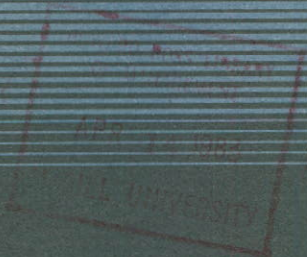


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**TransAlta
Utilities Corporation**

Serving Albertans since 1911



Annual Report 1982

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Shareholders' Meeting

Shareholders are invited to attend the Annual Meeting to be held on May 12, 1983 at 10:00 a.m. at the Palliser Hotel, 133 - 9th Avenue S.W., Calgary, Alberta. If you are unable to attend, please complete and return your proxy to assure representation at the meeting.

Financial Statistical Summary Available

A statistical summary providing additional financial information on the Corporation over a ten-year period is available on request. Please direct inquiries to:

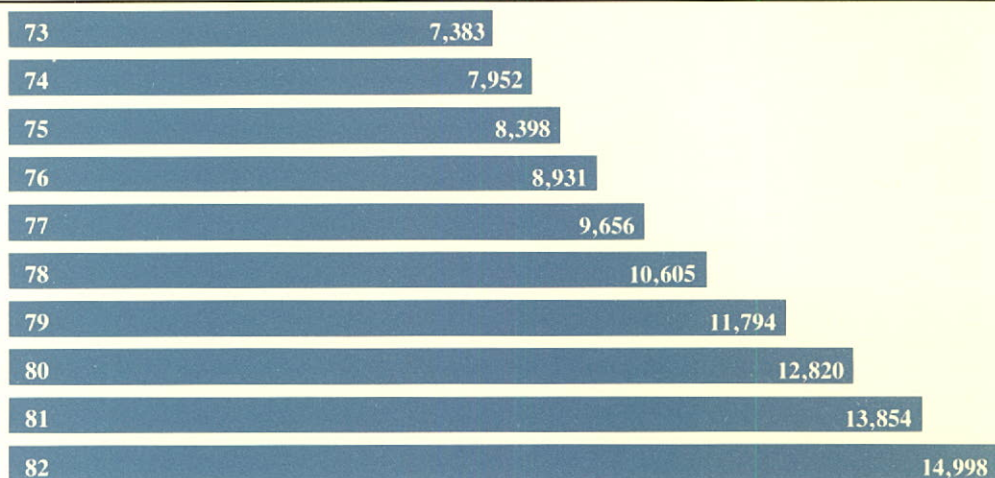
The Treasurer
TransAlta Utilities Corporation
Box 1900, 110 - 12 Avenue S.W.
Calgary, Alberta T2P 2M1
Telephone (403) 267-7110

Financial Results in Brief

	1982	1981
Total Assets	\$2,820,652,000	\$2,369,958,000
Capitalization	\$2,377,781,000	\$1,846,585,000
Gross Revenue from Operations	\$ 492,556,000	\$ 402,714,000
Earnings Applicable to Common Shares Before Extraordinary Items	\$ 134,802,000	\$ 106,225,000
Earnings Per Common Share Before Extraordinary Items	\$2.61	\$2.22
Dividends Declared Per Common Share	\$1.20	\$1.04

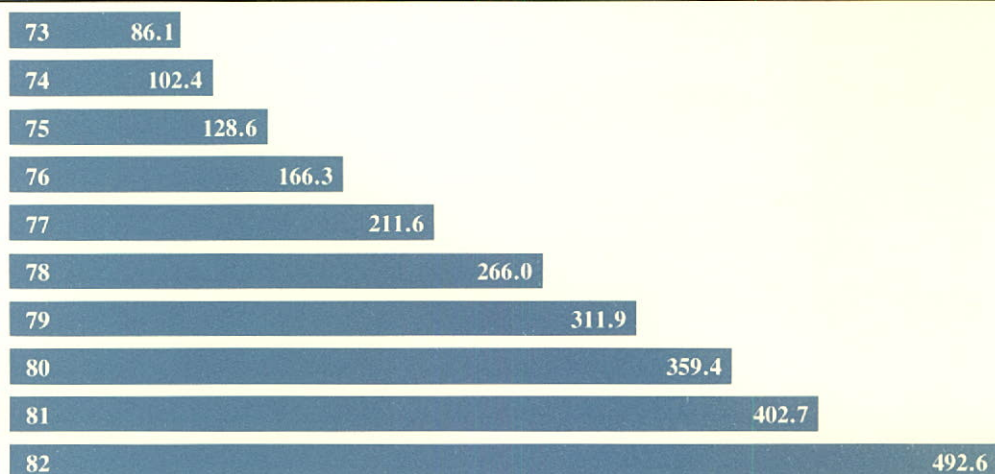
Electric Energy Sales

(million kWh)



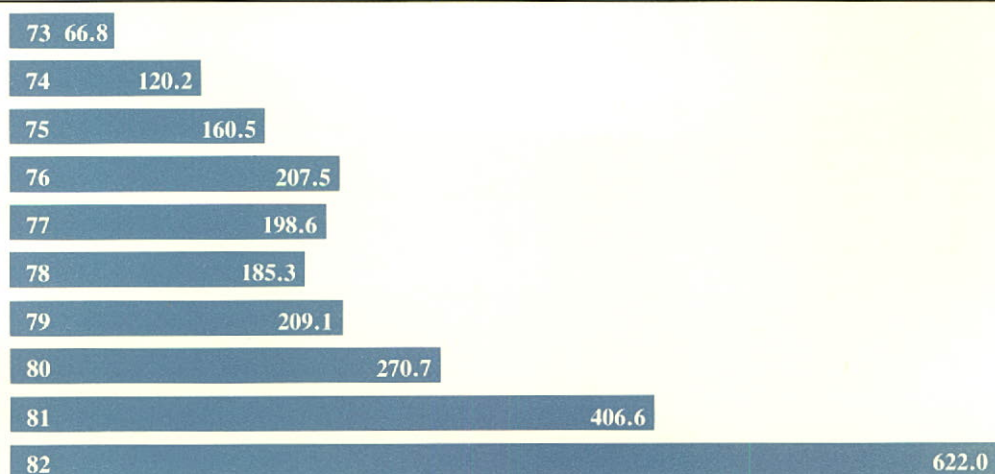
Gross Revenue from Operations

(\$ million)



Capital Expenditures

(\$ million)



Report to Shareholders

The year 1982 saw continuing growth in operating results despite a marked downturn in the economy.

Earnings per common share before extraordinary items were \$2.61 in 1982, compared to \$2.22 in 1981. The earnings applicable to common shares are commensurate with the average common shareholders' investment and are in keeping with the return approved by the Public Utilities Board. Two extraordinary write downs, totalling \$33.4 million and relating to the Corporation's holdings in Canadian Utilities Limited, were charged to earnings. Effective April 1, 1982, the quarterly common share dividend was increased from \$0.26 to \$0.30 per share. Gross revenue increased 22 per cent over 1981 to \$492.6 million; operating deductions were up 27 per cent to \$302.1 million.

The Corporation raised a record \$638 million in 1982 to finance ongoing capital programs and expects to raise a total of approximately \$475 million in 1983 for the needed expansion of facilities, a positive sign of growth for both the Corporation and the Province of Alberta.

Major activities during the year include the acquisition of substantial additional coal reserves. In December your Corporation entered into an agreement to acquire over 90 per cent of Dome Petroleum Limited's coal holdings in Alberta, amounting to approximately one billion tonnes of recoverable coal. TransAlta Utilities also signed an agreement with Westmin Resources Limited in October to lease an additional 82 million tonnes of recoverable coal in the Highvale Mine permit area. Earlier agreements with Fording Coal Limited and PanCanadian Petroleum Limited secured 12 million tonnes and 55 million tonnes

of coal respectively. These acquisitions plus previously acquired holdings ensure a long-term fuel supply for TransAlta Utilities' thermal generating plants.

The first 400-megawatt unit at the new Keephills Generating Plant, about 10 kilometres south of the Sundance Generating Plant, is scheduled to go into commercial operation in June 1983. The second unit is scheduled for commercial operation in May 1984. Construction continued toward a 1985 commissioning date for the first unit at the Sheerness Generating Plant, which the Corporation owns jointly with Alberta Power Limited. This plant is located about 150 kilometres northeast of Calgary.

The first 500 kilovolt (kV) transmission line in Alberta, from the Keephills Generating Plant to the Eilerslie Substation south of Edmonton, was completed and energized at 240 kV late in 1982. The second 500 kV line in the two-line transmission system is scheduled for completion in early 1983. Another 500 kV line, from the Langdon Substation east of Calgary to interconnect with British Columbia Hydro and Power Authority at Phillipps Pass, has received all necessary approvals in both provinces and is slated for completion in 1985.

On August 9, 1982, the Government of Alberta announced its intention to proceed with development studies of the Slave River Hydro Project near the Alberta-Northwest Territories border. Your Corporation is cooperating with the Government and Alberta Power Limited to undertake the studies necessary to assess the project more thoroughly. Preliminary estimates of the

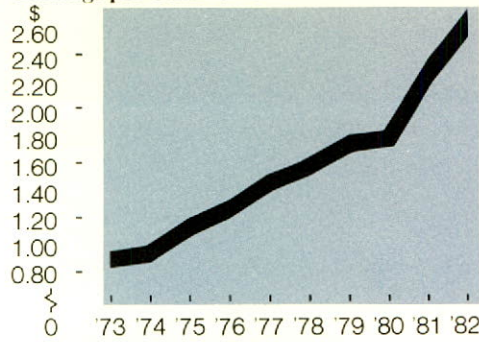


cost of the 1800-megawatt project are in the order of \$2.5 billion in 1982 dollars.

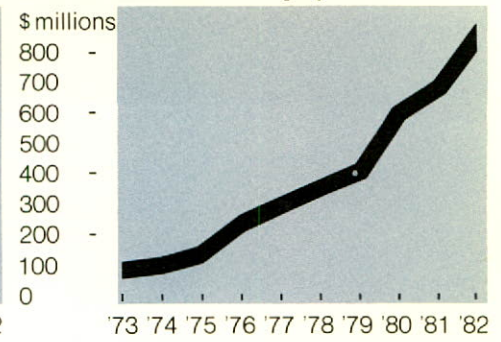
During 1982, a year of continuing growth and expansion, your Corporation continued to live up to its commitment to fight inflation through greater emphasis on productivity improvements and cost-cutting measures. Our Productivity Council, comprised of management and employee members, implemented programs to further these goals. Capital ex-

Below, A. W. Howard, Chairman of the Board, and M. M. Williams, President and Chief Executive Officer, seated in the head office boardroom. In the background are portraits of past presidents from 1909, when the Corporation was first organized. Interested shareholders and members of the media had the opportunity to chat with Marshall Williams upper left, and Bert Howard lower left, after the Annual Meeting, held in May 1982.

Earnings per Common Share 1973—1982



Common Shareholders' Equity 1973—1982



penditures are being scrutinized closely with a view to deferring or cancelling projects when appropriate. TransAlta Utilities has always striven to conduct its operations with an emphasis on stability and responsibility and is therefore well-equipped to weather the storms of recession and economic uncertainty.

Your Corporation anticipates continued high growth in electrical demand for the next two years. This is principally due to major industrial customers committed to projects before the current recession commenced and because the growth rate of electric utilities traditionally lags upturns and downturns in the economy. If the current recession continues, growth

in demand will decline after 1984, but should continue to be above the national average.

The long-term outlook for the Corporation is positive. However, an expanded market for Alberta products and increasing incentives to industry to boost the economy and employment will be needed to stimulate economic recovery. Electricity has a significant role to play in accomplishing a turn-around, and construction of new facilities must continue to meet new demand and to ensure sufficient quantities when industrial activities improve.

While striving to be as cost-effective as possible, your Corporation is experiencing increased government involvement in all areas of its operations. During 1982 the Alberta Government set standards for land reclamation and air emissions which are more stringent than those previously in place. These new standards will increase our capital and operating costs substantially. A Select Committee of the Alberta Legislative Assembly has made several recommendations which, if legislated, will create significant additional financial burdens related to land and rights-of-way acquisitions.

On September 1, 1982, the Alberta Electric Energy Marketing Agency commenced its operations. The Agency's stated aim is to equalize electric power

generating and transmission costs throughout Alberta. To do so, the Agency buys substantially all electricity produced in Alberta at prices set by the Public Utilities Board. These prices represent the three generating utilities' generating and transmission costs of service. The Agency then pools these costs and resells the electricity to the same three utilities at an averaged price. Distribution costs are not covered in the Agency transactions.

