

## **TransAlta Corporation**

### **Strategic Arrangement with Brookfield Renewable Partners Conference Call**

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## **CORPORATE PARTICIPANTS**

### **Sally Taylor**

*TransAlta Corporation — Manager, Investor Relations*

### **Dawn Farrell**

*TransAlta Corporation — President and Chief Executive Officer*

### **Christophe Dehout**

*TransAlta Corporation — Chief Financial Officer*

### **Brett Gellner**

*TransAlta Corporation — Chief Strategy & Investment Officer*

### **John Kousinioris**

*TransAlta Corporation — Chief Legal and Compliance Officer*

## **CONFERENCE CALL PARTICIPANTS**

### **Ben Pham**

*BMO Capital Markets — Analyst*

### **Robert Kwan**

*RBC Capital Markets — Analyst*

### **Andrew Kuske**

*Credit Suisse — Analyst*

### **Jeremy Rosenfield**

*Industrial Alliance Securities — Analyst*

### **Patrick Kenny**

*National Bank Financial — Analyst*

### **Mark Jarvi**

*CIBC Capital Markets — Analyst*

### **Adam Mitchell**

*Polar Asset Management — Analyst*

### **Garnet Solmon**

*Private Investor*

**John Mould**

*TD Securities — Analyst*

## PRESENTATION

### Operator

Good morning. My name is Denise, and I'll be your conference Operator today. At this time I'd like to welcome everyone to the TransAlta Corporation Announcement Conference Call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you'd like to ask a question during this time, simply press \*, then the number 1 on your telephone keypad. If you'd like to withdraw your question, press the # key. Thank you.

Sally Taylor, Manager of Investor Relations, you may begin your conference.

### **Sally Taylor** — Manager, Investor Relations, TransAlta Corporation

Thank you, Denise. Good morning, everyone, and thank you for joining us this morning.

With me today are Dawn Farrell, President and Chief Executive Officer; Brett Gellner, Chief Strategy and Investment Officer; Christophe Dehout, Chief Financial Officer; and John Kousinioris, our Chief Growth Officer.

Today's call is webcast, and I invite those listening on the phone lines to view the supporting slides which are available on our website. A replay of the call will be available later today, and the transcript will be posted to our website shortly thereafter.

As usual, all information provided during this conference call is subject to the forward-looking statement qualifications, which is set out on Slide 2, and incorporated in full for the purposes of today's call.

All amounts referenced during this call are in Canadian currency unless otherwise stated.

On today's call, Dawn will provide an overview of the transaction announced this morning. After her prepared remarks, we will open the call for questions. With that, let me turn the call over to Dawn.

**Dawn Farrell** — President and Chief Executive Officer, TransAlta Corporation

Thanks, Sally, and thanks to everyone for joining us to hear about our new strategic arrangement with Brookfield Renewable Partners. It's a transaction with a Canadian-based global leader in clean energy generation that is supported by our largest institutional investor, RBC.

For TransAlta, it's a transformative deal, and the benefits extend beyond the \$750 million capital injection. It's a strategic financing that will advance our transition to clean energy by funding our coal-to-gas investments, supporting our drive to grow TransAlta Renewables, and allowing us to use our own free cash flow to enhance our balance sheet.

And because we've entered into this important arrangement with Brookfield, all of our shareholders will benefit as we return capital earlier than expected through a significant share buyback program. Effectively, this arrangement allows us to complete our transition more quickly than expected, with benefits to shareholders as we move through our final execution stages of our strategy.

This transaction also crystalizes the value of our hydro assets today by entering into a transaction that bases the value of our hydro operations on higher cash flows. Expected following the expiry of the PPAs in 2020, at a strong EBITDA multiple, Brookfield will also bring their vast and deep operational skills to our operations.

And most importantly, the Brookfield team is aligned with the TransAlta team on the overall strategy for the Company and its performance. By increasing their ownership of TransAlta to 9 percent, through open market purchases of shares, and by adding two experienced and highly revered directors to our board slate, Brookfield is aligning with us to build a strong TransAlta for many years to come.

