

Background

TransAlta's Role in Alberta

TransAlta is a power generation company with significant operations in Canada. We play an important role in ensuring Canada's current and future power needs are met with reliable and cost-effective electricity. We own and operate coal, gas-fired and hydro power generation facilities across the province and also own two open pit coal mines.

Commitment to Landowners

Given the nature of our business, we recognize that our operations may adversely affect some landowners and stakeholders. TransAlta is committed to working with landowners to develop respectful and responsive relationships.

Land Acquisition Policy

TransAlta purchases land that will be directly and adversely impacted by our mining and plant operations in accordance with our current and future business plans and our Long Range Mining Plan. We may also purchase lands that will be indirectly and adversely impacted by our operations and our current and future plans.

Once impacted landowners are identified, TransAlta will make arrangements to consult with affected parties to share our business plans for mining and plant operations and to address any questions or concerns they may have. We will endeavor to consult with landowners far enough in advance of our land requirements to allow time for both parties to work together to come to a mutually satisfactory land solution.

Following consultation, we will work with landowners to:

- (1) purchase the lands in question at fair market value (a financial solution), or
- (2) if a landowner desires, provide alternative TransAlta lands to landowner (a relocation solution).

Where land is required for our operations, land will be valued at fair market value taking into consideration the unique characteristics of each parcel and each acquisition. The determination of fair market value will include the market value of land on a comparable piece of land not bordering a power plant, the replacement value of improvements, relocation expenses and any special items as applicable

If only a portion of a landowner's property is required, we will consider purchasing only the affected portion (subdivide the property) or purchasing the entire property. This will address the issue of not splitting businesses, i.e., farms, into uneconomic parcels.

If a landowner has a property that will be impacted by our future business plans and we have not yet commenced negotiations for the purchase of this land, landowners may initiate an earlier land sale negotiation.

In negotiating for the purchase of lands, TransAlta's preference is to find a mutually satisfactory solution with landowners for the sale and purchase of lands. However, if negotiations fail, Alberta legislation provides for access to lands for mineral extraction and power plant construction. Further information on this legislation can be found at <http://www.surfacerights.gov.ab.ca/lcb>.

Land Leasing Policy

TransAlta recognizes that the leasing of our land provides benefits to stakeholders who may require land for agricultural purposes. We will balance this community benefit with TransAlta's requirements for its operations.

Lands owned by TransAlta and that have been identified as available for leasing will be offered in the following order.

- Original Landowner,
- Lessee at the time of land purchase,
- Tender Process

TransAlta owned lands that are required for immediate plant or mining operations will not be leased. TransAlta owned lands in close proximity to an active mining pit or that have been identified as being required in the near term for plant or mining operations will be leased on a one year term. All other lands will be leased on a two year or longer term. Terms will be no longer than three years, but can be renewed as long as the lands are not required for TransAlta Operations.

TransAlta owned land that is currently leased may be terminated for business purposes. TransAlta leased lands that are required for land acquisition negotiations may be terminated and will take precedence over the continued leasing of lands. For example, land that is leased and will not be required for our operations may be used to relocate families whose lands we require and who are interested in relocating. In this example, the use of TransAlta lands to relocate families will take precedence over the continued leasing of lands.

TransAlta, as a landowner, is committed to providing lands to local residents and landowners so that they may expand their operations. However, TransAlta expects that as a landowner leasing lands, the cooperation will be reciprocal. In addition to needing access to TransAlta owned lands, TransAlta may also require access to lands owned by other landowners to conduct testing for operational purposes. If TransAlta is to lease land to a local landowner, TransAlta will request that this level of cooperation is reciprocal. When TransAlta signs a lease for the use of TransAlta lands, we will include a requirement for the lessee to work with TransAlta on a satisfactory agreement for TransAlta to receive this access permission. By including this in the lease, TransAlta is being as forthcoming as possible in its request to access the lands. The landowner will be compensated for the access through our standard access agreement. TransAlta will work with the landowner to ensure that the work is not being disruptive, and in the unlikely event of damage, the landowner will be compensated fairly.

In the event of lease termination prior to the end of the term, the lessor will be informed of the reason for termination.

Tender Process

Lands available for leasing will be advertised for 2 consecutive weeks, generally during the month of February, in the local newspapers.

The successful bidder must submit a sustainable agricultural land management plan with his/her bid. Commitments to weed control and soil nutrient amendment programs are strongly considered.

The tender evaluation process will be based on a 100 point scale, and will include criteria such as price, land management plan, history of the lessee and residents or landowners in the affected area.

With regards to residents or landowners in the affected area, this will be determined at the discretion of TransAlta Corporation and be given 20% weighting. This 20% will be defined as 10% given to a resident in the local area, and 10% given to a landowner in the affected area. Note, a tender can be given points for being both a landowner and a resident in the affected area.

However, TransAlta makes no guarantee or representation as to the likelihood that TransAlta will enter into a contract with any Proponent for the lease of the lands. Furthermore, TransAlta makes no guarantee that the highest bid received will be automatically accepted.

The lease term will vary depending on TransAlta's future operational requirements for the land. All leases will include a three month termination clause that may be exercised by either party to allow some degree of flexibility for both parties.

All successful applicants will be required to execute TransAlta's standard lease agreement which outlines the terms and conditions of the lease. A copy of this agreement is available to individuals considering leasing TransAlta's lands.

TransAlta will monitor the lessee's operation on TransAlta's land to ensure that lands are maintained at adequate soil nutrient levels and that they are not impoverished by weeds.

Right of Entry

TransAlta will have full access to its leased lands for its varied operations. In the event TransAlta requires entry onto leased lands, it will notify the lessee in advance except in the event of an emergency. All instances of trespass should be reported to the Stakeholder hotline.