

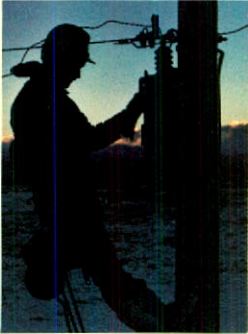


**TransAlta
Utilities Corporation**

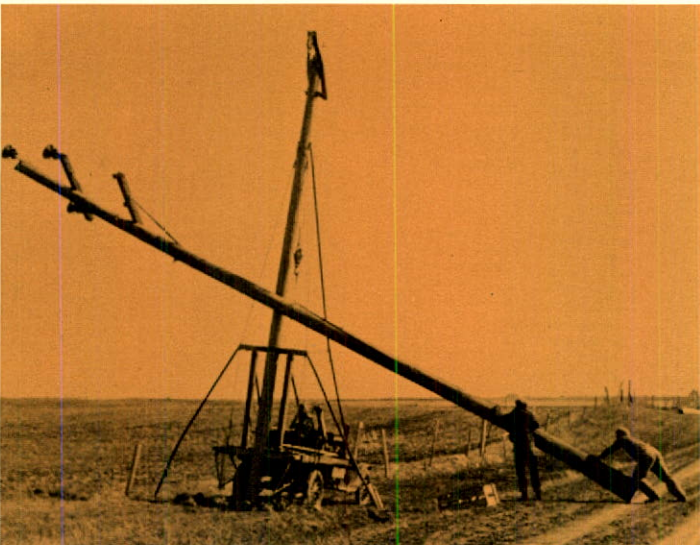
**Annual
Report 1981**

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A lineman's regular duties often involve distant locations at all hours of the day and night. In the cover photograph, Joe Matwychuk-Goodman, assistant lineman in the High River construction crew, checks the secondary transformer connections on an 8 kV line about 20 kilometres west of High River, Alberta. In the lineman's job, being physically and mentally alert is vital. Although linemen still must be in good physical condition, perhaps strenuous physical exertion was more common in the early days. In the photograph below, taken in the 1920's, raising poles was quite an involved procedure. In this case, one pole is used as a gin, braced by pipe legs that appear bent under the heavy load. The pre-assembled pole structure is literally hoisted and pushed into place.



Shareholders' Meeting

Shareholders are invited to attend the Annual Meeting to be held on May 14, 1982 at 10 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

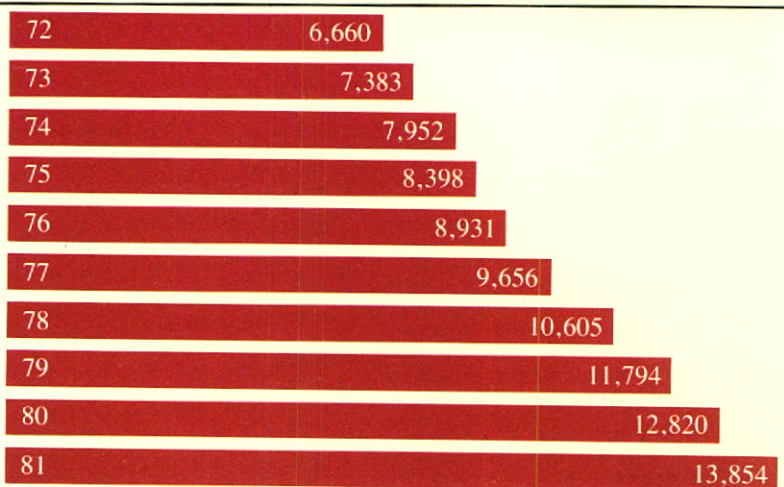
A statistical summary providing additional financial information on the Corporation over a ten-year period is available on request. Please direct inquiries to The Treasurer, TransAlta Utilities Corporation, Box 1900, 110 - 12 Avenue S.W., Calgary, Alberta, T2P 2M1.

Financial Results in Brief

	1981	1980
Gross Revenue from Operations	\$ 402,714,000	\$ 359,415,000
Shareholders' Investment	\$1,263,863,000	\$1,048,368,000
Net Income	\$ 143,338,000	\$ 101,312,000
Capital Expenditures	\$ 406,552,000	\$ 270,745,000
Total Assets	\$2,369,958,000	\$1,939,460,000
Earnings Per Common Share	\$2.22	\$1.76
Dividends Declared Per Common Share .	\$1.04	\$0.9367

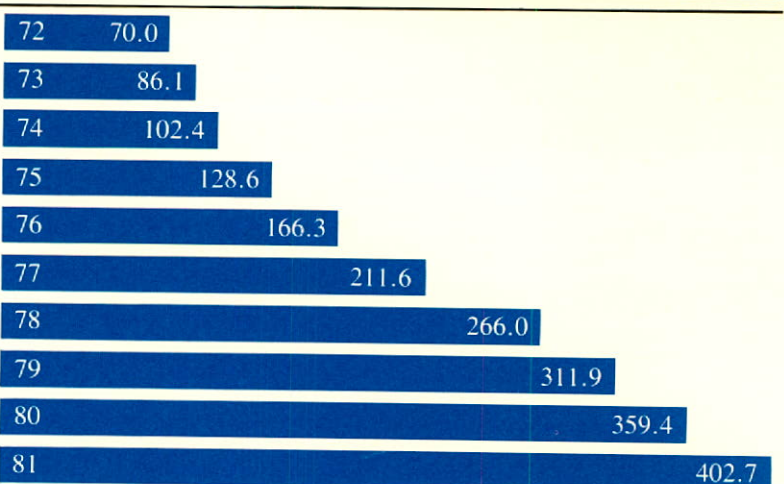
Sales

(million kWh)



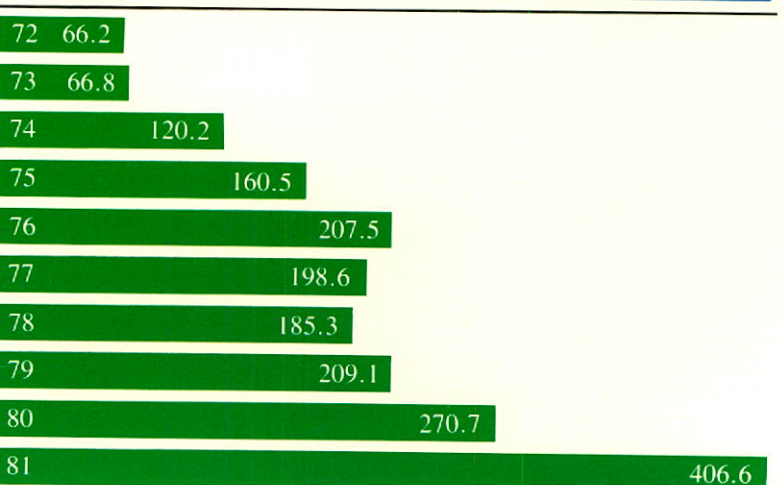
Gross Revenue from Operations

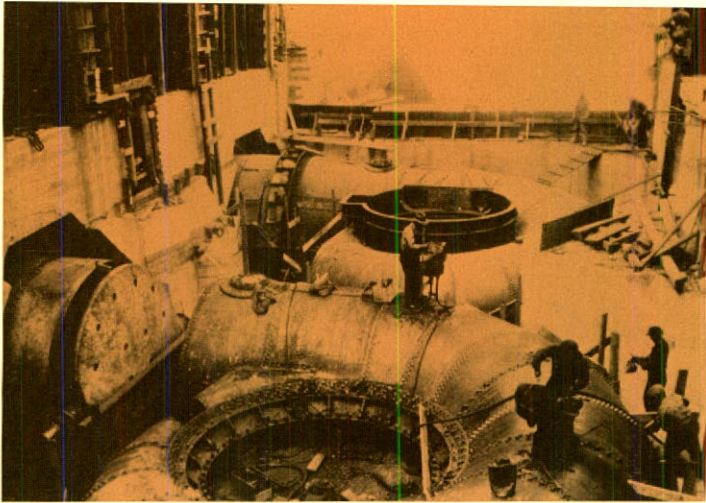
(\$ million)



Capital Expenditures

(\$ million)





In the large photograph, Shift Supervisor Barrie Edgerton checks the fire in a boiler at the Sundance Generating Plant west of Edmonton. Most of TransAlta Utilities' electric power generation is now coal-fired, with fuel acquired from extensive low-cost coal reserves in mines that the Corporation owns and operates. In 1911 when the Corporation first began operating, water was the exclusive source of power. The 1920's were a particular time of growth for the Corporation, then called Calgary Power Company Limited. In 1929, Ghost River Hydro Plant, pictured above, was completed. At that time the 28-megawatt plant more than doubled the generating capacity of the Corporation. In contrast, current net generating capacity is 3,356 megawatts. The photo, taken July 31, 1929, shows the installation of the hydraulic turbine at the Ghost Plant.



1981 in Brief

- The Corporation's name was changed from Calgary Power Ltd. to TransAlta Utilities Corporation, in order to overcome confusion with the City of Calgary Electric System and to reflect a broadening of scope.
- During the year, an organizational restructuring resulted in the appointment of additional vice-presidents, and other management staff.
- Electric energy sales increased to 13,854 million kilowatt-hours in 1981, from 12,820 million kilowatt-hours in 1980, an increase of 8.1 per cent. Peak demand was up 11 per cent to 2,592 megawatts from 2,334 megawatts the previous year.
- The Corporation's coal mines produced a total of 9.2 million tonnes during 1981, as compared to 8.6 million tonnes the previous year.
- Total capital expenditures for 1981 were \$406.6 million compared to \$270.7 million in 1980.
- Application by TransAlta Utilities for an interim rate increase averaging 13 per cent was approved by the Public Utilities Board (Alberta) in the fall. Hearings to set final rates commenced in December and will continue into 1982.



- The investment subsidiary, TransAlta Resources Corporation, invested \$76.2 million in Canada Northwest Land Limited, an oil and gas company headquartered in Alberta.

- Construction on the Keephills Generating Plant continued, with the first 400-megawatt unit scheduled to start up in April 1983, and the second, in April 1984.

- Construction commenced 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 two 500 kV transmission lines from the Keephills Generating Plant to the Ellerslie Substation south of Edmonton is proceeding. These will be the first 500 kV lines constructed in Alberta.

