TRANSALTA CORPORATION

2008 RENEWAL ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2007

MARCH 13, 2008

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PRESENTATION OF INFORMATION

Unless otherwise noted, the information contained in this annual information form ("Annual Information Form") is given as at or for the year ended December 31, 2007. 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 from 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 and Analysis of Financial Condition and Results of Operations ("MD&A") for the year ended December 31, 2007 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, 2007 and TransAlta's Audited Consolidated Financial Statements for the year ended December 31, 2007 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

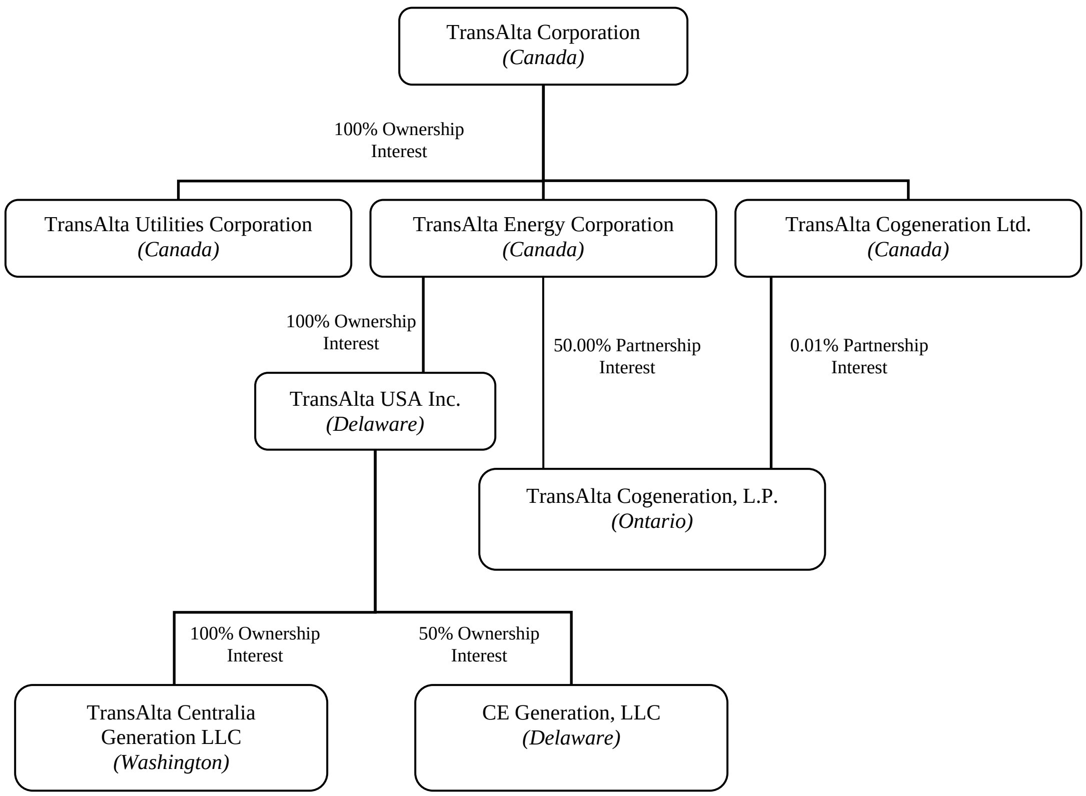
Name and Incorporation

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 is at 110 - 12th Avenue S.W., Calgary, Alberta, Canada, T2R 0G7.

Information relating to TransAlta Utilities is set forth in TransAlta Utilities' Annual Information Form for the year ended December 31, 2007, 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.



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 wholesale electricity generation and energy marketing companies with an aggregate net ownership interest of approximately 8,488 megawatts ("MW") of electrical generating capacity (1) in facilities having approximately 10,209 MW of aggregate gross 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.

In Canada, the Corporation holds a net ownership interest of approximately 5,634 MW of electrical generating capacity in thermal, gas-fired, wind-powered and hydroelectric facilities, including 4,937 MW in Alberta and 697 MW in Ontario.

Note:

(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 the United States, the Corporation's principal facilities include a 1,404 MW thermal 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 385 MW of geothermal and gas fired electrical generating capacity in facilities in California, Texas, Arizona and New York. The Corporation also has 6 MW of electrical generating capacity through gas-fired and hydroelectric facilities located in Washington and Hawaii.

In Mexico, the Corporation owns two facilities with a combined capacity of 511 MW. (See "Recent Developments" below in this AIF for updated information regarding the Mexican assets.)

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 electricity generation facilities. The Commercial Operations Development 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 20, 2008, the Corporation announced it had signed a purchase and sale agreement with Intergen Global Ventures B.V. pursuant to which Intergen agrees to pay the Corporation US $303.5 in cash million for its Mexican assets.
- On February 13, 2008, the Corporation announced that, commencing in 2009, it would be constructing a 66 MW wind generation facility in southern Alberta, consisting of 22 Vestas V90 3 MW wind turbines. The total capital costs for this Blue Trail wind power project is expected to be $115 million. The capacity from this project is expected to be sold on the spot market.
- On February 1, 2008, the Board of Directors of the Corporation announced it had approved an increase to the annual dividend to holders of common shares from $1.00 per share to $1.08 per share.

Year Ended December 31, 2007

- During the third quarter, the Corporation completed an uprate on the Sundance Unit 4 facility. A final measurement took place in the fourth quarter of 2007 and the generating capacity added as a result of this uprate was 53 MW.
- On September 11, 2007, the Corporation announced it had received regulatory approval to increase the number of shares it may purchase under its Normal Course Issuer Bid ("NCIB") program. The Corporation may now purchase for cancellation up to 20.2 million shares or approximately 10 per cent of the 202 million common shares issued and outstanding as of April 23, 2007.
- On July 17, 2007, the Corporation amended the power purchase agreement with New Brunswick Power Distribution and Customer Service Corporation ("New Brunswick Power") to increase capacity from 75 MW to 96

MW. As a result, total capital costs for the Kent Hills wind power project will also increase by $40 million, from $130 million to $170 million. The Corporation also signed a purchase and sale agreement with Vector Wind Energy, a wholly owned subsidiary of Canadian Hydro Developers Inc., to acquire its Fairfield Hill wind power site, including an option to develop the site at a future date.

