

TransAlta Corporation Annual General Meeting

April 29, 2010
Calgary, Alberta

THE CHAIRPERSON:

Good morning, ladies and gentlemen. On behalf of the board of directors, it is my pleasure to welcome you to the annual and special meeting of shareholders of TransAlta Corporation.

The board and management appreciate you being here today, especially on a day like today. I can only imagine that we would have been overflowing, had it not been a spring storm.

My name is Donna Soble Kaufman, and as chair of the board of TransAlta, I will chair the meeting this morning.

Our vice-president and corporate secretary, Maryse St.-Laurent, will act as secretary of the meeting, and she is seated on our far left.

I would also like to introduce Steve Snyder, who I'm sure is known to many of you. Steve is the president and CEO of TransAlta. And also seated next to him is Brian Burden, our chief financial officer.

This meeting is being webcast live, and we welcome those joining us in our Internet broadcast audience as well.

We welcome those of you who are not shareholders, but I remind you that only shareholders or proxy-holders are entitled to vote or to take an active part in the formal business of the meeting.

After the end of the formal part of the meeting, I will make some personal comments from a board perspective. Brian will present the chief financial officer's report, and Steve will present the chief executive officer's report. Following these presentations, there will be time for any questions that you may have.

Before I call the meeting to order, I'd like to point out that we have four illuminated emergency exits. There are three behind you, one on my left, and there is a stairwell right across the hall. In the event of an emergency, please proceed calmly to the nearest exit.

I will now call the TransAlta Corporation annual and special meeting of shareholders to order.

We will first go through the formal parts of the meeting. Mrs. Sandra Evans and Mr. Simon Law of CIBC Mellon Trust, our transfer agent, are in attendance today, and I appoint them to act as scrutineers for the meeting.

I would ask Ms. St.-Laurent to file a copy of the notice of this meeting, which was mailed on March 22nd, 2010, to shareholders of record on March 1st, 2010. A copy of the notice and proof of service will be filed with the records of this meeting.

The scrutineers have provided me with a report of the attendance today, and the count indicates that 1,579 shareholders are present in person and by proxy, representing 105,291,727 common shares. Accordingly, 48 percent of the common shares outstanding are currently represented at this meeting. I therefore declare that a quorum is present and that this meeting is properly constituted for the transaction of business.

A copy of the scrutineers' report will be filed with the records of the meeting.

In order to have the meeting move smoothly, employees who are shareholders or proxy-holders will move and second the motions to be put before the meeting.

I now declare that the minutes of the last annual meeting of shareholders, which was held on April 30th, 2009, have been verified and signed and are filed in the corporation's minute book. Anyone wishing a copy of the minutes may pick up one from the table, which was located just outside the room where you came in.

The next item of business is the receipt of the annual consolidated financial statements of the corporation and the auditor's report for the year ended December 31, 2009. The annual consolidated financial statements of the corporation and auditor's report contained on pages 57 to 109 of our annual report were mailed to shareholders in accordance with securities law requirements together with a notice of this meeting. Copies are available on the

table in the lobby outside of this room, and I request that the secretary file a copy of the annual report with the minutes of the meeting.

Mr. Ryan MacDonald, a representative of Ernst & Young, the auditors of the corporation, is available to answer questions during the general question period.

The next item of business is the election of directors. The board has set the number of directors to be elected at this meeting at eleven. We are satisfied that this number is appropriate to provide a significant range and depth of expertise and to meet all corporate governance requirements.

I'd like now to introduce the directors standing for election to the board and to ask each to stand in turn when I call their name.

William D. Anderson.

Bill is a resident of Toronto, Ontario, and has been a director since 2003. He was president of BC Ventures, and prior to that was chief financial officer of BCE. He has extensive financial experience and has executed numerous transactions, as well as corporate and operational restructurings. He is a chartered accountant and a member of the Institute of Chartered Accountants of Ontario. Bill is chair of the audit and risk committee.

Stephen L. Baum.

Steve is a resident of Exeter, New Hampshire, and has been a director since 2008. He was chairman and CEO of Sempra Energy for a decade, and previous to that he held several senior executive positions, including general counsel for the San Diego Gas & Electric Company. Steve is a member of the audit and risk committee and of the human resources committee.

Timothy W. Faithfull.

Tim is a resident of Oxford, England, and has been a director since 2003. He is a 36-year veteran of Royal Dutch Shell and was formerly president and CEO of Shell Canada. Tim has extensive experience with commodity exposure and risk management due to his experience directing the global crude oil trading operation of Shell International Trading and Shipping Company. Tim is chair of the human resources committee.

Ambassador Gordon D. Giffin.

Gordon is a resident of Atlanta, Georgia, and has been a director since 2002. He is a senior partner of the law firm McKenna, Long & Aldridge, and Gordon has served as United States Ambassador to Canada from 1997 to 2001. Prior to that time he practiced law focusing on

energy. Gordon is chair of the governance and environment committee.

