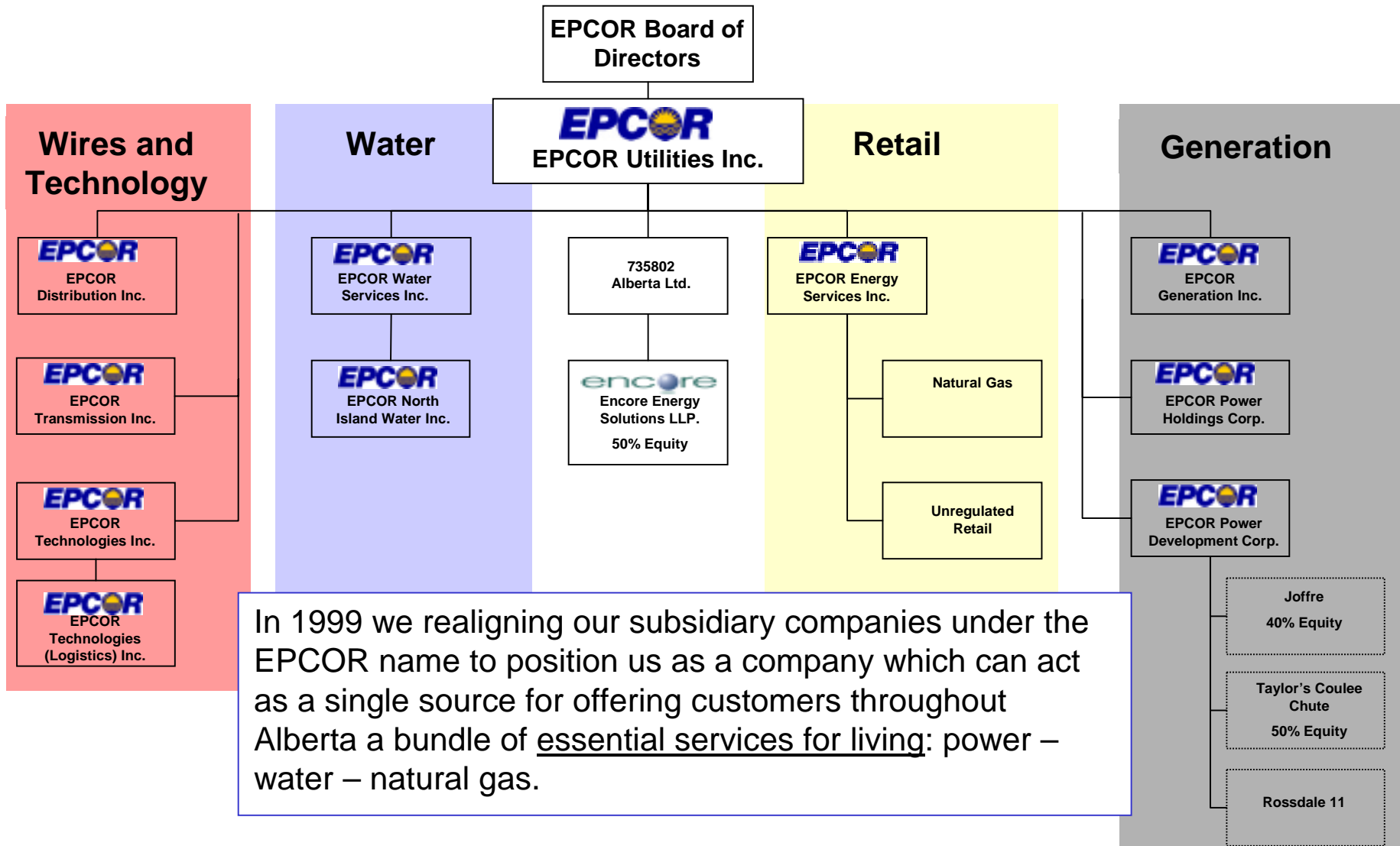
We build on the strengths of our existing skills and assets through flexibility and innovation.

Focused Progress: A Four Pronged Plan to Growth

“We have launched the company on an aggressive growth trajectory. Our goal is to double the size of the company and its earnings over the course of the next 10 years.”



EPCOR's Corporate Structure



In 1999 we realigned our subsidiary companies under the EPCOR name to position us as a company which can act as a single source for offering customers throughout Alberta a bundle of essential services for living: power – water – natural gas.