- On June 21, 2007, TransAlta Utilities entered into an agreement with Bucyrus Canada Limited and Bucyrus International Inc. for the purchase of a dragline to be used primarily in the supply of coal for the Keephills 3 joint venture project. The total dragline purchase costs are approximately $150 million, with final payments for goods and services due by May 2010. The total payments made under this agreement in 2007 were $18 million.

- 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 TransAlta Energy responsible for managing the joint venture and EPCOR responsible for the construction. Upon completion, which is expected at the end of the first quarter in 2011, TransAlta Utilities 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 from 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. 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.

- On November 27, 2006, TransAlta 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 thermal facility.

- On November 17, 2006, TransAlta Utilities entered into a settlement agreement with 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 wholly-owned 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 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 Canadian National Railway Company. The Corporation estimated operating income was impacted by $15 to $18 million as a result of the Wabamun shutdown.

- 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. See "Generation Business Segment –Alberta - Thermal 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 - Thermal facilities".

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 January 31, 2008:

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	780	25	195	Coal	Alberta PPA	2020
	Sundance	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	2024
	Genesee 3	450	50	225	Coal	Merchant	-
	Keephills 3 (1)	450	50	225	Coal	Merchant	-
	Hydro assets (2)	801	100	801	Hydro	Alberta PPA	2013-2020
	Summerview(3)	70	100	70	Wind	Merchant	-
	Castle River (4)	46	100	46	Wind	LTC/Merchant	2011
	McBride Lake	76	50	38	Wind	LTC	2024
	Blue Trail (2)	66	100	66	Wind	Merchant	-
	Total Alberta	**6,551**		**5,230**			
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	2022
	Windsor	68	50	34	Gas	LTC/Merchant	2016
	Kent Hills (1)	96	100	96	Wind	PPA	2033
	Total Eastern Canada	**915**		**793**			
United States (18 facilities)	Centralia, WA	1,404	100	1,404	Coal	Merchant	-
	Centralia Gas	248	100	248	Gas	Merchant	-
	Skookumchuk, WA	1	100	1	Hydro	-	-
	Power Resources, TX	212	50	106	Gas	Merchant	-
	Saranac, NY	240	37.5	90	Gas	LTC	2009
	Yuma, AZ	50	50	25	Gas	LTC	2024
	Imperial Valley Geothermal Facilities 5 8)	327	50	164	Geothermal	LTC /Merchant	2016-2035
	Wailuku	10	50	5	Hydro	LTC	2023
	Total US	**2,492**		**2,043**			
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 (6)	245	100	245	Gas/Diesel	LTC	2016
	Total Australia	**355**		**300**			
Total		**10,824**		**8,877**			

Notes:

(1) These facilities are currently under development.
(2) Comprises 13 facilities.
(3) Comprises 2 facilities.
(4) Includes 6 individual turbines at other locations.
(5) Comprises 10 facilities.
(6) Comprises 4 facilities..

Canada: Alberta

Thermal facilities

The following table summarizes the Corporation's western Canadian thermal 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	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 [(2)]	450	50	-
Sheerness	Sheerness Unit No. 1	390	25	1986
	Sheerness Unit No. 2	390	25	1990
Genesee	Genesee 3	450	50	2005
Total		**4,798**		

Notes:

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

The Keephills, Sundance and Wabamun facilities (the "Alberta thermal plants") are located approximately 70 kilometres west of Edmonton, Alberta and are owned by the Corporation. The Sheerness facility is jointly owned by TransAlta Cogeneration, L.P. ("TA Cogen"), an Ontario limited partnership, and ATCO Power (2000) Ltd. ("ATCO Power"). The Genesee facility 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 thermal plants are generally base load plants, meaning that they are expected to operate for long periods of time at or near their rated capacity. Availability[(1)] is an important measure of the economic success of a thermal plant. The weighted equivalent availability factor for the Alberta thermal plants in 2007 was 87.1 per cent compared with 88.7 percent in 2006, 87.6 per cent in 2005 and 86.5 per cent in 2004. For the Sheerness facility, the weighted equivalent availability factor was 94.4 percent in 2007 compared to 92.2 percent in 2006, 91.0 per cent in 2005 and 90.2 per cent in 2004. For the Genesee 3 facility, the weighted equivalent availability factor was 92.9 percent in 2007 compared to 96.9 per cent in 2006 and 91.8 per cent in 2005.

Fuel requirements for TransAlta's thermal 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 Alberta thermal plants. 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 potentially sufficient to supply the anticipated requirements for the life of these facilities including possible 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.

Note:

(1) Availability means the weighted average equivalent availability factor and is defined in the glossary of terms (Appendix B).

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. Although the Corporation received regulatory approval to proceed with the expansion, an application was made 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 which it held with EPCOR for the joint development of the Keephills 3 power project to K3LP, an affiliate of the Corporation. 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 commenced construction of 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 TransAlta Energy responsible for managing the joint venture and EPCOR responsible for construction. Upon completion, which is expected at the end of the first quarter in 2011, TransAlta Utilities 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 received approval from the Alberta Energy and Utilities Board and from Alberta Environment.

Gas-fired Facilities

The following table summarizes the Corporation's western Canadian 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 is located in Lloydminster, Saskatchewan and is owned by TA Cogen and Husky Oil Operations Limited. 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 Poplar Creek plant is located in Fort McMurray, Alberta and is owned by the Corporation. 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 Fort Saskatchewan plant is located in Fort Saskatchewan, Alberta and is owned by TA Cogen and Air Liquide Canada Inc . The 118 MW Fort Saskatchewan gas-fired combined cycle cogeneration plant in Alberta 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".