C. Kent Jespersen.

Kent is a resident of Calgary, Alberta, and has been a director since 2004. He is chair and CEO of La Jolla Resources International Limited. He has also held senior executive positions with NOVA Corporation of Alberta, Foothills Pipelines Limited, and Husky Oil Limited. Kent is a member of the governance and environment committee.

Michael M. Kanovsky.

Unfortunately Michael couldn't be with us today, but I will nevertheless introduce him to you in absentia. Michael is a resident of Calgary, Alberta, and has been a director since 2004. He is a professional engineer and an independent businessman. Michael has extensive business experience in the development and foundation of energy and electrical energy companies. Michael is a member of the audit and risk committee.

Gordon S. Lackenbauer.

Gord is a resident of Calgary, Alberta, and has been a director since 2005. Prior to joining the board, he was deputy chairman of BMO Nesbitt Burns where he was responsible for the principal activities of the firm. Gord is a member of the audit and risk committee and of the governance and environment committee.

Karen E. Maidment.

Karen is a resident of Cambridge, Ontario, and is a nominee for election to the board. She was chief financial officer and administrative officer of BMO Financial Group for over a decade. Prior to that, she held several executive positions with Clarica Life Insurance Company.

Dr. Martha C. Piper.

Martha is a resident of Vancouver, British Columbia, and has been a director since 2006. Prior to joining the board, she was president and vice-chancellor of the University of British Columbia, and previous to that, vice-president research at the University of Alberta. Martha is a member of the governance and environment committee and of the human resources committee.

Stephen G. Snyder.

Steve is president and chief executive officer of TransAlta. He is a resident of Calgary, Alberta, and has been a director since 1996. He has guided

TransAlta through its evolution from an Alberta-focused regulated utility to an international power generator.

Donna Soble Kaufman.

I am a resident of Toronto, Ontario, and have been a director since 1989. I have been chair of the board since 2005. I am a former partner of Stikeman Elliott, an international law firm where I practiced antitrust law. I also serve as a director of BCE and Bell Canada.

These, then, are the individuals being proposed for election at this meeting.

I would now like to ask for nominations of directors to serve for the following year.

MR. KYLE:

My name is Hume Kyle. I'm a shareholder, and I nominate William D. Anderson, Stephen L. Baum, Timothy W. Faithfull, Ambassador Gordon D. Giffin, C. Kent Jespersen, Michael M. Kanovsky, Gordon S. Lackenbauer, Karen E. Maidment, Dr. Martha C. Piper, Stephen G. Snyder, and Donna Soble Kaufman to be elected as directors of the corporation to hold office until the next annual meeting of shareholders and until their successors are elected or appointed.

THE CHAIRPERSON:

Thanks, Hume. Are there any further nominations? Hearing none, I declare the nominations closed.

Since the number of nominees does not exceed the number of directors to be elected by the shareholders, I request a motion that the nominees be elected as directors of the corporation to hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

MR. EDWORTHY:

My name is Jason Edworthy. I am a shareholder, and I so move.

THE CHAIRPERSON:

Thank you. Seconder?

MS. de LIMA:

Hello. My name is Dawn de Lima. I am a shareholder, and I second the motion.

THE CHAIRPERSON:

Thank you both. All in favour? Contrary, if any? I declare the motion carried.

The next item of business is the appointment of auditors.

I request a motion that Ernst & Young LLP be appointed auditors of the corporation to hold office until the close of the next annual meeting of shareholders at such remuneration as shall be fixed by the board of directors.

MS. PIERCE:

My name is Jennifer Pierce. I am a shareholder, and I so move.

THE CHAIRPERSON:

Thank you. Second?

MR. SCHAEFER:

My name is Rob Schaefer. I'm a shareholder, and I second the motion.

THE CHAIRPERSON:

Thank you, Jennifer and Rob. All in favour? Contrary, if any? I declare the motion carried.

The next item of business is the approval of amendments to the company's share option plan. The amendments are described fully in the corporation's management proxy circular. The resolution approving the amendments to the plan was included in Appendix A to the management proxy circular, and it must be approved by a majority of the shareholders present or represented by proxy at this meeting, excluding interested shareholders.

I request a motion for the approval of the resolution set out in Appendix A of the management proxy circular approving the amendments to the share option plan.

MR. RIDGE:

My name is Martin Ridge. I'm a shareholder, and I move that the resolution of shareholders approving the amendments to the TransAlta Corporation share option plan, which resolution is set forth in Appendix A to the company's management proxy circular dated March the 11th, 2010, be approved.

THE CHAIRPERSON:

Thank you. Second?

MR. SHAW:

My name is Hugo Shaw. I'm a shareholder, and I second the motion.

THE CHAIRPERSON:

Thank you both. The vote on the amendments to the

share option plan will be conducted by ballot.

Ms. St.-Laurent, would you please describe the ballot procedure.

