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Presentation

BRENT WARD, DIRECTOR, CORPORATE FINANCE & IR, TRANSALTA CORPORATION: Good morning and welcome to TransAlta's 2014 Investor Day from Stony Plain, Alberta. I am Brent Ward, Director of Corporate Finance and Investor Relations.

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In today's presentation, we're going to hear from a number of members of TransAlta's senior executive team, which are President and Chief Executive Officer, Dawn Farrell, I'll introduce shortly. We expect our formal remarks to be approximately an hour and 10 minutes, that will leave about 30 minutes for Q&A.

The presentation is also webcast. I invite those listening on the phone lines to view the supporting slides which are available on our website. If you would like to ask a question, there is a panel located to the bottom left of the page and there is a tab that you click for Q&A. Once you're in that tab, you can type your question to the box provided and we will address it accordingly.

And of course on Slide 2 is our disclaimer related to any forward-looking statements. I would remind you that all information provided during today's presentation is subject to the forward-looking statement qualification outlined on this slide.

And with that, let me turn the call over to Dawn Farrell, President and Chief Executive Officer.

DAWN FARRELL, PRESIDENT & CEO, TRANSALTA CORPORATION: Thanks, Brent and welcome to everybody here in the room in Stony Plain and welcome to all of you that are joining us this morning on our webcast. So I'll just start with some of my comments and then we'll be quickly rolling through the various teams. When we get to the Q&A question, we'll make sure that we put our questions directly into the mic, so that the people on the webcast can also hear them and we're looking forward to a very good Q&A session.

So, as you know, all of you that TransAlta is a 100-year old **company** and our roots are here in Alberta. So I think the first time that we know of that the **Company** has hosted its investors and analysts and credit rating agencies here in the Alberta market. So we're really pleased that all of you could take the time to get here. We are looking forward later this morning to a tour to the plant facilities and what you're going to see there is a group of hardworking employees that are doing what they can to ensure that our Alberta **coal** plants will run well right to the end of their lives and continue to serve Albertans with low cost and what we think is clean power.

Now, many of you that are in this room and some of you on the webcast know that our strategy is far broader than our assets here in Alberta. But you also know that the success here in Alberta is at the heart of TransAlta and to be successful in the future as we go forward, we very much need a very competitive value proposition for this market. So today, we'll touch on the overall strategy, but our main objective is to paint a picture of how we compete today in the Alberta market and how we're setting up here today in our home market to be able to compete in the future.

Now, for those of you here on the webcast that are not familiar with TransAlta, we have a diversified asset base with 64 facilities -- generation facilities across Canada, the Western United States and Western Australia. Our fleet includes **coal**, gas, hydro and **wind** and our business lines include **energy** trading and marketing and our C&I business which helps us extract additional value out of our assets and develop products and services that are required by our customers to be successful. The flexibility and optionality that goes along with the diversified fleet and strong customer and marketing capabilities gives us a powerful competitive advantage here in Alberta and you're going to see that this morning.

Now, many of you on the line and here in the room today know that we've weathered some challenges over the past couple of years. And during that time, we have not met investors' expectations. We know that. However, knowing that, you're also aware of what we've been doing to face into those challenges. You know that we've been growing the Company over the past five years to overcome the decline in cash flows from our US coal plant, Centralia. You also know that our long-term PPAs in our Alberta coal fleet don't provide much upside in the short term, but they do when we get -- they do start to provide some upside when we get to 2018. You also know that we have to spend money today -- we have to spend money to keep those plants healthy and running to be able to get them to the end of their lives. So we're a bit mismatched there.

You know that there are some upside from pricing coming in the US and everybody of course is worried about the operating market and some of the short-term downside and as we talked about last night, people are worried about the persistence of that downside. So we'll be addressing that today in our presentation.

Growing the Company to fight off declining cash flows from our legacy assets has challenged our credit ratios in the short term. We continue to believe as the management team and the Board of TransAlta that a investment grade balance sheet is essential to our business model, and that we must continue growth. So today, we're going to show you what we're going to do about that.

What you don't know is and you will know by the end of this session is how we're going to finance continued growth and keep our balance sheet strong. So by the end of this webcast and this session here in Stony Plain, you're going to know two things. You're going to know how we're competing in the Alberta market and you're going to know how we'll finance growth and prepare for more merchant cash flows as we get to 2018 and as the first PPAs start to roll off.

There is another key takeaway that I would like you to really have and that is around our growth. Our growth that has replaced these declining cash flows from legacy assets has been very strong. It's strengthened the Company. The CAD150 million of cash flow that will come from the long-term contracts and the investments we've made in the Western Australia market is lowering risk in this Company. And I think you'll see, although we're really emphasizing and talking about the Alberta market today, because that's where we are today, you will see how our strategy of growing contract to cash flows in Western Australia is adding strength to the Company.

I am personally very proud of the growth that we've done. I've worked in the industry for 29 years. Growth is very hard to do, good growth is extremely hard to do, and all of the projects that we've invested in are giving good returns to our shareholders.

Now, key to a strong company is a clear and a simple plan. So today, you're going to hear what our short-term plan is, keenly improve his operations, he made an announcement earlier this morning which I'll talk about.

We didn't want to dilute the messaging on coal by talking about our other assets and we can do that at a future Investor Day. So today we'll focus on coal (technical difficulty) plans for both South Hedland and improving our balance sheet. Those of you who know us know that the PPA contracts begin to roll off in 2018. This is good news because we see the potential for CAD100 million in cash showing up starting in 2018. At the same time, as we move to having a higher percentage of merchant cash flows in our Company, we know we have to carry less debt. We believe to get ready for that we need to reduce the debt on our balance sheet and Donald will take you through our plans to do that using a number of tools, including TransAlta Renewables.

This short-term plan that you are seeing on the screen is the next 12 to 18 months for the Company. When we are finished, this is what you can expect. We will have the cash to grow and remain investment grade, both are imperative to the business strategy. We'll be positioned to capitalize on the cash that will start to flow from Port Hedland in 2018 and the PPAs rolling off for Sundance 1 and 2 in -- sorry, Port Hedland in 2017 and the PPAs rolling off in 2018. We'll have the financial flexibility to continue to grow and TransAlta Renewables will grow and because we'll always remain the majority owner with at least 70% of the cash flows, TransAlta shareholders will reap the benefit of that growth. We have our teams organized to complete these plans and we also have people focused on the medium term, which is 2 to 3 years ahead.

Today, you'll see glimpses of the work we're doing today to position in the medium term. We cannot stand still, if we want to be ready to exploit our advantages here in this market and the advantages that are necessary to operate in what's a very competitive power market globally. So let me pause and just make two short comments on that. My view is where power markets have been implemented here in Alberta, you see them in the US, you see them in Australia, they very much are here to stay and companies like ours have to have all of the capabilities to compete and make money and get good returns in those markets. Where markets have not deregulated, in Canada that would be places like British Columbia, Saskatchewan, Quebec, New Brunswick they're not going to deregulate. But we do believe that there will continue to be a call for power by the utilities in those areas.

So for TransAlta to grow, we have to be good at competing in merchant markets and winning new customers and we also have to win new customers in regulated markets. So it's really more of what we do here in Alberta and more of what we just did when we won the right to serve FMG and Horizon Power up in the Pilbara, which is a regulated market. Now, today our strengths are clearly -- our capabilities serve large customers, industrial and utility scale customers. TransAlta will never serve the residential customer and that's not who we are. We are the competitors of the power behind the retailers.

TransAlta's offerings include power, heat and steam and the ability to ensure that customers get the reliability they need to make their products low cost and environmentally sound. We do this through our service and our ability to provide generation directly to customers from a very competitive fleet of plants. And you can hear a lot today and the picture that we are starting to paint for you is how we are positioning to have a very low cost portfolio of power here in the market and how our portfolio will remain low cost and how we're thinking about as we add assets to that ensuring that that is the case, because as you all know, in a commodity market, low cost wins and that's what we're determined to be and that's what we're focused on.

Our growing list of customers here in Alberta tell us, they are looking forward to the day when they can deal directly with us, when the middlemen and the PPA buyers are out of the picture, when they can tell us their needs, and we can meet them with very sound competitive service offerings and you'll see a lot of that from Rob.

Our team today will lay out our plans in more detail. You'll hear from Wayne Collins, Rob Schaefer, Brett Gellner, and Donald Tremblay. Most of you know Rob and Brett and are getting to know Donald through our conference calls. So let me take a minute to introduce Wayne. Wayne is the newest member of our team. He comes to us from Australia where his previous role as Chief Operating Officer for Stanwell Corporation. He was responsible for a fleet comprising **coal**, gas, hydro and large open cut mine -- open cut **coal** mine similar to what we'll see later on today. His 33-year career has predominantly been in **operations** and maintenance, but also includes a period developing and building new renewable power plants. He is responsible for our **coal** fleet and our Highvale Mine. The **coal** fleet is just over half of our fleet capacity today. The remainder of our generation fleet is made up of gas, **wind** and other renewables and Gary Woods heads up this **operations**. He isn't here today, he's meeting with employees at Sarnia, which is where we want him. We'll get him in front of you sometime at future Investor Days or we'll have the next Investor Day in Sarnia, which is closer to drive, but we'll see.