Because TransAlta Utilities is the lowest cost power producer in Alberta, the averaged price at which TransAlta must repurchase electricity from the Agency is higher than the price at which TransAlta sells to the Agency. The consequent increase in TransAlta's cost of doing business will eventually be reflected in TransAlta's customer rates. To ease the impact of such increase on our customers, the Alberta Government has established a shielding program which will be phased out over a five-year period. As the shielding is removed, TransAlta's customers will pay more than they would have paid without the Agency's intervention.

Although every effort is being made to "live within the spirit" of restraint programs and to keep costs to a minimum, TransAlta Utilities found it necessary to apply in late November for rate increases for 1983 in excess of the level of inflation. These increases, although seemingly inconsistent with current economic circumstances, are required largely due to the impact of the stored up construc-

tion and capital costs of the new Keephills Generating Plant on current operating costs, and to reflect an increase in income tax payments. Two generating units at the Keephills Generating Plant have been under construction for the past five years, but, under Alberta regulatory legislation, their aggregate capital cost of approximately \$650 million cannot begin to be recovered in rates until the first unit goes into operation in June 1983 and the second unit in May 1984. The cost of these units will increase the Corporation's investment in property in service by 34 per cent.

TransAlta Resources Corporation was established by the Corporation to hold investments of the non-operating utility type. One of its major investments is its interest in Canada Northwest Energy Limited, which has had a very successful year. Through this investment, TransAlta Resources will benefit from Canada Northwest's producing oil and gas wells in Canada, the U.S. and off the coast of Spain, as well as its 20 per cent interest in a large new oil field off the coast of Sicily. TransAlta Resources continues to investigate other financial investment opportunities.

In August 1982 an agreement was signed providing for the divestiture of the interlocking equity ownership positions held by Canadian Utilities and TransAlta Utilities. The agreement calls

for a divestiture period of three years, with an extension of two additional years, subject to market conditions. During the divestiture period and three years beyond, neither ATCO Ltd. nor Canadian Utilities will attempt to gain voting control of TransAlta Utilities and TransAlta Utilities will not attempt to gain voting control of Canadian Utilities or ATCO. Your Corporation welcomes the finalization of this agreement which will benefit both customers and shareholders in creating a more favourable climate to conduct our respective operations and to finance ongoing capital programs.

We again thank our employees for their dedication and commitment to the Corporation and its objectives. We are a people-oriented business; men and women at all levels of the organization play a major role in maintaining the Corporation's reputation for stability and responsibility. The continued confidence and support of our many shareholders and investors are greatly appreciated. This and the following reports are respectfully submitted on behalf of the Board of Directors.



A. W. Howard
Chairman of the Board



M. M. Williams
President and
Chief Executive Officer

February 15, 1983

1982 in Brief

- Electric energy sales increased from 13,854 million kilowatt-hours in 1981, to 14,998 million kilowatt-hours in 1982, an increase of 8.3 per cent. Peak demand in the winter of 1982-83 was 2,542 megawatts, lower than the 2,587 megawatts experienced the previous year, reflecting the mild winter of 1982-83.

- The Corporation's coal mines produced a total of 10.4 million tonnes during 1982, as compared to 9.2 million tonnes the previous year.

- Total capital expenditures for 1982 were \$622.0 million compared to \$406.6 million in 1981.

- Agreements were signed with Dome Petroleum Limited, Westmin Resources Limited, Fording Coal Limited and PanCanadian Petroleum Limited for the acquisition of substantial additional coal reserves.

- An agreement was signed providing for the divestiture of the interlocking equity ownership positions held by Canadian Utilities Limited and TransAlta Utilities.

- Application by TransAlta Utilities for an interim rate increase averaging 4 per cent effective September 1, 1982 was approved by the Public Utilities Board (Alberta) in the fall. On January 13, 1983, the Board approved a 15 per cent increase or 12 per cent net of income tax rebate effective February 1, 1983 for consumption from January 1, 1983.

- Construction of the Keephills Generating Plant continued, with the first 400-megawatt unit scheduled to start commercial operation in June 1983, and the second to start up in May 1984.

- Construction continued at the Sheerness Generating Plant in which the Corporation owns a one-half interest. The first 400-megawatt unit is scheduled for completion in 1985.

- The construction of a 500 kV transmission system from the Keephills Generating Plant to the Ellerslie Substation south of Edmonton is nearing completion. These will be the first 500 kV lines constructed in Alberta.

- Additional steps were taken towards the construction of a 500 kV transmission line to interconnect with B.C. Hydro in the Crowsnest Pass area of southern Alberta by 1985.

Primary business	Generation and distribution of electricity
Net generating capability	3,356 MW
Service area	198,000 sq. km
Number of direct customers	267,001
Number of indirect customers (served through wholesale contracts)	297,722
Number of staff positions (including Farm Electric Service Ltd.)	2,582
Number of common and preferred shareholders	53,198
Percentage of common and preferred shares registered in Canada	99.7%

Mining

TransAlta Utilities owns coal mines with the largest annual production in Canada. The Corporation's mines produced a total of 10.4 million tonnes of coal during 1982. Of this amount, the Highvale Mine produced 8.5 million tonnes to fuel the Sundance Generating Plant, while the Whitewood Mine north of Wabamun Lake produced 1.9 million tonnes for the Wabamun Generating Plant.

The combined coal requirements for the Sundance Generating Plant and the new Keephills Generating Plant will substantially increase the output of the Highvale Mine. In August 1982 a new mining pit was opened at Highvale, and the Corporation submitted an application to the Energy Resources Conservation Board to start mining operations at another new pit at Highvale in August 1983. This will ensure sufficient coal supply for both generating plants. As lower cost pits are depleted, and new higher cost pits are opened, mining costs will increase. This increase will be significant in 1983 and is primarily due to increased haul distances associated with the new pits and more stringent reclamation standards.

During 1982, a new mine services building was constructed at the Highvale Mine to accommodate the servicing of an expanding fleet of mining equipment. Erection will commence in early 1983 of a Marion 8750 dragline with a 69-cubic-metre bucket and a 122-metre boom. The commissioning of this machine in October 1984 will bring the total number of the Corporation's operational draglines to six.

Reclamation

The Corporation's reclamation program has been underway for more than 15 years. Approximately 66 hectares (163 acres) were seeded to hay and cereal crops this year, bringing the total land successfully reclaimed since mining started to 754 hectares (1,862 acres). On October 15, 1982, Alberta Environment issued a reclamation certificate to TransAlta Utilities for having met reclamation requirements on 97.4 hectares (240 acres) of land which had been mined between 1963 and 1973 at the Whitewood Mine. This is the first reclamation certificate issued to the Corporation, and only the second such certificate issued to a mining operation in the Province.

During 1982 and effective until at least 1986, the Alberta Government imposed a land reclamation requirement to replace existing topsoil and growth materials up to a maximum of 1.7 metres. With this new standard, reclamation costs at the Highvale Mine will rise dramatically to approximately \$42,000 per hectare, over 20 times the current value of the land. Reclamation costs had been about \$15,000 per hectare for land reclaimed to a depth of 0.45 metres, the previous standard.

In cooperation with the Alberta Government, field reclamation trials were established in 1982 to test the need for replacement of soil depths up to 3.0 metres at the Highvale Mine. Reclamation demonstration plots continued in the Camrose-Ryley area, about 50 kilometres southeast of Edmonton, with community advice and support. Started in 1975, these demonstrations were expanded in 1976 following the deferral of the Camrose-Ryley Power Project by the Alberta Government.



Coal Reserves

In December 1982, the Corporation entered into an agreement to acquire over 90 per cent of Dome Petroleum Limited's coal holdings in Alberta. Earlier agreements signed with Westmin Resources Limited, Fording Coal Limited and PanCanadian Petroleum Limited leased additional recoverable coal.

Hamlet Relocation

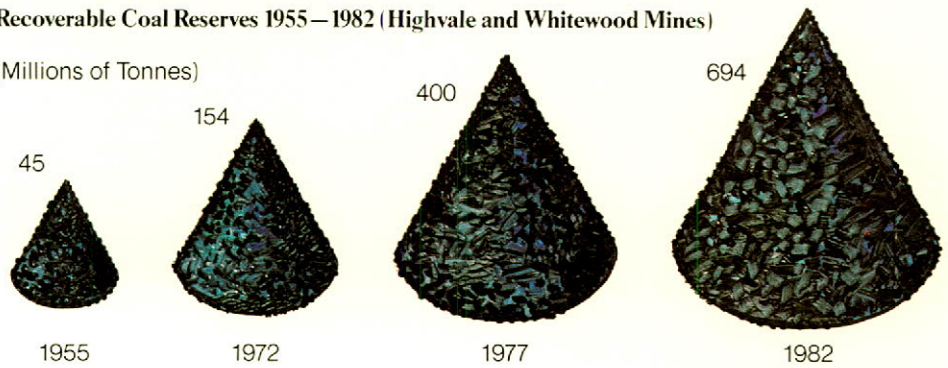
The Hamlet of Keephills, situated within the Highvale Mine permit boundary, was successfully relocated during 1982 some 7.5 kilometres from the original site. This is the first time such a relocation has been undertaken in the Province. On October 8, 1982, residents, Government and Corporation representatives attended the official opening ceremony for the new Keephills school and community hall.



Above, a large dragline operates at TransAlta's Whitewood Mine. The huge bucket strips overburden into piles, exposing coal seams. Coal is removed and hauled by truck to the nearby Wabamun Generating Plant. In the upper left photo, coal haulers carrying coal from the Whitewood Mine north of Wabamun Lake to the Wabamun Generating Plant pass previously mined, and now reclaimed, land. TransAlta's reclamation efforts have been under way since mining started, with 754 hectares (1,862 acres) restored to a productive state. While cereal crops are harvested, mining continues in other areas. Lower left, enthusiastic students from the Keephills School treated the audience to their rendition of the "Bird Dance" at the official opening of the school and community hall in the new Hamlet of Keephills in October 1982. The relocation of the hamlet, which was situated within the Highvale Mine permit boundary, was the first such project in Alberta. Cooperation between TransAlta and community residents was a major factor in the success of the move.

Recoverable Coal Reserves 1955—1982 (Highvale and Whitewood Mines)

(Millions of Tonnes)



Generation

During 1982, electric energy sales increased to 14,998 million kilowatt-hours, from 13,854 million kilowatt-hours in 1981, an increase of 8.3 per cent, in part due to the extremely cold weather experienced during the first months of 1982. On the other hand, the mild weather during the winter of 1982-83 resulted in a peak demand of 2,542 megawatts, lower than the 2,587 megawatt 1981-82 winter peak.

Capital Expenditures

Total capital expenditures for 1982 were \$622.0 million, of which \$398.6 million were spent on generating facility construction, environmental equipment and mining operations. With completion of the first unit of the Keephills Generating Plant by June 1983 and a major portion of the costs for the second unit expended, total capital expenditures for 1983 are expected to decrease to some \$500 million.

Keephills

Unit One at the new Keephills Generating Plant is scheduled to go into commercial operation in June 1983. Unit Two is expected to be commissioned a year later. An application by the Corporation for approval to construct Keephills Units Three and Four for commissioning in 1985 and 1986 was denied on February 17, 1982 by the Energy Resources Conservation Board. The Board ruled in favour of advancing Edmonton Power's first two units at its Genesee Generating Plant to 1986 and 1987. In an addendum issued in August 1982 the Board concluded that no further new generating units would be required in Alberta prior to 1990 unless economic recovery proceeded faster than anticipated.

Sheerness

Construction at the Sheerness Generating Plant approximately 150 kilometres northeast of Calgary continued on

schedule, with the first unit expected to be commissioned by July 1, 1985. Commissioning of the second unit is scheduled for the following year. Agreements were signed by TransAlta Utilities and Alberta Power Limited on October 15, 1982, with regard to the ownership, construction and operation of this plant, with Alberta Power serving as the managing owner. This is the first jointly-owned generating plant in Alberta.

Wabamun

The conversion of Unit One at the Wabamun Generating Plant from gas to coal-fired operation is proceeding on schedule and will be completed by October 1983. At that time, all of TransAlta Utilities' thermal generating units will be coal-fired.

Fly Ash

In 1982, sales of fly ash, a by-product from the burning of coal, totalled approximately 86,000 tonnes.

