

**Dawn Farrell** (President and Chief Executive Officer, TransAlta Corp.) So what I would like to do today is just get us started. We are going to be talking—I'm going to be talking in my session about our overall business model, about our accomplishments in 2012, what we're thinking about as we go forward into 2013, and really getting the team set up to give you a lot more depth in the various parts of our business. I'll also talk a bit about the restructuring that we just recently did and how that really ties into our business model.

Our team is here to give you updates on operations, marketing and trading, growth and our financial plans. You're going to hear that we've made a lot of progress on our operational model, that we're re-focusing our strategies in marketing and trading, and that we're pretty excited about some of the growth opportunities that we're chasing. And I think Peter's presentation gives a great backdrop because it really underlines the enthusiasm that we have here in Canada, and I think when you see Aron Willis talk about Australia you'll see why we're enthusiastic about that market as well.

Our strategy at TransAlta is evolving, and we want to show you how that is. And we are evolving it to strengthen our competitive positioning, and that's what's behind pretty well all of the moves that we make. And we believe that fundamentally if you are a shareholder you should walk away from today with more confidence, and if you're not you'll walk away from today wanting to watch us more closely.

So Hugo Shaw, I'll just get him to stand. He's our head of Operations. He's going to provide you with an overview of our progress on all of operational initiatives. Rob Schaefer, he's our head of marketing and trading. He's going to update you on markets, customers, and

trading. Ken Stickland - he's going to give you some great insight to our partnership with MidAmerican and the market for gas-fired generation here in Canada.

Aron Willis has joined us here from our offices in Perth. He's our Country Manager and he's going to give us some additional insights on the Australian market. We haven't talked about that market for a long time, and I think when you see Aron's presentation you're going to ask him what we asked him, which was why do we have such moderate growth targets, Aron? So that's the question of the day for him because it's a very interesting presentation. And then finally, Brett, our CFO, is going to not only present our financial plan, but he's going to give you insights on the work that he does on the M&A file.

So let me get started. We ask ourselves all the time who are we? Who's TransAlta? Is our business model successful? And can we grow? And those are the questions that we use to really guide our decision making.

As you all know, TransAlta is a generator and an energy marketer. We are the investor in the infrastructure behind the infrastructure, behind the scenes of the main growth engines in places like Western Canada, Western Australia, and Western United States. In our markets, oil sands players, large industrial and commercial customers, LNG plants, mines, utilities, and buyers all need generation to be built to achieve their growth objectives, and they need contracts from our marketing and trading group to meet their diverse needs.

Our vision is to be the most competitive, low cost power infrastructure and energy market in our core markets. And today you'll see how we're formulating our strategies and our business model to make that so.

Many of our investors do still think of TransAlta as a utility, and that can be often misleading and I think it's critical for people to look at the differences. The only cost of service contract that we have in our company is a \$20 million piece of transmission that we kept from our transmission sale in 2000.

Everything else is covered with long-term contracts to customers that are building large facilities to serve the commodity markets that Peter showed you; commodity markets in Australia that are producing nickel, gold, iron ore for Asia; consumer markets. Our customers produce minivans or they run hospitals.

We do provide power to utilities, and our utility customers include people like Puget, Portland General, and ENMAX, and we also provide power more directly now to the commercial and industrial markets in Alberta where we have customers now like 7-Eleven, Suncor, and Enbridge.

We do serve the buyers in Alberta that came out of the deregulation with power out of our heritage coal assets and our heritage hydro assets, but as we've evolved over the past several years we've worked harder to get much closer to the direct customers in that market as well.

Now several years ago our value proposition was focused on generation and wholesale energy marketing, and we mostly focused on selling our merchant megawatts into the spot and the term markets. Three years ago we changed our direction on this and decided to really focus on customers, particularly large scale commercial and industrial customers and utilities. And today you're going to see what the success has been from that team on that track because we've done some tremendous work to attract new customers to TransAlta, and we see

that as a real core part of our strategic positioning as we go forward in the future, and particularly as we land the company past the 2021 time frame when the PPAs roll off.

This next slide here many of you have seen a number of times, we're 75 plants, we're in three countries, and we have an energy marketing and trading group in Calgary. The next slide, what it does is it really talks about the detail of the work that we've done with customers.

If you think about our organization, whether we're a trader executing a long-term hedge, a marketer who is finalizing a contract with a customer or a developer who's signing a long-term agreement with a utility or a large industrial customer on a cogen facility, what we're focused on is finding solid customers so that we can meet their needs by producing low-cost power from our assets or from our purchases from the market.

This focus on customers is core to our growth strategy, and it's central to how we think about the stability of our cash flows and our financial strategy. Now we do sell megawatts into the spot market, but the positioning that our team—where we're taking the company and the positioning of the current management team is to do that as a last resort; to not see that as a central focus, but to do that as a last resort. We would rather find a way to build our relationships with direct customers on longer-term contracts than just simply sell our energy into the spot market.

Now as we were preparing for today we were thinking a lot about what our current business model is, where it's come from, what's working in it, what we're improving, and what we want to improve even further as we go forward. So I would like to first of all take you through how we see our business model, and this chart here is a nice picture of what I think it looks like.

So first of all, you all understand that our base business includes 9,000 megawatts of assets that produce in three different locations. You know that our gross margin breakdown is about—comes from about 50 percent of our coal assets, 25 percent gas, and 25 percent renewables, and you all know that we've reduced our reliance on coal over the past five years, taking it from more like 65 percent down to 50 percent.

On average over a five-year period if you look out, we have about 65 percent of our portfolio covered with long-term contracts or power purchase arrangements, and then as our Puget contract kicks in, that number increases to about 70 percent. These contracts provide a stable source of cash flow to support our dividend and our balance sheet and our growth, and our merchant megawatts are either sold to customers in one to five-year contracts or sold into the spot markets as a last resort in Alberta or the Pacific Northwest.

Our hedging strategy has us protecting revenues from these megawatts in the near years. We do try to enter, although on average over five years we're about 65 moving to be 70 percent hedged as we enter into the year, so as we're going into 2013, for example, we try to be about 85 to 90 percent hedged as we're going into the year. So that we're very secure about the revenues we've got and we're clear about the kind of investments that we can make either in terms of re-investing in the fleet or growing the assets as we go into the budget year.

We have changed our long-term hedging targets from a year ago, what we talked to you about a year ago, and Rob Schaefer in his section will be outlining that.

Now the key focus for our operations group is to achieve low costs and operational excellence, and this ensures that over time that they can deliver the best value for customers in the markets that we're serving, and that we can always secure our share of the market. We

never want to see a situation where we have megawatts shut in. We want our megawatts to be sold into the marketplace.

So let me turn to the energy and marketing trading part of our business model. This group works with customers, and they determine prices for short and medium-term contracts. Most of these contracts are backed by our assets where we have merchant assets, and they are backed as well by purchases from the market.

We also have a generator services group inside our marketing function that makes decisions on when to economically dispatch our Centralia plant, when to dispatch our hydro assets, and they also look at how to dispatch our megawatts out of our Poplar Creek plant in Alberta, as well as anywhere where we have additional megawatts in our uprights and our coal plants.

This group also contains a proprietary trading group, and their objective is to earn in the 40 million to \$60 million in gross margin, and one of their key functions is to provide insight to the growth group about where they see opportunities for new growth opportunities where TransAlta could have a competitive advantage.

Our growth team is made up of four distinct groups. We have accountability for Canadian growth with Ken Stickland, who's in charge of executing the MidAmerican partnership on gas-fired assets here in Canada, and he also supervises the team that looks for new wind opportunities in Canada. When you hear Ken talk about the work that he did to bring home the MidAmerican partnership, when you see his enthusiasm for the work that the two teams are going to do together, I think you'll see why we have him in charge of that.

Our General Manager for Australia, Aron Willis, is the second part of our growth group. He's in charge of bringing forth growth opportunities from Western Australia.

Our President of our US Operations, Paul Taylor, who couldn't be with us today, brings forward opportunities in US markets, which today are mostly acquisitions. So when Brett talks about what he and Paul are working together on the M&A front, I think you'll get a flavour for what we're seeing there. And then finally, Brett has a small M&A group that works across all our markets, and they look at asset acquisitions, as well as company acquisitions.

Now when you look at our model, our competitive advantage lies in our ability to connect the dots between the operational excellence that the operators have with the marketing and knowledge and price knowledge that trading and marketing has and the customer knowledge, so that they—as they bring together those two bowers of information, can look for where the best opportunities for TransAlta to build or buy new power generation assets.

The financial part of the model is we then take the excess cash flow from our existing operations, we combine it with cash from our DRIP, with equity that we can raise, from cash that our partners will bring, and we invest that money into those new growth opportunities. So this is really how we see ourselves.

Growing shareholder value, as you know, is about getting the most that we can out of existing operation, but also more importantly about taking all of these different attributes, combining them together, and finding growth opportunities that give us good returns and then allow us to grow the company.

We believe that we have to be the most competitive, the lowest cost, the most reliable, the safest, the most environmentally sound company in the markets that we serve for our customers to have confidence in us to do 5, 10, 15, and 20-year contracts with us. If we're not successful at providing low cost power, our customers cannot be successful at providing low cost energy, whether that be oil, natural gas, nickel, iron ore, or gold.

Three weeks ago we announced changes to our structure, and as a result we eliminated a number of positions. This model guided our thinking.

Our changes were to make us more competitive for sure. We're always looking for ways to ensure that we only spend what we need to spend to deliver the business that we want to deliver. But most importantly, what we wanted to do was ensure that each of the business leaders, whether it's Hugo in operations or our growth team or it's Rob in marketing and trading, we wanted to make sure they had the resources in their control to deliver their piece of the business with expertise, while at the same time living inside a model where we know if we collaborate well between the pieces, we will deliver a more competitive business, given the external environment. And so that really was why we announced a number of people leaving the Company, and why we really re-aligned our resources to this business model.

So now that you've got that as the context, let me talk about—I want to talk about—before I start to talk about 2012, I want to talk about what we think is working inside our model, what we're improving, and what we're still thinking about. Because I don't think—business models come from somewhere and they're always going somewhere, and you saw this morning from Peter's comments that there's lots of issues to consider in the external market as we go forward with our business.

We are pleased with a lot of what's working in our model. A lot of it was put in place starting a couple of years ago when we really began to build our operational focus and our operational excellence. We believe we have a great handle on the heritage coal and hydro assets in Alberta, and we've got, we think, some of the premier renewables assets in Canada. The diversity that we get out of having 2,000 megawatts, 1,000 of wind and 1,000 of hydro makes a huge difference to our value proposition.

Our focus on customers in Alberta in the past three years has given us much better insight as to what customers are looking for and what we can sell to them, and it's giving us a better insight as to how we develop a project like Sun 7. But as you know, in business you can't make money by simply being pleased. You have to always be thinking about what to improve.

So what we've been improving throughout 2010, '11, and '12 is a number of aspects of this business model. The Alberta PPAs are slowly getting shorter. We have a team focused with customers on how to potentially lengthen these PPAs and get a better match between cash and earnings in the short term.

We also think that the volatility and commodity prices in Alberta is too large for the size of our company, so we've changed our hedge targets, which has been an improvement we think from where we were a year ago.

The cost of new generation is way, way higher than it's ever been historically, and we believe that the significant value for shareholders is in growing our greenfield fleet. We also know that the drag on earnings while we're in construction can be significant, so we've improved our ability to compete in larger projects and in more projects in Canada by in fact

bringing on MidAmerican as a partner. And they're a partner that we trust and have a long-term working relationship with.

As I've talked about earlier, we see significant value with having direct relationships with customers, so we continue to push very hard on growing more customer relationships and really seeing the spot market as our market of last resort.

We also believe that focusing on funds from operations or cash versus quarter-by-quarter earnings for our company will create a much greater and much stronger set of decisions. So we've changed our incentive systems internally, and we have everybody in our company focused on cash.

Finally, we don't like the volatility that has occurred in the proprietary trading business, so we've executed a number of changes to return the business back to its historical performance, which Rob will talk about.

Now you also know that being pleased and improving isn't enough in the world we live in because the world's changing faster than all of us can imagine. I think my favourite, and I probably said this last year, my favourite saying is, we tend to overestimate the change that happens in two years, and underestimate the change that happens in 10. And my view is in our business, which is a long-cycle business, if you see it—if you know a change is coming in ten you have to be actually acting today.

So on that front, the proprietary trading world has changed significantly as we've moved through the financial crisis. The scrutiny of trading strategies by regulators is much higher. Costs are rising as compliance standards are increasing and we have to watch carefully, as always, that hasn't changed much for tail events. So while we haven't made any decisions

yet, we need to assess the size of our proprietary trading shop and its focus, and really think about whether or not there are any changes we want to make there.

