TRANSALTA CORPORATION

2007 RENEWAL ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2006

MARCH 14, 2007

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PRESENTATION OF INFORMATION

Unless otherwise noted, the information contained in this annual information form ("Annual Information Form") is given at or for the year ended December 31, 2006. Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information is presented in accordance with Canadian generally accepted accounting principles.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form, the documents incorporated by reference in this Annual Information Form, and other reports and filings made with the securities regulatory authorities in Canada and the United States include forward-looking statements. All forward-looking statements are based on TransAlta Corporation's ("TransAlta" or the "Corporation") beliefs and assumptions based on information available at the time the assumption was made. In some cases, forward-looking statements can be identified by terms such as 'may', 'will', 'believe', 'expect', 'potential', 'enable', 'continue' or other comparable terminology. Forward-looking statements relate to, among other things, statements regarding the anticipated business prospects and financial performance of TransAlta. These statements are not guarantees of TransAlta's future performance and are subject to risks, uncertainties and other important factors that could cause TransAlta's actual performance to be materially different from those projected, including those material risks discussed in this Annual Information Form under the heading "Risk Factors", and in TransAlta's Management's Discussion & Analysis of financial condition and results of operations ("MD&A") for the year ended December 31, 2006 under the heading "Risk Factors and Risk Management". The material assumptions in making these forward-looking statements are disclosed in the MD&A under "Outlook", "Risk Factors and Risk Management" and "Critical Accounting Policies and Statements", and in this Annual Information Form under "Competitive Environment", and "Competitive Strengths". Given these uncertainties, the reader should not place undue reliance on this forward-looking information, which is given as of the date it is expressed in this Annual Information Form or otherwise, and TransAlta undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise.

MANAGEMENT'S DISCUSSION AND ANALYSIS

TransAlta's MD&A for the year ended December 31, 2006 and TransAlta's Audited Consolidated Financial Statements for the year ended December 31, 2006 are hereby specifically incorporated by reference in this Annual Information Form. Copies of these documents are available on SEDAR at www.sedar.com.

CORPORATE STRUCTURE

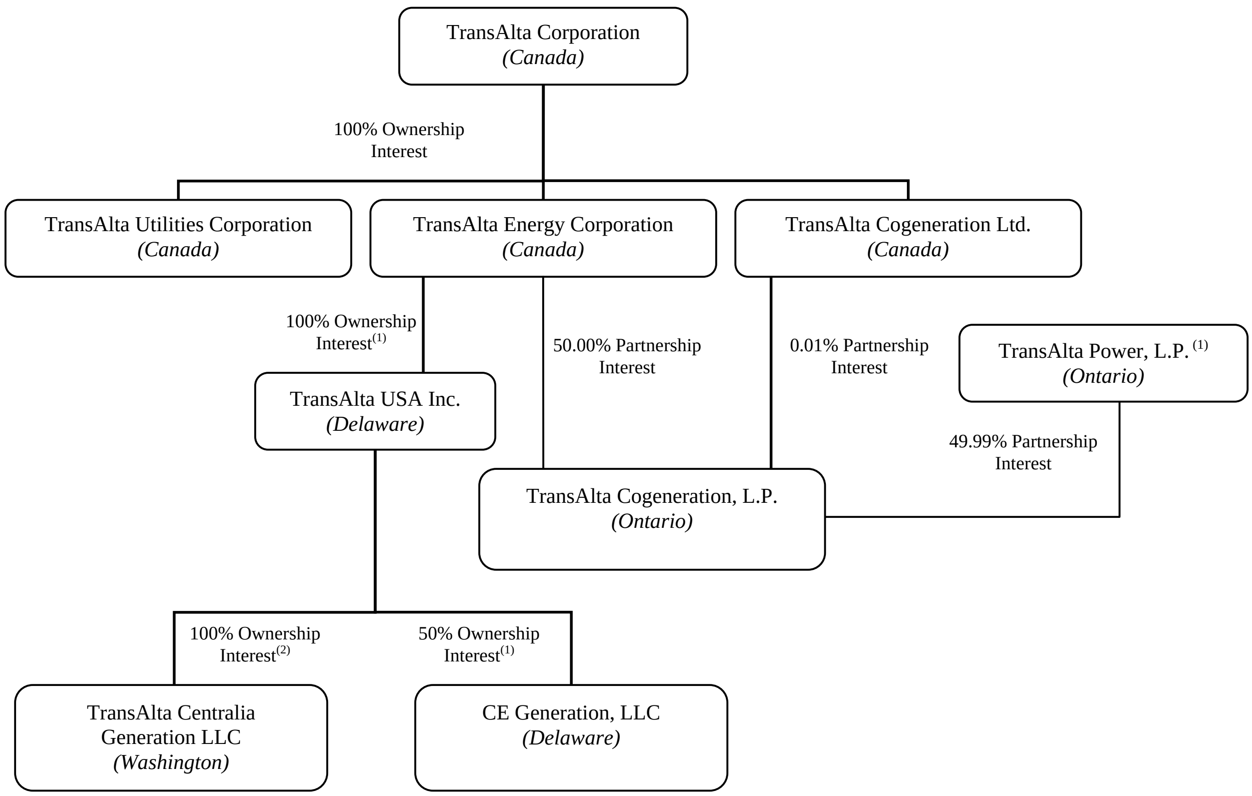
Name and Incorporation

TransAlta was formed by Certificate of Amalgamation issued under the *Canada Business Corporations Act* on October 8, 1992. On December 31, 1992 a Certificate of Amendment was issued in connection with a plan of arrangement involving the Corporation and TransAlta Utilities Corporation ("TransAlta Utilities") under the *Canada Business Corporations Act*. The plan of arrangement, which was approved by shareholders on November 26, 1992, resulted in common shareholders of TransAlta Utilities exchanging their common shares for shares of the Corporation on a one-for-one basis. Upon completion of the arrangement, TransAlta Utilities became a wholly-owned subsidiary of TransAlta. The registered office and principal place of business of TransAlta are at 110 - 12th Avenue S.W., Calgary, Alberta, Canada, T2R 0G7.

The significant dates and events relating to TransAlta Utilities are set forth in TransAlta Utilities' Annual Information Form for the year ended December 31, 2006, a copy of which is available on SEDAR at www.sedar.com.

Intercorporate Relationships

The principal subsidiaries of the Corporation and their respective jurisdictions of formation are set out below.



Notes:

(1) The limited partnership interests in TransAlta Power, L.P. ("TransAlta Power") are held by the public, other than a 0.01 per cent interest held by TransAlta Power Ltd., the general partner of TransAlta Power.
(2) Indirectly held.

Unless the context otherwise requires, all references to the "Corporation" and to "TransAlta" herein refer to TransAlta Corporation and its subsidiaries, including TransAlta Utilities and TransAlta Energy Corporation ("TransAlta Energy").

OVERVIEW

TransAlta and its predecessors have been engaged in the production and sale of electric energy since 1911. The Corporation is among Canada's largest non-regulated electric generation and energy marketing companies with an aggregate net ownership interest of approximately 8,473 megawatts ("MW") of electrical generating capacity [1] in facilities having approximately 10,181 MW of aggregate electrical generating capacity. The Corporation is focused on generating electricity in Canada, the United States, Mexico and Australia through its diversified portfolio of facilities fuelled by coal, gas, hydro, wind and geothermal resources. The following is a brief overview of the Corporation's principal facilities.

(1) TransAlta measures capacity as net maximum capacity (see glossary for definition of this and other key terms) which is consistent with industry standards. Capacity figures represent capacity owned and in operation unless otherwise stated.

In Canada, the Corporation holds a net ownership interest of approximately 5,579 MW of electrical generating capacity in coal-fired, gas-fired, wind-powered and hydroelectric facilities, including 4,882 MW in Alberta and 697 MW in Ontario.

In the United States, the Corporation's principal facilities include a 1,404 MW coal-fired facility and a 248 MW gas-fired facility, both located in Centralia, Washington, which supply electricity to the Pacific Northwest. The Corporation holds a 50 per cent interest in CE Generation, LLC ("CE Generation"), resulting in an aggregate net ownership interest of approximately 378 MW of geothermal and gas fired electrical generating capacity in facilities in California, Texas, Arizona and New York. The Corporation also has 53 MW of electrical generating capacity through gas-fired and hydroelectric facilities located in New York, Washington and Hawaii.

In Mexico, the Corporation owns two facilities with a combined capacity of 511 MW.

The Corporation also has 300 MW of net electrical generating capacity in Australia.

The Corporation is organized into two business segments: Generation and Corporate Development and Marketing. The Generation group is responsible for constructing, operating and maintaining power generation facilities. The Corporate Development and Marketing group is responsible for managing the sale of production, purchases of natural gas, transmission capacity and market risks associated with the Corporation's generation assets and for non-asset backed trading activities. Both segments are supported by a corporate group which includes finance, treasury, legal, human resources and other administrative functions. The corporate group is also responsible for the Corporation's sustainable development initiatives, including investments in renewable energy resources.

GENERAL DEVELOPMENT OF THE BUSINESS

The significant events and conditions affecting TransAlta's business during the last three financial years are summarized below. Certain of these events and conditions are discussed in greater detail under the heading "Business of TransAlta" in this Annual Information Form.

Recent Developments

- On February 26, 2007, the Corporation and EPCOR Power Development Corporation ("EPCOR") announced that they were proceeding with building the 450 MW Keephills 3 power project located approximately 70 kilometres west of Edmonton, Alberta. The capital cost for the project, including mine capital, is expected to be approximately $1.6 billion. Through the Keephills 3 Limited Partnership ("K3LP"), an affiliate of the Corporation, TransAlta and EPCOR will be equal partners in the ownership of Keephills 3, with EPCOR responsible for the construction. Upon completion, which is expected at the end of the first quarter in 2011, the Corporation will operate the facility and EPCOR and TransAlta will independently dispatch and market their share of the unit's electrical output. The project has received approval from the Alberta Energy and Utilities Board and Alberta Environment.

- On January 19, 2007, the Corporation announced that it had been awarded a 25-year Power Purchase Agreement ("PPA") to provide 75 MW of wind power to New Brunswick Power Distribution and Customer Service Corporation. Under the agreement, TransAlta will construct, own and operate a wind power facility in New Brunswick. The capital cost of the project is estimated to be $130 million. The project is subject to regulatory and environmental approvals and is expected to begin commercial operations by the end of 2008. Natural Forces Technologies Inc., an Atlantic Canada based wind developer is TransAlta's co-development partner in this project.

- On January 2, 2007, the Corporation redeemed, at par, all of its outstanding 7.75 per cent preferred securities, with an outstanding principal amount of $175 million.

Year ended December 31, 2006

- On December 18, 2006, TransAlta Utilities assigned its rights in the development agreement it held with EPCOR, governing the joint development of the Keephills 3 power project, to K3LP. K3LP subsequently sold a 50% undivided interest in the Keephills 3 power project to the EPCOR Power Development (K3) Limited Partnership and has entered into a joint venture agreement governing the continued development of the Keephills 3 power project. In the event the Keephills 3 power project proceeds to operation, TransAlta Utilities will be the operator of the project pursuant to an operations and maintenance agreement and coal supply agreement respectively.

- On November 27, 2006, TransAlta Corporation announced it would immediately stop mining operations at its Centralia, Washington coal mine. TransAlta also announced that it had entered into agreements to purchase and transport coal from the Powder River Basin to fuel TransAlta's Centralia coal-fired facility.

- On November 17, 2006, TransAlta Utilities, a subsidiary of the Corporation, entered into a settlement agreement with the Canadian National Railway Company for a portion of outstanding claims for lost margin and incremental expenses relating to the train derailment and resulting oil spill into Lake Wabamun in 2005. The terms of the settlement are subject to a confidentiality agreement and cannot be disclosed.

- On February 17, 2006, a subsidiary of TransAlta, together with a subsidiary of Mid-American Energy Company ("Mid-American"), entered into an agreement to purchase a 10 MW hydro facility in Hawaii to be held directly by the Wailuku Holding Company LLC, a company jointly and equally owned by TransAlta and Mid-American.

- On February 15, 2006, TransAlta announced it had signed a five-year agreement with the Ontario Power Authority ("OPA") for the supply of electricity from TransAlta's Sarnia Regional Cogeneration Power Plant. Under the terms of the agreement, Transalta will be available to supply an average of 400 MW of electricity to the Ontario electricity market. The supply contract is effective until December 31, 2010.

- On February 1, 2006, TransAlta Utilities entered into a development agreement with EPCOR to jointly pursue the Keephills 3 power project. Keephills 3, formerly referred to as Centennial 1, is a proposed 450 MW facility adjacent to TransAlta's existing Keephills facility, approximately 70 kilometres west of Edmonton, Alberta.

Year ended December 31, 2005

- On December 9, 2005, the Corporation announced that its wholly-owned subsidiary, TransAlta Energy Marketing (U.S.) Inc. had entered into an agreement for the sale of generation from the Corporation's Centralia generating facility for the period from January 1, 2007 to December 31, 2010. The agreement has a value of approximately US $450 million.