Emission Guidelines

During 1982 the Alberta Government adopted the Federal Government's new air emission guidelines. The new guidelines are more stringent than guidelines previously in place. Despite the low sulphur content of TransAlta's coal, the adoption of these guidelines may require some method of sulphur removal. This would add substantially to the costs of generating electricity, if flue gas desulphurization, the best current practicable technology, is used. The Corporation is closely following developments in sulphur removal technology, with an eye to more efficient, less expensive methods. Along with several electric utilities in the United States, the Corporation is cooperating with Rockwell International Corporation in the development of a "combustor" which



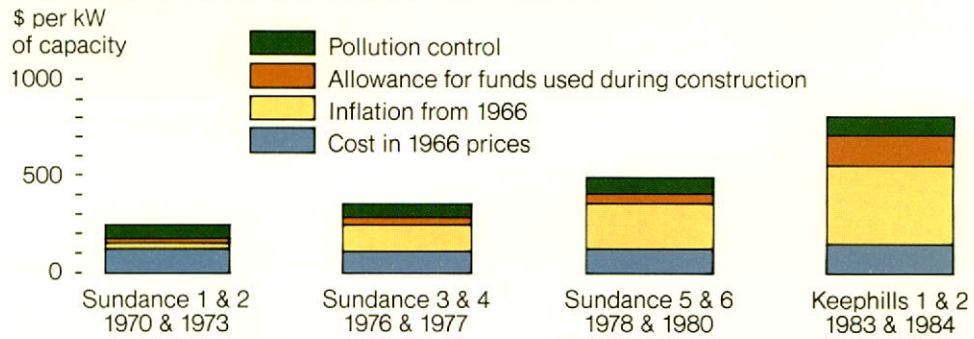
will remove up to 90 per cent of sulphur in coal through preburning. Expected to be available commercially by 1986, the process is projected to be less than one quarter the cost and more effective than flue gas desulphurization. It also eliminates a large percentage of nitrogen oxide and facilitates ash removal from within the combustor at the same time.

Slave River

Subsequent to the Alberta Government's announcement to proceed with development studies of the Slave River Hydro Project, the Corporation is cooperating with the Government and Alberta Power Limited to undertake the studies required to assess the project more thoroughly. TransAlta Utilities participated in earlier preliminary studies on the Slave River through the provincial Electric Utility Planning Council (EUPC), in addition to carrying out its own studies in the late 1960s.

The Keephills Generating Plant, *below*, has been under construction for five years. The first of two 400-megawatt generating units will start commercial operation in June 1983. *Upper left*, construction continues at the Sheerness Generating Plant near Hanna, Alberta. Shown in this photo is the turbine building. The plant, which is scheduled to start producing electricity in mid 1985, is the first jointly-owned power project in Alberta, with TransAlta and Alberta Power Limited each having a 50 per cent interest. *Lower left*, in conjunction with the University of Calgary, TransAlta erected a 40-kilowatt wind generator at the University's Environmental Research Centre at Kananaskis Provincial Park in July 1982.

Capital Cost of Thermal Generating Units by Component



Dunvegan

Another potential hydro-electric site at Dunvegan on the Peace River is the subject of extended geotechnical studies on foundation conditions by the Corporation and Alberta Power Limited through the EUPC, on behalf of the Alberta Government.

Power-Pooling

On June 1, 1982, the Corporation formalized power-pooling operations with Alberta Power Limited and Edmonton Power. The power-pooling arrangement will help keep the cost of generating electricity as low as possible, by ensuring that the Province's generating units are dispatched on an hour-to-hour basis in order of cost effectiveness. Benefits of this program are shared among the participants.

Research

The Corporation is investigating other electric generation alternatives and related processes, as well as monitoring current research. The Corporation is participating in a wind generation pilot project with the University of Calgary at their Kananaskis research station, and is also looking at other applications for wind generation.

In the area of co-generation, the Corporation continues to seek interested industrial customers where electricity could be generated efficiently and economically as a byproduct of an industrial process.

In a joint pilot project between the Corporation and Dome Petroleum Limited, the recovery of carbon dioxide from the flue gases of the Sundance Generating Plant has proven technically feasible. Work continues with Dome to refine cost estimates for an ultimate extraction plant which could be developed when warranted by economic conditions.

Another process, flash-hydro-pyrolysis, is currently being studied by the Corporation in conjunction with the Alberta Research Council. Through this process, gases and marketable liquid hydrocarbons are extracted from coal, with the sulphur being removed at the same time. Char, the byproduct of this process, can be used directly as fuel for power plants.

The Corporation is also keeping abreast of various alternative energy forms for the future, such as geothermal and nuclear power.

Transmission and Distribution to Customers

Capital expenditures for transmission, distribution, substation and other equipment totalled \$223.4 million in 1982, compared to \$150.3 million in 1981.

500 kV

The first line of the two-line 500 kV transmission system from the Keephills Generating Plant to the Ellerslie Substation south of Edmonton was energized late in 1982 at 240 kV to provide voltage support for the Edmonton area during the winter months. The second line is scheduled for completion in early 1983. These two lines will connect the Keephills Generating Plant to the system when Unit One comes on stream.

Another 500 kV transmission line from the Langdon Substation east of Calgary to interconnect with B.C. Hydro and Power Authority at Phillipps Pass has received all the necessary regulatory approvals in both provinces. An amended exchange agreement has been signed by both corporations. The Corporation is negotiating to acquire the right-of-way from landowners situated along the line's route. Expected to be completed by 1985, the interconnection will benefit the Province by saving costs for peak generation as well ensuring continued system reliability.

Preliminary work on a double-circuit 500 kV system from the Keephills Generating Plant to Calgary commenced in 1982. The Corporation held a series of open houses to acquaint the public with the project. An application for this project is expected to be submitted to the Energy Resources Conservation Board in 1984.

Land Acquisition

During 1982 a Select Committee of the Alberta Legislative Assembly filed a report with recommendations which, if legislated, could double the cost for the acquisition of land and rights-of-way. A program was developed to inform MLAs on the various issues involved and Corporation representatives are having ongoing discussions with landowner groups in the

hopes of arriving at a mutually acceptable arrangement.

Control Centre

In light of the current economic downturn, a control centre housing advanced computerized equipment, originally planned at a separate location, will be consolidated with other operations. Scheduled to start up by early 1985, the centre will consolidate existing transmission system operating centres and will provide a greater degree of transmission system and generating plant control, thereby helping to ensure continued quality of service to our customers.

Voltage Control

Tenders have been received for a static var compensator to be installed at the Langdon Substation by September 1985. The compensator will provide continuous voltage control; give automatic assistance during transmission system disturbances; increase the transfer capability of the transmission system; and enhance the operation of the 500 kV interconnection with British Columbia. This will be the first Canadian utility application west of Quebec of this new solid-state technology.

Distribution

At the end of 1982, the Corporation was serving 267,001 customers directly and 297,722 customers indirectly through wholesale contracts.

Marketing Agency

The commencement of operations of the Alberta Electric Energy Marketing Agency, established by the Alberta Government with the aim of equalizing electric power generating and transmission costs throughout Alberta, had no effect on TransAlta Utilities customers' rates during 1982, due to the Alberta Government shielding program. The shielding program is expected to be phased out over a five-year period. There may be some impact on 1983 customers' rates depending on the extent to which the



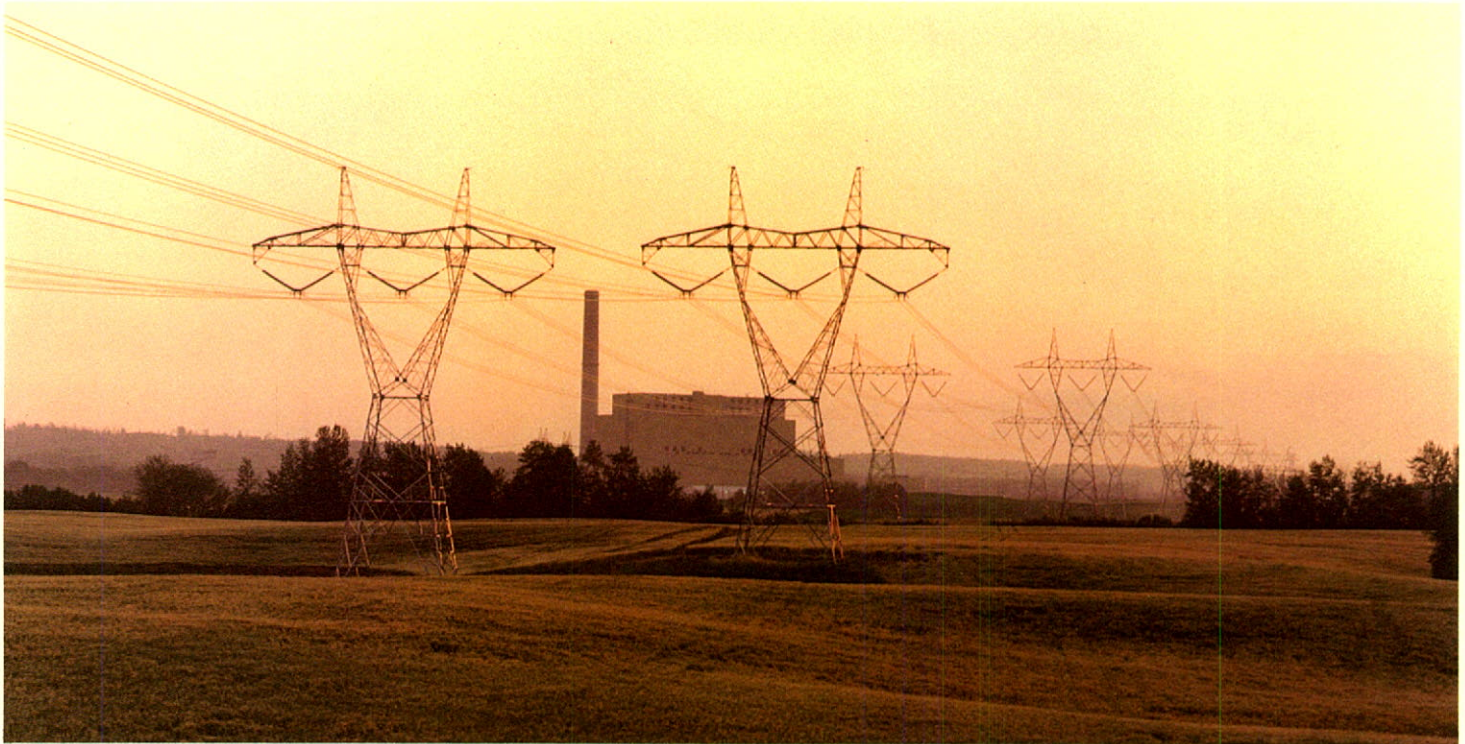
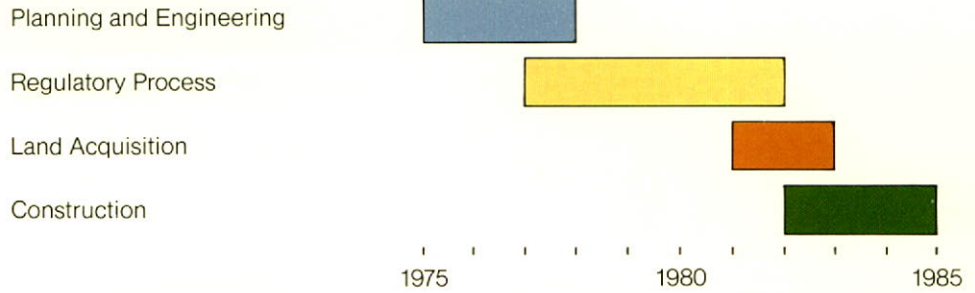
shielding is retained. Without any shielding, 1983 rates to TransAlta customers would increase by 16 per cent because of the averaging process. As a result of the Agency's operations, other electric consumers throughout the Province benefit from TransAlta Utilities' lower costs. The incentive to keep costs as low as possible still remains. The Corporation intends to continue striving for further cost efficiencies and the other electric utilities in the Province have the same incentive.

Rate Increases

During 1982, the Corporation received approval from the Alberta Public Utilities Board for an average four per cent interim rate increase effective September 1, 1982. On January 13, 1983 the Corporation received approval from the Board for an across-the-board interim rate increase of 15 per cent or 12 per cent net of income tax rebate. Effective on bills issued after February 1, 1983, the increase applies to consumption from

Below can be seen the Keephills-Ellerslie 500 kV transmission system one line of which was energized at 240 kV in December 1982. Foothills Pipeline's gas compression station at Jenner in southeast Alberta, upper left, represents new industrial load added to TransAlta's system in 1982. At the plant, electric drives power a 20,000 horsepower natural gas compressor. This is the first application of electric drives with variable speed motors of this size in Canada. Lower left, approximately 20,000 Power Saver cords were sold to energy-conscious consumers during 1982. It is estimated that \$18 can be saved in the first year of use, based on a 120-day plug-in season and a cost of five cents per kilowatt-hour.

