

TRANSALTA CORP  
Form SUPPL  
May 08, 2008

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PROSPECTUS SUPPLEMENT  
(To prospectus dated October 16, 2006)

**US\$500,000,000**

**6.650% Senior Notes due 2018**

## **TransAlta Corporation**

The notes will bear interest at the rate of 6.650% per annum. Interest on the notes is payable on May 15 and November 15 of each year, beginning on November 15, 2008. The interest rate payable on the notes will be subject to adjustments from time to time if the debt ratings assigned to the notes are downgraded (or subsequently upgraded) as discussed under "Description of the Notes Interest Rate Adjustment". The notes will mature on May 15, 2018.

We may redeem some or all of the notes at any time at the redemption price described in this prospectus supplement. We will also have the option to redeem the notes in whole and not in part at 100% of the aggregate principal amount of the notes plus accrued interest to the date of redemption in the event of certain changes to Canadian withholding tax laws or the enforcement or interpretation thereof.

We will be required to make an offer to repurchase the notes at a price equal to 101% of their principal amount plus accrued and unpaid interest to the date of repurchase upon the occurrence of a Change of Control Triggering Event (as defined herein). See "Description of the Notes Repurchase upon Change of Control Triggering Event."

The notes will be direct unsecured obligations and will rank equally and ratably with all of our other unsubordinated and unsecured indebtedness.

Our registered office and principal place of business are located at 110 - 12th Avenue S.W., Calgary, Alberta, Canada, T2R 0G7.

**Investing in the notes involves risks. See "Risk Factors" in this prospectus supplement beginning on page S-11 and under the heading "Risk Factors" beginning on page 24 of the accompanying prospectus.**

	<b>Per Senior Note</b>	<b>Total</b>
Public Offering Price	99.724%	US\$498,620,000
Underwriting Commission	0.650%	US\$ 3,250,000
Proceeds to TransAlta (before expenses)	99.074%	US\$495,370,000

The public offering price of the notes will also include accrued interest, if any, from May 9, 2008 to the date of delivery.

The notes will not be listed on any securities exchange or quotation system and consequently there is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus supplement.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**This offering is made by a foreign issuer that is permitted, under a multi-jurisdictional disclosure system adopted by the United States, to prepare this prospectus supplement and the accompanying prospectus in accordance with the disclosure requirements of Canada. Prospective investors should be**

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aware that such requirements are different from those of the United States. Financial statements incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of the securities described in this prospectus supplement and the accompanying prospectus may have tax consequences both in the United States and Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully in this prospectus supplement or the accompanying prospectus.

The enforcement by investors of civil liabilities under United States federal securities laws may be affected adversely by the fact that the issuer is incorporated and organized under the laws of Canada, that most of its officers and directors are residents of Canada, that some of the underwriters or experts named in this prospectus supplement are residents of Canada, and that all or a substantial portion of the assets of the issuer and said persons are located outside the United States.

The notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company and its direct and indirect participants on or about May 9, 2008.

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*Joint Book-Running Managers*

**Citi**

**HSBC**

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*Lead Manager*

**Wachovia Securities**

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*Co-Managers*

**CIBC World Markets   Greenwich Capital Markets   RBC Capital Markets   Scotia Capital**

May 6, 2008

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**IMPORTANT NOTICE ABOUT INFORMATION IN  
THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement ("Prospectus Supplement"), which describes the specific terms of the senior notes we are offering (the "Notes"). The second part, the base shelf prospectus, gives more general information. The accompanying base shelf prospectus is referred to as the "Prospectus" in this Prospectus Supplement.

Except as set forth under "The Offering" and "Description of the Notes" in this Prospectus Supplement, or "Description of Debt Securities" in the Prospectus, and unless the context otherwise requires, all references in this Prospectus Supplement to "TransAlta", the "Corporation", "we", "us" and "our" mean TransAlta Corporation and its consolidated subsidiaries including any consolidated partnerships of which the Corporation or any of its subsidiaries are partners.