MS. ST.-LAURENT:

Certainly. If you've already voted your shares, you don't need to vote them again, but if you would like to change your vote, you can.

Registered shareholders and proxy-holder will have received your ballots on your way in the room from the scrutineers. So if you would please complete your ballot and give them to the scrutineers by raising your hand so they'll know where and from who to collect them.

We ask you to vote either for or against the resolution and to mark an X in the appropriate box. Please make sure that you sign and print your name, and you don't need to fill out the bottom of the ballot. The scrutineers will complete that for you. Thank you.

THE CHAIRPERSON:

Any other ballots? Well, while they're being tabulated, with your permission, we'll proceed with the business of the meeting while the scrutineers prepare their report on the vote.

The next item of business is the approval of amendments to the company's performance and share ownership plan. The amendments are described fully in the company's management proxy circular.

The resolution approving the amendments to the performance share ownership plan was included in Appendix B to the management proxy circular, and it must be approved by a majority of shareholders present or represented by proxy at this meeting, excluding interested shareholders.

I request a motion for the approval of the resolution set out in Appendix B of the circular amending the company's performance and share ownership plan.

MR. KLASSEN:

My name is Warren Klassen. I'm a shareholder, and I move that the resolution of shareholders approving the amendments to the TransAlta Corporation performance share ownership plan, which resolution is set forth in Appendix B to the company's management proxy circular dated March 11th, 2010, be approved.

THE CHAIRPERSON:

Thank you. A seconder?

MS. JOHNSTON:

My name is Cynthia Johnston. I'm a shareholder, and I second the motion.

THE CHAIRPERSON:

Thank you. The vote on the amendments to the performance and share ownership plan will also be conducted by ballot.

Ms. St.-Laurent, would you describe the procedure again.

MS. ST.-LAURENT:

Yes, thank you. This time you will be requested to fill out a beige ballot form for this resolution, and, again, the process is the same. If you've already voted and you don't want to change your vote, it's not necessary for you to vote by ballot now. If you do want to vote by ballot, please complete the ballot and indicating, again, for or against, marking an X in the appropriate box, signing the ballot, and printing your name below, and raising your hand so that the scrutineers know where to collect the ballots. Thank you.

THE CHAIRPERSON:

We have a ballot here. Again, with your permission, we'll continue the business of the meeting while the scrutineers prepare their report on the vote.

The next item of business is consideration of a resolution continuing, ratifying, confirming, and approving the company's shareholder rights plan, which was dated October 13th, 1992, and last approved by the shareholders at the corporation's annual meeting held April 2007. The shareholder rights plan requires reconfirmation by shareholders every three years.

The resolution continuing, ratifying, and approving the TransAlta shareholders' rights plan is set out in Appendix C to the company's management proxy circular.

May I have a motion to continue the shareholders' rights plan?

MR. STACK:

My name is Todd Stack. I am a shareholder, and I move that the resolution to continue, ratify, confirm, and approve the shareholder rights plan, as adopted by the board of directors, the full text of which resolution is set out in Appendix C to the management proxy circular dated March 11th, 2010,

be approved.

THE CHAIRPERSON:

Thank you. A seconder?

MS. MOHAMED:

My name is Parviz Mohamed. I am a shareholder, and I second the motion.

THE CHAIRPERSON:

Thank you both. All in favour? Contrary, if any? I declare the motion carried. Now, have the scrutineers completed their ballots?

UNIDENTIFIED SPEAKER: Not at the present time, no.

THE CHAIRPERSON: Okay. We're just going to wait for a moment until I have these, because this is the very last formal piece of business.

UNIDENTIFIED SPEAKER:

That was the first one, and that's the second.

THE CHAIRPERSON:

Both carried.

UNIDENTIFIED SPEAKER:

Okay.

THE CHAIRPERSON:

Okay. Thank you very much.

I've got both here, and the tally shows that both motions were carried. Therefore I declare the resolution passed with respect to the share option plan and the performance share ownership plan.

With the consent of the meeting, I now declare the formal business of the meeting at an end. However, before I turn the podium over to Brian, I'd like to make a few remarks of my own.

I'm delighted to be here again this year as chair of TransAlta's board of directors.

As a longtime shareholder and member of the board of TransAlta, it has been my privilege to be a part of the company's continuous evolution. 2009 was a year of important milestones and progress for TransAlta. We celebrated 100 years of incorporation and significantly accelerated the growth of our renewable energy portfolio. We also addressed our operational challenges at two key units with Alberta Thermal. These and other

initiatives have positioned us to advance our long-term strategic priorities that will deliver value well into the future.

We are proud of what we've accomplished for our shareholders and the communities we serve. While there have been challenges along the way, your management and board have worked to ensure TransAlta's continued success in 2010.

We began this year as a North American leader in renewable energy with unparalleled operational and development expertise, a robust growth portfolio, and a strong balance sheet.

