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Evan Bahry
Executive Director
Independent Power Producers Society of Alberta
#2600, 144 - 4 Ave SW
Calgary Alberta T2P 3N4
Canada

Dear Mr. Bahry,

RE: Estimate of the Potential Interest cost of Balancing Pool Accumulated Debt

The government of Alberta has recently provided, as part of its 2017/18 budget, an estimate of the expected accumulation of the debt associated with the current and expected financial losses of the Balancing Pool to the end of 2020.

EDC has similarly simulated the case where it is assumed that the Balancing Control continues to hold all of the PPAs and offers them at marginal cost to the end of PPA life, where we confirm that between 2017 and 2020 the agency is forecast to lose approximately \$2.2 billion – not including interest charges. We further estimated that this debt, would attract an additional \$430 million in interest charges, which would be added to the principal debt to be repaid by consumers between 2021 by the end of 2030. The \$430 million in interest charges is derived using simple principal and interest repayment scheme assuming a 3% per year interest rate. The interest rate assumption was based on a small peer review of current 10 year government lending rates in Alberta.

Since it may not be clear whether or not that the \$2.2 billion in the estimated government debt includes interest or not, we similarly estimated that the interest charges would be \$361 million and the original amount borrowed would be \$1.89 billion – if interest charges were included.

If you have any questions regarding any of the assumptions used in the foregoing calculations please feel free to contact me at (403) 648-0631 or e-mail to DCarlson@EDCAssociates.com

Sincerely,
EDC Associates Ltd.

Duane Reid-Carlson, P.Eng.
President

Cc: File#10059