We also believe that the Alberta market will need to transition away from the PPAs to a market that generates long-term contracts. The PPAs allowed us and others to add generation over the past 10 years, and as they roll off, we'll need a market where we can secure long-term bilateral contracts prior to building new generation, so that's something that we have to incorporate into our thinking as we go forward.

We're also assessing how to create a currency for our renewables because we believe that we're at a bit of competitive disadvantage here with our competitors. We see competitors paying 11 to 12 times EBITDA for secure renewables cash flows, yet our shareholders don't recognize this same value in our stock for our renewables. So we have some work to do here to compete, and Brett is thinking about how to do that.

And then finally, we believe that if we are going to compete in the Western United States, we have to, we've talked about this before, get a much greater critical mass of business there. The US West is becoming all about renewables, so we have quite a bit of work there to do not only on getting the right currency to do that, but to be able to figure out how to get a sizeable enough market share to be a player there that can stay profitable over the long term.

So let me turn to 2012. How did we do and how are we ranking ourselves? It was an active year, and we do believe we've accomplished most of what we set out to do. We finished the three-year major re-investment program in our coal fleet, and next year we'll return to a more historical level of sustaining capital. This program was designed to ensure low costs over the long term for our coal fleet, so we believe we've accomplished that. We did contract

Centralia and we did lower the cost structure there. And of course, we believe that now sets that plant up to be available as prices rise in that market, which is a huge source of value for us and our shareholders.

We won two major force majeure claims, Sundance A and Sun 3, which clearly validated our operating practices and the operational excellence that the company strives for day-in and day-out. It is important to our customers that we run a safe, reliable, and low-cost operation, so winning these claims was very important to our customer strategy. Rebuilding Sundance A wasn't exactly in our plans, but when you combine this requirement with the revised greenhouse gas legislation, we now have an investment that gives our investors a good return. And more importantly, it gives our customers in Alberta another source of supply for that market.

2012 is also about revised greenhouse gas rules, which gave customers in Alberta, on average, three-and-a-half more years of low-cost heritage coal assets, and we believe that over time will add somewhere between 2 to \$3 in the value of our stock.

On the growth side, we bought Solomon and finished New Richmond. We further strengthened our competitive positioning by re-aligning our staff to operations, growth, and marketing. And this is important to the focus that we need to be able to grow in the future.

On the financial side, because we had a high capital year in our coal fleet and because we've added large assets like Keephills 3 over the last couple of years without adding any additional equity, we had to raise equity. We did a preferred share offering and we used the proceeds of our DRIP to finance Solomon and New Richmond. And Brett will go into more detail in his part of the presentation on that.

So at the beginning of my discussion I asked is our model successful and will it grow value for shareholders? And I have to say that as we were doing all of this work and at the same time watching the value of our company drop by almost 20 percent over the year, we had to keep asking ourselves have we done enough? Is there more we can do? And is our model sound? And is it sound enough to really grow value for our shareholders?

Now I do believe that fundamentally 2012, and you'll see this as you go through presentations today, was mostly a lot about recovering from a huge gap in EBITDA from falling prices in our Centralia plant and from the hedges rolling off there. And I think you'll see by the end of our presentation today that the team at TransAlta has mostly closed that gap and has now positioned the company to be ready to go on the upside. And I think when you see some of the charts that Brett has to show on the growth that we've actually put on the books in the past several years, it'll give you the confidence that you need to see that this team can deliver what it says that it's going to deliver. And I think overall what you'll see is that this team is committed to the 8 to 10 percent growth in TSR, and we have the company position to be able to do that.

So the work that we did in 2012 filled the gap left by Centralia, and it's positioned us to take advantage of the future and it's positioned us to take advantage of all that we see on the growth sides of the market.

As we leave 2012, we believe the company is positioned to add value in 2013 and 2014, and we believe that you'll be pleased with the results as we go forward.

Now we have many plans for 2013. We don't expect you to read all of the plans on this chart. This is really what we ourselves have set for ourselves internally in our operation, but

2013 is really about delivering growth in megawatts and customers; achieving our goals in operations and trading; delivering Sun A and New Richmond enrichment; finishing building out our shared services model; and positioning ourselves to achieve our financial goals.

Most of these goals are more important to us than they are to you, but I can assure you that these goals tie to the business model that I talked about earlier, and that as we accomplish these goals you'll find that the company will strengthen, and in fact and indeed become more competitive.

Now we believe in order to run a solid business you have to be looking at both risks and opportunities. There are always risks to the plan, and we keep them front and centre of the management team as we go so that we can adjust if we need to.

Commodity prices are both a risk and an opportunity. A \$5 change in price will add or subtract \$30 million of gross margin. We believe our cost structure is now stronger after the restructuring, and that it will modestly improve over time as we put in place our plans to strengthen it.

On Sundance A, the costs were estimated 12 months ago, and we are mindful that the Alberta market is tough to build in due to inflationary and labour pressures. That said, our team is not only focused on delivering Sun A and to re-build Sun A at \$190 million, they are incented to do that. So I think we'll see some good success there.

On the coal plants, the greenhouse gas legislation has to be converted to provincial law. We don't see a big risk there. We just think that's simply about time, and we want to make sure that it gets done the way that it was envisioned in the federal regulations.

The opportunities, of course, are about gas prices. I hope Peter is right and I hope that \$5 is next year, not five years from now, but it's about gas prices leading to higher power prices. It's about growth, and it's about re-aligning and making sure that our trading and marketing shops are really giving us the information we need to grow.

And of course, as you know, the biggest opportunity if you're a shareholder in TransAlta is the cash that comes in the post-PPA period.

This final chart shows you that if we add one medium-sized client, so if we buy or build one Solomon power station every year between now and 2019, we'll achieve the 8 to 10 percent growth in shareholder value. You'll see when you watch our team talk about the various markets where we have growth that although that sounds like a tall order, the reality is the opportunities are there for us.

So I'd like to end my comments before turning it over to Hugo to outline some of the questions you've been asking us, and make sure that as we go through our presentations that we hit on the answers, and if we don't we'll come back through the Q&A and have you ask them again.

But over the past 11 months, Brett and Jess and I have met with many of you, and have tried to really understand your key questions about us. They include, what are the prospects for pricing in the Alberta market, both in the short and the long term? Why are we in Australia? Why did we choose to partner with MidAmerican on gas-fired generation here in Canada versus going it alone or going project by project? And in particular, why did we invite them into the Alberta market with our investment in Sundance 7?

What is behind our strategy with the DRIP? And why are we choosing to partner to grow the company rather than change our dividend policy? What will we see for growth? And how are we going to finance growth going forward? And how long are we going to have the DRIP going?

There are many more questions, but I think those are the most important ones that you've been asking us.

So I'm now going to turn the mic over to Hugo, who's going to give you an update on operations.

**Hugo Shaw** (Executive Vice President, Operations, TransAlta Corp.): Thanks, Dawn. Before I get going, I guess I as the ops guy from Calgary, I have to say congratulations that the Toronto Argonauts won the Grey Cup. Now there are some economists in Calgary who told me that was a tail event, but I just think Toronto played a lot better game than Calgary, and I thought there might be a few Argonaut fans in the room today.

So what I want to talk about today with you is that last year I spoke about the investments we were making to improve the performance in our plants, and I'm going to update you on the progress and the accomplishments in 2012. I also want to provide you with more information about how we're driving operational excellence across our fleet and in construction. Dawn mentioned Sun A and New Richmond, so and in construction and how operational excellence is really driving us to consistent top quartile results.

You heard Dawn talk about operational excellence in our business model. I want to talk to you about the operating model that we're actually putting in place. Implementing an

operating model and 100 percent adherence to the standards and the processes in the model, that's what leads to operational excellence.

Here are the key components of our operating model. I'm not going to go through them all with you, but if you look at that model you can see that it includes safety and engineering practices. It includes how we manage change in our processes. It includes how we plan and execute maintenance work. It also includes how we sit down with our employees and we define with them their roles and accountabilities, and how we actually do technical training across our fleet.

I have a much more complicated drawing than this up on my whiteboard when you walk into my office, and it shows like all these different interconnections and there's a lot more loops in it. But I have it up there so that every day when I walk in I can see, okay, this is what's driving operational excellence, and when people come in to visit me and when staff comes in to visit me and suppliers come in to visit me, I can point to on the whiteboard and say this is how we're driving operational excellence.

Now for each component of the model we've defined and we've documented the policies, the standards, the processes, the systems, the tasks, and the training that we have to follow in operations, and how the performance against each of those is measured. How we communicate that with our staff. And then finally, how it's audited.

We've done a lot of work over the last three years. Dawn mentioned the resetting of our boilers and the resetting of our operations. We've done a lot of building out this model, and it's that kind of rigour where you can actually define your model and you have the tasks specifically assigned. That's what gets you top quartile results.

So what I'd like to share with you now on this next slide is just in operations the results in 2012, and I looked at this as really my report card. You'll see in the first one, our fleet-wide target for availability was between 89 and 90 percent, and we've achieved just over 90 percent year to date, and I expect that we're going to exceed our target because we're through all our major maintenance work.

Our target in OM&A was to offset inflation, and we've more than exceeded that by actually driving down our OM&A expenditures by 5.5 percent this year. I also said last year we'd lower our major maintenance costs and complete all our outages on schedule and not reduce scope.

We were successful in achieving that in Keephills 1, Keephills 2, and Sun 5, and I think—I've heard some of you actually track where our units are running. Sun 5 is spinning up right now as we speak as it just came out of its outage, and I actually checked it before I came up here to make sure it was.

We also were very successful, and I'll talk about it later, in all the major maintenance work that we did at our gas operations. Now our Sundance 3 outage, it was extended by 11 days. After that outage we did a detailed lessons learned.

We actually brought in a third party to review that outage with us, and we put corrective actions in place to ensure that when we moved into Sun 5, our last outage, we would be successful in that outage, and it paid off.

We always talk about safety and our focus on safety, and our target last year was to exceed 1.0 or to be less than 1.0 IFR, and we've actually achieved that. Our employee-only IFR is actually less than 0.5, and that's actually approaching world class, and both Ken and Aron often

tell me that when they go out and talk to customers about building new plants that customers really key off that. They want to see that we're world class on safety.

Now what I want to do is provide you just a bit of an overview of each of our fleets. So this slide here really describes our coal maintenance strategy, but there's instead of—I'm not going to go through and talk about everything on this slide, but I want to point to two things about what really is making us successful, and the first is and I've said it already, it was implementing our operating model, and requiring 100 percent adherence to all the standards and the processes in that model. Now that, some people will say, well, that kind of sounds pretty bureaucratic and is stifling creativity. My view, it actually creates top quartile results.

I want you to think about when you fly on Air Canada or WestJet, their maintenance staff and their pilots follow a strict operating model, and they must adhere to all their standards and processes. It's actually written into law. I like seeing them follow that checklist every morning. I don't see that as being bureaucratic or stifling creativity when I hop on the airplane. That's the kind of discipline that I'm building into our plants at TransAlta. There's a place for creativity, but it's not when you're doing major maintenance work on a power turbine or on a generator.

The second factor for a successful maintenance program and to complete all your work on time and on budget, and I said this last year, it was planning, planning, and planning. And that is always going to be a key part of our operating model.

Now here are a few pictures of the major maintenance work that we did this year in 2012. In both Keephills 1 and Keephills 2, we completed major generator and turbine work and operated both units. We also completed major repairs in both boilers, which required over

12,000 different pieces of work, and this is actually welding seals and overlays onto the boiler tubes, cutting out sections of boiler tubes, and replacing boiler tubes.

In Sundance 3 and 5, we also completed extensive inspections of our boilers, and completed over 6,000 pieces of work in each of those units. The Sundance 3 outage also included replacing the low pressure steam turbine rotor. We installed a new station transformer, and we did partial replacements of the boiler water walls and the economizer. Now that was a very large outage, and we actually expended over 500,000 labour hours in that outage.

The Sundance 5 outage, it can be considered your more, I don't want to say meat and potatoes, but it's your more standard outage. We did install new standard generator links, which was different than a regular outage, but that outage was completed with about 250,000 labour hours.

So all this work we've done over the last three years, it's really set us up to have low forced outage rate and high availability and production. I really like looking at these two charts. In the top chart you can see how the number of boiler tube leaks in the Canadian coal fleet has come down the last four years.

Currently this year, we've only had 20 boiler tube leaks at Keephills and Sundance, which is about half of what we were forecasting. The biggest reason for this improvement is getting our boilers back on to a 24 to 30-month interval around the outages, and getting the right work done in the boilers.

