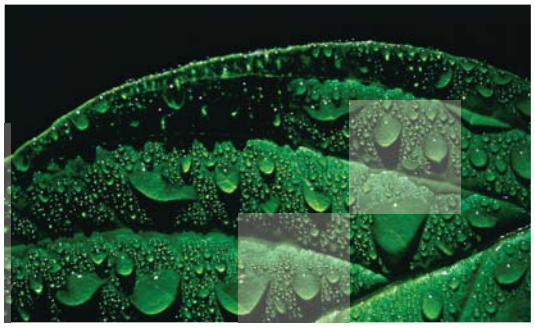
INVESTOR DAY

OCTOBER 6, 2008

TRANSCRIPT



STEVE SNYDER

MR. SNYDER:

Well, good morning, everyone. If we could just gather your attention, I know people have been filing in. We want to start on time and end on time today, if we can, to respect your time.

So first with introductions. Of course, my name is Steve Snyder, President, CEO of TransAlta, and on behalf of the team with me today, plus all of our employees, I do want to welcome you to our 2008 Investor Day.

Thank you both to those in the room today who have joined us. And, of course, we are webcasting today's presentation, so my thanks to those who have joined on the webcast, and we hope to make it a very informative day for everyone.

Certainly the TransAlta team is looking forward to sharing with you our plans for the future. You know, as we all try to deal with the turmoil in today's financial markets and indeed in the broader economy itself, we did feel it was best if we advanced the date of our annual Investor Day because our plans to navigate through and out of this period of uncertainty around us are fairly solid and quite clear. And we did want you to have this information as we all go through what is probably a period of major recalibration here.

Now, our format for today is as follows: I'll start with some opening comments on our broad long term strategy, and then you're going to hear from four members of our senior team, Dawn Farrell, our EVP of Commercial Operations and Development; Will Bridge, our EVP of Generation Technology; Richard Langhammer, our EVP of Generation Operations; and Brian Burden, our EVP and CFO.

Now, the rest of our senior team, Ken Stickland, who is EVP of Environment and Legal; and Mike Williams, who is EVP of Information and Technology and Human Resources are also here with us today, although not presenting. But I do believe you're all well aware of our environmental and IT strategies. They haven't changed substantially since last year's investors' day, but if you do have questions, they can certainly be covered during the Q and A period.

Now, in that regard, I note that our protocol for today is to go through our presentations, and then we'll deal with all questions at the end in a broad question and answer period. And for those of you who are on the webcast, if we do not get to your question, we'll ensure that we get back to you by the end of the week.

And now we will take, for all of those who are concerned, a very brief break following Will Bridge's presentation, but our goal is to conclude our meeting by noon hour today.

I should also note that our investor relations team, I believe you probably know them all well, but they're led by Jennifer Pierce, of course. They're obviously here with us today and glad to meet with you during breaks or after the meeting.

Now, let me highlight what you'll be hearing from TransAlta today. Dawn Farrell will discuss the key drivers of our revenue and earnings growth, and she'll cover our re-contracting strategies and related potential. And she'll also discuss our ongoing disciplined approach to growth opportunities and show why we have competitive edges in the projects that we have on the planning blocks.

And she'll also detail by project the capacity expansion currently in what we would call our advanced development stage and why they're probably more within our control than they may be for other of our peers.

Will Bridge will then cover our major maintenance and project development plans. He'll discuss how we'll drive up our overall fleet availability while optimizing capital spends and targets on a plant by plant basis. And of course he'll update all of us on the leadership he and his team are providing to advanced carbon capture and storage technology with the ultimate goal, of course, of being able to use green coal.

And Richard Langhammer will talk about Alberta Thermal production, how we are managing costs, and driving productivity in a very challenging inflationary environment, and of course he'll discuss our success at Centralia.

And then Brian Burden will discuss why, I think, despite all this current financial market turmoil around us, we do have the overall balance sheet strength and credit flexibility to deal with these emerging unknowns. He'll discuss how our strong current financial position and discipline should allow us to capitalize on our plans to deliver cash flow and earnings growth as we go forward. I think simply put there, he'll make the case that the shareowner benefits of our long held value proposition have never been greater than in today's economic climate.

Now, I read very recently a quote by Thomas Friedman, and he was commenting on the current financial market's turmoil. And what he said was, There are two positions for companies to be in today: "cash and fetal." TransAlta is definitely in the former stage and not in the latter.

I'm just going to go back, if I could. I think I do have to bring it to your attention the standard forward looking statement document that you know all the time, and I assume that you'll have read it by the time I go on to my next slide.

So with that overview of what we'd like to accomplish today and our broad positioning, let me give you an overview of the longer term direction our company would like to take.

First of all, let me start by stating that I believe that our value proposition that we are espousing today is as valid today as it was two weeks ago, as it was a year ago, as it was five years ago, and that is that we believe in financial strength supported by a strong a balance sheet, and of course it's secured by highly contracted revenue streams.

We believe in a very disciplined approach to capital allocation with a strong commitment to the dividend, and of course that's supported by our stated dividend policy, and Brian Burden will give you more details on both of those value propositions.

We have and will maintain a low to moderate risk profile. We do that through diversified geography, diversified fuels, diversified contracts, and of course an ongoing emphasis on operational excellence. And we are positioned and will stay positioned in markets that will support long term growth opportunities.

If you look on the western part of North America where we have the bulk of our assets and will invest the bulk of our future capital, if we look at Alberta, the issue in Alberta is that the reserve margins are low. They need to be increased, so even if there's not new demand growth, new capacity is needed for reliability and security purposes. And then generally speaking along the western US, there is a demand for renewable portfolio standards that requires renewables to be built, and we are well positioned in renewables to meet that demand.

And finally, you really cannot be in the generation business today in the world without environmental leadership. That's a must for today, and of course that remains a strength at TransAlta.

So let's just talk about then our strategic positioning and our potential. We've stated that we're going to focus on western North America. It's where we have expertise, it's where we have scale, and of course where we have superb fuel resources. From coal, to wind, to geothermal, to hydro, to natural gas, all are available to us in these markets.

The portfolio, as Dawn Farrell will show you, consist of short , medium , and long term opportunities. And the selection of those opportunities and the pace of execution are all disciplined by the financial targets we have established and are within our control to accelerate or decelerate, depending on conditions. And of course that whole platform is underpinned by this ongoing focus on operational excellence, productivity, costs, and of course safety.

Now, I'll just take, if I could, just a brief aside here at the very small print at the bottom right there, the chart does make mention of our Mexican assets. So I would like to make just a brief comment right now on the status.

Let me just say that I do remain confident that we can close the sale of our Mexican business shortly and on the terms previously announced. Similarly, once completed, our intent remains to use a significant portion of the cash proceeds to buy back shares under our current normal course issuer bid. Given that buyer seller discussions are ongoing, we will not make any further statements at this time, nor can we respond to questions. And I'm sure you will all understand that position.

Now, let's just take a minute on the four charts in front of us here. Simply put, they show that we have consistently delivered improving results for the last five years, and I think we've done that while successfully managing the one off challenges that are always prevalent in a big capital intensive large scale industry that we participate in. If we just look at the bottom left, our return on capital employed is now solidly at 10 percent and should show steady improvement as we go forward. Our earnings growth has been 20 percent plus per year. Our cash flow has improved by over 50 percent, and of course our total shareowner return by over 80 percent.

Now, let's look forward a bit. And over the years, I mean, although we do not obviously give earnings guidance, we have tried to provide investors with some indication of the earnings potential of our existing capacity as an aid in helping you to verify your particular models.

You know, we all know in a long cycle, high fixed costs industry like electricity, that short term swings can be large, but the next chart is our attempt to directionally model our core assets over a longer time frame.

Now, several years ago in talking to a similar investor group, we indicated that in good markets our existing asset base could deliver in the $1.50 per share earnings range. Markets have improved since that time, and our costs have been kept in line. As a result, as the next chart shows, our earnings potential have increased.

Now, let me just describe the chart briefly here. It follows the format of multiple market scenarios low, medium, and high that we used several years ago. Since that time, given that natural gas generation now tends to set the marginal price for power, certainly in our core markets, we are now using three different levels of natural gas pricing, 7 dollars, 9 dollars, and 11 dollars as proxies for these scenarios.

So the low case is predicated on a 7 dollar natural gas price, and the high case on an 11 dollar natural gas price. And of course that in turn drives different impacts on pricing, which you see we've shown there for both Alberta and the Pacific Northwest. And on the far right we then try to translate the impact of those market prices on our earnings potential.

Now, again, I would just caution that these are directional, and we're using natural gas as a proxy. Your models and assumptions obviously could be different, but I think the numbers we are showing here are reasonable in terms of direction at different market conditions.

So in summary here, I believe we are very well positioned, as we sit here today despite what is going on in the markets around us, to deal with those challenges and to grasp the opportunities. We should talk about the challenges because they are not minor. Certainly we have environmental uncertainty today, as strong today, unfortunately, as it was one year ago or two years ago. Having said that, we are an environmental leader; we've been recognized for that, and that environmental leadership will help us work our way through all of these issues, and we still do a lot of that under the protection of the PPA format.

Inflation is a growing concern in our industry in general, particularly in Alberta. Fortunately market prices are rising to recover some of those margins, and we have the ability to re-contract going forward that Dawn will tell you about into markets that are definitely higher priced than the original contracts, and underneath all of that, the reality is to replace capacity in this industry today, is fundamentally at a higher cost than it was in the previous existing infrastructure, and ultimately that is going to have to show through on pricing over a period of time.

So we are certainly doing our best, as you'll see with Will and with Richard, to manage the cost side of the inflation equation, but I believe we will be helped on the market side also in terms of maintaining our margin during this period.

There's clearly more demand risk today than there was a year ago. In the market, I don't know the extent that we'll be out there. Having said that, again, I go back to my original comment that within the Alberta market where it's our prime market, the issue, even if there wasn't any growth in demand I would be surprised at that, but assume there isn't the market still needs additional capacity to get reserve margins up to provide stability and reliability, and so that demand is going to be there for the next two to three years.

