

**Proposed acquisition of
Canadian Hydro Developers, Inc.
July 20, 2009**

Reader advisory

This presentation contains statements that constitute "forward-looking information" or "forward-looking statements" (collectively "forward-looking information") within the meaning of applicable securities legislation. This forward-looking information includes, among others, statements regarding the proposed offer to acquire all of the issued and outstanding common shares of Canadian Hydro Shareholders including the timing and terms thereof and management's assessment of the effects of the successful completion of the transaction on TransAlta Corporation ("TransAlta"). This forward-looking information is subject to numerous risks and uncertainties, certain of which are beyond TransAlta's control including, without limitation, uncertainty related to the completion of the transaction and the effects of the transaction on TransAlta, the impact of legislative or regulatory developments, competition, global capital markets activity, changes in prevailing interest rates, currency exchange rates, inflation levels and general economic conditions in geographic areas where TransAlta operates. Readers are cautioned that the foregoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect TransAlta's results are included in reports on file with the Canadian and United States securities regulatory authorities. TransAlta's actual results, performance or achievements may differ materially from those expressed in, or implied by this forward-looking information and, accordingly, no assurance can be given that any events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that TransAlta will derive there from.

Forward-looking information is based on the estimates and opinions of TransAlta's management at the time the information is released and TransAlta does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

TransAlta and its affiliates have not yet commenced the offer referred to in this presentation. The offer (as it may be varied or extended in accordance with applicable law) will be made exclusively by means of, and subject to the terms and conditions set out in, the offer to purchase and take-over bid circular to be delivered to Canadian Hydro Developers and filed with Canadian provincial securities regulators and to be mailed to Canadian Hydro Shareholders shareholders by the offeror. The offer to purchase and take-over bid circular will contain important information about the offer, including the terms and conditions of the offer, and should be read carefully. This presentation is for informational purposes only and does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security.

The information contained in this presentation does not purport to be all-inclusive or to contain all information that a prospective investor may require. Prospective investors are encouraged to conduct their own analysis and reviews of TransAlta and of the information contained in the presentation. Without limitation, prospective investors should consider the advice of their financial, legal, accounting, tax and other advisors and such other factors they consider appropriate in investigating and analyzing TransAlta.

Information in this presentation concerning Canadian Hydro Shareholders is based entirely on publicly available sources and has not been independently verified by TransAlta. TransAlta assumes no responsibility for the accuracy or completeness of such information.

In addition, this presentation, including the statements regarding TransAlta's plans to arrange permanent debt and equity financing for the transaction, does not constitute an offer to sell or solicitation of an offer to buy any securities. No offering of securities will be made absent registration, or an exemption from the registration requirements of applicable securities laws.

Outline

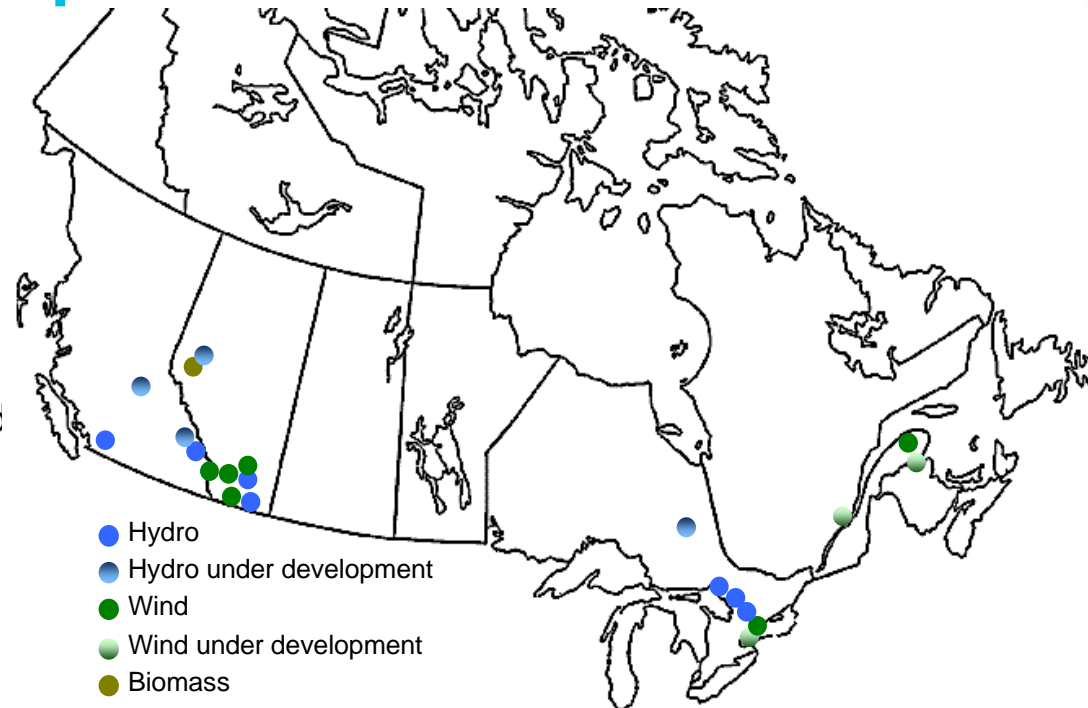
- ▶ Overview of the transaction
- ▶ Strategic rationale
- ▶ The combined portfolio
- ▶ Financing plans
- ▶ Canadian Hydro Developers shareholder benefits