The bottom chart, it illustrates how our availability compares to the NERC average for a large coal plant. You can see in 2008, when we had over 65 tube leaks how our availability

dropped, but availability is also linked to the number of major maintenance outages you plan each year. So you can see over the last three years that our availability was down. It was skirting around the average for NERC. This is because we were doing the major reset in those boilers.

You can see in 2013 how our availability actually jumps up, as in our Canadian coal fleet we'll be just doing two major outages next year, but overall the key message that I want to share with you that our goal is to minimize unplanned outages and increase availability by doing the right scope of work at the right time in planned outages.

So I just, and as Dawn mentioned about the greenhouse gas regulations, I just wanted to mention that in our coal fleet, the new regulations give us about an extra 45 years in total of generation, and give us the capability of producing an additional 89,000 gigawatt hours of energy. That adds a significant value to our fleet, and Brett in his comments is going to be talking more about that.

You can see in this chart the additional years for each of our individual units. Some of them actually have no additional years with the new regs. Others have up to five years with the new regs. We've actually gone in and updated our long-term technical plan to reflect this life extension, and no additional major overhauls are required. We can achieve the extended life by adding one or two boiler outages, standard boiler outages, at the end of life of these units.

So switching gears now to the gas fleet. You can see we have almost 2,500 megawatts of gas-fired generation in our fleet, and we operate primarily GE LM6000 units or Alstom 11N2s. This really enables us to optimize training, minimize our spare parts inventory, and utilize more of our internal staff in our major maintenance outages.

Again, our operating focus is on optimizing our routine and major maintenance work. Our strategy to do this is very similar as we're doing in the coal fleet. I'll probably bore you, but it's again, it's about driving our operating model and ensuring 100 percent adherence to our standards and our processes.

In our gas fleet, we also have the opportunity to optimize our outage schedule based on inspections that we can do and conditional analysis of our equipment, and looking at the number of hours that our units have been dispatched.

Major maintenance work in our gas fleet usually is divided between shorter minor outages that we do that take us three to four days to complete and major overhauls, which take 25 to 32 days. Over the last two years, our gas team has been making excellent progress in reducing the number of outage days required to complete our major overhauls.

In 2012, our major overhaul at Poplar Creek was completed in eight days ahead of schedule, so they shrunk the duration by eight days. And they were a very proud bunch of guys when they walked in because our Poplar guys compete with our Sarnia guys, and Brett being an avid golfer actually kind of tells them what their handicaps are and created a lot of competition between the two teams.

The pictures across the bottom, I put them in there just to give you some idea of just the amount of work that goes into these major maintenance outages, so if you go across the bottom you can see, and this was actually up in Poplar Creek, pulling out an 11N2 gas turbine. You can see they have to disassemble it, removing the rotor, and then replacing the turbine blades, so it's a lot of work and when I talk about planning, you've got to have this work

planned, planned, planned or else your days will get extended and your costs are going to blow out on you.

Availability in our gas fleet, and this slide is very similar to last year, it's well above the industry benchmarks. We're averaging more than 95 percent compared to 88 percent in the industry. Our track record in achieving this high availability year over year, it's another key measure that our customers look towards, and this is the kind of work that I'm doing that's supporting the kind of work that Ken and Aron are doing in business development.

Now let me switch gears and talk a little bit about hydro, and we operate 28 hydro facilities with a total generating output of 916 megawatts. These units range in size from as small as 1 megawatt to our larger units that are 355 megawatts. They range in age from 100 years old to our newest is two years old. Primarily they're located in Alberta and BC. We have a couple small units here in Ontario.

In the hydro fleet, we maximize value by how we manage water supply and how we maintain our equipment. We're doing both of those very well. Our hydro plants have high reliability. When we turn them on, they run, and we manage our water on a 7/24-hour basis.

Last year I reported we are planning to invest 350 million to refurbish and life extend about 760 megawatts of our fleet. This typically will involve installing new turbine runners, which you see on the left of this slide, re-winding generators, and replacing plant control systems. The value is significant, as this investment will set us up to run these units for another 40 to 50 years, and we'll also see benefits through production efficiencies that we can gain, and also stable maintenance costs after we do this life extension.

In 2012, we initiated our life extension program by completing the replacement of the Pocatererra Penstock, which is a two-kilometre penstock, 11 feet in diameter, and running from Kananaskis Lake down to our powerhouse. The project was completed on time and on budget, and just last week we returned the Pocatererra plant back into service.

We also started detailed engineering design work for life extension of our spray plant, and condition assessments of our Brazeau and Bighorn plants. Those are our two largest plants in the fleet. Through 2013 and 2016, we're going to be completing our detailed engineering work and actually doing the refurbishments of those three plants.

Now wind. So our wind fleet continues to operate very well. We now have 16 wind farms with a total capacity of just over 1,100 megawatts in Alberta, Ontario, Quebec, and New Brunswick.

Availability in the wind fleet is over 96 percent compared to an industry average of 93 percent. Our two largest wind farms are here in Ontario, one in Wolfe Island by Kingston, the other one Malanchton. Those two are actually close to best in class in terms of turbine up time as reported to us by the OEMs.

Our maintenance strategy in the wind fleet, it's similar to our other fuel types; it's similar to coal and gas, but what we really have to focus on is that we plan and we complete all our preventative maintenance in the low wind season. When the wind starts to blow at this time of year, that's when we need these units up and running, not doing maintenance work.

We also use trend analysis and predicted failure analysis that the TransAlta ODC or our Operation Diagnostic Centre puts together for us. And that kind of work actually helps us

minimize up-tower equipment failures because the last thing you want to do is have a gear box fail on you, and you have to go up-tower to do the work on it.

The other thing that we do inside our wind fleet is that we do monitor our equipment condition, and we're able to dispatch crews across the country from our central wind control centre that's located in Pincher Creek.

Now let me turn and give you a short update on both Sun A and also our New Richmond projects. So Sun A, and you can see we've got it highlighted there in red at the far right of our Sundance plant, with Sun A, the project at Sun A consists of rebuilding the boiler walls of both units 1 and 2 inside of Sun A. It's completing a major maintenance outage on unit 2, and then it's returning all the balance of the plant components back into service.

This'll require an estimate of 1.4 million labour hours, and as Dawn mentioned, our cost estimate is \$190 million. To manage the project and the costs, we've contracted the boiler rebuild to Alston, the original OEM, and they've brought in a very experienced team from United States. The senior construction manager on that team has actually completed 14 similar projects of this nature.

Seventy percent of the boiler rebuild costs are fixed, and we have put in place incentives and penalties in the contracts for the balance of work that's tied to meeting our schedule, and is also tied to the labour hour targets that we've put into these contracts. We also have placed incentives to attract and retain craft labour, and I've personally talked to the union executives, the boiler maker executives, how we can quickly bring in temporary foreign workers if we do not have access to labour in Alberta or from across Canada, we can quickly move and bring in temporary foreign workers.

Our New Richmond project in the Gaspé of Quebec is tracking well—is now tracking well. We plan to be in service by Q1 of next year. Construction productivity has been a challenge throughout this project, but we've been working directly with the OEM and their construction company. And over the last three months we've seen a real improvement in safety, in their scheduling, and sequencing of work. I actually have an update to this slide that as of Monday, we now have all 33 of the 33 towers are now complete, 16 of the turbines are now installed, and 11 of the turbines are through commissioning.

Now here's a summary of our overall sustaining capital expenditures for the next three years from '13 to '15 compared to 2012. You can see our high expenditures and sustaining capital in 2012 was driven by our major maintenance work, and this was primarily in our coal fleet.

In 2013, this declines. And then you can see that major maintenance capital stabilizes around the \$220 million mark per year. Capital for routine maintenance and mine operations remains flat from 2013 to 2015. We've, like we did last year when I showed you this chart, we've included our hydro life extension work and our productivity capital in the other category. Overall, our average sustaining capital is going to be running at \$350 million per year from '13 to '15.

This slide here is just a very short slide, but I just wanted to show you the capital that we will be planning to spend to complete Sun A, complete Sundance units 1 and 2, and complete the New Richmond project in 2013. And you can see that we're expecting that that's going to range between the 150 million and the \$180 million mark.

So to wrap up, operations—our operating track record is strong. To drive shareholder value we've put in place our operating model that's resulting in operational excellence. As I mentioned before, we have a world-class safety record.

Our coal plant availability is above the NERC average, and we've reduced our maintenance costs and are moving towards first-class—first quartile performance in our coal fleet. Our gas and wind fleets continue to operate in the industry first quartile, and our hydro refurbishment will add long-term value to our fleet.

So those are my comments. Thank you very much, and I'd like to call on Rob Schaefer, who's going to be talking to us about trading and energy marketing. Thank you.

**Rob Schaefer** (Executive Vice President, Corporate Development, TransAlta Corp.):  
Thanks, Hugo. Good morning, everybody. My name's Rob Schaefer, and I lead our trading and marketing business.

So today I'd like to cover four topics. I'll start with our operating model, much like Hugo did. Then I'll turn on to an update of the Alberta market, as well as the Pacific Northwest market. I'll cover our marketing strategies, given their importance to our future strategy in growth and revenue stability, and then finally I'll discuss the changes that I'm making in the energy trading business.

So, turning to the operating model ... when most people think about trading at TransAlta they think about propriety trading. In fact, there's quite a bit more to the energy marketing and trading business. And as you can see here, there are really three areas that we focus on.

First of all, starting at the right, we have our generating services, and that's about bidding our assets into the market, economic dispatch, making sure that we're scheduling our power correctly, hedging the assets, that sort of thing. It's really all about dealing with Hugo's and Paul's megawatts.

Secondly, we have our marketing and sales function, and that's about providing revenue certainty for TransAlta and supporting growth. And of course, our trade floor is important to that part of the business because it helps the customer—the sales people structure deals for our customers

And then finally, of course, there is our proprietary trading operation, which is about adding some additional gross margin to TransAlta.

So you can see how all of this relates to operations. It also supports Ken's team because you can see the market intelligence that we bring through our customer activities and our trading floor really helps Ken and his team stay ahead of the competition.

Success in this business is really based on four key inputs: first of all, having sharp, creative, intelligent people; having the best systems, both to capture our market intelligence, but also to run an efficient business; having strong risk controls; and having a compliance function that ensures that we are aware of the regulatory trends and we're on top of them. And by the way, I did want to add we're very focused with the requirements between our trade floor and our operations to make sure we stick to the compliance program.

In terms of where we're active trading and marketing, it's pretty clear we need to be in the markets where our assets are and we are, but we're also in neighbouring markets, as you

can see here. And there are really two reasons for that. First of all, it gives us choice in how we market our output. Secondly, it helps us understand power and gas flows across markets.

And so an example of this would be in the California market we actively move power between the Pacific Northwest and California to understand the dynamics there. And then finally, by being in multiple markets it helps us understand the broader fundamental trends; we see different market structures, we see regulatory trends as well.

And Peter alluded to some of the broader fundamentals like we see in the Eastern markets. When we see fuel switching we can really understand better what's happening with natural gas.

In terms of our 2013 focus, there are three core areas we're trying to drive. First of all, it's repositioning our trading, energy trading back to basics, and I'll come back to that. Secondly, it's ensuring stability in our revenue, and there are three elements to that. We've raised our hedge targets to that 80 percent plus range in the longer term and 90 percent plus in the prompt year. And I'll show you some of that more.

We're doing that by driving longer-term contracts, both in Alberta and the Pacific Northwest, and that's to protect the revenue in our fleet, but also to support what Ken's doing with Sundance 7 and other projects. And of course, in all of this we're growing our customer business.

Third, I mentioned the importance of risk and compliance, so a focus every year is making sure we're on top of the trends there.

So I'll turn now to my market update and I'll start with Alberta. Now we get a lot of questions about how to look at the future for Alberta prices, and so there's a couple points I'd

like to make here. And the first one is, and this chart really shows it, the Alberta power market has quite a weak relationship with natural gas prices, and you can see that over history it hasn't really followed that closely.

My explanation for this is twofold. First of all, the fleet in Alberta is not heavily concentrated in gas, and secondly, generators in Alberta are allowed to bid above their marginal costs, and that's different from the US markets and so power pricing behaviour is set not by marginal gas costs, but by other factors. So the bottom line is don't use gas to predict power prices in Alberta.

The second point I want to make is forward prices historically have not been a good predictor of future spot prices. Now this chart shows it, but I know it's a bit complicated, so I'll just explain. If you take the forward curve that we had back in 2010, it would have predicted 2011 and 2012 prices to be in that \$50 range. As you can see from this blue line, this is what actual prices ended up being. They were significantly higher. And so if you study this chart, what you'll see is forward prices actually reflect more of spot fundamentals than they do forward fundamentals.