So for that, those are just some opening comments. I'd like to turn it over now to Wayne to take you through the detail.

WAYNE COLLINS, EVP, **COAL** AND **MINING OPERATIONS**, TRANSALTA CORPORATION: Thanks, Dawn and good morning, everyone.

As Dawn indicated, the **coal operations**, our own journey to firstly make sure where it could position to compete in the current market, but also in the post PPI environment. There are probably there are four things that we're really focused on. In order to ensure that we can effectively do that, the first thing is we had to stabilize our mine and **coal** plant **operations**. Secondly, we had to identify and understand and proactively manage the sources of aging plant risk, these are 30-year and 40-year-old assets we're talking about. We had to improve and consistently deliver availability from these assets. And finally, we had to be more competitive. As I'll describe in a moment, we've made considerable headway towards progressing all of those things.

And before I talk about how we've gone and where we're going with that, I wanted to firstly share with you my thoughts about my first four-and-a-half months impression of the **operations** here in Alberta. I've been here in Canada now for about that period of time, I live here in Edmonton and I spend most of my time at facilities that the people here are going to be visiting later. The assessment that I'**m** going to provide to you is really a reflection of my initial impressions by some my 30-odd years of being around power plants and **coal** mines.

So firstly when I look at our people, in terms of the people we have here in this part of the world, their intellect and capability is equal to or better than anything that I've ever encountered elsewhere in my working life. We do have people that have a very good understanding of risk. I guess my observation would be that, sometimes their responses to risk in terms of the approach to managing that can be a little conservative. And that's something that is understandable in the PPI environment that we operate within. However, as we move out of that environment that's something that we'll be focusing on adjusting.

Turning to our systems and processes. Look, systematic approaches always underpin good plant performance. And what's been very encouraging to me is to see that in this part of the world, but across TransAlta more broadly, we do have recently mature systems and processes. There has been quite a bit of investment in improving those that has been undertaken by TransAlta over the last few years. And again what was quite pleasing to see is the fruits of that labor starting to be born out now. And when I talk about some of the things that are underpinning our availability performance into the future, I'll emphasize some of those things a little more. However, what we don't have is we don't have all of those systems come in together in a single platform where it's easy to see if there has been a breakdown in any of the key controls that are provided by those systems. So, that's an area where we've got some activity -- some improving activity underway.

Turning to our competitiveness. It's no good having great people and great systems and processes if you can't bring all that together in a way that is competitive and cost effective. When I look at our **operations**, it's fairly clear that our turnaround performance is not where we need to be. And we made an announcement this morning, and I'll talk a little bit later about one of the initiatives that we've in the process of implementing to improve that. In terms of our operating costs, again that's an area where there is room for improvement, and I'll address that a little further on in my presentation today.

And finally, our fuel costs need to be competitive and we need to have confidence about the trajectory of that fuel costs as we move forward. And again, you'll get to see our mine today and again I'**m** quite confident that we have that mine on a stable operating platform and we have confidence about our costs moving forward.

Turning now to availability performance and as you can see from this slide, in this sheet, we have achieved a substantial improvement in availability over what was achieved last year. And our forecast as we move out over the next couple of years is to be able to sustain that level of performance and we'll be able to do that as a result of the sorts of things that are indicated on this slide. So firstly, TransAlta has spent a considerable amount of money on these assets over the last couple of years and that gives us a level of confidence about the performance of the assets moving forward.

Secondly, TransAlta has a unique capability in its **Operations** Diagnostic Center and that essentially that's the facility whereby we have the capability to model what the expected plant performance should be and take real-time data into that center to detect any deviations in performance and get on to those very quickly to correct them. That ODC operates across our fleet of assets and what we're really trying to do is to bring their focus on to the sorts of issues that of course has performance problems with their **coal** fleet and really get them chasing down those issues so that they don't hurt us again as we move forward.

We've also in the last year reconstituted our reliability team. It's only a small time, they now together and they've had the opportunity to look back over about 1900 gigawatt-hours of D rates over the past couple of years and they have had the opportunity to identify a range of corrective actions and we're about a halfway through implementing those corrective actions. As we continue to implement those, it gives us confidence that we can sustain and -- that will help us sustain and underpin the level of availability that we're forecasting moving forward.

Turnarounds, as I mentioned earlier, turnaround performance improvement is an area we need to focus on and we've announced a new initiative this morning. One of the things that that new agreement with Alstom will deliver a shorter turnarounds by an average of 5 days per turnaround over the next three years and again if we are having shorter turnarounds, again that gives us confidence that the sort of availability we are forecasting here can be delivered.

And finally, we have a new initiative called the **operations** integrity program. As I mentioned earlier, we have a range of good systems and processes within the business. And what we're seeking to do is to put in place a platform where any breakdown in control layer can be detected and responded to very quickly. So the systems and processes I'**m** talking about are our compliant systems, our asset life planning systems, our work management and sight systems of work, those sorts of things. So bringing all that together in one place and again this is not about necessarily driving us forward, but is making sure we don't slip backwards.

Turning now to aging plant risk. In a moment, I'll spend a bit of time on this slide and just work through an example of how we're dealing with this. But before I do that, I need to provide a bit of context and I think everyone would appreciate that aging plant risk has resulted in some plant performance issues for TransAlta in recent years and as we look forward, there on, I guarantee that aging plant risk won't rise its head again and manifest itself in terms of future performance issues. However, what we're really focused on is making sure that the probability and the impact of that, if it does occur, minimized. So, how are we doing that? What we're really focusing on is making sure firstly that we understand all the sources of potential aging plant risk in our fleet. Secondly, do we have good tools in place to monitor the progress of that as the plant site -- that risk as the plants age? And again, I believe the answer to that is yes. How we're doing that? We've implemented a range of real time tools for monitoring the condition and the health of our plants and our assets as they are operating. And we've also enhanced the quality and the type of inspections that we do during our turnarounds. And early today, people saw an example of some of that technology in action.

Finally, the thing that we have to do is to make sure that we have good plans in place to mitigate the impact of aging plant risk in the event that it does manifest itself in the plant event, and that means looking at our spare parts holdings, looking at the repair capabilities we can quickly bring to bay and also the materials that we hold to effective quick repair.

So if I look at generator transformers, large transformers and aging large transformers are an issue not just for the generation sector, but for transmission as well. So it's quite a wide-body of knowledge out there that we can draw on to help us improve the management of this plant risk and that goes to the type of online condition monitoring, gas analysis, those sorts of things that we can do while the plant is in service, so that we can trend and forecast where issues might emerge. It goes to the type and the quality of inspections that we do when we take the plant off for turnarounds, but it also goes to the spare parts we hold in our fleet, we hold a generator transformer as a spare. That transformer can be used across our fleet, so that in the event that we did have a failure instead of looking at a number of months of downtime, you're looking at maybe a week or two while we do that changeup.

So earlier today, TransAlta made an announcement of a new major maintenance agreement that we've entered into with Alstom. This is quite important for us because this underpins some of the things that are important for moving our business forward. This agreement is being put together very quickly over the last couple of months, but it does reflect the fact that there is quite a long-standing relationship between our business and Alstom and probably we would not have got it done in that timeframe if we didn't have that relationship. In short, the new agreement will deliver an average of 15% cost reduction per turnaround. Over the life of the agreement, it will deliver an average 5-day turnaround duration reduction, all up that equates to about a CAD34 **million** direct cost reduction over the life of the -- the 3-year life of the agreement.

We've adopted a turnkey approach to this agreement, which means that Alstom responsible for the bulk of the work scope that occurs during the agreement and that's pretty consistent with the way that most businesses are dealing with large complex projects of this nature in our industry. A lot of the cost reductions will come by executing our outages better more effectively, more efficiently. And we've implemented a shared risk and reward model, so that means that we really try to make sure that the goals of TransAlta and the goals of Alstom are much more clearly aligned and there are clear incentives to drive the behavior in the right direction. So there are incentives around schedule, around costs and around availability. For TransAlta in our **coal** fleet, this is the first time that we've had, to my knowledge, that we've had an availability wrapped around this sort of activity.

What's really important to understand about this new contract though is that the cost savings that we're achieving here aren't being achieved by reducing plant work scope, they're being achieved by more efficient implementation and execution, elimination of integration risk and a lot of that sort of stuff. So it means that we can continue to invest in what we need in the actual plant and that's important for underpinning the performance of the plant moving forward.

Turning now to operating cost management and I mentioned earlier that our cost competitiveness was an issue we needed to be focused on. And this slide shows you the cost trajectory that we're forecasting. As you can see in 2014, we've already made some significant gains and we do expect further improvement. In the mine, that future improvement will come through a number of activities that we've just kicked off. Firstly, we are doing a critical review of all the work we do with a view to that work volume reducing and obviously cost going down with it. Secondly, we are looking to rationalize our procurement. In this part of the world, our procurement is probably more disparate than it needs to be and so we believe that there is certainly a range of scale economies that we can access and we can actually bank the benefit from that.

