

Why Centralia matters to Washington State

TransAlta's Role in Washington State's Energy Economy

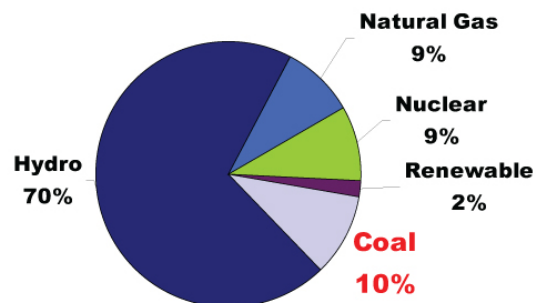
Centralia provides an essential service to its customers by producing 10 per cent of the power in Washington State that is low-cost, reliable and necessary for the growth of renewable generation.

TransAlta owns and operates the Centralia Power Plant, which is called upon to meet up to 10 percent of the state's energy needs and keep the region's electricity grid reliable. This plant is a crucial component of Washington's energy picture, particularly in these tough economic times.

Centralia is a 1,376-MW coal-fired facility and the state's largest base-load plant, making it central to the reliability of the transmission system and provides the flexibility to support renewable generation capacity which is not always available. With Centralia Gas, a 248-MW gas plant, TransAlta is also able to respond quickly when the state requires additional power during high-demand periods.

As an independent power producer, TransAlta sells its power under contract to support local utility needs, ensuring citizens have access to affordable and reliable electricity. Our goal is to provide even cleaner energy for many years to come, though unlike a regulated utility, we cannot pass on our costs to a rate base. We have invested more than \$300 million on pollution controls and continuous improvements at the Centralia Plant - creating one of the cleanest coal generating plants in the U.S.

Electricity Generation by Washington Based Plants (2004)



TransAlta's Environmental Commitment

We have invested more than \$300 million to make Centralia one of the cleanest coal plants in North America today and we continue to improve our environmental performance.

TransAlta is recognized as an environmental leader that is committed to supplying reliable, cost effective and clean electricity. We invest in pollution controls, maximize the energy efficiency of our plants and find new ways to continuously improve our operations and our environmental performance.

TransAlta is committed to working with the State and our stakeholders to develop a common sense approach to reducing our carbon footprint – just as we have done in the last decade to reduce our overall environmental impact. Today 99 percent of the Particulate Matter, 98 percent of the Sulphur Dioxides (SO_x) and 50 percent of the Nitrogen Oxides (NO_x) are removed from our emissions.

We also recycle 88-90 percent of our by-products, meaning these non-hazardous waste materials are not going to landfill. Instead the fly-ash is used to replace cement in concrete and the synthetic gypsum that is a by-product from our SO_x scrubbers is used to make wall board.

TransAlta continues to invest in bringing to fruition new, effective pollution controls. We understand the concern to reduce mercury emissions and are investing in a voluntary mercury reduction program to remove up to 50 percent by 2012. This voluntary action fills the current regulatory gap on mercury rules after the federal rules failed a court challenge in 2009.

The Centralia Mine is not currently generating the fuel for our plant, but we are actively moving through phases of reclamation there. Our long-term reclamation plans will support a wide variety of land uses, including agriculture, industrial use, woodlands, wildlife habitat and wetlands. Year round, we have a qualified team on-site to continuously manage and monitor these lands to meet compliance expectations.

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TransAlta's Economic Fit in Washington and Lewis County

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TransAlta has one of the largest business enterprises in Southwest Washington, on average injecting nearly \$100 million or more into the local and state economy every year. More than 600 family-wage jobs rely on the Centralia facility. These are jobs with salary and benefits which are more than 2.6 times the average in Lewis County, a fact extremely crucial in communities where the unemployment rate is among the highest in the state. TransAlta and its employees are likewise very active in the community, with over \$10 million invested in local programs to support our neighbors over the last decade.

Numbers rarely tell the whole story about a company's community impact, but consider these figures drawn from local authorities:

Taxes

For the last several years, TransAlta has been the largest taxpayer in Lewis County. This continues even with the change in status of the Centralia Mine:

- In 2007, TransAlta paid a total of \$3.8 million in local taxes, and \$5.6 million in state taxes.
- TransAlta is the largest single payee to the property tax base in Lewis County at just over 5 percent of the county total.