You'll also see that they tend to underestimate prices. And so my explanation for this is that the Alberta market really trades in the prompt year, so it's not surprising to me that it reflects spot fundamentals mostly. So my basic point is, be cautious in how you interpret forward prices.

So how should you look at the future for Alberta? Well, you've heard from Peter that the Alberta market, there's a lot of activity in Alberta, so the Alberta market's growing strongly. Ken will address that some more when he speaks. We believe customers will pay to bring new

generation to the province. They'll need it, and so what this chart shows you and it's been prepared by the Alberta System Operator, it shows you the cost of various types of generation that would enter the market from combined cycle through coal and simple cycle. And it really takes in the return of and on capital, as well as fuel costs. And there's a number of variables to this.

So you can see that there's quite a range on their estimates, but what you can take from this is that prices needed to bring in new generation will be a lot higher than what the forward curve is today. The forward curve is in the \$50 range. The future from this chart looks to be \$60 and higher. So that's a good starting point as you think about the future in Alberta.

Turning to the Pacific Northwest. Unlike Alberta, the Pacific Northwest power prices due tend to follow gas prices, and you've seen in the last couple years that prices in this market have been quite weak. That's because gas prices have been low, but also because we've seen "very high hydro conditions, higher than in recent memory."

Now we believe this market is coming off its bottom, both because well you heard Peter talk about his optimism for gas. We also see a forward curve for gas that sees prices rising. We don't know what the future for hydro will be, but it's fair to expect—however, history has shown that hydro conditions they don't stay high forever.

And so you can see that \$5—pardon me, a \$5 increase in prices at Centralia is about \$30 million of EBITDA, and so there are a lot of good reasons to be optimistic here.

So I'll turn now to our marketing strategy in Alberta, and marketing in Alberta is really about marketing to commercial and industrial customers. And you can see from this chart the retail sector is relatively small, so we're not focused there. We are focused on the smaller

commercial industrial customers, as well as the larger oil sands, E&P companies, chemical companies.

So we have two basic approaches. In the smaller customer sector, and here we're talking customers in the 1 to 15 megawatt range, we have a set of standard offers. We have a very efficient delivery system, and those customer offers are intended to meet the variety of needs in this sector. And so I'll give you a couple examples of customers we deal with.

One is a mall, an owner of several malls in Alberta, and what their need is, they have loads across a number of locations. We aggregate those loads, and we put together a power deal that allows them to match their power supply to their rent contracts so that they can stay competitive.

Another example would be from the public sector, the University of Calgary, for example. What they're primarily concerned with, their load is all in one location, but they're primarily concerned with stable tuitions, and so long-term stable power rates are important to them. So the bottom line is our offerings deal with that variety of need.

If you think about the large industrial and the oil sands sector, these customers have much more complex needs, and so what we're really doing with them is customizing products. We're working with them to customize products to meet those needs.

So how are we doing? Well, Dawn mentioned it and you can see from this chart, we've grown the customer base in the three years we've been here to about 500 megawatts or a little over 500 megawatts, and our medium-term target is to add another 600, and then longer term add 1,900 megawatts. And there are really three things we have in mind with these targets.

First of all, it's to deliver revenue certainty for Hugo's fleet. Secondly, it's to support Ken's growth with Sun 7, and thirdly it's to position for the PPA roll-off longer term.

We have three competitive edges. Our customer relationships are important obviously and we're building those—we're building on them rather. Our fleet is the best in the market. It's diverse; it's got a low cost base; it's well positioned. And then finally, of course I mentioned our trading floor provides us the capability to structure the products our customers are asking for.

Turning to the Pacific Northwest and our strategy for Centralia. Here too we're driving for longer-term contracts, and you've heard about our Puget deal. That was a major step forward. That deal, by the way, is working its way through the regulatory process. All signs are good so far. We expect a positive outcome in the first quarter of next year.

Now as you know longer term, one of the Centralia units shuts down. So you can see in the further-out period we've pretty much locked in what we need to. So our focus now is hedging in the medium term or contracting in the medium term. And how we're doing that, we continue to participate in RFPs in the area with really selling to local utilities. As an aside, we just got shortlisted recently in an RFP for our gas plant there. And we, of course, as market prices dictate, will continue to look for hedging opportunities with financial institutions.

When you take it all together, this is what our hedge position looks like. Now I'll explain the chart; the top line here tells you what our expected production is, and then you can see here what our contract levels are. So for example for 2013, we have about 6,000 megawatts of production, average megawatts, and a little over 5,000 megawatts of contract, so we're 82 percent contracted. And then you can see further out we're in the low seventies.

Now Dawn mentioned we've raised our hedge targets. What we're shooting for is the 80 percent plus range further out, and 90 percent plus in the prompt year. And so what you'll see over the next year to 18 months is you'll see us raising these contract levels to those target levels. And the reason behind that is we see an increasingly volatile market in Alberta, we see low liquidity there, and so we just feel that it's best to lower our risk profile by increasing our contracts.

Finally, I come to proprietary trading. Now clearly the results in this—in our proprietary trading this year have been poor. We had a tail event hit us, our East trading business in Q2. We've had slightly longer positions that benefited us last year, but hurt us this year, and so we know that we don't get credit for a strong year like we had last year, but we get a lot of scrutiny in the year like we've had this year. Now it's not unexpected to see losses from time to time in proprietary trading, but what is unusual is if you see our track record to see two quarters in a row like that, and so it's got me reflecting on the business.

So I've been running the business now for a couple years, and I've seen some real changes in the business. We see lower liquidity. We've seen players exit or pull back. We've seen the regulators, Dawn mentioned that the regulators, there's a lot of regulatory action, a lot more aggression there, and so it's changing the business for us.

In the meantime, we've built up our customer business. We're relying less on the spot market, much more on customer contracts, and so the decision I've made is to take the business, the proprietary trading business back to basics. And so I'll just refer you back to the operating model I talked to. I really want our trading focused on generator services, supporting the customer business, and keeping the proprietary trading focused on where we're strong and

where we can deliver the kind of results we have in the past. And so what you can expect going forward from this business is a gross margin range of 40 million to \$60 million, and much more the kind of track record we've had over the long time we've been in this business.

Okay. So just to wrap up, I'll leave you with three key points. First of all, as you can see, energy trading and marketing is central to how we capture value for TransAlta's fleet. We're driving for revenue certainly through our customer business, and we're re-focusing our proprietary trading back to basics.

So that's it for me. I'll now hand it over to Ken, who will talk about growth.

**Ken Stickland** (Chief Legal Officer and Chief Business Development Officer, TransAlta Corp.): Thanks, Rob. Good morning. I'm Ken Stickland, the Chief Business Development Officer, and for the next five days only, the Chief Legal Officer. I'm actually looking quite forward to moving forward here and having a single focus on the organization.

I think it's a great opportunity for me to leverage off the last 30 years of assisting on transactions and helping structure and close deals, plus I've always had a personal interest in business myself. That's partly what attracted me to come to TransAlta and move out of a legal role, and I'm now completing that transition here by taking on a solely business role, so it's something I'm really looking forward to.

The other thing that attracts me is that we've restructured our company here recently, and I get a chance to work with a group of really highly skilled, really energetic, dedicated young people here. And I've got 17 of them now, and we've moved into some new space here, and I've got to tell you, you walk in every morning and you can just feel the energy

there; tremendous information flow back and forth, so in terms of just the personal stuff here that I get to do, it's great to work with such a great group of people.

I now want to turn to the reason we're here, which is to talk about the growth opportunities we have. We're seeing significant opportunities in the greenfield growth. Peter was kind enough to set that up for us here. There's lots going on in Canada, and I want to talk about that.

Dawn mentioned the partnership with MidAmerican; personally very proud of being able to bring that to the table here and give you a bit of insight as to why we did that and how that came together. And lastly, I know you want to hear about where we are on Sun 7.

So looking at the Canadian scene. Canada is one of our key geographies. We've never seen more potential than we have right now today for growth in the power space. You look at some of the recent forecasts; they're anticipating upwards of \$200 billion that's going to be spent between now and 2030. That's a huge amount of money in our business.

We see the largest opportunities in the West. That's our home market. Great place for us to be, and when you look at the types of activities that are really driving that growth, a lot of that's driven out of the energy sector. And a lot of that's headquartered right here in—right in Calgary so, from a relationship perspective it makes the ability to do business just a little bit easier when the people you're doing business with are just down the street.

The other thing that's really important to us is in terms of being able to compete, and Hugo alluded to this a couple times, we can't just wander in and tell people that we're going to do a good job. We've got to be able to back up what we're saying, and so the fact that Hugo every

time is able to put up a chart in this room here that shows that his gas availability in his fleet well exceeds that of the NERC average makes my job so much easier. So thank you, Hugo.

So let's just take a look at the opportunities that we're focused on. Oil sands, obviously, in the West. Peter, I think, did a really good job of telling us how that's growing and expanding, and that's going to continue on here certainly between now and 2020. When you look at the growth in the overall demand in Alberta that it still remains significant, and that's a combination of both retirements that we see in the coal fleet, plus just incremental demand that's increasing in the province.

And then lastly, just to the west of Alberta, tremendous opportunities for powering LNG opportunities.

So let me start with Alberta. I've got to say frankly, and I've said this to my kids, it was a great place for them to be born; tremendous opportunity there. We're seeing growth rates that are double that of what we see in the rest of Canada. That's been going on for the last couple of decades, and we certainly expect to see that continue for the next decade, so lots to do in Alberta; 200 to 400 megawatts of growth every year. If you think about our Sun 7 project, which is about 800 megawatts, that's a Sun 7 every two years that we need in the province of Alberta, so plenty to do there.

A lot of that, as I said, is being driven by growth out of the oil sands, but we are seeing a lot of other industry and a lot of other business that's increasing that follows what's going on in the energy industry. So lots to do on that side there.

When you look at what's happened with the greenhouse gas legislation here, that's obviously added some capacity to the market for a couple of years here, and Hugo alluded to

how the individual plants will be able to life-extend ours and others. So that'll have an impact in terms of what's going on in the marketplace, but it doesn't change the fact that we simply are going to need additional capacity in the province, notwithstanding some of that cheaper coal that'll stay on for a while.

When you look at the oil sands, this is really a good news story for us here. We've been in the game of supplying people with behind-the-fence generation opportunities since 1996. They need reliable power. Hugo is able to deliver that when we build it. They need it 24/7, and there's certainly opportunities to overbuild some of that capacity. And that's where Rob's ability to take that excess power and put it into the grid and market it successfully, whether it's for us or for the oil sands customer, gives us a real advantage.

Tremendous opportunity there; the size of the growth in the barrels of oil translates to about 4,900 megawatts of increased power demand by 2035. That's significant off the current installed base of roughly 10,000, so real good opportunity. Certainly in the next little while here, the medium term, there's about 1,600 megawatts of coming on of power. Some of that'll be built by the oil sands operators themselves, and certainly some of that'll be available to be built by people like ourselves.

When you move on to British Columbia, we really—I'm really excited by this story here. This is something that's really picked up momentum in the last couple of years, driven by the need for the oil patch to find new markets for their natural gas, and the number of projects that have been announced is substantial. The industry will probably spend \$20 billion in developing out the LNG capacity on the West Coast.

A lot of power demand will go along with that. There's five major projects that have been announced already and there's more in the pipeline, so an awful lot that needs to be done to power that.

The big issue there is driving the big compressors that liquefy the natural gas. There's a couple of choices that the industry has. They can use mechanical drives or they can use electric motors. We believe that there'll be a big push towards electric motors, partly because of the emission issue here, and British Columbia has done some work under their Clean Energy Act here that makes the use of natural gas in those electric motors a cleaner fuel. So when you think about the standards and some of the things that can be disruptive events, most other parts of the world they use mechanical drives. I think that the environmental legislation and lower greenhouse gases and NOx emissions will really help drive the choice toward electric motors.

Even if that doesn't happen on a wholesale basis, there's a lot of additional demand that will come through the growth in the LNG industry and the pipelines, and so there's a bunch of opportunities for us to add either behind-the-fence generation or work in conjunction with BC Hydro to add capacity to their system. I think certainly in the early term here, the opportunity is for us to add behind-the-fence generation.

I do know that industry has been working closely with BC Hydro, but the challenge BC Hydro has is that their planning cycles take them a little bit further out, and there's a real opportunity for us to fill in here in the next five to six years with some behind-the-fence generation that'll assist with their project time lines. They're completing, frankly, with people

like Australia, who are also trying to build out their LNG industry, and so in some respects it's a bit of a race to get these things completed and finished.