Overview of the Canadian Hydro Developers transaction

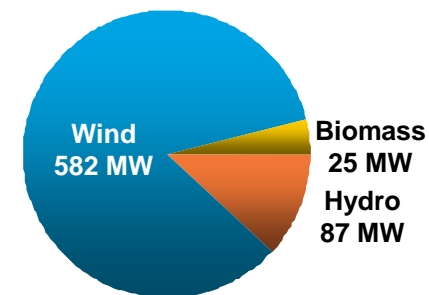
- TransAlta has announced its intention to acquire Canadian Hydro Developers, Inc.
- All-cash offer:
 - \$4.55 per share representing a 30% premium over the 10-day VWAP and 25% over the July 17 closing price of \$3.65 per share
 - Total transaction enterprise value of approximately \$1.5 billion
- Offer conditional on take-up of 66 2/3% of Canadian Hydro Developers shares
- Financing in place and BBB/Baa2 stable investment grade credit ratings expected to be maintained
- Dividend policy will be maintained
- Offer scheduled to expire on August 27, 2009 unless extended or withdrawn

Canadian Hydro Developers overview

- ▶ 21 generating facilities
 - 694 MW in operation
 - 44 MW under construction
- ▶ Diversified Portfolio of Assets
 - Three renewable fuel sources (hydro, wind, and biomass)
 - Four provinces (BC, AB, ON and QUE)
 - Generation is ~89% contracted with a weighted average contract term remaining of ~18 years; of this over 95% is with investment grade counterparties



▶ **100% Renewable Generation**

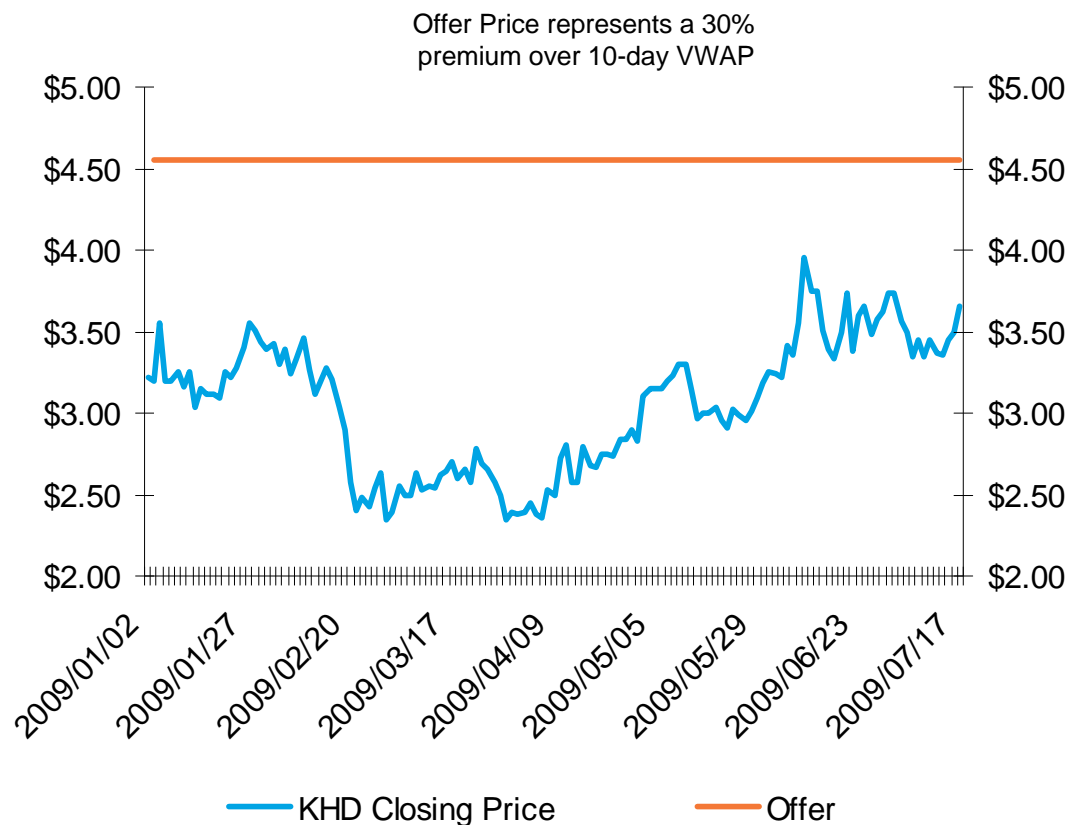


▶ **Operating portfolio**

The offer presents a compelling opportunity for Canadian Hydro Developers shareholders to immediately realize share value