And again on the renewable portfolio standards, they are driven more by rules and regulations than they are by fundamentals of demand and supply, and I believe those will still go forward.

And of course we are all facing this whole credit market upheaval. This is when financial strength and an investment grade balance sheet come to the forefront, and we are seeing we are well positioned, and of course we have the benefits of the PPAs which not only do they secure our cash flows or a large percentage of them, they do have some inflation protection, and they do have certainly environmental protection.

And so as I mentioned to some people earlier in the comments, the electricity sector does tend to be a defensive sector relative to investors, defense sectors are not always in the limelight. So when they do come to the limelight, we like to enjoy that day in the sun. And despite things going on around us for quite frankly, for our industry and for this particular company, we are actually sitting in a very, very strong position, and we're very fortunate to be in that position.

I think the team now will take you through in more detail that logic, that reasoning, and all of the details behind these issues. And so without that, I'm going to now call on Dawn Farrell, EVP Commercial Operations and Development, to talk to you about some of the opportunities in front of us.

Dawn?

DAWN FARRELL

MS. FARRELL:

Thank you, Steve, and good morning, everyone.

Before I start into the formal part of my presentation, I have a few opening comments. And just to follow on what Steve has just said, TransAlta's business environment has certainly been volatile over the last year since we were here.

As little as three months ago we were seeing oil prices in the $140 dollar range, gas in the $13 dollar range. We were seeing contracts for Centralia out in the 2013 period over $80 dollars on a plant that was initially contracted with or initially purchased with the idea that we would have a $30 dollar forward curve.

Assets were trading in the range of prices that we believed were in the sort of 7 to 8 percent on an unlevered return. That was plentiful, and it was cheap. Today you just have to read The Globe and Mail to see that we're in a completely different situation.

Financial markets are strained and debt markets are seen to be closed, and that's certainly talked about. And speculation runs rampant about falling commodity prices and the prospects for a deep recession, which has us thinking about our demand forecasts.

What we know for sure, or we think we know for sure, is that greater volatility in commodity pricing has become an expectation, and also that it continues to be virtually impossible to predict the future by just simply trying to understand the past.

But it's even with this backdrop in mind that we believe today that we have a fairly strong and compelling case for growth for TransAlta in the short term, the medium term, and the longer term, and that's what I want to leave with you today.

So today if you leave with anything from my presentation, I hope you leave with these four key messages: The first one is, as Steve has already alluded to, the markets we serve need electricity, and they need it in the next five years despite what's going on in the economy. You will see from my presentation that both Alberta and the Pacific Northwest markets need additional generation, over 7,000 megawatts by 2013.

Second, business conditions continue to support a view that prices will remain strong in these markets.

Thirdly, our stable and measured approach to re-contracting provides upside and protection for earnings and cash flow in the short term, and I intend to go into quite a bit of detail on a particular slide just to show you how that works.

And then finally, our fourth key point is that TransAlta has a steady and strong portfolio of competitive growth projects, and today we have a solid execution plan that is both flexible and

adjustable, and really that's an important point, because if these times turn out to be difficult in terms of raising cash, we have enough control over sites and resources to adjust our plans.

Our current portfolio of competitive wind and geothermal projects and our expertise in cogen have us very well positioned to invest in some very high caliber green fuel projects, and like I said before, we have control over these projects.

Today I'd like to start this presentation with a review of the mandate of commercial operations and development and a bit about our track record since we were here speaking to you just a year ago. I will then review the case for each of these four messages and conclude with an overview of what you can expect to see from us next year and a couple years beyond that.

In COD, we continue to have a clear mandate to optimize our existing assets, sustain our trading business, and grow our asset base. We remain on course to achieve stable margins in our trading business and execute re-contracting strategies for our merchant portfolio. We are focused on developing projects that fit our strategy, and we're fairly obsessed about these projects really being projects where we believe we have a competitive advantage.

Where assets that we hold are outside of our strategy, we are working to either divest or restructure projects. We are also exploring opportunities for new business relationships that may be helpful in adding shareholder value.

In 2008, we accomplished what we set out to do. On the asset development side, we announced three new projects. We expanded Summerview II and added the Blue Trail project to our Alberta portfolio. We approved an uprate at Sundance Unit 5. Adding these successes together with previous successes of Kent Hills in New Brunswick and Keephills 3 in Alberta, we now have a total of 506 megawatts under construction with a capital spend of about $1.3 billion.

In our base business, we implemented a four year ladder strategy for re-contracting our merchant assets. We also secured enough coal for Centralia for the next three years at very competitive pricing. Finally, we spent a great deal of time assessing our Australia and Ontario assets and are in the process of developing strategies to address those businesses.

Now I'd like to turn to my first and second messages that our markets need supply and our prices continue to be strong.

For TransAlta, Alberta continues to spell opportunity. Now, this slide is very rich with information and has many messages. Overall it's showing that prices continue to be strong and even have upward potential if the market begins to recognize the downward trend in reserve margins.

Turning to the slide, the chart at the bottom left estimates this market will build over 3,000 megawatts of power by 2013. It also shows that additional capacity is required if the market were ever to return to a normal reserve margin of 15 percent. The blue line is particularly noteworthy, as it indicates the potential for very low capacity adjusted reserve margins in the 2010 time frame.

The lower right hand chart shows that power prices in Alberta continue to improve. The chart at the top is really the one that I find personally the most interesting. This chart compares the current long term forward curve against our estimates of Alberta prices if gas at NYMEX were in the either $7 , $9 , or $11 dollar range starting in 2009.

Now, this year alone, we've all seen NYMEX gas has been quite volatile. In the short term markets, we've seen them trade as low as $7.10, and we've also seen them trade as high as $13.32. And many of you who follow the long term strips on NYMEX gas have seen it trade up and down to respond to these short term variations.

In Alberta, however, even though gas sets the price in Alberta over 50 percent of the time, the forward market for power has moved in a very narrow range.

On this chart we're showing that at the end of September, the forward curve was running about $78. Well, in June when gas was trading in the $13 dollar range and the forward curve was trading well above $11 dollar NYMEX not well above, but it was trading about that level, power prices in the forward market in Alberta was trading at about $80. So there wasn't much change in the forward market which shows us, that there's still some potential upside in where Alberta will trade by the time we get there.

Now, demand for power in Alberta does depend on investments in our oil and gas projects, and financial market disruptions could lead to project delays both for oil sands projects and for power plants. This would have impacts on both demand and supply. You will see later in our presentation that our positioning both in terms of our deep pipeline of competitive wind projects and our financial strength allow us to see these trends as more of an opportunity than a threat.

This next set of slides is the same set of slides for the Pacific Northwest market. This group of slides also shows increasing prices and has prices that are much higher than what we showed you a year ago when we were here a year ago.

In the Pacific Northwest, load growth has been relatively slower, averaging about 2 percent a year over the past five years. What's important is that reserve margins are much healthier than Alberta in the 25 percent range, and they also are in decline. We see a need for about 4,500 megawatts to maintain reserve margins in the low 20 percent range.

Now, in this market power prices do tend to trade more in line with gas prices, and we've certainly seen power prices move in line with gas as gas has moved up and down in the spot market and in the long term spot market for gas. And of course the exception to this is in Q2 when water dominates the market there.

Our estimates show that in three of the quarters of the year, gas and power trade within a 95 percent correlation. So if you exclude Q2, that's what we see.

Again on this chart, we've highlighted our estimate of Mid C power prices based on $7 , $9 , and $11 dollar NYMEX gas prices. The average forward market price as of September 30th was in the $62 range. And, really in June we were seeing that prices by 2013 were as high as $81, so it moves around significantly with gas.

And this market, unlike Alberta, does tend to trade with expectations around reserve margins, so as we go out in the Pacific Northwest markets and we see reserve margins dropping, we do see an uplift in price to reflect that, unlike Alberta.

These next two slides, I'm going to focus on our opportunity to re-contract our open position at higher prices. So I've just given you the prices on the last two slides, and now it's time to turn and look at the volumes.

Our hedging strategy was designed to both protect us through the swings while at the same time allowing us to take advantage on what we believe is an upward trend in commodity prices. And Steve talked about the prospect for the upward trend, which really comes out of the notion that new generation today cannot be built for prices is being built for prices in the $80 to $100 dollar range, and to the extent that that continues, that's the direction that prices will go.

This graph shows that today TransAlta has more than 2,000 megawatts or about 35 percent unhedged by 2013. Now, our analysis, we have done analysis to test to see if there is a trend in commodity prices, and it does show an upward rise. We believe it's likely associated with the emergence of strong growth in the brick economies and a worldwide demand for resources. So we've designed a four year ladder structure to both protect cash and earnings in the near term while allowing for value to be created in the outer years.

We picked four years after extensive analysis, as it gave us the best trade off between the protection of earnings and cash flow in the near term and the ability to capture positive pricing in the long term.

On the previous two slides, you've seen both the market curves and the range of expectations for prices given various gas assumptions. Taking prices from the previous two slides and volumes from the next two slides gives a pretty good estimate of the potential revenue that can be captured through re-contracting.

Now, this next slide is a slide that I want to take a bit of time on because it really brings together how we approach our re-contracting strategy.

As I've said, our models are showing an upward trend in power prices, and it's certainly tempting to hold open our position to take advantage of that. However, we remain focused on maintaining an investment grade credit and a strong balance sheet. So in implementing our four year ladder strategy, it looks like this: Every year we will re-contract about a quarter of the open position for the following four years.

For example, in 2009, we will place hedges for 2010, '11, '12, and '13 for a quarter of the open volume. Subsequently in 2010, we will place hedges for 2011, '12, '13, and '14. If you look at the graph, the blue represents the amount of megawatts previously contracted, and the blue yellow shading represents the amount of megawatts to be contracted as we move out in time.

The effect of this ladder is that by the time we go to set our budget for the next year, we are about 90 percent hedged in the short term and 65 percent hedged four years out.

On this chart, the average price of the electricity we contracted in Alberta over the past several years has been in the $60 to $65 dollar range and in the Pacific Northwest in the $50 to $55 dollar range.

