#### Form 5500

Department of the Treasury Internal Revenue Service

Department of Labor Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Signature of DFE

# Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).

> ▶ Complete all entries in accordance with the instructions to the Form 5500.

OMB Nos. 1210-0110 1210-0089

2011

This Form is Open to Public

					Inspection	
Part I		tification Information				
For cale	ndar plan year 2011 or fiscal p	plan year beginning 01/01/2011		and ending 12/31/2	011	
A This	return/report is for:	a multiemployer plan;	a multipl	e-employer plan; or		
	·	a single-employer plan;	a DFE (s	specify)		
<b>B</b> This	return/report is:	the first return/report;	the final	return/report;		
		an amended return/report;	a short p	lan year return/report (less th	an 12 months).	
C If the	plan is a collectively-bargaine	ed plan, check here			▶ 🛚	
<b>D</b> Chec	k box if filing under:	X Form 5558;	automati	c extension;	the DFVC program;	
		special extension (enter des	scription)			
Part	II Basic Plan Inform	nation—enter all requested informa	ation			
	ne of plan ALTA RETIREMENT SAVING	·			<b>1b</b> Three-digit plan number (PN) ▶	002
					<b>1c</b> Effective date of plan 07/01/2000	n
2a Plan	<b>2b</b> Employer Identification Number (EIN) 98-0220829					
	,				2c Sponsor's telephone number 403-267-3673	
			IG HANAFORD ROAD 'RALIA, WA 98531-9101		2d Business code (see instructions) 221100	
Caution	: A penalty for the late or inc	complete filing of this return/repo	rt will be assessed	unless reasonable cause is	established.	
	. , , ,	enalties set forth in the instructions, as the electronic version of this return			0 1 7 0	,
SIGN	Filed with authorized/valid ele	ectronic signature.	10/12/2012	PAUL TAYLOR		
HERE	Signature of plan administ	trator	Date	Enter name of individual sign	gning as plan administrator	
SIGN						
HERE	Signature of employer/pla	n sponsor	Date	Enter name of individual sign	gning as employer or plan spo	nsor
SIGN						

Date

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2011) v.012611

Enter name of individual signing as DFE

Form 5500 (2011) Page **2** 

	Plan administrator's name and address (if same as plan sponsor, enter "Same")  FRANSALTA USA, INC.				<b>3b</b> Administrator's EIN 98-0220829		
	3 BIG HANAFORD ROAD NTRALIA, WA 98531-9101		Iministrator's telephone Imber 403-267-3673				
4	If the name and/or EIN of the plan sponsor has changed since the last return the plan number from the last return/report:	n/report filed for	this plan, enter the name, EIN	and	4b EIN		
а 	Sponsor's name				4c PN		
5	Total number of participants at the beginning of the plan year			5	443		
6	Number of participants as of the end of the plan year (welfare plans complet	e only lines 6a,	<b>6b</b> , <b>6c</b> , and <b>6d</b> ).				
а	Active participants			6a	300		
b	Retired or separated participants receiving benefits			6b	7		
С	Other retired or separated participants entitled to future benefits			6c	121		
d	Subtotal. Add lines <b>6a</b> , <b>6b</b> , and <b>6c</b>			6d	428		
е	Deceased participants whose beneficiaries are receiving or are entitled to re	6e	5				
f	Total. Add lines <b>6d</b> and <b>6e</b>	6f	433				
g	Number of participants with account balances as of the end of the plan year complete this item)	6g	425				
h	Number of participants that terminated employment during the plan year with less than 100% vested			6h	15		
7	Enter the total number of employers obligated to contribute to the plan (only	multiemployer	plans complete this item)	7			
	If the plan provides pension benefits, enter the applicable pension feature of 2E 2F 2G 2J 2K 2S 2T  If the plan provides welfare benefits, enter the applicable welfare feature contains the plan provides welfare benefits, enter the applicable welfare feature contains the plan provides welfare benefits, enter the applicable welfare feature contains the plan provides welfare benefits, enter the applicable welfare feature contains the plan provides welfare benefits, enter the applicable welfare feature contains the plan provides welfare benefits, enter the applicable welfare feature contains the plan provides welfare benefits, enter the applicable welfare feature contains the plan provides welfare benefits, enter the applicable welfare feature contains the plan provides welfare benefits, enter the applicable welfare feature contains the plan provides welfare benefits, enter the applicable welfare feature contains the plan provides welfare benefits and the plan provides welfare bene						
9a	Plan funding arrangement (check all that apply)  (1) Insurance (2) Code section 412(e)(3) insurance contracts (3) X Trust (4) General assets of the sponsor  9b Plan benefit arrangement (check all that apply)  (1) Insurance (2) Code section 412(e)(3) insurance contracts (3) X Trust (4) General assets of the sponsor						
10							
а	a Pension Schedules (1)  R (Retirement Plan Information)  (2)  MB (Multiemployer Defined Benefit Plan and Certain Money  b General Schedules (1)  H (Financial Information)  (2)  I (Financial Information – Small Plan)						
	Purchase Plan Actuarial Information) - signed by the plan actuary  (3)  (4)  (5)  A (Insurance Information)  C (Service Provider Information)  D (DFE/Participating Plan Information)  Information) - signed by the plan actuary  (6)  G (Financial Information – Small Plan)  A (Insurance Information)  C (Service Provider Information)  G (Financial Transaction Schedules)						
-	, , , , ,	. ,	,		,		