- ▶ Significant premium to share price
- ▶ Compelling offer reflects value of Canadian Hydro Developers' current operations and future growth opportunities
- ▶ All cash offer provides certainty of value creation
- ▶ Eliminates execution and financing risk of future growth
- ▶ Opportunity to gain liquidity with no brokerage fees or commissions

Canadian Hydro Developers share price



Transaction accelerates TransAlta's strategy to grow in renewables and is consistent with low-moderate risk profile

STRATEGIC

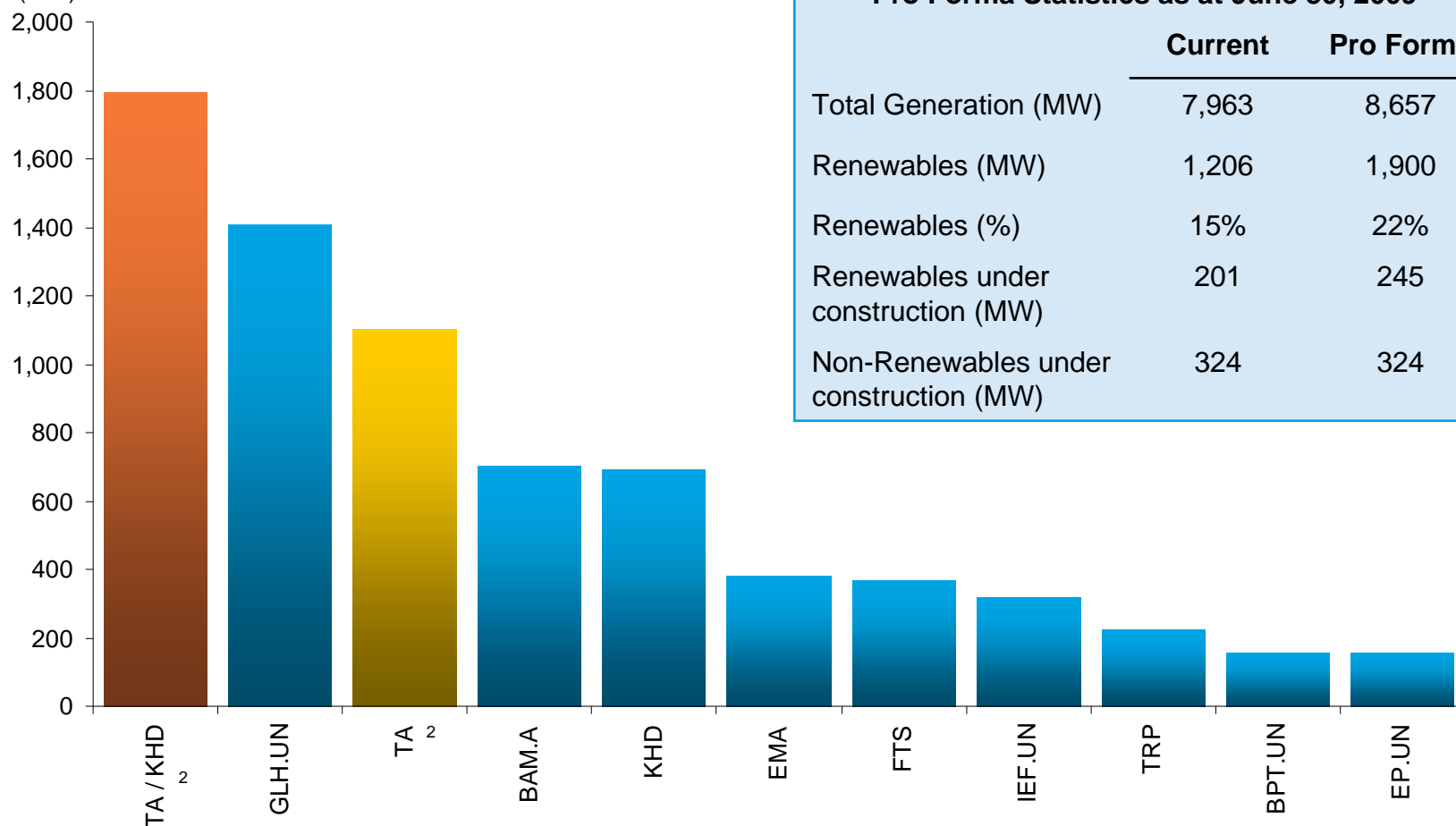
- 100% renewable generation – unique set of quality assets
- Accelerates expansion of TransAlta's total renewables from 15% to 22% of total generation
- Decreases carbon intensity per MW and further diversifies fuel sources
- Canadian Hydro Developers' assets highly contracted with creditworthy counterparties
- Expands TransAlta's pipeline of organic growth opportunities