TransAlta's board of directors' remains committed to building a strong and sustainable company that will continue to deliver profitable growth over time.

We're looking ahead to power future generations to meet today's economic and environmental challenges and to prepare for those of tomorrow. These goals brought focus to three key areas through 2009: our strategic plan, sustainable business practices, and corporate governance. I'll discuss each in turn.

First, our strategic plan. Your board has worked hand in hand with the management team to develop TransAlta's strategic plan. This past year brought a particular focus to risk management and long-term strategic direction. Our acquisition of Canadian Hydro in November 2009 best exemplifies these two priorities.

It provided TransAlta's shareholders with both near and long-term value. It helped us to accelerate our renewable portfolio and to extend our leadership position as Canada's largest provider of renewable energy.

In bringing two successful Alberta companies together, we have opened the door to new and exciting opportunities for employees of both companies.

More broadly speaking, the board has dedicated its efforts to reviewing and approving plans, to restore availability, and to make substantial investments to reposition TransAlta's coal fleet for the future.

We remain focused on a long-term, phased approach to investing in growth projects while returning capital to our shareholders. We continue

to strengthen our enterprise risk management practices right across the company and to connect these directly to our governance process. In so doing we have maintained our commitment to paying a strong dividend, a key component of our value proposition.

Let me turn now to our sustainable business practices. This past year, TransAlta furthered its reputation as a responsible company and a good corporate citizen. We have long valued the belief that companies must deliver more than monetary performance. This belief has served us well for two reasons, first because we provide an essential service. Safe and reliable electricity powers our economies and underpins our quality of life.

Second, this value reinforces our belief that an authentic dedicated effort to address social, ethical, and environmental factors as part of our business model allows us to enjoy an excellent reputation and to enhance our performance over time.

Our sustainable business practices were recognized once again in 2009. We are very proud of our achievements, and I would like to spend a few moments highlighting some of them.

For the fourth year in a row, TransAlta was named to the North American Dow Jones Sustainability Index. Each year the top 20 percent of companies in each industry sector is selected according to its sustainability practices from 600 of the largest North American companies. As the only Canadian utility represented in the index, inclusion recognizes our outstanding sustainability practices.

We were also named to the Jantzi list of the 50 most responsible corporations in Canada for 2009. Jantzi Research is the independent investment research firm that evaluates and monitors the social and environmental performance of companies.

This list features companies that lead their industries towards sustainability by setting best practice standards and demonstrating superior environmental, social, and economic performance.

It is inspiring to see TransAlta once again leading the way on sustainability. We believe this creates long-term value for our shareholders and is also the right way to do business.

Finally, I'd like to highlight our corporate governance. In 2009 we received the Conference Board of Canada's Spencer Stuart National Award for the best private

sector corporate governance. Specifically the conference board recognized our leadership in managing risk. They stated that TransAlta's board has been instrumental in ensuring that risk management is both a systematic process and a key element of TransAlta's corporate culture and board decision-making.

We're honoured by this recognition. Strong corporate governance is a key priority. We believe that it creates value, and creating value is our primary duty to our shareholders.

This year features some changes in our board. First, I'd like to recognize Stan Bright. And, Stan, if you could stand up.

After ten years on the board, Stan has decided not to seek re-election to the board of directors and to retire. I would like to take this opportunity to thank Stan for his immense contribution and service to the TransAlta board. We will miss your sage advice.

In turn, we are delighted to welcome Karen Maidment to the board. Karen brings 20 years of experience in management roles with BMO Financial Group and Clarica Life Insurance. She has served as a director of Harris Bank, BMO Nesbitt Burns, and Bank of Montreal Pension Fund, among others. Welcome, Karen.

The members of our board are an exceptional team, and we are 100 percent driven by shareholder and stakeholder interests. Our varied expertise and perspectives ensure that we maintain a complementary skill set and the experience to carry out our mandate.

In closing, I would like to thank our management and each of our employees for another year of strong performance. The TransAlta team is talented, motivated, and committed to long-term success that will power the next generation.

I would also like personally to thank our board for their diligence and commitment.

To our shareholders, thank you for your confidence and your continued support.

I now turn the podium over to Brian Burden for his report.

Thank you.

MR. BURDEN:

Good morning to you all, and, thank you, Donna.

Before I begin my formal remarks, let me remind you that all information provided during the annual general meeting is subject to the forward-looking statement qualification which is outlined in this slide. The amounts referenced in this presentation are in Canadian currency unless otherwise stated.

Today I will review our financial strategy with you and report on the company's financial performance in 2009. I will also provide a look at our first quarter 2010 results, give you an idea of what to expect for the remainder of the year, and finish with a review of our financial strength. I will then turn the podium over to Steve, who will provide more details on 2009 and on our strategy going forward.

Our financial strategy remains sound, and it has carried us through what seems to be the worst of the recession. Our strategy remains premised on maintaining a low - to moderate-risk business model that can create value through all market cycles.