Our target from the activities that we're undertaking both with [AL] capital costs and with AL operating costs is to bring our plants closer to first quartile in terms of their plant manageable costs. At the moment, Sundance, we would expect to get there by about 2017 and Keephills is actually much closer to first quartile already and we'd expect that it will probably be there by 2016. As far as a thing that I really want to emphasize that none of the changes that we're talking about here are rocket science. In the business that I came from, it was a 100% merchant business. In Australia, we've been facing a period of declining demand and very low process and we had to adjust that business to be fit to play in that sort of market and we are able to do that quite successful.

Finally, I just want to spend a moment on our **mining** operation. And I guess the key thing to understand about their **mining** operation is, it provides us with low cost fuel and provides us with predictable trajectory for that fuel. In incremental cost markets like this that's really important. We believe that since we've taken the mine operations back from PMRL, which was just under two years ago that we've now got that operation on to a stable production and cost footing. And as you can see in 2014, our delivered cost per tonne are substantially lower than what they were in 2013 and we're forecasting that we'll sustain that moving forward. If you follow the mining industry, I think you'd be aware that mining input costs have been hitting north at a fairly rapid rate. So in order to be able to deliver a cost outlook like that it can only happen if we're doing things right in terms of their mining equipment availability and our productivity of our mining activities, and it's only as result of that the achievements of the guys on-site have made today which we believe we can lock in for the future that we can deliver a cost outcome like that.

So in closing, I'd just like to remind you that we set out a number of challenges for the coal business to achieve. The challenges were principally around stabilizing our mining and our coal-fired power plant operations. Secondly, it was about identifying and proactively managing aging plant risk. Thirdly, it was about stabilizing and consistently delivering availability performance. And fourth was about reducing costs and being more competitive. I think we are well advanced on delivering that. There is more to do as I've outlined here today but we're reasonably confident that with all of those activities and combined with the low cost fuel from our mine that we have a set of assets that are here that can deliver value well into the future.

So with that I'll wrap up and I'll hand over to Rob. Rob Schaefer who is going to talk to you about the Alberta market. Thank you.

ROB SCHAEFER, EVP, TRADING AND MARKETING, TRANSALTA CORPORATION: Okay, thanks Wayne and good morning everybody. So today, I would like to focus on how TransAlta is very well positioned, sorry, how TransAlta is very well positioned in the best market in North America. I'll start by summarizing the steps we've already taken to position TransAlta to ride out the current low cost or low price environment, to position for the post PPA competitive environment and to capture the significant growth opportunities that lie ahead in this market.

So in summary, we saw low prices coming and we're well insulated from them and I'll spend a few minutes on how we've done that with our hedging program in a few minutes. We needed to be able to respond to changing customer needs because of this low price environment and we're doing that. We have the right contracts out in the market to capture growth with our customer base. And as we exit the current low price environment, we expect, of course, customer needs will change again and we'll be ready for that, with for example, our project with Sundance 7. So whether our customers Tim Hortons or whether it's a complex operation like Dow Chemicals, we are uniquely positioned to serve their needs in this market. We've developed and maintained a broad mix of fuel sources in this market, so we have a portfolio of assets with great optionality. And together with that, we have a trading platform that is uniquely able to capture the optionality from those assets, as we see volatility of the market.

So when we look ahead from where we are today, all of these give TransAlta a unique position in this market. We are very well positioned for the growth opportunities that lie ahead. So let's look at the short-term outlook. The key takeaway here is we've seen prices come off substantially from last year. And the reason for that, as you can see on the chart on the left is we've got a lot more supply year-over-year, that's the orange bar. We are seeing strong load growth but the bottom line is it's going to take a bit of time to work off that new supply. And so you can see from the chart on the right, the downward pressure we've seen our prices in 2014. We expect this to continue into next year.

Now, if we turn to the hedging program. The good news is we're very well protected against this. We saw it coming and you can see that right through 2016, we are over 80% contracted. And in particular for Alberta, we're fully contracted through the balance of this year and all the way through 2015. In fact, the only open exposure that we have is the optionality in wind and hydro that as you know we cannot hedge as well as the bit of length insurance that we hold back to protect against unforeseen outages. And, since I'm on the hedge program, just let me touch on the Pac Northwest, even though we're focused on Alberta today, we do as you know have a solid base of contracts in that market between 280 megawatts and 380 megawatts with our Puget contract and others. And so what we're focused on doing over and above those contracts is just shorter term hedging, so that we can capture market upside in that market.

Okay, so let's turn to the longer-term outlook for Alberta. And I mentioned before we see Alberta as one of the strongest markets in North America and here is why. First of all, you can see from the chart on -- what I'm trying to show in the chart on the left is that, in the Alberta price is baked in a capacity payment. So that's a good news for investors, why, because we get a return on and off capital baked right into the price in Alberta. So what I show here is the Alberta price over time is the blue line compared to the average of PJM, Ontario and ERCOT. And that gap is basically the capacity payment that comes right in our energy price.

Now, the second reason why I have a lot of confidence in this market is not withstanding the weaker environment we're in here in the short term. You can see from the chart on the right that the Alberta market has paced supply additions with demand additions over time and we expect that to continue. And in fact we see in that 2018 period there's going to be a bunch of new supply required again. So we have confidence in the longer-term pricing outlook as well as the need for new investment. If we turn to the even longer term, the outlook gets even better. There are significant growth opportunity in this province and it comes from a combination of load growth and I'll come back to that in a minute, but also the need for reinvestment and/or replacement of the core fleet in this province in the 2020 to 2030 timeframe, driven by the Federal Greenhouse Gas Legislation.

Now Brett will touch, he'll speak in a minute to the great optionality we have both in our existing **coal** fleet to go after this opportunity but also some of the Greenfield optionality that we have as well. But let me come back to load growth because I know some people may be asking themselves well, **oil** prices have come off substantially, so is this load growth really here. And there's a couple points. First of all, we know that there is a significant resource potential in this province and that will drive growth for the years to come in general. But in the short term, there's a few reasons why we don't see things coming off dramatically. First of all, if you look at history, this market has produced 3% average load growth over the long term and that's happened through thick and thin, in good times and bad. Secondly, we know there's only about a **million** barrels a day of capacity of **oil** sands growth already committed to, it's under construction from between now and 2017, that's not going to change. Thirdly, we know **oil** prices, while world **oil** prices have come off, in Western Canada, they're actually higher this year than they were last year and that's because of currency and price spreads to world **oil** prices. And then finally, there is a number of market reports out that point to the fact that **oil** sands is not the marginal barrel in North America, it's shale **oil** in the US. So all of those reasons together give us confidence that we'll continue to see load growth in this province.

So let's turn, I mentioned earlier, we have a great position in this market. Just a couple of slides to cover that and it's really about our marketing platform. It starts with a low cost asset base that Don and Wayne talked about those are critical, but then what our marketing team does is transform our portfolio of **energy** into the products our customers need. And I'll touch -- I'll come back to that in a minute. You can see from the chart here that we've delivered on our goals to grow our customer base. And we're targeting to continue to do that so that we're positioned for that post PPA world. Now, so job one of the marketing platform is to sell to our customers, but the other thing we're up to is, I mentioned earlier, our fleet has tremendous optionality. So our marketing team is also out there bringing every dollar out of the assets in a volatile market and that adds a bit of extra margin to those assets.

And the way we do that, I'll give a few examples. First of all, we're deciding every hour how to compete with other generators in the market to get the best price for our generation. We're making decisions on, for example, whether we should run our water today or tomorrow, the next day. We're making decisions on whether we should sell **energy** or ancillary services. We're deciding whether we should ramp our assets up or down depending on the price signal. We're deciding on hedging or unwinding hedges depending on market volatility again. So the upshot of all this is, we get a stable base of contracts that smoothes out volatility for us, that's stable cash flow, but it also allows us to capture upside in the market when it comes.

Now, I mentioned that we've seen strong customer growth over the last few years, how are we doing that and why do we have confidence, we will continue to do that? Well, it again starts with our assets and you can see with the chart on the left, we have a very low cost structure. And we believe very strongly that those are the low cost structure and a diversity of assets, we'll be able to serve customers well and be able to do it in a very profitable way. So you can see with this chart, we're making money at CAD20 prices. It's pretty clear that we can have a very competitive offering out there in the market and still make money better than anybody else with this kind of cost structure.

Now, let me give you a few examples on how this works. So let's take Grant MacEwan University for example, one of our current customers, they're looking for a green product. That's what interests them. So what we're able to do is take our **wind** and our hydro package them together and serve them with a nice baseload green product. Take customers like Best Buy or Tim Hortons, they don't want to worry about power, they just want to price and they want the power to show up when they need it, while we have a load following product for them. Take more complex customers like **oil** and gas like TAQA, Athabasca, well, the way we start with them is we'll, while they're in the pilot phase of their **oil** sands project, we'll supply them power for that. And when they go onto Phase 1 of their build out, we're now giving them round the clock power from our **coal** and our gas assets. And then as they build out their operation, now we're talking to them about partnering on a cogeneration behind-the-fence steam and gas supply.