So in summary, the transaction, together with the strength that we have in our own free cash flow, increases the ownership of a trusted and credible long-term Canadian investor, advances our 100 percent clean energy strategy, crystalizes the value of our hydro assets, enhances our financial flexibility, and maintains our ability to reduce our senior bonds to 1.2 billion by the end of 2020, adds significant renewable and operating expertise to our board and, finally, allows us to start the process of returning some capital to shareholders. And by also adding Bob Flexon to our board, we've increased our capability to be ready when the capacity markets start here in Alberta in 2022.

Now let me address some key questions. First, why now? And how did this transaction come about? Over the past several years, we've had many discussions with several strategic and financial players, including Brookfield, on ways to advance and accelerate our transition to a clean energy company, so that our shareholders can share in the benefits in the near and the longer term.

Over the last few years, we have assessed many alternative growth opportunities, many of which we've had to leave on the table. We have always known that the heavy lifting to reduce costs and deleverage would get us to the end goal. But like our investors, we too were frustrated by the time it would take to prove the value in our strategy.

In recent months, we heard from institutional shareholders that while our strategy is on track, it's taking too long to execute, and it lacks the catalyst needed to build the confidence of investors in this final leg of the journey. We also heard, loud and clear, that until we crystalize some of the value of the hydro through a market transaction, investors could remain skeptical for many years to come.

As we closed on this potential transaction with Brookfield, our board, with the support of an independent special committee and our financial and legal advisors, concluded that the overall

arrangement with Brookfield would in fact accelerate our strategy to the benefit of our shareholders. This arrangement was by far the best option, and it was far superior to continuing on the path of going it alone.

So why Brookfield? One of our institutional investors told me, I've made lots of money by buying what Brookfield buys and selling what Brookfield sells. Today, they are buying into and partnering with TransAlta and supporting our strategy. This is very good news for all of our shareholders.

Of equal importance, due to their operational expertise in hydro assets, Brookfield's team could construct a deal based on the future value of the cash flows of our hydro assets, something that others simply could not do. Frankly, there was no one that we talked to who could meet their mark. And since we were not prepared to sell an interest in these valuable assets at today's valuations, we needed a buyer who was prepared to recognize the future value that will be realized once the PPAs have rolled off. Brookfield was that buyer.

Personally, I had to finally admit to myself that despite all our hard work to convince investors that the value was there, the only way to make that case credible was to execute a transaction that made the case for us.

So why us? Brookfield recognized that our strategy is sound, our assets are high quality, our team is experienced, and our future upside is significant. Additionally, the strength of our balance sheet today allowed Brookfield to invest confidently in TransAlta. Quite simply, our work to deleverage over the past three years provided Brookfield with the confidence to safely invest their capital with us.

Finally, we both know that the future is gas and renewables. By coming onto the TransAlta board, they gain great insight on how markets will work in the future. This is truly a win-win transaction that is constructed in a very strong and powerful way to benefit both TransAlta and Brookfield.

So let me turn to the financial part of the transaction. Over the next two years, Brookfield will invest 750 million into TransAlta. We will receive 350 million in exchange for exchangeable debentures later this year and 400 million exchanged for redeemable preferred shares in October of 2020, both at a coupon of 7 percent.

What makes this transaction so compelling, and why we chose to do a conference call with you this morning, is that these instruments can convert into a share of our hydro assets after December 31, 2024. The value exchange is based on a 13-times multiple of the average EBITDA for the three years prior to the conversion. They have the right to make their conversion starting in 2025, and if they haven't made their conversion by January 1, 2028, we can choose to redeem the instruments at par value.

So why is this transaction so attractive to TransAlta? Those who know us well, know that 2022, 2023, and 2024 are the first three years the hydro assets are fully off their PPAs and can sell into the market. Brookfield's share of the Alberta hydro assets is based on future value, not today's value. These cash flows are also adjusted for normal energy and ancillary volumes over a 10-year average. If we use the 2018 disclosure as a proxy for the future, this would value our hydro in the range of 2.5 billion, with Brookfield owning approximately 30 percent of the assets upon conversion in 2025.

There are also other benefits to the deal. Brookfield owns and operates approximately 18 gigawatts of renewable assets globally, a significant portion of which is hydro. As part of this deal, we will immediately set up an operating committee with Brookfield and TransAlta experts to ensure that we have the very best expertise running our fleet.

TransAlta, under all circumstances, retains 51 percent ownership or more of a very important set of assets here in the Alberta System. We have ensured that all shareholders benefit from our strategic arrangement with Brookfield through incentives for their team to stay the distance on our overall strategy.



