

## ANNOUNCEMENT

**June 18, 2020**

### **Power Purchase Arrangement ("PPA") Unit Shutdowns**

To ensure transparency and fairness to all market participants, the Balancing Pool is providing this public statement.

Following the extraordinary economic contraction and corresponding decline in power prices earlier this year, some power companies have elected to shut down their generating units, and some have not. The Balancing Pool also evaluated potential strategies that involve shutting down certain PPA generating units, with the goal being to reduce operating costs. These evaluations have included cost-benefit, legal, and regulatory analyses. The key conclusions from these analyses have been as follows:

- Shutting down PPA generating units would result in minimal savings, and is expected to result in a loss to the Balancing Pool after accounting for the expenses and risks associated with such a strategy.
- The PPAs do not readily facilitate the shutting down of PPA units. The PPAs limit the number of shutdowns permitted, establish minimum generation levels, include take-or-pay minimums and other obligations that would negate potential cost reductions, and impose additional risks on the Balancing Pool when shutting down generating units.
- Coal-fired generating units are not easily turned on and off. There are operational risks associated with shutting down these units that limit the feasibility of shutdowns and may impose further costs.
- Important legal and regulatory hurdles restrict the Balancing Pool's ability to properly coordinate a shutdown with the PPA units' owners/operators.

Taken together, the Balancing Pool has concluded that any potential benefits do not outweigh the risks and costs associated with shutting down the PPA units. The Balancing Pool is continuing to monitor the situation, and has taken other steps to enhance PPA earnings in this low price environment.

The Balancing Pool remains strongly committed to the commercial management of the PPAs, and has taken a careful and disciplined approach in its strategic management of these assets. It is this approach that has allowed the organization to generate positive earnings and pay down debt much more rapidly than ever anticipated, and it is this approach that ultimately protects consumers, generators, and the integrity of Alberta's competitive electricity market.