So we have a variety of offerings for all of these customers and we're pretty clear that there is nobody in the market that can offer the breadth of offerings that we have. It's the diversity of our assets, it's our low cost base, it's our marketing platform and our strong sales team, it's the cogeneration experience we have. We were a pioneer in cogeneration, we have significant experience in it, we know how to do it well. It's our ability to structure products our customers want; it's our 100 years of experience in this market. So if you take all that together that's our recipes for success and no one can match it.

So, in summary, we like our position in this market and we -- sorry, we like this market and we love our position in this market. So with that, I'll hand it over to Brett.

BRETT GELLNER, CIO, TRANSALTA CORPORATION: Thanks Rob and good morning everyone. I'm going to cover three things this morning. One, I'm going to talk about and review our growth targets, how we're tracking against those targets and that includes an update on some of the projects that we have underway. Two, I want to talk about where we're focused on in terms of future growth and then I want to end with how we think about our competitive advantages and it's much more than just cost to capital. What you're going to hear from me is that we are tracking very well against our targets. We've grown the Company significantly, had a lot of growth and as Dawn said, some of that growth or a lot of that growth has gone to replace either declining prices or retirement of other assets or other considerations and I'll show that in a minute.

The second thing is we have a significant number of opportunities, potential opportunities out there. There is a lot of opportunities in all of the markets that we serve. And again, we're going to be very disciplined how we pursue those. Currently, we have up to or over CAD10 billion of opportunities being evaluated at this moment. And finally, I'll talk about our competitive advantage, I'm going to use some recent success we've had to demonstrate our advantages and then wrap up with that.

Let me just remind what our growth targets were. Back into 2012 in Investor Day, we set out a target to grow by CAD42 million -- or add CAD40 million to CAD60 million of EBITDA per year from new opportunities. But it wasn't just adding EBITDA, it was making sure that those were accretive to cash flow per share and we financed them in a way that maintained investment grade credit ratings. So if you look back, we really set that target based on our history. We've looked back at the last ten years, looked at what we achieved, got confident we can achieve that going forward. And if you look at the projects that we've done over the last couple of years and what we've gotten on the books today, we're hitting that target. In terms of the other objectives we set out on the growth, we wanted to continue to diversify the Company, again achieve that added significant amount of capacity, contracted capacity in Australia, we added a wind asset in the US and we continued to pursue a number of opportunities, we added a wind asset in Quebec and looking at a number of opportunities like I said across all of our markets. So those -- the other final one we really set out to achieve was to double our platform in Australia.

We set out it based on a megawatt target, but in fact it should really be an EBITDA target, just given some of the assets we're adding are non-generation assets. We have actually well exceeded that target. We will have increased our EBITDA by over 230% by late 2012 to when we start up our South Hedland project in 2017. A lot of our growth on this slide you can see has been through a combination of both Greenfield and acquisitions. We're going to continue with this strategy because we think we're well positioned in both markets. Greenfield, the downside always is the negative carry on the cash flow until you get it up and running. The upside is, we tend to get better returns from those opportunities. Acquisitions clearly immediately contribute to cash flow. The challenges, especially in this market, they're very costly. And so we are very disciplined when we look at those, we pass on a lot of opportunities. And we will only pursue things that add value to the Company. Going forward, as you can see on the right, we have approximately CAD650 million committed capital underway and I'll talk about those projects in a minute, the pipeline currently in Australia and then our South Headland project.

Dawn touched on this, this chart just shows our EBITDA since 2011 to an estimate for 2014. And the point here is, you can see Centralia due to declining market prices has contributed a lot less to our EBITDA over the last four years. What we've had to do is replace that EBITDA and we've done that through, not just growth but also some of the cost initiatives. We now feel given that prices have come down significantly that we're now in a position to grow the Company, which is what is shown on this next page. If you take our committed projects and you take the post PPA on Sundance A in 2018, you can see we have significant EBITDA potential coming in 2017 and then again in 2018. We'll see a little bit next year with the pipeline coming on, that's approximately CAD10 million to CAD12 million, but really the bulk of it comes on in 2017. Now that doesn't mean we're stopped, we're very focused on other opportunities that might fill in 2015 and 2016 whether that's acquisitions or even just on the book some really good Greenfield projects.

Okay, I want to just spend a few minutes on the three projects that we have done, been successful on in Australia. And these were three competitive processes and TransAlta won all three of these, and it wasn't just a cost to capital gain, it was about really demonstrating that we were a low cost operator, reliable operator in that market and we could work with our customers to get deals done. So the first one we did was back in 2012, and the reason I want to start there is because it led to the other two opportunities. This is our acquisition of the Solomon facility. There is no transmission going into these mines. We are the power supply to that mine. This facility, we get paid a capacity payment of approximately CAD40 million a year. All the capital, OM&A and fuel gets passed on to our off-taker. That's a long-term contract and that capacity payment escalates every year. So great opportunity for us and one we're proud of, like I said, it was a competitive process, but we're very successful in landing that.

That deal actually led to this next deal, which is our Fortescue gas pipeline. So the Solomon plant currently is dual fuel, its running on diesel, diesel as you know very expensive, especially in the Pilbara. And so we knew Fortescue was going to want to come out and have somebody build them a pipeline. So what we did is, well in advance of that, we knew we needed to team up with the pipeline operator and we wanted to team up with somebody in the market who knew all the permitting regulatory process and so we did that, we went and teamed up, what we brought to the table was the relationship, Fortescue, what they brought was the pipeline expertise. That competitive process came out, they actually proposed a certain route, Fortescue did, we submitted and said we can do that route for you but we actually have a better route for you.

And so ultimately we got selected not just because of our experience and relationship, but we actually came up with a better route, they selected our route, results in a lower cost for them overall and we'll get up and running faster. This project is going extremely well. It is going to be up and running early next year. And again, it's a long-term contracted asset. As importantly, it has expansion opportunity. So we agreed with Fortescue to oversize the pipe and they're paying us a return on and off for that. The reason being we have an opportunity to extend this into other mines in the Pilbara and be able to supply gas into those regions. So, again, once it's up and running, we're pretty excited about this one and you can see some of the pictures there in terms of the terrain.

So the last one that came up, which we've been working on for a while and again we knew it was coming. This is a facility, 150 megawatt facility at the port, this is South Hedland, Port Hedland. This is where, it's a major export port for iron ore and so a lot of operations here, a lot of load needs and Horizon Power, the state-owned utility knew they needed to get a station there but FMG also operates in that port and wanted to secure long-term supply. So they jointly ran a process, it was very well run and it was run effectively by the government and again TransAlta went hard at that, worked and really thought through their needs and structured a deal. We were selected as the preferred bidder. We then moved quickly to secure all the agreements, not just on the PPA side, but also on the EPC side. Those costs are highly locked down. Again that project, we plan to get our permitting soon in the next month or so and we'll start building and have that facility up and running in early 2017. It will generate about CAD80 million of EBITDA and again, it's a long-term contract.

The other good exciting opportunity about this is, we have an opportunity to add another unit with another customer there. We'll focus on that once we kind of get the project well underway. But certainly, that was the plan, was to always potentially add another unit. We'll get a return on and off from that opportunity. So what this demonstrates is, our success started with one opportunity working very closely, developing a relationship with a company, it's led to approximately CAD1 billion of investments, highly contracted, good returns and really positioned us well in the Australian market and two of these have expansion opportunities that we can pursue down the road.

Where we focused on in addition to those projects, we talked a lot about gas-fired generation, the need here in Alberta. A lot of the growth that's needed or the new generation is going to come from gas-fired just due to the baseload nature of those, that will be in the form of combined cycle and cogeneration. We are working hard to position ourselves there. We have our Sundance 7 project, a very low cost efficient plant. We want to get contracts for a significant part of that. But we think that we'll be well positioned to serve this market at some point. The cogeneration will go ahead, we're in discussions with various parties on providing those services, as Rob indicated, we have great experience in the cogeneration and so we see quite a bit of growth there. But it's not just Alberta, Saskatchewan load is growing, they will need new power there soon. British Columbia is growing as well, it'll depend somewhat on the LNG facilities that go ahead but certainly we see a need there. We also see opportunities in the United States on the gas-fired, whether it's Greenfield down in our Centralia operation or some acquisition opportunities throughout.

In Australia, probably not a lot of gas-fired beyond what our organic opportunities that I talked about. We'll see how the market plays out, but over time as we get -- as the economy picks up again, the mining picks up and growth picks up, there may be further opportunities there, there would be acquisition opportunities. The second area we're focused on is our coal here in Alberta and we call this transitioning coal. As you know, they're set to retire under the Federal Greenhouse Gas legislation. So we are now really focused on ways to extend the life of those assets and get more juice out of them.

One area, we're revisiting is our carbon capture and storage, we think that has some interesting possibilities here in the province. And so that's something we're looking really closely at, there are some other technologies emerging as well, early stage on those. The other area is potential to convert coal to gas. Again, we have to do more work on the economics of that, but certainly that is an opportunity capitalized not a big investment. It's just in terms of how it competes in the market. And we do have flexibility under those greenhouse gas rules in terms of the timing of those plants and whether or not we can retire some units earlier and take the years from those and add them to other units. What that does is, it allows Wayne's group to optimize spare parts, capital and really optimize the maintenance plans over time.