- On September 12, 2005, the Corporation announced that its 279 MW Wabamun Unit 4 generating facility had resumed full operations on September 11, 2005 following the successful implementation of its return to service plan. TransAlta was forced to shut down the Wabamun facility on August 3, 2005 due to a train derailment and resulting oil spill into Lake Wabamun, Alberta. The Wabamun unit was on standby until an appropriate return to service plan was developed and reviewed with regulators and the Canadian National Railway Company. The Corporation estimates operating income was impacted by $15 to $18 million as a result of the Wabamun shutdown. The Corporation is seeking recovery for all losses.

- On March 1, 2005, the Corporation announced the completion of the 450 MW Genesee 3 generating facility, a joint venture between the Corporation and EPCOR Utilities Inc. See "Generation Business Segment –Alberta - Coal-fired facilities".

- On February 15, 2005, the Corporation redeemed, at par, all of its outstanding 7.5 per cent and 8.15 per cent preferred securities, with an outstanding principal amount of $175 million and $125 million, respectively.

- On January 3, 2005, the Corporation announced that it had shut down and retired Units 1 (62 MW) and 2 (57 MW) of its Wabamun facility, effective December 31, 2004. See "Generation Business Segment - Alberta - Coal-fired facilities".

Year ended December 31, 2004

- On December 10, 2004, the Corporation announced that it had applied to the Alberta Energy and Utilities Board ("AEUB") to amend its 900 MW Keephills (Centennial) permit to allow for the construction of a smaller 450 MW facility using improved technology. See "Generation Business Segment – Alberta – Coal-fired facilities".

- On December 3, 2004, the Corporation announced the sale by TransAlta Energy of an aggregate of 7.114 million limited partnership units of TransAlta Power at a net price of $9.00 per unit for net proceeds of $64.0 million. The units sold by TransAlta represented the remaining limited partnership units of TransAlta Power held by TransAlta Energy following the expiration on August 3, 2004 of the unit purchase warrants issued to the public on July 31, 2003 in connection with the acquisition by TransAlta Power of a 25 per cent interest in the Sheerness facility. TransAlta recorded a gain of $13.4 million after-tax ($0.07 per common share) as a result of the sale of the units.

- On December 1, 2004, TransAlta announced the completion of the sale of its 50 per cent interest in the 220 MW gas-fired Meridian power plant to TransAlta Cogeneration, LP ("TA Cogen"), for $110 million. The purchase price for the Meridian facility was funded by TA Cogen through the issuance to each of TransAlta Power and TransAlta Energy of $30.0 million of limited partnership units of TA Cogen, the payment of $50.0 million in cash and the issue of a promissory note to TransAlta Energy for $30.0 million. The subscription by TransAlta Energy for limited partnership units of TA Cogen enabled the Corporation to retain its 50 per cent interest therein. TransAlta recorded an after-tax gain of approximately $11.5 million ($0.06 per common share) as a result of the sale. See "TA Cogen and TransAlta Power".

- On October 13, 2004, TransAlta announced the commencement of commercial operations of the $100 million 68 MW Summerview wind farm located approximately 200 kilometres southwest of Calgary, Alberta. The Summerview facility consists of 38 1.8 MW Vestas V80 wind turbines which brings TransAlta's total operated wind generation capacity to 187 MW, including approximately 150 MW of wind energy owned, all of which is operated through Vision Quest Windelectric. The Summerview wind farm is a merchant facility and TransAlta receives the Government of Canada's 10-year Wind Power Production Incentive ("WPPI") on the output. See "Generation Business Segment — Alberta — Wind Generation Facilities".

- On October 5, 2004, TransAlta completed the acquisition of a dam, a 1 MW hydroelectric generating facility and related assets on the Skookumchuk River near Centralia, Washington, for approximately US $7.5 million. These facilities are used in connection with TransAlta's generation facilities at Centralia, Washington.

- At December 31, 2004, TransAlta had a US $51.4 million receivable relating to energy sales in California. At December 31, 2000, TransAlta had made a provision of US $28.8 million to account for potential refund liabilities relating to those energy sales in California. On March 17, 2004, the California Independent System Operator released its preliminary adjusted prices indicating that TransAlta's refund liability was US $46.0 million. Based on those preliminary refund estimates, in the first quarter of 2004 TransAlta increased its provision for potential refund liabilities by US $17.2 million (Cdn. $22.9 million) to US $46.0 million. The final adjusted prices were released in October 2004 and were substantially the same as those released in March 2004. TransAlta has prepared a petition for relief from the refund obligation that may be filed once the U.S. Federal Energy Regulatory Commission provides stakeholders with a direction on the filing of such positions.

BUSINESS OF TRANSALTA

Generation Business Segment

The following table summarizes the Corporation's generation facilities which are operating, under construction or under development, as at December 31, 2006:

Region	Facility	Capacity (MW)	Ownership (%)	Net Capacity Ownership Interest	Fuel	Revenue Source	Contract Expiry Date
Canada Alberta (25 facilities)	Keephills	766	100	766	Coal	Alberta PPA	2020
	Sheerness	770	25	193	Coal	Alberta PPA	2020
	Sundance (1)	2,073	100	2,073	Coal	Alberta PPA	2017, 2020
	Wabamun	279	100	279	Coal	Merchant	-
	Fort Saskatchewan	118	30	35	Gas	Long-term contract ("LTC")	2019
	Meridian	220	25	55	Gas	LTC	2024
	Poplar Creek	356	100	356	Gas	LTC/Merchant(2)	2024
	Genesee 3	450	50	225	Coal	Merchant	-
	Keephills 3 (3)	450	50	225	Coal	Merchant	-
	Hydro assets (4)	801	100	801	Hydro	Alberta PPA	2013-2020
	Summerview	68	100	68	Wind	Merchant	-
	Castle River (5)	46	100	46	Wind	LTC/Merchant	2011
	McBride Lake	75	50	38	Wind	LTC	2022
	Total Alberta	**6,472**		**5,160**			
Eastern Canada (5 facilities)	Mississauga	108	50	54	Gas	LTC	2017
	Ottawa	68	50	34	Gas	LTC	2012
	Sarnia	575	100	575	Gas	LTC/Merchant(6)	2022
	Windsor	68	50	34	Gas	LTC/Merchant(7)	2016
	Kent Hills (3)	75	100	75	Wind	PPA	2033
	Total Eastern Canada	**894**		**772**			
United States (18 facilities)	Centralia, WA	1,404	100	1,404	Coal	Merchant	-
	Centralia Gas (8)	248	100	248	Gas	Merchant	-
	Binghamton, NY	47	100	47	Gas	Merchant	-
	Skookumchuk, WA	1	100	1	Hydro	-	-
	Power Resources, TX	200	50	100	Gas	LTC	-
	Saranac, NY	240	37.5	90	Gas	LTC	2009
	Yuma, AZ	50	50	25	Gas	LTC	2024
	Imperial Valley Geothermal Facilities (9)	327	50	163	Geothermal	LTC /Merchant	2016-2035
	Wailuku	10	50	5	Hydro	LTC/PPA	2023
	Total US	**2,527**		**2,083**			
Mexico (2 facilities)	Campeche	252	100	252	Gas/Diesel	LTC	2028
	Chihuahua	259	100	259	Gas	LTC	2028
	Total Mexico	**511**		**511**			
Australia (5 facilities)	Parkeston	110	50	55	Gas	LTC	2016
	Southern Cross (10)	245	100	245	Gas/Diesel	LTC	2016
	Total Australia	**355**		**300**			
Total		**10,759**		**8,826**			

Notes:

(1) 53 MW currently under development
(2) Approximately 200 MW of the total 356 MW are contracted under a LTC.
(3) These facilities are currently under development, (Keephills 3 formerly referred to as Centennial 1).
(4) Comprised of 13 facilities.
(5) Includes eight individual turbines at other locations, one of which moved from testing to production.
(6) Approximately 150 MW of the total 575 MW capacity are contracted under LTCs.
(7) Approximately 50 MW of the total 68 MW capacity are contracted under a LTC.
(8) Formerly referred to as Big Hanaford.
(9) Comprises 10 facilities.
(10) Comprises 4 facilities.

Canada: Alberta

Coal-fired facilities

The following table summarizes the Corporation's Alberta coal-fired generation facilities:

Location	Plant	Capacity (MW)	Ownership (%)	Commissioning Dates
Wabamun (1)	Wabamun Unit No. 4	279	100	1968
Sundance	Sundance Unit No. 1	280	100	1970
	Sundance Unit No. 2	280	100	1973
	Sundance Unit No. 3	353	100	1976
	Sundance Unit No. 4 (2)	406	100	1977
	Sundance Unit No. 5	353	100	1978
	Sundance Unit No. 6	401	100	1980
Keephills	Keephills Unit No. 1	383	100	1983
	Keephills Unit No. 2	383	100	1984
	Keephills Unit No. 3 (3)	450	50	-
Sheerness	Sheerness Unit No. 1	385	25	1986
	Sheerness Unit No. 2	385	25	1990
Genesee	Genesee 3	450	50	2005
Total		**4,788**		

Notes:

(1) Wabamun unit 4 is expected to be removed from service upon the expiry of its license in 2010.
(2) 53 MW currently under development
(3) Facility under development.

The Keephills, Sundance and Wabamun facilities (the "Alberta thermal plants") are located approximately 70 kilometres west of Edmonton, Alberta. The Sheerness facility is located northeast of Calgary, Alberta and is jointly owned by TA Cogen and ATCO Power (2000) Ltd. ("ATCO Power"). The Genesee facility is located southwest of Edmonton and is jointly owned by the Corporation and EPCOR. The Corporation completed the sale of its 50 per cent interest in the Sheerness facility to TA Cogen on July 30, 2003. The Corporation's coal-fired plants are generally all base load plants, meaning that they are expected to operate for long periods of time at or near their rated capacity. Availability is an important measure of the economic success of a coal-fired plant. The weighted equivalent availability factor for the coal-fired Alberta thermal plants in 2006 was 88.7 per cent, compared with 87.6 per cent in 2005 and 86.5 per cent in 2004. For the Sheerness facility, the weighted equivalent availability factor was 92.2 percent in 2006 compared to 91.0 per cent in 2005 and 90.2 per cent in 2004. For the Genesee 3 facility, the weighted equivalent availability factor was 96.9 per cent in 2006 compared to 91.8 per cent in 2005.

Fuel requirements for TransAlta's coal-fired power facilities are supplied by surface strip coal mines located in close proximity to the facilities. TransAlta owns two surface mines in Alberta that supply coal to its Wabamun, Sundance and Keephills facilities. The Whitewood mine supplies the Wabamun plant and the Highvale mine supplies the Sundance and Keephills facilities. TransAlta estimates that the recoverable coal reserves contained in these mines are sufficient to supply the anticipated requirements for the life of these facilities including potential life extension and plant expansion.

Coal for the Sheerness facility is provided from the adjacent Sheerness mine. The coal reserves of the mine are owned, leased or controlled jointly by TA Cogen, ATCO Power and Prairie Mines & Royalties Limited ("PMRL"). TA Cogen and ATCO Power have entered into coal supply agreements with PMRL, which operates the mine, to supply coal until 2026.

Coal for the Genesee 3 facility is provided from the adjacent Genesee mine. The coal reserves of the mine are owned, leased or controlled jointly by PMRL and EPCOR. The Corporation has entered into coal supply agreements with PMRL, which operates the mine, to supply coal for the life of the facility.

In February 2001, the Corporation announced a proposal for a 900 MW expansion at its Keephills facility. In February 2002, the Corporation received regulatory approval to proceed with the expansion, which contemplated the facilities being operational in 2003. In January 2003, the Corporation announced that it had granted to EPCOR an option, exercisable until December 31, 2005, to purchase a 50 per cent interest in the Corporation's Keephills 3 project (formerly referred to as Centennial 1) at a price of 50 per cent of expenditures to the date of the option exercise, plus 50 per cent of future project development costs. On December 10, 2004, the Corporation applied to the AEUB to amend its 900 MW permit to allow for the construction of a smaller 450 MW facility using improved technology.

On February 1, 2006, the Corporation entered into a development agreement with EPCOR to jointly pursue the Keephills 3 power project. On December 18, 2006, the Corporation assigned its rights in the development agreement it held with EPCOR governing the joint development of the Keephills 3 power project to K3LP. K3LP subsequently sold a 50% undivided interest in the Keephills 3 power project to the EPCOR Power Development (K3) Limited Partnership and has entered into a joint venture agreement governing the continued development of the Keephills 3 power project.

On February 26, 2007, the Corporation and EPCOR announced they were proceeding with building the net 450 MW Keephills 3 power project. The capital cost for the project, including mine capital, is expected to be approximately $1.6 billion. Through K3LP, TransAlta and EPCOR will be equal partners in the ownership of Keephills 3, with EPCOR responsible for construction. Upon completion, which is expected at the end of the first quarter in 2011, TransAlta will operate the facility and EPCOR and TransAlta will independently dispatch and market their share of the unit's electrical output. Through a subsidiary, the Corporation will also provide coal to the facility through the Highvale mine. The project has received approval from the Alberta Energy and Utilities Board and Alberta Environment.

Gas-fired Facilities

The following table summarizes the Corporation's Saskatchewan and Alberta gas-fired generation facilities:

Location	**Plant**	**Capacity (MW)**	**Ownership (%)**	**Commissioning Dates**
Lloydminster, SK	Meridian	220	25	1999
Fort McMurray, AB	Poplar Creek	356	100	2001
Fort Saskatchewan, AB	Fort Saskatchewan	118	30	1999
Total		**694**		

The Meridian plant sells electricity to Saskatchewan Power Corporation, a crown corporation owned by the Province of Saskatchewan, and steam to a heavy oil upgrader in Lloydminster, Saskatchewan. The Corporation completed the sale of its 50 per cent interest in the Meridian facility to TA Cogen on December 1, 2004. The remaining 50 per cent interest in the Meridian facility is held by Husky Oil Operations Limited.