Hydroelectric facilities

Location	Plant	Capacity (MW)	Ownership (%)	Commissioning Dates
Bow River System	Horseshoe	14	100	1911
	Kananaskis	19	100	1913, 1951
	Ghost	51	100	1929, 1954
	Cascade	36	100	1942, 1957
	Barrier	13	100	1947
	Bearspaw	17	100	1953, 1954
	Pocaterra	15	100	1955
	Interlakes	5	100	1955
	Spray	103	100	1951, 1960
	Three Sisters	3	100	1951
	Rundle	50	100	1951, 1960
North Saskatchewan River System	Brazeau	355	100	1965, 1967
	Bighorn	120	100	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	76	50	2003
Pincher Creek	Castle River and Other	46	100	1997 – 2001
Pincher Creek	Summerview	70	100	2004
New Brunswick	Kent Hills (1)	96	100	2008
Alberta	Blue Trail (1)	66	100	2009
Total		**354**		

Note:

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

The Corporation owns and operates approximately 154 MW of net capacity (excluding facilities under development) and operates approximately 192 MW of capacity primarily in three wind farms in southwestern Alberta.

Castle River is a 42 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 seven additional turbines totalling 4 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 76 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 electricity 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 Wind Power Production Incentive ("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. Along with an existing 1.8 MW turbine in the area, the Summerview facility, which comprises 38 x 1.8 MW turbines, brings 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 MW of wind power to New Brunswick Power. Under the agreement, TransAlta will construct, own and operate a wind power facility in New Brunswick. On July 17, 2007, the Corporation announced it had amended its power purchase agreement with New Brunswick Power from 75 MW to 96 MW bringing the total capital costs for the project to an estimated $170 million. The project is subject to regulatory and environmental approvals and is expected to begin commercial operations by the end of 2008. The facility will use 3 MW turbines and once complete, will provide an estimated 280,000 MWh per year of electrical energy. Natural Forces Technologies Inc. ("Natural Forces"), an Atlantic Canada based wind developer is TransAlta's co-development partner in this project and Natural Forces has an option to purchase up to 17% of the Kent Hills project within 180 days of its completion.

The Corporation also signed a purchase and sale agreement with Vector Wind Energy, a wholly owned subsidiary of Canadian Hydro Developers Inc., for acquisition of its Fairfield Hill wind power site, located in New Brunswick, including the option to develop the site at a future date.

On February 13, 2008, the Corporation announced that, commencing in 2009, it would be constructing a 66 MW wind generation facility in southern Alberta, consisting of 22 Vestas V90 3 MW wind turbines. The total capital costs for this Blue Trail wind power project is expected to be $115 million. The capacity from this project is expected to be sold on the spot market.

All of the electricity 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 thermal 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 thermal plant, energy and ancillary services obligations for the hydroelectric plants, and the price at which electricity 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 thermal plants) and any change in costs (unless due to a change in law) required to maintain and operate the facilities.

Under the Alberta PPAs, for the formerly regulated thermal facilities, the Corporation is exposed to electricity price risk if availability 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 availability based upon a price equal to the 30-day rolling average of Alberta's market electricity prices. This rolling 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 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 that 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 thermal generating plants for the whole term of the PPA. Until 2017, if the costs recovered are insufficient, then the Corporation can apply to the Balancing Pool to recover the incremental portion. The Alberta PPAs include, as part of the capacity payment for hydroelectric operations, an amount for decommissioning.

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, most of which are renewed every few years. The Corporation is evaluating life extension and may 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 electricity to the Alberta Power Pool and to third party purchasers through direct sales agreements. The Corporation is currently selling most of its electricity from the Wabamun facility on the spot market.

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 owned by the Corporation. The Corporation acquired 135 MW of electric generation capacity in 2002, and in March 2003 the Corporation acquired the remaining 440 MW of capacity. 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. 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 owned by TA Cogen. It 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 owned by TA Cogen. It 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 credits 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 owned by TA Cogen. It 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 Chrysler Canada Inc.'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.

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	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		**2,480**		

Centralia

The Corporation owns a two-unit 1,404 MW thermal facility, an adjacent coal mine and a 248 MW gas-fired facility in Centralia, Washington, located south of Seattle. 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. On November 27, 2006, the Corporation stopped all mining operations at its Centralia coal mine.

The Corporation has entered into a number of medium to long-term energy sales agreements from the Centralia facility. The Corporation also sells electricity from the Centralia facility into the Western Electricity Coordinating Council and, in particular, on the spot market in the U.S. Pacific Northwest energy 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, nor 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.

CE Generation

On January 29, 2003, TransAlta announced the completion of the acquisition from El Paso Corporation ("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 will be required to pay 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 385 MW in 13 facilities, having an aggregate operating capacity of 829 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 502 MW. The Arizona facility sells its output pursuant to long-term contracts while the Texas facility has contracted a tolling agreement for capacity. The New York facility sells its output pursuant to long-term contracts until 2009, after which point its capacity will be sold on the spot market.

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 long-term contract 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 or diesel fired 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, along with a 25 year gas transportation agreement. In addition, the Corporation has secured a 5 year gas supply contract. CFE bears the price risk on fuel up to the guaranteed heat rate under the long-term contract.

On February 20, 2008, the Corporation announced it had signed a purchase and sale agreement with Intergen Global Ventures B.V. pursuant to which Intergen agrees to pay the Corporation US $303.5 million in cash for its Mexican assets.

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. Most of TransAlta's generation supplies two large mining companies through long-term capacity contracts and the remaining amount of surplus energy and capacity is sold into Australia's Wholesale Electricity Market which was introduced in Western Australia in late 2006.

TA Cogen

The Corporation's interest in the 220 MW Meridian gas-fired generation facility in Saskatchewan, the 770 MW Sheerness thermal 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 Stanley Power Inc., a subsidiary of Cheung Kong Infrastructure Holdings Limited.

Commercial Operations Development

The Commercial Operations Development 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, and developing strategies and plans to effectively compete in each market where the Corporation operates;
- Identifying specific opportunities to develop, acquire, or divest of generation assets in markets where the Corporation is operating or growing and completing the business arrangements so the Corporation can either make investment or divesture decisions;
- 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 Commercial Operations Development 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 Commercial Operations Development 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

TransAlta is the largest generator of electricity in Alberta, measured by capacity, and has a significant portfolio of generation assets in the Pacific northwest and western U.S. The Corporation also owns and operates generating assets in Eastern Canada, Mexico and Australia.

The Corporation expects that the demand for electricity will grow in its core markets of western Canada and U.S. and reserve margins will continue to tighten. In addition to increased demand, many of the markets in which TransAlta participates have established renewable portfolio targets or standards that require new renewable power investments.