VALUE

- Accretive to cash flow per share day one
- Slightly dilutive to earnings per share first couple years
- Unlevered IRRs in line with benchmark; long-term value accretion for TransAlta shareholders
- Integration risk is minimal
- Maintains TransAlta's strong balance sheet and stable investment grade credit ratings

Expands our position as a leading publicly traded provider of renewable energy in Canada

Renewable Capacity
In Canada
(MW)¹



Pro Forma Statistics as at June 30, 2009

	Current	Pro Forma
Total Generation (MW)	7,963	8,657
Renewables (MW)	1,206	1,900
Renewables (%)	15%	22%
Renewables under construction (MW)	201	245
Non-Renewables under construction (MW)	324	324

¹ Based on renewable generation in Canada only

² Excludes CE Gen

Combining two environmental leaders creates a great Canadian renewable energy company

TransAlta

- ~100 years of hydro operations
- A leading operator and developer of wind energy; facilities are EcoLogo certified
- Early mover in offsets, credits and emissions trading; Green Energy® Tags are GreenLeaf™ and Green-e Program certified
- World recognized leader in sustainable development for two decades:
 - Canada's Top 50 Most Responsible Companies
 - FTSE 4 Good
 - Dow Jones Sustainability Index



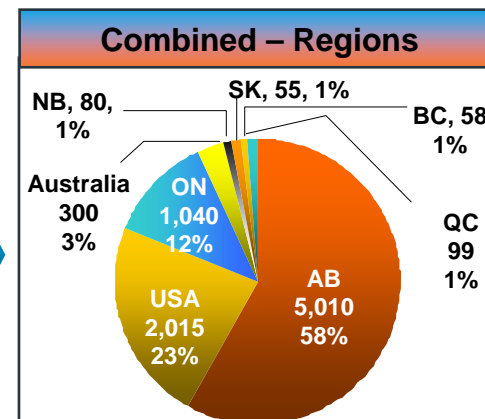
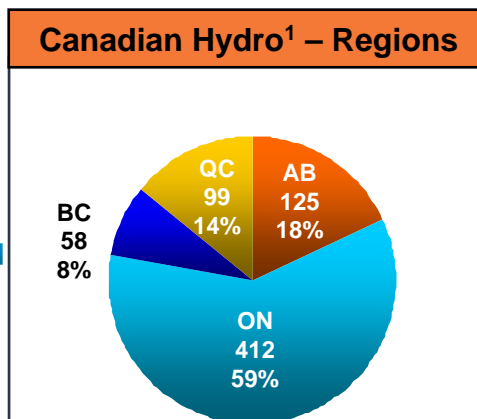
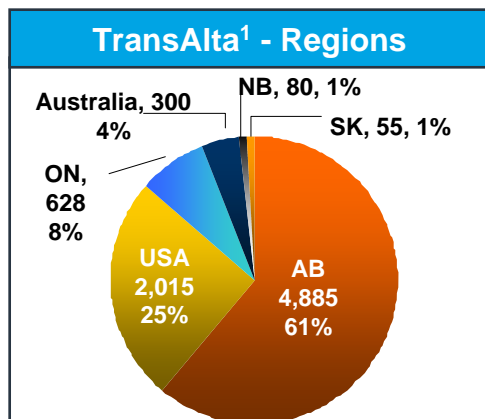
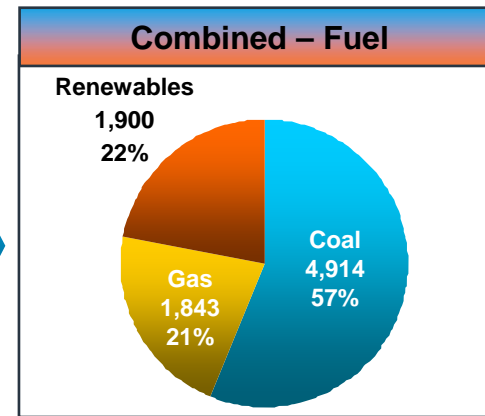
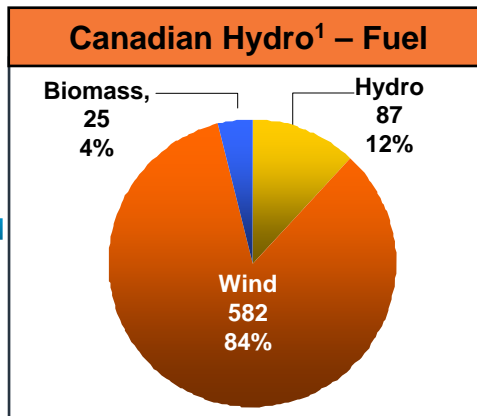
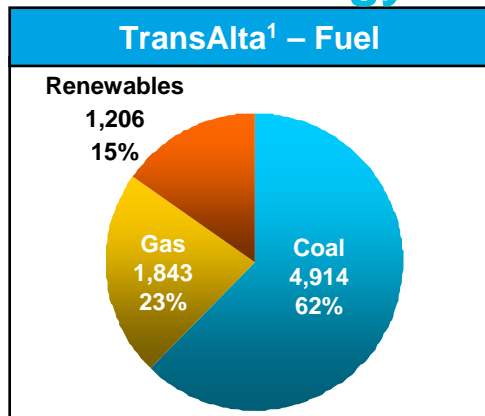
Canadian Hydro Developers