Brookfield has the right to buy up to 49 percent of the hydro assets on conversion, if our share price is over \$17 a share by 2025, and they still own over 8.5 percent of our shares.

This alignment between TransAlta and Brookfield means that net cash flow reductions from their ownership stake in our hydro must be replaced by other investments. And \$17 a share is a growth of about 11.5 percent per year from now until then.

Now let's turn to our coal-to-gas conversion program. We told you on our last call that coal to gas conversions are highly economic and offer a strong return. And we told you that the sooner we get it done, the better. By ensuring that we have the capital to inject 350 million into our strategy now, we can advance our conversions easily to the 2020 to 2022 period, and we can be more aggressive about evaluating the benefits of an investment in a hybrid generator.

Our new board nominee, Bob Flexon, who formerly comes from Dynegy, has great experience and deep experience with this strategy and with the ups and downs of merchant markets. He will be a great addition to our decision-making process as we move forward.

So why return capital to shareholders through this transaction? We understand that TransAlta shareholders have waited a long time to see capital return to them since we reduced the dividend in January of 2016. We believe that over the long term shareholders need to know that our margins will support the sustaining capital we need, will fund our best and highest value growth, and that there will also be a share for investors as we go.

The share buyback element of this capital injection program is a very strong signal that we still believe our company is undervalued, based on its current and future cash flow generation, and it rewards shareholders who've stayed the course. Many of our institutional investors wanted to see this kind of program, and we responded as we constructed this transaction.

Now why add new nominees to the board? Make no mistake, we have strong expertise on our board. It's this board that approved this transaction for all shareholders. We believe there is also significant benefit to having a cornerstone shareholder represented on the board in terms of the long-term stability that it will bring the Company.

For me, the real value will come when you dig into the credentials and the track records of our three new board members. Together, they bring decades of additional experience in international renewables projects, US capacity markets, and thermal investments. They are a perfect complement to our current board, bringing the right type of expertise at this stage in our transformation to 100 percent clean energy.

In summary, as a result of this transformative financing, all of the ingredients for value creation are now in place at TransAlta. It is indeed a huge endorsement of our work to transform the Company, our strategy, and our future upside potential.

Thank you for joining us today. We are available for a few questions now, and we will be meeting for the rest of the day with those who want more extended discussion one-on-one.

And with that, I'll turn the call back over to Sally.

**Sally Taylor**

Thank you, Dawn. Denise, could you please open up the call for questions?

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## Q&A

**Operator**

Certainly. Ladies and gentlemen, to ask a question, please press \*, then the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Ben Pham with BMO. Your line is open.

**Ben Pham** — BMO Capital Markets

Hi. Thanks. Good morning. I was wondering on the stock buybacks, what's going to determine the pace and extent of how that's going to materialize?

**Dawn Farrell**

Sorry. Say that again, Ben? Just what is going to determine how quickly we do that?

**Ben Pham**

Yeah. Exactly. And I—

**Dawn Farrell**

Is that what—

**Ben Pham**

—yeah. And I just wanted to also clarify, is it mandatory that you buy back the 250 million in there? Because just the costs involved—

**Dawn Farrell**

No. In our agreement, we've agreed that we'll buy back up to \$250 million, and we have three years to do it. And I think, frankly, the pace and the amount depends on where the share price is. And as you know, we believe the share price is significantly—undervalues the Company, and we'll be using that buyback strategically.

**Ben Pham**

Okay. And another question I had is late 2020, two years away from now, you're generating a lot of free cash flow, at least when you look at the next three years. So it seems like when you factor in this investment, there's going to be a lot of cash that you can really look to deploy towards other growth

investments. Is there—am I thinking the right way? Or should we be thinking about additional investments outside of Alberta?

**Dawn Farrell**

Yeah. I mean if—I mean a couple of things, Ben. First of all, 350 million of this goes into the coal-to-gas which, as you rightfully see, generates more cash. The hydro generates more cash. We know that right now TransAlta Renewables is under-levered, so we now have the opportunity to start to really find the right kinds of investments for that vehicle.

I agree with you that those kinds of investments would likely be outside of Alberta because of our market share here in Alberta, and there's—we don't see a lot of growth in the next couple years in the rest of Canada. So our teams right now are focused on where those kinds of investments are in the US and in Australia.