The Poplar Creek plant provides electricity and steam to Suncor Energy Inc.'s oil sands project. This 356 MW cogeneration plant became fully operational in the first quarter of 2001 and delivers approximately 200 MW of electricity and steam to Suncor Energy Inc. ("Suncor"). Any surplus power not used by Suncor is available for sale by the Corporation to other parties, in which case Suncor is entitled to a share of that revenue, under certain conditions.

The Corporation also holds an indirect interest in the 118 MW Fort Saskatchewan gas-fired combined cycle cogeneration plant in Alberta, which provides electricity and steam to Dow Chemical Canada Inc.

The Corporation's interests in the Meridian and Fort Saskatchewan facilities are held through TA Cogen. See "TA Cogen and TransAlta Power".

Hydroelectric facilities

The following table summarizes the Corporation's 100% ownership in Alberta hydroelectric facilities:

Location	Plant	Capacity (MW)	Commissioning Dates
Bow River System	Horseshoe	14	1911
	Kananaskis	19	1913, 1951
	Ghost	51	1929, 1954
	Cascade	36	1942, 1957
	Barrier	13	1947
	Bearspaw	17	1953, 1954
	Pocaterra	15	1955
	Interlakes	5	1955
	Spray	103	1951, 1960
	Three Sisters	3	1951
	Rundle	50	1951, 1960
North Saskatchewan River System	Brazeau	355	1965, 1967
	Bighorn	120	1972
Total		**801**	

The Corporation's hydroelectric facilities are primarily peaking plants, meaning they are generally only operated during times of peak demand.

Wind Generation Facilities

The following table summarizes the Corporation's wind generation facilities:

Location	Plant	Capacity (MW)	Ownership (%)	Commissioning Dates
Fort Macleod	McBride Lake	75	50	2003
Pincher Creek	Castle River and Other	46	100	1997 – 2001
Pincher Creek	Summerview	68	100	2004
New Brunswick (1)	Kent Hills	75	100	2008
Total		**264**		

Note:

(1) Facility under development, reflects expected capacity and commissioning date.

The Corporation owns and operates approximately 152 MW of net capacity (excluding facilities under development) and operates approximately 189 MW of capacity primarily in three wind farms in Southwestern Alberta.

Castle River is a 40 MW facility comprised of 59 Vestas V47 (660 kW) turbines and 1 Vestas V44 (600 kW) turbine located at Pincher Creek, Alberta. The facility is 71 per cent contracted primarily to ENMAX Energy Corp. and is the sole Green Energy® provider to the City of Calgary's "Ride the Wind" Light Rail Transit program. The Corporation also owns and operates eight additional turbines totalling 6 MW primarily located in the Pincher Creek and Waterton areas of Southwestern Alberta.

McBride Lake, one of Canada's largest wind generation facilities, is a 75 MW facility comprised of 114 Vestas V47 (660 kW) turbines located at Fort Macleod, Alberta. It was constructed by the Corporation and was completed and producing power in the third quarter of 2003. McBride Lake is operated by the Corporation and is jointly owned with ENMAX Green Power Inc., with each partner owning a 50 per cent interest. The output from the facility is 100 per cent contracted in the form of a 20-year PPA with Enmax. The Corporation is also entitled to receive WPPI payments from the Federal Government at $12/MWh in respect of the McBride Lake facility until 2013.

On October 13, 2004, TransAlta announced the commencement of commercial operations at its $100 million Summerview 68 MW wind farm located approximately 15 kilometres northeast of Pincher Creek, Alberta. The Summerview facility, comprised of 38 1.8 MW turbines, brought the total owned wind generation capacity to approximately 152 MW and total operated capacity to approximately 189 MW. The Summerview wind farm is a merchant facility but is entitled to receive WPPI payments from the Federal Government at $10/MWh until 2014.

On January 19, 2007 the Corporation announced that it had been awarded a 25-year PPA to deliver 75 MWs of wind power to New Brunswick Power Distribution and Customer Service Corporation. Under the agreement, TransAlta will construct, own and operate a wind power facility in New Brunswick. The capital cost of the project is estimated to be $130 million. The project is subject to regulatory and environmental approvals and is expected to begin commercial operations by the end of 2008. Natural Forces Technologies Inc., an Atlantic Canada based wind developer is TransAlta's co-development partner in this project. The single-site, 25-turbine wind farm will be located in the Kent Hills area of New Brunswick. TransAlta expects construction to commence by early 2008. TransAlta will work with local firms for the construction and ongoing operation of the Kent Hills wind farm providing long-term economic benefits to the region. Once complete, the Kent Hills wind farm will provide an estimated 220,000 MWh per year, enough electricity to meet the needs of approximately 13,600 homes. The facility will use 3.0 MW wind turbines purchased from Vestas-Canada Wind Technology Inc.

All of the power generated and sold by the Corporation's wind division is from generation facilities that are EcoLogo-certified. The Corporation is an EcoLogo-certified distributor of Alternative Source Electricity through Environment Canada's Environmental Choice program. EcoLogo certification is granted to products with environmental performance that meet or exceed all government, industrial safety and performance standards. The Corporation's wind facilities constructed after April 2001, also qualify for the Green E and Green Leaf certifications.

Alberta PPAs

All of the Corporation's Alberta coal-fired and hydroelectric facilities, other than the Wabamun and Genesee 3 facilities, operate under Alberta PPAs. The PPA for the Wabamun plant expired on December 31, 2003. The Alberta PPAs establish committed capacity and electrical energy generation requirements and availability targets to be achieved by each coal-fired plant, energy and ancillary services obligations for the hydroelectric plants, and the price at which power is to be supplied. The Corporation bears the risk or retains the benefit of volume variances (except for those arising from events considered to be *force majeure*, in the case of the coal-fired plants) and any change in costs required to maintain and operate the facilities.

Under the Alberta PPAs, for the formerly regulated coal-fired facilities, the Corporation is exposed to electricity price risk if production declines below contracted levels (other than as a result of outages caused by an event of *force majeure*). In such circumstances, the Corporation must pay a penalty for the lost production based upon a price equal to the 30-day trailing average of Alberta's market electricity prices. This trailing average provision attempts to mitigate price spikes that can occur as a result of sudden outages. The Corporation attempts to further mitigate this exposure by maintaining contracted and uncontracted capacity in the market, through operating and maintenance practices, and through hedging activities.

The Corporation's hydroelectric facilities are not contracted on a facility-by-facility basis; rather, facilities are aggregated in a single Alberta PPA which provides for financial obligations for energy and ancillary services obligations based on hourly targets. These targeted amounts are met by the Corporation through physical delivery or third party purchases.

The Corporation's compensation under the Alberta PPAs is based on a pricing formula which replaced the cost of service regime which applied previously under utility regulation. Key elements of the pricing formula are the amount of common equity deemed to form part of the capital structure, the amount of risk premium attributable to deemed common equity and a recovery of fixed and variable costs. Common equity is deemed to be 45 per cent of total capital and the return on equity is set annually at a 4.5 per cent premium over the rate on a 10-year Government of Canada Bond.

The pricing formula includes a provision for site restoration costs of the coal-fired generating plants. Restoration and reclamation costs incurred in excess of those previously recovered through the pricing formula may also be recovered, upon successful application to the AEUB. The Alberta PPAs do not provide compensation for site restoration costs related to the

Corporation's hydroelectric facilities. The Corporation does not anticipate that its hydroelectric structures will be dismantled because of the water supply, irrigation, flood control and recreation related purposes they serve. Provisions have been made for the removal of the hydroelectric generating equipment.

The expiry dates for the Corporation's Alberta PPAs, range from 2013 to 2020. With the expiry of the PPA at the Wabamun facility, the Corporation procured an extension of the license to operate Unit four of the Wabamun facility until March 31, 2010. The Corporation holds various licenses from Alberta Environment and the AEUB to operate its other facilities. The Corporation intends to procure extensions of the licenses for the other facilities upon the expiry of each respective Alberta PPA. Upon the expiry of the Alberta PPAs and subject to procuring extension of the licenses; the Corporation will then be able to sell its power output to the Alberta Power Pool and to third party purchasers through direct sales agreements. The Corporation is currently selling all of the power output from the Wabamun facility under such direct sales agreements.

The Alberta PPAs (together with legislation which applies thereto) permit the Balancing Pool, an entity established by the Government of Alberta, directly or indirectly as successor to the power purchaser under the Alberta PPAs, to terminate the Alberta PPAs in certain circumstances. These termination provisions are similar to those found in some PPAs entered into by government-related power purchasers. The Corporation will be entitled to receive a lump sum payment in connection with any such termination, other than a termination resulting from the Corporation's default and will thereafter be able to sell the output from any affected facilities for its own account.

Canada: Ontario

The Corporation's Ontario generating facilities are summarized in the following table:

Location	Plant	Capacity (MW)	Ownership (%)	Commissioning Dates
Sarnia	Sarnia	575	100	2003
Ottawa	Ottawa	68	50	1992
Mississauga	Mississauga	108	50	1992
Windsor	Windsor	68	50	1996
Total		**819**		

The Sarnia facility is comprised of a 440 MW facility which commenced commercial operations in March, 2003 and an additional 135 MW of electric generation capacity acquired by the Corporation in 2002. The combined 575 MW facility provides steam and electricity to nearby facilities owned by Dow Chemical Canada Inc., Lanxess (formerly Bayer Inc.), Nova Chemicals (Canada) Ltd. and Suncor Energy Products Inc. Approximately 150 MW of Sarnia's capacity is currently contracted under long term contracts. On February 15, 2006, TransAlta announced that it had signed a five-year agreement with the OPA for production at its Sarnia facility. Under the terms of the contract, TransAlta will be available to supply an average of 400 MW of electricity to the Ontario electricity market. The supply contract is effective until December 31, 2010.

The Ottawa plant is a combined cycle cogeneration facility designed to produce 68 MW of electrical energy. This capacity is sold under a long-term contract with the Ontario Electricity Financial Corporation ("OEFC"), an agency of the Province of Ontario. This agreement expires in 2012. The Ottawa plant also provides thermal energy to the member hospitals and treatment centers of the Ottawa Health Sciences Centre, National Defence Medical Centre and the Perley and Rideau Veterans' Health Centre.

The Mississauga plant is a combined cycle cogeneration facility designed to produce 108 MW of electrical energy. This capacity is contracted under a long-term contract with the OEFC which expires in 2017. The Mississauga Plant provided cogeneration services to Boeing Canada Inc. ("Boeing") until July 2005 at which time Boeing exercised its right under the cogeneration services agreement to no longer take and pay for cogeneration services due to the recent closure of its manufacturing facility. Boeing remains entitled to any steam credit based on the total plant electricity generation revenue. On or prior to each of January 1, 2013, 2018 and 2023, Boeing may give notice to purchase the Mississauga Plant at fair market value. On January 1, 2028, all provisions under the cogeneration services agreement will terminate and Boeing will have the option at that time to either require the removal of the Mississauga Plant from the leased lands or purchase the Mississauga Plant at its net salvage value.

The Windsor plant is a combined cycle cogeneration facility designed to produce 68 MW of electrical energy. Currently, 50 MW of the capacity is sold under a long-term contract to the OEFC. This agreement expires in 2016. The Windsor plant also provides thermal energy to DaimlerChrysler Canada Ltd.'s minivan assembly facility in Windsor. In 2003, an agreement was reached with the OEFC to sell the remaining 18 MW to the Ontario power market when it is economic to do so.

The Corporation's interests in the Mississauga, Ottawa and Windsor facilities in Ontario are held through TA Cogen. See "TA Cogen and TransAlta Power".

United States

The Corporation's generation facilities in the United States are summarized in the following table:

Location	Plant	Capacity (MW)	Ownership (%)	Commissioning Dates
Washington	Centralia Coal No. 1	702	100	1971
	Centralia Coal No. 2	702	100	1971
	Centralia Gas	248	100	2002
	Skookumchuk	1	100	1970
New York	Binghamton	47	100	1992
	Saranac	240	37.5	1994
California	Vulcan	34	50	1986
	Del Ranch	38	50	1989
	Elmore	38	50	1989
	Leathers	38	50	1990
	CE Turbo	10	50	2000
	Salton Sea I	10	50	1987
	Salton Sea II	20	50	1990
	Salton Sea III	50	50	1989
	Salton Sea IV	40		1996
	Salton Sea V	49	50	2000
Texas	Power Resources	200	50	1988
Arizona	Yuma	50	50	1994
Hawaii	Wailuku	10	50	1993
Total		**2,527**		

Centralia

The Corporation owns a two-unit 1,404 MW coal-fired facility, an adjacent coal mine and a 248 MW gas-fired facility in Centralia, Washington, located south of Seattle. On November 27, 2006, the Corporation stopped all mining operations at the Centralia coal mine. The Corporation also owns a 1 MW hydro-electric generating facility and related assets on the Skookumchuk River near Centralia, which facilities are used to provide reliable water supply to TransAlta's other generation facilities at Centralia.