The final area is renewables and transmission. Our renewables is predominantly acquisitions, this is what we're seeing out there. Again, we're going to be very disciplined. We pass on a lot of opportunities if we don't think the returns are there. There are still some interesting things coming to the market. In Alberta, we do have some opportunity with our hydro system to do some pump storage, again early days. We're evaluating that, that gives us a lot of optionality in this province in addition to the things I talked about. And so that is something we're going to continue to evaluate. What you're seeing in Australia, we are seeing some renewables come to the market on an **acquisition** front but the big thing coming is the privatization of all -- pretty much a lot of the state governments are going to be come out as early as next March with privatization of either their TD and generation systems. Again, we'll look hard at those, they have to meet our targets, but certainly, significant opportunity is coming.

And then just generally, we always keep our eye open for acquisitions outside of US and in Australia, in Canada. We're not seeing a tonne in Canada right now, just given, it's a smaller market clearly, but certainly one that we're focused on.

So finally, I just want to. I just want to wrap up with our competitive strengths, quite often people say, the only way you compete is through cost to capital. And I can assure you that that is not the case and I hopefully I demonstrated that with our success in Australia. Cost of capital comes into play when it's a long-term really low risk asset, where perhaps operating capability isn't as critical. But I can assure when we're dealing directly with customers, whether it's a miner or cogeneration or even a large utility, they want to ensure they're dealing with a low cost reliable supplier and that is our focus. And also we want to be able to work with them in designing our commercial arrangements so that not only do they meet our needs, but they meet their objectives. And so that is a key focus of ours and Rob's teams as we're out there talking to folks.

We are prepared to take on development and construction risk, again South Hedland is a good example of that provided the returns are going to compensate us for those risks that we take on, a lot of parties will not take this on. So it narrows the field when we're looking at those, we can manage merchant risk. Our objective is we were going after contracted predominantly, but if there is a component of merchant, we're in a position to lay that risk off and manage it, other companies may not be. And Rob's team can also add incremental value through **energy** services and again, we can bring that to the table.

We will partner. Our pipeline example is a good one, we have a lot of other partners. We bring in partners if they can add incremental value or together we're stronger. So it could be a financial partner, but it could be a strategic partner like a pipeline **company**. We can create operational synergies by bringing our expertise and experience to the table. We do have significant tax attributes in the US that allow us to shelter tax for a long period of time on certain opportunities, so that's a competitive advantage. As Donald will point out or show you in a minute, we will use RNW as a source of **equity** to fund. And then finally, we do have the cash flow coming post PPA, which will be very important, as we're thinking about some of these more greenfield projects that start to kick in later on.

So with that, I'**m** going to turn it over to Donald and he is going to take you through how we're thinking about funding.

DONALD TREMBLAY, CFO, TRANSALTA CORPORATION: Thank you very much, Brett. Hopefully you enjoyed the morning.

Since I joined TransAlta in April like our key priority have been clearly to strengthen our balance sheet. Our goal from a capital structure perspective is no different from Wayne's goal in the **coal** operation or Rob in **energy** marketing. We need to get ready and need to be competitive in the post PPA period.

So before we start, let me start by reiterating some of the point that we made in the past. So first, we are committed to maintaining our credit rating, that's true today and that will be true past the Alberta PPA rolling off. Our goal is to be near our FFO to debt target of 20% by the end of 2015. Most of the action we'll discuss today will occur over the next 12 month to 18 month to make sure that we're getting there. We also need to fund our South Hedland project, that's an important project for us, it's an important project for our shareholder, very accretive. So that's important for us. In the next few slides what we'll show you is, is our plan to raise this capital. One thing that is important to say right away and Dawn mentioned it, Brett mentioned it, like TransAlta Renewable will clearly be part of that funding plan.

So let's start by looking at our current situation. First, this year like all the rating agency have confirmed our investment grade rating. We are still working with Moody's for them to remove their negative outlook. We are not yet there with them. Our job is to lay out a plan and to execute on it and that's what we're focusing on. We currently have a CAD1.6 **billion** in liquidity, of which CAD200 **million** is cash. In January, we will use those liquidity to repay our senior note coming due. We accomplished just this year by first like selling our **equity** interest in CE Gen at the beginning of the year and we raised CAD200 **million** doing so. We also completed a secondary offering of TransAlta Renewable early in April that also raised CAD135 **million** and that was important. And finally in August, we raised another CAD165 million through issuance of pref share. So all these proceeds have been used to reduce our net debt by CAD500 million since the beginning of the year and we're now at CAD3.8 billion.

But this is not enough. Last year, our FFO to debt ratio was 15%. Thanks to our debt reduction and also good performance this year. We should be near like 17% by the end of the year. This is good, but our target is and remain 20%. We won't give you any guidance for 2015 today, but I can tell you that we're not expecting significant change compared to 2014 given that current power market in Alberta and Pacific Northwest. So if FFO remain at similar level than today, more debt reduction will be required to meet our target in 2015. If we assume FFO in the range of CAD750 million to CAD800 million looking forward, we should carry between CAD3.8 billion to CAD4 billion of what we call adjusted debt. Adjusted debt for us is like our debt plus 50% of our pref share. Today, when we look at that metric we're at CAD4.3 billion. So given this, we need to reduce our debt by CAD300 million to CAD500 million in 2015.

The next slide show you how we are planning to fund that capital. We already covered the upper section of that slide. We talked about debt reduction, we talked about like funding the construction of South Hedland. So in total, we need roughly between CAD900 million to CAD1.1 billion of capital next year to execute our plan. But that's not all. As you hear from Brett, there is very good prospect to expand our business. We have the track record, we have the experience and we have the people on the ground to be successful and we did so in South Hedland this year. So we are aiming for a bit more.

Let me pause here for a moment, because I want to -- before we go through the plan, because I think it's important like there is no intention for us to fund this using TransAlta equity, so that's important and I would go like a step further, if you look at that plan, our plan assume that we will turn up the premium on [our Group] as soon as we can successfully start implementing that funding strategy. So we would like to start the -- to stop the dilution of TransAlta share as soon as possible.

So how will we do this? First, we cut our dividend in February and that freed up CAD100 million of free cash for a year. Over next 2 to 3 year, that should give us like CAD200 million or CAD300 million of cash that we could use to fund our plan. Second, over time, we successfully issue pref share. Over the last four year, we raised 950 million of pref share. We will continue to be active in that market and expect to issue between 300 million to 500 million of additional pref over the next 18 months.

Finally and most importantly, certain asset that we own in TransAlta clearly meet TransAlta Renewable investment criteria and could be drop down. These asset will be better valued by the market and TransAlta Renewable than in TransAlta. We believe we could raise CAD700 million to CAD1 billion by dropping down some of our portfolio in our sponsored vehicle. So as you can see at the bottom, we believe that we could source like between CAD1.3 billion to CAD2 billion of capital to execute our plan and support our growth over the next few years. But there is more we could do. We could also raise debt in TransAlta Renewable to leverage the strong credit metric of some of the asset we own in that portfolio. The proceed could be used to repay some interco borrowing between TransAlta and TransAlta Renewable or to fund part of the purchase price of the asset and we'll drop them down. In addition, as Brett mentioned earlier, for certain project, we may decide to share the risk and reward with partner and own less than 100% of the project. That's what we're doing with the transmission project going to Fort McMurray or Sun 7. Those project may also be funded with non-recourse project debt to further reduce the amount of equity that will be required.

So let's talk a little bit about the strategic and financial flexibility of RNW. We created TransAlta Renewable in 2013 to be our sponsor vehicle to own our long-term contracted assets. Our intention was to establish a currency that we can use to grow the business. Since we launched it in 2013, TransAlta performance have been good and very solid. It trade very well versus its peers and has delivered a return of [30%] to its shareholder. We also increased its dividend by 3% after acquiring the Wyoming wind project in 2013. One thing that I want to make clear here is we are very committed to these assets and we expect to maintain a very high level of ownership in our sponsor vehicle. Selling down our interest in TransAlta Renewable is not an option for us in the foreseeable future. So any asset we'll drop down will be fund by using cash and equity at TransAlta Renewable. There is more than CAD3 billion of asset that we can drop down to TransAlta Renewable in our portfolio over the next few years that should provide RNW shareholder with visibility on future growth.

So the next slide is showing you the asset that we think could be drop down to TransAlta Renewable. As I said, we believe that the potential is over CAD3 billion. Our hydro asset in Alberta are clearly a good candidate. This asset will be non contracted past 2020, when the PP in Alberta will expire. So there will be a need for TransAlta to make arrangements similar to what we did with the wind project in Alberta when we create RNW.

The Australia business also fit very well with the RNW investment profile. With the addition of South Hedland in 2017 and our interest in Solomon pipeline, the average duration of our contract in Australia is 16 year. Our customer includes solid mining companies and government owned utility. A large portion of our cash flow in Australia are also denominated in USD which is and reduce our exposure to the Australian currency. The other asset that could fit well with the strategy of TransAlta Renewable is our gas power portfolio in Canada. Sarnia facility for example has a long-term contract expiring between 2022 to 2025 and generate roughly CAD80 million of cash flow, very stable cash flow annually.