- Additional steps were taken towards the construction of

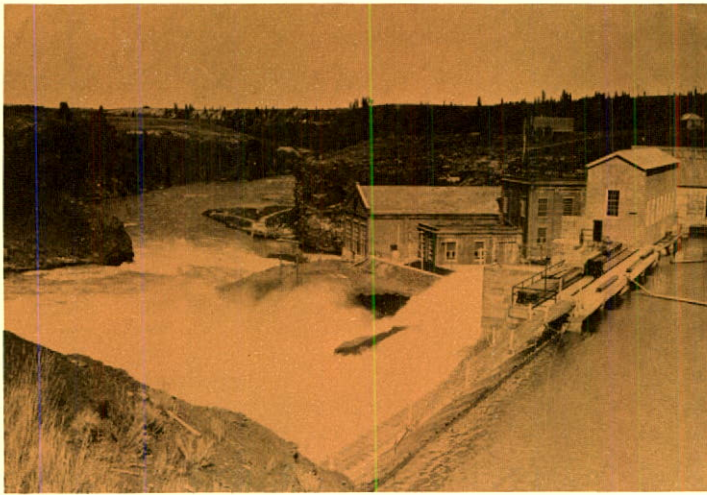
a 500 kV transmission system to interconnect with B.C. Hydro in the Crowsnest Pass area of southern Alberta by 1984.

- The Corporation was awarded a service area extension north of Lac La Biche and south of Fort McMurray, to be supplied by a 138 kV transmission system. The necessary construction has already commenced.

- Electrically-driven gas compressors, powered by two 25,000 horsepower motors, were installed at Dome Petroleum's Empress Plant. Compression of natural gas offers a promising new application for electricity.

- The Corporation successfully completed an agreement with the Town of Lacombe for the sale of its waterworks system. This agreement completes the disposal of three major water systems to the respective municipalities leaving the Corporation with only an interest in the Sherwood Park system.

Primary business	Generation and distribution of electricity
Net generating capability	3,356 MW
Service area	198,000 sq. km.
Number of direct customers	264,497
Number of indirect customers (Served through wholesale contracts)	294,255
Number of staff positions (including Farm Electric Service Ltd.)	2,500
Number of common and preferred shareholders	41,584
Percentage of common and preferred shares registered in Canada	99.6%



President and Chief Executive Officer M. M. Williams (left) and Chairman of the Board A. W. Howard check a book of flow diagrams showing the various operation systems in the control room of the Sundance Generating Plant. The sophisticated, automated control system contrasts dramatically with the early days of the Corporation, when most functions in the hydro plants were operated manually. The Horseshoe Falls Hydro Plant, pictured above, was the Corporation's first generating facility and Alberta's first "big" hydro development — all of 13.9 megawatts! When it went into operation on May 21, 1911, the Horseshoe Falls Plant served its initial customers, the City of Calgary and the Canada Cement Plant at Exshaw.



Report to Shareholders

The year 1981 marked your Corporation's seventieth year of service to Albertans. It was a year of challenge, unprecedented change and continuing growth in operating results.

Earnings per common share were \$2.22 in 1981, compared to \$1.76 in 1980 and \$1.73 in 1979. These earnings reflect a recovery from the weaker earning levels in 1980, and provide an overall return for 1981 of 15.7 per cent on average common shareholders' investment. Prospects for long-term growth continue to be good, enhanced by a relatively buoyant provincial economy and the low and stable fuel cost provided by the Corporation's extensive coal reserves. Effective April 1, 1981, quarterly common share dividends were increased from \$0.24 to \$0.26. Gross revenue increased 12 per cent over 1980 to \$402.7 million; operating deductions were up 5 per cent to \$238.8 million.

On the national scene, your Corporation (like many others) has had to navigate the rough seas of political uncertainty, economic instability, rising inflation and a distressing period in the financial markets. The recent agreements between the Federal and Provincial governments with respect to energy policy and the Constitution should give some measure of encouragement. However, there remains a pronounced slow-down in the Canadian economy, with the result that Canadians face a rather uncertain outlook for the period ahead.

One important change in the business environment in which the Corporation operates is the implementation of the Alberta Electric Energy Marketing Agency in 1982 by the Provincial Government. The Agency is intended to facilitate equalization

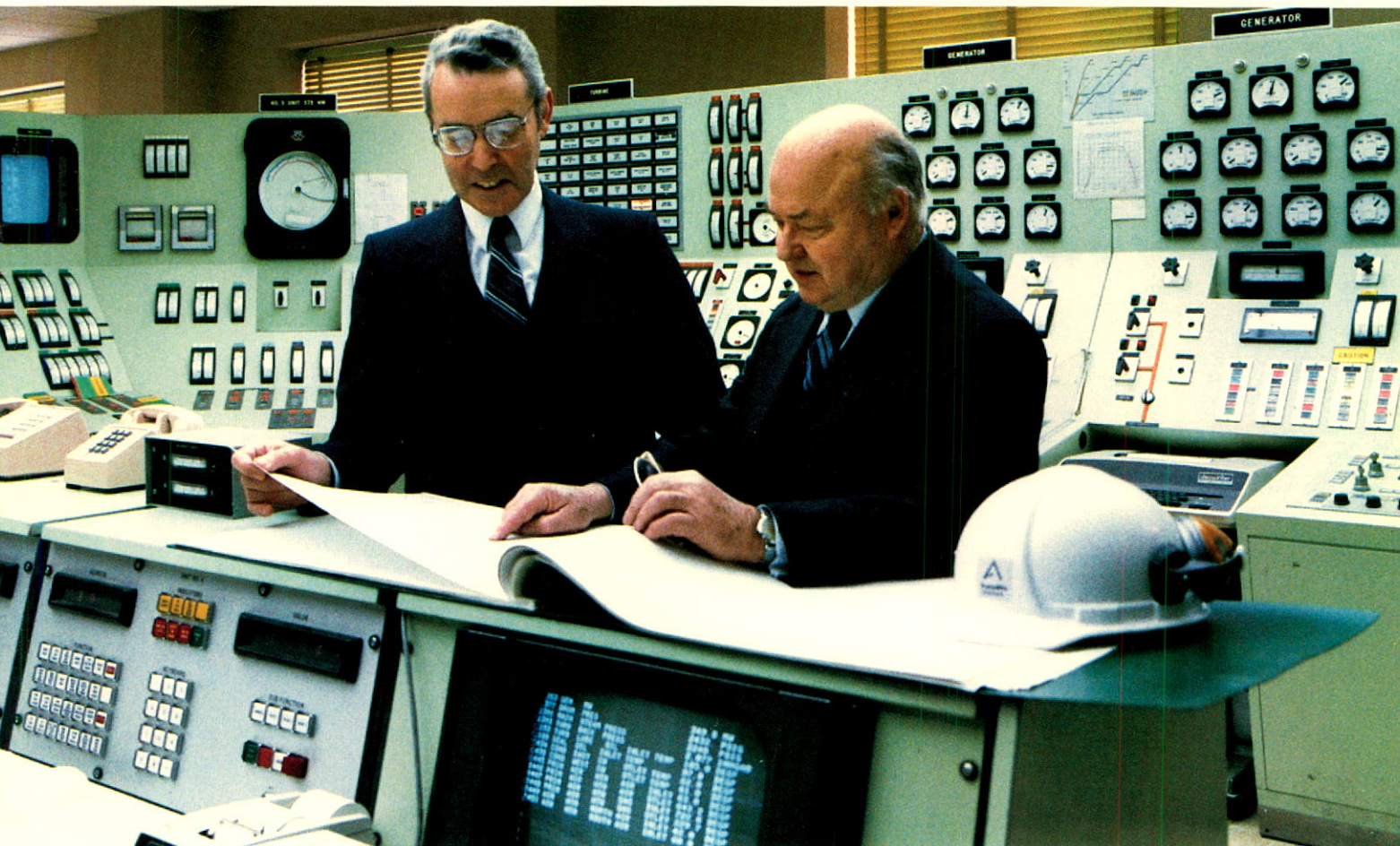
of electric power generating and transmission costs throughout the Province. At the outset it appears that the Agency will have no significant effect on the price of electricity to our customers, although it will reduce the costs paid by those incurring the higher rates elsewhere in the Province. The government has indicated that it will subsidize the program in the early years. However, because TransAlta is the lowest cost major producer of electricity in Alberta, as the subsidy is withdrawn it seems inevitable that our customers will pay more than they would pay without the Agency.

This past year saw steps leading to increased interconnection of the Alberta transmission system with adjacent provinces. Approval has been granted to proceed with the 500 kV transmission link with British Columbia Hydro and Power Authority in 1984. A proposed 500 kV transmission line, to link Saskatchewan and Alberta to hydroelectric supplies in Manitoba, is under review by the newly elected government in Manitoba and the governments of Saskatchewan and Alberta.

Construction at the Keephills Generating Plant, about 10 kilometres south of the Sundance Generating Plant, continued during 1981. The first 400-megawatt unit is scheduled for commissioning in April 1983 and the second, in April 1984. Construction commenced at the Sheerness Generating Plant, 150 kilometres northeast of Calgary, which the Corporation owns jointly with Alberta Power Limited.

In response to changing conditions and opportunities, your Corporation continued to pursue vigorously the goals of improving operating efficiencies and maintaining quality of service. We are satisfied that these efforts are valued by investors and customers alike.

Over the past 70 years the Corporation has expanded its utility service area throughout Alberta, far beyond the



initial service to the City of Calgary. During 1981, TransAlta Utilities was awarded a service area extension in the northeast part of the province, an area of potential major industrial activity. The Corporation has broadened its business base to encompass an interest in the oil and gas sector, in addition to its investment in Canadian Utilities Limited and AEC Power Ltd. A need was thereby created for a change in corporate structure and a new identity.

The change of name from Calgary Power Ltd. to TransAlta Utilities Corporation was not made lightly. Although "Calgary Power" has played a well-known and highly respected role in Alberta's development since 1911, the new name was desirable to reflect more accurately the geographic expansion of the Corporation's operations as well as to overcome confusion with the City of Calgary Electric System.

TransAlta Resources Corporation was created as a subsidiary to manage your Corporation's investments. In July, TransAlta Resources invested \$76.2 million in common shares and convertible debentures of Canada Northwest Land Limited, an oil and gas company headquartered in Alberta.

In initiating these changes, your Corporation has endeavoured to maintain its longstanding reputation for integrity and stability of purpose which will continue to attract and hold the confidence of investors and customers. Our outlook is one of continued confidence in Alberta's economy for the long term. Near term, the recession in Canada causes us to be somewhat cautious. Alberta is not an economic island and in due course its rate of growth must reflect any sustained downturn in the Canadian economy. However, we are encouraged by the inherent strength of the area we serve and its potential for future business development.