The Corporation has entered into a number of medium to long-term energy sales agreements from the Centralia facility. The Corporation also sells power from the Centralia facility into the Western Electricity Coordinating Council and, in particular, the U.S. Pacific Northwest energy market, on the spot market. The Corporation's strategy is to balance contracted and non-contracted sales of electricity to manage production and price risk.

The Corporation stopped mining operations at its Centralia coal mine on November 27, 2006. Prior to that date, the Centralia mine produced approximately five to six million tons of coal annually, or approximately 70 to 85 per cent of the Centralia plant's annual coal requirements. Although the Corporation estimates that certain coal reserves remain to be extracted, the Corporation has not yet received permits for or developed the new area from which this coal could be produced. The

Corporation has entered into contracts to purchase and transport coal from the Powder River Basin in Montana and Wyoming to fuel its facility until it is economic to pursue the extraction of coal at its Centralia mine.

Binghamton

The Corporation owns a 47 MW gas-fired peaking facility in Binghamton, New York. This facility was commissioned in 1992 and is located near the Pennsylvania and New York State border. The Binghamton facility provides electricity to the New York Power Pool during periods of high demand.

CE Generation

On January 29, 2003, TransAlta announced the completion of the acquisition from El Paso of a 50 per cent interest in CE Generation, for total consideration of approximately US $240 million, which included approximately US $35 million for working capital. The CE Generation acquisition included the right to a 50 per cent interest in a geothermal project in the Imperial Valley, California. If TransAlta elects to retain an economic interest and participate in a future phase of this project, Salton Sea VI, TransAlta is required to pay to El Paso certain milestone payments of up to US $10 million.

CE Generation, through its subsidiaries, is primarily engaged in the development, ownership and operation of independent power production facilities in the United States using geothermal and natural gas resources. CE Generation holds a net ownership interest of approximately 378 MW in 13 facilities, having an aggregate operating capacity of 817 MW, including 327 MW of geothermal generation in California and 490 MW of gas-fired cogeneration in New York, Texas and Arizona.

CE Generation affiliates currently operate 10 geothermal facilities in Imperial Valley, California. Each of the geothermal facilities, excluding CE Turbo and Salton Sea V, sells electricity pursuant to independent, long-term contracts which provide for energy payments, capacity payments and capacity bonus payments. Salton Sea V is currently a merchant facility; however, it has a PPA to sell approximately 20 MW of its net output. The balance of available capacity from Salton Sea V and CE Turbo is sold through market transactions.

CE Generation affiliates currently operate three natural gas-fired facilities in Texas, Arizona and New York State, having an aggregate generation capacity of 490 MW. The New York and Arizona facilities sell their output pursuant to long term contracts while the Texas facility has contracted a tolling agreement for capacity.

Wailuku

On February 17, 2006, a subsidiary of TransAlta, together with a subsidiary of Mid-American entered into an arrangement to purchase a 10 MW hydro facility in Hawaii to be held directly by the Wailuku Holding Company LLC, each of TransAlta and Mid American hold a 50 per cent interest in the facility. The facility sells electricity pursuant to the terms of a 30 year PPA with the Hawaii Electricity Light Company.

Mexico

Campeche

In May 2003, the Corporation announced the commencement of commercial operations at its 252 MW combined cycle gas/diesel fuelled facility located in the Mexican state of Campeche in the Yucatan Peninsula. The Corporation and Mexico's state owned Comisión Federal de Electricidad ("CFE") have entered into a 25 year long term contract for all of the output of this plant, commencing on the date commercial operations began. The Corporation has also entered into a related gas transportation agreement with CFE. In addition to the long term contract and gas transportation agreement, the Corporation has entered into a corresponding 25 year fuel supply agreement with Pemex Gas y Petro Quimica Basica. CFE bears the price risk on fuel up to the guaranteed heat rate under the long term contract.

Chihuahua

In September 2003, the Corporation announced the commencement of commercial operations at its 259 MW Chihuahua combined-cycle gas-fired facility located near Ciudad de Juarez, Mexico, located approximately 40 kilometres south of the

United States/Mexico border. The Corporation has entered into a 25 year long-term contract with CFE for all of the output of this plant, commencing on the date commercial operations began. The Corporation has also entered into a related 25 year gas transportation agreement with CFE and a 5 year gas supply contract with Cynergy Marketing and Trading, LP. CFE bears the price risk on fuel up to the guaranteed heat rate under the long term contract.

Australia

The Corporation holds interests in Western Australia consisting of the 110 MW Parkeston generation facility through a 50/50 joint venture with NP Kalgoorlie Pty Ltd, a subsidiary of Newmount Australia Limited, and the 245 MW Southern Cross gas and diesel generation facilities. In 2005, Southern Cross installed a 20 MW gas turbine, which was commissioned effective January 6, 2006, resulting in additional capacity at this facility of 20 MW from the previous year.

TA Cogen and TransAlta Power

The Corporation's interest in the 220 MW Meridian gas-fired generation facility in Saskatchewan, the 770 MW Sheerness coal-fired generation facility, the 118 MW Fort Saskatchewan gas-fired cogeneration facility in Alberta, and the Mississauga, Ottawa and Windsor-Essex facilities in Ontario, are held through TA Cogen, an Ontario limited partnership owned 50.01 per cent by subsidiaries of TransAlta and 49.99 per cent by TransAlta Power, a publicly held Ontario limited partnership. The Corporation formed TA Cogen in 1998 to directly or indirectly hold interests in generation facilities capable of producing stable cash flows that would be distributed to TransAlta Power's unitholders. The partnership units of TransAlta Power are publicly traded on the Toronto Stock Exchange.

Corporate Development and Marketing Segment

The Corporate Development and Marketing group provides a number of strategic functions to the Corporation, including the following:

- Gathering and assessing market intelligence, enabling management to more effectively engage in strategic planning and decision-making for the Corporation. This includes identifying and ranking markets which are the most attractive to enter, developing strategies and plans to effectively compete in each market where the Corporation operates, and identifying specific opportunities to develop or acquire assets that will capture value or mitigate risks in the electric generation business;

- Negotiating and entering into contractual agreements with customers for the sale of output from the Corporation's generating assets, including electricity, steam or other energy related commodities;

- Scheduling physical deliveries of natural gas supplies used to generate electricity and the electrical generation outputs from each asset to meet contractual obligations while managing the physical and financial risks associated with the generation and transmission of electrical energy, including during those periods of unplanned outages;

- Increasing the value of electricity output and fuel inputs from each generating asset through a variety of regional portfolio optimization strategies in both the current year and over the long term; and

- Recommending optimum maintenance schedules and operating levels according to current and anticipated market conditions that will maximize earnings from each of the generation assets.

Beyond these functions, the Corporate Development and Marketing group derives additional revenue and earnings from the wholesale trading of electricity and other energy related commodities and derivatives.

The group seeks to manage and limit risk exposures from both financial and physical positions, as well as counterparty risks. The key risk control activities of the Corporate Development and Marketing group, in conjunction with other functions of the Corporation, include credit review approval and reporting, risk measurement monitoring and reporting, validation of transactions, and trading portfolio valuation monitoring and reporting.

The Corporation uses mark-to-market valuation and the application of a value at risk ("VAR") determination for risk control practices for its trading portfolios. This approach is a measure of assessing the potential trading losses that the Corporation could experience over a given time, due to fluctuations in energy prices in each market. The Corporation's policy is to actively manage and limit the group's aggregate VAR exposure within board approved limits.

Competitive Environment

As the largest generator of electricity in Alberta, measured by capacity, and with generation assets in Ontario, the U.S. Pacific Northwest, California, Arizona, Texas and New York, Mexico and Australia, the Corporation believes it is well-positioned to capitalize on opportunities in these regions. Alberta is Canada's fourth largest province by population with approximately 3.2 million residents representing approximately 10 per cent of Canada's total population. Alberta consumed approximately 69,400 GWh of electricity in 2006. As at December 31, 2006, the aggregate installed capacity of generating facilities in Alberta was approximately 11,500 MW.

Ontario is Canada's largest province with approximately 12.5 million residents representing approximately 39 per cent of Canada's total population. Ontario consumed approximately 151,000 GWh of electricity in 2006. Ontario Power Generation Inc., the successor to the generation business of Ontario's former integrated electric utility, controls over two-thirds of Ontario's approximately 30,600 MW of installed capacity, the balance of which is owned by municipal electric utilities and private independent power producers or industrial consumers.

Electrical utilities in the U.S. Pacific Northwest are organized into the Western Electricity Coordinating Council ("WECC"). The WECC is the largest geographically of the 10 regions in the North American Electric Reliability Council and is divided into four sub-regions, of which Region 1 includes British Columbia, Alberta, Washington, Oregon, Idaho, Montana, Utah, western Wyoming and northern Nevada. This sub-region is referred to as the Northwest Power Pool ("NWPP"). The WECC estimates that approximately 423,900 GWh of electricity was consumed in the NWPP in 2006. The WECC also reported an estimated aggregate electrical generating capacity of approximately 83,800 MW in the NWPP for the year ending 2006.

The Corporation expects that the demand for electricity will continue to grow in its target markets. In addition to increased demand, the market for electricity in some of these regions has undergone deregulation. Legislation in Alberta and Ontario and many states in the United States mandated the unbundling of generation, transmission and distribution services traditionally provided by vertically integrated utilities to promote competition in the market for generation, which caused some integrated utilities to sell all or parts of their generation assets. While the pace of this process has changed, the Corporation believes that the combination of increased demand for electricity, deregulation and the increased availability of generation assets may provide it with an opportunity to increase its generation capacity and leverage its Corporate Development and Marketing capabilities, provided that in doing so, the financial position of the Corporation is not compromised.

The Corporation believes that the demand for electricity in Mexico will continue to grow in the next several years due to increased commercial and residential consumption. For the period 2006 to 2016, the CFE is projecting a growth in demand for electricity of 4.8 per cent per year. It is expected that independent power plants will contribute up to 30 per cent of the installed capacity and contribute approximately 40 per cent of the total energy produced. At the end of December 2006, the national electrical system had approximately 49,200 MWs. The system is expected to have approximately 69,000 MWs by the end of December 2016. As a result, the CFE has indicated that it is planning to offer for tender the construction of more independent power plants that may be similar to the Corporation's plants in Campeche and Chihuahua. Over the next 10 years increased fuel diversity will be sought with natural gas fuelled generating stations making up no more than 55% of the installed capacity by 2016.

Although significant hydro capacity exists in Mexico, the bulk of generation is currently oil fired and gas fired. Demand requirements are affected to a large degree by the differential in gas prices relative to oil prices. Demand tends to be lower in Northern Mexico in the colder months of December and January and further reduced during the period from December 15 to January 2, as several assembly plants shutdown or limit shifts for the holiday period. The demand for electricity produced at the Campeche facility is relatively stable due to transmission constraints in the area.

Several factors influence power demand in Mexico ranging from fuel prices, plant major maintenance in the CFE fleet and IPP's fleet, to the recently commissioned plants during the previous year, as well as the geographical location of power plants and various efficiencies and availabilities.

Australia is heavily dependent on coal for electricity, more so than any other developed country except Denmark and Greece. About 80% of power produced is derived from coal. Australia's electricity is low-cost by world standards. Natural gas is increasingly used for electricity, especially in South Australia and Western Australia. In 2006, Australia's power stations produced 255,000 (GWh) of electricity growing at 3.2% pa. The reform of the Australian electricity industry commenced in the early 1990s. Separate commercial structures have been developed for the monopoly transmission and distribution ('wires') functions and the competitive generation and retailing functions of the industry. The major reform in the Australian electricity industry involved the establishment in southern and eastern Australia of the National Electricity Market (NEM). The NEM operates in the States of New South Wales, Victoria, Queensland, South Australia and Tasmania and in the Australian Capital Territory.

In Western Australia, where TransAlta's power assets are located, a new Wholesale Electricity Market (WEM) was introduced in late 2006. Although most of TransAlta's generation is used to supply two large mining companies through long term capacity contracts, a small amount of surplus energy and capacity is sold into the WEM. Total installed capacity in the WEM is about 3800MW's, while TransAlta's capacity in the region is approximately 350MW's. TransAlta enjoys a solid competitive advantage in power supply to mining operations, especially remote mining operations, and has built up significant knowledge and expertise in this field.

Competitive Strengths

The Corporation believes it is well positioned to achieve its business strategy due to its competitive strengths, which include the following:

Stable cash flow base - In 2006, approximately 95 per cent of the Corporation's expected production was sold under contracts with original durations of at least 12 months, with the remaining production subject to market pricing. Revenues received under contractual arrangements are not subject to short-term fluctuations in the spot price for electricity.

Geographic diversity - The Corporation has a geographically diverse asset base with assets in Alberta and Ontario, Canada, in certain parts of the United States, Mexico and Australia.

Fuel diversity - The Corporation has a diverse mix of fuels used for the generation of electricity, including coal, natural gas, hydro, geothermal and wind. The Corporation believes that this mix reduces the impact on corporate performance in the event of external events affecting one fuel source.

Management team - The Corporation's management team has substantial industry, international and local market experience.

Corporate Development and Marketing expertise - The Corporation believes that it's Corporate Development and Marketing group has enhanced returns from the Corporation's existing generation base and has allowed the Corporation to obtain more favourable pricing for uncommitted electricity, secure fuel supply on a cost-effective basis and fulfill electricity delivery obligations in the event of an outage.