As with all things, they need customers to make that successful, so if they're able to find the customers, and I think they will, and get the regulatory approvals, which they're well underway on, they're certainly going to need the power to fuel that growth in the LNG industry.

The other thing I wanted to talk about a little bit is that in addition to what's going on in the LNG sector is that the gas has got to come from somewhere. And you'll see on this graph here that we've highlighted the Horn River. That's not the only source of gas, obviously, but there's tremendous need to add gas into the pipelines that are being built to fuel these natural gas facilities—or these LNG facilities, and bringing that gas out of the ground requires additional power requirements. We think there's a good opportunity for us to install some additional capacity in places like the Horn River, and tie together both a transmission play and a generation play there to help them build out that resource.

So lots on the go in Canada. We do also have, and just before I get to this chart here on MidAmerican, you'll recall that we have a goal of growing out our renewables. The game has changed a little bit on the renewable side. We're kind of past the days of government sponsored RFPs. There's still some of those coming, but not to the extent that we saw in the past.

What we really need now is to go out and do acquisitions of other projects here, and bring them into the TransAlta fold. I'm quite confident we'll be able to do that. We've got a strong operating capability. Again, Hugo helps make my job a lot easier there. We can operate these facilities much cheaper and better than other folks.

So what it is going to mean is that we're going to have to ramp up the acquisitions side of the game on the renewable piece, and I'm quite confident we can do that. Given our experience in owning and operating these things, getting through the due diligence process quickly here will give us an advantage to do that, and the cost structure that we've put in place will make that much more competitive for us. And if Brett's able to find a way to unlock and get the same kind of multiples other people are paying, then we'll be able to get a lift off any of those acquisitions that we're able to do.

So when we get to this stage here, and one of the things I looked at when I first took over the growth thing, is I was frankly quite amazed at the amount of opportunity that exists over the next 7 to 10 years in our sector. And I stood back for a moment and I thought I'd hate to see us miss out on some of this, and when I looked at it, one of the factors that concerned me was that our business is very, very capital intensive.

And particularly when you're dealing with greenfield type projects you need to be able to pace yourself here, otherwise there can be an impact on both earnings and cash. And I thought immediately that we needed a partner. And so we took a look and said what are we looking for here? There's a couple of choices. We could pick a partner for individual projects. There were plenty of people who were prepared to do that with us.

We met with a number of them, and through that process what became apparent to me is that if we were going to do a project-by-project partnership, we were going to really add to the complexity of our business, and in a lot of cases those partners would rather that we took the early-stage development risk. And then they'd come in when the projects were either at completion or just finishing construction.

So that didn't seem to be a very good business model. So I kind of went back to the principles that I saw when I spent 20 years helping oil and gas companies, and partnerships and joint venture relationships are very common there. And typically what you do is you look for somebody you can trust. You look for somebody you know you can work with. You look for people who've got the same kind of investment philosophy and ideals, the same type of social conscience that you have, and immediately I thought of MidAmerican.

And they are a great partner for us. We've had experience with them for over 10 years. It started out with an investment we made in CEGen, an asset that they had owned and operated and we bought into, and so we've had 10 years of being able to work with them. I've had the benefit of sitting on the Board of the TransAlta entity that manages that investment. So I've had a chance to see not only how they approach issues from an operational day-to-day perspective, but how they also approach investments, and that was really important in terms of aligning ourselves with a key partner.

So I pitched to Dawn and some of the other people in the company the idea of approaching MidAmerican here and forming a strategic partnership that would go across all of the gas assets that we had in Canada, all the new builds that we were looking at doing, and they were onside. So I went down and pitched MidAmerican, and they were quite keen to talk to us.

That deal took us many months to pull together. And that was a good process for us because when you get through negotiating a transaction like that, you necessarily have to make sure that you've got complete alignment. And one of the big issues for me was to make sure that we had common return expectations and common deal structure expectations because we couldn't afford to get down the road on a transaction where on any individual deal we'd

ultimately each have the ability to say we're not going to go and find out that our partner wasn't with us.

And I was quite encouraged in the many months that we spent negotiating with them over the deal to find out that in most cases it took very little time to sort out the fact that we were on the same page, so that was really good. So we entered into that agreement with MidAmerican. That deal started on November 1<sup>st</sup>, and we're well underway. And I'm quite excited about it.

So I know people in this room have asked questions of Jess and others about why we would do it. I think the first part of that I've asked—or answered there, but there's a couple of other factors that were important to us. And some people say, well, you just did this deal here because they're bringing money in. And the deal goes much beyond just purely the financial side of it.

MidAmerican has got a significant gas fleet. They've got about 5,000 megawatts of gas-fired generation under operation. With the 2,500 that we've got that Hugo operates, that gives us a really solid base of knowledge and understanding and expertise in dealing with the issues and understanding what it takes to build successful projects and then to put them into successful operation on a long-term basis.

They've also got a lot of market knowledge and a lot of deal knowledge, and that's beneficial to us, so that's very helpful. And when you think about what we bring to the table, is something that they don't have, is we've got the local market knowledge. And that was very important, I think, to MidAmerican in choosing to partner with us because frankly they've got lots of choices, and you've seen that in things they've done in the real estate industry and then

also in the transmission business where they've picked other partners. I'd like to think that there's a really good reason why they picked TransAlta and that we'll have a really good partnership here over the years to come.

The real simple thing is that having a partner like MidAmerican allows us the ability to do a lot more. You can see from what we've talked about this morning that there are tremendous opportunities. A big issue for us is the—looking at transactions here and making sure that you don't have your risk too concentrated in too few projects. By bringing them to the table, we're able to look at more. We share the development costs. We share that risk through the process. I think that's very important for us, and I'm pretty convinced here that we're going to be successful.

Looking at Sun 7 in particular here, that is a project that we've brought into the partnership with MidAmerican. A couple things that I'd like to highlight for you on this project here; the upcoming year here is going to be spending a lot of time on kind of permitting and interconnection activities around our Sun 7 project. You'll notice when you look at the chart that we've moved out the in-service date for that facility.

There are a couple of reasons for that. First one is frankly with Sun A coming back into service here there's some additional capacity in the market in the early term here. And with the change in the greenhouse gas legislation, there's also some additional coal capacity that's going to stay online for a little bit longer. So it makes sense for us to defer that into the 2017/2018 time period.

In building this project here, it's going to be very clear that we will not go ahead and construct this project without having that project highly contracted. And that's where we have

alignment between ourselves and MidAmerican. I'm very confident that Rob and his team will be able to deliver the contracts that we need so that we're able to proceed with this project. There isn't really any doubt in my mind that the market needs this project. We really need to contracts to support it, and Rob's team is going to help us deliver on that goal.

The rest of the stuff on Sun 7 is pretty much going as we thought it would. We've got our equipment supply in place there with Mitsubishi, so we can trigger that when we're ready to go ahead and give them the full notice to proceed, so the equipment selection is in place.

The piece that's still outstanding is something that we talked to you about a little bit last year, which is that we've got a philosophy that we think we should take a look at hedging out the fuel risk in addition to looking after the customer risk on that project. We've looked at a couple transactions over the last year here on the natural gas reserve side. That would form part of our portfolio. We buy some spot gas. We have some customers that bring gas to the project, which reduces risk, and we're looking at acquiring an interest in gas reserves. That would support both the existing portfolio of assets that we've got today and some of the customer demand. We do sell gas—provide gas as a service to some of our customers, and increase the fuel component that we've got for projects like Sun 7 and beyond.

We would look to align ourselves with a very experienced operator. I mean this is a new area for us. We want to make sure we're hooked up with an experienced operator, and we're looking for low cost, low decline reserves. So that's very important to us. We came very close on a transaction not too long ago, but a little bit of a disconnect between ourselves and the seller on kind of future price expectations. So stay tuned. I still think there's plenty of opportunities out there.

There is a bit of a disconnect between the Henry hub price and what you see in Alberta, given the constraints on pipeline capacity. So that's backing up gas into Alberta, so it creates lots of opportunities for us to go out there and look at acquisition opportunities in the shorter run. That will change over a longer period of time, so the next year here is certainly a time for us in which to act.

So where do we go from here? I think we've got a great team, great set of opportunities, a partner that makes our day-to-day job a lot easier here, and certainly the financial capability to transact on this. None of these projects are easy. None of them are simple. Marcy (phon), who was walking with me this morning, we were getting a coffee, we were talking about a small renewables deal we're looking at. And she said, don't you guys ever look at easy deals? And my comment was probably like most people, if they were easy, everybody would do them. Everything comes with a little bit of hair on it.

You have to figure out what things you can do and what things you can't do, but I think we're very well positioned to deliver that. The key goal for us is to use what I call, and I've used this phrase with the team, that I really see us as having the full toolbox today. I'm very confident we'll use all those tools to create incremental value for our shareholders, and that in the early years here and certainly as we get through to the end of this decade here, I see significant opportunities for us to grow this company and add to the shareholders' wealth here.

So thank you very much, and I look forward to any questions you may have after we finish the session.

Aron, over to you. And Aron has equally as good a story.

**Aron Willis** (Country Manager, Australia, TransAlta Corp.): Thanks very much, Ken, and good morning, everyone. My name's Aron Willis and I am the Country Manager for TransAlta's business in Western Australia.

I'm really pleased to be here this morning and have a chance to talk to you a little bit about our operations in that region. So to that end what I'd like to do this morning is start out with a bit of an overview of our business in Western Australia, who are we, and what do we do in that region.

I want to talk specifically after that about the Solomon acquisition that we completed not that long ago, and then I want to shift gears and give you a bit of an overview of WA more generally and what's happening in that space and why we see that region providing some good growth opportunities for our business.

TransAlta's been in business in Western Australia since the early '90s. Our first development activities at that time led to the formation of a joint venture with Newmont through which TransAlta took a lead role in the design, construction, and commissioning of Parkeston power station. That's a 110-megawatt facility, which was commissioned in 1996, and which is still owned through that same joint venture structure today. The power station provides energy to a large gold mine that's owned by Newmont and Barrick.

Then in 1999, we completed the acquisition of the 245-megawatt portfolio of gas and diesel-fired generation assets from WMC Resources. The four power stations in that portfolio supply what is today BHP Billiton's Nickel West operations.

More recently, of course, we completed the acquisition of the 125-megawatt Solomon power station from Fortescue Metals Group, and I'll talk about that in some detail a little later on.

Now we're really a niche operator in Western Australia. We own and operate remote power stations and provide safe, reliable supply of electricity to miners. Over the past 15 years, we've developed a reputation as being a highly capable, very credible operator in that space.

Hugo showed you the results of—the availability results from TransAlta's gas fleet a little earlier, and I can tell you that my team in Western Australia is achieving those same levels of availability, but doing that in a remote grid type setting. So through that we've built successful long-term relationships with some of the biggest operators in the state; in fact, with some of the biggest mining companies in the world.

Now just in terms of context, when talking about what electricity supply in Western Australia, there's something that's really important that you understand, and that's the grid or the interconnected network in the state is really limited just to the southwest corner of the state, in and around the Perth area, with a single 800 kilometre transmission line that interconnects the Kalgoorlie region.

So the bulk of the state, the vast majority of the state has no electricity grid per se on which to connect to mining operation. That's where we come in, and in addition to our power stations then, we also operate transmission and distribution assets totalling over 500 kilometres in length to supply our customers' operations. That's a really important skill set to have when you're talking about remote power supply because in these situations what we're effectively doing is we're maintaining and operating our own small grid at each location.

Not only do we pride ourselves on the reliability of our systems, but we also work hard to ensure that we're running them as efficiently as we can. From a staffing perspective, the staffing arrangements vary depending on site. The plants in the southern half of our system are staffed by a resident group of technicians living in Kalgoorlie. And the sites to the north are staffed on a fly-in, fly-out basis from Perth.

Now fly-in, fly-out is very common in Western Australia. It allows the resource companies to staff these remote operations from the major population centres. I know it's becoming more popular elsewhere, and particularly in places like Northern Alberta as well. Our plants here have been staffed on a fly-in, fly-out basis since day one, and it's an arrangement that works quite well.

Importantly, all of our facilities are operated remotely. And that remote control centre is located at Parkeston power station. So the facilities are staffed only with a day shift complement of technicians. Those technicians are there to execute each sites' maintenance plan, and they're available on a call-out basis after regular working hours if required.

This year we executed on the first step in our growth strategy in this market. The Solomon acquisition closed on the 28<sup>th</sup> of September, and the power stations now in its final stages of construction and commissioning.