**If the description of the Notes varies between this Prospectus Supplement and the Prospectus, you should rely on the information in this Prospectus Supplement.**

**You should rely on the information contained in or incorporated by reference in this Prospectus Supplement and contained in the Prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of the Notes in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this Prospectus Supplement or the Prospectus is accurate as of any date other than the date on the front of this Prospectus Supplement.**

In this Prospectus Supplement, all capitalized terms used and not otherwise defined herein have the meanings provided in the Prospectus. In the Prospectus and this Prospectus Supplement, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Canadian dollars. "U.S. dollars" or "US\$" means the lawful currency of the United States. Unless otherwise indicated, all financial information included and incorporated by reference in the Prospectus and this Prospectus Supplement is determined using Canadian generally accepted accounting principles ("Canadian GAAP"). "U.S. GAAP" means generally accepted accounting principles in the United States. The significant differences between Canadian GAAP and U.S. GAAP are summarized in the reconciliations to U.S. GAAP of TransAlta's consolidated annual financial statements for the years ended December 31, 2007 and 2006 and of TransAlta's unaudited consolidated interim financial statements for the three months ended March 31, 2008 and 2007, which are incorporated by reference in this Prospectus Supplement, copies of which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

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## EXCHANGE RATE INFORMATION

The following table sets forth certain exchange rates based on the noon buying rate for cable transfers payable in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "noon buying rate"). These rates are set forth as U.S. dollars per \$1.00 and are the inverse of rates quoted by the Federal Reserve Bank of New York for Canadian dollars per US\$1.00. On May 6, 2008, the inverse of the noon buying rate was US\$0.9964 equals \$1.00.

	Three months ended March 31,		Year ended December 31,		
	2008	2007	2007	2006	2005
High for period	US\$ 1.0291	US\$ 0.8673	US\$ 1.0908	US\$ 0.9100	US\$ 0.8690
Low for period	US\$ 0.9714	US\$ 0.8437	US\$ 0.8437	US\$ 0.8528	US\$ 0.7872
Rate at end of period	US\$ 0.9732	US\$ 0.8673	US\$ 1.0120	US\$ 0.8582	US\$ 0.8579
Average rate for the period(1)	US\$ 0.9974	US\$ 0.8567	US\$ 0.9419	US\$ 0.8850	US\$ 0.8282

(1)

The average of the inverse of the noon buying rate on the last day of each month during the applicable period.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement and the Prospectus contain both historical and forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and Section 21E of the United States Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). These forward-looking statements are not facts, but only predictions and generally can be identified by the use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee" or other words or phrases of similar import. Similarly, statements that describe the Corporation's objectives, plans or goals also are forward-looking statements. These forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated. Certain factors that could materially affect these forward-looking statements are described below and can be found in this Prospectus Supplement and the Prospectus, including under the heading "Risk Factors" in the Prospectus. Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this document are made only as of the date of this Prospectus Supplement and the Corporation does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. The Corporation cannot assure you that projected results or events will be achieved.

**Factors that may adversely impact the Corporation's forward looking statements include risks relating to: (i) fluctuations in market prices and availability of fuel supplies required to generate electricity and in the price of electricity; (ii) the regulatory and political environments in the jurisdictions in which the Corporation operates; (iii) environmental requirements and changes in, or liabilities under, these requirements; (iv) changes in general economic conditions; (v) operational risks involving the Corporation's facilities, including unplanned outages at such facilities; (vi) disruptions in the transmission and distribution of electricity; (vii) trading risks; (viii) fluctuations in the value of foreign currencies; (ix) foreign political risks; (x) need for additional financing; (xi) liquidity risk; (xii) interest rate exposure; (xiii) counterparty credit risk; (xiv) insurance risk; (xv) income taxes; (xvi) the Corporation's provision for income taxes; (xvii) legal proceedings involving the Corporation; (xviii) reliance on key personnel; (xix) labour relations matters; and (xx) the corporate structure under which the Corporation conducts a significant portion of its business requires reliance on its**

**subsidiaries. The foregoing risk factors, among others, including risks relating to the nature of the Notes, are described in further detail under the heading "Risk Factors" in this Prospectus Supplement and under the heading "Risk Factors" in the Prospectus.**

#### **DOCUMENTS INCORPORATED BY REFERENCE**

This Prospectus Supplement is deemed to be incorporated by reference into the Prospectus solely for the purposes of the offering of the Notes. The following documents of the Corporation filed with the Alberta Securities Commission and with the United States Securities and Exchange Commission ("SEC"), are specifically incorporated by reference in, and form an integral part of, this Prospectus Supplement provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this Prospectus Supplement or in any other subsequently filed document that is also incorporated by reference in this Prospectus Supplement:

- (a) consolidated annual financial statements, and auditors' report thereon, as at December 31, 2007 and 2006 and for the three year period ended December 31, 2007;
- (b) management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2007 and 2006;
- (c) annual information form for the year ended December 31, 2007;
- (d) management proxy circular dated March 20, 2008 and filed on SEDAR on March 26, 2008 prepared in connection with the Corporation's annual meeting of shareholders held on April 22, 2008;
- (e) unaudited consolidated interim financial statements for the three months ended March 31, 2008 and 2007;
- (f) management's interim discussion and analysis of the financial condition and results of operations for the three months ended March 31, 2008 and 2007;
- (g) reconciliation to U.S. GAAP of the consolidated annual financial statements for the years ended December 31, 2007 and 2006; and
- (h) reconciliation to U.S. GAAP of the unaudited consolidated interim financial statements for the three months ended March 31, 2008 and 2007.