Financial strength - The Corporation has investment grade ratings from Moody's Investor Services, Inc. ("Moody's"), Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P") and Dominion Bond Rating Service Limited ("DBRS").

Ownership or control of coal supply - The Corporation owns, controls or leases extensive coal reserves in Alberta that provide a long-term and stable source of fuel for all of its coal-fired generation capacity in Alberta. The Corporation's mines in Alberta contain some of the lowest sulphur coal in North America, averaging 0.25 per cent sulphur at the Whitewood mine and 0.25 per cent at the Highvale mine. Coal with lower sulphur content emits less sulphur dioxide when it is burned.

Wind Generation - The Corporation is one of the largest owners and operators of wind generation in Canada. The Wind management team has developed key relationships with customers, suppliers and policy makers that provide a competitive advantage in the development, operations and marketing of wind generation.

Capital Expenditures

Capital expenditures for property and investments (including acquisitions) by TransAlta for the past five years were:

2006	$224.9 million
2005	$325.5 million
2004	$345.7 million
2003	$757.8 million
2002	$985.9 million

ENVIRONMENTAL RISK MANAGEMENT

TransAlta is subject to federal, provincial, state and local environmental laws, regulations and guidelines concerning the generation and transmission of electrical and thermal energy and surface mining. TransAlta is committed to complying with legislative and regulatory requirements and to minimizing the environmental impact of its operations. TransAlta works with governments and the public to develop appropriate frameworks to protect the environment and, at the same time, to promote sustainable development.

TransAlta's approach to managing its environmental, health and safety ("EHS") risk has three elements:

Compliance-based activities, such as permitting and reporting;

ISO-based EHS Management systems and programs, such as safety programs and auditing; and

Longer-term strategic initiatives, including climate change and government policy development.

These elements are integrated into TransAlta's corporate-wide operations and management systems. They are designed to mitigate risks of TransAlta's activities to employees, the public and the environment, and to address potential competitive risks from future changes in environmental policy. They are also supportive of TransAlta's corporate commitment to sustainability.

To meet regulatory requirements and improve environmental performance, TransAlta made environmental operating and capital expenditures in fiscal year 2006 of approximately $49.8 million. Environmental expenditures are generally defined as expenditures incurred to comply with Canadian or international environmental regulations, conventions or voluntary agreements.

Environmental risk at the plants operated by TransAlta, has been reduced by actions in several areas:

Continued investment in mercury control technology evaluation leading to installation of mercury capture equipment at our Alberta coal plants in 2010;

Uprate improvements delivering higher efficiency generation at the Sundance plant;

The planned decommissioning of the older Wabamun coal-fired plant in 2010; and

Continued expansion of the wind energy business, with minimal emissions footprint.

On a longer time horizon, TransAlta anticipates future environmental regulatory developments in areas such as climate change, air quality and water. Regulatory changes and policy developments are tracked in all relevant jurisdictions.

On October 19, 2006, the Canadian Government introduced its Clean Air Act, designed to regulate greenhouse gases and air pollutants from industries and other sources. While uncertainty still exists as to the ultimate form and specific detail of Canada's climate change regulations, TransAlta's climate change strategy addresses the potential competitive risks to its fossil generation plants. The strategy includes, increased use of less carbon-intensive fuels such as natural gas and renewable resources, continued investment in international emission offsets and internal efficiency improvements and development of clean coal technology. TransAlta continues to be an active participant with federal and provincial governments in the development of climate change policy in the international, national and provincial arenas.

Mercury standards are expected to be implemented in both the United States and Alberta by 2010. Requirements for capital control equipment are clear in Alberta, and work is on schedule to select and install the necessary control technology. Mercury control requirements in the United States at TransAlta's Centralia plant are not yet defined.

TransAlta is a member of the Canadian Clean Power Coalition, which is committed to developing and implementing a clean coal technology project in Canada before 2010.

Environmental issues concerning water use are managed within the ISO 14001 framework. TransAlta continues to work with regulators in each jurisdiction in which it operates, to ensure water is used wisely on site and that all regulations pertaining to water and wetlands management, both on and off site, are met at all times.

TransAlta's environmental efforts have been recognized by the Dow Jones Sustainability Index for eight years in a row. The Index represents the best environmental performance leaders worldwide.

To date, TransAlta does not believe that its competitive position in the wholesale generation business has been adversely affected by environmental concerns. Increasing use of natural gas and renewable generation means typically lower environmental compliance costs. Emissions of oxide of nitrogen ("NOx") and SO2 from coal-fired operations at Centralia are significantly below national average levels due to installed pollution controls, including scrubbers and low-NOx burners for both units.

RISK FACTORS

Regulatory and political risks exist in all jurisdictions in which TransAlta operates. TransAlta seeks to manage these risks by working with regulators and other stakeholders to resolve issues as fairly and expeditiously as possible. For a discussion of risk factors affecting TransAlta, reference is made to "Risk Factors and Risk Management", in TransAlta's MD&A for the year ended December 31, 2006, which is incorporated by reference herein.

EMPLOYEES

As of December 31, 2006, the Corporation had 2,687 (1) full and part-time employees, of which 2,114 were employed in TransAlta's generation business and 148 were employed in TransAlta's energy marketing business. Approximately 1,503 of the Corporation's employees are represented by labour unions. The Corporation is currently a party to 12 different collective bargaining agreements. The Corporation has recently renewed 4 of the agreements and negotiations for the remaining agreements are underway and are expected to be completed before their respective expiry dates.

Note:

(1) Of the 2687 full-time and part-time employees at December 31, 2006, 567 were on notice of termination relating to the closure of the Centralia mine, effective January 31, 2007.

CAPITAL STRUCTURE

General

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of first preferred shares, issuable in series. As at March 14, 2007, 202,627,578 common shares were outstanding and no first preferred shares were outstanding.

Common Shares

Each common share of the Corporation entitles the holder thereof to one vote for each common share held at all meetings of shareholders of the Corporation, except meetings at which only holders of another specified class or series of shares are entitled to vote, to receive dividends if, as and when declared by the Board of Directors, subject to prior satisfaction of preferential dividends applicable to any first preferred shares, and to participate rateably in any distribution of the assets of the Corporation upon a liquidation, dissolution or winding up and subject to prior rights and privileges attaching to first preferred shares. The common shares are not convertible and are not entitled to any pre-emptive rights. The common shares are not entitled to cumulative voting.

First Preferred Shares

The Corporation is authorized to issue an unlimited number of first preferred shares, issuable in series and, with respect to each series, the Board of Directors is authorized to fix the number of shares comprising the series and determine the designation, rights, privileges, restrictions and conditions attaching to such shares, subject to certain limitations.

The first preferred shares of all series rank senior to all other shares of the Corporation with respect to priority in payment of dividends and with respect to distribution of assets in the event of liquidation, dissolution or winding up of the Corporation, or a reduction of stated capital. Holders of first preferred shares are entitled to receive cumulative quarterly dividends on the subscription price thereof as and when declared by the Board of Directors at the rate established by the Board of Directors at the time of issue of shares of a series. No dividends may be declared or paid on any other shares of the Corporation unless all cumulative dividends accrued upon all outstanding first preferred shares have been paid or declared and set apart. In the event of the liquidation, dissolution or winding up of the Corporation, or a reduction of stated capital, no sum shall be paid or assets distributed to holders of other shares of the Corporation until the holders of first preferred shares shall have been paid the subscription price of the shares, plus a sum equal to the premium payable on a redemption, plus a sum equal to the arrears of dividends accumulated on the first preferred shares to the date of such liquidation, dissolution, winding up, or reduction of stated capital, as applicable. After payment of such amount, the holders of first preferred shares shall not be entitled to share further in the distribution of the assets of the Corporation.

The Corporation's Board of Directors may include, in the share conditions attaching to a particular series of first preferred shares, certain voting rights effective upon the Corporation failing to make payment of six quarterly dividend payments, whether or not consecutive. These voting rights continue for so long as any dividends remain in arrears. These voting rights are the right to one vote for each $25 of subscription price on all matters in respect of which shareholders vote, and additionally, the right of all series of first preferred shares, voting as a combined class, to elect two directors of the Corporation if the Board of Directors then consists of less than 16 directors, or three directors if the Board of Directors consists of 16 or more directors. Otherwise, except as required by law, the holders of first preferred shares shall not be entitled to vote or to receive notice of or attend any meeting of the shareholders of the Corporation.

Subject to the share conditions attaching to any particular series providing to the contrary, the Corporation may redeem first preferred shares of a series, in whole or from time to time in part, at the redemption price applicable to each series and the Corporation has the right to acquire any of the first preferred shares of one or more series by purchase for cancellation in the open market or by invitation for tenders at a price not to exceed the redemption price applicable to the series.

CREDIT RATINGS

Issuer Rating

As of December 31, 2006, the Corporation's issuer rating from S&P was BBB (stable) and from Moody's was Baa2 (stable).

Commercial Paper

As of December 31, 2006, the Corporation's guaranteed commercial paper was rated R-1(low) (stable) by DBRS. The Corporation's non-guaranteed commercial paper was rated R-2(high) (stable) by DBRS.

Senior Unsecured Long-Term Debt

As of December 31, 2006, the Corporation's senior unsecured long-term debt is rated BBB (stable) by DBRS, BBB (stable) by S&P and Baa2 (stable) by Moody's. The ratings for debt instruments range from a high of AAA to a low of D in the case of both DBRS and S&P and from a high of Aaa to a low of C in the case of Moody's.

According to the DBRS rating system, debt securities rated BBB are of adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is more susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities. “High” or “Low” grades indicate the relative standing within a rating category. DBRS also assigns rating trends to each of its ratings to give investors an understanding of DBRS’ opinion regarding the outlook for the rating in question.

According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on such obligations than on obligations in the higher rating categories. The ratings from AA to B may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

According to the Moody’s rating system, debt securities rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics. Numerical modifiers 1, 2 and 3 are applied to each rating category, with 1 indicating that the obligation ranks in the higher end of the category, 2 indicating a mid-range ranking and 3 indicating a ranking in the lower end of the category.

Note Regarding Credit Ratings

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. The credit ratings accorded to the Corporation’s outstanding securities by S&P, Moody’s and DBRS, as applicable, are not recommendations to purchase, hold or sell such securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that the ratings will remain in effect for any given period or that a rating will not be revised or withdrawn entirely by S&P, Moody’s or DBRS in the future if, in its judgment, circumstances so warrant.

DIVIDENDS

In setting its dividend, TransAlta’s Board of Directors considers several factors: the Corporation’s earnings record, cash flow, capital requirements, the expectations of shareholders and future earnings prospects. The payment and level of future dividends on the common shares are determined by the Board of Directors of TransAlta upon consideration of such factors. TransAlta has declared and paid the following dividends per share on its outstanding common shares during the past three years:

Period		Dividend per Common Share
2004	First Quarter	$ 0.25
	Second Quarter	$ 0.25
	Third Quarter	$ 0.25
	Fourth Quarter	$ 0.25
2005	First Quarter	$ 0.25
	Second Quarter	$ 0.25
	Third Quarter	$ 0.25
	Fourth Quarter	$ 0.25
2006	First Quarter	$ 0.25
	Second Quarter	$ 0.25
	Third Quarter	$ 0.25
	Fourth Quarter	$ 0.25

On January 1, 2007, TransAlta paid cash dividends of $0.25 per common share. The Corporation’s Board of Directors on January 25, 2007 declared a cash dividend of $0.25 per common share, payable on April 1, 2007.

MARKET FOR SECURITIES

TransAlta's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "TA" and the New York Stock Exchange under the symbol "TAC". TransAlta's preferred securities were listed on the Toronto Stock Exchange under the symbol "TA.PR.C" until January 2, 2007 at which time they were redeemed (see "General Development of the Business"). The following table sets forth the reported high and low trading prices and trading volumes of the Corporation's common shares as reported by the TSX for the period indicated:

	Price ($)		
Month	**High**	**Low**	**Volume**
2006			
January	26.91	23.15	16,922,946
February	24.64	22.91	15,327,317
March	24.20	21.88	17,224,425
April	23.61	22.00	13,842,416
May	25.00	23.11	11,606,703
June	24.54	22.63	11,746,765
July	24.03	22.25	10,436,526
August	24.96	23.26	10,220,926
September	25.05	23.25	12,609,538
October	24.23	22.76	14,960,436
November	25.79	22.78	15,783,400
December	26.72	25.28	10,316,581
2007			
January	27.25	24.38	14,675,110
February	25.71	24.01	20,305,992
March (to March 14)	24.85	23.59	6,990,727

The following table sets forth the reported high and low trading prices and trading volumes of the Corporation's preferred securities as reported by the TSX in January 2006:

	Price ($)		
Month	**High**	**Low**	**Volume**
2006			
January	25.70	25.41	152,613
February	25.90	25.61	100,224
March	25.97	25.21	104,403
April	25.45	25.15	73,523
May	25.50	25.25	82,282
June	25.77	24.96	89,479
July	25.78	25.08	99,033
August	25.65	25.36	57,716
September	25.69	25.12	73,063
October	25.49	25.21	71,790
November	25.43	25.20	116,632
December	25.43	24.93	144,731

DIRECTORS AND OFFICERS

The names, province or state and country of residence of the directors and officers of TransAlta as at March 14, 2007, their respective position and office and their respective principal occupation during the five preceding years, are set out below. The year in which each director was appointed to serve to the Board is also set out below. Each director is appointed to serve until the next annual meeting of TransAlta or until his or her successor is elected or appointed.