500 kV Langdon-Phillipps Pass Transmission Line—Time Line of Key Events Leading up to Completion



January 1, 1983. A second increase of similar size is necessary for mid-1983. Rate increases over the past four years ending December 1982 have averaged 7.5 per cent annually, well below the level of inflation. In fact, in terms of constant dollars, utility costs have actually decreased substantially since the mid 1950s as a result of increased efficiency and economies of scale (see graph on Total Unit Costs, page 13).

Energy Management

In addition to continuing emphasis on productivity, the Corporation is encouraging customers through its Energy Management Program to use electricity wisely and efficiently in order to get the best value for the money spent. Over 20,000 Power Saver cords were sold by year end to the public as a result of the Corporation's successful promotion. These devices reduce electrical consumption by only switching on the vehicle block heater when the engine tempera-

ture has been reduced to minus six degrees Celsius. Another Energy Management program will assist 90 ice arenas in the Corporation's service area in keeping energy costs as low as possible. By the end of December 1982, over 90,000 brochures, booklets and data sheets had been distributed to customers interested in learning more about energy management.

Service Area Transfer

On August 1, 1982 as a result of expanding municipal boundaries, the City of Edmonton began serving some 4,500 customers previously served by the Corporation. The transfer of service area awarded by the Energy Resources Conservation Board represents an estimated 95 megawatts of load. A final agreement respecting the transfer has not yet been signed. Part of the agreement will include the purchase of 95 megawatts of generation by the City of Edmonton from TransAlta Utilities until September 30, 1986.

New Customers

Major industrial customers added in 1982 include Foothills Pipelines Limited. At the Foothills gas compression station at Jenner, Alberta, electricity is being used to power a 20,000 horsepower variable speed alternating current synchronous motor, the first application of variable speed electric drives of that size for gas compression in Canada. Major power contracts were also signed with Gregg River Resources to provide electrical energy for a new coal mine in the Luscar area, with Shell Canada for additional compression at their Waterton gas plant, with Esso Chemical at Redwater, and with Sherritt Gordon Mines at Fort Saskatchewan.

At the end of 1982, 64 of 210 Rural Electrification Associations (R.E.A.s) had elected to transfer their distribution facilities to TransAlta Utilities. Some 14,000 farm customers previously served through R.E.A.s are now served directly by the Corporation.

Productivity and People

The Corporation's productivity and ability to produce electricity economically was significantly enhanced in the early 1950s, with the acquisition of large reserves of low-cost coal, from which more than 90 per cent of TransAlta's electricity is now produced. Further cost efficiencies were achieved through building larger-sized generating units, the use of high-voltage transmission lines, and the blending of hydro and thermal power production. However, by the early 1960s, productivity improvements began to be offset by the effects of inflation.

Productivity Study

During 1982 the Corporation participated in a study sponsored by the Canadian Electrical Association to measure productivity improvement in the Canadian electric utility industry. By eliminating the influence of inflation and taxes over which utilities have no control, the study can more accurately measure productivity improvements. According to this study, TransAlta Utilities' overall historical productivity performance compares very favourably with that of the other participating utilities.

Cost-Cutting Measures

Nevertheless, the Corporation has intensified its efforts to reduce costs in light of the current economic downturn. Recent cost-cutting measures have reduced planned expenditures by some \$80 million. These measures include limiting construction of the new head office building from 11 floors to six; eliminating a separate building to house the new system control centre; cancelling 98 budgeted employee positions; and deferring or cancelling many capital projects. In addition to these savings, TransAlta is also able to limit expenditures on an ongoing basis by reducing the use of contractors and consultants as the work load decreases.

Productivity Council

Employees actively participate in TransAlta's fight against inflation. Formed in 1981, the internal Productivity Council, comprised of employee and management members, has identified mutual objectives related to improving productivity. During 1982, the Council established an Action Recommended Program to encourage productivity improvement suggestions from all areas of operation.

Staff Positions

On December 31, 1982, the number of staff positions for TransAlta Utilities and Farm Electric Services Ltd. stood at 2,582, compared to 2,500 in 1981. With the current economic downturn, the Corporation has been able to attract more qualified candidates to fill vacant positions.

In 1982, 27 employees joined the Employees' 25 Year Club, which honours those men and women with 25 years or more of service to the Corporation. There are now 275 TransAlta employees who are members, representing an aggregate of 8,371 years of service.

Training

Through technical trades training, employees improve their job skills and make a major contribution to achieving productivity improvements. Apprenticeship training continued during 1982 at the Corporation's Trades Training School in Red Deer, with 278 students registered in various levels of apprenticeship training and journeyman upgrading. The Corporation also sponsored work leader and supervisor training programs, and continued to promote work team concepts in project management. A district clerks'



self-paced training program and a safety manual were published and circulated to employees.

Collective Agreements

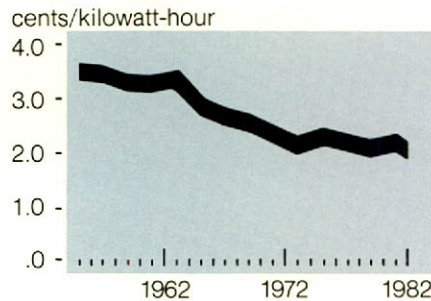
The collective agreement with the TransAlta Employees' Association which expired December 31, 1982, was settled by voluntary arbitration on December 30, 1982. A one-year collective agreement with the International Brotherhood of Electrical Workers was settled early in 1983.

In its pursuit of productivity objectives, the Corporation recognizes that productivity improvements are made possible to a large degree by dedicated and loyal employees. They are the ultimate resource contributing to the present and future well-being of the Corporation.

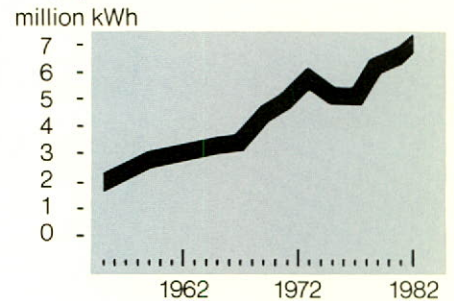


Above, students at TransAlta's Trades Training Centre near Red Deer tie conductors onto insulators, while instructor Brian Morgan checks their progress. The Trades Training Centre is one of three institutions in Alberta with approval to train apprentice power linemen. **Upper left**, productivity is being further improved with the increased use of word processing equipment. TransAlta Utilities has, over the past year, outfitted several departments at head office with the equipment, reducing the time spent by secretarial staff at the keyboard. Madeline Popowich (left) and Joanne Hunt type information into their word processors, which make changing and retrieving data simpler and faster. **Lower left**, the Productivity Council, comprised of employee and management members, seeks ways to improve productivity in all aspects of the Corporation's operations.

TransAlta's Total Unit Costs in Constant Dollars



TransAlta's Electric Energy Output per Employee



Financial Report

Gross revenue from operations in 1982 was \$492.6 million, \$89.8 million more than in 1981. Additional electric sales accounted for approximately 40 per cent of the increase, with the balance resulting from higher rates which were implemented on an interim refundable basis on September 1, 1982.

Operating deductions amounted to \$302.1 million in 1982, \$63.3 million above 1981. These deductions consisted of operating expenses, fuel and purchased power, depreciation, and income and other taxes. Operating expenses increased by \$28.2 million, fuel and purchased power by \$5.7 million, depreciation by \$13.2 million, and income and other taxes by \$16.2 million. Interest charges and preferred dividends amounted to \$168.5 million in 1982, an increase of 43 per cent or \$50.8 million above 1981.

Earnings applicable to common shares before extraordinary items were \$134.8 million in 1982, compared to \$106.2 million in 1981. Earnings per share before extraordinary items were \$2.61 versus \$2.22 in 1981 and \$1.76 in 1980. The earnings applicable to common shares are commensurate with the average common shareholders' investment and are in keeping with the return approved by the Public Utilities Board. Effective April 1, 1982, the quarterly common share dividend was increased from \$0.26 to \$0.30 per share resulting in cumulative 1982 dividend payments of \$1.16 per common share.

Extraordinary Items

Events which are not typical of the normal business activity of TransAlta resulted in extraordinary charges of \$33.4 million against 1982 earnings (\$16.4 million in the second quarter and \$17 million in the fourth quarter). These charges arose from the issuance of common shares from treasury by Canadian Utilities at amounts less than their recorded value in TransAlta's accounts and

the subsequent sale by TransAlta to its shareholders of certain shares it held in Canadian Utilities for less than their recorded value. The first event reduced TransAlta's interest in Canadian Utilities from approximately 40 per cent to 31 per cent and the subsequent sale reduced the interest to 22 per cent while retaining 31 per cent of the voting shares. TransAlta sold the Canadian Utilities shares to its shareholders so they can maintain their investment in Canadian Utilities directly.

Capital Expenditures

Total capital expenditures for 1982 amounted to \$622.0 million, well above the total of \$406.6 million in 1981 reflecting the impact of a high level of inflation coupled with continued growth in electric power demand by the Corporation's customers. Capital expenditures for 1983 are expected to be slightly lower, at approximately \$500 million. If programs to combat inflation are successful and if current economic conditions continue, then capital expenditures in 1984 and later will fall off in proportion to any decrease in financing costs and load growth.

However, growth for the short term is still expected to be relatively high. To supply new load, TransAlta must continue to construct new generating and transmission facilities, with the majority of the funds to be raised from external sources. Through sound financial management, a progressive regulatory climate and a strong credit rating, TransAlta Utilities has been able to borrow money at the lowest possible rates and is confident that it will continue to be able to do so.

Divestiture Agreement

On August 3, 1982, an agreement was signed providing for the divestiture of the interlocking equity ownership positions held by Canadian Utilities and TransAlta Utilities. On November 30, 1982, through a Rights Offering made to the holders of Common Shares and \$1.40 Convertible Second Preferred



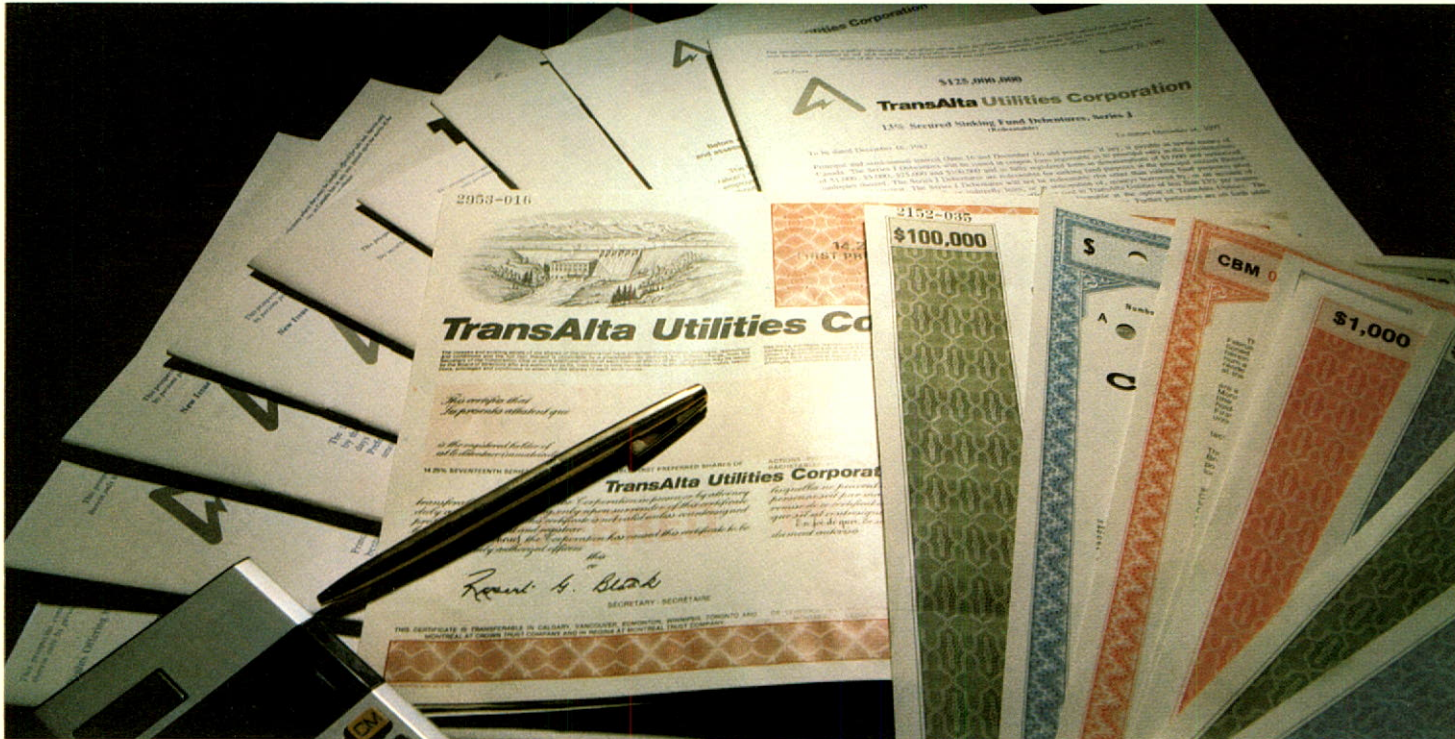
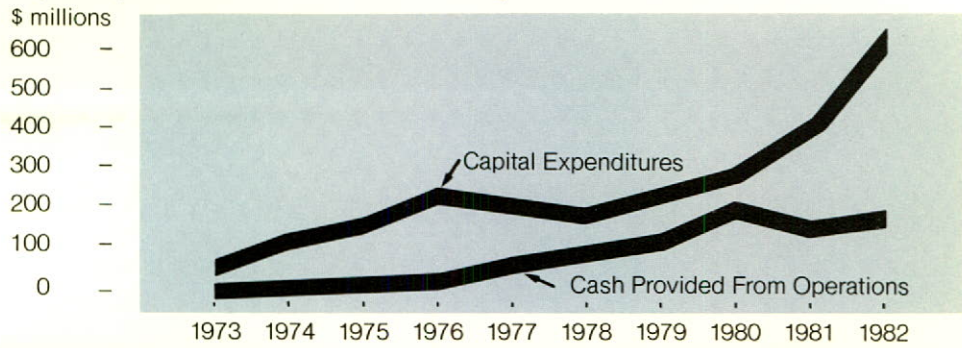
Shares, the Corporation sold approximately five million of the Class A non-voting shares of Canadian Utilities. This first step in fulfilling the obligations of the agreement represents the divestiture of about 30 per cent of the Corporation's holdings in Canadian Utilities. Canadian Utilities, for its part, has issued approximately 13 million warrants to purchase the same number of TransAlta Utilities' Class A Common Shares from Canadian Utilities on or before November 1, 1987. If all of the warrants are exercised, Canadian Utilities will no longer hold any of TransAlta Utilities' Class A Common Shares.