As part of its balanced approach to capital allocation which includes returning capital to shareholders through dividends and share buybacks, TransAlta also has plans for investing in new capacity in its core markets where opportunities exist for renewable and co-generation assets.

Alberta is Canada's fourth largest province by population with approximately 3.5 million residents representing approximately 11 per cent of Canada's total population. Alberta consumed approximately 69,660 GWh of electricity in 2007. As at December 31, 2007, the aggregate installed capacity of generating facilities in Alberta was approximately 12,000 MW.

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 370,000 GWh of electricity was consumed in the NWPP in 2007. The WECC also reported an estimated aggregate electrical generating capacity of approximately 80,000 MW in the NWPP for the year ending 2007.

Ontario is Canada's largest province with approximately 13 million residents representing approximately 39 per cent of Canada's total population. Ontario consumed approximately 152,000 GWh of electricity in 2007. 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 31,000 MW of installed capacity, the balance of which is owned by municipal electric utilities and private independent power producers or industrial consumers.

In October 2004, the provincial government of New Brunswick officially opened the electricity market to partial competition and corporate reorganization. The Electricity Act (2004) allows wholesale and industrial consumer to either purchase power from either New Brunswick Power or a competing supplier. The new competitive market does not extend to retail customers, businesses or small industries. In 2007, New Brunswick announced the Charter for Change requiring 10% of electricity purchases to be from renewable sources commencing in 2016.

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 has mandated the unbundling of generation, transmission and distribution services which were 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 Commercial Operations Development capabilities, provided that in doing so, the financial position of the Corporation is not compromised.

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. Natural gas is increasingly used for electricity, especially in South Australia and Western Australia. The Australian Bureau of Agriculture and Resource Economics ("ABARE") estimated total production of 256,000 GWh for 2007 with a growth rate of approximately 2.5% per annum from 2006 to 2012. The major reform in the Australian electricity industry involved the establishment in southern and eastern Australia of the National Electricity Market ("NEM"). In Western Australia, where TransAlta's power assets are located, a new Wholesale Electricity Market ("WEM") was introduced in late 2006. Total installed capacity in the WEM is about 4,300 MWs, while TransAlta's capacity in the region is approximately 350 MWs. 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:

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").

Stable cash flow base – Approximately 70 per cent of the Corporation's generating capacity is contracted through PPAs or LTC's. Revenues received under contractual arrangements are not subject to short-term fluctuations in the spot price for electricity.

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.

Commercial Operations Development expertise - The Corporation believes that its Commercial Operations Development 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.

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 thermal 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.

Environment **–** The Corporation is a recognized leader in Sustainable Development and has taken early preventative action on a number of environmental fronts in advance of regulation.

Capital Expenditures

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

2007	$599.7 million	2004	$345.7 million
2006	$224.9 million	2003	$757.8 million
2005	$325.5 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 to promote sustainable development.

TransAlta's approach to managing its environmental, health and safety ("EHS") risks 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 2007 of approximately $46 million. Environmental expenditures are generally defined as expenditures incurred to comply with Canadian or international environmental regulations, conventions or voluntary agreements.

All TransAlta's facilities are in material compliance with existing regulatory requirements. 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;
- Continued program of compliance and management system audits at all facilities;
- The planned decommissioning of the older Wabamun thermal plant in 2010;
- Growth of a carbon offset portfolio;
- Continued expansion of the wind energy business, with minimal emissions footprint; and
- Investigation of carbon capture and storage technology.

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.

Effective July 1, 2007, the *Climate Change and Emissions Management Amendment Act* was enacted into law in Alberta. Under the legislation, baselines and targets for greenhouse gas ("GHG") intensity are set on a facility by facility basis. The legislation requires a 12 per cent reduction in greenhouse gas emission intensity from a baseline of the average of 2003 to 2005 emission levels. 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 emission offsets and internal efficiency improvements and development of clean combustion technology. TransAlta continues to be an active participant with governments in the development of climate change policy in the international, national and provincial arenas.

On April 26, 2007, the Canadian government released details of its proposed environmental legislation. The federal plan calls for an 18 per cent reduction in GHG emission intensity starting in 2010, increasing to a 20 per cent absolute reduction requirement by 2020. The proposed legislation also calls for a reduction in air pollutants such as sulphur dioxide, nitrous oxide, mercury, and particulates starting in the 2012 - 2015 period. Proposed reduction caps range from 45 per cent to 60 per cent of current levels. A number of material details in the federal plan are still to be determined, including its interaction with provincial programs, which will allow a reasonable determination of future compliance costs.

On January 24, 2008, Alberta released the long-term component part of its climate change plan for the province. The plan provided long-term targets for emissions reductions. At this time there is no indication that the reduction requirements for industry will change significantly beyond the regulatory framework already in place.

In the United States, the Washington State Climate Bill 6001 was enacted and came into effect July 22, 2007. TransAlta's operations will not be impacted by the bill's performance standards at the current time, provided the facilities do not change ownership or enter into power sales contracts longer than five years. Additionally, further emissions requirements are being considered for the Centralia plant for mercury and nitrous oxide, however final determinations are several months away. Federally, the U.S. Government continues to contemplate a number of proposed greenhouse gas bills but to date no clear outcome or schedule is evident.

Mercury reduction requirements in Alberta are established at a 70 per cent reduction by 2010. TransAlta submitted its mercury control plan in March of 2007. 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 are on a similar schedule, although Washington State's specific rules for TransAlta's Centralia plant are not yet finalized.

TransAlta is an active participant in the Canadian Clean Power Coalition, which is committed to developing clean coal technology in Canada. The coalition has several engineering initiatives underway which will provide important guidance on ultimate clean coal solutions for TransAlta's facilities. The Corporation is also exploring the possibilities for a CO2 network pipeline through the ICON industry consortium.

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. TransAlta was also named a climate disclosure leader in 2007 by virtue of its contribution to the global Carbon Disclosure Project.

To date, TransAlta does not believe that its competitive position in the wholesale generation business has been adversely affected by environmental concerns. We continue to make operational improvements and investments to its existing generating facilities to reduce the environmental impact of generating electricity.