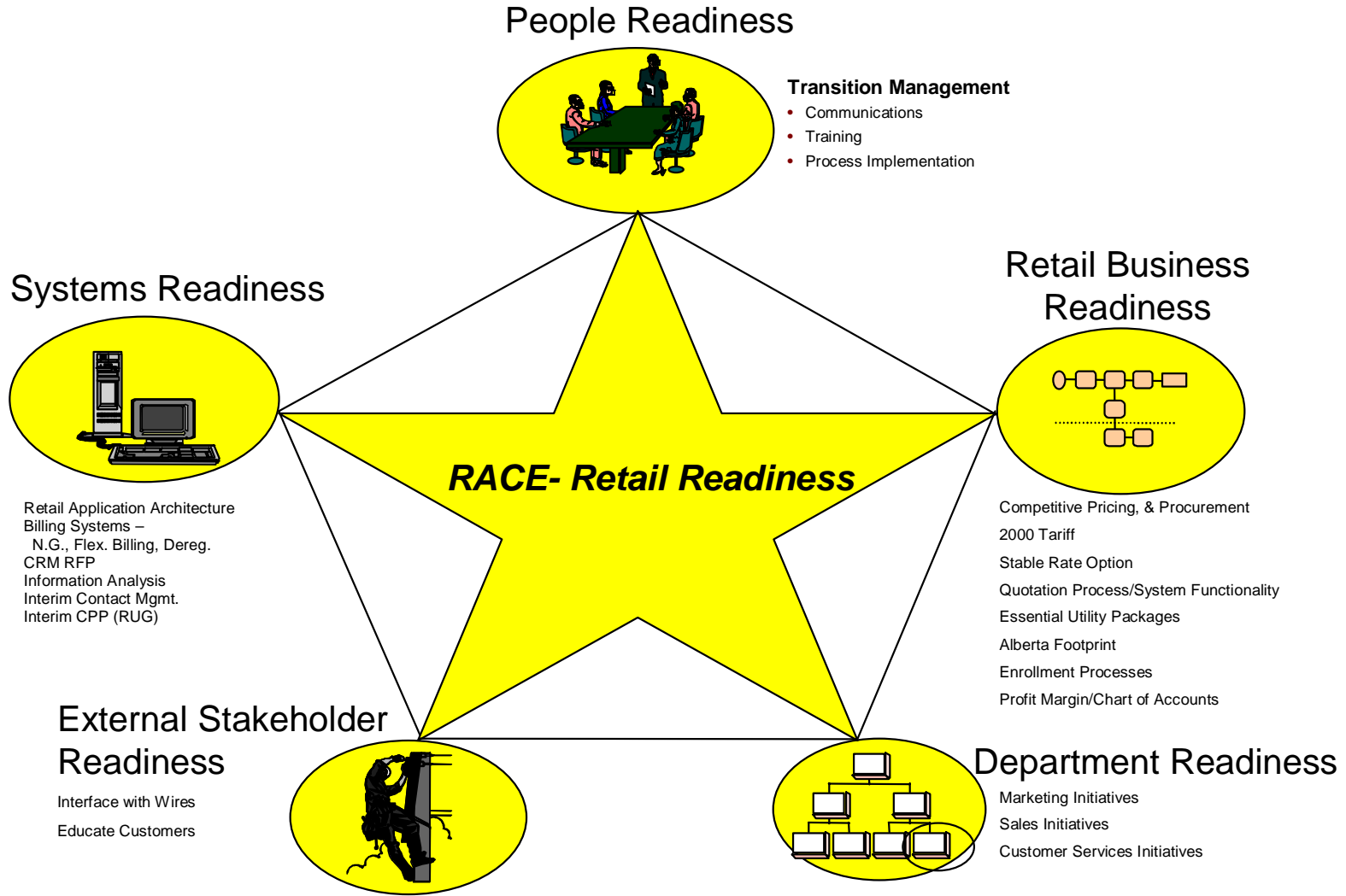
EPCOR Current Business Activities

EPCOR Generation	<ul style="list-style-type: none"> ⚙️ Generation services to customers throughout Alberta
EPCOR Transmission	<ul style="list-style-type: none"> ⚙️ Transmission services to the Provincial Transmission Administrator
EPCOR Distribution	<ul style="list-style-type: none"> ⚙️ Distribution services within the Edmonton franchise area
EPCOR Energy Services	<ul style="list-style-type: none"> ⚙️ Retail electricity and natural gas sales to end-use customers throughout Alberta
EPCOR Water Services	<ul style="list-style-type: none"> ⚙️ Water treatment and distribution to customers within the Edmonton franchise area ⚙️ Water treatment for 41 communities in the capital region ⚙️ Commercial services throughout Western Canada including an operating contract with the Town of Canmore
EPCOR North Island Water Inc.	<ul style="list-style-type: none"> ⚙️ Water treatment in Port Hardy BC.

