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April 15, 2016

Via Email (Carolyn_DahlRees@transalta.com)

Carolyn Dahl Rees
Managing Director Legal and Compliance
TransAlta Corporation
110 - 12th Avenue S.W.
PO Box 1900, Station "M"
Calgary AB T2P 2M1

Dear Ms. Carolyn Dahl Rees:

Re: Review of TransAlta Corporation's Power Purchase Arrangement Facilities' Outage Policies and Procedures

A. Introduction

You have requested us to provide our analysis and recommendations with respect to TransAlta Corporation's ("**TransAlta**") practices relating to the scheduling of outages for Alberta power purchase arrangement¹ ("**PPA**") generating units ("**Outage Practices**"). In particular, you asked us to review the consistency of the Outage Practices with the decision of the Alberta Utilities Commission in 3110-D01-2015².

As addressed in greater detail in our report dated February 9, 2016, our conclusion is that TransAlta's Outage Practices operate within legal requirements.

The key reason for this conclusion is that the analysis of outage timing is conducted by TransAlta's operations group independently, which uses only public information and without the knowledge of

¹ *Electric Utilities Act*, SA 2003, c E-5.1 [EUA], s. 1(1)(nn), Part 6, ss 96 – 99 and the *Power Purchase Arrangements Regulation*, Alta Reg 167/2003.

² AUC Decision 3110-D01-2015, *Market Surveillance Administrator allegations against TransAlta Corporation et al., Mr. Nathan Kaiser and Mr. Scott Connelly* (27 July 2015).

TransAlta's trading group. We have also observed that TransAlta senior management has demonstrated a strong commitment to compliance through our meetings and communication in preparing our report and through the risk assessment completed in the preparation of the Outage Practices, including establishing roles and responsibilities for TransAlta personnel designed to meet compliance obligations.

Our report also recommended certain process improvements to TransAlta's Outage Practices for management's consideration. We understand that TransAlta's senior management has accepted these recommendations.

Please let me know if you have any questions or concerns.

Yours truly,



George Vegh

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CC: Dawn Farrell, President and Chief Executive Office, TransAlta Corporation
John Kousinioris, Chief Legal and Compliance Officer and Corporate Secretary, TransAlta Corporation