The acquisition delivered a 42 percent increase in our installed capacity base in the region, and it fits perfectly within our business model, as it's an islanded system supplying power to a large mining customer under a long-term contract. In this case, the base contract is 16 years in duration. We're guaranteed 21 years of value through either an extension of that agreement or a sale of the assets back to Fortescue.

The acquisition's immediately accretive to both earnings and free cash flow with the capacity payments under the contract beginning in October.

The opportunity also exists to leverage the Solomon project into further growth in the region. Fortescue Metals Group's a very impressive story. I'm sure many of you in this room are already familiar with it. They've very quickly developed—established themselves as the third largest iron ore producer in Australia, and they're hitting production levels already, which took the other large producers in the region decades to achieve.

The Solomon site really is the gem in their crown. It's a high-quality resource, and it'll have the lowest production cost in their portfolio. In fact in global terms, the cost of production from Solomon will be in the lowest cost quartile. There's no doubt that it's going to be a long-life operation.

Fortescue's recently completed a refinancing initiative to position themselves well in completing this initial construction phase to achieve a targeted output of 155 million tonnes per annum. They continue to have high aspirations for future growth, but plan to ensure that they achieve investment grade credit ratings prior to beginning that next phase of expansion.

As an established supplier and partner to Fortescue, we see opportunities to further expand alongside them as they complete the development of their base operations, as well as continue to grow their production.

Now I want to shift gears a little bit and talk about Western Australia, as you might be asking what's so attractive about it as a growth target? Well, I've been working in this market for five years now, and I can tell you there's a tremendous amount of activity in the region. On a very quick analysis of the statistics, it's pretty hard to argue with Western Australia being the

self-declared engine of the Australian economy. The country as a whole finds itself in a pretty fortunate economic position at the moment on the back of the minerals and energy activity in both Western Australia and Queensland.

Proximity to the Asian markets and demand from those markets has led to a high level of investment by the resource industry. Western Australia accounted for nearly \$111 billion in mineral and petroleum exports in 2011. That's 61 percent of the total mineral and energy exports for Australia, and more than double the amount that was exported from Western Australia only five years ago.

As you can see from the graph on the top, the exports are across a broad base of commodities, with the largest proportion being made up by iron ore, which is shown in red, and petroleum, which is shown in green. Those two account for a combined 76 percent of the total.

Now even on the back of numbers like that, the growth activity is not complete yet. In the state today, there's \$160 billion in mining and resource projects that are either committed or under construction; couple that with a further \$150 billion in planned or possible projects, and you can start to see the scope of new energy demand to supply the extraction and processing operations that have been planned here.

You won't be surprised I'm sure to see on the lower graph that a large proportion of the exports are destined to China. The rest are supplied to a broad base of countries right across the entire Asia-Pacific region, including Japan and South Korea, and in addition, India, the UK, and the United States all factor as consumers of Western Australia's resources.

So let's take a look then at what sort of electricity demand growth that sort of investment's driving. As you can see in the graph on the right, the current forecasts show an

increased generating capacity requirement of about 2.7 gigawatts by 2018. The Western Australia market today, to give you some context, is about 9,000 megawatts of installed capacity. So roughly we're talking about a market here that's about the same size as the Alberta market.

From a physical land area perspective, Western Australia is much larger. It's almost the size of BC, Alberta, and Saskatchewan combined. So on that 9,000 megawatt grid—sorry, of the 9,000 megawatts capacity, 6,000 megawatts of that is on the grid in the southwest corner of the state. The remaining 3,000 megawatts is what's installed remotely.

So based on those numbers what we're talking about here is roughly a 30 percent increase on the total installed capacity base in the state, but nearly a doubling of the remote installed capacity. The other thing that the graph shows is that virtually all of the new growth is self-supply capacity for remote sites. These are the projects where we can add value.

The other trend that we see emerging over the last few months is that iron—as iron ore prices cool from their peaks that miners are starting to look more carefully at conserving their capital. The result of that is that sales of existing power assets owned by mining companies, but that they classify as a noncore business to them, are starting to surface, and we expect to see some more of that activity going forward as well.

So where exactly in the state is this new demand located? When you take a look at the growth forecast profile, which is the graph on the right, it's really not all that hard to pick your target regions. The bulk of the iron ore activity is centred in the Pilbara region in the north of the state, and that's the area that's shown in orange here. Additionally, all of the oil and gas

activity occurs off the Northwest Coast, and so naturally the LNG development activity falls within this region as well.

The Solomon acquisition was our first move into the Pilbara, and we can now leverage our position in that region going forward. And just for reference, the Solomon site is located just north of Tom Price, which you can see on the map there.

The mid-west is the other key iron ore district in the state. That's the area shown in green. The difference here is the resource is magnetite ore. Now magnetite requires a much more energy intensive processing operation to produce, which is good if you're a power supplier, but the associated costs means it's an expensive resource to produce.

The upside is that the producers do get a premium for their product, but even at today's price levels only a few magnetite projects have been completed. We've got a very close watch on that region at the moment.

And finally, while it's not one of the main growth regions for new growth, we certainly aren't going to ignore the gold fields, and that's show appropriately here in gold. This is the area where the bulk of our existing operations are located, and there's a significant amount of established mining activity in this region. Here we're evaluating opportunities to supply new customers utilizing our existing assets, as well as grow with our current customers where the opportunity arises.

So why Western Australia? Well, it's the fact that we're positioned with a strong performing business in the midst of a very robust and growing economy. There's a need for substantial electricity infrastructure growth to facilitate a long list of new mining projects, as

well as expansions of existing operations, and we're well positioned with the competency, the credibility, and the capacity to deliver that growth.

With this as a foundation, we've set for ourselves a target to double the size of our business in Western Australia by 2015, and that means getting to 600 megawatts of installed capacity. As you can see on the graph, the Solomon acquisition was a pretty important first step in that process for us.

We've got a competitive advantage in this market, and we aim to use that advantage to add profitable growth in order to deliver shareholder value. We're the largest independent behind-the-fence operator in WA today, and our goal is to maintain that position going forward.

By providing safe, reliable supply of energy to our customers on an ongoing consistent basis, we've been able to operate in partnership with those customers through the commodity business cycles. The relationships that we've built over the last 15 years have become strong, while many other independent generators have come and gone. Our goal is to have our customers view us as a valued partner in achieving their production and business goals.

We've got a tremendous team of people on the ground in WA. And the work of that group over the last number of years to overcome the technical challenges associate with a remote energy supply positions us well to apply those learnings in both continuing to solidify our existing business relationships, as well as adding profitable growth going forward.

Thanks very much. And now I'll hand the microphone over to Brett.

**Brett Gellner** (Chief Financial Officer, TransAlta Corp.): Okay. Thanks Aron. We're going to keep going here. We're targeting to finish up here by 12:30 p.m., and so we allow

enough time for questions at the end, but we do recognize some of you may have previous commitments, so we won't be offended if you have to step up and leave.

So what I want to do is really start with, before I get into the financial outlook and the strategy, I really want to cover off the M&A and how that fits into our growth strategy. And specifically what I'd like to talk about is some of the opportunities we're looking at, what criteria we're using when we look at those, and why we think we can be competitive in acquisitions.

So what you can see from this chart is acquisitions have actually been a very important part of our growth strategy. Since the late 1990s, we've acquired over 3.5 billion in assets, and you can see here it spanned multiple fuels and multiple regions. As Aron talked about, we've grown that business to represent close to 10 percent of our company's EBITDA, and that's been through a combination of acquisitions and greenfield projects.

We can say the same for wind. We acquired Vision Quest. We acquired CanHydro, and then we built on that with greenfield to become the largest wind producer in Canada. And then in terms of geothermal, we acquired that position and that has now turned into the MidAmerican partnership, which has now expanded into natural gas into Canada, as Ken mentioned.

So what this tells you is a very good track record, but it's not just M&A that's important to our growth. It's a combination of M&A and greenfield, and we see that going forward because both of those can be lumpy and take time to pursue.

Just in terms of some of the things we're seeing out there, and this shapes how we need to be competitive in some of the things we're looking at, some of the key trends. Clearly

with low interest rates and a lot of capital chasing limited opportunities, we are seeing returns get pushed down. We will not pursue those if they don't meet our hurdle rates, even if they are attractive in nature.

The other thing is the non-strategics, like the pension funds, private equity guys, very focused on equity-only returns, so whereas we tend to look at all-in returns at some points. The accounting impacts clearly don't matter to them because they don't publicly report. They'll also use leverage at the project and tax structuring to enhance those returns, but we do see that even out of some of the corporates. Clearly some of the more high yielding type funds that trade out there that are public are also using similar mechanisms, more leverage at the project, but they also have a pretty strong currency to use for going after those.

Having said all that, there are a couple areas where non-strategics or private companies may be less competitive. They're less likely to pursue any kind of acquisition that still might have a development or construction risk profile to them. I'll talk a bit about that in a bit more, and quite often they need a partner, a strategic partner, because they don't have the operating or market expertise to be able to pursue that, so they will look for partners. Okay. Save that one.

In terms of criteria, I'm not going to go through these in detail, but it just gives you a sense; these are not hard criteria. They're more like guidelines. We're very much focused, as Dawn mentioned, in our core regions. Having said that, if we see a good opportunity outside our region where it's sizeable enough that we can build a business around it, we would consider it. But it's highly unlikely you're going to see us show up buying one little asset in the middle of

Vermont or something like that because we don't feel we necessarily can build the scale around those kind of opportunities.

Fuel types. What we're seeing out there is predominantly on the renewable and gas-fired side, and I'll talk a bit more about that in a minute. The assets have to be highly contracted, and they have to be 75 percent or plus with 10-year plus terms, and the counterparty has to be investment grade or be targeting to become investment grade in the visible future or the medium term.

In terms of the types of contracts, we actually like the ones the best, the ones that we just did on the Solomon deal in Australia. All the fuel capital OM&A is a pass through to the counterparty, so they take on those risks and they escalate over time. Now we're prepared to look at things where that goes to our account, but clearly those are higher risks. We're going to expect a higher return out of those kind of opportunities.

And then our hurdle rates are in line with what we've communicated to you in the past in that 8 percent plus. And we look clearly to be accretive to free cash flow per share.

So what are we seeing? A lot of opportunities on the natural gas sides, especially in the US. The challenge, quite frankly, is the contracts are very short term in nature, and they're sitting in some low price markets. We'll still look at them.

We're going to focus on contracted gas assets if they come available, like in Australia, Eastern Canada out here, and Western. Geothermal has been a—we haven't seen anything we'd like, plus we have a good greenfield program there that we can expand on our own and hydro, not a lot of sellers, good assets. They tend to very rarely come to the market. We'll consider them.

The one area we are focused in on is wind. And Ken talked a little bit about cross Canada, but down that Western corridor, there's a lot of wind capacity in place to date. So we're very focused on to see if there are some opportunities there. And with the RPS standards improving, or increasing, we see more coming to the market. So this is clearly one area we focus in on, Paul and myself, and we'll continue to try to find ways where we can be competitive.

So overall we feel we're competitive. One of the key things, everybody thinks about cost of capital as being the main driver of being competitive. Quite frankly, having that track record of providing low cost, reliable power is very important as well, especially to the counterparties. And we continue to look at different ways we can finance acquisitions and remain competitive.

We also have some tax advantages. Our advantages in the US are different than Canada, but we will look to utilize those as we move forward. And quite frankly, we can add assets without adding a lot of incremental costs. We saw this with CanHydro. We made that acquisition. We basically—we absorbed essentially their entire corporate office, so we generated actually more synergies than we planned.

Australia was another good example. We're able to add that. If somebody new was coming into that market, they wouldn't have the footprint, the regulatory, the financial, the engineering aspects to our business that we have. And therefore they have to add costs, where we can tuck those into our existing system and be competitive.

So conclusions. It's an important part of our strategy and growth. It's not the only part, but it's one we're focused on, and we've got a pretty good track record in delivering on that.

So now let me just turn to the financial side. I want to talk a little bit about our financial objectives, what our outlook is for 2013, and go through that. I do want to cover the dividend and the DRIP because, as Dawn mentioned, we get lots of questions; touch on our credit metrics and how we look at those; and then I want to end really on our perspective on where we're trading at on a valuation side.

Our financial objectives really haven't changed. And as Dawn mentioned, we're targeting that 8 to 10 percent per year, consisting both of the dividend and growth in the share price, appreciation in the capital. Now to grow the capital side, the share price, we have to grow cash flow per share. And we're very focused on that.