Rate Increase

In the fall of 1982 the Corporation received approval from the Alberta Public Utilities Board for an average four per cent interim rate increase. In January

The Corporation raised an unprecedented \$638 million of capital during 1982. Below are some of the prospectuses used to raise this capital, and certificates issued to buyers of securities offered. Upper left, Financial Analyst Jane Martin seated, and Financial Forecasts Supervisor Robin Wade check financial statistics on the computer terminal in TransAlta's Calgary head office. The computer allows fast retrieval of information, a definite productivity gain. Lower left, about 40 members of Canada's financial community took a tour of TransAlta's Highvale Mine and Sundance Generating Plant in early September 1982. Because of the large amounts of capital the Corporation requires on a regular basis, communication and interaction with the financial community is a necessity.

Capital Expenditures and Cash Provided from Operations 1973-1982



1983, the Corporation received approval for an interim rate increase of 12 per cent net of income tax rebate. A second increase of similar size is necessary in mid-1983.

Financing

In spite of volatile financial markets during the year, the Corporation raised a record \$638 million in 1982. In early January 1982, \$80 million was received from the issue of 15¼% Secured Debentures which were marketed in December 1981. In February 1982 the Corporation raised \$50 million (Canadian) in Europe from the sale of 17% Series First Mortgage Bonds. A further \$60 million was received in March through the issue of 17½% Secured Sinking Fund Debentures. In April, the Corporation's largest preferred share issue of 14¼% Series First Preferred Shares raised \$125 million. In September, the sale of 12½% First Pre-

ferred Shares raised \$75 million. The issue of 13% Series A Debentures raised \$28 million in November. Also in November, the Corporation received a further \$52 million through the sale of certain of its holdings in Canadian Utilities Limited. In December, the Corporation's largest ever debt financing took place: \$125 million was raised through the issue of 13% Secured Sinking Fund Debentures, Series J. A total of \$25 million was raised during 1982 through the Customer Share Purchase Plan and Dividend Reinvestment and Share Purchase Plan. A further \$18 million was raised in 1982 from other external sources.

Some 2,900 TransAlta Utilities customers participated in the Corporation's Customer Share Purchase Plan which was introduced in April 1982. This is the first time in Canada such a plan has been

offered. The new shareholders bring the total number of the Corporation's common shareholders in Alberta to over 9,500. The percentage of Alberta common shareholders in the Corporation is now approximately 42 per cent of total common shareholders. The Corporation is pleased with the response to the Plan which is part of an ongoing program to encourage Albertans to participate in the growth of the Corporation.

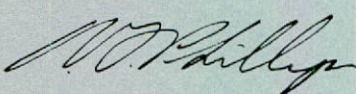
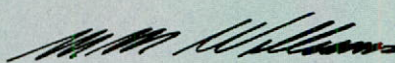
TransAlta Resources

One of TransAlta Resources' major non-operating utility investments is its interest in Canada Northwest Energy Limited. Canada Northwest has had a very successful year with producing oil and gas wells in Canada, the U.S. and off the coast of Spain, as well as a 20 per cent interest in a large new oil field off the coast of Sicily. TransAlta Resources continues to investigate other financial investment opportunities.

TransAlta Utilities Corporation

Consolidated Balance Sheet

(in thousands)

	December 31	
	1982	1981
Assets		
Property Account:		
Land, buildings, plant and equipment	\$2,938,627	\$2,328,300
Less accumulated depreciation	455,597	392,599
	<u>2,483,030</u>	<u>1,935,701</u>
Investments:		
AEC Power Ltd.	10,358	10,328
Canada Northwest Energy Limited	78,592	76,342
Canadian Utilities Limited (after deducting reciprocal shareholdings of \$53,700 in 1982)	113,222	239,339
	<u>202,172</u>	<u>326,009</u>
Current Assets:		
Cash	141	134
Accounts receivable	59,750	53,327
Materials and supplies at average cost	37,789	25,287
Prepaid expenses	1,385	1,127
	<u>99,065</u>	<u>79,875</u>
Deferred Charges:		
Financing costs	36,047	27,910
Other	338	463
	<u>36,385</u>	<u>28,373</u>
On behalf of the Board:		
		
R. F. Phillips, Director		
		
M. M. Williams, Director		
	<u>\$2,820,652</u>	<u>\$2,369,958</u>

Capital and Liabilities

December 31

1982

1981

Capitalization:

Common shares	\$ 497,952	\$ 470,414
Contributed surplus	10,161	6,459
Reserve for rate adjustments	1,592	1,592
Reinvested earnings	<u>348,373</u>	<u>309,022</u>
Common shareholders' equity	858,078	787,487
Preferred shares	664,118	476,376
Reciprocal shareholdings	(53,700)	—
Long term debt	<u>909,285</u>	<u>582,722</u>
Total capitalization	<u>2,377,781</u>	<u>1,846,585</u>

Current Liabilities:

Bank loan and short term notes	101,184	155,482
Accounts payable and accrued liabilities	84,032	76,071
Income and other taxes payable	10,687	20,579
Deferred income taxes	12,273	44,015
Dividends payable	32,950	23,789
Accrued interest on long term debt	28,328	11,053
Customer deposits	834	642
Current portion of long term debt	<u>27,976</u>	<u>52,454</u>
	<u>298,264</u>	<u>384,085</u>

Deferred Credits:

Deferred income taxes	40,930	49,531
Customer contributions	99,757	85,713
Hydro development contribution	<u>3,920</u>	<u>4,044</u>
	<u>144,607</u>	<u>139,288</u>

\$2,820,652

\$2,369,958

See accompanying summary of accounting policies and notes

TransAlta Utilities Corporation

Consolidated Statement of Earnings and Reinvested Earnings

(in thousands except earnings per share)

	Year ended December 31	
	1982	1981
Gross revenue from operations:		
Electric	\$490,518	\$400,503
Water utilities	2,038	2,211
	<u>492,556</u>	<u>402,714</u>
Operating deductions:		
Operating expenses	129,545	101,356
Fuel and purchased power	27,564	21,854
Taxes, other than taxes on income	20,847	16,914
Depreciation	71,205	57,988
Taxes on income	52,973	40,724
	<u>302,134</u>	<u>238,836</u>
Operating income	<u>190,422</u>	<u>163,878</u>
Allowance for funds used during construction by component:		
Debt	33,723	14,368
Preferred equity	11,650	5,139
Common equity	39,785	15,881
Total allowance for funds used during construction	<u>85,158</u>	<u>35,388</u>
Equity income from investments	27,713	24,638
Earnings before financing charges and extraordinary items	<u>303,293</u>	<u>223,904</u>
Interest charges:		
First mortgage bonds	41,813	21,899
Other long term debt	56,234	32,727
Other	16,952	25,940
	<u>114,999</u>	<u>80,566</u>
Preferred share dividends	53,492	37,113
	<u>168,491</u>	<u>117,679</u>
Earnings applicable to common shares before extraordinary items	134,802	106,225
Extraordinary items (Note 2)	33,400	—
Net earnings applicable to common shares	<u>101,402</u>	<u>106,225</u>
Common share dividends	62,051	49,511
Reinvested common share earnings	39,351	56,714
Opening balance of reinvested earnings	309,022	252,308
Closing balance of reinvested earnings	<u>\$348,373</u>	<u>\$309,022</u>
Average common shares outstanding	51,693	47,883
Earnings per common share:		
Before extraordinary items	\$2.61	\$2.22
After extraordinary items	\$1.96	\$2.22
Fully diluted earnings per common share:		
Before extraordinary items	\$2.46	\$2.11
After extraordinary items	\$1.89	\$2.11

See accompanying summary of accounting policies and notes

Consolidated Statement of Changes in Financial Position

(in thousands)

	Year ended December 31	
	1982	1981
Source of Cash:		
From operations —		
Earnings applicable to common shares before extraordinary items	\$134,802	\$106,225
Add net amount not involving cash	13,936	27,201
Cash provided from operations	148,738	133,426
Issue of common shares net of conversions and stock dividends	25,052	115,822
Issue of preferred shares	200,000	50,000
Issue of long term debt	361,623	158,942
Proceeds from sale of Canadian Utilities Limited shares	51,600	—
Customer contributions	17,376	13,257
Increase in accounts payable and accrued liabilities	7,961	19,216
	812,350	490,663
Use of Cash:		
Capital expenditures —		
Production	346,857	229,893
Environmental	51,767	26,335
Transmission, substations, distribution and other	223,366	150,324
	621,990	406,552
Less allowance for equity funds used during construction	51,435	21,020
	570,555	385,532
Investment in Canada Northwest Energy Limited	2,450	76,175
Purchase of preferred shares	7,708	8,485
Repayment of long term debt	56,758	46,932
Dividends on common shares	60,413	48,055
Payment of deferred income taxes	40,298	3,784
Decrease (increase) in bank loan and short term notes	54,298	(66,200)
Increase in accounts receivable, materials and supplies	18,925	9,933
Other	938	(22,052)
	812,343	490,644
Increase in cash	\$ 7	\$ 19

See accompanying summary of accounting policies and notes

Summary of Accounting Policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada of which the significant policies are described below. These principles conform in all material respects with International Accounting Standards. The Corporation is engaged primarily in the production and sale of electric energy in the Province of Alberta which activity is classified as one segment for financial reporting purposes.

Regulation

The Corporation is regulated by the Energy Resources Conservation Board pursuant to the Hydro and Electric Energy Act (Alberta) and the Public Utilities Board pursuant to Part II of the Public Utilities Board Act (Alberta). The Corporation and its hydro operations are also subject to the Provincial Water Power Regulations (Alberta). These Acts and Regulations cover such matters as rates, construction, operations and accounting.

Consolidation

The consolidated financial statements include the accounts of the Corporation and all its subsidiaries of which TransAlta Resources Corporation, TransAlta Fly Ash Ltd., Kanelk Transmission Company Limited and Farm Electric Services Ltd. are active.

TransAlta Resources Corporation holds non-operating utility assets and other investments. TransAlta Fly Ash Ltd. processes and distributes fly ash gathered at the Corporation's generating plants. Kanelk Transmission Company Limited owns transmission facilities extending from the Corporation's hydro-electric plants on the Kananaskis River through British Columbia to the Crowsnest Pass in southern Alberta. Farm Electric Services Ltd. is a non-profit entity which organizes, constructs, operates and maintains, at cost, electric distribution systems owned by rural electrification co-operative associations.

Investments

Investments in AEC Power Ltd., Canada Northwest Energy Limited (formerly Canada Northwest Land Limited) and Canadian Utilities Limited are held by TransAlta Resources Corporation and are accounted for by the equity method.

