

Lights out for Alberta's PPAs. New Report reveals true cost to Albertans

For Immediate Release

August 9, 2016

Calgary – The Government of Alberta recently filed a lawsuit that could be one of the most high profile and complex proceedings in Alberta's history. By now, any Albertans who follow the news are probably aware of something called a Power Purchase Arrangement (PPA).

Today, The School of Public Policy with authors Andrew Leach and Trevor Tombe released a report that examines the PPA issue. With a government lawsuit, an uncertain electricity market, Albertans have questions. The report sheds light on how we got here and what the real costs to Albertans will be.

According to the authors, "The government estimates losses to Alberta ratepayers may be up to \$2 billion and alleges the regulations under which the companies terminated their PPAs are invalid. They're going to court to try and prove it. The companies counter with substantially lower cost estimates and point to changes in government policy as a permissible reason for termination".

How costly will the PPA terminations really be? Overall, the report finds that policy changes account for roughly half the drop in PPA values, while falling prices account for the other half. The good news for Albertans is the drop in value appears to amount only to **\$900 million**, and since one of the PPAs is already owned by Alberta's Balancing Pool the real cost of these changes is closer to **\$600 million**. All in, that amounts to about **\$2.25 a month** for a typical household, but it will only show up if power prices remain very low.

The paper can be downloaded at www.policyschool.ca

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