Any documents of the type required to be incorporated by reference in a short form prospectus pursuant to National Instrument 44-101 Short Form Prospectus Distributions ("NI 44-101") of the Canadian Securities Administrators, including any annual information form, comparative annual financial statements and the auditors' report thereon, comparative interim financial statements, management's discussion and analysis of financial condition and results of operations, material change report (other than confidential material change reports), business acquisition report and information circular, subsequently filed by the Corporation with the Alberta Securities Commission after the date of this Prospectus Supplement and prior to the termination of the offering of the Notes shall be deemed to be incorporated by reference into this Prospectus Supplement and the Prospectus. These documents are available through the internet on SEDAR which can be accessed at [www.sedar.com](http://www.sedar.com). In addition, any similar documents filed on Form 6-K or Form 40-F by the Corporation with the SEC after the date of this Prospectus Supplement and prior to the completion of the offering of the Notes shall be deemed to be incorporated by reference into this Prospectus Supplement and the Prospectus, unless expressly provided otherwise in such report. The Corporation's reports on Forms 6-K and 40-F are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

**Any statement contained in the Prospectus, in this Prospectus Supplement or in a document incorporated or deemed to be incorporated by reference into the Prospectus for the purpose of the**



**offering of the Notes shall be deemed to be modified or superseded, for the purposes of this Prospectus Supplement, to the extent that a statement contained in this Prospectus Supplement or in any other subsequently filed document that also is or is deemed to be incorporated by reference in the Prospectus modifies or supersedes that statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus Supplement.**

Copies of the documents incorporated herein by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents) may be obtained on request without charge from the Corporate Secretary of TransAlta, 110 - 12<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada, T2R 0G7, Telephone (403) 267-7110.

The Corporation is subject to the information requirements of the U.S. Exchange Act, and in accordance therewith files reports and other information with the SEC. Under the multi-jurisdictional disclosure system adopted by the United States and Canada, such reports and other information, subject to certain exceptions, may be prepared in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. The Corporation is exempt from the rules under the U.S. Exchange Act prescribing the furnishing and content of proxy statements, and its officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the U.S. Exchange Act. Under the U.S. Exchange Act, the Corporation is not required to publish financial statements as promptly as United States companies. Copies of such reports and other information may be obtained from the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates.



**THE OFFERING**

*The following is a brief summary of some of the terms of this offering. For a more complete description of the terms of the Notes, see "Description of the Notes" in this Prospectus Supplement and "Description of Debt Securities" in the Prospectus.*

Issuer:	TransAlta Corporation.
Notes Offered:	US\$500,000,000 aggregate principal amount of 6.650% Senior Notes due 2018.
Interest Rate:	The Notes will bear interest at the rate of 6.650% per annum from May 9, 2008 or from the most recent date to which interest has been paid or provided for.
Interest Rate Adjustment:	The interest rate payable on the Notes will be subject to adjustments from time to time if either Moody's Investors Service Inc. ("Moody's") or Standard & Poor's Ratings Services, a division of McGraw-Hill, Inc. ("S&P"), downgrades (or subsequently upgrades) the debt rating assigned to the Notes. See "Description of the Notes Interest Rate Adjustment."
Interest Payment Dates:	May 15 and November 15 of each year, commencing November 15, 2008.
Maturity Date:	May 15, 2018.
Ranking:	The Notes will be direct unsecured obligations of the Corporation and will rank equally and ratably with all other unsubordinated and unsecured indebtedness of the Corporation. The Notes will be effectively subordinate to all indebtedness and other liabilities of the Corporation's subsidiaries, except to the extent the Corporation is a creditor of such subsidiaries ranking at least <i>pari passu</i> with such other creditors. As at March 31, 2008, the Corporation's subsidiaries had approximately \$556 million of long-term debt outstanding (excluding intercompany indebtedness).
Use of Proceeds:	The net proceeds to the Corporation from this offering are estimated to be approximately US\$494,870,000 million after deduction of estimated expenses of the offering and the underwriting commission. The net proceeds received by the Corporation from the sale of the Notes will be used for the repayment of indebtedness, the financing of the Corporation's long term investment plan and for general corporate purposes. Pending such application, the net proceeds may be invested in short term securities.
Sinking Fund:	None.
Optional and Tax Redemption:	<p>The Corporation may redeem the Notes, in whole or in part, at any time, at the "make-whole" price described in this Prospectus Supplement. See "Description of the Notes Optional Redemption" in this Prospectus Supplement.</p> <p>The Corporation may also redeem all of the Notes in whole, but not in part, at the redemption price described in this Prospectus Supplement at any time in the event certain changes affecting Canadian withholding taxes occur. See "Description of the Notes Tax Redemption" in this Prospectus Supplement.</p>