The key to the maintenance of growth and stability in

the midst of change is our people — from those responsible for administration, planning, and engineering, to those who operate the facilities and serve the customer. These employees comprise a dedicated group of some 2,500 who make the decisions and carry out the work required. Employees of many skills carry out the Corporation's primary function of serving the public and they determine its corporate character.

At the annual meeting in May, 1981, A. S. Gordon, a Director of the Corporation since 1960, retired from the Board. We would particularly like to pay tribute to Mr. Gordon for his valuable contributions over the past 21 years. D. J. Gordon, Past President of Ontario Hydro, J. T. Ferguson, President of Princeton Developments Ltd., and R. A. Thrall, Jr., President of McIntyre Ranching Co. Ltd., were elected to the Board of Directors at that meeting. W. J. Smith retired from the Board in August, 1981, and we would also like to record our appreciation for his contributions to the development of the Corporation. R. T. Scurfield, Chairman of the Board and Chief Executive Officer of Nu-West Group Limited, was appointed to the Board in November, 1981. The Corporation is indeed fortunate to have the assistance of an able and dedicated group of directors.

We would like to acknowledge again the confidence and support of our shareholders and investors. This and the following reports are respectfully submitted on behalf of the Board of Directors.

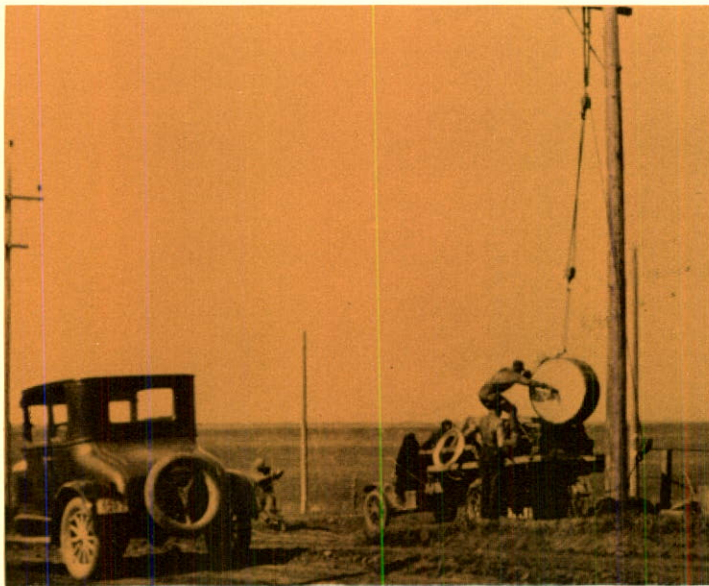
A. W. Howard

A. W. Howard
Chairman of the Board

February 15, 1982.

M. M. Williams

M. M. Williams
President and
Chief Executive Officer



These four men represent over 300 employees who attend training and apprenticeship programs at TransAlta Utilities' Red Deer Trades Training School each year. (L to R) Don Cormier, Tim Goertz, Paul Herbison, assistant linemen, and Ed Evans, transmission lineman, are taking part in the School's live line program. Here they are seen, 36 metres in the air, replacing a defective suspension insulator. As generating and transmission systems become increasingly sophisticated, training and retraining programs are a vital and integral part of the Corporation's operations. In the 1920's, linemen did not have the advantage of modern equipment and sophisticated training programs. The above photograph shows line being strung south of Calgary between Okotoks and High River.



Operations

Peak demand during the winter of 1981-82 was 2,592 megawatts, compared to 2,334 megawatts for 1980-81, an increase of 11 per cent. During 1981 electric energy sales increased to 13,854 million kilowatt-hours, from 12,820 million kilowatt-hours in 1980, an increase of 8.1 per cent. The industrial sector was responsible for much of the increase in energy sales, and in 1981 accounted for 4,900 million kilowatt-hours or 35.4 per cent of total energy sales.

The Corporation's coal mines produced a total of 9.2 million tonnes during 1981. Of this amount, the Highvale Mine produced 7.8 million tonnes to fuel the Sundance Generating Plant, while the Whitewood Mine north of Wabamun Lake produced 1.4 million tonnes for the Wabamun Generating Plant.

Post-mining land reclamation activities continued at both mines. Approximately 265 acres (107 hectares) were seeded to hay and cereal crops this year, bringing the total land successfully reclaimed since mining started to 1,700 acres (688 hectares). Since the early 1960's, well before the Alberta Government introduced reclamation guidelines, the Corporation has been returning mined land to a useful state.

Total capital expenditures for 1981 were \$406.6 million, of which \$256.2 million was spent on generating facility construction and mining operations. Transmission, substation and telecontrol expenditures totalled \$93.2 million, with \$57.2 million spent for distribution and other electric system expenditures. Capital expenditures for 1982 are expected to increase to

over \$550 million, as construction work progresses at Keephills and Sheerness generating plant sites.

Environmental control equipment, costing \$178.3 million, comprised approximately 7.7 per cent of the Corporation's property in 1981, compared to 0.1 per cent in 1971. Environmental capital expenditures in 1981 amounted to approximately \$26.3 million. The Alberta Government gave indication during 1981 that more stringent environmental protection guidelines are being considered for reclamation of mined lands and for control of sulphur dioxide emissions. Implementation of these measures would add substantially to current environmental expenditures.

Plant Construction

Construction at the Keephills Generating Plant south of the Sundance Generating Plant progressed on schedule during 1981. The powerhouse structure was completed, and boiler and turbogenerator erection initiated. Work is proceeding on filling the cooling pond, and construction of the coal handling and ash disposal facilities. The first 400-megawatt unit is scheduled to be commissioned in April 1983; the second will come on stream in April 1984.

At the same time, work is proceeding on relocating the hamlet of Keephills, which is situated within the Highvale Mine permit boundary. In October, a sod-turning ceremony initiated construction of the new school and community hall 7.5 kilometres from the original site. This is the first time such a project has been undertaken in Alberta. The relocation, including the transfer of families, will cost about \$3.8 million.

Under the terms of an interim Ownership Agreement, construction has started at the Sheerness Generating Plant, located approximately 150 kilometres northeast of Calgary.



Work proceeded on the main dike and canals for the cooling pond. Site grading and installation of underground facilities to serve the powerhouse were completed. Other major construction activities will commence in 1982. The detailed agreements covering joint ownership arrangements with Alberta Power Limited are expected to be signed early in 1982.

500 kV First in Alberta

The construction of two 500 kV transmission lines from the Keephills Generating Plant to the Ellerslie Substation south of Edmonton is proceeding, with 150 towers erected at year end. These lines, designed for 500 kV transmission, will initially be energized at 240 kV.

The Corporation is prepared to start construction on the 500 kV system to interconnect with B.C. Hydro, but has encountered some difficulty in acquiring the necessary right-of-way. Extra efforts are being made to resolve these problems through continuing negotiations with landowners. Another complication may result from a recent report by an Alberta Government Select Committee on Surface Rights. The report recommends changes in procedures and substantially higher land compensation costs.

A contract for special purpose computers for a new system control centre was let in 1981. The centre, expected to be completed by 1984, will utilize advanced technology to maintain reliable system operations. In addition to coordinating generation, transmission and subtransmission operations, the centre will also receive trouble calls. These functions were previously carried out at separate locations.

Site preparation for the head office building adjacent to the current structure in Calgary was completed in the fall and

construction commenced. Occupancy is scheduled for early 1984.

At the Sundance Generating Plant, rail car loading and fly ash classification facilities are being installed in order to improve the Corporation's competitive position in the sale of fly ash, a by-product from the burning of coal. Fly ash is principally used as a partial cement replacement in concrete. In 1981, 103,000 tonnes of fly ash were sold, an increase of 28 per cent over 1980. In another application, fly ash is successfully providing a sub-base for the foundation of the mine service building at the Highvale Mine. Research is also being conducted into additional uses for this by-product.

Demand Strong

The Corporation continues to emphasize internal and external energy management programs that encourage the efficient use of electric energy. Nevertheless, a high rate of load growth is expected to continue over the coming years, as Alberta experiences industrial expansion and a strong growth in population.

Demand will continue to be strong for traditional uses of electric energy, while new applications are becoming more economical. For example, two 25,000 horsepower, electrically-driven gas compressors at Dome Petroleum's Empress plant northeast of Medicine Hat were connected to the TransAlta System in November 1981. These are the largest electric motors in the Province at the present time. Gas compression, petrochemical and coal mining are three sectors in which the Corporation expects significant load growth.

During the year, 11,162 new customers were added to the Corporation's system, bringing the total number of customers served directly to 264,497.

Responsibility for the environment has always been a major concern of TransAlta Utilities. The Corporation has been active in land reclamation since the early 1960's, well before the Alberta Government issued any reclamation guidelines. In the photograph, Whitewood Mine Supervisor Fred Lindsay checks crop samples. Crops from test plots in the reclamation area are harvested in the fall and samples are placed in bags for drying and testing. In the early days, environmental concerns were minimal, for Alberta was still a frontier to be tamed. Snowshoes were often the most efficient mode of transportation for this Calgary Power survey crew. This crew had set out from Banff in the fall of 1922 with seven saddle horses and 12 pack horses to survey the Spray River and Spray Lakes Valley.



Planning

Planning is a primary responsibility of the Corporation in the supply of electric service. Great importance is placed on the role of planning in conjunction with marketing and finance. Through long-range planning, the Corporation sets into motion the preliminary procedures necessary to get new generating capacity and transmission systems constructed on schedule. The primary energy sources that will be needed to fuel new generating plants must also be considered. To meet this need, TransAlta Utilities gives priority to acquiring sufficient coal reserves at the lowest possible cost, while still evaluating alternative energy sources.

Coal Reserves

During 1981, through negotiations with other coal resource owners, the Corporation secured an additional estimated 67 million tonnes of recoverable coal within the Highvale Mine permit area. Exploration of Crown coal leases, obtained during the last two years, commenced during 1981 to locate and evaluate coal reserves.

The Corporation, through its participation in the Electric Utility Planning Council, works closely with the other utilities in Alberta to develop accurate province-wide load forecasts

and to devise the most efficient and cost-effective means of meeting the demand. In its own service area, the Corporation estimates that the average rate of load growth from 1980 to 1990 will be in excess of eight per cent compounded annually.

The Corporation continues to investigate the possibility of co-generation, where individual industries would produce electricity from waste heat for their own use, and sell the surplus electric energy to the Corporation. Direct involvement by TransAlta Utilities in co-generation investment and operations is also being considered.