- Two decades of renewables experience
- A leading operator and developer of wind & hydro; facilities are EcoLogo certified
- Recognized for community relations and sustainability programs
 - Canada's Top 50 Most Responsible Companies
 - Building a Sustainable Future®
 - Long-term community contribution agreements

WORLD CLASS ENVIRONMENTAL LEADER



Highly diversified portfolio supports TransAlta's low to moderate risk business strategy



Total: 7,963 MW
15% Renewables

Total: 694 MW
100% Renewables

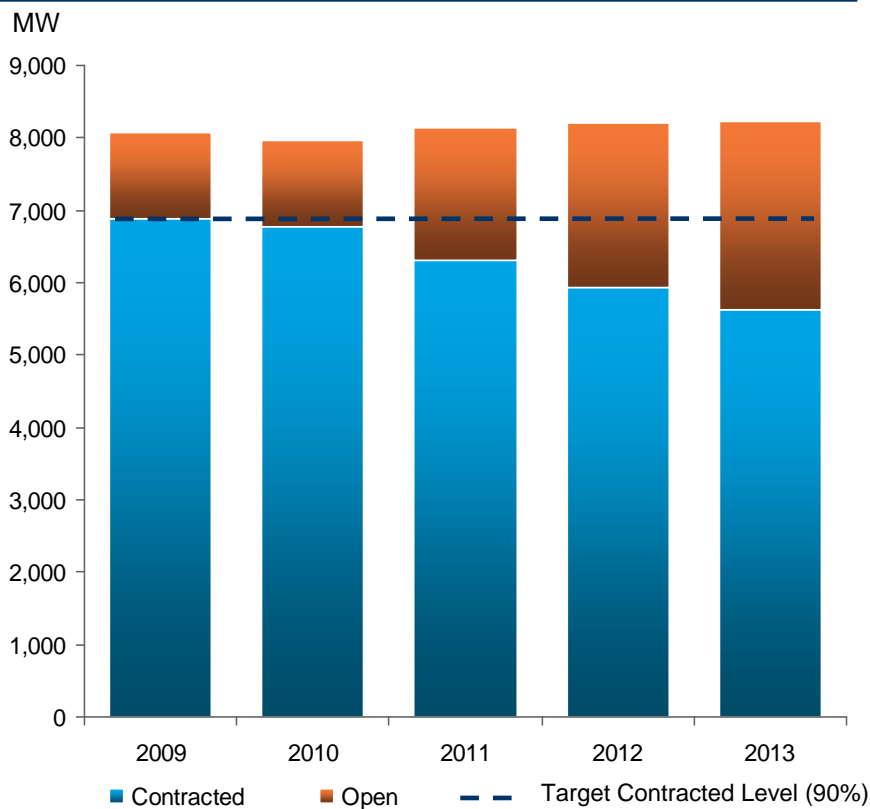
Total: 8,657 MW
22% Renewables

1. As at June 30, 2009

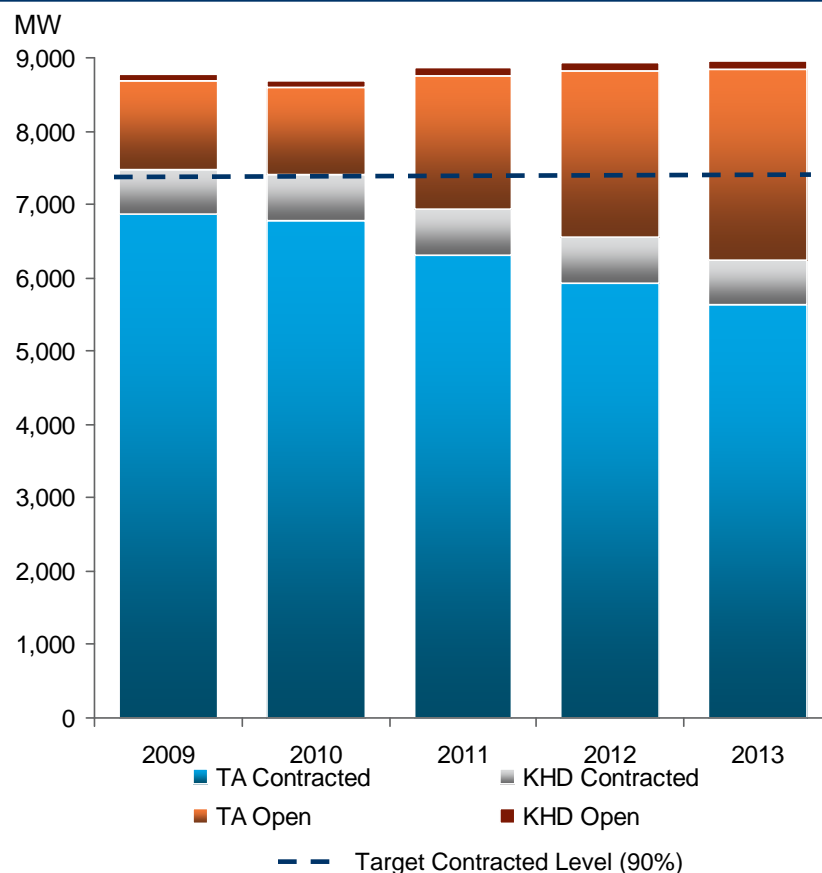
Highly contracted assets support TransAlta's low to moderate risk business strategy

- ▶ Combined, ~70% of generation is sold under long-term contracts with an average life of ~12 years
- ▶ Over 95% of contracts are with investment grade counterparties

TransAlta Pre-Acquisition



Combined Post-Acquisition⁽¹⁾



(1) Assumes Canadian Hydro Developers' contracts convert to spot at expiry; Includes Bone Creek, Clemina Creek and English Creek once COD targets reached → Canadian Hydro Developers capacity refers to net MW

Acquisition will further enhance and diversify TransAlta's development pipeline

Pro Forma Development Pipeline (MW)

	Wind		Hydro		Geothermal/ Solar		Gas		Total
	Adv.	Early Dev.	Adv.	Early Dev.	Adv.	Early Dev.	Adv.	Early Dev.	
AB		1,342	100					1,000	2,442
MB		600							600
SK	108	258							366