EPCOR Current Business Activities

EPCOR Power Development Corp.	<ul style="list-style-type: none">⚙️ 40% ownership in a 416 MW co-generation plant with ATCO and NOVA Chemicals at Joffre Alberta.⚙️ 50% ownership in a 12 MW hydro plant with Canadian hydro developers at McGrath Alberta⚙️ 100% ownership of a 7 MW hydro plant at Brown Lake BC.⚙️ Pursuing projects in Western Canada, Ontario and the US Pacific Northwest
EPCOR Technologies	<ul style="list-style-type: none">⚙️ Contracts for street lighting, traffic signals, LRT and trolley operations, and electrical inspections with the the City of Edmonton⚙️ Contracts for traffic signals with Fort McMurray.⚙️ Contracts for meter service/certification in Barrie, Gravenhurst, Peterborough, Brampton, Mississauga, Guelph and Ontario Hydro.⚙️ Building inspections for Suncor and Edson

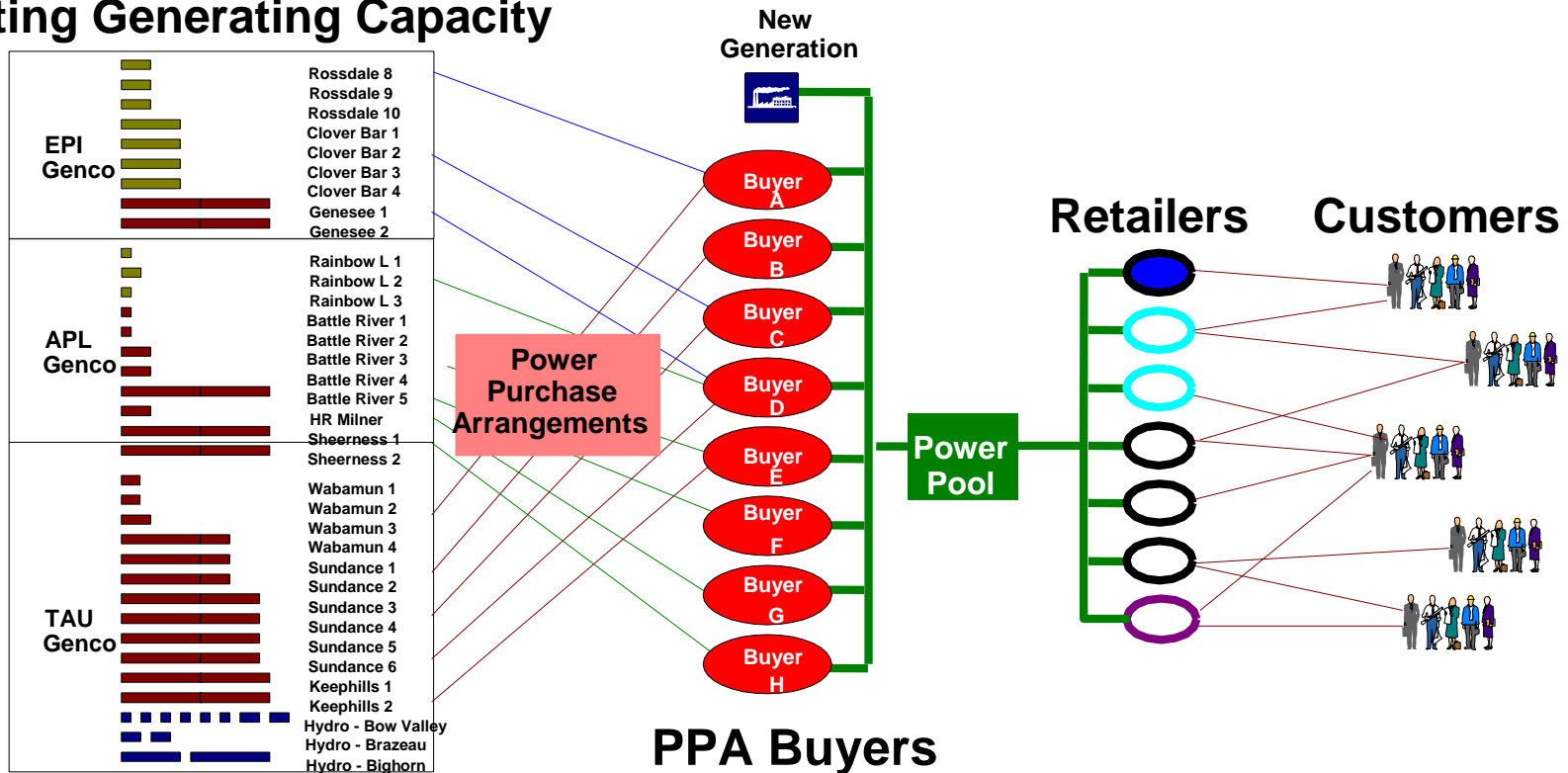
EPCOR Retail Readiness



What is a PPA?