Facilities

The Corporation is actively pursuing the expansion of the Kepphills Generating Plant beyond the initial two units scheduled to be commissioned in 1983 and 1984. The possibility of up to six generating units is being studied, as is the feasibility of additional coal-fired plant sites.

Energy Resources Conservation Board hearings were conducted in October, 1981, to study proposed route alternatives for the final 39-kilometre southwest portion of the 500 kV transmission line to interconnect with British Columbia Hydro and Power Authority. TransAlta Utilities again recommended interconnection at Phillipps Pass, on the grounds that it would provide the most reliable service, have the least environmental impact, and be the easiest route to maintain. A decision report from the Board, dated January 1982, has reconfirmed both the route originally awarded and Phillipps Pass as the point of interconnection. This decision is subject to



final authorization by Order-in-Council from the Alberta Government.

New Service Area

TransAlta received approval from the Energy Resources Conservation Board in the fall of 1981 for a 4,000-square kilometre service area extension in the Winefred Lake-Conklin area, north of Lac La Biche and south of Fort McMurray. Construction of the 138 kV transmission line has already commenced and service to supply electricity to the area is expected by the fall of 1982.

The Corporation is proceeding to convert Unit Number One, which was installed in 1958 at the Wabamun Generating Plant, from gas to coal-fired. When conversion is completed by October 1983, all TransAlta Utilities' thermal generating units will be coal-fired.

The Corporation also received approval to continue to use Wabamun Lake for cooling purposes at the Wabamun Generating Plant. Although some public concern had been expressed about the environmental acceptability of this practice, the Corporation clearly demonstrated that no significant adverse effects on the lake could be directly attributed to the Corporation's operations, and it therefore followed that large expenditures on retrofitting alternative cooling facilities were unnecessary.

Feasibility studies are under way for a joint venture with Dome Petroleum Limited to recover carbon dioxide (CO₂) from the flue gases at the Sundance Generating Plant. The CO₂ would be used to enhance the extraction of oil in nearby oilfields,

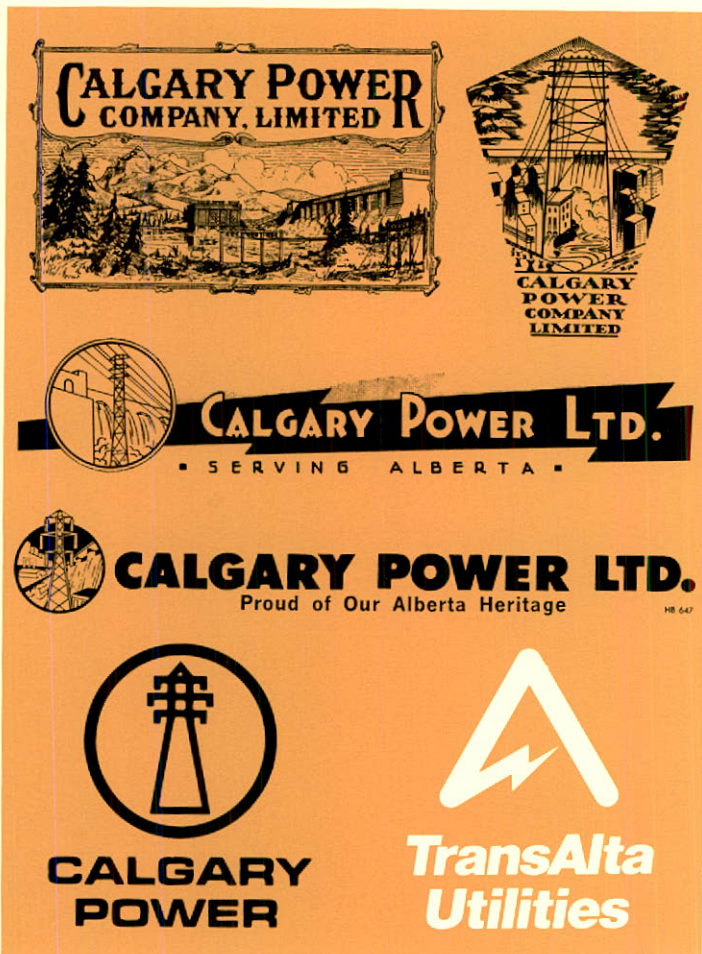
much of which is presently unrecoverable through conventional means. Using the CO₂ process, oil that would otherwise be very difficult to recover could be added to Alberta's total energy supply. This would be the first project of its nature in Canada. If the project proceeds, the recovery plant would produce approximately 200,000 mcf (thousand cubic feet) of CO₂ per day.

Research Continuing

The Corporation is currently investigating potential hydroelectric projects. Studies of the Dunvegan hydro site carried out by TransAlta Utilities for the Alberta Government, combined with recent findings at sites in British Columbia, indicate that more foundation drilling and testing are required before development there can proceed. The Corporation is also contributing to Alberta Environment's Slave River Study.

TransAlta Utilities has carried out extensive studies of small or low-head hydro. One promising site is the Dickson Dam southwest of Red Deer, which could have an installed capacity of 10-15 megawatts, and be in operation by late 1985. The Corporation has also commissioned a study on the feasibility of generating power utilizing very small generating units in one of Southern Alberta's irrigation systems. However, the economics of such sites are currently not as attractive as larger coal-fired plants.

Nuclear power is not expected to be economic in Alberta before the turn of the century, but the Corporation continues to monitor its long-term use as an alternative to coal-fired plants.



An important event during 1981 was the corporate name change. After the decision was approved by the shareholders at the May 1981 Annual Meeting, the hard work of substituting the new logo and symbol for the old familiar Calgary Power trademark began. In the photograph at the right, a sign is being changed at the Canmore District Office, in the Rocky Mountains, by (L to R) Ralph Walkden, assistant district manager, Kurtis Roy, serviceman (hidden by the sign) and Gailen Neville, district manager. Although the change of name to TransAlta Utilities was a major transition, the logo underwent modifications throughout the Corporation's history. When Calgary Power Company, Limited was incorporated in 1909, it did not have a symbol at all. It was not until about 1930 when the first logo appeared on an Annual Report.

Corporate Activities

During 1981, its 70th year of service to Albertans, the Corporation underwent some major constructive changes.

The most obvious change was the adoption of the new company identity. At the Annual Meeting on May 14, 1981, shareholders approved the renaming of Calgary Power Ltd. to TransAlta Utilities Corporation. The recently formed non-utility investment subsidiary was named TransAlta Resources Corporation and fly ash operations are now conducted by TransAlta Fly Ash Ltd.

The name TransAlta Utilities is intended to reflect more accurately the current scope and nature of the Corporation's business and to correct the limited geographical inference of the Calgary Power name. The new name does not alter in any way the Corporation's long-standing commitment of the past 70 years to supply reliable and economic electric power service to Albertans.

Corporate Restructuring

A further restructuring of the Corporation's organization was carried out during the year. This restructuring resulted from the continued growth of the utility operations and from the pressing demand for senior management to devote more time to corporate affairs. Effective March 1, 1981, the Corporation's Vice-Presidents are: E. J. Barry, Vice-President, Plan-

ning; 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; and E. W. Smith, Vice-President, Customer Service Operations. Other appointments were made at the director and manager levels in support of these positions.

TransAlta Resources

In July 1981, TransAlta Resources acquired an interest in Canada Northwest Land Limited, an oil and gas company headquartered in Alberta. This \$76.2 million investment, together with holdings in Canadian Utilities Limited and AEC Power Ltd., reinforces the Corporation's confidence and interest in the energy industry in Alberta.

In August, the Corporation announced the appointments of M. M. Williams as Chairman and H. G. Schaefer as President of TransAlta Resources Corporation, in addition to their regular duties with TransAlta Utilities Corporation.

During the year TransAlta Utilities formed the Northern Alberta Advisory Board to assist the Corporation in developing a better understanding of its customers' needs and to examine ways of improving its general operations. Eight business and community leaders were appointed to the Board, which will meet with management at least four times a year. This Board is modelled after its southern Alberta counterpart, which has successfully fulfilled a similar role since its formation in 1979.



Human Resources

The number of staff positions stood at 2,500 on December 31, 1981, an increase of 101 over last year. During 1981, an average employee at TransAlta was 36 years old, with approximately ten years of service.

25 Year Club

Twenty-seven employees became members of the Employees' 25 Year Club in 1981. The club was formed in 1963 to honour those long-standing and dedicated employees with 25 years or more of service to the Corporation. There are now 260 TransAlta employees who are members, representing an aggregate of 7,845 years of service.

Two-year collective agreements expiring on December 31, 1982, were reached with the International Brotherhood of Electrical Workers and the TransAlta Employees' Association.

A Productivity Council was established in 1981 representing employees and management. The ten members of the Council will meet initially on a monthly basis. It is the function of this Council to provide a forum to facilitate communication throughout all parts of the Corporation, to suggest ways and means of improving productivity and increasing employee participation in achieving productivity objectives.

Recruiting

Shortages of qualified professional and technical personnel are anticipated in the future, although TransAlta Utilities, through intensified recruiting, has been able to attract sufficient high-calibre staff for its immediate needs. The difficulty in attracting staff to Alberta is compounded by high housing costs. The problem is further intensified by the demands for similar professions and trades by other major industries and developments in the province.

Trades Training

Technical trades training, to improve job skills and to assist with accident prevention, continues to receive priority. The Corporation's Trades Training School at Red Deer registered 326 students in various levels of apprenticeship training and journeyman upgrading in 1981. An additional 42 employees attended apprenticeship training courses at provincial technical institutes.

Throughout TransAlta's 70 years of experience, dedicated employees — past and present, younger and older — have endowed the Corporation with integrity and a distinctive character — qualities as important for a business enterprise as they are for an individual. TransAlta would like to thank its employees for their loyalty, hard work and many skills, and for their vital and valued contribution to the continued success of the Corporation.



Assistant Treasurer Frank Kay (left) and Financial Analyst Pat Slusarchuk check some financial data on a computer printout. Frank Kay has the longest length of service with the Corporation: 52 years. He has been able to observe the dramatic expansion over the years of the Corporation's financing requirements. However, the Corporation's first bond issue in 1911 was somewhat before his time. The small photograph is a 1920 Investment Recommendation for the five per cent First Mortgage Sinking Fund Gold Bonds.



Financial Report

Gross revenue from operations in 1981 was \$402.7 million, \$43.3 million more than in 1980. Additional electric sales accounted for approximately 65 per cent of the increase, with the balance resulting from higher rates which were implemented on an interim refundable basis on October 1, 1981.