Implementing our ladder strategy in 2008 allowed us to capture some prices in the $81 dollar range in 2013 for Centralia. This is well above the current spot market price of $57. Next year's, if you look on the chart here, the yellow area in 2009 is being re-contracted now, and it will be re-contracted through the year. We tend to use short term instruments. We sometimes use monthly contracts, quarterly contracts, and we do hold open a couple of hundred megawatts of position to ensure that we have enough flexibility to meet any production disruptions.

I have now covered my first three points: Markets require electricity; prices continue to be trending upward over the medium term; and our re-contracting strategy can take advantage of that.

I would like to take just a minute to talk about our trading business before turning to our story about growth, our long term growth opportunities. We want to talk about our trading because it's not only low risk and consistent, but it is positioned to help us take advantage of opportunities both in re-contracting our assets and, more importantly, in determining where we should place our investments for long term assets.

The philosophy of our trading business is really to focus on the short term. That is the next hour, next day, and the next couple of months. This is where the majority of the liquidity resides in the power market in North America.

Our trading business has continued to provide us with solid returns, as evidenced by positive returns in each and every quarter for the past four years. The second quarter is generally our most profitable.

This year we achieved exceptional results because I believe because of the intelligence we have built over the years by being a physical player in the Western market.

We remain disciplined, in control in our operation of our trading business. Our average yearly VaR utilization remains low at about 40 percent, and our average percentage of profit settled to date for 2008 is over 70 percent.

I would now like to turn to my last point, our prospects for adding value long term through high quality projects where we bring a competitive advantage and where we are confident that we can meet the tough financial hurdles that we've set for ourselves.

As you all know, long term value for TransAlta can only be added by adding capacity to our existing fleet and adding capacity that's profitable and that earns project returns in the 10 percent plus range.

This slide shows that since last year our growth strategy has not changed. We remain focused on the West. We've developed our plan to take advantage of the market for renewables like wind and geothermal in the short term. We also wanted to take advantage of the risk reward profiles that a mix of wind and geothermal bring. As you all know, wind returns are quick due to short permitting and construction time frames. Will Bridge in his presentation will give you some great insights on that.

The high capital per megawatt cost for geothermal is balanced by long term PPAs from creditworthy customers that have requirements to own renewables in their portfolios or face penalties. The mix of wind and geothermal in the 2008 to 2012 time frame offers good value for shareholders and diversifies construction risk between several markets.

We are also optimistic about the prospects for additional small hydro and what we're calling "green coal" in the 2015 to 2020 time frame and are well positioned to take advantage of this. Will and his team have been doing world class work on carbon capture and storage with Alstom. As this technology is proven, which Will Bridge will talk about in his presentation, the opportunities to both life extend the existing coal and build new projects at Keephills add significant long term value for shareholders.

As you can see from this slide, our development pipeline is full. It contains over 1800 megawatts from a variety of fuels, most of which is wind at this point, because wind is really the area of focus for us in the short term, but there is a mix of fuels in it.

I'm going to spend some time on this slide because this is really our plan.

We clearly will not be able to invest in all of the projects in our pipeline, and some of them will fall away for natural reasons. They won't have the return expectations, or we won't find that we have a competitive advantage in that project.

On this slide you will see at the top what we are already investing in, and at the bottom are additional projects that we could invest in if the projects in the middle do not meet our criteria. In the middle of this slide are the projects we have in our plan today and that are currently in advanced development.

At the top of the slide are the projects where we have the most control. These are the uprates at our existing facilities. We generally organize these uprates so that we can do them in a turnaround, and it's completely within our control as to when we do these and how we do these, given that they have to be within a cycle for the maintenance.

The wind projects in this plan are both in Alberta and New Brunswick. It is important to note that markets are calling for more renewable projects, and if you look at this slide in detail, you'll see that we have site control, we have access to equipment, and we have well advanced permitting.

So this particular plan shows that in Alberta we are very well positioned to take advantage of the transmission expansions that are in with the regulator today in Alberta.

In terms of the geothermal, which is at the very bottom of the slide, we are working with Mid America, and they are committed to working with us to advance these geothermal projects to construction by 2012. This is really just a small slice of the opportunity in geothermal in the Imperial Valley in California. These projects do not depend on transmission.

The ISO right now is looking at building transmission into the Imperial Valley, and if they achieve that, we unlock between 900 and 2,000 more megawatts of opportunity for geothermal in that market.

The cogeneration projects on our list are less within our control and depend more on oil and gas developers moving forward their projects. We have deliberately positioned these projects further out in our plan to give us both time to prepare and to accommodate delays that often come with large projects.

Successful execution of our plan positions us with more renewables. This slide shows that when we execute our development plan successfully, almost 50 percent of our growth will come from renewables so that by 2014, nearly half our generation assets will be made up of renewables, natural gas, and cogeneration.

You've all seen this slide before. We showed it to you last year, and it's been around now for a year in our presentations. We do believe that our business model combined with our resources and our strengths have when you combine them together, we have what it takes to deliver our plan.

We operate on the basis of a low to moderate risk business model. Our regulated assets provide a secure revenue stream, while our merchant assets allow us to take advantage of any upside in market prices. Our trading business is an excellent complement and that it provides us with the necessary commodity market intelligence needed to make solid decisions.

We also have the resources needed to complete our projects. We have the necessary sites, options, reserves, storage, and access. Finally, we have the knowledge and expertise needed to bring projects to the finish line and integrate them into our operations.

I would like to conclude by reiterating my four key messages: Our markets need supply; prices continue to be strong; our re-contracting strategy allows us to take advantage of strong prices without stressing our financial capability. These three factors together are important to our growth in the medium term.

Finally, we have a competitive portfolio of strong projects that will add shareholder value long term, and because we've moved a lot of our wind projects into the next couple of years, and wind projects are generally fast to cash, we get some benefits in that period as well from the growth. The actions we take in the short term are critical to delivering this value.

On the growth side, we must deliver about 800 megawatts of wind over the next five years. We have 200 megawatts of wind under construction today. Will Bridge will update you on how that work is progressing. Our plan is to have an additional 200 megawatts under construction in each of the 2009, 2010, and 2011 time frames.

We also want to have our geothermal project in California under construction by 2012. We are currently working with Mid American to finalize the necessary permits, complete the engineering work, and prepare term sheets with customers for long term PPAs. Lastly, we are in serious discussions with a couple of serious oil sands players and expect to have a cogeneration project developed and ready for construction by 2012.

Having a portfolio of solid projects where we control the timing and the resources allows us to build growth without enormous financial risk.

In terms of our trading business, we are working to build a sustainable business that will consistently generate a gross margin in the $50 to $70 million dollar range. Our consistent and disciplined re-contracting strategies will add value and stability.

We've done a lot of work since we were here last year to really prove out our ability to grow the business in the short, medium, and long term. It's been exciting work. It's really the work of the team that sits here and at that table there, and I'm very proud today to be the person that got to represent it to you.

So with no further comments, I look forward to your questions, and I now turn the podium over to Will Bridge.

WILL BRIDGE:

Thanks, Dawn.

Good morning, everyone. My role in the company is to manage the longer term planning and implementation of our capital program, whether that's our sustaining maintenance or the construction phase of our growth.

So my comments this morning will be oriented around our maintenance planning as it relates to both the short and the long term. I'll provide an update on our construction program, and as well I have an update on some of our longer term initiatives, including the work we're doing on advancing carbon capture and storage, as well as our work in lifecycle planning.

So let me start with how we did this year, and I'll expand on each of these points later in the presentation.

So overall the five growth projects and execution are all tracking to plan. We are very pleased with that performance to date, given the difficult environment within which we're building these projects. As well, we've got a tight supply market for materials, parts, and services, and that we have also been able to execute on all of our growth plans and all of the needs of our base business in the last year without any problems.

We have been disappointed, however, in our Alberta Thermal reliability this year. We understand the problems, we're seeing and they're clearly isolated to that one site.

We've made good progress this year with our carbon capture project. We're calling it "Project Pioneer." We're very excited about the opportunity that this provides us, as we see ourselves being able to fix coal from an environmental perspective and protect the value of both our existing fleet as well as the coal reserves we own over the long term. We think this project's not only a key step for TransAlta but a key step in finding and solving the global challenge for industrial emissions.

We've also made some good progress over the last year in our lifecycle planning for our fleet. There is tremendous value in our coal fleet beyond the end of the PPAs, and we're working very hard to protect that.

So let me start with our growth.

We have five growth projects in execution at this point in time, three wind and two coal. We are pleased to say they're tracking to schedule. In this environment, we see that as a strong achievement. We have spent a lot of time and focus on securing material costs and managing the labour cost pressures in each of these projects.

In our planning, we have purposefully staggered the wind projects to take advantage of our internal resources, internal human resources that provide us with both high quality and cost control. We do have a very strong wind team within TransAlta, and by staggering the projects, we're able to leverage that capability and deliver these projects at a very competitive cost structure.

We typically start these projects in the spring, finish them in the fall. The Kent Hills project in New Brunswick will be complete in Q4 of this year, and we will start the Blue Trail and Summerview projects spring of next. Both of those projects are co located in southern Alberta. Given the co location of the sites, we can get the full benefit of our internal capabilities, as well as find some optimization with our contractors in the area.

The Sundance 5 coal uprate is on plan. We'll be putting that in during our normal maintenance period in 2009, and as well the Keephills project, which is being managed by our partner, EPCOR, is also on plan and scheduled to be in service early 2011.

So as we look at the numbers, it's important to note that we have fixed a large portion of the controllable costs in all of the projects.

In all of the projects we have a significant portion of our construction materials and equipment parts secured under fixed price agreements. We've secured the equipment and towers for the wind projects, and we have all of the parts required for the uprate on site.

With Keephills we've mitigated our exposure to rising steel prices through early procurement, and right now over 55 percent of that project is now fixed throughout work either completed to date or under lump sum contracts.

We still do have exposure going forward to the Alberta labour market, having only completed a quarter of the total labour hours in the Keephills 3 construction plan. Should this market continue to heat up, we do expect to see increasing pressure on costs. As we look at our labour scenarios going forward, we expect that this project risk could add up to a maximum of 10 percent of additional cost.

We will continue to monitor this with our partner, EPCOR, on a regular basis, but at this point we currently see the project continuing to track to plan.