**Ben Pham**

Okay. And can I check, lastly, TransAlta Renewables—does this change anything there with the strategy and how you're going to use that vehicle?

**Dawn Farrell**

Nope. TransAlta Renewables, we'll continue to grow it the way we have been.

**Ben Pham**

All right. That's great. Thank you.

**Dawn Farrell**

Thanks, Ben.

**Operator**

Again, to ask a question, please press \*, 1 on your telephone keypad.

Your next question comes from Robert Kwan with RBC Capital Markets. Your line is open.

**Robert Kwan** — RBC Capital Markets

Good morning. Dawn, you mentioned it or talked to it in the beginning, some background to the transaction. Just wondering when did discussions on this specific structure begin? And can you talk about just some of the alternative structures, whether it was with Brookfield or others, that you contemplated seriously?

**Dawn Farrell**

Well, no. I'm not going to talk about stuff that we discussed with others because I think that's water under the bridge now. But we've been in discussions several times with Brookfield over the last four years on a number of different ways to figure out how to bring together what we know how to do and what they know how to do. So as you know, Brookfield's big on renewables, particularly hydro. We're big on renewables, but we also have had coal in our portfolio that we're converting to gas. Brookfield's really never entered into the gas business.

So I think where this really started to come together is when we started to think about was there—as we were listening to our shareholders in sort of late Q4 and early Q1, there was really a lot of pushbacks for us to really find a way to catalyze our strategy from all of our shareholders—all of our institutional shareholders. They like the strategy. They like the long-term nature of it. They think it's a strong strategy, but it takes too long for us to execute on our own.

So as we were listening to that, listening to people give us pushback that we really would never convince them, no matter what we did, that there was value in the hydro, we had had those ongoing discussions. So we again went after it to say to ourselves with—Sachin and I really tried to think about, okay, what is a creative way to do what we need to do here?

And I think what we've come up with is very creative because it—Brookfield becomes a cornerstone shareholder. They can see—pull the gas through their board members. They can really start to understand what that looks like as we go to the future. And at the same time, we've been able to crystallize the value of the hydro. So it's been a long set of discussions over many years.

**Robert Kwan**

Got it. And I guess the bid-ask was just too wide to actually crystallize the actual amount today, based on the uncertainty of the future EBITDA?

**Dawn Farrell**

Yeah. I think that's right. And also, I think, what we very conscious of as we were entering into discussions with almost anybody was that our shareholders that are in the stock today have been very, very patient. They have high expectations about where the Company is going, and they wanted to participate in the upside. And so this transaction, as constructed, really allows people to participate in the upside, and RBC was really clear on that point. And in the end, I think because of the creative way we put the transaction together, we got their support out of this arrangement.

**Robert Kwan**

Got it. So you've got the one shareholder support agreement in place—not asking for any specific names—but are there any other support agreements that have been signed?

**Dawn Farrell**

No. No. No. We're just going to meet with shareholders here today like we always have.

**Robert Kwan**

Got it. And just to finish, the EBITDA calculation has this specific deduction for maintenance CapEx. I'm just wondering what's in behind the tax adjustments? And what might that be?

**Dawn Farrell**

Yeah. I'm going to turn it over Brett for that.

**Brett Gellner** — Chief Strategy & Investment Officer, TransAlta Corporation

Yeah. Robert, it's just simply to—given the deal happens in the future, we want to be able to true-up, if you will, the tax pools. So it's just an adjustment to the formula when we get out at that time.

**Robert Kwan**

Okay. So is that—just in terms of—like is there a projected tax pool figure? And if it's above, you'll—or if there's a variance, that's going to be adjusted on an annual—

**Brett Gellner**

Yeah. Yeah.

**Robert Kwan**

—basis?

**Brett Gellner**

It's a variance—I kind of look at it like a working capital adjustment, almost—similar thing, given the deal is in the future, we just needed a mechanism for what actual tax pools are in the entity at the time we bring Brookfield into it, or they convert into it.

**Robert Kwan**

Got it. So it's contemplated to be zero, subject to any unforeseen changes? Correct?