Name, Province (State) and Country of Residence	Year first became Director	Principal Occupation
William D. Anderson Ontario, Canada	2003	Corporate Director. Mr. Anderson was President of BCE Ventures (telecommunications), a subsidiary of BCE Inc. from 2001 to 2005 and Chief Financial Officer of BCE Inc. (telecommunications) from 1998 to 2000. He has been a director of Bell Canada International Inc. (telecommunications) since 2000, Four Seasons Hotels Inc. (hospitality) since 2005, Gildan Activewear Inc. (apparel manufacturing) since 2006 and MDS Inc. (health sciences) since 2007. He is a member of the Institute of Chartered Accountants of Ontario and is Chair of the Audit and Risk Committee of the Board, previously the Audit and Environment Committee.
Stanley J. Bright (1) Maryland, U.S.A.	1999	Corporate Director. Mr. Bright was a director of MidAmerican Energy Holdings Company (electric generation and delivery, natural gas supply, transportation and delivery), a subsidiary of Berkshire Hathaway, Inc., from 1999 to February 2006 and a director of MidAmerican Energy predecessor companies from 1987. Mr. Bright was Chairman and CEO of MidAmerican Energy Company (electric and gas utility) from 1997 to 1999 and President, CEO & Chairman and CEO of predecessor companies from 1991 to 1997. He is Chair of the Human Resources Committee and a member of the Audit and Risk Committee of the Board.
Timothy W. Faithfull England, U.K.	2003	Corporate Director. Mr. Faithfull was President and Chief Executive Officer of Shell Canada Limited (energy) from 1999 to 2003 when he completed a 36 year international oil and gas career with Royal Dutch/Shell group. He has been a director of Canadian Pacific Railway Limited (transportation) since 2003, AMEC plc in the United Kingdom (international engineering, construction services) since 2005 and Shell Pension Trust Limited in the United Kingdom (pension fund trustee) since 2004. He is also a council member of the Canada-United Kingdom Colloquia and a trustee of the Starehe Endowment Fund (UK). He is a member of the Audit and Risk Committee and the Human Resources Committee of the Board.
Ambassador Gordon D. Giffin Georgia, U.S.A	2002	Senior Partner, McKenna Long & Aldridge LLP (attorneys). Mr. Giffin has been a director of Bowater, Inc., (newsprint and paper) since 2003, Canadian National Railway Company (transportation) since 2001, Canadian Imperial Bank of Commerce (banking) since 2001, Canadian Natural Resources Ltd. (oil and gas) since 2002 and Ontario Energy Savings Corp. (natural gas and electricity supplier) since 2006. He is a member of the Council of Foreign Relations, an advisory board member of the Canadian-American Business Council and serves on the Board of Trustees for the Carter Center in Georgia. Mr. Giffin served as United States Ambassador to Canada from 1997 to 2001. He is Chair of the Governance and Environment Committee of the Board, previously the Nominating and Corporate Governance Committee.
C. Kent Jespersen Alberta, Canada	2004	Corporate Director. Mr. Jespersen has been Chair and CEO of La Jolla Resources International Ltd. (advisory and investments) since 1998. He has also been Chair and a director of CCR Technologies Ltd. (technology) since 1999, a director of Matrikon Inc. (technology) since 2001, Axia NetMedia Corporation (telecommunications) since 2000 and Chairman of North American Oil Sands Ltd. (oil and gas) since 2006. Mr. Jespersen worked with NOVA Corporation (gas transportation and chemicals) for over 20 years in various management positions, including as president of NOVA International. He is a member of the Governance and Environment Committee and the Human Resources Committee of the Board.

Name, Province (State) and Country of Residence	Year first became Director	Principal Occupation
Michael M. Kanovsky British Columbia, Canada	2004	Corporate Director and Independent Businessman. Mr. Kanovsky, P. Eng, has been President of Sky Energy Corporation (oil, gas and investments) since 1993. He is a director of Accrete Energy Corporation (oil and gas) since 2004, Devon Energy Corporation (oil and gas) since 1998, ARC Energy Trust (oil and gas) since 1996, Bonavista Energy Trust (oil and gas) since 1997 and Pure Technologies Inc. (technology) since 2003. He has been involved in investment banking and the oil, gas and power industries for over 30 years. He is a member of the Audit and Risk Committee and the Governance and Environment Committee of the Board.
Donna Soble Kaufman Ontario, Canada	1989	Lawyer and Corporate Director. Mrs. Kaufman has been a director of BCE Inc. (telecommunications) since 1998, Bell Canada (telecommunications) since 2003 and Telesat Canada (telecommunications) since 2001. She is also a director of Historica, the Baycrest Centre, a Fellow of the Institute of Corporate Directors and a member of the Canadian Board of Advisors of Catalyst. Mrs. Kaufman is Chair of the Board of the Company and an ex-officio member of all committees of the Board.
Gordon S. Lackenbauer Alberta, Canada	2005	Corporate Director. Mr. Lackenbauer was Deputy Chairman of BMO Nesbitt Burns Inc. (investment banking) from 1990 to 2004. He has been a director of Tembec Inc. (paper and forest products) since 1973, NAL Oil & Gas Trust (oil and gas) since July 2006 and CTV Globemedia Inc. (telecommunications) since 2006. Mr. Lackenbauer is also a Governor of Mount Royal College. He is a member of the Governance and Environment Committee and the Audit and Risk Committee of the Board.
Martha C. Piper British Columbia, Canada	2006	Corporate Director. Dr. Piper was President and Vice-Chancellor of the University of British Columbia (education) from 1997 to 2006. She has been a director of the Bank of Montreal (banking) since 2006. She is also a director of the B.C. Progress Board, the Pierre Elliott Trudeau Foundation and the Council of Canadian Academies. She is an officer of the Order of Canada, a recipient of the Order of British Columbia, was named Educator of the Year by the Learning Partnership in 2004 and was appointed in 2006 as a member of the Trilateral Commission. She is a member of the Human Resources Committee of the Board.
Luis Vázquez Senties Mexico	2001	President and CEO and Chair of Group Diavaz (oilfield services and natural gas distribution) since 1982. Mr. Vázquez has also been Chair of Compania Mexicana de Gas, S.A. de CV., and of the Mexican Natural Gas Association since 2004. He is a member of the Human Resources Committee of the Board.
Stephen G. Snyder Alberta, Canada	1996	President and Chief Executive Officer of TransAlta Corporation (power generation), since 1996. He has been a director of Canadian Imperial Bank of Commerce (banking) since 2000. He has also been Chair of the Calgary Stampede Foundation since February 2005, a director of the Calgary Exhibition and Stampede since April 2004, a director of the Alberta College of Art & Design since June 2006 and a trustee of the Conference Board of Canada since 1996.

Officers

Name	Principal Occupation	Residence
Stephen G. Snyder	President and Chief Executive Officer	Calgary, Alberta
Brian Burden	Executive Vice-President and Chief Financial Officer	Calgary, Alberta
Linda K. Chambers	Executive Vice-President, Generation Technology	Calgary, Alberta
Richard P. Langhammer	Executive Vice-President, Generation Operations	Calgary, Alberta
Thomas M. Rainwater	Executive Vice-President, Corporate Development and Marketing	Calgary, Alberta
Kenneth S. Stickland	Executive Vice-President, Legal	Calgary, Alberta
Michael Williams	Executive Vice-President, Human Resources, and Communications	Calgary, Alberta
Michael Bartel	Vice-President, Engineering Services	Calgary, Alberta
William D.A. Bridge	Vice-President, Western Canada Operations	Calgary, Alberta
Jeff A. Curran	Vice-President and Comptroller	Calgary, Alberta
Kelly L. Gunsch	Vice-President, Commercial Portfolio Management	Calgary, Alberta
David J. Koch	Vice-President, Financial Operations	Calgary, Alberta
Mark MacKay	Vice-President, Energy Technology	Calgary, Alberta
Alex McFadden	Vice-President, Major Maintenance	Calgary, Alberta
Parviz Mohamed	Vice-President, Information Technology	Calgary, Alberta
Daniel Pigeon	Vice-President, Portfolio Strategy and Execution Development	Calgary, Alberta
Gregory P. Reinhart	Vice-President, Generation Human Resources	Calgary, Alberta
Donald Thomas	Vice-President, Vision Quest	Calgary, Alberta
Marvin J. Waiand	Vice-President and Treasurer	Calgary, Alberta
Jubran R. Whalan	Vice-President, Trading and Delivery Optimization	Calgary, Alberta
W. Frank Hawkins	Assistant Treasurer	Calgary, Alberta
Maryse C. St.-Laurent	Corporate Secretary	Calgary, Alberta

Note:

(1) Mr. Bright served as a director of Access Air Inc. for the period of December 4, 1997 to January 31, 2000, a privately held start-up airline company. The company Mr. Bright was employed by, and whom he represented, supported this airline in the hope that it would improve air service to the state of Iowa. Access Air Inc. filed for bankruptcy protection on November 29, 1999.

All of the directors and officers of TransAlta have held their present principal occupations or executive positions with the same or associated firms for the past five years, except for the following:

- Prior to January 2006, William Anderson was President of BCE Ventures.
- Prior to July 2003, Timothy Faithfull was President and Chief Executive Officer of Shell Canada Limited.
- Prior to December 2005, Brian Burden was Executive Vice-President and Chief Financial Officer of Molson Inc.; and prior to 2002, he was Senior Vice-President, Seagram Corporate/Venture Transition of Diageo PLC.
- Prior to July 2003, Linda Chambers was President of TransAlta Centralia Generation LLC and TransAlta Centralia Mining LLC, subsidiaries of TransAlta; and prior to June 1999, she was Senior Vice-President of Human Resources of TransAlta.
- Prior to October 2005, Richard Langhammer was President, TransAlta Centralia Generation LLC and TransAlta Centralia Mining LLC, subsidiaries of the Corporation; and prior to December 2003, he was Vice-President, Plant Operations of TransAlta.

- Prior to November 2002, Thomas Rainwater was President, Praxis Solutions, Inc.; and prior to February 2000, he was Vice-President, Central Region, Illinova Energy Partners Inc., a division of Illinova Corporation.

- Prior to January 2006, Michael Williams was Senior Vice-President, Human Resources and Communications for the Corporation; prior to June 2002, he was Vice-President of EMEA HR, Lucent Technologies; and prior to April 2001, he was senior director of EMEA HR, Cisco Systems.

- Prior to February 2006, Michael Bartel was Director Major Maintenance; prior to November 2003, he was Leader Life Cycle Planning-Coal; prior to February 2003 he was Manager Development Engineering; and prior to October 2000 he was Manager.

- Prior to October 2005, William Bridge was Vice-President, Customer and Asset Management; prior to September 2003, he was Vice-President, Development & Acquisition; and prior to September 2001 he was Director, Commercial Operations, Eastern Canada.

- Prior to October 2006, Jeff Curran was Interim Vice-President and Comptroller; prior to May 2006, he was Director, Financial Operations - Generation Technology; prior to June 2004, he was Manager, Investment Analysis; prior to March 2003, he was Manager - Financial Reporting & Planning; and prior to March 2001, he was a Senior Audit Manager with Arthur Andersen LLP.

- Prior to December 2005, Kelly Gunsch was Director, Commercial Portfolio Management; and, prior to that date, Ms. Gunsch held various commercial facing positions within the business development group of the Corporation since joining TransAlta in 1995.

- Prior to January 2007, David Koch was Director, Financial Operations, Generation of TransAlta; prior to January 2004, he was Manager, Generation Finance; prior to March 2003, he was Director of Finance for Telus Mobility; and prior to February 2000, he was Controller of Agricore.

- Prior to February 2006, Mark MacKay was Director, Engineering Services; prior to February 2003, he was Director, Project Management CAN/USA; prior to April 2002, he was Director, Keephills Expansion; prior to February 2001, he was Director, Projects; and prior to April 2000 he was Senior Project Manager.

- Prior to February 2007, Alex McFadden was Director, Major Maintenance; prior to November 2003, he was Business Integration Manager, Mexico; prior to February 2003, he was Commissioning Manager for TransAlta's Sarnia Regional Cogeneration Plant; and prior to December 2001, he was Commissioning Supervisor at TransAlta's Poplar Creek Cogeneration facility near Fort McMurray, Alberta.

- Prior to July 2006, Parviz Mohamed was Director, Major Maintenance Planning; prior to April 2004, she was Director, IT Development Services; prior to June 2002, she was the acting CIO of IT; and Prior to October 2001, she was Director, Application Development & Support.

- Prior to March 2006, Daniel Pigeon was Director, Investor Relations; and prior to April 2001 he was Director, Financial Operations, Corporate Development and Marketing.

- Prior to February 2002, Gregory Reinhart was Human Resources Director, IPP of TransAlta; and prior to June 1999; he was Vice-President of Human Resources of Engage Energy Ltd.

- Prior to January 2006, Donald Thomas was Vice-President, Business Development Vision Quest; prior to October 2003, he was Director, Corporate Development; and prior to April 2002 he was Director, Business Development.