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, please refer to "Risk Factors and Risk Management", in TransAlta's MD&A for the year ended December 31, 2007, which is incorporated by reference herein.

EMPLOYEES

As of December 31, 2007, the Corporation had 2,204 full and part-time employees, of which 1,559 were employed in TransAlta's generation business and 136 were employed in TransAlta's energy marketing business. Approximately 1,029 of the Corporation's employees are represented by labour unions. The Corporation is currently a party to 13 different collective bargaining agreements. On November 5, 2007, 126 unionized workers at the Poplar Creek facility went on a legal strike. The union and the Corporation reached agreement on December 5, 2007 and the workers returned to work on December 12, 2007. Overall in 2007, the Corporation renewed 8 of the agreements and an additional 2 collective agreements will be re-negotiated in 2008. The risk profile for each of these negotiations is low.

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 13, 2008, there were 201,118,565 common shares 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, 2007, the Corporation's issuer rating from S&P was BBB (stable) and from Moody's was Baa2 (stable).

Commercial Paper

As of December 31, 2007, 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, 2007, 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 judgement, circumstances so warrant.

DIVIDENDS

In setting its dividend, TransAlta's Board of Directors considers the Corporation's financial performance and balances liquidity requirements, capital reinvestment and returning capital to shareholders. 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 for the past three years:

Period		Dividend per Common Share
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
2007	First Quarter	$0.25
	Second Quarter	$0.25
	Third Quarter	$0.25
	Fourth Quarter	$0.25

On January 1, 2008, TransAlta paid cash dividends of $0.25 per common share. On January 31, 2008, the Corporation's Board of Directors declared a cash dividend of $0.27 per common share, payable on April 1, 2008 to shareholders of record on March 1, 2008.

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 periods indicated:

Month	Price ($) High	Price ($) Low	Volume
2007			
January	27.25	24.38	14,675,110
February	25.71	24.01	20,305,992
March	25.37	23.59	13,911,140
April	28.23	24.76	18,912,768
May	28.62	26.00	18,495,876
June	28.45	26.07	20,985,557
July	32.36	26.80	23,767,597
August	30.31	27.06	19,190,389
September	31.53	29.16	11,674,133
October	34.00	29.85	22,731,155
November	34.50	31.27	16,342,705
December	34.43	31.20	11,258,481
2008			
January	34.00	29.85	15,201,560
February	35.80	32.01	27,280,079
March 1 to 7	35.73	34.00	4,405,703

DIRECTORS AND OFFICERS

The name, province or state and country of residence of each of the directors and officers of TransAlta as at March 13, 2008, 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 (a subsidiary of BCE Inc.) from 2001 to 2005 (telecommunications) and prior to that, CFO of BCE Inc., Bell Canada Inc. and Bell Cablemedia plc (telecommunications). As President of BCE Ventures, he was responsible for a number of significant operating companies as well as being CEO of Bell Canada International Inc. In his CFO roles, Mr. Anderson was responsible for all financial operations of the respective companies and he executed numerous debt and equity financings, corporate acquisition and disposition transactions as well as corporate and operational restructurings. Mr. Anderson is a director of Gildan Activewear Inc. and of MDS Inc. He is a past director at BCE Emergis Inc., Bell Cablemedia plc, Bell Canada International Inc., CGI Group Inc., Four Seasons Hotels Inc., Sears Canada Inc., and Videotron Holdings plc. At TransAlta, Mr. Anderson is Chair of the Audit and Risk Committee of the Board. Mr. Anderson holds a bachelor degree in business administration from the University of Western Ontario (London, ON) and is a Chartered Accountant.
Stanley J. Bright [1] Maryland, U.S.A.	1999	***Corporate Director***. Mr. Bright was President, CEO and Chairman of MidAmerican Energy Company from 1997 to 1999 (electric and gas utility). He was also President, CEO and Chairman, and CEO of predecessor companies, including the Iowa-Illinois Gas & Electric Company (IIG&E), from 1991 to 1997. As the CEO of IIG&E, Mr. Bright led the consolidation of a number of Midwest utilities in anticipation of emerging market competition, giving rise to the creation of MidAmerican Energy. As the President, CEO and Chairman of the new entity, Mr. Bright led the realization of significant synergies while working through the post-merger transition. The Company also structured a long-term rate plan with the Iowa Public Service Commission. He retired as CEO of MidAmerican in 1999 but continued as a director until 2006. At TransAlta, Mr. Bright is Chair of the Human Resources Committee of the Board. Mr. Bright holds a bachelor degree in accounting from The George Washington University (Washington, DC) and is a Certified Public Accountant.
Timothy W. Faithfull England, U.K.	2003	***Corporate Director.*** Mr. Faithfull is a 36-year veteran of Royal Dutch/Shell plc (energy), where he filled diverse roles that spanned the globe. As President and CEO of Shell Canada Limited, he was responsible for bringing the $6 billion Athabasca Oil Sands Project on line, the first fully integrated oil sands venture in 25 years. Mr. Faithfull has extensive experience with commodity exposure and risk management, the result of his time directing the global crude oil trading operation for the Shell International Trading and Shipping Company from 1993 to 1996. Mr. Faithfull is a director of Canadian Pacific Railway Limited, the Shell Pension Trust Limited, and AMEC plc. At TransAlta, Mr. Faithfull is a member of the Audit and Risk Committee and the Human Resources Committee of the Board. Mr. Faithfull holds a bachelor of arts degree in economics from the University of Oxford (Oxford, UK).