**Brett Gellner**

Well, again, it's again going to be dependent on what—we can't predict, unfortunately, what it'll look like five, six years out. So we just wanted a mechanism that accommodated for that. So I wouldn't say we're projecting it to be zero, but it's just a way to make sure that it's trued up at that time.

**Robert Kwan**

Got it. So maybe just could you (phon)—

**Brett Gellner**

And so all I would say is Dawn mentioned, based on the 2018 EBITDA, what their ownership— and we've shown there's a range of 30 to 35. And part of that could be due to some tax adjustments; it could be just the EBITDA at that time.

**Robert Kwan**

Got it. Okay. Thank you very much.

**Brett Gellner**

Great.

**Operator**

Your next question comes from Andrew Kuske with Credit Suisse. Your line is open.

**Andrew Kuske — Credit Suisse**

Thank you. Good morning. I guess just the first question, just on the ownership cap at 49 and when you were negotiating the transaction, was your aspiration to land in that 30 to 35 percent? Because that's the expected EBITDA, that's where Brookfield lands. And was a majority position in the hydro assets really a nonstarter for you?

**Dawn Farrell**

Yes. The majority position in the hydro assets was a nonstarter for us, and I go back to what I said earlier. People who are in our stock want to participate in the upside, and they wanted to have a piece of that.

Sorry, what was the first part of your question?



**Andrew Kuske**

No. I guess did you really want it to land at the 30 to 35? And then—and the 49 cap was just—it prevents the majority because you don't want to give away the majority?

**Dawn Farrell**

No. The way that we thought about it is we think we will land in the 30 to 35. We've got pretty strong confidence in the value of those cash flows in those years. Brookfield wanted some way to get to 49 so they could have a block for themselves. They were not concerned about having majority, so that wasn't a big deal.

But they—to get to the 49 and to keep us both aligned, we created this structure where the stock price has to be over \$17 by then, which keeps them aligned to the overall strategy of the board, right—of the Company. Because remember, our overall strategy is grow TransAlta Renewables, get the coal-to-gas conversions, and get the value in the hydro. So if you take those three elements of our strategy, and you put that \$17 marker there, it kind of keeps them with us, side-by-side, really growing the Company. So we thought that was really worth it.

**Andrew Kuske**

Okay. That's helpful. And then just to follow up on Brookfield's ownership position. So the 4.9 that they have now, they're not obligated to move to the 9 percent, it's just they have a target? Is that correct?

**Dawn Farrell**

Yes, that's correct. Yeah. But if they don't—

**Andrew Kuske**

But then, I guess the way—

**Dawn Farrell**

—yeah. If they're not over 8.5 percent, they can't exercise the options that they have. And remember, when they exercise those options, there's additional capital that will be injected into the Company for those options.

**Andrew Kuske**

Yeah. So you set up an embedded, effectively, sweetener for TA and for Brookfield, but Brookfield has to be above that 8.5. Okay. That's perfect.

**Dawn Farrell**

That's right. Yeah.

**Andrew Kuske**

Okay. That's great. That's all for me.

**Dawn Farrell**

Perfect. Thank you.

**Operator**

Your next question comes from Jeremy Rosenfield with Industrial Alliance Securities. Your line is open.

**Jeremy Rosenfield — Industrial Alliance Securities**

Yes. Thank you. Just the first question, just in terms of how investors should think about the dividend and dividend policy going forward. And I'm not thinking short term because, clearly, there's a capital allocation preference towards buybacks here, but just longer term in terms of the dividend and dividend policy.

**Dawn Farrell**

Yeah. I mean, we talked earlier on the call about additional cash really starts to come in the Company. I think the board, at that time, can start to think about its dividend policy for sure. And I think the way investors are watching companies these days, it is a balance of some dividend growth. And we know that if you can consistently grow your dividend, there's lots of funds that will own you because they like that. But at the same time, I think there's also people that like you to make share buyback decisions on an annualized basis, so you're kind of balancing between the two. But for sure, that dividend question comes back in that 2021/2022 time frame.

**Jeremy Rosenfield**

Okay. And then maybe just the other question as it relates to TransAlta Renewables. And you stated that it really doesn't change much for Renewables at this point, but I'm just curious. When you think about strategic options for the Company going forward and ways to surface value, Renewables still exists as a good way to surface value. So are you sticky in that ownership stake that you have today? And/or can you see dilution over time as Renewables itself continues to grow, and potentially much faster going forward, after these strategic initiatives?