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Change of Control:	<p>The Corporation will be required to make an offer to repurchase the Notes at a price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase upon the occurrence of a Change of Control Triggering Event. See "Description of the Notes Repurchase upon Change of Control Triggering Event."</p>
Certain Covenants:	<p>The indenture pursuant to which the Notes will be issued contains certain covenants that, among other things, limit:</p> <ul style="list-style-type: none"><li>the ability of the Corporation and its subsidiaries to create liens;</li><li>the ability of the Corporation to enter into sale and leaseback transactions; and</li><li>the ability of the Corporation to merge, amalgamate or consolidate with, or sell all or substantially all of its assets to, any other person.</li></ul> <p>See "Description of Debt Securities Covenants" in the Prospectus. These covenants are subject to important exceptions and qualifications which are described under the caption "Description of Debt Securities" in the Prospectus.</p>
Credit Ratings:	<p>As of the date hereof, the Corporation's senior unsecured long-term debt is rated BBB (stable) by S&amp;P and Baa2 (stable) by Moody's. The ratings for debt instruments range from a high of AAA to a low of D in the case of S&amp;P and from a high of Aaa to a low of C in the case of Moody's.</p> <p>Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. The credit ratings accorded to the Corporation's outstanding securities by S&amp;P and Moody's, as applicable, are not recommendations to purchase, hold or sell such securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that the ratings will remain in effect for any given period or that a rating will not be revised or withdrawn entirely by S&amp;P and/or Moody's in the future if, in its judgement, circumstances so warrant.</p>
Additional Amounts:	<p>Any payments made by the Corporation with respect to the Notes will be made without withholding or deduction for Canadian taxes unless required to be withheld or deducted by law or by the interpretation or administration thereof. Subject to the exceptions and limitations set forth in the Prospectus, if the Corporation is required to withhold or deduct for Canadian taxes with respect to a payment to the holders of Notes, the Corporation will pay to any holder of Notes that is a non-resident of Canada under the <i>Income Tax Act</i> (Canada), such additional amounts as may be necessary so that every net payment on the Notes after such withholding or deduction will not be less than the amount provided in the Notes to be then due and payable. See "Description of Debt Securities Payment of Additional Amounts" in the Prospectus.</p>

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**Form:** The Notes will be represented by one or more fully registered global notes deposited in book-entry form with, or on behalf of, The Depository Trust Company, and registered in the name of its nominee. See "Description of the Notes Book-Entry System" in this Prospectus Supplement. Except as described under "Description of the Notes" in this Prospectus Supplement and "Description of Debt Securities" in the Prospectus, Notes in certificated form will not be issued.

**Governing Law:** The Notes and the indenture governing the Notes will be governed by the laws of the State of New York.

**Risk Factors:** Investing in the Notes involves risks. See "Risk Factors" in this prospectus supplement beginning on page S-11 and under the heading "Risk Factors" beginning on page 24 of the accompanying prospectus.

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## THE CORPORATION

TransAlta Corporation is a corporation amalgamated under the *Canada Business Corporations Act*. The registered office and principal place of business of TransAlta are at 110 - 12th Avenue S.W., Calgary, Alberta, Canada, T2R 0G7.

### Business of TransAlta

TransAlta and its predecessors have been engaged in the production and sale of electric energy since 1911. The Corporation is among Canada's largest non-regulated wholesale electricity generation and energy marketing companies with an aggregate net ownership interest as at March 31, 2008 of approximately 8,488 megawatts ("MW") of electrical generating capacity in facilities having approximately 10,209 MW of aggregate gross electrical generating capacity<sup>(1)</sup>. The Corporation is focused on generating electricity in Canada, the United States and Australia through its diversified portfolio of facilities fuelled by coal, gas, hydro, wind and geothermal resources. The following is a brief overview of the Corporation's principal facilities.