QC	116								116
BC			10	503					513
ON	18	34	8			20 (Solar)			80
NB	162	90							252
CA					87 (Geo)	175 (Geo)			262
TA MW:	270	1,215			87	175		1,000	2,747
KHD MW:	134	1,001	118	503		20			1,776
Total	404	2,216	118	503	87	195		1,000	4,523

As at June 30, 2009

Financing structure maintains balance sheet strength and flexibility

- Transaction will be initially financed with new committed bridge facilities fully underwritten by Royal Bank of Canada, and from TransAlta's existing credit facilities

- Long-term, financed with a combination of debt and equity
 - \$250 - \$300 million of new equity

- Financing will be done in a manner designed to preserve TransAlta's BBB/Baa2 stable ratings after giving effect to the transaction

Combination of TransAlta and Canadian Hydro Developers creates value for both sets of shareholders

- Compelling offer provides significant, immediate and certain value to Canadian Hydro Developers shareholders
 - All cash offer provides certainty of value creation
 - 30% premium over 10 day VWAP reflects compelling value
 - Eliminates financing and execution risk of future growth
 - Opportunity to gain liquidity with no brokerage fees or commissions

- Excellent fit for TransAlta
 - Accretive long-term and delivers unlevered returns in-line with IRR benchmark
 - Accelerates TransAlta's strategy for renewable growth
 - Enhances TransAlta's low to moderate risk profile
 - Strong credit metrics and ratings maintained