This past year has been one of the toughest down cycles, and yet our balance sheet remains strong. It is this financial strength and flexibility that enabled us to grow our portfolio by over 750 megawatts last year with the successful acquisition of Canadian Hydro Developers and by bringing our Blue Trail wind farm online. We were able to complete all of this while maintaining financial strength, flexibility, and above all, our investment-grade credit ratings.

Our financial strategy focuses on three key fundamentals: One, maintaining a strong balance sheet and investment-grade credit ratios that provide us with access to capital at competitive rates, financial flexibility through all market cycles, and the ability to contract with high-quality counterparties for the long term.

Secondly, having a well-balanced capital allocation plan. We look to return capital to shareholders through paying a strong dividend, and we balance this with investing in our current assets, as well as in growth opportunities that meet our return expectations. We also look to share buy-back if we do not have projects that meet our return expectations. We continue to target an after-tax internal rate of return of 10 percent on all of our projects. And finally we also continuously look for opportunities to optimize our portfolio.

The last fundamental element of our financial strategy is

the key financial measures we focus on. Internal rate of return on a project basis, portfolio return on capital employed, and total shareholder return, and our target is to drive for 10 percent on each of these three measures.

So looking at our financial results. 2009 was a disappointing year financially for TransAlta, but as Steve will tell you, we did progress substantially on our key strategic initiatives.

2009 comparable earnings were \$181 million or 90 cents per share, compared to \$290 million or 1.46 per share in 2008. And cash flow from operations was \$580 million compared to just over 1 billion in 2008. And comparable return on capital employed declined to 5.8 percent, which was primarily driven by our lower earnings.

The decline in 2009 comparable earnings was primarily due to higher planned and unplanned outages at our Alberta coal plants combined with lower hydro volumes and pricing and lower energy trading gross margins.

Our net earnings for the year were also lower at \$180 million, 90 cents per share; compared to \$235 million, 1.18 per share in 2008.

Cash flow from operations for the year was lower at \$580 million, driven by lower cash earnings and unfavourable movements in working capital compared to last year. Also in 2008 we received an additional power purchase payment of 116 million.

Just looking at our first quarter earnings in 2010, despite the depressed market conditions, we continued to show strong improvements both in our financial results and our operations. Our comparable results for the quarter were \$67 million or 31 cents per share, versus \$36 million or 18 cents per share in 2009.

Our net earnings for the quarter were also \$67 million or 31 cents per share, compared to \$42 million or 21 cents per share over the same period a year ago.

The key contributor to our strong comparable results in the quarter was improved operations. Fleet availability averaged 91.4 percent in the first quarter, well above the 86.4 percent achieved a year ago. Our Alberta coal fleet tracked to our expectations, achieving over 87 percent target that

we set for availability. This is a clear sign that all of our major maintenance we undertook last year is starting to pay dividends. Our energy trading results were also strong and well in line with previous years. And finally, our OM&A costs were below the first quarter of 2009 as a result of both lower planned major maintenance and targeted cost savings.

Offsetting some of the positives, however, were factors that remain out of our control. Pricing in our coal markets remains extremely soft, having averaged only 41 dollars per megawatt hour in Alberta and 42 dollars US per megawatt hour in the Pac. Northwest. And also as we mentioned in our 2009 Quarter 4 conference call, wind resources were roughly down 30 percent in the first couple of months of the year due to El Niño conditions. As a result, expected production from our wind facilities was down approximately 200 gigawatt hours in the quarter.

Cash flow from operations for the quarter was 174 million, also an improvement over the 83 million achieved a year ago. And cash flow in the quarter was higher than the previous year due primarily to favourable improvements in working capital.

Let me turn now to our outlook for the remainder of the year. While we expect power prices to remain depressed in both Alberta and Pac. Northwest, we are currently 92 percent contracted for the remainder of the year at prices well above the current forward market.

In Alberta, our average contract price in 2010 for our merchant portfolio is in the 60 dollars to 65-dollar range, and in the Pacific Northwest, it is in the 50- to 55-US-dollars-per-megawatt range. With this in mind, we expect to achieve double-digit earnings growth in 2010.

Looking at cash flow from operations, we expect to be in the range of 850 to 950 million for the full year. And after sustaining capital expenditures and the payment of our dividend, we expect to generate 300 to 400 million in free cash.

Finally as a result of the growth in our renewable portfolio, we expect over 50 percent of our EBITDA for the year will come from our natural gas and renewable portfolio, which we believe could help drive a higher multiple for our shareholders.

Let me conclude, then, by turning to our financial strength. Our balance sheet remains strong. In 2009 we established ranges for our financial ratios to ensure

we maintained our investment-grade credit rating. These ranges are cash flow to debt, 20 to 25 percent, and as of March 31st, 2010, we were at 20.4 percent. Cash flow to interest of four to five times and as of March 31st, we were at 4.6 times, and debt to capital, 55 to 60 percent, and as of March the 31st, we were at 54.9 percent.