Employment

TransAlta is the fourth-largest employer in Lewis County, and represents 3.4 percent of the total wages and salaries paid in Lewis County.

- More than 370 union and non-union employees work for TransAlta and over 300 full-time contractors are needed to support Centralia's ongoing operation
- The average wage and salary for a TransAlta employee in 2007 was \$88,520, more than 2.6 times the average in Lewis County (\$33,750).
- Sixty-two percent of TransAlta's employees live in Lewis County and 33 percent live in Thurston County. The remaining 5 percent come from other Washington counties.

Primary and Secondary Economic Impacts – Local and State

TransAlta strives where possible to build partnerships and source goods from local businesses in Lewis County or other areas of the State.

- Over \$100 million in goods and services are purchased by TransAlta every year.
- Part of our business cycle includes annual maintenance, meaning specialized labor is brought in to support these efforts. This provides additional spending into the local community for the weeks or months these specialists may be working at our site.

Powering Communities

TransAlta is committed to supporting our community and investing in the future of Lewis County; more than \$10 million has been invested by the company and employees.

A core company value is to be a leader in the communities where we live and work. Since purchasing Centralia in 2000 and becoming a part of the local community, more than \$10 million has been invested by the company and employees.

- For the past nine years, TransAlta and its employees have been the largest single donor to United Way of Lewis County, with a total contribution of \$3.8 million.

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- More than \$400,000 has been donated to 300 local education, seniors, sport and youth programs supported by TransAlta through our employee donation program and other sponsorships.
- We are proud of our long-standing partnership with Centralia College to build a foundation of education opportunities to strengthen the community. For more than seven years, TransAlta has sponsored program development and scholarship programs and invested more than \$300,000 with another \$500,000 going towards the building of a new college commons building.
- We continue to work with community leaders to complete the transition of \$5 million committed by TransAlta in 2006, when we stopped our mining operation. This money went towards supporting 600 employees and their families who were laid off and the social network that supports our communities.
- To support new economic growth in Lewis County, TransAlta is working with the Lewis County Economic Development Council to develop the TransAlta Industrial Park which will be located within the boundary of the Centralia Mine. This includes the commitment of 1,000 reclaimed acres and \$200,000 to support permitting of this effort.
- In 2007, when devastating floods impacted Lewis County, TransAlta and its employees donated time and dollars immediately to support friends, family and neighbors.

About TransAlta

With 100 years of experience TransAlta is reliably, affordably, safely and responsibly helping meet the growing appetite for electrical power in North America while minimizing the environmental impact of doing so.

Founded in 1909, TransAlta is a power generation and wholesale marketing company committed to supplying reliable, cost-effective and environmentally-responsibly sources of electricity for our customers. We own and operate approximately 9,259 megawatts (MW) of electricity capacity in three countries and our portfolio includes 81 coal-fired, natural gas-fired, hydro and renewable facilities. We have over 478 MW of new capacity currently under construction.

More than 22 percent of our current generation portfolio comes from renewable sources, and over the next five years we plan to invest hundreds of millions in green energy projects. TransAlta has earned a reputation over the last two decades as an environmental leader for our actions to increase the energy efficiency of our operations, reduce harmful air emissions and invest in renewable energy. For the past four years, we have been selected as a member company on the Dow Jones North American Sustainability Indexes (DJSI), an honor granted exclusively to companies that lead their industries in the pursuit of sustainability by setting standards for best practice and demonstrating superior environmental, social and economic performance.

We recognize that the future of coal relies on the commercialization of new technology to remove carbon dioxides (CO₂) from emissions. TransAlta's Project *Pioneer* brings together public and private partners that will pilot one of the largest commercial carbon capture and storage facilities at our Keephills 3 coal-fired facility in Alberta, Canada.

TransAlta USA

TransAlta's U.S. portfolio has 2,464 MW of total capacity. Eighty-two percent of this portfolio is owned and operated by TransAlta. Our partner, Mid-American owns and operates the remaining 18 percent. Power to our customers comes from coal, hydro, natural gas and geothermal.

Through Project Pioneer, TransAlta expects to reduce current CO₂ emissions by one mega-ton (Mt) per year.