Operating deductions amounted to \$238.8 million in 1981, \$11.9 million above 1980. These deductions consisted of operating expenses, fuel and purchased power, depreciation, and income and other taxes. Operating expenses and other taxes increased by \$23.7 million, fuel and purchased power by \$7.3 million and depreciation by \$7.4 million. Income taxes decreased by \$26.5 million arising out of an order by the Public Utilities Board.

Earnings applicable to common shares were \$106.2 million in 1981, compared to \$74.2 million in 1980. Earnings per share were \$2.22 versus \$1.76 in 1980 and \$1.73 in 1979. These earnings reflect a recovery from the weaker earning levels in 1980, and provide an overall return for 1981 of 15.7 per cent on average common shareholders' investment.

The Corporation's investment activities through TransAlta Resources Corporation were responsible for a modest reduction in the projected growth rate of earnings per share. The impact of those activities is expected to be positive in the longer term, resulting from the Corporation's increased involvement in related energy sectors.

Total capital investment for 1981 amounted to \$482.8 million, of which \$406.6 million financed the capital construction program and \$76.2 million was invested in securities of Canada Northwest Land Limited.

Capital Expenditures

The \$406.6 million capital expenditure program reflects the impact of inflation coupled with the current and projected growth of the Corporation's electric power demand. Capital expenditures for 1982, estimated to exceed \$550 million, are necessary to meet rising demand for electricity, stimulated in part by a shift from more expensive energy sources.

Such large increases in capital spending, while a positive reflection of a growing economy and healthy industry, create a significant challenge for the Corporation in acquiring sufficient funding in difficult financial markets. Fortunately, TransAlta Utilities has achieved a strong financial position, enabling it to attract the funds that it needs, and is confident that it will continue to do so.

Investments

Early in 1981, the Corporation filed an application with the Public Utilities Board to establish a subsidiary to hold investments unrelated to its electric utility operations. With Board approval, TransAlta Resources Corporation was set up with an initial portfolio that included the Corporation's investment in Canadian Utilities Limited and AEC Power Ltd. The establishment of TransAlta Resources ensures that non-utility investments do not affect the utility operations.

In July 1981, TransAlta Resources purchased a significant interest in Canada Northwest Land Limited, an Alberta-headquartered oil and gas company. The \$76.2 million investment consisted of 725,000 common shares and \$45.0 million of 10 per cent debentures, due 1991, convertible any time into 900,000 additional common shares. Early in January 1982, additional acquisitions increased the Corporation's shareholdings in Canada Northwest Land by 70,000 shares. Assuming the debentures were immediately converted, TransAlta Resources would be the largest single shareholder, holding approximately 21 per cent of the outstanding shares. During 1981, TransAlta Resources President H. G. Schaefer was made a director of Canada Northwest Land.

Financing

The Corporation issued two million 12 per cent First Preferred Shares for an aggregate consideration of \$50 million on August 5, 1981. Proceeds from the issue of almost six million common shares, also in August, amounted to approximately \$95 million. The Corporation is pleased and encouraged by the positive response to this Common Share Rights Offering.

During April, the Corporation was successful in a private placement of \$60 million of First Mortgage Bonds due 1987, at an interest rate of 14½ per cent. In December, the Corporation concluded another private placement of \$75 million of 15¾ per cent First Mortgage Bonds, due 1988. In January 1982, the Corporation completed an issue of \$80 million of 15¼ per cent Secured Debentures. This latter issue represented the first public offering of debt securities in Canada by the Corporation since 1976.

Bank borrowings and short-term notes, which reached a maximum amount outstanding of \$175 million in 1981, were also used to meet financing requirements on an interim basis during the year. By the end of January 1982, short-term borrowings had been reduced to \$68 million.

The Dividend Reinvestment and Share Purchase Plan continues to be well received. During 1981, 5,500 shareholders reinvested a total of \$20.4 million under the Plan. Since the inception of the Plan in July 1976, to the end of 1981, the Corporation had issued to participating shareholders some four million Class A Common Shares for a total consideration of \$59 million.

Rate Increase

In July 1981, the Corporation filed an application for the determination of its rate base, a fair return thereon and total revenue requirements for the years 1981 and 1982. The Public Utilities Board has approved interim rate increases, averaging 13 per cent, effective on October 1, 1981, with respect to consumption on and after September 1, 1981. These interim rates are based on a revenue requirement which includes a 15.5 per cent return in 1981 on common equity invested in rate base. On October 21, 1981, a supplementary application with respect to the 1982 revenue requirement was filed to reflect significant changes in financial markets, including an increase in the requested rate of return on common equity to 17 per cent. The Corporation will operate under interim rates pending final determination by the Board of rates by class of customer. Hearings with respect to the application commenced in December 1981, and a final decision is not expected until mid 1982.

Marketing Agency

In the late fall, the Alberta Government approved the implementation of the Alberta Electric Energy Marketing Agency for the principal purpose of equalizing electric power generating and transmission costs throughout the province. The Agency will purchase substantially all electricity produced in Alberta and immediately resell it at a common price to the vendor of such electricity for distribution and sale within that utility's service area. Regulation of charges by TransAlta to the Agency and of rates charged to TransAlta's customers will remain subject to the jurisdiction of the Public Utilities Board. Sale of electricity to the Agency is expected to commence during 1982. At the outset, it appears that the Agency will have no significant effect on the price of electricity to TransAlta's customers, although it will reduce the costs paid by those incurring the higher rates elsewhere in the Province. The government has indicated that it will subsidize the program in the early years. However, because TransAlta is the lowest cost major producer of electricity in Alberta, as the government subsidy is withdrawn in later years, it seems inevitable that TransAlta's customers will pay more than they would pay without the Agency.

Major Shareholder

Through a bid in early 1981 and subsequent open market purchases, Nu-West Group Limited acquired common and convertible second preferred shares of TransAlta Utilities. These purchases establish Nu-West's position as the largest single shareholder of TransAlta Utilities, with about 20 per cent of the outstanding voting shares. Nu-West Group Limited is a diversified Canadian-owned public company active in real estate and energy development.

Management's Responsibility for Financial Reporting

The financial statements and related information included in this annual report have been prepared by the Corporation. Management has the primary responsibility for the 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.

Consolidated Balance Sheet

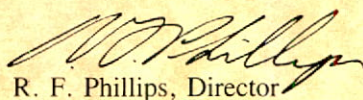
(in thousands)

	December 31	
	1981	1980
Assets		
Property Account:		
Land, buildings, plant and equipment.....	\$2,328,300	\$1,929,169
Less accumulated depreciation	392,599	339,066
	<u>1,935,701</u>	<u>1,590,103</u>
Investments:		
AEC Power Ltd.....	10,328	10,328
Canada Northwest Land Limited.....	76,342	—
Canadian Utilities Limited.....	239,339	229,010
	<u>326,009</u>	<u>239,338</u>
Current Assets:		
Cash	134	115
Accounts receivable	53,327	42,009
Materials and supplies at average cost	25,287	26,672
Prepaid expenses	1,127	1,227
	<u>79,875</u>	<u>70,023</u>
Deferred Charges:		
Financing costs	27,910	38,938
Other	463	1,058
	<u>28,373</u>	<u>39,996</u>

On behalf of the Board:



M. M. Williams, Director



R. F. Phillips, Director

<u>\$2,369,958</u>	<u>\$1,939,460</u>
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Shareholders' Equity and Liabilities

	December 31	
	1981	1980
Shareholders' Equity:		
Common shares	\$ 470,414	\$ 348,529
Contributed surplus	6,459	3,586
Reserve for rate adjustments	1,592	1,604
Retained earnings	<u>309,022</u>	<u>252,308</u>
Total common shareholders' equity	787,487	606,027
Preferred shares	<u>476,376</u>	<u>442,341</u>
Total shareholders' equity	<u>1,263,863</u>	<u>1,048,368</u>
Preferred Shares of a Subsidiary	<u>2,000</u>	<u>—</u>
Long Term Debt	<u>582,722</u>	<u>489,653</u>
Current Liabilities:		
Bank loan and short term notes	153,482	89,282
Accounts payable and accrued liabilities	76,071	56,855
Income and other taxes payable	20,579	—
Deferred income taxes	44,015	—
Dividends payable	23,789	18,883
Accrued interest on long term debt	11,053	9,538
Customer deposits	642	509
Current portion of long term debt	<u>52,454</u>	<u>48,274</u>
	<u>382,085</u>	<u>223,341</u>
Deferred Credits:		
Deferred income taxes	49,531	98,632
Customer contributions	85,713	75,310
Hydro development contribution	<u>4,044</u>	<u>4,156</u>
	<u>139,288</u>	<u>178,098</u>
	<u>\$2,369,958</u>	<u>\$1,939,460</u>

See accompanying summary of accounting policies and notes

TransAlta Utilities Corporation

Consolidated Statement of Income

(in thousands except earnings per share)

	Year Ended December 31	
	1981	1980
Gross revenue from operations:		
Electric	\$400,503	\$356,039
Water utilities	2,211	3,376
	<u>402,714</u>	<u>359,415</u>
Operating deductions:		
Operating expenses	101,356	82,935
Fuel and purchased power	21,854	14,556
Taxes, other than taxes on income	16,914	11,672
Depreciation	57,988	50,627
Taxes on income	40,724	67,172
	<u>238,836</u>	<u>226,962</u>
Operating income	<u>163,878</u>	<u>132,453</u>
Allowance for funds used during construction by component:		
Debt	14,368	7,870
Preferred equity	5,139	3,487
Common equity	15,881	9,512
Total allowance for funds used during construction	<u>35,388</u>	<u>20,869</u>
Equity income from investments	<u>24,638</u>	<u>8,872</u>
Income before interest charges	<u>223,904</u>	<u>162,194</u>
Interest charges:		
First mortgage bonds	21,899	16,762
Other long term debt	32,727	39,675
Other	25,940	4,445
	<u>80,566</u>	<u>60,882</u>
Net income for the year	<u>143,338</u>	<u>101,312</u>
Preferred dividend requirements	<u>37,113</u>	<u>27,120</u>
Earnings applicable to common shares	<u>\$106,225</u>	<u>\$ 74,192</u>
Earnings per common share	\$2.22	\$1.76
Fully diluted earnings per common share	\$2.11	\$1.75

Consolidated Statement of Retained Earnings

(in thousands)

	Year Ended December 31	
	1981	1980
Balance at beginning of year	\$252,308	\$217,294
Net income for the year	<u>143,338</u>	<u>101,312</u>
	<u>395,646</u>	<u>318,606</u>
Dividends:		
Preferred shares	37,113	27,120
Common shares	49,511	39,178
	<u>86,624</u>	<u>66,298</u>
Balance at end of year	<u>\$309,022</u>	<u>\$252,308</u>