It's worth noting that even at the high end of this cost risk, the Keephills 3 project will still achieve above a 10 percent after tax unlevered IRR.

Let me now move to the work we are doing on the procurement side of the business. In addition to the inflationary pressures we're seeing, we're also seeing significant pressures in lead times. We've had for the last three years a significant backlog in the fabrication shops in North America, which has translated to longer lead times for specific parts.

This is a critical issue for us. If we don't stay ahead of that, it can cause us a number of risks in either our growth program or ongoing base business. We spent a lot of time on this, and we are well ahead of it.

Our focus, the theme in how we've been able to manage that is planning. We continue to refine our planning capabilities within the company so that we can act and procure as far out as four years in advance. By doing this well, we've given ourselves the ability to negotiate multi year relationships with key suppliers, make critical purchases years before the plans call for them. In our base business, this approach has worked extremely well, and we're now transferring that strategy over to growth.

Dawn has done a terrific job of mapping out our growth across fuels and across time, and we're using that long term plan to develop distinct procurement strategies for each of the fuels within the growth plans.

Our procurement and strategies and key relationships for wind are the most developed. We have a strong relationship with Vestas and, as importantly, we also have strong relationships with key subcontractors in both Alberta and in the Maritimes.

We're in discussions with our partner, Mid American, on the procurement approach to the geothermal opportunities, and the growth from uprates connects very well to the relationships we already have in place in our base business.

Going through 2009, given that we have time before we're looking at cogeneration, we will be looking to expand our existing relationships with both engineering and construction firms to prepare for that phase of our growth.

Overall we're convinced that our approach to planning works very well. We will be able to translate this into lower cost and tighter schedules, all the time reducing the overall risk in both the base business and the growth plan.

I'm going to take the next few slides to discuss our maintenance plans and philosophy going forward, the work we're doing to deliver on our 92 percent fleet goal, and the reliability issue that we've been seeing at Alberta Thermal this year.

So in managing our sustaining capital program, we're absolutely committed to finding the best economic balance or sweet spot between sustaining capital and expected production. We have a number of fuels, and we have a number of different technologies within our portfolio. Across the gas, coal, and hydro fleets, we have units that were built over a span of decades using different designs and different technologies. That diversity requires us to develop distinct targets for both sustaining capital and expected availability for each unit. Overall, however, we are targeting a mix of 92 percent.

The graph on the right hand side provides an indication of where we expect the range of availability for each fuel type in our portfolio to land, and it's also worth noting that this balance, as we see, is also a function of market prices.

As we go forward into a higher price environment, there is an economic bias to higher availability and, by default, a slightly higher sustaining investment program.

Overall it's a fine balance with a number of competing variables. That said we're very excited about this work. We know that this can translate into very real shareholder value year over year, and it's an approach we've taken for years now, and we see no reason to change from that.

Looking forward, it's also worth noting that we do have a gap between our historic availability and the target that we've set for ourselves of 92 percent. We are sticking to the principle of optimal investment as we look to get to that target.

We have a number of different and complementary plans in both operations and maintenance to close the gap. Many of these plans do not require any new investment and can be delivered through refinements to our operating practices. Richard will highlight some of these in his presentation to you, and you'll see that many of them can be described as either old fashioned hard work or simple blocking and tackling. They can include refinements to our approach to fuel and ash system derates, how we do our boiler inspections, what targets we set for repair durations and how we look at, cooling system constraints from both the winter and the summer. A lot of small things that can add up to a large gain.

So this blocking and tackling, we expect to yield about a third to a half of the gap that we need to close, and we expect the balance to come from a refinement in our plans going forward.

With that as background, let me now talk about the performance we've seen from some of our units at Alberta Thermal this year.

So we have had a problem this year with a higher than expected rate of boiler leaks. It's been extremely frustrating for us. For context, our Alberta Thermal facility has over a thousand miles of steel tubing in the boiler. The tubes carry hot steam and water through the centre of the boiler where the high temperature fireball's contained, and the coal is injected, and there's a sort of flying ash in that boiler. A leak caused by ash erosion of either the tubing or a weld can bring a unit down in a matter of hours.

So as we look back at our previous plans, it's clear to us the wear rate on these tubes from flying ash was greater than we anticipated. And we understand the issue, and we've already completed some work to deal with the problem. We undertook some specific work on two of

our units in Q3 to immediately repair and replace boiler tubes. That was successful. We're now focused on modifications to our normal maintenance plan going forward.

We understand the issue. We are confident that we'll mitigate the problem going forward, and we are disappointed that we saw that result this year.

As we look forward to the next few months, it's difficult to predict the rate of boiler leaks over short periods of time, just given the nature of the problem. However, over a longer period of time, we can predict performance, and we do not see this issue preventing us from delivering on our low double digit earnings growth next year.

Before we move to the financial representation of our maintenance plans going forward, let me share with you some perspective on some of the inflationary pressures that we're seeing.

Since our last Investor Day a year ago, we've seen a run up in steel prices. I think the largest jump occurred in the first quarter of this year. We've also seen additional increases in energy costs and an ongoing trend of labour pressure in Alberta.

For background, the majority of our costs, about two thirds are related to labour. The balance is a mix of fuel and materials, and we've used steel and oil as proxies for that.

Over the next few years absent a readjustment in these costs and I think in this environment we're watching that daily we do see pressure on our future maintenance costs. So we are working, as we always do, to offset these pressures with productivity initiatives. Over the last four years, we've demonstrated a successful track record of being able to do that. Given the magnitude of these increases, however, we do expect some of this pressure to flow through going forward.

Here are the costs we're expecting to see from our maintenance program. This is our total spend. It's a combination of Capex and OpEx. Consistent with how we've represented these costs in the past, Brian will be touching on the Capex program in his presentation. Roughly two thirds of these costs are Capex. The balance is OpEx.

Last year we provided a range of $175 to $200 million dollars for the maintenance for the 2009 through 2012 period. We've increased the volume of work in our plans as a result of the maintenance planning I just discussed.

This will take risks out of our plans as it relates to both the boiler leaks we saw this year, as well as our ability to deliver on our 92 percent target.

This equates to approximately $15 million per year on average or an increase in our target spend range from $190 to $215 million. The balance of the increase that we're looking at in our target range is the inflationary pressure offset partly by productivity initiatives we either already have in place or are planning on putting in place.

The challenge going forward in forecasting is similar to the challenge in forecasting commodities. So as I said, to the extent that we see those commodity movements change, we will change our views as well.

That said, we do expect to see some recovery in both revenue from both merchant markets as well as our PPAs.

More specifically, we see rising energy prices helping power prices in the short term. Over the longer term, as Dawn mentioned, we expect labour and material cost to be reflected in replacement value, which would also start to flow through into the market as well.

Regardless, our focus, as always, is to work as hard as we can to contain these costs and to protect and grow our margin as much as we can.

So I'm going to shift gears now. I want to give you an update on Project Pioneer, which is our carbon capture and storage project and our long term effort to fix coal by greening coal.

We're all aware that global solutions to greenhouse gas emissions are needed if we're going to tackle climate change. We also know that any solution needs to strike that balance between environmental goals, energy security, and the health of the overall economy. This is the global challenge.

Our technology partner Alstom based in Europe with a global reach have a strategy to develop a retrofit technology for existing industrial facilities that will capture and make storage ready CO2 emissions regardless of the source. This can work either in the power sector or the oil and gas sector, anywhere where there's a concentrated emission source.

Project Pioneer is the next key step in their global development program before they plan to commercialize their product and take it to the market worldwide.

It will be the largest in the world, and the technology, once developed, can be implemented around the world. Alstom was attracted to TransAlta given the ability to both implement the full chain of capture through permanent storage in Alberta, as well as partnering with a company committed to playing a leadership role in this regard.

The value for TransAlta is long term. By greening coal, we can protect the value of our existing coal fired generation and allow that fleet to operate for another 10 to 15 years beyond the end of their PPAs. In addition, we can protect the value of TransAlta's coal reserves in Alberta.

TransAlta has over 80 years of coal rights under its ownership. Even more significantly, Alberta has more energy in coal reserves than either oil or natural gas combined, including the oil sands.

So as we look at it today, we have an opportunity to play a leadership role in the development of a technology that can be deployed worldwide while at the same time benefiting TransAlta's shareholders.

The project itself is comprised of a retrofit to one of our Alberta thermal coal units using a chilled ammonia technology to capture and store one megaton of CO2 per year.

We've advanced the opportunity this year with both the government and potential industry partners. We are also part of the Alberta and federal calls for funding, and we've advanced our engineering work with Alstom to get ready for the next stages.

In parallel, we've worked with the Institute for Sustainable Energy, Environment, and the Economy in Alberta on their Wab area program to identify a suitable storage site for the CO2. Alberta is well positioned, given the depth of knowledge we have in the province with respect to geological storage. It's clearly a great advantage as we look to prove out the full chain from capture through sequestration.

In addition, we have been approached by companies actively involved in enhanced oil recovery who are keen to work with us as potential customers for the CO2 that we will be capturing and producing.

We are optimistic that this project will be successful in the government funding process, which will play out through next year, and this is clearly a key step as the technology is not yet commercially viable and will require public funding support.

So in short, the next major milestones for us going forward include completing the front end engineering work with Alstom, bringing on partners who can contribute both funding and complementary skill sets, and finally and most importantly, we need to secure government funding for this project to go ahead.

So let me just talk about the technology itself. There is some debate as to what technology should be pursued and which will prevail. Given that debate, let me share our thoughts and why we selected Alstom and their chilled ammonia process.

First of all, we're not in the business of picking winners, whether it's beta or VHS, but that said, we do see an inherent competitive advantage with a chilled ammonia process. A significant portion of the cost of carbon capture will be the ongoing operating costs. A large portion of these operating costs, very likely a half to two thirds, will be the energy costs associated with releasing the CO2 from the chemical used in the capture process.

When we look at amines and chilled ammonia, the two front runners, we know that the empirical chemical bond between chilled ammonia and CO2 is less than half that of the bond that CO2 makes with amines. That, in theory, should lead to a significant cost advantage on its own once the technology is commercialized.