While our financial ratios are tighter this year as a result of the Canadian Hydro acquisition, they remain within the ranges we have established to maintain our investment-grade credit rating, and these will gradually recover going into 2011 and 2012.

And finally looking at our liquidity, we strive to maintain 500 to 700 million in liquidity. And as of March 31st, we had 1.1 billion available to us. And this is because we maintain 2.1 billion in credit facilities to support our long-term contracting and collateral needs.

In summary, TransAlta remains in a strong financial position, and our outlook for returning to earnings and cash flow growth this year is positive. This will improve both our return on capital employed and our total shareholder returns.

And with that, let me turn the podium over to Steve.

Thank you very much.

MR. SNYDER:

Thank you, Brian and Donna, for your remarks, and, good morning, ladies, gentlemen, and fellow shareholders.

A quick reminder that following my presentation we will have a question-and-answer period, and following that, there will be a lunch served in the hallway just outside of the doors here, and I hope you will join us for that and continue dialoguing with the management team and the board.

Now, I do see a large number of very familiar faces in the audience today. Thank you for joining us and your continued investment and trust in us to manage our business safely and sustainably is, believe me, appreciated by everyone here at the company.

This morning I would like to talk to you about our performance in 2009, provide insight into how the work we did last year has made TransAlta an even stronger company in 2010, and I'll outline where

we're focusing our efforts to deliver more predictable and sustainable earnings to our shareholders in the near and the long term.

So let's talk about 2009. As I said in my annual report letter, 2009 was a year of contrasts. We had significant successes. By recontracting our Sarnia, Ontario, facility, we measurably improved its returns. By commissioning our 66 megawatt Blue Trail wind farm on budget and ahead of schedule and then starting construction on two additional facilities in Alberta, Summerview II and Ardenville, we clearly demonstrated our leadership in our wind generation business.

By acquiring Canadian Hydro Developers, we significantly accelerated the growth of our overall renewable energy portfolio, and TransAlta is now the largest publicly traded renewable energy company in Canada.

And we completed partnership agreements with the Alberta and Canadian federal governments to fund development of Project Pioneer. Among the world's first large-scale coal-fired retrofit, carbon capture, and storage projects. This is a project with enormous potential and significance for TransAlta and for the electrical industry worldwide, and it will be located right here in Alberta.

Now, along with those successes, we also had challenges which resulted in the disappointing financial results for the year that Brian highlighted.

The recession produced poor market conditions with both prices and demand being negatively impacted, and our thermal plants did not operate up to expectation.

The good news is that unlike the economy or natural gas prices, fleet availability is something we have some control over. The poor performance of 2009 can be and is being reversed. Our engineering and thermal operation teams did a top-to-bottom in-depth review. And the results of this work are clearly evident in the 90 percent overall fleet availability we reported earlier this week. Our coal plants are now performing at the levels we expect of them, and we intend to keep it this way.

I'd also note that the rest of our generation fleet continues to perform on or above all of our availability and production targets.

So it's 2010, where do we go from here? We are well positioned to weather what appears to be a slow economic recovery. As Brian said, our balance sheet is in good shape, and we generate strong cash flow, which

enables us to maintain our dividend and make investments to ensure our plants are efficient and reliable.

We've got good protection from current lower price conditions because 90 percent of our fleet is contracted for 2010, 85 percent contracted for 2011, and 77 percent contracted for 2012. And we have a low cost structure and are always looking for ways to drive even more sustainable productivity improvements over time. Combined, these attributes show we are in good position to benefit from recovery in our core markets when it happens.

So while we cannot control the market, we do have a great deal of control over where we focus our people and our resources. And in 2010 we continue to execute upon three priority areas that are intended to create both long- and short-term value for our shareholders.

First, drive our base through operational excellence across the portfolio; second, green our portfolio; and third, reposition our coal fleet. As it relates to driving the base, we made a lot of progress in this area since bringing the team together under Dawn Farrell's leadership last year.

Our natural gas plants are running at 95 percent plus availability. Our renewables are achieving levels above 90 percent, and our coal units are averaging 87 percent as a group. Availability is a critical success factor for our industry and for us, and right now our teams are delivering on all of those objectives.

As it relates to our growth strategy, we are currently constructing six projects that will add over 400 megawatts of new capacity between now and 2012, and these projects are all proceeding on time and on schedule as we sit here today.

In addition, we have a pipeline full of promising low-carbon projects in our core Canadian and western US markets. This diversity of opportunity is a real plus for our company. Having this capability, to be able to flex between geographies, between fuels, and between building and buying assets gives TransAlta more ability to grow our business consistently over time while maintaining our balance sheet strength.