Name, Province (State) and Country of Residence	Year first became Director	Principal Occupation
Ambassador Gordon D. Giffin Georgia, U.S.A	2002	***Lawyer and Senior Partner, McKenna, Long & Aldridge LLP** (attorneys)**.*** From 1997 to 2001, Mr. Giffin served as the United States Ambassador to Canada with responsibility for managing Canada/US bilateral relations, including energy and environmental policy. Prior to this appointment, he practiced law for 18 years as a senior partner in Atlanta, Georgia and Washington D.C. His practice focused on energy regulatory work at the state and federal levels. Prior to that, he served as Chief Counsel and Legislative Director to United States Senator Sam Nunn, with responsibility for the legal and legislative operations of the office. In 2001, Mr. Giffin returned to private practice where he specializes in state and federal regulatory matters, including those related to trade, energy and trans-border commerce. Mr. Giffin is a director of AbitibiBowater, Canadian Imperial Bank of Commerce, Canadian National Railway Company, Canadian Natural Resources Limited, and Ontario Energy Savings Ltd. At TransAlta, Mr. Giffin is Chair of the Governance and Environment Committee of the Board. Mr. Giffin holds a bachelor of arts from Duke University (Durham, NC) and a juris doctorate from Emory University School of Law (Atlanta, GA).
C. Kent Jespersen Alberta, Canada	2004	***Corporate Director***. Mr. Jespersen has been Chair and CEO of La Jolla Resources International Ltd. since 1998 (advisory and investments). He has also held senior executive positions with NOVA Corporation of Alberta, Foothills Pipe Lines Ltd., and Husky Oil Limited before assuming the presidency of Foothills Pipe Lines Ltd. and later, NOVA Gas International Ltd. At NOVA, he led the non-regulated energy services business (including energy trading and marketing) and all international activities. Mr. Jespersen is Chairman and a director of Orvana Minerals Ltd. and CCR Technologies Ltd. and a director of Matrikon Inc. and of Axia NetMedia Corporation. At TransAlta, Mr. Jespersen is a member of the Governance and Environment Committee and the Human Resources Committee of the Board. Mr. Jespersen holds a bachelor of science in education and a master of science in education from the University of Oregon (Eugene, OR).
Michael M. Kanovsky British Columbia, Canada	2004	***Corporate Director and Independent Businessman***. Mr. Kanovsky co-founded Northstar Energy Corporation (oil and gas) with initial capital of $400,000 and helped build this entity into an oil and gas producer that was sold to Devon Energy Corporation for approximately $600 million in 1998. During this period, Mr. Kanovsky was responsible for strategy, finance as well as merger and acquisition activity. He initiated Northstar's entry into electrical cogeneration through its wholly owned power subsidiary, Powerlink Corporation (electricity generation). Powerlink developed one of the first independent power producer (IPP) gas-fired co-generation plants in Ontario and also internationally. In 1997, he founded Bonavista Energy which has grown to a present day market cap of approximately $6 billion. Mr. Kanovsky is a director of Accrete Energy Corporation, ARC Energy Trust, Bonavista Energy Trust, Devon Energy Corporation, and Pure Technologies Inc.. At TransAlta, he is a member of the Audit and Risk Committee and the Governance and Environment Committee of the Board. Mr. Kanovsky, a professional engineer, holds a bachelor of science in mechanical engineering from Queen's University (Kingston, ON) as well as a master of business administration from the Richard Ivey School of Business at the University of Western Ontario (London, ON).

Name, Province (State) and Country of Residence	Year first became Director	Principal Occupation
Donna Soble Kaufman Ontario, Canada	1989	***Lawyer and Corporate Director***. Mrs. Kaufman is a former partner with Stikeman Elliott, an international law firm where she practised antitrust law. She has served on a number of boards since 1987 when she became a director of Selkirk Communications Limited, a diversified communications company. A year later she was appointed Chair of the Board and President and CEO. Several other directorships followed. In addition to TransAlta, Mrs. Kaufman currently serves on the boards of BCE Inc. and Bell Canada. She is also a director of HISTORICA, a private-sector education initiative, and a member of the Canadian Advisory Board of Catalyst, a non-profit organization working to advance women in business. At TransAlta, Mrs. Kaufman is Chair of the Board of the Corporation and an ex-officio member of all committees of the Board. Mrs. Kaufman holds a bachelor of civil law degree from McGill University (Montréal, QC) and a master of laws degree from the Université de Montréal.
Gordon S. Lackenbauer (1) Alberta, Canada	2005	***Corporate Director***. Mr. Lackenbauer was Deputy Chairman of BMO Nesbitt Burns Inc. from 1990 to 2004 (investment banking). Prior to this, he was responsible for the principal activities of the firm, which included fixed income sales and trading, equity and debt, new issue underwriting and syndication. Mr. Lackenbauer has worked with many of Canada's leading utilities and has frequently acted as an expert financial witness testifying on the cost of capital, capital structure, and the fair rate of return before the Alberta Utilities Commission, the National Energy Board, and the Ontario Energy Board. His clients included Alberta Power (now ATCO Electric), Consumers Gas, IPL (now Enbridge), and TransCanada PipeLines, among others. Mr. Lackenbauer is a director of NAL Oil & Gas Trust, CTV Globemedia Inc., and is a Governor of Mount Royal College. He was a director of Tembec Inc. until August 2007. At TransAlta, he is a member of the Governance and Environment Committee and the Audit and Risk Committee of the Board. Mr. Lackenbauer holds a bachelor of arts in economics from Loyola College (Montreal, QC), as well as a master of business administration from the University of Western Ontario (London, ON). He is also a chartered financial analyst.
Martha C. Piper British Columbia, Canada	2006	***Corporate Director***. Dr. Piper was President and Vice-Chancellor of the University of British Columbia from 1997 to 2006 (education). Prior to her appointment at UBC, she served as Vice-President, Research at the University of Alberta. She served on the Boards of the Alberta Research Council, the Conference Board of Canada, and the Centre for Frontier Engineering Research. Dr. Piper was also appointed by the Prime Minister of Canada to the Advisory Council on Science and Technology, and she served as a member of the Canada Foundation for Innovation. Dr. Piper is a director of the Bank of Montreal and Shoppers Drug Mart Corporation, and is a member of the Canadian delegation to the Trilateral Commission, an organization fostering closer cooperation among the core democratic industrialized areas of the world. At TransAlta, Dr. Piper is a member of the Human Resources Committee and the Governance and Environment Committee of the Board. Dr. Piper holds a bachelor of science in physical therapy from the University of Michigan (Ann Arbor, MI), a master of arts in child development from the University of Connecticut (Storrs, CT), a doctorate of philosophy in epidemiology and biostatistics from McGill University (Montréal, QC). She has received honorary degrees from 15 international universities. She is an Officer of the Order of Canada and a recipient of the Order of British Columbia.