See accompanying summary of accounting policies and notes

Consolidated Statement of Changes in Financial Position

(in thousands)

	Year Ended December 31	
	1981	1980
Source of Funds:		
From operations —		
Net income for the year	\$143,338	\$101,312
Add (deduct) items not involving funds:		
Depreciation	57,988	50,627
Deferred income taxes	(4,795)	56,573
Allowance for equity funds used during construction	(21,020)	(12,999)
Equity income net of dividends received	(10,496)	(1,840)
Other	1,740	3,198
Funds provided from operations	166,755	196,871
Issue of common shares	121,885	20,803
Less common shares issued on conversion of second preferred shares and as stock dividends	(6,063)	(2,665)
Issue of first preferred shares	50,000	20,000
Issue of second convertible preferred shares	—	139,069
Issue of long term debt:		
First mortgage bonds	135,000	—
Notes payable — secured	1,906	2,294
Secured debentures	—	30,820
Other	18,411	15,382
Financing of investment in Canadian Utilities Limited:		
Issue of common shares	—	98,488
Issue of term bank loan	—	126,182
Preferred shares of a subsidiary	2,000	—
Increase in bank loan and short term notes	64,200	52,716
Customer contributions	13,257	14,664
Other	3,165	500
	<u>\$570,516</u>	<u>\$715,124</u>
Application of Funds:		
Capital expenditures —		
Production	\$229,893	\$145,439
Environmental	26,335	19,056
Transmission, substations, distribution and other	150,324	106,250
	406,552	270,745
Less allowance for equity funds used during construction	21,020	12,999
	385,532	257,746
Investment in Canada Northwest Land Limited	76,175	—
Investment in Canadian Utilities Limited	—	227,170
Dividends on preferred shares	37,113	27,120
Cash dividends on common shares	48,055	37,773
Financing costs	5,473	1,208
Cancellation of preferred shares	11,358	10,663
Repayment of long term debt and term bank loan	43,307	145,582
(Decrease) increase in working capital exclusive of changes in bank loan, short term notes and current portion of long term debt and deferred income taxes	(36,497)	7,862
	<u>\$570,516</u>	<u>\$715,124</u>

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. The accounting principles followed by the Corporation conform in all material respects with international standards.

Regulation

The Corporation is engaged in the production and sale of electric energy in the Province of Alberta and 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.

Under the Electric Energy Marketing Act (Alberta) enacted in 1981, the Alberta Electric Energy Marketing Agency is created for the principal purpose of equalizing electric energy generation and transmission costs within Alberta. The Agency will purchase substantially all electric energy produced in Alberta and resell it to the vendor of such electric energy for distribution and sale within the Province. Regulation of charges to the Agency and of rates charged to the Corporation's customers will remain subject to the jurisdiction of the Public Utilities Board. Sale of electric energy to the Agency is expected to commence during 1982. It is not anticipated that this legislation will have a materially adverse effect on the Corporation although it may increase the cost of electric energy to the Corporation's customers.

Consolidation

The consolidated financial statements include the accounts of the Corporation and all its subsidiaries of which only 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 steam electric 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 organization which organizes, constructs, operates and maintains, at cost, electric distribution systems owned by rural electrification co-operative associations.

Investments

The investment in AEC Power Ltd. represents one third of the outstanding common shares (consisting of 50% of the voting shares). AEC Power Ltd. owns and operates the utilities plant which supplies electricity 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 Canada Northwest Land Limited represents approximately 21% of the outstanding common shares after conversion of the convertible debentures and an acquisition subsequent to December 31, 1981 of 70,000 common shares. Canada Northwest Land Limited is a natural resource exploration and

development company with interests in Canada, the United States, Australia and the Mediterranean Sea off the coasts of Spain and Italy.

Canadian Utilities Limited, through operating subsidiaries, is 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. On December 15, 1981 Canadian Utilities Limited issued 2,000,000 common shares in exchange for certain oil and gas properties. After this transaction, the investment in Canadian Utilities Limited represents approximately 37% of the outstanding common shares.

These investments are held by TransAlta Resources Corporation and are accounted for by the equity method.

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 year end. 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.

Unrealized foreign exchange losses of \$726,000 were amortized to income in 1981 (\$2,410,000 in 1980) and at December 31, 1981 unamortized foreign exchange losses of \$5,497,000 (\$20,984,000 at December 31, 1980) 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) has directed the Corporation to reduce its federal income tax payments by one half by claiming deductions greater than the amounts charged in the accounts and to remit federal taxes deferred in 1980 during the years 1981 to 1983 inclusive. For 1983 and thereafter the Corporation is directed to pay full federal taxes (see "Rates for Service" Note 5). 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 1981 of 3.53% (3.50% in 1980).

The Corporation capitalizes an allowance for funds used during construction at its cost of capital presently 11.74% (10.66% in 1980) as determined by the Public Utilities Board (Alberta). The rate for 1981 is subject to the approval of the Board (see "Rates for Service" Note 5).

	Depreciation Rates	December 31	
		1981	1980
Hydro production	2.20%	\$ 159,701	\$ 158,064
Thermal production including coal mines	3.28% - 3.70%	771,734	771,145
Environmental control	4.10%	173,120	151,982
Transmission lines, substations and distribution systems ..	3.10% - 4.00%	649,711	559,380
Other	various	95,033	77,837
Property under construction		479,001	210,761
		<u>2,328,300</u>	<u>1,929,169</u>
Less accumulated depreciation		<u>392,599</u>	<u>339,066</u>
		<u>\$1,935,701</u>	<u>\$1,590,103</u>

2. Investments

The investment in Canada Northwest Land Limited was made July 22, 1981, and consists of 725,000 common shares and a \$45,000,000 10% convertible debenture, due 1991, which is convertible at any time into 900,000 common shares. The aggregate consideration of \$76,175,000 was financed through a bank loan. The excess of the purchase price over the book values of the assets and liabilities acquired amounted to \$49,360,000 of which \$43,060,000 is being amortized by the unit-of-production method and the balance is being amortized straight line over a period of 5 years.

The excess of the purchase price of the investment in Canadian Utilities Limited over the book values of the assets and liabilities acquired amounted to approximately \$100 mil-

lion which is being amortized straight line over a period of 40 years.

3. Shareholders' Equity

(i) Authorized capital

The authorized capital consists of an unlimited number of Class A common shares, Class B common shares, cumulative redeemable first preferred shares and cumulative redeemable second preferred shares, all without nominal or par value.

(ii) Common Shares

The Class A and Class B common shares are interconvertible at any time on a share-for-share basis and carry one vote per share.

	December 31			
	1981 (shares)	1980	1981 (amount)	1980
Issued and outstanding:				
Class A shares	51,455,697	43,721,014	\$459,003	\$336,884
Class B shares	1,279,165	1,511,247	11,411	11,645
	<u>52,734,862</u>	<u>45,232,261</u>	<u>\$470,414</u>	<u>\$348,529</u>
Issued during the year:				
For cash by rights offering	5,961,772	—	\$ 95,388	\$ —
For cash under the Dividend Reinvestment and Share Purchase Plan	1,213,811	1,162,503	20,434	18,138
As stock dividends on Class B shares	84,540	89,927	1,456	1,405
On conversion of \$1.40 Convertible Second Preferred Shares	242,478	66,325	4,607	1,260
For the Canadian Utilities Limited investment	—	5,984,497	—	98,488
	<u>7,502,601</u>	<u>7,303,252</u>	<u>\$121,885</u>	<u>\$119,291</u>

TransAlta Utilities Corporation

(iii) Preferred Shares

	Annual requirement	December 31			
		1981 (shares)	1980	1981 (amount)	1980
Issued and outstanding:					
FIRST PREFERRED SHARES					
No Purchase or Sinking Fund					
4 % Series	—	29,352	33,557	\$ 2,935	\$ 3,356
4½ % Series	—	16,423	17,982	1,642	1,798
5 % Series	—	22,870	25,133	2,287	2,513
5.40% Series	—	125	135	13	14
		<u>68,770</u>	<u>76,807</u>	<u>6,877</u>	<u>7,681</u>
Purchase Fund					
7 % Series	\$300,000	120,415	125,187	12,042	12,519
7½ % Series	\$500,000	213,106	220,347	21,311	22,035
8¾ % Series	9,000 shares	311,911	320,994	31,191	32,099
7.44 % Series (1977)	9,000 shares	273,000	282,000	27,300	28,200
7.30 % Series	12,000 shares	364,000	376,000	36,400	37,600
7.44 % Series (1979)	9,000 shares	282,000	291,000	28,200	29,100
7.70 % Series	7,800 shares	244,400	252,200	24,440	25,220
8.64 % Series	5,400 shares	174,600	180,000	17,460	18,000
12 % Series	50,000 shares*	2,000,000	—	50,000	—
		<u>3,983,432</u>	<u>2,047,728</u>	<u>248,344</u>	<u>204,773</u>
Sinking Fund					
10 % Series	12,000 shares	209,989	222,000	20,999	22,200
9.80 % Series	8,000 shares	133,854	141,946	13,385	14,194
9¾ % Series	12,000 shares	233,843	245,858	23,384	24,586
		<u>577,686</u>	<u>609,804</u>	<u>57,768</u>	<u>60,980</u>
		<u>4,629,888</u>	<u>2,734,339</u>	<u>312,989</u>	<u>273,434</u>
SECOND PREFERRED SHARES					
Purchase Fund					
\$2.36 Series	36,000 shares	1,207,427	1,243,931	30,185	31,098
\$1.40 Series (convertible)	219,583 shares**	7,010,629	7,253,107	133,202	137,809
		<u>8,218,056</u>	<u>8,497,038</u>	<u>163,387</u>	<u>168,907</u>
		<u>12,847,944</u>	<u>11,231,377</u>	<u>\$476,376</u>	<u>\$442,341</u>
Changes during the year:					
Issued for cash		2,000,000	7,519,432	\$50,000	\$159,069
Cancelled through					
Purchase funds		(100,800)	(92,653)	(7,342)	(6,560)
Sinking funds		(32,118)	(32,196)	(3,212)	(3,220)
Other purchases		(8,037)	(8,834)	(804)	(883)
Converted into common shares		(242,478)	(66,325)	(4,607)	(1,260)
		<u>1,616,567</u>	<u>7,319,424</u>	<u>\$34,035</u>	<u>\$147,146</u>

*Commencing in 1983

**Commencing in 1986

The excess of the subscription price of the preferred shares cancelled over their purchase cost is \$2,873,000 (\$1,417,000 in 1980) and is included in contributed surplus.