The third focus area for TransAlta, of course, is the repositioning of our coal fleet. We have 13 unique

coal units in Alberta and Washington state, representing just under 5,000 megawatts of low-cost base load power. Our facilities range in age from Keephills 3 facility that will come online this month next year to our Sundance 1 and 2 units, which are nearly 40 years old and still have years of life left in them.

Despite the inherent reliability of these facilities and their critical role in providing low-cost power, we have some important decisions to make in the next several years about the future of these plants given where they are in their lifecycles and where climate change regulation is or is expected to be in Canada and in the United States.

The regulatory environment, as you know, remains highly fluid and uncertain. However, we cannot let that stop us in our tracks, and we aren't. But we do have to proceed cautiously and steadily while striving to keep as much optionality in our plans as we can.

Based on the abundant low-cost supply and reliability of coal-fired generation, I believe coal will continue to be a part of the global energy mix for a long time. It shouldn't be discounted as a fuel source. The potential to green coal through technology is real. And for our part, our primary objective is to maintain maximum flexibility around our coal fleet during this period of uncertainty. And clearly there are opportunities to do some coal-to-gas conversion of our older units as they near the end of their economic life. And this would certainly help us and our province and Canada to achieve emerging targets for CO₂ emissions.

In that regard, in Washington state we have a unique position with our Centralia coal facility. We are the only non-regulated coal-fired generator in the state with no economic coal mining. And in addition, there is little potential for carbon capture and storage in the area.

As a result of those conditions, we are working closely with the state through its department of ecology to transition our Centralia facility to cleaner fuel sources between now and 2025.

On Monday of this week we signed a memorandum of understanding with the state which lays out the framework and process for negotiating an agreement on a transition to phase out generation from coal and replace capacity with natural gas and renewables.

This collaboration is essential, as all parties want to ensure that investors are treated fairly, the lights stay on in Washington, consumers are protected from sudden price spikes, and our employees in Lewis County keep

their jobs.

Now, in Alberta the situation is quite different. Over 50 percent of the installed base in the province is coal. We have vast economic coal reserves, huge sequestration capability, and the potential to apply CCS technology on many of the coal plants.

Our investment in Project Pioneer fits into our decision-making. It will advance Canada and the world's knowledge of carbon-capture technology. We know that the technology works. What our project will do is give us a good indication as to whether it can be applied economically on large-scale plants, not only in our fleet but around the world. And if so, it has a very real potential to make coal-fired generation cleaner than natural gas generation.

While we are strong proponents of renewables such as wind and hydro and geothermal, over the long term we also believe that coal can be reliable, affordable, and ultimately cleaner resource for the production of electricity.

As a nation, we are blessed with abundant natural resources. We have hydro in BC, Manitoba, and Quebec. We have hydrocarbons, including natural gas and coal, in Alberta, Saskatchewan, and Eastern Canada.

Canada has a clear-cut competitive edge over countries including US, China, and India. If we can maintain our access to all of these resources, we can have energy security and enough resources to provide our industry's generation of fuel for expansion and Canadian electricity to maintain our high standard of living reliably, economically, and sustainably.

And we can achieve this while still reducing our overall environmental footprint with investment in technologies like CCS and renewables, as well as smart meters and transmission grids.

Now, let me make just a couple of observations on this issue. First, the science tells me we have time to sort out the best options to deal with the long-term implications of climate change. Now, that's by no means saying we shouldn't start today to conserve energy and apply best available technologies where it makes the most sense. And we're doing that at TransAlta.

It does say also, though, that we don't need to rush

to pick winners and losers in the energy sector and that we have time to fully consider the economic, social, as well as environmental implications of decisions that we will all have to live with for the next 30 to 45 years.

Second, we cannot limit the fuels we have available to meet demand. We need to invest a lot more in technologies and give ourselves time to see how these technologies play out, like carbon capture.

And my third point is that consumers, you and I, need more price transparency so we understand the true cost of converting to lower carbon energy sources.

Nothing in the world is free. Today, however, much of the true cost of renewable power is masked by government subsidies. And as a result, neither consumers nor taxpayers are fully aware of what is being spent. A phasing out of these subsidies over time is probably needed if we are to change our behaviours as consumers.

Now, just so we're clear, I'm not saying that government doesn't have an important role to play in incenting investment in new technologies; clearly it does. But at some point, once the technology has been proven to work on a scale that was intended, such as wind energy, I think governments should consider reducing and ultimately eliminating the subsidies. Consumers should be the ones to determine if the technology is worth the cost, and that goes for wind as well as for carbon capture.

In 2009 we marked 100 years as an Alberta-based power generation corporation. We have a very rich history in this province providing an essential service and investing in our business so that we can meet the growing needs of our customers and fuel their desire for a more prosperous life. That said, our focus is not in the rear-view mirror.

We are working to provide our customers and stakeholders the next generation of power cleaner, but still reliable and affordable. We have built our business for 100 years upon a sustainable strategy, one that allows us to continue to earn the right to operate our plants in communities and deliver value to our shareholders for the very long time.