In Canada, the Corporation holds a net ownership interest of approximately 5,634 MW of electrical generating capacity in thermal, gas-fired, wind-powered and hydroelectric facilities, including 4,937 MW in Alberta and 697 MW in Ontario.

In the United States, the Corporation's principal facilities include a 1,404 MW thermal facility and a 248 MW gas-fired facility, both located in Centralia, Washington, which supply electricity to the Pacific northwest. The Corporation holds a 50 per cent interest in CE Generation LLC ("CE Generation"), resulting in an aggregate net ownership interest of approximately 385 MW of geothermal and gas fired electrical generating capacity in facilities in California, Texas, Arizona and New York. The Corporation also has 6 MW of electrical generating capacity through gas-fired and hydroelectric facilities located in Washington and Hawaii.

The Corporation also has 300 MW of net electrical generating capacity in Australia.

In Mexico, the Corporation owns two facilities with a combined capacity of 511 MW. On February 20, 2008, the Corporation announced it had signed a purchase and sale agreement with InterGen Global Ventures B.V. ("InterGen") pursuant to which InterGen has agreed to acquire the Corporation's facilities in Mexico for aggregate consideration of US\$303.5 million in cash, subject to regulatory approvals and other customary conditions.

The Corporation regularly reviews its operations in order to optimize its generating assets and evaluates appropriate growth opportunities. The Corporation has in the past and may in the future make changes and additions to its fleet of coal, gas, hydro, wind and geothermal fuelled facilities.

The Corporation is organized into two business segments: Generation and Commercial Operations and Development. The Generation group is responsible for constructing, operating and maintaining electricity generation facilities. The Commercial Operations and Development group is responsible for managing the sale of production, purchases of natural gas, transmission capacity and market risks associated with the Corporation's generation assets and for non asset backed trading activities. Both segments are supported by a corporate group which includes finance, treasury, legal, human resources and other administrative functions. The corporate group is also responsible for the Corporation's sustainable development initiatives, including investments in renewable energy resources.

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(1)

TransAlta measures capacity as the net maximum capacity that a unit can sustain over a period of time, which is consistent with industry standards. Capacity amounts represent capacity owned and operated by the Corporation unless otherwise indicated.

## Recent Developments

The Corporation has received regulatory approval from the Toronto Stock Exchange ("TSX") for the continuation of its normal course issuer bid program. As in 2007, the Corporation has the approval to purchase, for cancellation, up to 19,884,460 of its common shares, representing 10 per cent of the Corporation's public float as of April 23, 2008. The normal course issuer bid program will begin on May 6, 2008 and continue until May 5, 2009, or such earlier date as the Corporation may complete its purchases. Purchases will be made on the open market through the TSX at the market price of such shares at the time of acquisition. Daily purchases will not exceed 236,119 common shares representing 25 percent of the average daily trading volume for the six calendar months prior to the date of approval of the bid by the TSX, subject to block purchase exceptions outlined in the TSX rules. The Corporation's average daily trading volume during the last six calendar months was 944,476 common shares. The Corporation may also issue put options to facilitate the purchase of common shares pursuant to the normal course issuer bid program provided that no such put options may be issued without prior consent of the TSX.

## RISK FACTORS

Prospective purchasers of Notes should consider carefully the risk factors set forth below as well as the other information contained in and incorporated by reference in this Prospectus Supplement and the Prospectus, including subsequently filed documents incorporated by reference herein or therein.

Prospective purchasers of Notes should read the discussion of certain risks affecting the Corporation in connection with its business that is provided under the heading "Risk Factors and Risk Management" in the Corporation's management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2007, which is incorporated by reference in this Prospectus Supplement.

### Risk Factors Relating to the Notes

*There is no public market for the Notes.*

There is no public market for the Notes and the Corporation does not intend to apply for listing of the Notes on any securities exchange. If the Notes are traded after their initial issue, they may trade at a discount from their initial offering prices, depending on prevailing interest rates, the market for similar securities and other factors, including general economic conditions and the Corporation's financial condition. There can be no assurance as to the liquidity of the trading market for the Notes or that a trading market for the Notes will develop.

*The market value of the Notes will vary with prevailing interest rates.*

Prevailing interest rates will affect the market price or value of the Notes. Assuming all other factors remain unchanged, the market price or value of the Notes may decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt securities decline.