Appendix

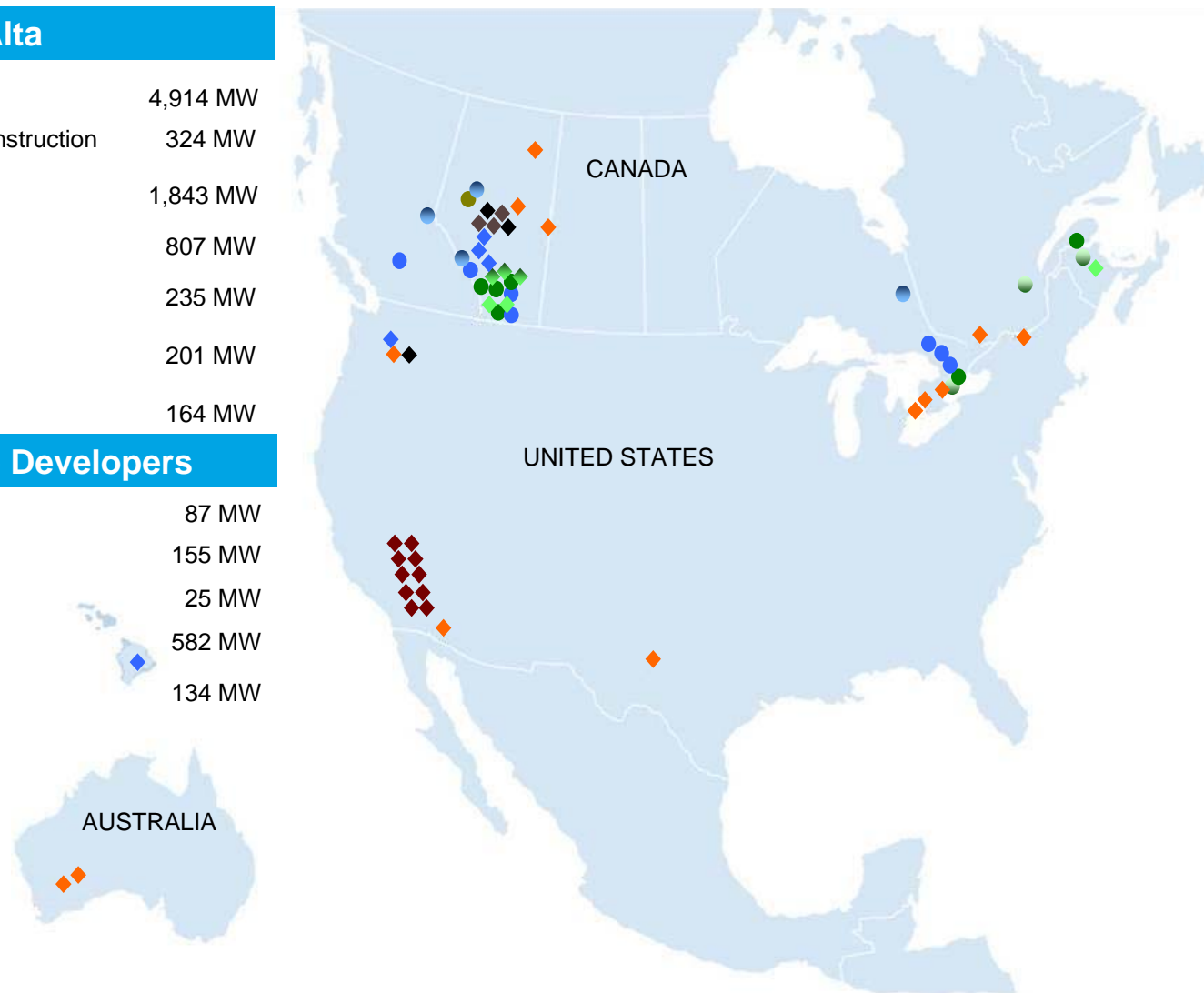
TransAlta and Canadian Hydro Developers facilities overview

TransAlta

◆ Coal-fired plants	4,914 MW
◆ Coal-fired plants under construction	324 MW
◆ Gas-fired plants	1,843 MW
◆ Hydro	807 MW
◆ Wind	235 MW
◆ Wind under construction	201 MW
◆ Geothermal	164 MW

Canadian Hydro Developers

● Hydro	87 MW
● Hydro under construction	155 MW
● Biomass	25 MW
● Wind	582 MW
● Wind under construction	134 MW



As at June 30, 2009

Canadian Hydro Developers' growth plans face challenging capital market uncertainty; TransAlta maintains good access to capital

▶ CANADIAN HYDRO DEVELOPERS

- Equity and credit markets are uncertain for small to mid size growth companies
- Liquidity constraints may cause dilution to equity holders

▶ TRANSALTA

- Given scale and balance sheet strength, TA has full access to Canadian and U.S. investment grade debt markets, and shelf filings in both

	TA	KHD
SCALE		
2010 CFO ¹	\$850 - \$950M	~\$78M
Current MWs	7,963 MW	694 MW
Under construction	525 MW	44 MW
Advanced Development MW	357 MW	252 MW
BANK MARKET²		
Bank Facility	\$2.1 B	\$0.611 B
Average term	3.0 yrs	1.6 yrs
BOND MARKET		
Primary issue market	North America Public Markets	Canadian Private
Shelf filed	\$2 B	---
Last issue	May 2009	June 2008

¹ Estimates as at June 30, 2009 Source: TransAlta - Internal; Canadian Hydro Developers – Based on analyst consensus estimate of \$0.54 / per share