We're targeting to add on average over a year kind of that 40 million to 60 million of EBITDA. Solomon was about 40 million on a cash flow perspective. The other aspect of our strategy is clearly maintaining investment grade credit rating. Very important, a, from a cost of capital perspective, but a long lead time capital intensive business like ours, and it's also important when we're dealing with our counterparties. They also want to have investment grade counterparties.

And we're focused, and we talked about this throughout today, reducing our risk. Our contracting strategy is changing, as Rob talked about. We're very focused on diversifying the company and adding scale to the company so that we're not exposed to any one customer, any one asset, any one region.

What this chart shows is what the contributions we made to EBITDA since 2005 through a combination of acquisitions, greenfield, cost improvements, and new contracts. And you can see it's actually averaged about 50 million to 60 million a year, which is in line with our targets. Now as you know and Dawn talked about, we've had to do a lot of this just to offset some declines, closure of Wab, Centralia prices are lower, some contracts in our US gas assets have come off. But what it does demonstrate is we've been able to achieve this, and we believe we can continue to achieve this going forward.

In terms of reducing our risk, very focused on growing the company and also diversifying and again, we've done this. We've really expanded our renewables business. A lot of that has been contracted in nature, and we've grown the business. We have more plants, more counterparties, and again we'll continue to focus on those things going forward.

Access to capital. I won't go through this in all this detail, but we always want to have access to multiple sources. We've got access to the equity markets. We demonstrated that through an equity offering, but we also have the DRIP, which I'll talk about, but we're also very mindful of the dilution effects of equity. And when we evaluate opportunities we look at that.

The preferred share market has been a very attractive source of financing to us and other companies, as you know. We probably have room for about one more given the way the agencies look at the equity component of that security.

Debt markets, we just did a deal in the US. We tend to look at things corporately. We will consider them at the asset level, especially now with the new partnership with MidAmerican.

We've exited low-performing assets in the past. Don't see a lot of those because we've dealt with those, but we will consider if somebody came in and paid us a reasonable price for an interest in our assets, and paid us something that we feel we're not getting credit for in the market, we will consider that.

We're also going to consider the partnerships like MidAmerican because we do feel it's broader than just bringing money to the table. It allows us to go after more things, and it allows us to share the development risks and risks in any one asset. But more importantly, and probably most importantly, we're very focused on generating as much free cash flow as possible because we believe this is the best way to create shareholder value.

So let me turn here to our outlook for 2013. And what we're really tried here is to give you a little more detail than maybe we have in the past so that we can update you on these drivers as we move through the year.

Our guidance for FFO continues to be in that 800 to 900, and the declines we are seeing in Centralia have been offset by the Solomon, New Richmond, fewer unplanned outages, Sundance A, and some of the cost reductions we've done by re-aligning the company.

We're also targeting our trading, as Rob said, to get back to our historical levels. So do better next year than it is currently.

Two key drivers clearly are price. So first in the Alberta market we're using a range of 55 to 65 per megawatt hour. Rob also mentioned forward market's not a great indicator, but just to give you a sense, the forward market's kind of in that \$59 range currently.

In the Pac Northwest, we're using a 30 to 35. The market there is roughly around 30 for next year, and approximately every \$5 change in price in either of those markets is about a \$30 million EBITDA move in 2013.

Hugo talked about our capital. We have a range there of 295 to 335 on the sustaining. That does not include the Sundance A, and we are targeting over a three-year cycle that 350 range on sustaining capital. Ninety-one percent on our Canadian coal availability is our target. Again, that's higher than this year again because of the fewer planned outages.

And then on wind and hydro, what we do there is we try to plan an average year, and that's what these resource levels show. What we know about those two businesses is that average tends never to happen, but when you look at those two combined, hydro and wind, we tend to consistently produce a pretty good output. So when one's up, one tends to be down. Plus we've got multiple regions, which helps on that front.

So now just translating that outlook into cash flow, cash available, and our dividend coverage, which again is a topic we get a lot of questions about. So on the left what this shows is the internally generated cash, free cash, if you will, at different FFO ranges, and added to that is the DRIP proceeds for 2013.

What we've done on the right then is shown what the dividend coverage range looks like across that FFO range, excluding the proceeds from the DRIP, and you can see in all cases that we're well below 100 percent.

Now to take a look at what it takes to fund a growth project, this is illustrative only, but it's for a combined cycle plant and it assumes a partnership, and it obviously assumes some debt financing. Again, corporately we tend to be in that 50/50. Could we do more at a project

level? Depends on the contract, counterparty, et cetera, but what this shows is our equity and assumes a three-year construction build. So what it shows is that the equity contribution we need to make is very manageable per year, and is in line with the cash flows generated from the previous slide, as I mentioned.

Before I just talk about—I'm going to get into the medium and longer term here in a minute given the PPAs and the value they add, but I just want to talk a little bit about the dividend and the sustainability of the dividend in light of what I just walked through. The DRIP, and again I'll spend a little more time on the DRIP in a minute, and then again just want to come back to the partnership that Ken walked through.

So first of all, the dividend has been an important part of the value proposition of this company since the 1950s, and we see that going forward. The outlook for 2013 clearly shows we're well below 100 percent and can support the dividend. I also have shown that we can generate sufficient cash to continue to grow the company, and we also have the partnership.

So that leads to why have a DRIP? I mean if you look back over the last two to three years, we've financed a lot of our big greenfield projects with internally generated cash and the balance sheet. And so the DRIP to some extent is helping us shore that up and make sure, back to my investment grade target, making sure that we maintain that.

How we use the DRIP going forward will really depend on our growth prospects and the balance sheet. It's a tool and we can manage it, and I'll talk about how we can manage it going forward, but I wouldn't view it as necessarily something permanent. It's something we're utilizing today, and we'll see how we utilize it going forward.

In terms of the partnership, yes, MidAmerican's a strong financial partner to us, but again, from our perspective, we'd rather be going after, given what we're seeing out there, more opportunities. Because we know if we focus just on one and we don't get it, we're now behind the eight ball in terms of going after the others. We'd rather be in a position to go after all those opportunities that we're seeing.

The medium term. So Sundance A we talked about. It comes off its PPAs at the end of 2017, and as Hugo pointed out, it's got two more years under the greenhouse gas legislation, assuming we don't use any of the flexibility in there. You can see on the left, this is the one year only, how much incremental EBITDA we get out of that plant in 2018, and clearly we'll get two years of that.

So if you add that and factor in, calculate the dividend coverage, again using our 2013 outlook as a starting point, and we know lots of things can move around from here to there, but you can see what it does to improve the dividend coverage going forward.

So we did something similar for post-2020 when most of our PPAs come off, including our hydro PPAs. We've shown this in the past what the upside is from those PPAs. And again, we've used just a range of prices here to illustrate this. But the upside in one year only is substantial, and then when you add this up from 2021 to 2030, it adds up cumulatively to around 4.4 billion to 8.4 billion of incremental EBITDA potential.

Again, on the right what we've done is just rolled that through using again 2013 as our starting point to see, assuming everything else remains constant, what the impact is on the dividend coverage. And you can see that it improves considerably.

So the dividend re-investment programs. Lots of questions about why and I'll get into that in a minute, but I just want to quickly go over the two programs for those less familiar with them; the standard program widely used across Canada. Essentially as a shareholder in TransAlta instead of taking cash you just get more shares and we give you a discount. Our discount is 3. They range from zero to 5. We did not find that going from 3 to 5 changed the participation rate that much, so we kept it at 3. This one you can scale back by turning it back to zero; you'll tend to see people fall out of the program. Generally what we see, our evidence and others, is participation rates in this is around 30 to 40 percent.

The other program's a premium program. This is used by about 10 companies in the energy space. As a shareholder I get cash today. I get cash out of this program. I get a little premium for that. In order to fund that cash we go through an intermediary, raise new shares, so those shares, the proceeds from those shares go to fund that. We issue new shares, so we don't have money going out the door. Those programs are very similar in participation rate. They tend to be in that 30 to 40 percent, so when you combine those two we're in that 70 percent range between the two programs. And our data is roughly 50/50 between the two.

So again, why do we have it? Well, if you have to raise equity it's actually somewhat cheaper in the sense that if you go to a syndicate you're going to have a 4 percent commission and a discount, which could range 1 to 3, so you're 5 to 8. These are anywhere from 3 to 5 percent. So I know the dealers don't like to hear it, but it's cheaper than doing a bought deal if you need equity over time.

There are some benefits in the sense that it's still dilutive, but you do put the capital towards debt, which can lower your interest rates and costs. There are if you do—it's nice if you

need equity bits over time it truly is a DRIP because you can drip in the equity and manage accordingly. And if we do put it to work to growth, if we achieve those return expectations that we set out, it will be neutral to accretive to earnings. Again, we prefer to use internally generated cash, but this is one we can consider as we're looking at our toolkit.

We know the disadvantages. We know it's dilutive to our shareholders, and we're very mindful of that, and that's why we consider it along with all our other sources whenever we're considering balancing growth and the balance sheet.

So just in terms of our credit side, we're targeting it to be north of 20 percent on an FFO to debt. We're targeting to be north of 4 times on interest coverage. We've shown here where we're currently sitting at where we're targeting to be end of year and where we're focused on being at the end of next year.

We've shown this with the prefs being treated 50/50 equity and 100 percent equity because the rating agencies do vary on that front. We also don't factor in all the other adjustments the agencies may make because, again, they vary, but we wanted to use these to update you as we progress through the year on how we're looking at it, but again, we're very focused on this, as I said, as one of our key financial objectives.

But it's not just the numbers we focus in on on the credit side. We focus in on how we can do things going forward to strengthen the balance sheet and improve our risk profile. During the last couple years, we've taken a number of steps to improve the balance sheet: we've done the prefs; we've done the equity; we've been reducing costs; managing our CapEx and operating costs; we've been entering into long-term contracts like Puget, Centralia, like

Sarnia, and some of the things Rob talked about; and we will exit nonperforming assets. We're not married to them. If they're not creating value, we're going to exit.

Plus we're—so some of these are enhancing the balance sheet, but some of them are just enhancing our business risk profile going forward because, again, the two things are what the agencies tend to look at and what we tend to look at.

So before I wrap up, I just wanted to share kind of our perspective on the value we're trading at in the marketplace, and we could have picked price to cash flow, TEV to EBITDA, a bunch of stuff. Here what we're showing is what we're trading at on a TEV value per installed megawatt, and we compare it to some other power companies in Canada.

And what you can see is we're trading at a material discount to these companies, and we recognize our risk profile is—varies between us and these other companies, but I guess our view is there's more value in the company than is reflected here, and we see that in a number of areas.

First of all, the post-PPA value I just talked about; the incremental value we got when the new greenhouse gas rules came in. As Hugo pointed out, we've added 43 years to the company. All of that is post-PPA for the PPA plants. Just our market position in some of the strongest power markets in North America and Australia, so our position for growth, our large renewable fleet, and then our diversity and diversified asset base.

So our job is to continually communicate this value to our investors, but also to manage our assets and opportunities to ensure that we're going to capture these opportunities and this value going forward.

So just to wrap up my section is just in summary, our objective is to generate obviously more than enough cash to support the dividend, but also to continue to grow the company.

We expect overall cash flows to improve considerably post-PPA. Also we're, as you heard from my colleagues, well positioned to grow. We're in the right markets, and financially we believe we're well positioned to grow, and our job is to add shareholder value, at the same time managing our balance sheet and investment grade credit ratings.

So with that, I'm going to turn it over to Dawn to wrap things up.

**Dawn Farrell:** So while the team is just coming up here, I think Brett really, really summarized our messages well.

I think you saw from Hugo a lot of work on operational excellence, which feeds into what Ken and Aron and Paul and Brett need to do on the growth side. You saw from Rob lots of work on the customer side of the business, which will be an important cornerstone for the project.

You saw from Brett lots of effort on the M&A side and a strong financial position going forward. So I mean fundamentally I think we've got the team. We've got the organization, the knowledge, and we're lucky enough to be in markets that have the opportunities to grow the company.

So we thank you for your patience. This is the first Investor Day where we used the first hour with a speaker, and it certainly meant that we had to clip along at a fairly fast pace, but I think—because normally we would be—we would have taken the whole three hours to

talk about TransAlta. But I think we gave you a lot of information and a lot of sense of our progress over the last year and what we're trying to do for next year.

So we probably—hopefully we answered a lot of your questions, but what we'd like to do now is take about 15 minutes, turn it over to questions. And then at 12:30 p.m. we'll stop, and anybody who'd like to ask additional questions, the team will hang around for another half hour.

So if you could identify yourself when you ask your question, that would help everybody in the room, and I think, Jess, we've got mics for people. So we'll start with whoever's brave enough to go first.