*The Notes are unsecured obligations of the Corporation.*

The Notes will be direct unsecured obligations of the Corporation ranking equally and *pari passu*, except as to sinking fund or analogous provisions, with all other unsecured and unsubordinated indebtedness of the Corporation. The Notes will be effectively subordinated to all existing and future secured debt of the Corporation, to the extent of the assets securing such debt. If the Corporation is involved in any bankruptcy, dissolution, liquidation or reorganization, the secured debt holders would be paid before the holders of Notes receive any amounts due under the Notes to the extent of the

value of the assets securing the secured debt. In that event, a holder of Notes may not be able to recover any principal or interest due to it under the Notes.

***The Corporation may not have the ability to finance the change of control offer required by the indenture governing the Notes.***

The Corporation will be required to make an offer to repurchase the Notes at a price equal to 101% of the principal amount, together with any accrued and unpaid interest, if any, to the date of the repurchase upon the occurrence of a Change of Control Triggering Event. Failure to purchase, or to make an offer to repurchase, the Notes would be a default under the indenture governing the Notes, which would also be a default under certain instruments governing the Corporation's existing indebtedness. See "Description of the Notes Repurchase upon Change of Control Triggering Event."

If a Change of Control Triggering Event occurs, it is possible that the Corporation may not have sufficient funds available at the time of the Change of Control Triggering Event to make the required repurchase of Notes or to satisfy all obligations under the Corporation's other debt instruments. In order to satisfy its obligations, the Corporation could seek to refinance its indebtedness or obtain a waiver from its other lenders or from the holders of the Notes. There can be no assurance that the Corporation would be able to obtain a waiver or refinance its indebtedness on terms acceptable to it, if at all.

***The interest rate adjustment provisions of the Notes may not fully protect holders of Notes from a deterioration in the credit ratings assigned to the Notes.***

As described under "Description of the Notes Interest Rate Adjustment," the Corporation will increase the interest rate payable on the Notes upon the occurrence of certain events relating to the credit ratings assigned to the Notes. While this provision is intended to compensate holders of Notes for a deterioration in the credit ratings assigned to the Notes, the interest rate adjustment may not fully protect holders of Notes upon the occurrence of events or transactions which would result in a deterioration of the credit ratings assigned to the Notes. Any such deterioration of the credit ratings assigned to the Notes or to the Corporation's credit ratings in general could adversely impact the trading prices of, and the liquidity of the market for, the Notes and could also adversely affect the Corporation's cost of borrowing, limit the Corporation's access to the capital markets or result in more restrictive covenants in indentures or other loan agreements governing the terms of any future indebtedness that the Corporation may incur.

#### **Risk Factors Relating to the Corporation**

***Our operations are subject to stringent environmental laws and regulations, and changes in these requirements, including related to efforts to control climate change matters, could materially adversely affect our business.***

The Corporation's operations are subject to extensive Canadian, U.S. and other federal, provincial, state and local environmental laws and regulations relating to the generation and transmission of electrical and thermal energy and surface mining (collectively, "environmental legislation"). Environmental legislation can impose, among other things, restrictions, liabilities and obligations in connection with the generation, handling, use, storage, transport, treatment and disposal of hazardous substances and waste in connection with spills, releases and emissions of various substances to the environment. Environmental legislation can also require that facilities and other properties associated with the Corporation's operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, there is an increasing level of environmental legislation regarding the use, treatment and discharge of water.

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To comply with environmental legislation, the Corporation must incur material capital and operating expenditures relating to environmental monitoring, pollution control equipment, emission fees and other compliance activities. The Corporation expects to continue to have environmental expenditures in the future. Stricter standards, greater regulation, increased enforcement by regulatory authorities, more extensive permitting requirements, an increase in the number and types of assets operated by the Corporation subject to environmental legislation and the implementation of national or international climate change policy, including the international treaty to reduce greenhouse gas ("GHG") emissions (or equivalent country specific requirements) could increase the amount of these expenditures. To the extent these expenditures cannot be passed through to our customers they could be material. In addition, compliance with environmental legislation might result in restrictions on some of the Corporation's operations. If the Corporation does not comply with environmental legislation, regulatory agencies could seek to impose civil, administrative and/or criminal liabilities on the Corporation, as well as seek to curtail its operations. Under certain environmental legislation, private parties could also seek to impose civil fines or liabilities for property damage, personal injury and other costs. The Corporation cannot guarantee that lawsuits or administrative actions will not be commenced against it or which may otherwise affect its operations and assets. If an action is filed against the Corporation or which may otherwise affect its operations and assets, the Corporation could be required to make substantial expenditures to bring the Corporation, its operations and assets into compliance and could have a material adverse effect on the Corporation.