Each series of preferred shares is cumulative and redeemable at the option of the Corporation at the subscription price together with a premium not in excess of the annual dividend applicable to such series except that certain series may not be redeemed before designated dates. The 12% Series are retractable at the option of the holder on September 30, 1986 at the subscription price plus all accrued and unpaid dividends. The \$1.40 Series is convertible at any time prior to October 1, 1985 on the basis of one Class A Common Share for each \$1.40 Convertible Second Preferred Share.

Each annual purchase fund is non-cumulative. Each annual mandatory sinking fund is cumulative and the Corpora-

tion may call additional shares through the operation of a non-cumulative optional sinking fund.

All preferred shares carry one vote per share except the 12% Series and the \$1.40 Series which are entitled to one vote for each full \$100 of subscription price and the 7.70% and 8.64% Series which are non-voting unless the Corporation fails to pay certain dividends.

(iv) Reserve for Rate Adjustments

In accordance with submissions by the Corporation to the Public Utilities Board (Alberta), reassessments, if any, related to the determination of resource income for tax purposes and rate hearing costs (net of income taxes) will be charged to this reserve as directed. During 1981 hearing costs of \$12,000 (\$200,000 in 1980) have been charged to this reserve.

4. Long Term Debt

	December 31	
	1981	1980
First mortgage bonds	\$318,835	\$204,750
Notes payable — secured	59,895	84,565
Secured debentures	170,182	172,237
Notes payable — other	27,565	22,765
Capitalized lease obligations	36,268	37,112
Other	22,431	16,498
	<u>635,176</u>	<u>537,927</u>
Less current portion	52,454	48,274
	<u>\$582,722</u>	<u>\$489,653</u>
First Mortgage Bonds		
5¾ % Series due 1981	\$ —	\$ 9,400
8¾ % Series due 1981	—	11,100
5¾ % Series due 1982	8,000	8,000
9¾ % Series due 1982	20,000	20,000
5¾ % Series due 1983	9,000	9,000
5⅝ % Series due 1984	7,000	7,000
6 % Series due 1985	8,560	8,560
14½ % Series due 1987	60,000	—
7½ % Series due 1988	12,000	12,000
15¾ % Series due 1988	75,000	—
7⅞ % Series due 1989	5,000	5,000
8½ % Series due 1993	25,000	25,000
9⅞ % Series due 1994	30,000	30,000
8½ % Series due 2002 (U.S. \$50,000,000)	59,275	59,690
	<u>\$318,835</u>	<u>\$204,750</u>
Notes Payable — Secured		
5½%, 6% and 7% Series due 1982 to 1987 (Payable in sterling — £16,829,000; 1980 — £20,210,000)	\$ 38,155	\$ 57,735
6%, 7%, 7⅞% and 8½% Series due 1982 to 1985 (Payable in U.S. dollars — \$18,339,000; 1980 — \$22,474,000)	21,740	26,830
	<u>\$ 59,895</u>	<u>\$ 84,565</u>

TransAlta Utilities Corporation

	December 31	
	1981	1980
Secured Debentures		
Series A — maturing in one to four years at interest rates varying from 8¾% to 13¾%		
Due 1981	\$ —	\$ 405
Due 1982	76	76
Due 1984	436	436
Due 1985	10,820	10,820
	<u>11,332</u>	<u>11,737</u>
Series B — 9 ⅜% due 1990	18,200	18,600
Series C — 8 % due 1992	23,250	23,500
Series E — 10½ % due 2000	58,200	58,800
Series F — 10¾ % due 2001	39,200	39,600
Series G — 13¾ % due 1985	20,000	20,000
	<u>\$170,182</u>	<u>\$172,237</u>
Notes Payable — Other		
Due 1982	\$ —	\$ 3,625
Due 1983	4,505	4,505
Due 1984	3,620	3,620
Due 1985	5,530	5,530
Due 1986	5,485	5,485
Due 1987	8,425	—
	<u>\$ 27,565</u>	<u>\$ 22,765</u>

The first mortgage bonds are secured by a first charge upon certain of the Corporation's lands, buildings, plant and equipment and by a first floating charge upon all other assets situated in the Province of Alberta. The Trust Deed securing the issues 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 are secured by first mortgage bonds.

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 the retirement of Series B, C, E and F at varying rates.

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

(17.25% at December 31, 1981) 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, drag-lines costing \$38,576,000. 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 \$3,495,000 at December 31, 1981 (\$2,102,000 at December 31, 1980.) The future minimum payments under the capitalized leases are \$3,753,000 per year for the next five years and \$56,522,000 in later years. The imputed interest included in these future minimum rentals is \$39,019,000 at December 31, 1981 (\$41,928,000 at December 31, 1980) at the interest rates of 6.4% and 9.4% implicit in the leases.

The annual requirements for sinking funds, capitalized lease obligations and for the repayment of maturing issues of long term debt for the five years subsequent to December 31, 1981 are as follows:

Year	Sinking Fund Requirements	Capitalized Lease Obligations	Maturing Issues of Long Term Debt
First	\$2,503	\$ 904	\$49,047
Second	6,069	969	30,440
Third	6,069	1,038	27,943
Fourth	6,069	1,113	55,395
Fifth	6,869	1,193	12,103

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

5. Rates for Service

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 (Alberta) 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, \$44,015,000 in 1982 and \$8,556,000 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 and 1982 and a return to full "normalized — all taxes paid" in 1983. As a result, the Corporation halved the 1981 revenue requirement 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 \$26,629,000 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. This accounting change has no effect on 1981 net income or working capital since the 1981 revenue requirement is based on the reduced federal income tax requirement.

On July 31, 1981, the Corporation filed an application for the determination of its rate base, a fair return thereon and total revenue requirements for the years 1981 and 1982. The Public Utilities Board (Alberta) has approved interim rate increases averaging 13% effective October 1, 1981 for consumption on and after September 1, 1981. These interim rates are based on a revenue requirement which includes a 15.5% return in 1981 on common equity invested in rate base. On October 21, 1981 a supplementary application with respect to the 1982 revenue requirement was filed to reflect significant changes in financial markets including an increase in the rate of return on common equity to 17%. The Corporation will operate under these interim rates pending a final determination of rates by class of customer. These interim rates are subject to review by the Board and in the event the interim rates are not fully confirmed the Corporation will be required to refund the amount of any revenue requirement reduction to its customers. Hearings with respect to the application were held in December 1981 and will resume in March 1982.

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 \$6,755,000 at December 31, 1980 is being funded and charged to operations in annual amounts of approximately \$1,000,000.

7. Income Tax Rate

Taxes on income vary from the amounts that would be computed by applying the combined statutory Canadian federal (37.8%) and Alberta provincial (11%) income tax rate to income before deducting taxes on income. The following is a reconciliation of the combined statutory rate to the effective income tax rate:

	1981	1980
Statutory income tax rate	48.8%	48.8%
Adjustments —		
(i) The "one half normalized" provision for federal income taxes (see "Rates for Service" Note 5)	(14.5)	—
(ii) Equity income from investments	(5.8)	(2.7)
(iii) Equity funds used during construction net of applicable depreciation adjustment	(4.5)	(2.8)
(iv) Coal mining incentives	(2.4)	(2.8)
(v) Other	0.5	(0.6)
Effective income tax rate	<u>22.1%</u>	<u>39.9%</u>

8. 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.

On March 31, 1980 the Corporation signed an interim agreement with Alberta Power Limited (a subsidiary of Canadian Utilities Limited) for the joint ownership of units 1 and 2 at the coal-fired generating plant being built near Sheerness, Alberta. These units, scheduled for completion in 1985 and 1986, will have an estimated net generating capability of 732,000 kilowatts. The Corporation's 50% share of the cost is approximately \$500 million of which approximately \$30 million has been incurred to December 31, 1981.

9. Subsequent Events

Pursuant to an underwriting agreement dated December 3, 1981, the Corporation issued and sold on January 12, 1982 \$80,000,000 principal amount of Secured Debentures, 15¼% Series H due 1987.

Pursuant to an underwriting agreement dated February 2, 1982, the Corporation has agreed to issue and sell on March 4, 1982 \$60,000,000 principal amount of Secured Debentures, 17⅞% Series I due 1997.

Pursuant to a subscription agreement dated February 4, 1982, the Corporation issued and sold on February 16, 1982 \$50,000,000 principal amount of First Mortgage Bonds, 17% Series due 1989.

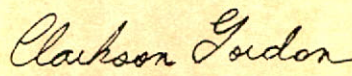
Auditors' Report

To the Shareholders of TransAlta Utilities Corporation (formerly Calgary Power Ltd.)

We have examined the consolidated balance sheet of TransAlta Utilities Corporation as at December 31, 1981 and the consolidated statements of income, retained 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, 1981 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, except for the change in the method of accounting for taxes on income required by the Public Utilities Board (Alberta) explained in Note 5 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Calgary, Canada
February 18, 1982


Chartered Accountants

Corporate Information

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

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

Head office

110 - 12 Avenue South West,
Calgary, Alberta

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

Auditors

CLARKSON GORDON,
Chartered Accountants, Calgary

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

Southern Alberta Advisory Board

G. E. ALTWASSER
President
Lakeside Industries Ltd.
Brooks, Alberta

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

J. A. BROWN
Manager
Brownhill Farms Ltd.
Kathryn, Alberta

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

MRS. L. C. DOUGHERTY
Mayor
High River, Alberta

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

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

Transfer Agents and Registrars

For Preferred Shares:
CROWN TRUST COMPANY,
Vancouver, Calgary, Edmonton,
Winnipeg, Toronto, Montreal
Montreal Trust Company, Regina,
as Agent of Crown Trust Company

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

TransAlta Resources Officers

M. M. WILLIAMS
Chairman of the Board
H. G. SCHAEFER
President

F. A. R. McKINNON
Treasurer

R. G. BLACK, Q.C.
Secretary

R. L. McCRIMMON
Assistant Secretary

Northern Alberta Advisory Board

P. R. CALDWELL
Resident 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. JESPERSON
Dairy Farmer
Stony Plain, Alberta

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

W. H. VAN DE WALLE
Farmer
Legal, Alberta

G. G. WETSCH
Lawyer
Spruce Grove, 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

* Member of Audit Committee

† Member of Compensation Committee

Consolidated 10 Year Summary

Financial Record (in thousands of dollars except where noted)