- Prior to October 2005, Jubran Whalan was Director, Trading and Delivery Optimization of TransAlta; and prior to that date, he held various corporate development and marketing positions within the Corporation since joining TransAlta in 2002.

- Prior to June 2005, Maryse St.-Laurent was Secretary of TC PipeLines, LP since September 2003 and Recording Secretary since January 2001; and Senior Legal Counsel TransCanada Corporation since June 1997.

As of March 14, 2007, the directors and executive officers of TransAlta and its subsidiaries, as a group, beneficially own, directly or indirectly, less than one per cent of each class or series of the outstanding securities of TransAlta. The number of common shares held, directly or indirectly or over which control or direction is exercised, by all directors and the executive officers of the Company are disclosed in the Company's Management Proxy Circular, dated March 9, 2006 and which is hereby incorporated by reference.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Corporation, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10 per cent of the common shares of the Corporation, and no associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction involving the Corporation since the commencement of the Corporation's last financial year or in any proposed transactions that has materially affected or will materially affect the Corporation.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

Since January 1, 2006, there has been no indebtedness, other than routine indebtedness, outstanding to TransAlta from any of TransAlta's directors, nominees for election as directors, executive officers, senior officers or associates of any such directors, nominees or officers.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

TransAlta is occasionally named as a party in various claims and legal proceedings which arise during the normal course of its business. TransAlta reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. Although there can be no assurance that any particular claim will be resolved in the Corporation's favour, the Corporation does not believe that the outcome of any claims or potential claims of which it is currently aware will have a material adverse effect on the Corporation, taken as a whole, after taking into account amounts reserved by the Corporation. For further information, please refer to Note 22 of the Corporation's audited consolidated financial statements for the year ended December 31, 2006, which note is hereby incorporated by reference herein.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for TransAlta's common shares is CIBC Mellon Trust Company in Vancouver, Calgary, Winnipeg, Toronto and Montreal. The transfer agent and registrar for the common shares in the United States is Mellon Investor Services LLC at its principal office in New York, New York.

INTERESTS OF EXPERTS

Ernst & Young LLP, Chartered Accountants, 1000, 440 - 2nd Avenue, SW., Calgary, Alberta, T2P 5E9 are the auditors of the Corporation.

Our auditors, Ernst & Young LLP, are independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta and have complied with the SEC's rules on auditor independence.

ADDITIONAL INFORMATION

Additional information including compensation of directors and officers of TransAlta, indebtedness of directors and officers of TransAlta, principal holders of TransAlta's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in TransAlta's Management Proxy Circular dated March 9, 2007. Additional financial information is provided in TransAlta's 2006 Annual Report which contains audited comparative consolidated financial statements for the most recently completed financial year and the MD&A. The MD&A contained in the 2006 Annual Report is specifically incorporated by reference and forms a part of this Annual Information Form. These documents and additional information with respect to the Corporation are available at www.sedar.com.

TransAlta has adopted a procedure for employees, shareholders or others to report concerns or complaints regarding accounting or auditing matters on an anonymous, confidential basis to the Audit and Risk Committee. Such submissions may be directed to the Chair of the Audit and Risk Committee, Subject matter “003”, c/o TransAlta Corporation, Box 1900, Station “M”, 110 – 12th Avenue S.W. Calgary AB, T2P 2M1.

When the securities of TransAlta are in the course of distribution pursuant to a preliminary short form prospectus or a short form prospectus, TransAlta will, upon request to the Corporate Secretary, provide to any person or company the following information:

1. one copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;

2. one copy of the comparative consolidated financial statements of TransAlta for its most recently completed financial year for which financial statements have been filed, together with the accompanying report of the auditor, and one copy of the most recent interim financial statements of TransAlta that have been filed, if any, for any period after the end of its most recently completed financial year;

3. one copy of TransAlta’s Management Proxy Circular in respect of its most recent annual meeting of its shareholders that involved the election of directors; and

4. one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under clauses (1), (2) or (3) above.

At any other time, TransAlta will, upon request, provide to any person or company one copy of any documents referred to in clauses (1), (2) and (3) above, provided that TransAlta may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of TransAlta. For additional copies of this Annual Information Form or any of the materials listed in this paragraph, please contact Investor Relations, TransAlta Corporation at Box 1900, Station “M”, Calgary, Alberta, T2P 2M1; telephone: 1-800-387-3598 in North America outside of Calgary, (403) 267-2520 in Calgary and outside North America; or fax: (403) 267-2590; e-mail: investor_relations@transalta.com.

AUDIT AND RISK COMMITTEE

General

On October 25, 2006, the Board of Directors delegated to the Audit and Environment Committee oversight responsibility for the Company’s risk management reporting to the Board. At the same time, the responsibilities for oversight over environment, health and safety were delegated to the Nominating and Corporate Governance Committee of the Board. These new responsibilities took effect January 1, 2007 and were renamed Audit and Risk Committee (“ARC”) and Governance and Environment Committee, respectively. The members of TransAlta’s ARC satisfy the requirements for independence under the provisions of Canadian Securities Regulators, Multilateral Instrument 52-110 Audit Committees, Section 303A of the New York Stock Exchange Rules and Rule 10A-3 under the U.S. Securities and Exchange Act of 1934. The ARC’s Charter requires that it be comprised of a minimum of three independent directors. It currently has five independent members, William D. Anderson (Chair), Stanley J. Bright, Timothy W. Faithfull, Michael M. Kanovsky and Gordon S. Lackenbauer, and the Chair of the Board, Donna Soble Kaufman (who is independent), attends all meetings as an ex-officio member of the committee. All members of the committee (including the Chair of the Board) are financially literate pursuant to both Canadian and U.S. securities requirements and each of Mr. William D. Anderson and Mr. Gordon S. Lackenbauer have been determined by the Board to be an “audit committee financial expert”, within the meaning of Section 407 of the Sarbanes-Oxley Act.

Mandate of the Audit and Risk Committee

The mandate of the committee is to provide assistance to the Board of Directors of the Corporation in fulfilling its oversight responsibility to the shareholders of the Corporation, the investment community and others, relating to the integrity of the Corporation’s financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the external auditors' qualifications, independence, performance and reports, and oversight in respect to legal compliance programs established by management which may have a material effect on the financial statements of the Corporation. As of January 1, 2007, the responsibilities for environmental compliance have been delegated to the Governance and Environment Committee of the Board. The ARC has instead undertaken the responsibility for oversight of management's risk identification, assessment and response, reporting to the Board. In performing its functions, the ARC is responsible for maintaining an open avenue of communication with the external auditors, the internal auditors and management of the Corporation.

The ARC's function is oversight. Management is responsible for the preparation, presentation and integrity of the financial statements of the Corporation. Management and the internal audit group of the Corporation are responsible for maintaining appropriate accounting and financial reporting principles and policy and internal controls and procedures for compliance with accounting standards and applicable laws and regulations.

While the ARC has the responsibilities and powers set forth herein, it is not the duty of the ARC to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and in accordance with generally accepted accounting principles. This is the responsibility of management and the external auditors.

Management is responsible for preparing the interim and annual financial statements and financial disclosure of the Corporation and for maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, executed, recorded and reported properly. The audit committee's role is to provide direct, meaningful and effective oversight of the Corporation's financial reporting and counsel to management without assuming responsibility for management's day-to-day duties.

Audit and Risk Committee Charter

The Charter of the Audit and Risk Committee is attached hereto as Appendix "A".

Relevant Education and Experience of Audit and Risk Committee Members

The following is a brief summary of the education or experience of each member of the ARC that is relevant to the performance of their responsibilities as a member of the ARC, including any education or experience that has provided the member with an understanding of the accounting principles used by TransAlta to prepare its annual and interim financial statements.

Name of ARC Member	**Relevant Education and Experience**
W. D. Anderson	Mr. Anderson is a Chartered Accountant. Mr. Anderson has served as Chief Executive Officer of a public company and as Chief Financial Officer of several public companies. In such capacities, Mr. Anderson actively supervised persons engaged in preparing, auditing, analyzing or evaluating financial statements. Mr. Anderson has also served as a principal financial officer, accounting officer and controller and as a director and audit committee member of several public companies.
S. J. Bright	Mr. Bright is a Certified Public Accountant and has served as a Chief Executive Officer, Chief Financial Officer and a corporate controller of several public companies. Mr. Bright has actively supervised persons engaged in preparing, auditing, analyzing or evaluating financial statements. Mr. Bright also has experience actively overseeing or assessing the performance of companies in the preparation of financial statements.
T. W. Faithfull	Mr. Faithfull holds a Bachelor of Arts degree in Economics and has acquired significant financial experience and exposure to accounting and financial issues as Chief Executive Officer of Shell Canada Limited and in his other capacities during his 36 years with the Royal Dutch/Shell group of companies. .
M. M. Kanovsky	Mr. Kanovsky has over 30 years of financial and industry experience gained through working in the investment banking business as well as a director, officer and audit committee member of several public companies and trusts. Mr. Kanovsky is a graduate of the MBA program from the Richard Ivey School of Business of the University of Western Ontario.
G. S. Lackenbauer	Mr. Lackenbauer has over 35 years of experience in the investment banking industry. Mr. Lackenbauer has also appeared as an expert financial witness with respect to financial markets, capital structure, cost of capital and fair return on common equity, in over 40 regulatory proceedings. Mr. Lackenbauer also has extensive experience as a director or governor of public companies and not-for-profit organizations. Mr. Lackenbauer holds a Bachelor of Arts in Economics, an MBA degree from the University of Western Ontario and is a Chartered Financial Analyst.

Fees Paid to Ernst & Young LLP

For the years ended December 31, 2006 and December 31, 2005, Ernst & Young LLP and its affiliates were paid $3,596,689 and $2,012,754 respectively, as detailed below:

Year ended Dec. 31				
Ernst & Young LLP		**2006**		**2005**
Audit fees	$	3,286,212	$	2,006,504
Audit related fees		300,892		-
Tax fees		9,585		6,250
Total	$	**3,596,689**	$	**2,012,754**

No other audit firms provided audit services in 2006 or 2005.

The nature of each category of fees is described below:

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual financial statements or services provided in connection with statutory and regulatory filings or engagements, including the translation from English to French of the Company's financial statements and other documents. Total audit fees paid in 2006 include payments related to 2005 in the amount of $2,092,000 and 2006 in the amount of $1,194,000.

Audit-Related Fees

The audit-related fees in 2006 were primarily for work performed by Ernst & Young LLP in relation to the Corporation's financings.

Tax Fees

Majority of tax fees for 2006 relate to the finalization of tax credit recoveries for which work had commenced in prior years.

Pre-Approval Policies and Procedures

The ARC has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence. The ARC has adopted a policy that prohibits TransAlta from engaging the auditors for "prohibited" categories of non-audit services and requires pre-approval of the ARC for other permissible categories of non-audit services, such categories being determined under the United States Sarbanes-Oxley Act of 2002.

APPENDIX "A"

TRANSALTA CORPORATION

AUDIT AND RISK COMMITTEE

CHARTER

A. Establishment of Committee and Procedures

1. Composition of Committee

The Audit and Risk Committee (the "Committee") of the Board of Directors of TransAlta Corporation (the "Corporation") shall consist of not less than three Directors. All members of the Committee shall be determined by the Board to be independent as required under securities regulations for Audit Committees or other applicable laws or regulations. Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the full Board of Directors (the "Board").

2. Appointment of Committee Members

Members of the Committee shall be appointed from time to time by the Board, on the recommendation of the Nominating and Corporate Governance Committee, and shall hold office until the next annual meeting of shareholders, or until their successors are earlier appointed, or until they cease to be Directors of the Corporation.

3. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board. The Board shall fill any vacancy if the membership of the Committee is less than three directors.

4. Committee Chair

The Board shall appoint a Chair for the Committee on the recommendation of the Nominating & Corporate Governance Committee.

5. Absence of Committee Chair

If the Chair of the Committee is not present at any meeting of the Committee, one of the members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting.

6. Secretary of Committee

The Committee shall appoint a Secretary who need not be a director of the Corporation.

7. Meetings

The Chair of the Committee or any of its members may call a meeting of the committee. The Committee should meet at least quarterly and at such other time during each year as it deems appropriate. In addition, the Chair of the Committee or any of its members may call a special meeting of the Committee at any time. Although the Company's Chief Executive Officer may attend meetings of the Committee, the Committee shall also meet in separate executive sessions.

8. Quorum

A majority of the members of the Committee present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak to each other, shall constitute a quorum.

9. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing (including by way of written facsimile communication or email) to each member of the Committee at least 48 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting; and attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called. Notice of every meeting shall also be provided to the external and internal auditors.

10. Attendance at Meetings

At the invitation of the Chair of the Committee, other Board members, officers or employees of the Corporation, the external auditors, outside counsel and other experts or consultants may attend any meeting of the Committee.

11. Procedure, Records and Reporting

Subject to any statute or the articles and by-laws of the Corporation, the Committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board generally not later than the next scheduled meeting of the Board.

12. Review of Charter

The Committee shall evaluate its performance and review and reassess the adequacy of its Charter at least annually or otherwise, as it deems appropriate, and if necessary propose changes to the Board.

13. Outside Experts and Advisors

The Committee Chair, on behalf of the Committee, or any of its members is authorized, at the expense of the Corporation, when deemed necessary or desirable, to retain independent counsel, outside experts and other advisors to advise the Committee independently on any matter.