**Dawn Farrell**

Yeah. I think perhaps the most exciting thing about what we've done here is we've been able to get Richard Legault on our board. And of course, you all know that he's spent 25 years building Brookfield Renewables, and we have tonnes of opportunities that we've looked at that are—and that are different than the opportunities that they look at, so—especially in our Australian business and some stuff that we're looking at in the US.

So I think as we go forward here—and we'll be able to actually reignite some of the growth that we haven't been doing. And with Richard on the board and his experience, I think it'll really give us some

opportunity to think about how to grow that vehicle, when to sell down, when to sell up, because you saw that all the way through his tenure. So I think that's really a terrific—him and Harry are terrific adds to the board.

**Jeremy Rosenfield**

No doubt about that. Maybe just one final one with regard to other activist shareholders. I know in the past, you've said you've had previous conversations with them. Are you going to continue to engage with them in terms of if they have potential additions to the board that they would like to put forward? How is your approach going to shift here?

**Dawn Farrell**

You know, we engage with all of our shareholders, and we'll continue to engage with them as well. So those discussions will continue.

**Jeremy Rosenfield**

Okay. Great. That's it for me. Thank you.

**Operator**

Your next question comes from Patrick Kenny with National Bank Financial. Your line is open.

**Patrick Kenny — National Bank Financial**

Yeah. Good morning. Just to follow up on that last question. And I think you've answered it, but just wanted to clarify that today's transaction nullifies any potential cooperation agreement that may have been proposed by Mangrove and Bluescape? Or maybe you can just clarify where your discussions are at with that groups today?

**Dawn Farrell**

Well, I think those discussions are ongoing, and this transaction I think is pretty exciting for the Canadian market and for Canadian institutional investors. And this transaction, we believe, really solidifies the strategy that we've been on. I really can't tell you what the outcome of those discussions will be. That's handled by the board.

**Patrick Kenny**

Got it. Okay. Thanks for that. And then with respect with the new entity to be formed here to hold the hydro assets and the tax adjustment, how should we think about this new entity being capitalized on a tax-efficient basis? Do you envision some asset-level debt? Or some other form of tax shield?

**Brett Gellner**

Yeah. I mean, again, given we're a few years out, we'll certainly evaluate that at the time, Patrick—it's Brett—and decide whether or not there's tax-efficient debt and low-cost debt to put at the entity but, certainly, that's a secondary thing right now. We're really a few years away from having to think about that.

**Patrick Kenny**

Sure. And then how should we think about the energy marketing margin under this new structure as well? I mean, will the hydro entity have a claim to a certain portion of that margin? Or does the energy marketing business just stay fully under TA Corp?

**Dawn Farrell**

Yeah. No. The energy marketing business stays fully under TA Corp.

**Patrick Kenny**

Okay. Great. That's it for me. Thanks.

**Operator**

Again, to ask a question, please press \*, 1 on your telephone keypad.

Your next question comes from Mark Jarvi with CIBC Capital Markets. Your line is open.

**Mark Jarvi** — CIBC Capital Markets

Hi. Good morning. Just wanted to—wondered if you guys could just shed some colour on the timelines for the formation of the hydro operating JV, in terms of end of 2024—why that was the right timeline?

**John Kousinioris** — Chief Legal and Compliance Officer, TransAlta Corporation

Yeah. Mark, it's John Kousinioris. We are going to begin doing the work that we need to do internally to make sure that we can drop the hydro assets into an appropriate vehicle. We think we can get that done pretty comfortably over the course of the next year, and I think the agreement basically contemplates that. We just want to make sure that we do it in a thoughtful way so that it's all set up in the event that Brookfield comes in, in the middle part of the next decade.

**Mark Jarvi**

I guess my question was why end of 2024 for them to come in and flip from—

**John Kousinioris**

Oh.

**Mark Jarvi**

—the exchangeable securities into equity ownership?

**John Kousinioris**

Yeah. Again, as Dawn mentioned earlier, that was the time frame that we thought that there would be a sufficient period of sort of normalized EBITDA in the Company following the expiry of the PPA, which the hydro units are currently subject to. So with the capacity market coming into place in 2022,

2023, 2024, we just felt that that was the appropriate period that would be really, really reflective of what the true value is of the hydro assets in that period of time. So from a value perspective, it was important to our company to make sure that any conversion into the hydro would take place when we had that kind of normalized rate of cash flow from those hydro assets. That's what set up the time frame.