Recent federal, provincial, state and local regulatory efforts have focused on climate change-related matters. In 2002, Canada ratified the Kyoto Protocol, an international protocol which seeks to reduce global carbon dioxide and other GHG emissions. In late April 2007, the Canadian Federal Government announced its regulatory framework that outlines its clean air and climate change action plan, including a target to reduce GHG and other air pollutant emissions and a commitment to regulate industry on an emissions intensity basis in the short-term. On March 10, 2008, the targets in the regulatory framework were confirmed and additional details of pending federal GHG regulations, including the details of the tradable compliance mechanisms and the establishment of a domestic carbon trading market, were announced. The Canadian Federal Government's plan calls for an 18 per cent reduction in GHG emission intensity starting in 2010, increasing to a 20 per cent absolute reduction requirement by 2020. The proposed legislation also calls for a reduction in air pollutants such as sulphur dioxide, nitrous oxide, mercury, and particulates starting in the 2012 to 2015 period. Proposed reduction caps range from 45 per cent to 60 per cent. A number of material details in the federal plan are still to be determined, including its interaction with provincial programs, which are required to enable the Corporation to make a reasonable determination of future compliance costs.

On July 1, 2007 the Specified Gas Emitters Regulation came into force under Alberta's *Climate Change and Emissions Management Amendment Act* requiring Alberta facilities which emit more than 100,000 tonnes of GHGs annually to reduce their GHG emissions intensity by 12% (from average 2003 to 2005 levels). The companies that operate these facilities have a number of options to allow them to comply with this requirement, including making operating improvements, buying offsets to apply against their emission total or making contributions at \$15 per tonne to a new Alberta Technology Fund that will invest in technology to reduce GHG emissions in the province. In addition, mercury emission reduction standards in Alberta will require a 70 per cent reduction by 2010. As these programs are under development, the Corporation is unable to predict the total impact of the regulations on its business.

Although the United States has not ratified the Kyoto Protocol, it is participating in international discussions that are underway to develop a treaty to require reductions in GHG emissions after the expiration of the Kyoto Protocol in 2012. The United States has yet to adopt a federal program for controlling GHG emissions. However, Congress is considering a variety of climate changed legislative proposals and the U.S. Supreme Court held in 2007 that the Environmental Protection Agency has

authority under the Clean Air Act to regulate GHG emissions. Although it is appearing more likely that the United State will adopt federal climate change regulation, the Corporation is unable to predict the total impact of any such future regulation on its business.

In addition, many states have adopted measures, sometimes as part of a regional collaboration, to reduce GHG emissions generated within their own jurisdiction. Washington state passed House Bill 2815 on March 13, 2008 to establish a framework for GHG reductions. The Bill confirmed the state Governor's earlier target of reducing overall emissions of GHGs to 1990 levels by the year 2020. It also directs the state Department of Ecology to recommend, by December 1, 2008, a regional market-based emissions management system. This recommendation is to be done in coordination with a coalition of seven western states and two provinces, known as the Western Climate Initiative, which are striving to develop a regional cap and trade system for carbon for implementation by 2012. At this point, it is not clear how and to what extent the Corporation's Washington state based operations will be affected by this bill or by similar state and federal mercury reduction requirements.

To the extent any of the foregoing programs or future programs, when finalized, require the Corporation to incur costs that cannot be passed through to our customers under power purchase agreements or otherwise, the costs could be material and have a material adverse effect on the Corporation.

For further information regarding the impact of environmental regulation on the Corporation and its business, see "Environmental Risk Management" in the Corporation's annual information form for the year ended December 31, 2007 and "Climate Change and the Environment" in the Corporation's management's discussion and analysis for the three months ended March 31, 2008, each of which is incorporated by reference in this Prospectus Supplement.

#### **USE OF PROCEEDS**

The net proceeds to the Corporation from this offering are estimated to be approximately US\$494,870,000 million after deduction of estimated expenses of the offering and the underwriting commission. The net proceeds received by the Corporation from the sale of the Notes will be used for the repayment of indebtedness, the financing of the Corporation's long term investment plan and for general corporate purposes. Pending such application, the net proceeds may be invested in short term securities.



## CONSOLIDATED CAPITALIZATION

The following table sets forth the Corporation's consolidated capitalization as at March 31, 2008 on an actual basis and as adjusted to give effect to this offering and to the application of the net proceeds as described under the heading "Use of Proceeds". This table has been prepared in accordance with Canadian GAAP and should be read in conjunction with the Corporation's consolidated interim financial statements as at and for the three months ended March 31, 2008 and 2007 which are incorporated by reference in this Prospectus Supplement. For the purposes of the following table, U.S. dollar amounts have been converted to Canadian dollars at an exchange rate of US\$0.98222 equals \$1.00.