Lastly, when we created TransAlta Renewables in 2013, we elected not to include like a wind project in Quebec and an hydro project in Ontario. Each of those projects have long-term contract and could also be drop down in TransAlta Renewable in the future. So we believe that raising CAD700 million to CAD1 billion over the next 2 year or 3 year is very achievable. These action will provide investor as I mentioned, visibility on the growth prospect of TransAlta Renewable, which will positively impact its valuation and it's trading multiple.

So before I turn to the outlook for 2015, we just want to remind you again, again something that we're reminding you often Dawn mentioned it, Brett mentioned it, like the potential increase in our margin when the PPA expire is huge. At that time, we will get back to full value for the power we're producing. So that is net new money that customer in Alberta will have to pay like that's very clear. Today, the owner of the PP are realizing these margins. So we're not talking about new money here. We don't know what the power price will be in 2021. Okay, but as you know, the [average PP] are well below market price in the province. Assuming different pricing scenario and you can pick your price, we believe that an increase between CAD400 million to CAD800 million in our EBITDA is possible in 2021. This is cash that we could use to grow our business past 2021.

I will conclude my section by giving you some insight to 2015. Our full guidance will be shared and discussed with you in February at our Q4 conference call. But we just want to give you a bit of an insight. In 2015, like Rob talked about it, we don't expect market price in Alberta and Pacific Northwest to be widely different from [declining] price we're receiving this year. As you saw from Rob's slide earlier, our non-contracted position are mostly edged in 2015 at price that are pretty much in line with the price that we're receiving this year. So no huge change in our revenue. We expect our fleet availability to be at similar level to this year at like 88% to 90% and we also expect our CapEx to be in the same range as 2014, in the range of CAD335 million to CAD365 million. Finally, as Brett mentioned, the pipeline we are building with our partner in Australia should start contributing revenue and cash during the first quarter. As we told you, the pipeline is estimated to add about CAD10 million per year to our cash flow.

Now I'll turn the presentation back to Dawn for our final remark and then we'll take your question.

DAWN FARRELL: Great. Thanks everybody and I think you get a sense of the team is working hard to not only -- to take our business and really simplify it, really simplify the plant, get down to exactly what we need to do and really take the Company to the future for what we see here coming in Alberta. I think when we think back to the number of years that I've been associated with TransAlta and we think back to all the work that we've done, often we can look at our business in a very complex way and complexity kills execution and we know that. So what I want to do here is just kind of wrap up by putting my own meaning on what everybody said here in terms of where the Company is today, and where it's going and really why we are making some of the moves that we are today and what I hope is that we've given you enough clarity in our plans here for the next couple years that in the Q&A session that we can really just refine our discussion around that.

So first of all, I think we have a very simple plan. You see that we're a positioning for this merchant market that's coming here in Alberta. It's been here for a long time, but we've had these long-term PPAs that have been good and bad, but at the end of the day, we were sitting on a very low cost portfolio of power that right now we're selling to buyers at a very low price. And that's going to end. And when that ends, the great news is we have greater margin on those megawatts, but we also have a different financial structure that we need to be leaning into because, as you know, any of you who study commodities or look at commodities worldwide when you have more commodity risk on your balance sheet you typically carry less chance. So we're getting ready for that today. And that's part of our plan and that's part of how we're positioning ourselves to be competitive.

What we didn't -- right, so if I think about what we did talk about today we focused on coal, we've been focused on coal, you know, we've been focused on coal. Wayne showed you that he is taking a lot of work that's been done in the last couple of years, he is putting it all together, he is strengthening it, he is adding a framework to it, he is adding our ability to see more clearly into the future to it, so that net-net we can provide that predictable cash flow coming out of the coal plants. We're well on our way through that and the work that his team is doing is very focused and it's really challenging that team to have predictable performance and low cost at the same time. So you've seen a lot from us today, you'll see more in the future.

What we didn't talk about today is that in Alberta we not only have the coal, but we have low-cost wind, we were some of the first builders of wind farms here. We have extremely low cost hydro. Our hydro is as you know, mostly depreciated, an extremely valuable asset to this Company and really Rob showed you how that we can put that into our portfolio and create products for customers that others can't. And then of course we do have, I guess, we are behind the fence service provider for Suncor, we have merchant gas coming out of that portfolio, that was built in the early 1990s, so it's all very low cost and Rob showed you that.

So when you stand back and you look at Alberta, you say to yourself, okay where are they now, where are they going to be? Where we are now as some PPAs rolling off with low margins in them, where we are in the future as a very low cost base of assets in a growing market. Our challenge is to figure out in that growing market how to add generation, so that we continue to always be the lowest cost service provider in this market. So what Brett showed you is that we have a lot of optionality in our portfolio. We have Sun 7 ready to go, if we can get it contracted, we will be building it. But the reality is and it is a lower cost asset we're surprised actually by the prices that we're seeing as we're pulling all the last pieces of it together. But it can only come into the portfolio, if it can continue to have TransAlta remain the lowest cost portfolio here in the Alberta market.

The reality is in Alberta, we can only have up to 30% of the offer control in this market and effectively we can only have about 30% of the customers. And what we're doing is focusing on the customers where we have the sweet spot and what Rob showed you is that between his team and Brett and Rob's team what they do is work on figuring out when does a customer need just pure power, when do they need green power, when do they need so much power that there could be a co-generation facility there, what kinds of products do they need. And often people say, why are you guys in Alberta and why are you in Canada and why are you also in Western Australia?

Western Australia is like Alberta. Western Australia is about mining, it's about mining to get commodities to China. Alberta is about mining, and oil and gas. Where is that oil going to go, it's going to go to the sea somehow or it's going to go to the US, the same kinds of customers in both of those markets and the same kinds of customers use companies like TransAlta. And we found that by focusing our offering on large customers, successful businesses, businesses that need to be competitive, businesses that need environmental solutions, we can actually -- that's where we're positioning ourselves to be the best, in that kind of marketplace.

So what you haven't heard today is how our retail business will go door to door and sell power in Alberta, that's not who we are. Other people have that space. The most interesting thing about the Alberta market unlike all markets is Alberta is about a 1,000 megawatts of retail customers. This is a place where 12 people live and a lot of money gets invested, where CAD20 billion projects get invested and people fly in from all over the place to work. And Chris talked last night about an 80% load factor in that market, that is significant. In every power market in the world, the load factor is 65%. There is nothing going on in the middle of the night in the rest of the world, but in Alberta in the middle of the night, there is 24x7 operations, they need 24x7 power, so they need -- they need our coal, they need gas and they need everything else that we have. I've said this in other meetings and I think it really hits the mark. We've been in the market for 100 years. Pretty well, everything we've built in the 100 years is still operating. We shut down a couple of coal plants, that's it. Our hydro that we built starting in 1911 still operates, a big portion of our coal fleet still operates, our gas still operates and our wind operates and it will continue to operate into the future. So you see that we've got a good base of generation.

Now going to the customers, what we know is customers -- we've been able to attract about 800 megawatts of customers who work with us directly using our merchant power, they're all waiting for the day that the PPAs roll off. They want to work with us directly; they don't like having middlemen in the market. [That's why] the market had to be deregulated. We all know that that was to reduce our market power and that was effective and it worked. We've gone from 80% of the generation in this market to 30%. We can't be above 30%. That's fine. There is enough market at 30% for us to make a good business.

So what you're seeing here is a very clear focus by the team on who are the best customers for TransAlta to work side-by-side with. And the best customers are people that have the same needs as you provide. And you saw quite a bit from Wayne today, some of the things we've invested in to make our operations better, our own operations better, turns out that when we bring customers in to our trading floor and to our operations, our diagnostic control center, when they see those two key things that we've built up over the last 15 years, they see those as critical to our offering to them, because they know now that we can actually monitor their equipment and we can make sure that they have less downtime, they're more reliable, they're more competitive, they make more money. So that's a big part of our offering.

We didn't talk much today about CASA, which is the clean air regulations here in the Alberta market. I'll make a few comments on that. We are very crystal clear that when CASA was negotiated in the early [2000s], I think it was finally all the work came together in 2006, the framework it was negotiated in was that there would likely be some sort of carbon tax in the future and there would be no retirement of the current coal plants as they are configured today. And then the world changed. The Federal government came in in 2012 and said, you can run these coal plants this way for about 50 years -- 45 years to 50 years, depending on the plant. That made CASA irrelevant in that moment.

The moment that legislation came across the line, CASA no longer made any sense, why? Because CASA was designed for coal plants that are going to run for 65 years and for a lot of reinvestment at those coal facilities. CASA was not designed around a strategy in the Canadian government that would have the current coal fleet with the current greenhouse gas emissions either put in CCS on, which actually does take into consideration the other air emissions, or having them shut down. And quite simply in our discussions with government, we show them. We shut a coal plant down, because of the greenhouse gas rules. The NOx goes away and the SOx goes away. So we're not going to invest additional capital in coal plants that have short timeframes.