So when we combine that with other inherent advantages of chilled ammonia, we have drawn the early conclusion that this process will be the low cost solution when fully commercial. It's also worth noting that looking forward we expect this technology to be able to capture 90 percent of the CO2 emissions from an existing coal plant. It's worth noting that we're retrofitting 1960s and 1970s technologies in capturing and planning on capturing 90 percent of the CO2 emitted.

Overall the net effect of this is to remove the emission from a coal facility and effectively create green coal at what we expect to be an economic cost when fully developed.

We are both realistic and very excited about this project. We see a leadership role in this area as both strategic and responsible. In both respects, we expect this to contribute significant shareholder value to TransAlta over the long term.

I've got one more piece of work to share with you before I wrap up. Consistent with our conversation about the long term prospects for carbon capture, let me now talk about our lifecycle planning.

Last year we discussed the value inherent in our lifecycle plans to run our coal units for an additional 10 to 15 year period beyond the end of the existing PPAs. We shared that the expected cost would be in the $200 to $300 million dollar range and that the returns would be north of 20 percent unlevered.

So we've done additional work in the last year to both advance our engineering as well as validate our technical approach to this work using a number of external engineering firms. Those external firms both validated our approach and affirmed that we were looking at the right technical issues.

So overall we continue to believe the opportunity is the same as we communicated last year. The key risk remains in the cost of carbon going forward and is very much linked to the work that we're doing on carbon capture and storage.

So let me wrap up with the following: We know that strong operational performance from our base business is a key underpinning to both shareholder value and our ability to implement our strong growth program going forward. We are committed and confident that we'll be able to strike that optimum balance between maintenance, investment, and operational performance. That includes returning Alberta Thermal to the performance level we expect from that facility.

We have delivered strong results in our construction program to date. We are also committed to maintaining that track record going forward. And last and certainly not least, we will be working aggressively to fix coal by greening coal. We're very keen to make that work. To the extent we're successful, we will create a lot of long term shareholder value for TransAlta. And just in short, we will continue to be strong stewards of the company's capital program, whether that's in growth or in maintenance, and that will be our primary focus going forward.

So that ends my portion of today's presentation. Thank you very much. I also look forward to your questions.

Thank you.

MR. SNYDER:

Thank you, Will. Thank you, Dawn. I think everyone now needs a communication and bio break. So before we bring on Richard and Brian, why don't we take well, I'm seeing ten minutes, but why don't we make it 14 and a half minutes and report right back here.

Thanks.

(ADJOURNMENT)

MR. SNYDER:

Thanks to everyone for taking a 14 and a half minute break, as asked. We appreciate that. And I'm beginning to think now we shouldn't have given everyone a communication break, given all of our fantastic market conditions today, but, again, maybe that's a good reason to be here today also.

We're now going to go into the second half of our presentations. Richard Langhammer, our EVP of Generation Operations will speak first. He'll be followed by Brian Burden, our CFO, and then we'll move into the Q and A period.

So without further ado, Richard.

RICHARD LANGHAMMER

MR. LANGHAMM ER:

Thanks, Steve.

As Steve said earlier, in my presentation I'm going to cover the following topics: how we are doing on production and availability in both Alberta and in the rest of the fleet; I'm going to talk about our productivity initiatives and our progress in offsetting inflation; I will also provide an update on our mining operations in Alberta; and finally, I will report back to you on the work we have done in Centralia.

Generation Operations has a simple mandate: In the plants, we drive to the highest availability and efficiency possible. In the mines, we focus on delivering the coal needed to the plants, and we always focus on doing this at the lowest cost possible and in a safe manner. Simple mandate.

As you can see, we are making solid strides on our safety performance. As Will mentioned, Alberta Thermal has had challenges with availability, but the rest of our fleet is performing very well. Last year, we talked about the Operations Diagnostic Centre. Let me give you an update.

The ODC is patterned after successful centres already in service in a number of US utilities. It is a real-time monitoring centre located at head office staffed by highly trained engineers and operators. It uses state of the art technology to enable us to optimize our preventive maintenance work. It also allows us to tweak our operations to ensure the highest possible operating efficiency. This $15 million dollar investment will pay for itself in two years.

Also, to ensure continuous improvement in our execution, we are integrating our major and routine maintenance functions, and we are holding our own against inflation by continual focus on cost management and productivity improvements.

As Will mentioned, while Alberta Thermal has had some challenges this year, we have a solid plan to drive our fleet to 92 percent availability. As you can see, each percentage point of availability improvement equates to approximately 500 gigawatt hours of annual production, and at today's prices, that is significant margin upside.

Will also discussed that our goal will only be partially achieved through capital spend; the balance will need to come from the ODC. I already talked about that, solid execution of planned maintenance, including inspection of key components, optimization of forced outage execution and investments focused on productivity and availability.

As I just mentioned, productivity is a key metric which will allow us to not only improve availability but also help us control our costs.

We have a robust process in place for assessing and implementing productivity improvements. Let me give you a couple of examples.

In our coal fleet, we use pulverizers to grind our coal before injecting it into the furnace. Each unit, depending on its size, has between four and eight of these pulverizing mills to do this work. The original equipment design of these mills requires a major overhaul every 8,000 hours,

roughly once a year. We are installing titanium alloy material to replace the original grinding surfaces, and we now can go up to 16,000 hours between major overhauls.

Obviously we are now doing half the maintenance work, which significantly reduces our labour costs. But also the longer durations have reduced the cumulative amount of mill outage time which, in turn, improves our unit availabilities.

On another smaller note, by purchasing a spare generator for our Australian fleet, we are able to switch out entire generators and do refurbishments offline while minimizing down time.

These are just a couple of examples of the projects that we're working on. There are many more, some small, some larger. They all have to go through a rigorous business process to make it to the cut.

As the chart shows, we will be continually investing in productivity, around $10 million a year, and achieving very solid results from these investments.

As Will mentioned, we are facing significant inflationary pressure, especially in Alberta where inflation has outpaced the national average. We have been successful so far in staying ahead of inflation, and our goal going forward is to continue to offset it.

To put a context on this, for every 1 percent improvement we achieve versus costs, we are saving the company around $4 million on OM&A expense. As Will said, we are tracking at improving at approximately 3 percent better than inflation translating into $12 million a year savings versus the inflationary run rate.

As has been mentioned a couple of times, our mines are a strategic advantage. As we develop our carbon capture plan and turn our coal green, our coal will become even more valuable. As Will said, we have rights to approximately 80 years of coal supply, and because our mines are adjacent to our plants, there is no transportation risk.

While we have seen and are expecting to see escalation in diesel and labour costs, the coal is still very inexpensive at around half of that of our Centralia fuel supply.

Also, as Dawn mentioned, we see electricity prices increasing more rapidly than our coal cost. As shown on the slide, one of our key metrics is strip ratio, which is the ratio between the number of tonnes of overburden removed compared to the amount of coal that we mine.

Our strip ratios are predictable and are increasing in the long term. To manage the increasing amount of overburden, we have invested in a fleet of large trucks, each capable of handling 400 tonnes in one load.

We're also constantly working on productivity. For example, we use double side loading on our large shovels, one truck being loaded on one side, and another ready on the other. This keeps the shovel digging all the time, rather than waiting for the next truck.

We are scientific about our explosives. We can actually shape our charge to move overburden from one side of the pit to its final location, thus eliminating the need for rehandle. As with the plants, productivity in the mines is a major ongoing program for us.

Since we stopped mining in 2006 in Centralia, we have done the following: As Dawn said, we have sourced a reliable and long term supply of coal and rail transportation. We have dramatically improved our unloading capability. To put that into context, we can now unload a 130 car

train which holds 14,000 tonnes of coal in four hours compared to a 12 hour unload time a year ago.

The plant requires ten trains a week or 140,000 tonnes of coal per week. We have the ability, through a beefed up rail yard, to hold up to three trains at once, should they arrive at the same time from the Powder River Basin. Doing the math, we can now easily handle 7 million tonnes of coal a year at our Centralia facility.

Additionally, we completed our Unit 2 boiler modifications, a 500,000 man hour job on time and with an excellent safety record. Unit 2 is operating well and is hitting all performance targets.

Based on our learnings from Unit 2, we have been able to reduce the work scope and duration of the Unit 1 outage in 2009, and we still plan on hitting our performance targets.

As a result, we are increasing our 2009 production forecast to between 9800 and 10,200 gigawatt hours, and we will be at historical production levels in 2010, just like we said we would.

In summary, Generation Operations outlook, we will continue to focus on the key performance indicators: availability, cost management, productivity, and disciplined execution in a safe environment.

Thank you. I'll now hand this over to our CFO, Brian Burden.

BRIAN BURDEN

MR. BURDEN:

Yeah. Thank you, Richard, and good morning, everyone.

As you have seen, we have laid out a clear strategy today showing how we will create shareowner value by investing in renewable growth driving top decile operations and maintaining and managing our overall fleet.

With the markets in upheaval, especially over the last few weeks, some of you may be wondering how we will fund these new growth opportunities beyond our current growth projects, our dividend, and sustaining capital requirements.

Well, due to our low to moderate risk strategy and disciplined financial management, we're in a very good position both to continue to deliver low double digit earnings growth over the next several years and financially support these business objectives without wavering from our fundamental principle of remaining a financially strong company, a company built to last through commodity and credit cycles like we see now.

With that in mind, let me start by going over some of our financial highlights and strategy. Last year I stated that one of the best ways to create and consistently improve shareowner value in both the short and long term is by maintaining a strong financial position and an investment grade balance sheet. This principle is fundamental to how we operate. We have not wavered from it and it has become even more important, given today's volatile capital markets.

Earnings from our base business are expected to continue to grow at low double digit levels over the next several years due to pricing, re-contracting, and a focus on efficiently driving to top decile operations. And with strong earnings growth, we expect to be able to continue growing our cash flow from operations each and every year.

On capital allocation, we maintained a balanced and disciplined approach that fully supports our base business, returns capital to shareowners through dividends and share buyback, and invests in the future by supporting growth projects. And finally, we seek to drive long term shareowner value by focusing on internal rates of return for our projects, return on capital employed on our assets, and total shareholder return we deliver to our shareowners.