As CEO and as shareholders, we are fortunate to have over 2200 employees who work here. They are dedicated. I can tell you they are driven, and they are resilient, and they will deliver the results you expect.

And we have a great board. They know the industry, they know their job, and they do it well. All deserve our thanks. But most of all, I do want to thank you, our shareholders, for your ongoing confidence in an investment in our great company. I want to thank you for joining us today, thank you for being a shareholder, and thank you for listening to Donna, Brian, and I, and for your support and your votes today.

On that note, I would now like to turn the floor over to the question-and-answer period. We do have microphones that are set up in the aisles. I'd ask if you have a question, you proceed to that microphone. We would appreciate if you identify yourself and whether you are a shareholder or a guest, and I would also ask that you appreciate the fact that many people in the room today may wish to ask a question, so we'd like you to ask your question and then perhaps give it to someone else to ask a question, and then we'll come back to you if you have a second question.

So on that note, we are open for questions.

MR. ORTMAN:

Thank you, Mr. Snyder. My name is David E. Ortman. I'm from Seattle, Washington. I am a proxy-holder for the Sierra Club which owns TransAlta shares, although our company refused to allow us to vote those shares this morning.

I know people are eager to go off to lunch, but I do think that there is a bit of time that could be devoted to having a discussion on liability and risk for both investors and shareholders. We've seen that with British Petroleum and the awful cause that they are embarking on in trying to deal with the blowout in the Gulf of Mexico, Massey Energy with the tragic loss of the coal mining accident in West Virginia.

My question is, a recent University of Oregon report conservatively estimates that climate change will cause at least \$3.8 billion annually in climate damages in my state of Washington by 2020. TransAlta's coal plant in Centralia, which you've mentioned, in Washington contributes 11 percent of all global warming pollution in that state.

So how much of this 3.8 billion in yearly damages should TransAlta pay for? 11 percent would be approximately \$418 million annually. Is TransAlta prepared to pay these costs? Thank you.

MR. SNYDER:

Well, the simple answer's no because I don't think we are necessarily the cause of that total amount.

Let me just say this, that we are clearly taking a leadership role to reduce our environmental footprint. We have been and we continue to do so, and while I don't want to speak for the Sierra Club, I imagine that our ultimate goal, reduction of the environmental footprint is the same. We may differ on approaches and timing, and I think that's a fair discussion to have. But just to reiterate, I think TransAlta has demonstrated its leadership on this key issue.

We have signed this week the MOU with Washington State to find a way to hopefully transition our plant to a smaller footprint. We are in discussions with the federal and provincial level here in Canada to see if there are ways to do some coal-to-gas conversions that would make economic sense and provide power to this province.

We have grown our renewable portfolio quite dramatically over the last four years. We are a leader in CCS technology. If you look at our environmental, health, and safety record compared to anyone in our industry, we are definitely one of the leaders in that regard.

So I believe we do share many similar goals. We may just differ on the approach to get to it, but I think we'll get there, and we will have time to do that.

And I just comment, I think you mentioned on the vote, I do understand that there's some technical issue about the proxy on that, and clearly in a meeting like this we have to respect the rules of the annual meeting, but you are certainly invited as a guest, and we appreciate you still joining us for that.

Is there another question that we have from the audience and the shareholders? I guess the cold weather has got people kind of relaxed.

MR. ORTMAN:

Thank you. We do recognize that TransAlta has moved into the wind and solar arena, but, again, from the perspective of us down in the state of Washington, TransAlta is the number one emitter of global warming pollution, toxic mercury, and nitrogen oxides in the entire state.

The proposal that was on the screen talked about a transition from the Centralia coal-fired plant to gas by 2025, I believe. We would ask the board of directors and

the company to look at accelerating that and ask whether TransAlta would support closure of the Centralia coal-fired plant by 2015 to show a good-faith effort in your sustainability modeling and materials in your annual report.

MR. SNYDER:

Yeah. So the 2025 date was set by the state, not by TransAlta. We have indicated to the state, as we enter this MOU, that we would look to work with them to see if there are ways to accelerate that or not. Don't know the answer to that today, but we are certainly prepared to have that open.

I would say by 2015 is not possible. And I appreciate your comments about the issues around the environmental footprint. On the other hand, it does provide 10 percent of the power to the state. It provides critical transmission support, as well as several hundred jobs in the Lewis County area. And so those are also considerations that I think the State wishes us to look at.

But at the end of the day, I believe we'll find a solution that is -- works for everyone. Whether we've pleased everyone or not remains to be seen.

Do we have any other questions prior to the lunch?

And if not, Madam Chair, then I will turn the podium over to you to officially draw the meeting to a close.

THE CHAIRPERSON:

Thanks, Steve.

And thank all of you for coming out today. It means a lot to us to have our shareholders here, especially on a day like today. We invite you to join us for lunch, and we look forward to seeing you next year again. Thanks.