Now you saw from Brett and Rob, we have a quite bit of optionality in our portfolio and what we're thinking about is if we can extend our coal plants through CCS, if we can get a little bit more juice out of our hydro through some investments that we can make there, if we can convert our coal plants into peakers, which of course we had in BC Hydro when I worked there, where I was a peaker. I could not make any brand new investment, compete against [priority of a] peaker and we know the capital to make our Sundance units into peakers is very, very cheap, much cheaper than anybody can put in in this market to provide peakers. So when we look at that optionality and we pull all of that together that's where we see a low cost portfolio of assets that we can match to a very competitive group of business people.

Just going back to CASA, we are working with the government on that, they know and we know that double regulation in Alberta would not be acceptable to the operated public, people in Alberta are pragmatic. But what's more important is that and what people lose sight of is that the coal in Alberta is not the same as the coal that people talk about worldwide. It's very low sulfur coal in the prairies always has been, it's never needed control because of the sulfur, there isn't SO2 spewing around all over the place. The airsheds around the coal plants have been proven to be cleaner than the airsheds in Calgary and Edmonton. We use about 5% of the airshed for NOx and we've done medical tests of people walking around in the airshed to assure ourselves that people don't have any issues as a result of the coal plants. We take out 75% of the mercury in our coal plants in compliance with Canada's progressive mercury regulations. And effectively, the only issue is that the current CO2, which as you know, is in my view is plant food. The CO2 that comes out of coal plants is higher than what the government wants in the future. And so we have to do something about that and we have several options for that. So we are pretty optimistic that as we work with the Alberta government and our customers and the consumers in Alberta and the public that we'll get to a good solution on CASA.

I think just a couple of other comments on just customers, there is 8,000 megawatts of industrial customers, we need about a third of them. There is 3,000 megawatts to 4,000 megawatts of customers doing cogeneration. As you know, cogeneration we compete with them. We compete a little bit with competitors in the marketplace, but we actually have a great service offering there and because we have such a good -- because we have such a long list of customers that we work with and people like the work we do, we actually have a bit of an advantage there, our biggest threat is they built the cogen themselves. That's starting to change, it always does, it changes in the cycles. In the mining industry, you can buy cogen assets when mining prices are low, you'll see some of the same things happening here in Alberta as prices get low, people get cost conscious, they don't want their capital invested and there is opportunities that emerge. So we work hard every day side by side with the oil and gas industry to show them what we can do there.

So the big picture is 30% of the market 30% of the customers for Alberta. Brett, I think gave you, I mean somebody asked us on the conference call the other day, what would you do if you had an unconstrained balance sheet, which I took as, what would you do if you had all the capital you could have. There's a lots and lots of projects today and the good news is that Brett and his team are focused on getting the best. I've watched them chase projects that we thought we could add value to and then they abandoned as soon as the returns are below our expectations, we're very, very disciplined. We'll be very disciplined about Sun 7, I know a question was asked about what happens if people are all trying to beat each other and they want to get ahead of each other and build that plant and be the person that who took the prices down, so the prices never come back up.

Prices have to go up for Sun 7 to be valuable, there's no question of that. They don't have to go up as much as we thought prior as we've done all of our work, but for the price to remain low in our portfolio and I think there's some really good calculations here, and I'm going to use CAL-SAN. I'm not going to give any secrets away here CAL-SAN but you're a more independent source than we would be, but my numbers are about the same as yours when I do them on the back of an envelope. If Sun 7 is contracted, it's CAD20 cheaper megawatt hours over its lifetime than if it's not. We're working with customers today to show them that. If they want merchant plants in this market to be financed with 30% or 40% debt and much higher equity returns, they have to be willing to put up with a market that's much higher costs than that.

For us that's not investing in Sun 7 at CAD1.6 billion or whatever the number will be a 100% merchant, that's not our sweet spot, that's not our investment criteria. We would have to partner on that, we'd have to take a slice of it, there's a number of different things we'd have to do. So we have a number of different options with Sun 7 but adding a big merchant plant to TransAlta that needs a higher price in a low cost portfolio would be a very bad business decision and we will not make that decision. So you can be sure that we will as disciplined about our investments here in Alberta as we will be anywhere else.

I guess, I have just one final thing to say before I wrap up around, why have a strategy, I talked a bit about the markets for Australia and the markets for Alberta and how similar they are. But I did in my opening comments, what I said to you was, look, we think that deregulated markets will stay deregulated, we think they'll be very competitive and we think you have to have certain things to be able to be in those markets and we have those. But we also think there will be a number of markets that will not be deregulated, where generation will be needed and there will be RFPs and we saw that in the Pilbara with our project with South Hedland. We're seeing that in Saskatchewan, we're seeing that in British Columbia, Brent talked about that, we're seeing that in other jurisdictions.

So our job is really to be competitive in both worlds, compete for those good projects that will be sold to utility customers and compete in the markets where we already are like Alberta to have the lowest cost. What Donald did in his presentation is he said, okay, how do we set up our financial structure to be able to do that? He basically let you know that we know that in order to have as much merchandise we'll have in our marketplace, we have to have a lower debt overall and we have a plan for that and we're going to execute that plan.

But what he also showed you is that, for projects that are long-term contracted assets in that wind gas range, they're great candidates for our TransAlta Renewables. And for projects, and if we did have a project that had some merchant in it, they're great candidates for TransAlta. What Brent showed you is that if -- for us to compete, we have to take development risk. Those projects have to be developed in TransAlta Corp. They're not going to be developed in TransAlta Renewables, TransAlta Renewables is a financing vehicle.

So what we're now trying to do is make sure that TransAlta is competitive and positioned for what's coming in Alberta, TransAlta Renewables can use its currency for what's coming in other regulated markets and by putting those equations together, we offer you the ability to kind of pick and choose. So you can say, see I am going to own a share of TransAlta Renewables, it has the cash flows and the dividend that I like or you can say, I'm going to hold a share of TransAlta, it's got 70% of renewables, it's got a great customer business, it holds some of the merchant and the potential as the Alberta market grows or you can own a share of both. That's what I do, because I think both of them are valuable.

I think we know today that customers like both of those products and our job is to show them as we transition over the next 12 months to show them how owing their share in TransAlta will be valuable to them, especially as those PPAs roll off, which we've all talked about. So I think, there's lots of ways to think about TransAlta. Here's how I think about TransAlta. So what I think about TransAlta is how we serve customers and why customers are the center of the value proposition, yes. We build generation. But our job is to bring the best generation resources together with the best marketing and trading capability so that customers in the end can be served. We see customers as large commercial, large industrial and utility customers.

I think about a company that has a solid dividend today and that has a potential to grow that in the future as these PPAs roll off. I think about making sure that we have a solid company that can withstand the volatility of the Alberta market because of how we've grown TransAlta Renewables and because of our relationship with customers. And then finally, I think about a company that can execute what it says. So what you've heard today is the plans that we have to execute over the next 18 months. You haven't heard all of our plans for the next three years because a lot of them are competitive and it is becoming a much more competitive marketplace, so we're not sharing everything with you. But you've heard enough to know where we're going.

So with that, I'd like to close. And take some questions and we have a mic so it can get around to the various speakers as well, if your questions want to be more directed to them. So thank you. Linda fast.

Questions and Answers

LINDA EZERGAILIS, ANALYST, TD SECURITIES: (inaudible - microphone inaccessible)

DAWN FARRELL: If you can speak into the mic, then the people on the conference call can hear you.

LINDA EZERGAILIS: Linda Ezergailis of TD Securities. This might be a question for Brent. You mentioned in your presentation, you're looking at other geographies outside of US, Canada, and Australia potentially. Would that include Mexico or somewhere else?

BRENT WARD: If I said that I was incorrect and saying that, no, we're very focused on our three core regions; Canada, US and Australia. I think where you might see us is grow outside of WA, Western Australia, because we see some opportunities on the other parts of Australia. The US as you know, most of our focus right now is in that kind of western corridor. Again, we see opportunities beyond that.

But no, right now, I mean we're not looking at Mexico or not in Latin America and other regions or Europe. Don't anticipate going there. You can never say never, but certainly that's not where we're focusing our resources and primarily because we see sufficient opportunities in the markets that we operate in.

ANDREW KUSKE, ANALYST, CREDIT SUISSE: Andrew Kuske of Credit Suisse. How do you think about just the **operations** of the **coal** plants as they start to roll off PPAs, because obviously if availability targets right now that you're trying to hit and meet, so when the PPAs start to roll off, are you going to throttle them back a little bit and once you start to see market prices that look really attractive and so they're going to be a bit more baseload but quasi mid-merit at some point in time and you're going to cycle them a little bit harder, just to be a bit more market savvy on how you operate them because you don't have to hit an availability target anymore, you can really be more market friendly?

DAWN FARRELL: I think you asked your question and answered it. So who is going to answer that. So we would think about it the same way. And I think there is -- it depends, right. So if we see the opportunity to do some carbon capture and storage on a couple of the units, then it would be a different availability target as we go to that transition because we'll want to run the plants for 10 or 15 more years after that.