The equity income of Canadian Utilities Limited excludes its share of earnings of the Corporation. The portion of the Corporation's dividends applicable to its pro rata interest in its shares held by Canadian Utilities Limited is deducted from dividends and is added to the recorded value of the investment.

Financing Costs

Costs of financing are amortized by charges to expense as follows:

- Debt issues — over the lesser of the remainder of the original life or the estimated average life of the respective issues.
- Equity issues — over the lesser of 30 years or the estimated average life of the issue.

Gains or losses realized on the purchase of Corporation debt for sinking fund purposes are amortized over the remaining life of the issue. These policies are in accordance with the method of determining the Corporation's cost of capital for regulatory purposes.

Translation of Foreign Currency

Any long term debt payable in foreign currency is translated at the rate of exchange prevailing at the date of the balance sheet. The resulting adjustment is amortized over the remaining life of the debt which is in accordance with the method used in determining the Corporation's cost of capital for regulatory purposes.

Foreign exchange losses of \$563,000 were amortized to income in 1982 (\$726,000 in 1981) and at December 31, 1982 unamortized foreign exchange losses of \$6,689,000 (\$5,497,000 at December 31, 1981) were deferred and included in financing costs on the balance sheet.

Taxes on Income

The Corporation's basic income tax accounting policy is the income tax allocation method. For 1981 and 1982 the Public Utilities Board (Alberta) directed the Corporation to reduce its federal income tax provision and payments by one half by claiming deductions greater than the amounts charged in the accounts. For 1983 and thereafter the Corporation is directed to pay full federal taxes. During 1980 and prior to 1973, deferred income taxes were included in the Corporation's rates. During the years 1973 to 1979 no income taxes were deferred.

Customer Contributions

Contributions received from customers related to new service connections are credited to deferred revenue and are amortized to income over the expected terms of the revenue deficiencies. The composite rate of amortization is approximately 3% per annum.

Notes to Consolidated Financial Statements

(tabular dollar amounts in thousands)

1. Property Account

The land, buildings, plant and equipment are carried at cost. The Corporation provides for depreciation on a straight-line basis using various rates as set by the Public Utilities Board (Alberta) based on depreciation studies prepared by the Corporation which result in an overall composite rate for 1982 of 3.99% (3.53% in 1981).

	Depreciation rates	December 31	
		1982	1981
Hydro production	2.45%	\$ 180,216	\$ 159,701
Thermal production including coal mines	3.44% - 3.89%	839,584	771,734
Environmental control	4.36%	173,703	173,120
Transmission lines, substations and distribution systems	3.54% - 4.58%	757,781	649,711
Other	various	106,074	95,033
Property under construction		881,269	479,001
		<u>2,938,627</u>	<u>2,328,300</u>
Less accumulated depreciation		455,597	392,599
		<u>\$2,483,030</u>	<u>\$1,935,701</u>

The Corporation capitalizes an allowance for funds used during construction at its cost of capital presently 13.08% (11.74% in 1981) as determined by the Public Utilities Board (Alberta).

2. Investments

AEC Power Ltd. owns and operates the utilities plant which supplies electric energy and steam on a cost of service basis to the Syncrude Project for production of synthetic crude oil from the Alberta oil sands. The investment in AEC Power Ltd. represents one third of the outstanding shares (consisting of 50% of the voting common shares).

Canada Northwest Energy Limited is a natural resource exploration and development company with interests in Canada, the United States, Australia and off the coasts of Spain and Italy. The investment in Canada Northwest Energy Limited consists of common shares and a convertible debenture and would represent approximately 21% of the outstanding common shares after conversion of the debenture. The excess of the purchase price over the book values of the assets and liabilities acquired amounted to \$51,041,000 of which \$44,741,000 is being amortized by the unit-of-production method and the balance is being amortized straight-line over a period of 5 years.

Canadian Utilities Limited, through operating subsidiaries, is mainly engaged in the generation, transmission, distribution and sale of electric energy, primarily in east-central and northern Alberta and in the production, purchase, transmission, distribution and sale of natural gas throughout Alberta. The investment in Canadian Utilities Limited represents an interest of approximately 22% which consists of 13% of the outstanding Class A non-voting shares and 31% of the outstanding Class B common shares.

On May 8, 1982 Nu-West Limited entered into an agreement with Canadian Utilities Limited and ATCO Ltd. for the sale to Canadian Utilities Limited on June 1, 1982 of all the shares of the Corporation held by Nu-West Group Limited. On August 3, 1982, the directors of each of the Corporation, Canadian Utilities Limited and ATCO Ltd. approved an agreement which provides that the Corporation and Canadian Utilities Limited will use their best business efforts to divest themselves of their reciprocal shareholdings over the next three to five years.

The issuance of common shares from treasury by Canadian Utilities Limited reduced the Corporation's original interest to approximately 31%. The issue of these shares at less than their recorded value in the Corporation's accounts necessitated a write down of the Corporation's investment in Canadian Utilities Limited by \$16,400,000 which has been charged against 1982 earnings as an extraordinary item. In addition the Corporation sold 5,011,600 Class A non-voting shares it held in Canadian Utilities Limited. This sale further reduced the Corporation's interest in Canadian Utilities Limited to approximately 22% and resulted in an extraordinary charge against 1982 earnings of \$17,000,000.

The excess of the purchase price over the book values of the assets and liabilities acquired is being amortized straight-line over a period of 40 years. The original excess of approximately \$100,000,000 was reduced to approximately \$54,400,000 during 1982 as a result of the issue of common shares from treasury by Canadian Utilities Limited and the sale of Canadian Utilities Limited shares by the Corporation.

TransAlta Utilities Corporation

(v) Long term debt

	December 31	
	1982	1981
First mortgage bonds	\$340,320	\$318,835
Notes payable — secured	41,025	59,895
Secured debentures	461,206	170,182
Notes payable — other	30,000	27,565
Capitalized lease obligations	35,364	36,268
Other	29,346	22,431
	937,261	635,176
Less current portion	27,976	52,454
	\$909,285	\$582,722
First mortgage bonds		
5¾% Series due 1982	\$ —	\$ 8,000
9¾% Series due 1982	—	20,000
5¾% Series due 1983	6,320	9,000
5⅜% Series due 1984	7,000	7,000
6% Series due 1985	8,560	8,560
14½% Series due 1987	60,000	60,000
7½% Series due 1988	12,000	12,000
15¾% Series due 1988	75,000	75,000
7⅞% Series due 1989	5,000	5,000
17% Series due 1989	50,000	—
8½% Series due 1993	25,000	25,000
9⅛% Series due 1994	30,000	30,000
8½% Series due 2002 (U.S. \$50,000,000)	61,440	59,275
	\$340,320	\$318,835
Notes payable — secured		
6% and 7% Series due 1985 to 1987 (£12,874,000; 1981 — £16,829,000)	\$ 25,730	\$ 38,155
6%, 7%, 7⅞% and 8½% Series due 1984 and 1985 (U.S. \$12,447,000; 1981 — U.S. \$18,339,000)	15,295	21,740
	\$ 41,025	\$ 59,895
Secured debentures		
Series A — 11¼% to 13¾%		
Due 1982	\$ —	\$ 76
Due 1984	436	436
Due 1985	10,820	10,820
Due 1988	28,000	—
	39,256	11,332
Series B — 9⅜% due 1990	17,800	18,200
Series C — 8% due 1992	22,750	23,250
Series E — 10½% due 2000	57,600	58,200
Series F — 10¾% due 2001	38,800	39,200
Series G — 13¾% due 1985	20,000	20,000
Series H — 15¼% due 1987	80,000	—
Series I — 17⅝% due 1997	60,000	—
Series J — 13% due 1997	125,000	—
	\$461,206	\$170,182
Notes payable — other		
Due 1983	\$ —	\$ 4,505
Due 1984	3,620	3,620
Due 1985	5,530	5,530
Due 1986	5,485	5,485
Due 1987	8,425	8,425
Due 1988	6,940	—
	\$ 30,000	\$ 27,565

The first mortgage bonds are secured by a first charge on certain of the Corporation's lands, buildings, plant and equipment and by a first floating charge on all other assets situated in the Province of Alberta. The Trust Deed provides for a sinking fund for the retirement of first mortgage bonds, payable on September 1 of each year of 1% of the original principal amount of first mortgage bonds issued.

The notes payable-secured have no authorized limit and first mortgage bonds are pledged as collateral security.

The secured debentures are secured by a floating charge on the property and assets of the Corporation subject to the first specific charge and the first floating charge securing the first mortgage bonds. The Trust Indenture provides for sinking funds for all Series except A, G and H.

The notes payable-other, which are unsecured and have no authorized limit, bear interest determined at June 30 and December 31 of each year at the greater of the five year bank term deposit rate or the prevailing prime bank interest rate (12½% at December 31, 1982) and mature December 31 in each year. These amounts are payable to rural electrification co-operative associations through their agent Farm Electric Services Ltd. and represent a portion of funds contributed by members of these associations which have been invested with the approval of the Alberta Director of Co-operative Activities.

The Corporation leases, with options to purchase, draglines costing \$37,627,000. The cost of this equipment is included in the property account under thermal production and the related liability is included in long term debt to reflect the effective acquisition and financing of the equipment. Accumulated amortization amounted to \$4,958,000 at December 31, 1982 (\$3,495,000 at December 31, 1981). The future minimum payments under the capitalized leases are \$3,753,000 per year for the next five years and \$52,769,000 in later years. The imputed interest included in these future minimum rentals is \$36,170,000 at December 31, 1982 (\$39,019,000 at December 31, 1981) at the interest rates of 6.4% and 9.4% implicit in the leases.

The annual requirements for capitalized lease obligations, sinking funds and maturing issues of long term debt for the five years subsequent to December 31, 1982 are as follows:

Year	Capitalized lease obligations	Sinking funds	Maturing issues
First	\$ 969	\$4,429	\$ 22,578
Second	1,038	6,489	28,367
Third	1,113	6,489	57,044
Fourth	1,193	7,289	13,869
Fifth	1,279	7,939	155,764

Sinking fund requirements have been reduced by bonds and debentures purchased and cancelled to meet annual requirements. The requirements shown for maturing issues will be reduced to the extent of purchases of these issues before their maturity for sinking fund purposes.

4. Rates for Service

On September 1, 1982, pursuant to the Electric Energy Marketing Act (Alberta), the Alberta Electric Energy Marketing Agency began purchasing substantially all electric energy produced in Alberta and reselling it to the vendor for distribution and sale within the Province. Regulation of the price to the Agency and of rates charged to customers are subject to the jurisdiction of the Public Utilities Board (Alberta). The introduction of the Agency has added a charge to be recovered from the Corporation's customers since the Corporation's lower generation and transmission costs are averaged with the higher costs of other producers in Alberta. However, to date the Province of Alberta has fully shielded the Corporation's customers from such added charges.

Under the Public Utilities Income Tax Transfer Act (Canada) and enabling legislation passed by the Province of Alberta, 95% of the federal and 100% of the provincial income taxes paid by the Corporation attributable to its electric utility operations are rebated to its customers. A change from 95% to 50% was proposed by the federal government and rebates to Alberta were correspondingly reduced after March 31, 1980. While this proposed reduction was subsequently withdrawn on February 5, 1981, in March of 1980 the Corporation discontinued the payment of 1980 income taxes resulting in the deferral of 1980 income taxes of \$56,355,000. The Public Utilities Board found that the Corporation's 1980 rates, which included these deferred income taxes, were just and reasonable. The Board, however, ordered that the income taxes deferred in 1980 be subsequently paid (\$3,784,000 in 1981, \$40,298,000 in 1982 and \$12,273,000 in 1983) and thus these amounts can be included in the income tax rebate program. In the same order the Board directed the use of "one half normalized — all taxes paid for federal income taxes" in 1981

TransAlta Utilities Corporation

and 1982 and a return to full "normalized — all taxes paid" in 1983. As a result, the Corporation halved the 1981 and 1982 revenue requirements for federal taxes on income by claiming deductions for federal tax purposes in amounts greater than those charged in the accounts. This federal tax reduction of \$32,166,000 in 1982 (\$26,629,000 in 1981) is not recorded in the accounts since there is reasonable expectation that when such taxes are payable they will be recoverable in the rates at that time.

On June 21, 1982, the Public Utilities Board issued a decision determining the Corporation's rate base, a fair return thereon and revenue requirements for 1981 and 1982. The Corporation has operated under interim rates designed to recover these revenue requirements. These interim rates were reviewed by the Board and a decision is pending.