Linda? Thank you.

**Linda Ezergailis** (TD Securities): Thanks. Linda Ezergailis, TD Securities. I don't know if this is a question for Hugo or anyone else who wants to take this on, but with the greenhouse gas emissions regulations as they're currently laid out, it appears that there's an ability to substitute the timing of retiring your units to a certain extent. And I'm wondering how much thought—obviously it's a very complex, nonlinear, iterative process, but how much thought have you put to the timing—switching around the timing of those units? I mean beyond extending the life of Sundance A, I kind of fall short in terms of an ability to conceptualize how you might optimize that?

**Dawn Farrell:** Yes. Well, let me start and then, Hugo, you can chip in. I mean frankly, three-and-a-half years is about another outage for every plant, right? So if you think about the plants were all designed with capital plans that took them to the end of 45 years, and if you get

another three, three-and-a-half years on each plant you have about one more outage and then you do basically what we did with Wabamun, you just run her into the ground at the end of it.

And so we have to watch our contracting strategies out there. You would tend to leave the last couple of years merchant like we did with Wabamun because you want to make sure that you time it appropriately.

Now the reality is that Hugo and his team and Bob Emmott have very, very good risk assessments of the long-life capital in the plants, and so I think as they start to approach—there's a lot of work being done to say, okay, are there plants you'd rather bet on for 50 years and other plants you'd rather keep at 45, which is I think what you're alluding to? We're doing a lot of extensive work on that. I don't expect for us to have answers on that in the next six months or so.

This is pretty deep engineering work, it's deep customer work, and it's actually thinking about the Alberta market because a lot of—if you bunch too many things up in the wrong direction, you can have a real impact. So I would say that over the course of maybe the next year, maybe by next Investor Day, we'll have some perspectives on that, but it would never be answers on it for a while because we've got to get closer to the end of the life.

But, Hugo, do you want to just add to that?

**Hugo Shaw:** Yes, Dawn. I think what I'd add to it is we're always following, and Bob Emmott often will talk about good operating practice, so in all the units we're always going to be making sure that the work that we're doing we're following good operating practice and keeping those units safe.

So we're not going to be looking at something where you would actually run something to failure. So a lot of—we're doing a lot of that kind of work. We do know, and I mentioned I think in my notes or when I was speaking, that when we look at that average life extension of about three-and-a-half years, we're not going to be looking at having to go in and do a major overhaul on a generator or a turbine. So as Dawn was saying, what we'd be looking at is going in and just doing every 24 months, every 30 months we'd be doing another major outage.

So I do agree. I just wanted to add those comments about following good operating practice and keeping our units safe as we get to their end of life.

**Dawn Farrell:** Yeah. And we know how to do that. We did that with Wabamun. We kept it safe right to the end, but the reality was it would have taken significant dollars to take it beyond the end of life. And our last outages we didn't spend money on anything other than really the boilers, and that's the kind of thing that we'll look at.

**Andrew Kuske** (Credit Suisse): Andrew Kuske, Credit Suisse. Dawn, it's a question for you, and it's really just in relation to your capital market positioning. Because if you look at where TA is as a stock relative to the Canadian players, and if you thought of the infrastructures placed in a broad sense, you've got high dividend growth companies really being the large cap pipes, which also have forays into power utilities, which are a bit more interest rate sensitive; yourself, which is a bit more economically sensitive; and then if you look at the US IPPs, you tend to be less risky, less market exposure than most of them with arguably better market exposure. But how do you wrestle with from a capital market perspective where you stand and where you want to be?

**Dawn Farrell:** Yes. Well, we're certainly not going where the US IPPs are. So I mean I think kind of overall most of us on this panel have 25 years experience in this industry. And I think if you have a merchant strategy you must have a very different capital structure overall.

You can't have a high debt merchant strategy. You have to have a low debt, very low debt, merchant strategy. And so as we look at the business, we think that the way to manage the capital structure, the balance sheet, and the value proposition is you have to match contract length to the capital structure.

So overall, we'd be tending more toward the infrastructure companies and that's why you see us tending to contract out more, tending to focus more on longer-term customer relationships, longer-term IPP relationships. And Brett talked a lot in his presentation about having a contract cover in the 75 percent-plus range, so we'd be going more towards that direction than towards the US IPPs.

But at the same time, I don't think it's possible for us because of the Alberta market to go 100 percent to where a utility is because our market is competitive. And one of the advantages that we have by having a strong customer and trading organization is that we can handle some merchant risk and add value that way, so you won't see us on the side of the US IPPs. And you won't see us 100 percent on the side of a utility or an infrastructure company that is basically cost of service.

But you will see us tending more in the direction of more contract cover so that we can continue to manage the balance sheet and make sure it's investment grade because we do fundamentally believe in the Canadian market. You have to be investment grade to compete in this market overall in terms of your capital structure.

And I don't know, Brett, if you want to add anything more on that because you're the expert?

**Brett Gellner:** No. I think that's exactly it. We're a bit of a hybrid, but we're moving the other way and positioning ourselves to do that over time. It'll take time, but that's where we're headed.

**Andrew Kuske:** Are we going to see some restoration of dividend growth in the future? You did some a few years ago and there was a little bit of a clean-up exercise in some of the operations within the company of the Mexican plants and you gave some dividend growth. When you get through a little bit of the valley of darkness right now, prices look better. Do see some potential for dividend growth in the future because if you—a lot of the commentary today was about de-risking the company, contracting out more. So is that ultimately leading to the conclusion of you want to be in the realm of dividend growth several years from now?

**Dawn Farrell:** Yes. I mean I think as we see conditions improve and we see cash flow improve, I think we'll be balancing off a recommendation to our Board around growing the dividend with what we're seeing on the opportunity side around growth. So to the extent that when I look at—it's hard not to look at Canada in the 2017 to 2021 period and Australia in the same period, the markets that we're strong in, and not see a lot of opportunity because of just how people are emerging out of this financial crisis.

There is a lot of potential for growth in demand for commodities, no matter what they are. And so it's hard not to see a need for power. And then particularly as the coal plants start to shut down and you're seeing also huge pressure on nuclear plants. You just know that there's a real emergence of growth in demand for power and that's what we do.

So I think that trade off will be just how we think about and how we use capital for growth, and that would be happy days to start to think about how to make those decisions.

**Robert Kwan** (RBC Capital Markets): Just wanted to ask about a couple of things you talked about at the beginning of your presentation. First, you talked about lengthening the Alberta PPAs. And then when you think about over the long term that people tend to underestimate some of the changes, and so with the visible change of the PPAs rolling off, are you trying to message that you're potentially looking to give away some of the upside that you've talked about maybe on a blend and extend type of basis to accelerate cash flows and extend the PPAs with your counterparties?

**Dawn Farrell:** Yes. Well, if I messaged or it sounded like I was messaging that I was going to give away something, the answer is no. We won't be giving away anything. But I do think that as we think about, kind of tying back to Andrew's question, about which direction are we headed, we would rather not find ourselves having done nothing and have gotten to '20/'21 and have to use most of the cash that comes in from the PPAs because we now got all that merchant to pay down the—to re-adjust the balance sheet because the current balance sheet wouldn't probably work all that well if we had all that merchant.

So our team is really looking at as we think about the market, as we think about it going forward, are there any kinds of opportunities in that marketplace to get ourselves ahead of what that looks like. And now that we know for sure, and it goes back to Linda's question, we have a much better sense of what the end of life is going to look like for those coal plants. We've got a very good handle on the operating costs through a lot of the initiatives that Hugo's put in place.

We think that there may be opportunities to do some blend and extends, but if we did that, it wouldn't—we have to think about the position of the buyers in the market. We have to think about customers in the market, and it would not be to give away any value, but it might be a way to change the value equation kind of overall.

**Robert Kwan:** Is it something you're actively working on? And if so, do you have a sense of a time line where you might be able to start announcing these types of deals?

**Dawn Farrell:** We have teams that are actively working with all of our customers under Rob's group in the Alberta market. And in terms of the time lines, no, I wouldn't want to venture out on that at this point.

To the extent that we start to see—I think it ties—where you'll start to tie it together is to how we approach Sundance 7 because it all kind of ties together. So it's not imminent like in the next couple months, but certainly as we're moving through 2013 and 2014, it's something that's really top of mind, and that we're working in the market with participants on.

**Robert Kwan:** Thank you.

**Matthew Akman (Scotiabank):** Thanks. Matthew Akman from Scotiabank. I think my question's for Rob. It's around the Centralia contracts. There was some disclosure. I'm just wondering for 2013 what production levels you're assuming at Centralia because I think your total hedge graphs are related to as a percent of production?

**Dawn Farrell:** You want to take that?

**Rob Schaefer:** Yes. So correct, we do—that hedge graph I showed is an estimate of forward production for all of our fleet actually. And so what we look at with Centralia—obviously with the way the market is, in Centralia, we're trying to forecast how much we'll be

running next year and the following years. And as you know in last couple, we've been economically dispatched more, so we have adjusted for that.

**Matthew Akman:** So I guess just to get—try and get a little specific. You presented I think a 600-megawatt target for Centralia. Is that a target for 2013? Or how much you actually have hedged?

**Rob Schaefer:** Well, I think what we showed is about 1,000-megawatts in general up until the unit—the first unit shuts down. And we had contract levels, I don't remember the exact number, but we showed the contracts levels that we have currently between the Puget deal and the existing hedges.

**Dawn Farrell:** Yes. The dotted line on that chart was—the solid line was what we have contracted in 2013, which is a combination of hedges we've had from before.

**Matthew Akman:** So 600 that you showed was actually what you have hedged now?

**Rob Schaefer:** Correct.

**Matthew Akman:** Or a target? Okay. Thank you very much. And my last question is just around your idea of buying gas reserves. I'm just wondering if TransAlta is going to be taking reserve risk and production risk if, I guess this is for Ken, if you do an acquisition like that? Thanks.

**Ken Stickland:** Yes. I mean obviously if we're an owner of the resource, we do have both production and reserve risk. That's why we would look to align ourselves with a very experienced operator. And frankly, that's why we're being cautious. There are some members of the team that have got a lot of experience on the oil and gas side, but as a company we

don't. And we would look to align ourselves with that. We'd use third party engineering and evaluations and we're looking for a very established reserve.

We wouldn't be doing anything where we're taking any kind of exploration risk just to make sure that's off the table.

**Dawn Farrell:** Yes. And I think, Matthew, it's quite a lot related to the kinds of contracts that we sell. So to the extent that we sell tolling arrangements for something like Sundance, we don't need gas. And to the extent that we sell fixed price deals to some of our smaller customers, they do need the contracts fully hedged.

So then we can either go to the market and buy long-term contracts or we can go to the market and buy reserves. They have different profiles. I think we've looked at enough reserve deals and enough long-term contract deals this year to get a sense of pluses and minuses to doing either of those.

So it's really first of all related to what are the customers demanding, and then how do we hedge the risks, so to speak, and then what potentially would be the return expectations if we were trying to hedge the risk using physical gas as opposed to financial gas.

**Juan Plessis (Canaccord Genuity):** Juan Plessis, Canaccord Genuity. Just getting back to Centralia, can you talk a little bit about the interest you've seen or you're seeing now for contracting additional production at Centralia?

**Dawn Farrell:** Yes. The team's still working in the region and there are still opportunities that they're looking at, and we've set targets for them for 2013. And as you could see from the graph, we're pretty well hedged in that 2020 to 2025 period because we have one of the units coming off. So now what we're concentrating on is a little bit more maybe that

could go all the way to the end of 2025, but more trying to figure out that 2013 to 2020 time frame.

So there is certainly some interest. I think the first year that you could have below average watt a year we'll see a lot of activity there. So we've got a number of customers that we're working with and some are a little more interested than others at this time, but we continue to have a team that's focused there.

And I'll take one more question and then we'll—I see people leaving.

**Juan Plessis:** Actually, if I could have a follow-up question?

**Dawn Farrell:** So, Juan, you get the last question.

**Juan Plessis:** I see Aron sitting there without participating here, so this question is for you. The Southern Cross PPA expires in just over a year. Can you talk a little bit about the plans for that plant post-PPA? Are there renewal clauses in that contract? And have you started discussions?

**Aron Willis:** Yeah. That contract expires the end of January 2014, and we've been in active discussions with our customer there for the last few months and really happy with the progress that we're making. I think we're pretty confident that we'll get that plant re-contracted or that plant extended well before that contract expires.

**Dawn Farrell:** Great. Well, thank you, everybody for your patience. I hope we gave you lots of information that you can use, and we'll be glad to take some more questions for the next half hour.

Thank you.