	As at March 31, 2008	
	Actual	As adjusted
	(in millions)	
Short-term debt including current portion of long-term debt(1)	\$ 739	\$ 235
Cash and cash equivalents	(58)	(58)
Long-term debt:		
Recourse(2)	1,520	2,024
Non-recourse(3)	218	218
Non-controlling interests(4)	495	495
Common shareholders' equity:		
Common shares	1,775	1,775
Retained earnings	699	699
Accumulated other comprehensive loss	(385)	(385)
<b>Total common shareholders' equity</b>	<b>2,089</b>	<b>2,089</b>
<b>Total capitalization</b>	<b>\$ 5,003</b>	<b>\$ 5,003</b>

(1) Includes commercial paper issued under the Corporation's \$200 million guaranteed commercial paper program, drawdowns from the Corporation's \$1.5 billion syndicated revolving credit facility, \$320 million of committed bi-lateral facilities, \$400 million bridge facility and \$55 million of demand operating facilities and current portion of long-term debt.

(2) Includes debentures bearing interest at fixed rates. TransAlta Utilities Corporation, a wholly-owned subsidiary of the Corporation, has issued \$265 million principal amount of the debentures and has granted a floating charge on its assets and property as security for repayment of these debentures. Debentures of TransAlta Utilities Corporation in the aggregate principal amount of \$100 million maturing in 2023 and in the aggregate principal amount of \$50 million maturing in 2033 are redeemable at the option of the holders in 2008 and 2009, respectively.

(3) Includes the project financing debt, debt securities, and senior secured bonds of CE Generation.

(4) TransAlta Energy Corporation ("TransAlta Energy"), a wholly owned subsidiary of the Corporation, holds a direct 50.00% interest in TransAlta Cogeneration, L.P. The remaining interest in TransAlta Cogeneration, L.P. is held by its general partner, TransAlta Cogeneration Ltd., which is a wholly-owned subsidiary of TransAlta, as to 0.01%, and by Stanley Power Inc., as to 49.99%. CE Generation holds a 75% interest in the 240 MW Saranac gas-fired plant in Plattsburgh, New York, TransAlta Energy holds an indirect 50% interest in CE Generation.

## SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data as at and for each of the two years ended December 31, 2007 and 2006 have been derived from the Corporation's annual consolidated financial statements which are incorporated by reference in this Prospectus Supplement. The Corporation's selected consolidated financial data as at and for the three months ended March 31, 2008 and 2007 has been derived from its interim consolidated financial statements incorporated by reference in this Prospectus Supplement. The interim financial results reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results. Historical and interim results are not necessarily indicative of the results to be expected in the future.

The Corporation's consolidated financial statements are prepared in accordance with Canadian GAAP. The significant differences between Canadian GAAP and U.S. GAAP are summarized in the reconciliations to U.S. GAAP of TransAlta's consolidated annual financial statements for the years ended December 31, 2007 and 2006 and of TransAlta's unaudited consolidated interim financial statements for the three months ended March 31, 2008 and 2007, which are incorporated by reference in this Prospectus Supplement, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The selected consolidated financial data should be read in conjunction with the Corporation's annual consolidated financial statements and interim consolidated financial statements, and the notes thereto, and management's discussion and analysis of financial condition and results of operations related thereto, all of which are incorporated by reference in this Prospectus Supplement. Amounts in the tables below and notes thereto may not add due to rounding.

	Year ended December 31,		Three months ended March 31,	
	2006(1)	2007	2007(2)	2008
	(in millions)			
	(Restated)		(Restated)	
<b>Income Statement Items:</b>				
Revenues	\$ 2,678	\$ 2,775	\$ 669	\$ 803
Fuel and purchased power	(1,186)	(1,231)	(291)	(370)
Gross margin	1,491	1,544	\$ 378	\$ 433
Operations, maintenance and administration	581	577	135	135
Depreciation and amortization	410	406	99	104
Taxes, other than income taxes	21	20	6	5
Operating Expenses	1,013	1,003	240	244
Mine closure charges	192			
Asset impairment charges	130			
Operating Income	157	541	138	189
Foreign exchange gains/(losses)	(1)	3		(1)
Gain on sale of equipment		16		5
Net interest expense	(169)	(133)	(37)	(33)
Equity loss	(17)	(50)	(9)	