- PPAs are “legislated arrangements” that set out the obligations of plant Owners to make the capacity of their units available to PPA Buyers and the obligations of PPA Buyers to pay the Owners in accordance with the costs as set out in the PPAs.
- PPA Buyers are entitled to sell the output from the units into the Pool and make any price hedging arrangements with Retailers or Customers as they see fit.

Existing Generating Capacity



Available PPAs

List of PPA							
PPA		# Units	Committed Capacity	% of "Restricted Capacity"	PPA Term	Points	Average Capability
Sturgeon	ST	2	18	0.3%	2005	1	16
Rainbow	RB	3	93	1.3%	2005	1	83
HR Milner	HRM	1	144	2.1%	2012	1	110
Rossdale	RD	3	203	2.9%	2003	1	173
Wabamun	WB	4	548	7.9%	2003	2	424
Sundance A	SDA	2	560	8.1%	2017	8	474
Clover Bar	CB	4	629	9.1%	2010	4	519
Battle River	BR	3	663	9.5%	2013/2020	8	559
Sundance B	SDB	2	706	10.2%	2020	10	605
Sundance C	SDC	2	710	10.2%	2020	10	609
Sheerness	SH	2	756	10.9%	2020	10	674
Gensee	GN	2	762	11.0%	2020	10	679
Keephills	KH	2	766	11.0%	2020	10	678
Total Committed			6,558	94.3%		76	5,603
Hydro Capacity			393	5.7%			
Total Restricted			6,951	100.0%			
Maximum Holding Capacity			1,390	20.0%			

Note: Average Capability is Committed Capacity times average Availability as defined in PPAs

PPA Auction Preparation

May

7	8	9	10	11	12 Qualified Bidders Session	13
14	15	16	17	18	19	20
21	22 Victoria	23	24	25	26	27
28	29	30	31	1	2	3

June

4	5	6	7	8	9	10
11	12 Bid Deposits Due	13	14	15	16	17
18	19 Invitation to Bid	20	21	22	23	24
25	26 Mock Auction	27	28	29	30	1

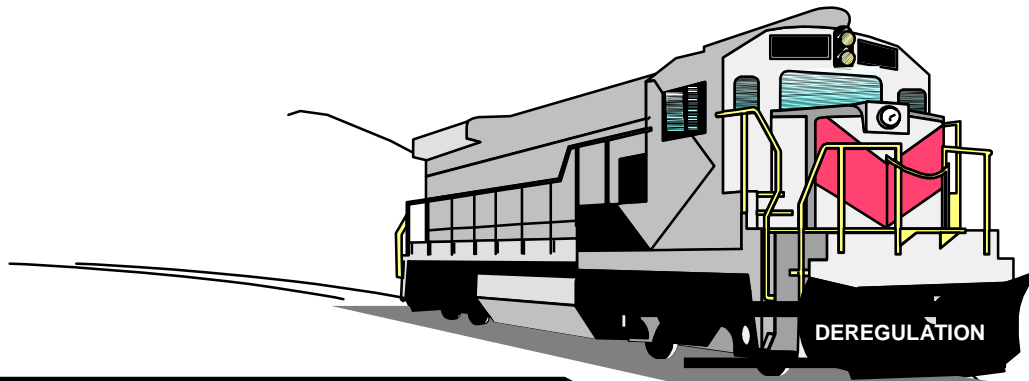
July

2	3 Canada	4	5 PPA Auction Begins	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	1	2	3	4	5

Participant Issues

- ❁ **Have you got your PPA Strategy / Business Plan in Place?**
- ❁ **Are you considering a consortium / partners?**
- ❁ **Which PPAs is a Potential Bidder Eligible For?**
- ❁ **Which PPAs are you interested in?**
- ❁ **What is your maximum willingness to pay for each PPA?**
 - ❁ **PPA Cost model**
 - ❁ **Pool Price forecast**
 - ❁ **Discount rate -- due diligence / risk assessment**
- ❁ **Have you got any necessary governance approvals in Place?**
- ❁ **Have you got financing lined up for Positive Bid PPAs?**
- ❁ **Have you got your Bidding Strategy and Bidding Team in Place?**

Complete Deregulation of the Alberta Electric Industry is on Track for 2001



Public Auction of PPAs

**Customer Choice of Retailer
Existing Generation under PPAs**

January 1, 2001