On November 22, 1982, the Corporation filed an application for the determination of its rate base, a fair return thereon and total revenue requirement for 1983. This 1983 revenue requirement is based in part on a 16½% return on common equity invested in rate base. On January 13, 1983 the Public Utilities Board approved interim rates effective February 1, 1983 for consumption on or after January 1, 1983. These new rates are designed to recover, in part, the 1983 revenue requirement applied for. Hearings with respect to the application will begin in April, 1983. In the event that the interim rates are not confirmed by the Board, the Corporation may be required to refund or adjust any bill based on them.

5. Income Tax Rate

Taxes on income vary from the amount that would be determined by applying the combined statutory Canadian federal and Alberta provincial income tax rates to earnings. The following is a reconciliation of the combined statutory rates to the effective income tax rate:

	1982	1981
Statutory income tax rates	48.8%	48.8%
Adjustments —		
(i) The "one half normalized" provision for federal income taxes	(13.3)	(14.5)
(ii) Equity income from investments	(4.7)	(5.8)
(iii) Equity funds used during construction net of applicable depreciation adjustment	(9.3)	(4.5)
(iv) Coal mining incentives	(1.3)	(2.4)
(v) Other	1.8	0.5
Effective income tax rate	<u>22.0%</u>	<u>22.1%</u>

6. Pension Plan

The Corporation has a retirement pension fund covering substantially all employees. Based on actuarial advice an unfunded past service obligation of approximately \$10.8 million at December 31, 1981 is being funded and charged to operations in annual amounts of approximately \$1.8 million.

7. Related Party Transactions

In the normal course of its business the Corporation enters into numerous transactions with Canadian Utilities Limited and its subsidiaries at prices and terms which are substantially subject to regulation by the Public Utilities Board (Alberta). The amounts involved in these transactions are not material.

The Corporation entered into agreements with Alberta Power Limited (a subsidiary of Canadian Utilities Limited) for the construction, joint ownership and operation of units 1 and 2 of the generating plant being built near Sheerness, Alberta. These units, scheduled for completion in 1985 and 1986, will have an estimated net generating capacity of 732,000 kilowatts. The Corporation's 50% share of the cost is approximately \$500 million of which approximately \$106 million has been incurred to December 31, 1982.

Auditors' Report

To the Shareholders of TransAlta Utilities Corporation

We have examined the consolidated balance sheet of TransAlta Utilities Corporation as at December 31, 1982 and the consolidated statements of earnings and reinvested earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
February 15, 1983

Clarkson Gordon
Chartered Accountants

Management's Responsibility

The financial statements and related information included in this annual report have been prepared by the Corporation. Management has the primary responsibility for integrity of the financial information included in this report, and to see that such information fairly reflects the financial position of the Corporation and its operating results. These statements have been prepared in conformity with generally accepted accounting principles and reflect management's best estimates and judgments.

Management depends upon the Corporation's system of internal accounting controls to meet its responsibility for reliable and accurate financial statements. The system is designed to provide reasonable assurance that assets are safeguarded and that transactions are recorded and executed in accordance with management's authorization.

The financial statements have been examined by Clarkson Gordon, the Corporation's auditors. Their role is to render an independent professional opinion, as described in their report, on the fairness of management's financial statements. In addition, the Corporation maintains an internal audit staff which reviews internal accounting controls, conducts special audits, and is available to assist the independent accountants in performing their audit function.

TransAlta Utilities Corporation

Consolidated 10 Year Summary

Financial Record (in thousands of dollars except where noted)

	1982	1981	1980
Statement of Earnings:			
Gross revenue from operations			
Electric	490,518	400,503	356,039
Water utilities	2,038	2,211	3,376
	<u>492,556</u>	<u>402,714</u>	<u>359,415</u>
Operating deductions	302,134	238,836	226,962
Operating income	190,422	163,878	132,453
Allowance for funds used during construction	85,158	35,388	20,869
Equity income from investments	27,713	24,638	8,872
	<u>303,293</u>	<u>223,904</u>	<u>162,194</u>
Earnings before financing charges and extraordinary items	303,293	223,904	162,194
Interest charges	114,999	80,566	60,882
Preferred share dividends	53,492	37,113	27,120
	<u>134,802</u>	<u>106,225</u>	<u>74,192</u>
Earnings applicable to common shares before extraordinary items	134,802	106,225	74,192
Extraordinary items	33,400	—	—
Net earnings applicable to common shares	<u>101,402</u>	<u>106,225</u>	<u>74,192</u>
Average common shareholders' investment (1)	823,000	677,000	534,000
Net earnings as a % of average common shareholders' investment (2)	16.4	15.7	13.9
Per common share (dollars per share)			
Book value (year end)	15.77	14.93	13.40
Earnings before extraordinary items	2.61	2.22	1.76
Dividends declared	1.20	1.04	.937
Capital expenditures	621,990	406,552	270,745
Total assets	2,820,652	2,369,958	1,939,460
Capitalization			
Common shareholders' equity	858,078	787,487	606,027
Preferred shares	664,118	476,376	442,341
Reciprocal shareholdings	(53,700)	—	—
Long term debt	909,285	582,722	489,653
	<u>2,377,781</u>	<u>1,846,585</u>	<u>1,538,021</u>
Capitalization ratio (%)			
Common shareholders' equity	36.1	42.6	39.4
Preferred shares	28.0	25.8	28.8
Reciprocal shareholdings	(2.3)	—	—
Long term debt	38.2	31.6	31.8
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Interest coverage (times earned before income tax)			
First mortgage bonds	6.77	9.40	11.05
All fixed charges	3.10	3.28	3.77
Statistical Record			
Electric energy sales (millions of kWh)			
Residential, general service and small industry	2,557	2,332	2,148
Industrial	5,197	4,901	4,539
Cities and towns under wholesale contracts	6,338	5,818	5,359
Farms	906	803	774
	<u>14,998</u>	<u>13,854</u>	<u>12,820</u>
Generating capability (nominal net MW)			
Hydro	800	800	800
Thermal	2,556	2,556	2,556
	<u>3,356</u>	<u>3,356</u>	<u>3,356</u>
Sources of primary energy (millions of kWh)			
Hydro	1,584	2,027	1,692
Thermal — Gas	19	3	—
— Coal	16,379	14,276	13,729
Net purchases and exchanges	(1,785)	(1,332)	(1,435)
	<u>16,197</u>	<u>14,974</u>	<u>13,986</u>
Customers			
Served directly	267,001	264,497	253,335
Served indirectly through wholesale contracts	297,722	294,255	271,134

(1) Excluding reserve for rate adjustments and reciprocal shareholdings.

(2) Before extraordinary items.

1979	1978	1977	1976	1975	1974	1973
309,043	263,578	209,999	164,965	127,494	101,402	85,150
2,899	2,424	1,650	1,289	1,112	1,047	973
311,942	266,002	211,649	166,254	128,606	102,449	86,123
199,531	169,461	134,510	107,540	84,044	69,691	56,639
112,411	96,541	77,139	58,714	44,562	32,758	29,484
17,504	17,138	15,928	15,161	11,692	4,142	3,760
1,908	1,543	1,343	824	—	—	—
131,823	115,222	94,410	74,699	56,254	36,900	33,244
44,089	41,212	37,415	32,153	26,793	19,572	16,940
22,984	19,077	15,952	11,004	7,520	3,829	1,695
64,750	54,933	41,043	31,542	21,941	13,499	14,609
—	—	—	—	—	(1,628)	—
64,750	54,933	41,043	31,542	21,941	15,127	14,609
426,000	359,000	267,000	211,000	145,000	120,000	110,000
15.2	15.3	15.4	14.9	15.1	11.2	13.3
11.88	10.91	9.77	8.96	7.98	7.27	7.00
1.73	1.58	1.43	1.26	1.13	.79	.87
.833	.767	.683	.633	.533	.417	.367
209,051	185,259	198,574	207,520	160,519	120,209	66,836
1,470,486	1,325,847	1,172,309	959,278	759,615	601,564	492,335
450,505	403,505	311,802	252,147	178,427	133,785	117,210
295,195	250,601	214,154	159,038	106,087	87,557	58,023
—	—	—	—	—	—	—
484,779	474,906	458,300	386,619	322,971	255,197	213,723
1,230,479	1,129,012	984,256	797,804	607,485	476,539	388,956
36.6	35.7	31.7	31.6	29.4	28.1	30.1
24.0	22.2	21.7	19.9	17.4	18.4	14.9
—	—	—	—	—	—	—
39.4	42.1	46.6	48.5	53.2	53.5	55.0
100.0	100.0	100.0	100.0	100.0	100.0	100.0
9.75	8.49	8.41	6.33	4.99	4.02	4.24
4.38	4.11	3.52	2.99	2.66	2.63	2.54
1,952	1,767	1,540	1,397	1,256	1,112	1,001
4,165	3,637	3,320	3,076	2,929	3,030	2,982
4,915	4,502	4,156	3,852	3,640	3,270	2,914
762	699	640	606	573	540	486
11,794	10,605	9,656	8,931	8,398	7,952	7,383
800	800	800	800	800	800	800
2,197	2,197	1,845	1,493	1,141	1,141	1,141
2,997	2,997	2,645	2,293	1,941	1,941	1,941
1,408	1,824	1,518	1,731	1,415	1,715	1,513
17	5	9	239	337	309	449
12,627	10,240	9,833	7,547	6,953	6,737	5,636
(1,204)	(502)	(701)	294	487	(130)	591
12,848	11,567	10,659	9,811	9,192	8,631	8,189
241,615	227,947	212,709	198,558	184,740	171,977	164,136
257,365	226,289	215,589	202,684	190,978	182,601	159,960

A Financial Statistical Summary providing additional financial information on the Corporation over a ten year period is available on request. Please direct inquiries to the Treasurer of the Corporation.

Corporate Information

TransAlta Utilities Directors

R. G. BLACK, Q.C.

Partner, Black & Company
Calgary, Alberta

T. S. DOBSON*†

Chairman
Easton United Securities Ltd.
Calgary, Alberta

D. D. DUNCAN, Q.C.

Partner, Duncan & Craig
Winterburn, Alberta

J. T. FERGUSON*

President
Princeton Developments Ltd.
Edmonton, Alberta

D. J. GORDON

Corporation Director
Willowdale, Ontario

A. W. HOWARD*

Chairman of the Board
Calgary, Alberta

J. W. MADILL†

Chief Executive Officer
Alberta Wheat Pool
Calgary, Alberta

W. J. McCARTHY

Senior Vice-President
Sun Life Assurance Company
of Canada
Toronto, Ontario

H. J. S. PEARSON†

Chairman of the Board and
Chief Executive Officer
Century Sales & Service Limited
Edmonton, Alberta

R. F. PHILLIPS, F.C.A.*

Corporation Director and
Corporate Consultant
Calgary, Alberta

R. T. SCURFIELD

Chairman of the Board and
Chief Executive Officer
Nu-West Group Limited
Calgary, Alberta

R. A. THRALL, JR.

President
McIntyre Ranching Co. Ltd.
Lethbridge, Alberta

M. M. WILLIAMS

President and Chief Executive Officer
Calgary, Alberta

** Member of Audit Committee*

† Member of Compensation Committee



In August the Board of Directors met at the McIntyre Ranch near Lethbridge, Alberta. The meeting provided an excellent opportunity to discuss corporate affairs in a relaxed atmosphere. The Directors also took advantage of the occasion to meet some of TransAlta's customers and a number of civic officials from the Lethbridge area and to become better acquainted with local concerns. From left to right (front) are Ralph T. Scurfield, Albert W. Howard, Chairman of the Board, D'Arcy D. Duncan, Ralph A. Thrall, Jr. (Back) left to right: Marshall M. Williams, President, Robert G. Black, Thomas S. Dobson, H. J. Sanders Pearson, Walter J. McCarthy, John T. Ferguson, Douglas J. Gordon, Ross F. Phillips and J. Wallace Madill.