**Mark Jarvi**

Okay. And just to clarify, I mean there's some adjustments, the tax adjustments, you talk about sustaining CapEx. Just what about sort of corporate OM&A? Any sort of costs that get associated with the hydro operations and how that might be shared?

**John Kousinioris**

Yeah. The way that the formula is going to work is that the OM&A that is directly associated with the hydro assets will be deducted from the revenue stream to come up with the EBITDA that the multiple is applied to, so that's all contemplated in the formula.

**Mark Jarvi**

Okay. Thanks.

**John Kousinioris**

Sure.

**Operator**

Your next question comes from Adam Mitchell with Polar Asset Management. Your line is open.

**Adam Mitchell** — Polar Asset Management

Hi, guys. Just curious—it looks like the board has a 30-day option to terminate the transaction if two or more company-nominated board members, excluding Brookfield nominees, are not elected. Can you explain the rationale behind that clause?

**John Kousinioris**

Sure, Adam. What we wanted to make sure was that in the event that there was a change that occurred to the slate of board members following the AGM, that there would be an opportunity for the board, as constituted at that time, to reevaluate the transaction and make a determination—effectively, a fresh determination—whether to proceed with the transaction or not. And really, that was the purpose of the provision.

**Adam Mitchell**

Thank you.

**John Kousinioris**

Sure.

**Operator**

Your next question comes from Garnet Solmon (phon), a private investor. Your line is open.

**Garnet Solmon — Private Investor,**

Hi. Good morning. Just wanted to know—

**Dawn Farrell**

Good morning.

**Garnet Solmon**

—as an investor, if this transaction was accelerated by the Bluescape activists? And also, this transaction seems very much conditional on so many things. And if Bluescape presents something better going forward, is this something that you guys would look at?

**Dawn Farrell**



No, this was not accelerated by that. This transaction really came out of, as I said earlier, Garnet, we have been out meeting with investors extensively over the last six months. There's been frustration in our inability to really catalyze our strategy. People really liked our strategy, but there just wasn't enough capital to get it all done at the same time. And so this transaction came out of that. And, actually, this transaction is a very solid transaction. It was signed on Friday; it's going forward. So it won't be changed as we go ahead. And it's very strong for our existing shareholders.

**Operator**

Your next question comes from John Mould with TD Securities. Your line is open.

**John Mould — TD Securities**

Thanks. Just one question on the coal-to-gas conversions. So you secured some funding for those here, so you can proceed with those as quickly as is realistic. There could be changes on the carbon pricing regime, both at the Alberta and federal levels, with elections in both jurisdictions this year. And I'm just wondering, is there a scenario where a large changing in carbon pricing policies makes you—not reconsider the investment, but the pace or timing at which you might make those conversions?

**Brett Gellner**

John, it's Brett Gellner. As we mentioned in our last call, there are a number of factors driving our strategy. Does it change a little bit of the timing from here to there? Maybe, but directionally our strategy is to fully convert for all the reasons we discussed, the main one being you have to be off coal starting at the end of 2026 in some of our facilities, and right through then at the end of 2029 at the latest. On top of that, there's significant NOx and SOx requirements we would have to meet, so we'd have to put significant capital in and operating costs incurred to manage those.

So carbon price is important, but we also believe, generally, there will be probably some carbon regime for large emitters like us, and. So yeah, no, our strategy, directionally, has not changed. And also, this allows us to, as we mentioned on the call last time, really evaluate the repowering option of the combustion turbines tying into the steam turbines and gives us that financial flexibility to really look at those because those are very promising and high-returning projects.

**John Mould**

Okay. Great. I'll leave it there. Thank you very much.

**Brett Gellner**

Thanks.

**Dawn Farrell**

Thanks, John.

**Operator**

There are no further questions queued up at this time. I turn the call back over to Sally Taylor for closing remarks.

**Sally Taylor**

Thank you, Denise. Thank you, everyone, for joining us to hear about the significant milestone for TransAlta today. With that, our call is concluded for the day.

**Operator**

This concludes today's conference call. You may now disconnect.