So moving on to some specifics around our strategy and how we've executed against it. With respect to financial strength, our balance sheet remains strong, and we have maintained ample liquidity with $2.2 billion in credit facilities, and $900 million of liquidity is still available to us. Within the last six months, we successfully completed a US dollar $500 million bond issue and put in place a US dollar $300 million committed facility with the Export Development Corporation. And throughout all the recent market volatility, we have maintained our stable BBB credit rating. We have a sound financial footing, which is serving us well now, and will do so in the years ahead.

In the area of capital discipline, we are focused on delivering strong returns from our base assets. Within the first two quarters of this year, we have already achieved $0.74 cents of earnings per share, a 50 percent increase over 2007. And for the full year, we expect to deliver on our low double digit earnings per share growth objective. We're also on track to achieve our goal of generating $850 to $950 million in cash flow from operations. And we've stayed true to our word on balancing capital allocation with a dividend increase of 8 percent, share buyback of 4 million shares, and announcing three growth projects of 185 megawatts for just under $300 million. We've also remained focused on improving or selling our under performing assets.

As it relates to IRR, ROCE, and TSR objectives, we continue to drive shareowner value by maintaining a diligent focus on these three metrics. We've made significant investment in new projects, including Blue Trail, Summerview, and Sundance 5, all of which meet or exceed our 10 percent IRR hurdle rate. We have driven ROCE above our goal of 10 percent in 2008 also, and while TSR isn't at 10 percent so far this year, we've held up relatively well compared to other power companies, and over the last five years, our cumulative TSR has been greater than 80 percent.

Turning to Slide 5. Here is a quick snapshot of our balance sheet and our overall financial strength. Our ratios are well within our expectations, and we maintain ample liquidity to weather this credit crisis. Forward planning is key for our business, and it's something our treasury department stays on top of by estimating the future cash generation and collateral requirements of our business.

This forward thinking is one of the reasons we were able to raise, US dollar, $800 million this year and increase our liquidity to $2.2 billion. Another important advantage of our investment grade balance sheet and forward planning is the fact that it supports our contract objectives. The overwhelming majority of our customers or counterparties have credit ratings that are A or AA. And remember our markets are relatively small, and there are only so many counterparties that we want or can even transact with.

By being investment grade, we have access to the greatest number of counterparties and can negotiate contracts at better terms than if we were not investment grade. The diligence of our internal credit group and disciplined contracting practices is one of the reasons we have minimal financial exposure to liquid investment banks or financial traders.

And be clear also that the orange bars on our credit ratio charts are not targets but indications only of the potential leverage the company has within its ratios.

Turning now to our earnings outlook. Last year we stated that we could deliver low double digit earnings growth from our base business between 2008 and 2010. Given our financial strength, our solid contracting strategy, our major maintenance and operation plans, and the pricing outlook of our core markets, we expect we can sustain low double digit earnings growth right through to 2012.

And as you know, we don't give specific yearly guidance on this, so this graph reflects a range of between 10 to 20 percent growth per annum, which we have defined as our low double digit range.

And the key factors impacting where we will be within this range are, of course, plant availability, coal costs, and the movement in natural gas and electricity pricing.

Cash flow from operations is expected to be $850 to $950 million this year and through to 2010. Post 2010, we have significant upside potential on cash flow as we re-contract at higher prices on our Keephills 3 and other growth projects come online. All in all over the next five years, our expectation is to generate approximately $5 billion in cash flow from operations.

Let me now take a minute to walk you through our balanced capital allocation plan. I think over the last 18 months or so we have clearly demonstrated our commitment to capital efficiency. Portfolio optimization is obviously a primary area in which we can drive shareowner value. The sale of Mexico is a key example of this. And as Dawn mentioned, we are working on a new contract for Sarnia and enhancing contracts and value in Australia.

As it relates to dividends, as I mentioned earlier, our board increased the dividend by 8 percent this year and announced a policy to target a payout ratio of 60 to 70 percent of comparable earnings per share. A dividend has always been a key part of TransAlta's value proposition, and delivering on our earnings expectations will provide the board with greater flexibility to potentially increase the dividend as we go forward.

Asset investment has to be and is a key driver in delivering long term sustainable shareowner value. Dawn has shown that we have a strong pipeline of growth opportunities. We will be diligent in our assessment of each of these projects and will ensure that what is approved delivers at least a 10 percent unlevered after tax IRR. All of our projects currently under construction meet this criteria, and once commercial, they will all provide additional value to shareowners.

As Dawn has stated, we have a competitive edge and a great deal of flexibility with our development plan as we control sites and have many of the resources we need to execute and move these projects forward. As a result, we can set the pace of growth investment to make sure it balances with other capital priorities, liquidity needs, and credit ratios.

The last component of our balanced capital allocation plan is share buyback. Share buyback in of itself does not create sustainable long term value, nor does it drive increases in cash flow. However, it is something that can provide incremental return of capital to shareowners, and we are committed to it. In the absence of strong value creating investment opportunities, we will balance share buyback with our liquidity requirements, credit metrics, and dividend increases. And as we stated previously, we intend to use a substantial portion of the proceeds from the sale of Mexico for this purpose.

Turning now to our sustaining Capex. We are tracking to our 2008 sustaining capital budget. Sustaining capital expenditures this year include higher mine capital and the Centralia fuel blend transition. In the 2009 to 2010 budget estimates shown today, we are forecasting slightly higher Capex than what was expected a year ago.

The reasons for the increased spend, as Will and Richard describe, relate to some incremental scope we believe is necessary to ensure that we can achieve the financial benefits associated with top decile performance and also the realization of cost pressures from extreme inflation in labour, commodities, materials, and equipment costs.

We are also investing in productivity so that we can get ahead of some of these pressures in the future. And it's important to know that while our capital spend is up, the returns on this investment are also expected to increase, given our expectation of higher pricing.

Turning to our growth Capex, with the exception of the distribution of Keephills 3 spend between 2009 and 2010, this is the same as what was presented in our Quarter 2 investor presentation. Over the 2008 to 2011 period, we have committed approximately $1.0 to $1.1 billion to our growth projects. And as Will stated, all of our projects are currently tracking to budget and are on schedule.

Moving on to our sources and uses of cash. As I stated previously, we expect to generate approximately $5 billion in cash from operations over the next five years, 2008 to 2012. When combined with the proceeds from the sale of our Mexico business, our sources total $5.3 billion. This is more than enough to fund our base operations, service our debt, pay shareowners dividends, and fund our announced growth projects and still have free cash flow.

And as we look at our capital priorities, almost $1.0 billion could be available for dividend growth, investment in new growth projects, and share buyback. And Dawn has outlined $2.5 to $3.0 billion in advanced development growth opportunities, and if they achieve our 10 percent IRR thresholds, we can afford to finance these over the next five years because of the financial strength we have built on our balance sheet and room in our credit ratios.

In addition to our $1.5 to $2.0 billion of available balance sheet capacity, funding can be supplemented through future asset divestitures, partnerships, project financing, and, if required, issuance of common equity after 2010.

The key thing to take away, though, and to know is that we will be disciplined in our capital allocation and will not put our liquidity and financial strength in jeopardy.

And on that theme turning to our ratios again, you have heard me say a number of times our investment grade ratios are very important. Given the strong market conditions, our growth in terms of cash flow and the strength of our balance sheet, we believe we have flexibility within the min. and max. ranges we have established. Whilst this does not mean that these are targets or that we will be at the min. or max. levels for all ratios at the same time necessarily, it will enable us to use our balance sheet strength to its maximum leverage while maintaining our current investment grade ratings. And, of course, we will maintain our regular dialogue with credit rating agencies to ensure that they and we understand the impact of our decisions on our investment profile as we move forward.

Given the long cycle capital intensive nature in our business, we believe that financial flexibility is critical to sustain our profitability through short term market and credit cycles. The flexibility

is what keeps our cost of capital low and our collateral requirements to a minimum. We also believe in keeping a high level of liquidity. We are balanced on leverage to maintain our investment grade ratios to a stable BBB or Baa2. And together, these elements give us maximum flexibility and access to capital markets as required.

To conclude, our financial outlook remains strong. We have excellent low double digit earnings growth potential over the next five years and strong growth in cash flow. We have the ability to maintain our financial strength with a strong balance sheet and investment grade ratios. An investment grade balance sheet allows us to contract our assets, pay shareowners dividends, invest both in our base business and our new renewable opportunities, as well as fund share buyback.

And finally, we will continue to measure our success based on economic returns from our assets and total shareowner value created over time, and this, as you know, is measured by project internal rate of returns, return on capital employed, and total shareholder return.

Thank you. I will now turn the podium back to Steve.

MR. SNYDER:

Thank you, Brian and Richard, and again to Dawn and Will.

And as you can tell this morning, we have tried to keep all of management presentations as succinct as we could in order to allow time for a dialogue and, of course, not to overly bore you with tonnes of data that you might not need, and I hope we've accomplished that.

So we do want to proceed to the question and answer period. It looks like we'll have about 45 minutes to an hour for that, up to, and still get you out of here prior to noon hour.

And I would remind you that we have Ken Stickland as well as Mike Williams here to answer or respond to questions, and we'll go through that, and then I'll just have some closing comments to make before we go.

So why don't we, for a little while, open up the question and answer period and just try to respond to any questions.

Seeing none, I want to no.

At the back, Sam Kanes. Perhaps it would be helpful if people just identify themselves and your affiliation, just for the benefit of all of those who are here.

MR. KANES:

Sam Kanes, Scotia Capital Research. Questions for Will. It is with respect to coal and gasification. You didn't mention anything about that. Your joint venture partner, EPCOR, at Genesee, I guess, is starting some prefeed development of some gasification project there.

There's also others out there that are trying to make money at retrofitting old coal fired plants like Alter NRG in Calgary. Do you have any thoughts on what they're doing, whether that might fit with your plants or what you may or may not do with respect to coal fired gasification at Genesee with EPCOR?

MR. BRIDGE:

Sure. So see if this works. So we're following all of those technologies. Gasification and alternate energy work are terrific for new infrastructure. And as we look at our growth program going

forward, those sorts of opportunities would naturally play into what we might do with our coal reserves, longer term.