TransAlta Utilities Officers

A. W. HOWARD
Chairman of the Board

M. M. WILLIAMS
President and Chief Executive Officer

W. L. FRASER
Senior Vice-President,
Resource Planning

K. F. McCREADY
Senior Vice-President,
Operations

H. G. SCHAEFER
Senior Vice-President
Financial and Corporate Planning

E. J. BARRY
Vice-President,
Planning

T. E. CARDELL
Vice-President,
Plant Engineering and Construction

J. A. CLOW
Vice-President,
Engineering

M. J. HALPEN
Vice-President,
Human Resources

F. A. R. McKINNON
Vice-President,
Finance and Treasurer

W. SAPONJA
Vice-President,
Power System Operations

E. W. SMITH
Vice-President,
Customer Service Operations

R. G. BLACK, Q.C.
General Counsel and Corporate Secretary

R. L. McCRIMMON
Assistant Secretary

F. V. KAY
Assistant Treasurer

W. A. VERES
Assistant Treasurer

Transfer Agents and Registrars

For First Preferred Shares:
CENTRAL TRUST COMPANY,
Vancouver, Calgary, Edmonton
Winnipeg, Toronto, Montreal
Montreal Trust Company, Regina,
as Agent of Central Trust Company

For Second Preferred and Common Shares:
MONTREAL TRUST COMPANY,
Vancouver, Calgary, Edmonton,
Regina, Winnipeg, Toronto, Montreal

TransAlta Resources Directors

R. G. BLACK, Q.C.*

A. W. HOWARD*

W. J. McCARTHY

R. F. PHILLIPS, F.C.A.*

H. G. SCHAEFER

M. M. WILLIAMS

Northern Alberta Advisory Board

P. R. CALDWELL
General Manager
Blue Ridge Lumber (1981) Ltd.
Whitecourt, Alberta

N. COLVIN
Vice-President, Metal & Chemical
Operations
Sherritt Gordon Mines Limited
Fort Saskatchewan, Alberta

J. C. DENHAM
President and General Manager
Denham Ford Sales Ltd.
Wetaskiwin, Alberta

MRS. B. H. FOWLER
Editor, Camrose Booster
Camrose, Alberta

R. A. JESPERSEN
Dairy Farmer
Stony Plain, Alberta

R. H. M. PLAIN
Associate Professor of Economics
University of Alberta
St. Albert, Alberta

W. H. VAN DE WALLE
Farmer
Legal, Alberta

G. G. WETSCH
Lawyer, Peterson Ross
Barristers and Solicitors
Spruce Grove, Alberta

Head Office

110 - 12 Avenue South West,
Calgary, Alberta

Postal Address:
Box 1900, Calgary, Alberta, T2P 2M1

Incorporation

TransAlta Utilities Corporation, incorporated under the laws of Canada, was continued by Articles of Continuance under the Canada Business Corporations Act on May 3, 1979.

Auditors

CLARKSON GORDON,
Chartered Accountants, Calgary

TransAlta Resources Officers

M. M. WILLIAMS
Chairman of the Board

H. G. SCHAEFER
President

F. A. R. McKINNON
Vice-President and Treasurer

R. G. BLACK, Q.C.
Secretary

R. L. McCRIMMON
Assistant Secretary

W. A. VERES
Assistant Treasurer

Southern Alberta Advisory Board

G. H. BODMER
Project Co-ordinator
Regional Resources Project No. 1
Carbon, Alberta

P. A. BOSWELL
Publisher
Banff Crag and Canyon
Banff, Alberta

K. A. CURLE
President
Kemick Tool Supply Ltd.
Red Deer, Alberta

K. E. HURLBURT
Hurlburt Ranch Ltd.
Fort Macleod, Alberta

L. P. MAXIE
Consultant
L. Peter Maxie and Associates
Calgary, Alberta

P. SHIMBASHI
President
Diamond S. Produce Ltd. and
Newell Vegetable Ltd. 1980
Barnwell, Alberta

MRS. G. M. TAYLOR
Editor
Rocky View/Five Village Weekly
Irricana, Alberta

Trustees and Registrars

For First Mortgage Bonds:
MONTREAL TRUST COMPANY,
Vancouver, Calgary, Toronto,
Montreal

For Debenture Issues:
THE ROYAL TRUST COMPANY,
Vancouver, Calgary, Toronto,
Montreal

For Dividend Reinvestment and Share Purchase Plan; and Stock Dividend Accumulation Plan:
MONTREAL TRUST COMPANY,
Calgary

TransAlta Utilities Corporation

The largest investor-owned electric utility in Canada, TransAlta Utilities provides electric service to one of the country's most prosperous and rapidly developing areas. Incorporated under the laws of Canada, and Canadian-owned, the Corporation completed its first generating plant, the Horseshoe Falls Hydro-Electric Plant, in 1911. Operating with a capacity of 13,900 kilowatts, the Plant served the City of Calgary and the Canada Cement Plant at Exshaw.

Customer Service

When the Corporation first started generating electricity in 1911 some communities in Alberta had no electric service and others were supplied with high-cost electricity from small isolated plants that operated only during specified hours. By the mid 1920s, the Corporation had begun an expansion program to provide central station service 24 hours a day to these communities. The expansion program has continued over the years and the Corporation now supplies approximately 600 cities, towns, villages and hamlets, as well as farms and other customers in the surrounding rural areas.

Generation

The Corporation owns and operates two coal-fired generating plants and 13 hydro-electric plants, which are located near to major load centres. These plants have a total nominal net generating capability of 3,356 megawatts, the operations of which are combined to achieve minimum overall cost of power. The large coal-fired units supply the base or continuous load, while the hydro-electric plants provide additional electric energy requirements, particularly during peak load periods.

Construction is currently in progress at the Keephills Generating Plant and the jointly owned Sheerness Generating Plant. The first 400 megawatt unit at Keephills will be commissioned in 1983.

Mining

The Corporation has provided most of its own fuel requirements since 1962. It owns and operates two large coal mines which produced about 10.4 million tonnes in 1982. Since the early 1960s the Corporation has been active in reclama-

tion activities and to date has successfully reclaimed 754 hectares (1,862 acres) of land.

Automation

The thirteen hydro-electric plants, comprising 26 unattended generating units, are operated remotely from a control centre 72 kilometres west of Calgary. This control centre handles load dispatching for all the generating units, directs the operation of the main transmission system and controls the majority of the switching points. By early 1985, these activities will be transferred and consolidated with electric system operations in a new system control centre.

Transmission

The Corporation owns over 56,000 kilometres of transmission and distribution lines. For efficiency and reliability, the system is interconnected with all major power plants in Alberta and with the system in British Columbia. Through the interconnection with B.C. Hydro, the Corporation is also indirectly connected with the power pool of electric utilities in the northwestern United States.

Regulation

As an investor-owned utility, the Corporation's operations are subject to various provincial regulatory bodies.

In addition to approving the Corporation's financing, the Public Utilities Board also approves the rates for electric services rendered by the Corporation within Alberta. These rates are based on the revenue requirements needed to cover all operating expenses, as well as to provide an opportunity to earn a return that will attract the necessary investment capital to finance the large construction programs. The Board's decisions are final and may only be appealed to the Courts on a matter of jurisdiction or law. The use of a future test year and interim rates to cover projected costs of service, with consideration to increases in all costs including rate of return, is an important progressive feature of the Alberta rate regulatory process. This allows the Corporation to meet its large capital demands in highly competitive and unstable financial markets.

The Energy Resources Conservation Board approves construction of transmission lines, generating plants, coal mine

development and service area changes. Applications for construction must be filed with the Board months and sometimes years before the facilities are required. Environmental impact statements and plans the Corporation has to minimize any environmental impact, such as land reclamation programs, must also be presented. The Board's decisions on generating plant are subject to final approval through Order-in-Council by the Alberta Government.

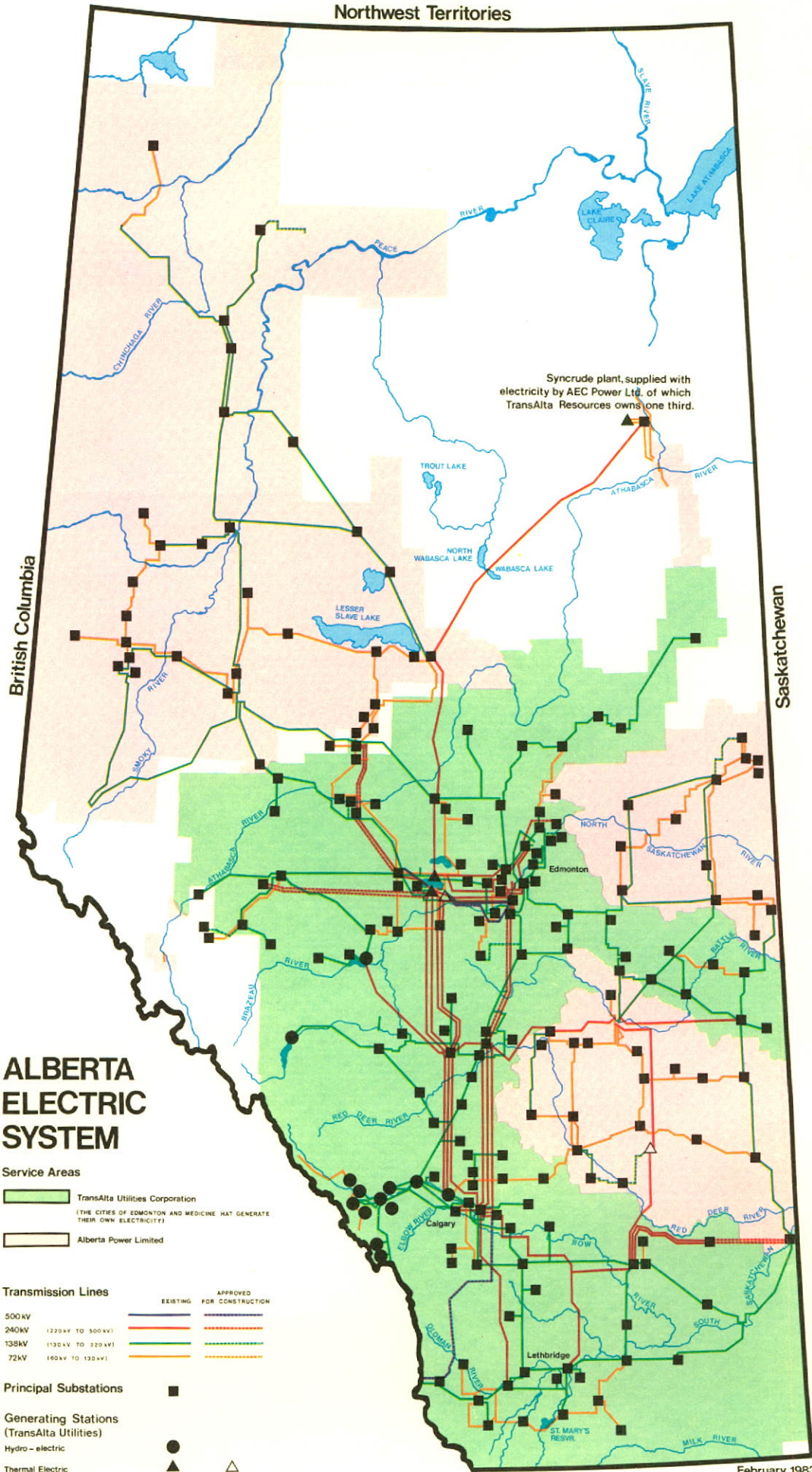
The Corporation is subject to the provisions of the Electric Energy Marketing Act, which resulted in the establishment of the Alberta Electric Energy Marketing Agency in 1982. The Agency is intended to achieve the equalization of electric power generating and transmission costs throughout the Province.

TransAlta Resources

TransAlta Resources Corporation was established in 1981 to segregate non-utility investments from the operations and financing of TransAlta Utilities. TransAlta Resources acquired an initial portfolio that included the Corporation's investment in Canadian Utilities Limited and AEC Power Ltd.

In July 1981, TransAlta Resources purchased Canada Northwest Energy Limited common shares and convertible debentures valued at approximately \$76.2 million. Early in January 1982, additional shares were acquired. Assuming the debentures were immediately converted, TransAlta Resources would be the largest single shareholder, holding approximately 21 per cent of the outstanding shares.

Headquartered in Alberta, Canada Northwest was established in 1883. Royalty income from oil discoveries in Saskatchewan in the 1950s provided its foundation as a natural resource exploration and development company. Canada Northwest has interests in producing oil and gas wells in Alberta, Saskatchewan, the United States and offshore Spain. It has holdings or is engaged in further exploration and development activity in Canada including the Arctic Islands, the United States, offshore Italy and Australia. It is a shareholder in Panarctic Oils Ltd. In August 1981, it acquired Oakland Petroleum Limited, an Alberta-based oil and gas company.



Syncrude plant, supplied with electricity by AEC Power Ltd. of which TransAlta Resources owns one third.

ALBERTA ELECTRIC SYSTEM

Service Areas

- TransAlta Utilities Corporation
(THE CITIES OF EDMONTON AND MEDICINE HAT GENERATE THEIR OWN ELECTRICITY)
- Alberta Power Limited

Transmission Lines

	EXISTING	APPROVED FOR CONSTRUCTION
500 kV		
240 kV (120 kV TO 500 kV)		
138 kV (130 kV TO 220 kV)		
72 kV (60 kV TO 130 kV)		

Principal Substations

-
-
-

Generating Stations (TransAlta Utilities)

- Hydro - electric
- Thermal Electric