If we know that a plant is potentially getting ready for a, let's say, a gas conversion, then it would be more along the lines that you're talking about. If we know for sure, a plant is going to shut down, we're going to do neither, it would be more along the lines that you're talking about. And I think what Wayne did is, he said, he basically said, look, our people are very risk adverse and they have to be because we have to keep these high availability targets because of the PPAs. We have way more flexibility between availability and capital and operation in cycling once we don't have those contracts which are fairly restrictive. So we do see it that way.

ANDREW KUSKE: And just a follow-up. Does your customer base and prospective customer base really understand your ability to start to throttle plants back as you're trying to contracts for say Sun 7?

DAWN FARRELL: No, I don't, I mean, I think the presentation that Chris gives to our customers on the Alberta market would give them some sense of sort of what that portfolio looks like but the sophistication of the Alberta market and where it could be, I don't think people are really focused that much on that. I mean, I would say and Rob can maybe comment, the customers just want what they want and they don't really want us to do the sausage making in front of them.

And so, and in fact, when we tried to explain the sausage making to them in a very complex way, they just roll their eyes and want to go away. So, Rob's team does a really good job of basically helping them see what they can have out of the existing portfolio in the future and what those options look like. So far, as always customers I think tend to take a little more risk than sometimes they should and the market may have to unfold in a certain way before customers get driven back to different kinds of decisions. Linda?

LINDA EZERGAILIS: I don't know if this is a question for Wayne or someone else, but in your presentation Wayne, you mentioned that anyone with **mining operations** globally is seeing a lot of inflationary pressures in your cost inputs. So I'**m** wondering if maybe you might start to see some relief at some point in the PPA indices, are those still out of whack like how are you going to outperform the indices or are those going up to help you capture some of those costs?

DAWN FARRELL: Yes, I mean there continues to be ongoing disputes and discussions on the indices with the buyers. So, whether or not you get relieved depends on how the arbitrations go. So I don't really know which way they will come out, but for the most part, we've been able to get the right indices as we've been going forward.

But if you start to think about 2018, that goes away, right, and really it's what are the costs. So I think what Wayne and I'll get Wayne to comment, but I mean, his team has to be focused on just the pure cost, the pure cash costs and how to try to always beat inflation in a market that has high labor and the kind of inflation we see in Alberta, which is different.

WAYNE COLLINS: Yes, Dawn is pretty right there. Bottom line is, PPAs don't compensate as [fair] fuel costs -- real fuel costs anyway. So our drive is to get them as low as we can.

DAWN FARRELL: Go ahead Robert.

UNIDENTIFIED PARTICIPANT: The CAD700 **million** to CAD1 **billion** on your RNW dropdowns. Can you just characterize what that is? Is that **equity** value, is that also net to TA Corp at the 70% level?

DONALD TREMBLAY: So that will be the cash amount that will come back to TransAlta Corporation. So that will be the 30% share that we're selling.

UNIDENTIFIED PARTICIPANT: (inaudible - microphone inaccessible)

DAWN FARRELL: Just repeat the question for the people on the phone.

DONALD TREMBLAY: Sorry, the question is, like does that assume debt at RNW being reconsolidated? The answer is yes.

DAWN FARRELL: Paul.

PAUL LECHEM, ANALYST, CIBC: Thank you. Paul Lechem at CIBC. You mentioned in terms of the dropdowns in Alberta hydro assets. So two questions around those.

Firstly, how should we think about the period post PPA expiry, how do you negotiate that transition between TA and RNW, [can sort of capture] that upside? And secondly, how should we think about the ancillary services around those assets, how do you capture that in terms of the value being dropped -- the assets being dropped down?

DAWN FARRELL: I think Donald is going to tell you but if he tells you that he has to kill you, but he might have more that he can add.

DONALD TREMBLAY: But the idea is to do something similar to what we did with the win in Alberta. So there will be a contract between TransAlta Corp and TransAlta Renewables at a fixed price for a long duration that will give the contracted profile for TransAlta Renewables and the upside and the real value of power will be in TransAlta Corp.

DAWN FARRELL: But I think your question is, I mean it's the post PPA period where we know what those cash flows would look like if they weren't constrained by the PPA. So Chris will have to do a lot of modeling, lot of scenario analysis in order to figure out how to get that risk equation right and then, the deals would have to be accepted by both TransAlta and TransAlta Renewables' Boards.

UNIDENTIFIED PARTICIPANT: (inaudible - microphone inaccessible)

DAWN FARRELL: Yes.

UNIDENTIFIED PARTICIPANT: So no source but how much time is Moody's giving us to reach average target?

DONALD TREMBLAY: Like clearly when they gave us like a negative outlook, last February, March, normally the time period to resolve and give an outlook is like 12 to like 18 months. So I would say first semester of 2015.

BEN PHAM, ANALYST, BMO CAPITAL MARKETS: Ben Pham, BMO Capital Markets. Just on the dropdowns. How do you think about reconciling hydro and **wind** market valuations. When you think about dropdown on your hydro assets to RNW, just ensure that you're maximizing value for the Corp, but also making sure that is accreted to RNW?

DAWN FARRELL: So your question is really if there is a different valuations for those assets in the marketplace. How do we make sure we get the right value for the hydro? Is that your question?

BEN PHAM: Hydro is trading at a brilliant win rate now in the marketplace so.

DAWN FARRELL: As we get ready to do that kind of work with RNW, we'd have to recognize that.

BEN PHAM: And just on slide, I think it's 41, your examples you had with the dropdowns, is that implying that's your priority of assets that you're looking to dropdown, hydro first?

DAWN FARRELL: Yes, no. All that does is it tells you the opportunities that we have. Doesn't tell you any order, it doesn't tell you that we're doing all of them. It just gives you, this is, these are the opportunities that we have today and as we go through the next 18 months, we'll be working on these and then making our decisions. So no decisions have been made. We're not telling the market today that we will do this, we're just giving you the indication that these are the assets in our portfolio today that are good fit for this kind of strategy. Paul?

PAUL LECHEM: Thanks. Maybe a bit of a longer-term question. But as you go into a post PPA world, how should we think about the capital structure that you're trying to hit in terms of the debt that you're going to carry on the balance sheet at that point in time? What kind of FFO to debt target you need to have in sort of [the momentum]. You always talk about this upside to EBITDA once the facility is revert to merchant, but how much of that needs to -- additional free cash flow you need to set aside to retire the debt of the facilities which will be retiring in future years, so how much of that really is free cash flow to investors?

DONALD TREMBLAY: So the idea is like the 20% target is still the target we're aiming for. Clearly, when we'll look at 20% post-PPA world, we're not using necessarily what is our like forward price, we're losing like a more conservative price because that we will look at it, they just want to make sure that we are sustainable at 20% under any market condition and the additional upside that we'll have over that threshold will be cash that we'll be able to use to grow the business or buyback share or do whatever we have to do past 2021.

DAWN FARRELL: Yes, so we've set a price threshold for ourselves, and that's what we were working with the credit rating agencies, it says that you need to be 20% at that level and that's a confidential information but it's make sure that -- that price threshold make sure that we can manage through any other cycles. So if you think about what the potential cycles have been in Alberta, you'll get a sense of the kind of pricing we're using to sell that threshold.

I think it goes back to the point that we're trying to make around the value of our assets. So in a commodity market, remember there is always a long cost curve, and there is people at the front end of the cost curve and there is people at the back end of the cost curve and prices move. And our job is to be profitable, to have the assets that are at the front end of the cost curve that are lowest cost and they can withstand sort of any kind of price volatility and our other job is to make sure that we have a balance sheet that can withstand that as we go forward. So we've set this internal target for ourselves relative to that and we're setting up our financial -- we're setting up our balance sheet to be able to do that.

PAT KENNY, ANALYST, NATIONAL BANK FINANCIAL: Pat Kenny, National Bank. Another post PPA question, but outside of gas conversion or CCS technology, how should we think about maintenance capital longer term versus the current run rate of CAD350 **million**?

DAWN FARRELL: You should think this current run rate is pretty good for the next couple years for sure. As the plants -- going back to Andrew's question, as you start to do a different tradeoff between capital and availability, their run rate would start to go down and the run rate on our **coal** plant always goes down as it nears the end of its life. If we were to make new investments to extend the life of the plants, we would call that growth capital and we do the same calculations for that growth capital as we wait for a brand new plant, so we'll keep those capital, those capital costs separately.

So the CAD350 **million** in the next couple of years is reasonable for where we are in the life of the fleet. And then as we give you a better sense of how -- what the end-of-life will look like for these plants whether they are shutdown, converted or converted to gas or converted to CCS **coal**, then we'll have a different -- we'll give you different perspective on how to think about the capital -- the sustaining capital.

Okay. If that's all the questions, then we really again thank you for coming, thanks everybody for listening on the webcast. Hopefully, you've got something out of what we were doing today and we'll have some great conversations as we go through the tour up at the **coal** plant. And thanks to the **coal** people, Lou Florence at the back there has done all the work to make this work today. So thanks in advance to Lou and his team for what you've done. Thank you.

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