For us I think the larger value equation is trying to understand how we address the carbon issue with our existing fleet, which points us to retrofits, and we are pursuing the chilled ammonia with Alstom, but we're also keeping a watchful eye on all of the other technologies that show some promise.

So I think it's fair to say I see two prongs: One is new infrastructure, the other is fixing existing infrastructure, if that answers your question.

MR. SNYDER:

Is that Sam, is that a response?

MR. KANES:

It's good.

MR. SNYDER:

Okay. Any . . .

I think . . .

MR. AKMAN:

Thanks. Matthew Akman from Macquarie. My question is for Richard, and it deals with the Centralia transformation to burn PRB coal.

You've done major work and upgrades to Unit 2 on the boiler and now disclosed that Unit 1 looks like it will be a much lesser scope type of overhaul.

Is that a kind of a permanent assessment of the need for overhaul on Unit 1, or is that just a deferral of bigger overhaul later, and maybe you could just please expand on that.

MR. LANGHAMMER:

Thank you for the question. The learnings from Centralia Unit 2 when we did the original work, we went in with the concept that we were going to do essentially the entire boiler.

Since the unit has come back, it has performed very well, and the testing and the data that we have gathered from Unit 2 led us to zero in on a couple of components that we did in Centralia 2, and on Centralia 1, these are the only components that we plan on doing in the immediate future. The reheater section is scheduled for end of life replacement in six years, so we will be doing the reheater at that point. That was one of the original pieces of work that was in the original scope.

So we found that we can get to where we need to get by doing less work and by allocating the capital in that manner, we're making the best use of our money.

MR. AKMAN:

Thank you.

MR. SNYDER:

Okay. Any other questions for the team? Bob, I think, Michael, I think we have right up here in the front.

BOB HASTINGS (Canaccord):

Thank you. I see that you've done a lot of good work on trying to control the inflation side, but with everything that's going on in Alberta or has gone on in Alberta has driven those costs up, maybe that will be coming down a little bit.

But my question, going forward, is that you've spent some time looking at a period farther out and seeing higher power pricing, and some of that's in your forecast. So my question would be, What does it look like if we assume flat power pricing as contracts extended and if you had to re-contract today, just so we can take the pricing out of the equation?

MR. SNYDER:

Yeah. Dawn, do you want to maybe respond to that?

MS. FARRELL:

Okay. Is your question, what does inflation look like if you flatten power, or . . .

UNIDENTIFIED SPEAKER:

No. No, sorry. If you assumed that power pricing was flat going forward, how would that change your forecast? Because you mentioned, Dawn, that you were using higher gas prices to set power prices.

MS. FARRELL:

Yeah.

MR. SNYDER:

Probably be more than a 7 dollar or less gas scenario.

MS. FARRELL:

I mean, right now in Alberta the forward power price is fairly flat, so if you look at that chart that we showed you, the current forward price in Alberta sits at around $78 and runs as if gas prices are in the 7 percent range.

Our view is that, as you go forward and the reserve margins fall, there should be upward pressure on those prices, and also that the market right now doesn't reflect adequately what's going on with gas but currently the power prices are fairly flat in Alberta.

BOB HASTINGS (Canaccord):

Yeah. I guess maybe my question's more for Mr. Burden in terms of the financial forecast, how would they change if power prices were flat today?

MR. BURDEN:

Yeah, I think if you look at the range that we're showing, you know, the $7, $9, $11 ranges, obviously if power prices are flat, you're going to be closer to this sort of $7 dollar range, so you can then see, you know, the range that was shown is like a $1.45 to $2.00 dollars, at that level. So I think that's more likely the type of sort of range you're going to see.

MR. SNYDER:

Yeah. I think, Bob, we have stress tested our forward projections fairly rigorously against the downside, and that's why on Dawn's side she's staging in all that development and smaller projects, 50 megawatts, 100 megawatts over time so that we don't get trapped if the market

does turn that way, we just stop the swing at that time and also focusing on the fast cash payback projects like wind.

So we're trying to align the downside to protect and keep the upside potential open if it does happen to get there.

BOB HASTINGS:

Thank you.

MR. SNYDER:

But I think on the price forecast at this point, we're just stress testing particularly at the lower end just in case.

I think there's Linda?

MS. EZERGAILIS:

Thank you. Linda Ezergailis, TD Newcrest.

I see on Slide 12 of Brian Burden's presentation, TransAlta's of the view that they have $1 and a half to $2.0 billion dollars of balance sheet capacity, and I also noticed throughout the morning that there was silence on comments about acquisition opportunities and a specific focus on the western region of the continent.

Now, obviously we're going through a very turbulent time right now, but let's say in a year or two, if opportunities arise related to, you know, acquisitions, whether corporate or assets or in other geographies in which you're not currently focused, how big or how compelling would that opportunity have to be for TransAlta to be seriously interested, and are you spending any time on that at all right now?

MR. SNYDER:

Brian

MR. BURDEN:

Obviously we're very focused on this strategy. We think this strategy's the best way to grow steadily, but obviously if there were acquisition opportunities that actually were very aligned with our strategy and what we're trying to do in the areas we are, we would obviously look at those seriously.

But at the present time, we're very much focused on this strategy as you see before you.

MR. SNYDER:

Linda, does that

MS. EZERGAILIS:

Yeah.

MR. SNYDER:

You know, I mean, our preference would be, particularly in this industry wherever possible, to control our own destiny by doing the organic where we control it. We will always look opportunistically, and right now, I think we just have to wait for the markets to sort of settle down a bit.

MS. EZERGAILIS:

Now, in term oh, sorry.

MS. FARRELL:

I would just like to address here, you asked a question about other geographies, whether or not we'd look there.

The reason that we've focused on the West is because of our expertise in the West in terms of our trading business and our development business, and really we believe fundamentally you've got to know the prices, the transmission. You need a lot of knowledge of regulatory regimes and market information to really make good investment decisions.

So we'd be very reluctant to go to a completely different geography in the next couple of years and would be inclined to stay fairly focused on the West.

MS. EZERGAILIS:

And how big a presence would you have to have in your mind in a region to make it worth your while?

MS. FARRELL:

How big a presence would we have to have?

MS. EZERGAILIS:

In a new region if you're looking strategically.

MS. FARRELL:

We would well, at this point we wouldn't look at a new region unless we decided that we could maybe put a small trading you know, get some trading experience in there first before we ever went into that region.

We'd prefer to stay Alberta, BC, Pacific Northwest, and then move our way down into California and the desert southwest before we'd ever look beyond that.

MR. SNYDER:

Any other questions?

At the very back, Robert Kwan.

MR. KWAN:

Robert Kwan, RBC. Question relates or a couple questions relating to the Alberta Thermal fleet.

You've talked in the past about trying to be on the forefront moving from a two year maintenance cycle to a three year maintenance cycle, and the first part of the question is, are the problems or the unplanned outages we're seeing at the Alberta plants part of that shift, and have you changed your thinking on that?

The second part relates to the longer term, and you showed some slides last year about some of the life extension work and some of the preliminary analysis that you've done. Have you refined any thinking over the next or over the past year related to that type of work going forward?

MR. BRIDGE:

Maybe I can answer that. So the problems we were seeing at Alberta Thermal this year are not related to our decision to move to a three year cycle. I mean, our plans are obviously integrated.

There are a lot of other companies that are operating on a three year cycle. It really comes back to the comments I made about how we under anticipated the wear rate. We could make modifications to our plans going forward, and it won't affect our ability to extend the two year to a three year. We still see the same value proposition in the three year cycle, and that's still part of our plans going forward.

I think the second part of your question was, if I understood it correctly, was is what we're seeing now translating into a different perspective on our lifecycle planning long term?

MR. KWAN:

Yeah, whether it's that or just also related to have you refined any of you characterized the work that you showed last year as being very preliminary, so has there been any refinement over the last year, especially given some of the Sundance units are becoming reasonably close to on the planning side?

MR. BRIDGE:

Yeah. So it's a yes. There has been a refinement in our plans. Obviously when we actually come when we get to the point where we need to make decisions, we will be making that on very current information on condition assessments.

So I would say that a lot of the work we're doing right now is getting ready to shape how we'll make those decisions when the time comes. We're still waiting on we will still need new information closer to the time to do that properly.

MR. KWAN:

And has in terms of what has changed, has the scope of costs that you put up in the range of about 200 million a unit, has that changed materially?

MR. BRIDGE:

No, it has not.

MR. CUSHMAN:

John Cushman, McLean Budden. A question for Will. On the carbon capture and chilled ammonia technology, is it possible to give us some information, preliminary as it may be, on sort of the in terms of the cost per megawatt hour in connection with carbon costs per tonne rather than just sort of a macro IRR perspective?

MR. BRIDGE:

Yeah. So I think there's two answers. The first is, given our relationship with Alstom and the confidentiality agreements in place, we're not in a position to share their proprietary information.

Having said that, when we look at the technology, you know, at this point while it's not commercial, we see this initial project having a carbon cost of $60 to $80 dollars a tonne, which might equate to probably the same sort of dollars per megawatt hour, which is, you know, uneconomic and why we need government funding support.

When we look out five to ten years, we're hopeful and I'll characterize it as hopeful we're hopeful that the cost of this technology will drop as part of the normal development cycle to closer to $30 dollars a tonne, which is approximately, you know, $25 to $35 dollars a megawatt hour. And at that point combined with either some capital in our base business makes for very

economic power, but even with new builds, we would see the total costs being in the hundred dollar per megawatt hour range which, depending on your forecasts for other technologies, like nuclear or hydro, we would see as being competitive.

So there's a lot of work ahead of us over the next five to ten years to ground those numbers, of course.

MR. SNYDER:

John, does that respond to you?

MR. CUSHMAN:

Yeah.

MR. SNYDER:

Okay. Thank you.

Are there any other questions this morning?

Sam Kanes again, Jess, right behind you.

MR. KANES:

Just to clarify, that cost is within your plant site separate from getting it to market or sequestering it below?

MR. BRIDGE:

No, those numbers I shared are our view on the full cycle, including compression and storage.