B. General Mandate of Committee

The Committee provides assistance to the Board in fulfilling its oversight responsibility to the shareholders, the investment community and others, relating to the integrity of the Corporation's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the internal audit function, the external auditors' qualifications, independence, performance and reports, the risk identification assessment conducted by management and the programs established by management and the Board in response to such assessment. In so doing, it is the Committee's responsibility to maintain an open avenue of communication between the Committee, the external auditors, the internal auditors and management of the Corporation.

The function of the Committee is oversight. Management is responsible for the preparation, presentation and integrity of the financial statements of the Corporation. Management of the Corporation is responsible for maintaining appropriate accounting and financial reporting principles and policy and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations.

While the Committee has the responsibilities and powers set forth herein, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the external auditors. The designation of a member or members as an "audit committee financial expert" is based on that individual's education and experience, which the individual will bring to bear in carrying out his or her duties on the Committee. Designation as an "audit committee financial expert" does not impose on such person any duties, obligations or liability that are greater than the duties, obligations and liability imposed on such person as a member of the Committee and Board in the absence of such designation.

Management is responsible for preparing the interim and annual financial statements and financial disclosure of the Corporation and for maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, executed, recorded and reported properly. The Committee's role is to provide meaningful and effective oversight and counsel to management without assuming responsibility for management's day-to-day duties.

The Committee also performs the function of the Qualified Legal Compliance Committee (the "QLCC") of the Board of the Corporation and in this role: (i) receives, reviews and takes appropriate action with respect to any report made or referred to the Committee by a counsel or the chief legal officer, of evidence of a material violation of applicable securities laws, a material breach of a fiduciary duty under applicable laws or a similar material violation by the Corporation or by any officer, director, employee, or agent of the Corporation (in this charter a "material violation") and (ii) otherwise fulfill the responsibilities of a qualified legal compliance committee pursuant to Section 307 of the Sarbanes Oxley Act of 2002 and the rules promulgated thereunder.

C. Duties and Responsibilities of the Committee

The Committee shall have the following specific duties and responsibilities:

1. <u>Audit and Financial Matters:</u>

The Committee shall:

(a) have direct responsibility for the compensation and oversight of the external auditors including nominating the external auditors to the Board to be proposed for Shareholder approval in any management proxy circular, and in doing so, shall:

(i) review the experience and qualifications of the external auditors' senior personnel who are providing audit services to the Corporation and the quality control procedures of the external auditors, including obtaining confirmation that the external auditors are in compliance with Canadian and U.S. regulatory registration requirements;

(ii) review and approve the basis and amount of the external auditors' fees and ensure the Corporation has provided appropriate funding for payment of compensation to the external auditors;

(iii) review and discuss with the external auditors all relationships that the external auditors and their affiliates have with the Corporation and its affiliates in order to determine the external auditors' independence, including, without limitation, (i) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditors delineating all relationships that may reasonably be thought to bear on the independence of the external auditors with respect to the Corporation, (ii) discussing with the external auditors any disclosed relationships or services that the external auditors believe may affect the objectivity and independence of the external auditors, and (iii) recommending that the Board take appropriate action in response to the external auditors' report to satisfy itself of the external auditors' independence;

(iv) resolve disagreements between management and the external auditors regarding financial reporting;

(v) pre-approve audit services including all non-prohibited non-audit services provided by the external auditors; the Chair of the Committee, on behalf of the Committee, may at his discretion approve all non-prohibited non-audit services provided by the external auditors, and report all such approvals to the Committee at its next scheduled meeting following such approval;

(vi) inform the external auditors and management that the external auditors shall have access directly to the Committee at all times, as well as the Committee to the external auditors; and

(vii) instruct the external auditors that they are ultimately accountable to the Committee as representatives of the shareholders of the Corporation;

(b) review with management and the Corporation's external auditors the Corporation's financial reporting in connection with the annual audit and the preparation of the financial statements, including, without limitation, the annual audit plan of the external auditors, the judgment of the external auditors as to the quality, not just the acceptability, of and the appropriateness of the Corporation's accounting principles as applied in its financial reporting and the degree of aggressiveness or conservatism of the Corporation's accounting principles and underlying estimates;

(c) review with management and the external auditors all financial statements and financial disclosure and

(i) recommend to the Board for approval the Corporation's audited annual financial statements including the notes thereto and, "Management's Discussion and Analysis",

(ii) review any report or opinion to be rendered in connection therewith;

(iii) review with the external auditors the cooperation they received during the course of their review and their access to all records, data and information requested;

(iv) discuss with management and the external auditors all significant transactions which were not a normal part of the Corporation's business;

(v) review the management processes for formulating sensitive accounting estimates and the reasonableness of the estimates;

(vi) review with management and the external auditors any changes in accounting principles and their applicability to the business;

(vii) review with management and the external auditors alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditors;

(viii) satisfy itself that there are no unresolved issues between management and the external auditors that could reasonably be expected to materially affect the financial statements;

(d) review with management and the external auditors the Corporation's interim financial statements, including the notes thereto, ,"Management's Discussion and Analysis" and earnings release, and approve the release thereof by management to the public;

(e) review and discuss with management and external auditors the use of "pro forma" or "adjusted" non-GAAP information and the applicable reconciliation;

(f) review quarterly or as required the public disclosure of financial information extracted or derived from the financial statements, and review with management at least annually the approach and nature of the disclosure of financial information and earnings guidance provided to analysts and rating agencies;

(g) at least annually, obtain and review a report by the external auditors describing the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review or peer review of the auditing firm or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues and all relationships between the external auditors and the Corporation;

(h) review with senior management, the chief legal officer and, as necessary, outside legal advisors, and the Corporation's internal and external auditors, the effectiveness of the Corporation's internal controls to ensure the Corporation is in compliance with legal and regulatory requirements and with the Corporation's policies;

(i) review at least annually with the chief legal officer, and, if necessary, outside legal advisors, significant legal, compliance or regulatory matters that may have a material effect on the financial statements of the business;

(j) review the audit plans of the internal and external auditors of the Corporation including the degree of detail of those plans and the coordination between those plans;

(k) review and consider, as appropriate, any significant reports and recommendations made by internal audit relating to internal audit issues, together with management's response thereto;

(l) review management's plans regarding any changes in accounting practices or policies and the financial impact thereof;

(m) discuss with the external auditors their perception of the Corporation's financial and accounting personnel, any recommendations which the external auditors may have, including those contained in the management letter, with respect to improving internal financial controls, choice of accounting principles or management reporting systems, and review all management letters from the external auditors together with management's written responses thereto;

(n) review with management, the external auditors and, as necessary, internal and external legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements;

(o) review annually the Annual Pension Report and financial statements of the Corporation's pension plans including the actuarial valuation, asset/liability forecast, asset allocation, manager performance and plan operating costs;

(p) together with the Human Resources Committee of the Board, review annually and as required the overall governance of the Corporation's Pension Plans, and approve the broad objectives of the plan and any material changes to the plan(s) and report to the Board at least annually;

(q) review annually the internal audit department charter, review with the internal auditors the Corporation's internal control procedures, the scope and plans for the work of the internal audit group, the annual checklist of responsibilities of the Committee; review the adequacy of resources and ensure that the internal auditors have unrestricted access to all functions, records, property and personnel of the Corporation and inform the internal auditors and management that the internal auditors shall have unfettered access directly to the Committee at all times, as well as the Committee to the internal auditors;

(r) meet separately with management, the external auditors and internal auditors to review issues and matters of concern respecting audits and financial reporting;

(s) review the annual audit of expense accounts and perquisites of the Directors, the CEO and his direct reports, including the use of the Corporation's assets, as well as the Corporation's annual sponsorship, donations and political contributions;

(t) review disclosures made to the Committee by the CEO and CFO during their certification process for the periodic reports filed with securities regulators about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls;

(u) review incidents or alleged incidents of fraud, illegal acts and conflicts of interest;

(v) review periodically and at least annually the Corporate Code of Conduct and inquire of management as to policies and practices in place to ensure compliance, and inquire of the internal and external auditors as to any instances of deviation from the Corporate Code of Conduct which have come to their attention and the action taken as a result of same;

(w) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding accounting or auditing matters;

(x) discuss with management and the external auditors any correspondence from or with regulators or governmental agencies, any employee complaints or any published reports that raise material issues regarding the Corporation's financial statements or accounting policies;

(y) annually prepare a report from the Committee to shareholders or others, concerning the work of the Committee during that year in the discharge of its responsibilities; and

(z) review and approve the Corporation's hiring policies for employees or former employees of the external auditors and monitor the Corporation's adherence to the policy.

2. Risk Management

In particular, the Committee shall:

(a) approve and oversee the process developed by Management to consider the overall risk culture of the Corporation and to identify principal risks, to evaluate potential impact and to implement appropriate systems to manage such risks;

(b) review annually Management's assessment of the significant risks to which the Corporation is exposed; discuss with management the Corporation's policies and procedures for identifying and managing the principal risks of its business, to determine that management has:

A. identified appropriate business strategies taking into account the principal risk identified, and

B. implemented and is maintaining systems and procedures to manage or mitigate those risks, including programs of loss prevention, insurance and risk reduction and disaster response and recovery programs;

(c) review quarterly managements' update of its risk assessment and management programs;

(d) review annually the Corporation's Financial and Commodity Exposure Management Policies and approve changes to such policies; review and authorize strategic hedging program guidelines and risk tolerance; review and monitor quarterly results of financial and commodity exposure management activities, including foreign currency and interest rate risk strategies, counterparty credit exposure and the use of derivative instruments;

(e) review the Corporation's annual insurance program, including the risk retention philosophy and resulting uninsured exposure and corporate liability protection programs for directors and officers including directors' and officers' insurance coverage;

(f) periodically consider the respective roles and responsibilities of the external auditor, the internal audit department, internal and external counsel concerning risk management of the Corporation and annually evaluate their performance in relation to such roles and responsibilities; and

(g) annually, together with management report to the Board of Directors on:

A. the Corporation's strategies in light of the overall risk profile of the Corporation;

B. the nature and magnitude of all significant risks;

C. the processes, policies, procedures and controls in place to manage these significant risks; and

D. the overall effectiveness of risk management processes including highlighting risk management problems and the actions that have been or will be taken to address them.

3. QLCC Matters:

The Committee shall:

(aa) inform the chief legal officer and chief executive officer of any report of evidence of a material violation of applicable securities laws, a material breach of a fiduciary duty under applicable laws or a similar material violation by the Corporation or by any officer, director, employee or agent of the Corporation, which has been reported to the Committee;

(bb) determine whether an investigation is necessary regarding any such report;

(cc) if the Committee has determined that an investigation is necessary, (i) notify the Board, (ii) initiate an investigation to be conducted either by the Corporation's chief legal officer or by an outside counsel retained by the Committee and (iii) retain such additional expert personnel as the Committee deems necessary;

(dd) at the conclusion of an investigation, (i) recommend, by majority vote, that the Corporation implement an appropriate response and (ii) inform the chief legal officer, the chief executive officer and the Board of the results of the investigation and the appropriate remedial measures that it recommends to be adopted;

(ee) have the authority and responsibility to act, by majority vote, to take all other appropriate action, including the authority to notify, where required, those securities commissions or the U.S. Securities and Exchange Commission having jurisdiction, in the event that the Corporation fails in any material respect to implement an appropriate response that the Committee has recommended to the Corporation;

(ff) adopt written procedures for the confidential receipt, retention and consideration of any oral or written reports received by the Committee;

(gg) report to the Board on all QLCC matters that it deals with;

(hh) take appropriate measures so that, to the maximum extent possible, consistent with its obligations, the Corporation's legal privileges are protected in connection with the Committee's activities; and

(ii) maintain confidentiality in its activities to the maximum extent possible consistent with performing a full and fair investigation.

The Committee may, at the request of the Board or on its own initiative, investigate such other matters as are considered necessary or appropriate in carrying out its mandate

APPENDIX "B"

GLOSSARY OF TERMS

This Annual Information Form includes the following defined terms:

"AEUB" means the Alberta Energy and Utilities Board;

"Alberta PPA" means an Alberta government mandated power purchase arrangement;

"availability" means the "weighted average equivalent availability factor", which is a term used to calculate availability for a pool or fleet of units of varying sizes. It is a measure of time and energy expressed in percentage of continuous operation, 24 hours a day, 365 days a year, that a generating unit is capable of generating electricity, whether or not it is actually generating electricity;

"capacity" means net maximum capacity that a unit can sustain over a period of time;

"gigawatt hour" or **"GWh"** means one million kilowatt hours of electrical power;

"kilowatt" or **"kW"** means 1,000 watts of electrical power;

"kilowatt hour" or **"kWh"** means one hour during which one kilowatt of electrical power has been continuously produced;

"megawatt" or **"MW"** means 1,000 kilowatts or one million watts of electrical power;

"megawatt hour" or **"MWh"** means 1,000 kilowatt hours;

"PPA" means a power purchase agreement having an initial term of five years or greater;

"watt" means the scientific unit of electrical power, being the rate of energy use that gives rise to the production of energy at a rate of one joule per second;

"watt hour" is a measure of energy production or consumption equal to one watt produced or consumed for one hour; and

"WPPI" means the Government of Canada's Wind Power Production Incentive available to approved wind generation facilities commissioned between April 1, 2002 and March 31, 2007.