Name, Province (State) and Country of Residence	Year first became Director	Principal Occupation
Luis Vázquez Senties Mexico	2001	***Corporate Director and Independent Businessman***. Mr. Vázquez is founder, President, CEO and Chairman of Grupo Diavaz, an international constructor of offshore oil and gas platforms, developer of oil and gas fields, and a distributor of natural gas in Mexico (oil and gas). Grupo Diavaz began as a Mexican underwater diving operation that grew to become the world's second largest firm of its kind, servicing the offshore oil and gas industry in both exploration and production efforts. Mr. Vázquez is Chairman of the Mexican Gas Association and Vice-President of the Mexico Chapter of the World Energy Council. He is a past director of the American Gas Association. At TransAlta, Mr. Vázquez 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 since 199***6. Mr. Snyder guided TransAlta through its evolution from an Alberta-focused, regulated utility to an international power generator. Prior to joining TransAlta, Mr. Snyder held several CEO posts, namely with Camco Inc. (now a part of General Electric), GE Canada Inc., and Noma Industries Limited. While at GE, Mr. Snyder led the transformation of GE's Canadian-based businesses into global competitors. At Noma, he built a deeply-rooted Canadian consumer products manufacturer into a North American industrial products company. Mr. Snyder is a director of the Canadian Imperial Bank of Commerce, Chair of the Calgary Stampede Foundation, and a director of the Calgary Stampede. He is the past-chair of the Calgary Committee to End Homelessness, the Canada-Alberta ecoEnergy Carbon Capture & Storage Task Force, and of the Conference Board of Canada. Mr. Synder holds a bachelor of science in chemical engineering from Queen's University (Kingston, ON) as well as a master of business administration from the University of Western Ontario (London, ON).

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. Mr. Lackenbauer resigned from the Board of Directors of Tembec Inc. on August 2, 2007. On December 19, 2007, Tembec announced its proposed recapitalization transaction providing a consensual solution to both noteholders and shareholders. If Tembec is successful in its recapitalization efforts, including obtaining the approval of noteholders of a Plan of Arrangement under the *Canada Business Corporations Act*, the matter is subject to the final approval of the Court.

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
William D.A. Bridge	Executive Vice-President, Generation Technology and PMM	Calgary, Alberta
Dawn L. Farrell	Executive Vice-President, Corporate Development and Marketing	Calgary, Alberta
Richard P. Langhammer	Executive Vice-President, Generation Operations	Calgary, Alberta
Kenneth S. Stickland	Executive Vice-President, Legal, SD and EH&S	Calgary, Alberta
Michael Williams	Executive Vice-President, Human Resources, IT and Communications	Calgary, Alberta
Jeff A. Curran	Vice-President and Comptroller	Calgary, Alberta
Frank Hawkins	Vice-President and Treasurer	Calgary, Alberta
Maryse C. St.-Laurent	Corporate Secretary	Calgary, Alberta

All of the officers of TransAlta have held their present principal occupation or position for the past five years, except for the following:

- 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 2007, William Bridge was Vice-President, Western Canada Operations. Prior to October 2005, Mr. 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 July 2007, Dawn Farrell served as Executive Vice-President, Corporate Development, Executive-Vice President, Independent Power Projects and Vice-President, Energy Marketing and IPP Development at TransAlta Corporation. From 2003 to 2006 served as Executive Vice-President Generation and in June 2006 she was appointed Executive Vice-President Engineering, Aboriginal Relations and Generation at B.C. Hydro.

- 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 April, 2007, Kenneth Stickland was Executive Vice-President, Legal.

- Prior to July 2007, Michael Williams was Executive Vice-President, HR & Communications.

- 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 June 2007, Frank Hawkins was Assistant Treasurer.

- 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 13, 2008, the directors and executive officers of TransAlta, as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 495,488 common shares of TransAlta. This constitutes less than one percent of TransAlta's outstanding common shares.

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, 2007, 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 Notes 28 and 30 of the Corporation's audited consolidated financial statements for the year ended December 31, 2007, 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.

TransAlta's 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 in relation to TransAlta may be found under TransAlta's profile on SEDAR at www.sedar.com.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of TransAlta's securities and securities authorized for issuance under equity compensation plans (all where applicable), is contained in TransAlta's Proxy Circular for its most recent annual meeting of shareholders that involved the election of directors and can be obtained upon request from the Corporate Secretary of TransAlta Corporation.

Additional financial information is provided in TransAlta's audited consolidated financial statements and MD&A for its most recently completed financial year.

AUDIT AND RISK COMMITTEE

General

The members of TransAlta's Audit and Risk Committee ("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 four independent members, William D. Anderson (Chair), 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 United States Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act").

Mandate of the Audit and Risk Committee

The mandate of the ARC is to assist the Board in its oversight responsibility to the shareholders of the Corporation, the investment community and others relating to the integrity of the Corporation's financial statements, the quality of its financial reporting processes, the systems of internal accounting and financial controls, the risk identification assessments conducted by management and the programs established to address such risks, the internal audit function, the external auditors' qualifications, independence, performance and reports and to provide oversight with respect to legal compliance programs established by management which may have a material effect on the financial statements of the Corporation. The

ARC also reviews the Corporation's compliance with the Corporation's code of conduct, financial code of conduct and the Corporation's policy with respect to the hiring of employees of the external auditors.

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 ARC'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 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.
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 at 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, a MBA degree from the University of Western Ontario and is a Chartered Financial Analyst.

Other Board Committees

In addition to the Audit and Risk Committee, TransAlta has two other standing committees: the Governance and Environment Committee and the Human Resources Committee. Mrs. Kaufman, the Chair of the Board, is a non-voting ex-officio member of all committees. The voting members of these committees as of December 31, 2007 are:

Governance and Environment Committee	Human Resources Committee
Chair: Ambassador Gordon D. Giffin	Chair: Stanley J. Bright
C. Kent Jespersen	Timothy W. Faithfull
Michael M. Kanovsky	C. Kent Jespersen
Gordon S. Lackenbauer	Dr. Martha C. Piper
Dr. Martha C. Piper	Luis Vázquez Senties

The Charters of the Governance and Environment Committee and the Human Resources Committee may be found on TransAlta's website under Corporate Responsibility - Governance at www.transalta.com. Further information about the Board and the Corporation's corporate governance may also be found on our website.