MR. KANES:

Thank you.

MR. SNYDER:

Yeah. I think, Sam, the range that you'll see out there sort of in the published literature is $5 to $15 dollars a tonne for transportation, sequestration and anywhere from, you know, $30 to $100 dollars per tonne on the capture side, depending on the technology.

The real issue is how quickly they come down that technology cost curve is the real issue. I don't think the transportation, sequestration are going to be the major issue. Regulatory issues are obviously an issue relative to liabilities and long term, and they have to be dealt with also, but they're you know, they're regulatory as opposed to cost.

Any other questions?

MATTHEW AKMAN

MR. AKMAN:

Thanks. Matthew Akman with Macquarie again, and my question's a couple of clean up questions for Dawn on the development plan.

Specifically last year you talked about some hydro activity in Alberta and maybe some expansion on that. That seems absent, unless I missed something. And then also, why are the Keephills uprates so much smaller than Sundance?

MS. FARRELL:

Will will answer the question about the Keephills uprates.

I did mention that we do see hydro in that 2012 to 2015 time frame. We do need to do the work we don't have projects under advanced development in hydro right now, and we do have a bit of a portfolio behind the portfolio that we showed you here today.

So we have work undergoing today to review all of the plants that we have on the two river systems in Alberta to both look at efficiency upgrades and to really look to see if we have optimized our storage correctly and if there's any more opportunity there.

We've seen other people resize some of their hydro plants, especially some of the plants that are 80 years old and get more capacity out of them. And, as well, we're really looking to see if there's additional opportunities with the storage.

That's in very preliminary stages, and it would be something that we would see coming forward with more next year.

MR. SNYDER:

Will?

MR. BRIDGE:

To answer your question, it actually comes back to one of the comments I made in my presentation about each of our units being a different design and built over different periods of time.

So when we look at the Keephills design, the optimal investment is a smaller uprate, just given how the boiler and the balance of plant's been configured. So that's why we have a different sort of optimal answer for Keephills versus Sundance. I could spend an hour on that, if you wanted, but I don't think

MR. AKMAN:

No, I don't want that.

In fact, I'll move on to a completely different topic. Just one clean up question, then last clean up question for Dawn.

On the trading business, there's been a lot of, I think, kind of fear and gnashing of teeth about exposures and trading power and gas lately, and you didn't spend much time on it, but it sounded like your outlook was mostly unchanged.

Maybe you could just expand on some of your exposures or how you plan to kind of avoid, you know, one time items that might otherwise crop up and what you see as an outlook for you maintained the sort of sustainable margins for that business, which is a bit surprising that you just maintain it and not either raise it or lower it, given the environment is changing so much.

MS. FARRELL:

Yeah. I'll start with the trading strategy, and then Brian Burden can come in and talk about the financial exposures in terms of the credit and the credit quality.

I mean, our trading business is very short term oriented, and a lot of volume is done in real-time, next day, next month, and significantly less volume is done in the next quarter, and a very minor amount is done over the next year. So we keep that business very, very contained. And really, in terms of the business, we tend to use our physical knowledge of the markets and the

exchanges between markets and the exchanges between gas and electricity, so it tends to be more spreads between markets and spreads between fuels that we trade in that business.

We're not outright financial traders that take big positions on gas movements or power movements to make our money, so and we track that business on a daily basis and really look to just take a little bit out of the market every day, every week, every month. And as a result, when there are financial situations like what we see today, our exposures tend to be very contained and very limited.

But, Brian, you can add some

MR. BURDEN:

Yeah, I think you've answered most of it, yeah. I mean, we're very diligent on a daily basis looking at the credit exposures, as you can imagine. They are all within the limits. The majority of our counterparties are A or AA, as I said in my presentation, but it is one you have to be really diligent on.

You know, we're always looking at, you know, the financial institutions, for instance, so we have about $100 million of exposure over around about 20 financial institutions, but a lot of those are treasury sort of forex hedges which are in the money.

So it's just being diligent on that, but as Dawn said, you know, we've not seen massive changes, and we deal with counterparties that are very strong.

MR. SNYDER:

Yeah. I think the other thing here if I may, Dawn and Brian, Matthew, we're not clear yet is where the extent that investment banks were engaged in, you know, the trading business and now are bank holding companies, how that will influence the markets and that, that's just unclear right now.

I think net effect probably for an outmarket like Alberta probably a little less liquidity than we had before, but we haven't seen that yet, and we'll have to let that play out.

So given that, we'll be remain this cautious approach, we'll be staying with that as we go forward.

I think we have two at the back of the room. Jess, one at the table beside Sam, and then one back to Robert.

MR. DAFOE:

Okay. Stephen Dafoe for Scotia Capital. I think this is for Dawn. How many projects or are there any on your to do list or want to do list that may face transmission constraints, and how confident are you that the regulatory and land use and other things and construction can proceed expeditiously?

MS. FARRELL:

Yeah. In the development list that's in front of you, the projects in Alberta require upgrades in the transmission in the southern system. There's currently a process underway in front of the Alberta regulator to get approval for that.

As far as we know, a lot of the landowner issues are always going to be there, but a significant number of them are out of the way, and especially some of the First Nations issues have been dealt with.

We do believe and have seen that transmission issues associated with opening up areas where there are renewables tend to have a little bit better ride than issues on regular transmission routes or transmission routes that are really close to large populations, but those projects absolutely do need that transmission in southern Alberta, and we'll be pacing them relative to our assessment of how well that is going.

In New Brunswick, they do have the additional transmission capacity to develop those projects out and move that power potentially into the northeast market, so in that case, it's really more of a call as to whether or not you can sell both the wind and the RECs in the northeast and, as well, whether or not there's additional power that will be demanded by NB Power.

MR. DAY:

Okay. Thank you.

MR. SNYDER:

Jess, I think Robert there.

MR. KWAN:

Robert Kwan, RBC. And this question's for Brian.

I guess if you look at the share buybacks both in the short term and the long term, as you see it today where your share price is, how are you thinking about that with respect to some of your discretionary projects?

It doesn't look like you've been active at least through September in terms of the filings, and then when you look long term in terms of on the share buyback side, if you're looking at some of the slides, in particular the one your debt to cap, and then the slide on what you could use with free cash flow and the potential to actually issue equity post 2010, are you trying to give a signal that the share buybacks are going to be very moderate going forward?

MR. BURDEN:

I don't think we're trying to give any specific signal around share buyback. I think we've said it's part of our balanced capital allocation.

We've said that, all other things being equal, we prefer growth because we think that is in the long term shareholder you know, in their best interests. So we will continue to monitor how we would deal with that.

We've said that we'll use a significant amount of the proceeds from Mexico, so I think in the short term that would be the share buyback that we would do. And obviously we're conscious of the credit markets, et cetera, so we'll really be maintaining liquidity.

So I think, as you'll see, we'll want to pay a good dividend, and we want to continue to improve that dividend, subject to the board, agreeing to that as doing the earnings.

We want to make sure that we do actually grow, and any surplus funds we have, that's the ones that we'll be looking to use in terms of share buyback.

MR. KWAN:

Great. Thanks, Brian.

MR. SNYDER:

Okay. Do we have any other questions?

Sam?

MR. KANES:

Just to that US northeast REC market, Dawn. The way your answer came out, I guess you haven't sold any yet. I guess maybe you can't sell them in advance of things being constructed.

Can you give us some thought or colour around that market?

MS. FARRELL:

Well, right now on that particular project, we are in discussions with a partner who has a lot of experience in that market that would help us market into that area. So if we were going to design those projects such that they were in the export market, we'd use that partner's knowledge of the market.

If we're going to sell it into New Brunswick, then we wouldn't have to do that. So we're still those couple of projects there are very low cost, they're very attractive. They should be attractive to the New Brunswick government and then the backup is if we have to sell them into the market, then we have a partner there to help us with that.

MR. SNYDER:

Okay. I guess we've managed to between the presentations and the Q and A period, it looks like we've answered all the questions.

Is that I don't want to cut it off, but I don't want it if people need to get back to markets and doing things, we need to let you go.

Maybe just if I could just then maybe a closing comment here to leave you with. I think you've seen hopefully from our team today the TransAlta value story. I believe it's a realistic one, and I think it has growth potential, despite today's environment. In fact, I would say our strengths probably are more valuable today than they were even a year ago.

So on the defense side, of course, we are as well positioned, as any company in our industry can be, I believe, right now. We do start with an excellent balance sheet, reliable and available credit lines, and forward debt obligations that are fully manageable from our cash flow.

We start with an engrained low to moderate risk profile, and we will maintain that position. And we start with a demonstrated capability, as well as flexibility, to cope with the inevitable one time challenges that we will come across.

And we are a recognized environmental leader within our industry. Programs like Project Pioneer continue to prove that leadership, and that will be a critical edge as we go forward.

If we look more on the offensive side, we have earnings potential each year to deliver our goal of low, double digit EPS growth, and we can do that, we believe, because, first, we can re-contract our merchant capacity. I do believe it will be an improved pricing environment versus existing levels, but we can manage through if they aren't.

Our growth projects are realistic, in our control, and are being demanded by our customers as opposed to by broad demand, and we have the proven development, construction, and operational expertise in each of those areas. And, of course, we're continuing our drive, our productivity improvement, and cost control to get the most out of each of our operations.

And longer term, we are focused in good markets with excellent fuel mix optionality, small scale hydro is an emerging opportunity, and by 2020 or sooner, I do believe that green coal will be a reliable option and cost competitive as it must be if the world is to hit its greenhouse gas targets.

So overall, our consistent business strategy, our financial discipline, and our operational skills mean that we can capitalize on, rather than be a victim of, the current challenging business climate, and these strengths mean we can deliver on what this team and all of our employees for all of us is job number one, and that's achieving the key metrics we've outlined, the goals that we've outlined, and they will deliver consistent and I believe increasing shareowner value.

And on that note on behalf of the team, I want to thank you for your interest, for your questions, and for your support of the company. And I think we all now want to go get back and see if the markets will respond more positively as we go forward.

Thank you again for your attention, and we look forward to seeing you next year. Thank you.