	1981	1980	1979
Statement of Income:			
Gross revenue from operations			
Electric	400,503	356,039	309,043
Water utility	2,211	3,376	2,899
	<u>402,714</u>	<u>359,415</u>	<u>311,942</u>
Operating deductions	238,836	226,962	199,531
Operating income	163,878	132,453	112,411
Equity income from investments	24,638	8,872	1,908
Allowance for funds used during construction	35,388	20,869	17,504
	<u>223,904</u>	<u>162,194</u>	<u>131,823</u>
Interest charges	80,566	60,882	44,089
Income before extraordinary item	143,338	101,312	87,734
Gain on sale of property	—	—	—
Net income for the year	<u>143,338</u>	<u>101,312</u>	<u>87,734</u>
Average shareholders' investment (1)	1,156,116	897,034	699,903
Net income as a % of average shareholders' investment	12.4	11.3	12.5
Per Common share (dollars per share)			
Book value (year end)	14.93	13.40	11.88
Earnings	2.22	1.76	1.73
Dividends declared	1.04	.937	.833
Capital expenditures	406,552	270,745	209,051
Total assets	2,369,958	1,939,460	1,470,486
Capitalization			
Long-term debt	582,722	489,653	484,779
Preferred shares	476,376	442,341	295,195
Common shareholders' equity (1)	787,487	606,027	450,505
	<u>1,846,585</u>	<u>1,538,021</u>	<u>1,230,479</u>
Capitalization ratio (%)			
Long-term debt	31.6	31.8	39.4
Preferred Shares	25.8	28.8	24.0
Common shareholders' equity (1)	42.6	39.4	36.6
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Interest coverage (times earned before income tax)			
First mortgage bonds	9.40	11.05	9.75
All fixed charges	3.28	3.77	4.38
Statistical Record			
Sales (millions of kWh)			
Residential, general service and small industry	2,332	2,148	1,952
Industry	4,901	4,539	4,165
Cities and towns under wholesale contracts	5,818	5,359	4,915
Farms	803	774	762
	<u>13,854</u>	<u>12,820</u>	<u>11,794</u>
Generating capability (net MW)			
Hydro	800	800	800
Thermal	2,556	2,556	2,197
	<u>3,356</u>	<u>3,356</u>	<u>2,997</u>
Sources of primary energy (millions of kWh)			
Hydro	2,027	1,692	1,408
Thermal — Gas	3	—	17
— Coal	14,276	13,729	12,627
Net purchases and exchanges	(1,335)	(1,435)	(1,204)
	<u>14,971</u>	<u>13,986</u>	<u>12,848</u>
Customers			
Served directly	264,497	253,335	241,615
Served indirectly through wholesale contracts	294,255	271,134	257,365

(1) Includes reserve for rate adjustments.

1978	1977	1976	1975	1974	1973	1972
263,578	209,999	164,965	127,494	101,402	85,150	69,173
2,424	1,650	1,289	1,112	1,047	973	853
266,002	211,649	166,254	128,606	102,449	86,123	70,026
169,461	134,510	107,540	84,044	69,691	56,639	45,210
96,541	77,139	58,714	44,562	32,758	29,484	24,816
1,543	1,343	824	—	—	—	—
17,138	15,928	15,161	11,692	4,142	3,760	3,718
115,222	94,410	74,699	56,254	36,900	33,244	28,534
41,212	37,415	32,153	26,793	19,572	16,940	14,395
74,010	56,995	42,546	29,461	17,328	16,304	14,139
—	—	—	—	1,628	—	—
74,010	56,995	42,546	29,461	18,956	16,304	14,139
590,031	468,571	347,850	252,928	198,288	151,004	122,926
12.5	12.2	12.2	11.6	9.6	10.8	11.5
10.91	9.77	8.96	7.98	7.27	7.00	6.50
1.58	1.43	1.26	1.13	.89	.87	.79
.767	.683	.633	.533	.417	.367	.333
185,259	198,574	207,520	160,519	120,209	66,836	66,245
1,325,847	1,172,309	959,278	759,615	601,564	492,335	438,976
474,906	458,300	386,619	322,971	255,197	213,723	221,228
250,601	214,154	159,038	106,087	87,557	58,023	18,045
403,505	311,802	252,147	178,427	133,785	117,210	108,730
1,129,012	984,256	797,804	607,485	476,539	388,956	348,003
42.1	46.6	48.5	53.2	53.5	55.0	63.5
22.2	21.7	19.9	17.4	18.4	14.9	5.2
35.7	31.7	31.6	29.4	28.1	30.1	31.3
100.0	100.0	100.0	100.0	100.0	100.0	100.0
8.49	8.41	6.33	4.99	4.02	4.24	3.63
4.11	3.52	2.99	2.66	2.63	2.54	2.36
1,767	1,540	1,397	1,256	1,112	1,001	887
3,637	3,320	3,076	2,929	3,030	2,982	2,569
4,502	4,156	3,852	3,640	3,270	2,914	2,741
699	640	606	573	540	486	463
10,605	9,656	8,931	8,398	7,952	7,383	6,660
800	800	800	800	800	800	800
2,197	1,845	1,493	1,141	1,141	1,141	855
2,997	2,645	2,293	1,941	1,941	1,941	1,655
1,824	1,518	1,731	1,415	1,715	1,513	1,559
5	9	239	337	309	449	356
10,240	9,833	7,547	6,953	6,737	5,636	5,368
(502)	(701)	294	487	(130)	591	147
11,567	10,659	9,811	9,192	8,631	8,189	7,430
227,947	212,709	198,558	184,740	171,977	164,136	153,118
226,289	215,589	202,684	190,978	182,601	159,960	152,509

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 Hydroelectric 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-1920's, 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 hydroelectric plants, which are located near to major load centres. These plants have a total 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 plants provide additional electric energy requirements, particularly during peak load periods.

Construction is currently in progress at the Keephills Generating Plant, south of Wabamun Lake. This coal-fired plant will initially have two units with a gross generating capacity of 400 megawatts each, to be commissioned in 1983 and 1984.

Mining

The Corporation has provided most of its own fuel requirements since 1962. It owns and operates two large coal mines which produced about 9.2 million tonnes in 1981. Since the early 1960's the Corporation has been active in reclamation activities and to date has successfully reclaimed 1,700 acres (688 hectares) of land.

Automation

The thirteen hydro 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 1984, control of all operations, including coal-fired plants, will be centralized in a new system control centre.

Transmission

The Corporation owns approximately 55,000 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 service 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 fact 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 counteract 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.

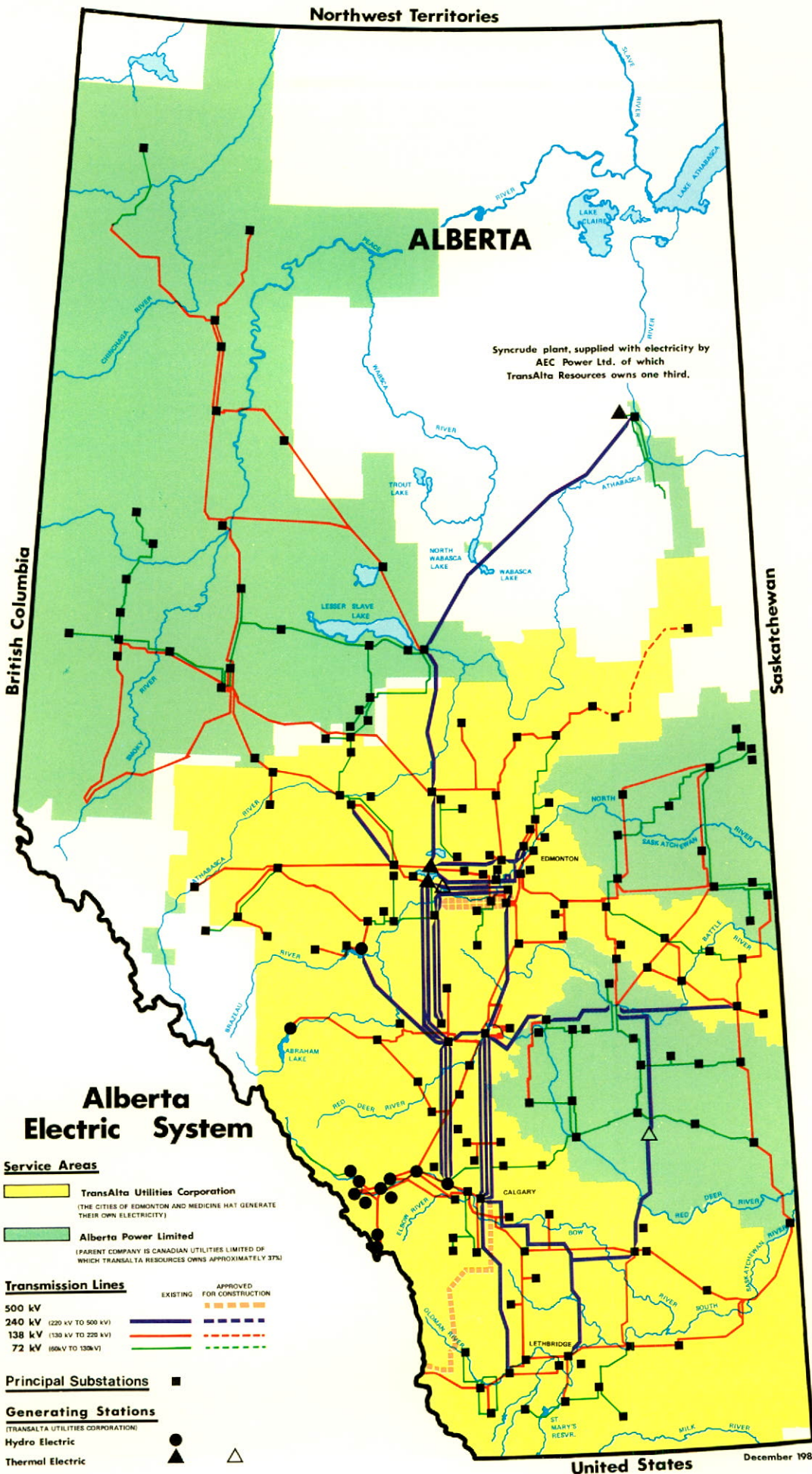
The Corporation comes under the authority of the Alberta Electric Energy Marketing Agency, which is to be implemented during 1982. The Agency is intended to achieve the equalization of electric power generating and transmission costs throughout the Province.

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 in AEC Power Ltd.

In July 1981, TransAlta Resources purchased from Canada Northwest Land 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 1950's 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.





**TransAlta
Utilities**

Serving Albertans since 1911