Fees Paid to Ernst & Young LLP

For the years ended December 31, 2007 and December 31, 2006, Ernst & Young LLP and its affiliates were paid $2,838,740 and $3,596,689 respectively, as detailed below:

Year ended Dec. 31				
Ernst & Young LLP		**2007**		**2006**
Audit fees	$	2,623,699	$	3,286,212
Audit related fees		168,968		300,892
Tax fees		45,743		9,585
Total	$	**2,838,740**	$	**3,596,689**

No other audit firms provided audit services in 2007 or 2006.

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 Corporation'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 Corporation's financial statements and other documents. Total audit fees for 2007 include payments related to 2007 ($1,147,390) and 2006 ($1,476,309). Total audit fees for 2006 include payments related to 2006 ($1,193,763) and 2005 ($2,092,449).

Audit-Related Fees

The audit-related fees in 2007 were primarily for work performed by Ernst & Young LLP in relation to miscellaneous accounting advice provided to the Corporation.

Tax Fees

Majority of tax fees for 2007 relate to the finalization of tax credit recoveries.

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. In May 2002, the ARC 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 Sarbanes-Oxley Act.

Representatives of Ernst & Young LLP will be in attendance at the Meeting, will have the opportunity to make a statement if they so wish and will be available to respond to questions.

APPENDIX "A"

TRANSALTA CORPORATION
TRANSALTA UTILITIES CORPORATION
TRANSALTA ENERGY 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 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 of the U.S. Securities and Exchange Act of 1934, as such rules apply to audit committee members. All members of the Committee must be financially literate pursuant to both Canadian and U.S. securities requirements and at least one member must be determined by the Board to be an "audit committee financial expert" within the meaning of Section 407 of the Sarbanes-Oxley Act of 2002. 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") at the recommendation of the Governance and Environment Committee.

2. Appointment of Committee Members

Members of the Committee shall be appointed from time to time by the Board, on the recommendation of the Governance and Environment 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 Governance and Environment 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 shall 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, the financial reporting process, the systems of internal accounting and financial controls, the risk identification assessment conducted by management and the programs established by management and the Board in response to such assessment, the internal audit function and the external auditors' qualifications, independence, performance and reports. 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 interim and annual financial statements and related disclosure. Management of the Corporation is also responsible for maintaining appropriate accounting and financial reporting policies and systems of internal controls and procedures that are in compliance with accounting standards, applicable laws and regulations and that provide reasonable assurances that assets are safeguarded, that transactions are authorized, executed, recorded and reported properly.

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 also responsible for the identification and management of the Corporation's risks and the development and implementation of policies and procedures to mitigate such risks. The Committee's role is to provide oversight in order to ensure that the Corporation's assets are protected and safeguarded within reasonable business limits.

C. Duties and Responsibilities of the Committee

The Committee shall have the following specific duties and responsibilities:

1. Audit and Financial Matters:

The Committee shall:

(a) have direct responsibility for the compensation and oversight of the external auditors including nominating the external auditors to the Board for appointment by the shareholders at the Corporation's general annual meeting. In performing its function, the Committee 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, at least annually, 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;

(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) on behalf of the Committee, the Chair shall review as required the public disclosure of financial information extracted or derived from the financial statements;

(g) 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;

(h) review and recommend to the Board for approval the Corporation’s issuance and redemption of securities, financial commitments and limits, and any material changes underlying any of these commitments;

(i) 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, any inquiry or investigation by governmental or professional authorities within the preceding five years undertaken respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues;

(j) review quarterly 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;

(k) review quarterly 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;

(l) recommend to the Human Resources Committee the appointment and termination or transfer of the Vice-President, Internal Audit;

(m) 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;

(n) review changes in accounting practices or policies and the financial impact these may have on the Corporation;

(o) 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;

(p) 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;

(q) 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;

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

(s) 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;

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

(u) 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;

(v) review management's processes relating to the assessment of potential fraud, programs and controls to mitigate the risk of fraud and the process put in place for monitoring the risks within targeted areas;

(w) review disclosures made to the Committee by the CEO and CFO during their certification process for the relevant periodic reports filed with securities regulators to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified for the reporting period. Obtain assurances from the CEO and CFO as to the adequacy and effectiveness of the Corporation's disclosure controls and procedures and systems of internal control over financial reporting and that any fraud involving management or other employees who have a significant role in the Company's internal controls was reported to the Committee;

(x) ensure that the Corporation's business practices and ethical behaviours are communicated to employees and contractors on an annual basis, to review at least annually the Corporate Code of Conduct and the policies and practices in place to ensure compliance. Inquire of the internal and external auditors as to any instances of deviation from the Corporate Code of Conduct which has come to their attention and the action taken as a result of same;

(y) 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;

(z) review all incidents, complaints or information reported through the Ethics Help Line and/or management;

(aa) review disclosure made to the Committee by the chief executive officer, chief financial officer and/or chief legal officer 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, determine whether an investigation is necessary regarding any such report and report to the board;

(bb) 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;

(cc) 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

(dd) 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

The Committee provides oversight of management's establishment of an overall risk culture for the Corporation. The Committee shall oversee and approve the processes established and developed by management for the identification of the Corporations principal risks, the evaluation of potential impact and the implementation of appropriate systems to mitigate and manage the risks.

The Committee shall:

(a) review annually with the Board 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 in order to ensure that management:

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

B. 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;

(b) receive and review managements' quarterly risk assessment update including an update on residual risks and emergent risks and next steps;

(c) review the Corporation's enterprise risk management framework and reporting methodology;

(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 review 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.

D. Compliance and Powers of the Committee

(a) The responsibilities of the Committee complies with applicable Canadian laws and regulations, such as the rules of the Canadian Securities Administrators, and with the disclosure and listing requirements of the Toronto Stock Exchange, as they exist on the date hereof. In addition this Charter complies with the applicable US laws, such as the Sarbanes-Oxley Act of 2002, and the rules and regulations adopted thereunder, and with the New York Stock Exchanges' corporate governance standards, as they exist on the date hereof. This Charter is reviewed from time to time by the Corporate Secretary together with the Chair of the Committee in order to ensure on going compliance with such standards.

(b) 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.