² Data as at March 31, 2009

Canadian Hydro Developers operating facilities and contract terms

Province	Type	Plant	Capacity (MW)	Ownership	Power Purchaser	Estimated Long-Term Average Generation (GWh)	Contract Expiry
British Columbia	Hydro	Akolkolex	10.0	100%	BC Hydro	52.7	Apr 01, 2015
	Hydro	Pingston	45.0	50%	BC Hydro	178.0	May 07, 2023
	Hydro	Upper Mamquam	25.0	100%	BC Hydro	98.2	Jul 22, 2025
Alberta	Hydro	Belly River	3.0	100%	TransAlta	12.0	Mar 28, 2011
	Hydro	Waterton	2.8	100%	TransAlta	12.4	Nov 06, 2012
	Hydro	St. Mary	2.3	100%	TransAlta	12.6	Dec 10, 2012
	Hydro	Taylor	13.0	50%	Spot	44.2	N/A
	Wind	Cowley Ridge	21.4	100%	TransAlta/Spot	55.0	Dec 31, 2013 / Aug 2, 2014
	Wind	Cowley North	19.5	100%	Spot	47.6	N/A
	Wind	Sinnott	6.5	100%	Spot	15.4	N/A
	Wind	Taylor	3.4	100%	Spot	6.6	N/A
	Wind	Soderglen	70.5	50%	Spot	238.6	N/A
	Biomass	Grande Prairie	25.0	100%	Multiple ⁽¹⁾	162.7	Dec 31, 2024 / Apr 30, 2019 / Dec 31, 2019
Ontario	Hydro	Ragged Chute	6.6	100%	CNEC ⁽²⁾	36.1	Mar 31, 2011
	Hydro	Moose Rapids	1.3	100%	CNEC ⁽²⁾	5.7	Mar 31, 2011
	Hydro	Appleton	1.4	100%	CNEC ⁽²⁾	6.6	Mar 31, 2011
	Hydro	Galetta	1.6	100%	CNEC ⁽²⁾	7.9	Mar 31, 2011
	Hydro	Misema	3.2	100%	OPA ⁽³⁾	13.3	May 02, 2027
	Wind	Melancthon I	67.5	100%	OPA ⁽³⁾	194.8	Mar 04, 2026
	Wind	Melancthon II	132.0	100%	OPA ⁽³⁾	350.6	Nov 24, 2028
	Wind	Wolfe Island	197.8	100%	OPA ⁽³⁾	593.5	2029
Quebec	Wind	Le Nordais	99.0	100%	Hydro-Quebec	165.0	Dec 17, 2033
Total Operating Projects (Gross MW's)			757.8			2,309.5	
Total Operating Projects (Net MW's)			693.6			2,079.1	

(1) Alberta Infrastructure, Canfor & City of Grande Prairie

(2) Constellation New Energy Canada, Inc.

(3) Ontario Power Authority

Source: Canadian Hydro Developers company public materials

TransAlta and Canadian Hydro Developers' advanced development pipelines

TransAlta

Projects in Advanced Development										
LOCATION	PROJECT	CAPACITY MW	FUEL TYPE	RESOURCE & SITE CONTROL	ENVIRONMENTAL AND PERMITS		TURBINE SECURED	CAPEX RANGE \$ MM	PPA / LTC	TARGET COMMERCIAL OPERATION DATE
					Applied	Secured				
Saskatchewan	ANEDC	108	Wind	✓	✓			\$230 - \$260	PPA/LTC	2012
New Brunswick	NB - 1	54	Wind	✓	✓		In Progress	\$100 - \$155	PPA/LTC	2010/11
New Brunswick	NB - 2	54	Wind	✓	✓		In Progress	\$100 - \$155	PPA/LTC	2011
New Brunswick	NB - 3	54	Wind	✓	✓		In Progress	\$100 - \$155	PPA/LTC	2011
California	Black Rock 1-3	87*	Geothermal	✓	✓		In Progress	\$450 - \$500	PPA/LTC	2013 - 2014
TOTAL MW :		357						TOTAL COST:	\$1 B - \$1.3 B	

* TransAlta's share

Canadian Hydro Developers

Projects in Advanced Development							
LOCATION	PROJECT	CAPACITY MW	FUEL TYPE	Total Project Cost \$MM	PPA / LTC	OWNERSHIP	TARGET COMMERCIAL
Alberta	Dunvegan	100	Hydro	\$550	PPA / LTC	100%	2013
British Columbia	Serpentine	10	Hydro	\$28	PPA / LTC	100%	2010
Ontario	Royal Road	18	Wind	\$40	PPA / LTC	100%	2010
Ontario	Yellow Falls	8	Hydro	\$36	PPA / LTC	50%	2010
Quebec	New Richmond	66	Wind	\$190	PPA / LTC	100%	2012
Quebec	St Valentin	50	Wind	\$160	PPA / LTC	100%	2012
TOTAL MW :		252		\$1,004			

Source: Canadian Hydro Developers' company public materials