# SCHEDULE C (Form 5500)

Department of the Treasury Internal Revenue Service

Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

**Service Provider Information** 

File as an attachment to Form 5500.

OMB No. 1210-0110

2011

This Form is Open to Public Inspection.

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011	and ending 12/31/2011
A Name of plan TRANSALTA RETIREMENT SAVINGS PLAN	B Three-digit 002
C Plan sponsor's name as shown on line 2a of Form 5500 TRANSALTA USA, INC.	D Employer Identification Number (EIN) 98-0220829
Part I Service Provider Information (see instructions)	
You must complete this Part, in accordance with the instructions, to report the inform or more in total compensation (i.e., money or anything else of monetary value) in corplan during the plan year. If a person received <b>only</b> eligible indirect compensation for answer line 1 but are not required to include that person when completing the remain	nnection with services rendered to the plan or the person's position with the or which the plan received the required disclosures, you are required to nder of this Part.
1 Information on Persons Receiving Only Eligible Indirect Composite Check "Yes" or "No" to indicate whether you are excluding a person from the remaind indirect compensation for which the plan received the required disclosures (see instruction).	der of this Part because they received only eligible
<b>b</b> If you answered line 1a "Yes," enter the name and EIN or address of each person preceived only eligible indirect compensation. Complete as many entries as needed (	
(b) Enter name and EIN or address of person who provided FIDELITY INVESTMENTS INSTITUTIONAL	d you disclosures on eligible indirect compensation
04-2647786	
(b) Enter name and EIN or address of person who provided	d you disclosure on eligible indirect compensation
(b) Enter name and EIN or address of person who provided	you disclosures on eligible indirect compensation
(b) Enter name and EIN or address of person who provided	you disclosures on eligible indirect compensation

age	3	_	4	1	

answered	"Yes" to line 1a above	e, complete as many	entries as needed to list ea	r Indirect Compensation ch person receiving, directly or the plan or their position with the	indirectly, \$5,000 or more in t	otal compensation
		(	(a) Enter name and EIN or	address (see instructions)		
FIDELITY I	NVESTMENTS INSTI		•	,		
04-2647786	6					
(b) Service Code(s)	Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0	(h) Did the service provider give you a formula instead of an amount or estimated amount?
64 37 65 60	RECORDKEEPER	4780	Yes X No	Yes 🛛 No 🗌	0	Yes X No
			(a) Enter name and EIN or	address (see instructions)		
(b) Service Code(s)	(c) Relationship to employer, employer organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g)  Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes No	Yes No	(f). If none, enter -0	Yes No
		(	a) Enter name and EIN or	address (see instructions)		
(b) Service Code(s)	Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes No	Yes No		Yes No

Page :	3 -	2
--------	-----	---

answered	d "Yes" to line 1a above	e, complete as many	entries as needed to list ea	or Indirect Compensation ach person receiving, directly or the plan or their position with the	indirectly, \$5,000 or more in t	total compensation
		(	(a) Enter name and EIN or	address (see instructions)		
(b) Service Code(s)	Relationship to employer, employer organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0	
			Yes No	Yes No		Yes No
		(	(a) Enter name and EIN or	· address (see instructions)		
(b) Service Code(s)	Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0	
			Yes No	Yes   No		Yes No
		(	(a) Enter name and EIN or	address (see instructions)		
(b) Service Code(s)	Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes No	Yes No		Yes No

#### Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation	
FIDELITY INVESTMENTS INSTITUTIONAL	60	0	
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	compensation, including any e the service provider's eligibility the indirect compensation.	
ABF SM CAP VAL INV - STATE STREET B	0.40%		
04-1867445			
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation	
FIDELITY INVESTMENTS INSTITUTIONAL	60	0	
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.		
AM CEN LG CO VAL INV - AMERICAN CEN	0.35%		
44-0619208			
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation	
FIDELITY INVESTMENTS INSTITUTIONAL	60	0	
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.		
MFS VALUE R3 - MFS SERVICE CENTER I	0.50%		
04-2865649			

#### Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(b) Service Codes (see instructions)	(C) Enter amount of indirect compensation	
60	0	
formula used to determin	t compensation, including any e the service provider's eligibility the indirect compensation.	
0.35%	,	
(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation	
60	0	
formula used to determin	compensation, including any e the service provider's eligibility the indirect compensation.	
0.35%		
(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation	
60	0	
formula used to determin	compensation, including any e the service provider's eligibility the indirect compensation.	
0.26%		
	(e) Describe the indirect formula used to determin for or the amount of 0.35%  (b) Service Codes (see instructions)  60  (e) Describe the indirect formula used to determin for or the amount of 0.35%  (b) Service Codes (see instructions)  60  (c) Describe the indirect formula used to determin for or the amount of 0.35%	

#### Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	compensation, including any e the service provider's eligibility the indirect compensation.
PIMCO TOT RETURN ADM - BOSTON FINAN 330 W. 9TH STREET KANSAS CITY, MO 66160	0.26%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	compensation, including any e the service provider's eligibility the indirect compensation.
RAINIER SM/MID CAP - US BANCORP FUN	0.35%	
39-0281260		
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	formula used to determine	compensation, including any e the service provider's eligibility the indirect compensation.
ROYCE PA MUTUAL INV - BOSTON FINANC P.O. BOX 8480 BOSTON, MA 02266	0.20%	

Part II Service Providers Who Fail or Refuse to Provide Information					
4 Provide, to the extent possible, the following information for earthis Schedule.	ch service provide	r who failed or refused to provide the information necessary to complete			
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide			
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(C) Describe the information that the service provider failed or refused to provide			
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(C) Describe the information that the service provider failed or refused to provide			
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(C) Describe the information that the service provider failed or refused to provide			
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(C) Describe the information that the service provider failed or refused to provide			
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide			

Page	6-
------	----

Pa	rt III	Termination Information on Accountants and Enrolled Actuaries (see insection) (complete as many entries as needed)	structions)
а	Name		b ein:
С	Positio	n:	
d	Addres	es:	e Telephone:
Ex	olanatio	1:	
а	Name:		b EIN:
C	Positio		
d	Addres		<b>e</b> Telephone:
Exp	olanatio	n:	
а	Name:		<b>b</b> EIN:
С	Positio		
d	Addres		e Telephone:
Ex	olanatio	n:	
а	Name:		b EIN:
C	Positio		
d	Addres		e Telephone:
Ex	olanatio	n:	
а	Name:		b EIN:
C	Positio	n:	
d	Addres		<b>e</b> Telephone:
Ex	planatio	1:	

# SCHEDULE D (Form 5500)

Department of the Treasury Internal Revenue Service

Department of Labor Employee Benefits Security Administration

# **DFE/Participating Plan Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).

File as an attachment to Form 5500.

OMB No. 1210-0110

2011

This Form is Open to Public Inspection.

For calendar plan year 2011 or fiscal p	olan year beginning	01/01/2011 an	d ending 12/31/2011	ı
A Name of plan	D DI ANI		B Three-digit	002
TRANSALTA RETIREMENT SAVINGS	S PLAN		plan number (PN)	002
C Plan or DFE sponsor's name as she	own on line 2a of Form	5500	<b>D</b> Employer Identification Num	ber (EIN)
TRANSALTA USA, INC.			98-0220829	
		T DOA 1400 40 IF // I		,
		Ts, PSAs, and 103-12 IEs (to be co	empleted by plans and DFEs	5)
<b>a</b> Name of MTIA, CCT, PSA, or 103-		to report all interests in DFEs)		
a Name of With, CCT, 1 SA, of 103-				
<b>b</b> Name of sponsor of entity listed in	(a): FIDELITY MAI	NAGEMENT TRUST COMPANY		
<b>C</b> EIN-PN 04-3022712-024	<b>d</b> Entity C	e Dollar value of interest in MTIA, CCT, F	PSA, or 103	5386506
C LIN-FIN 04-3022/12-024	code	12 IE at end of year (see instructions)		5500500
a Name of MTIA, CCT, PSA, or 103-	12 IE:			
-				
<b>b</b> Name of sponsor of entity listed in	(a):			
	<b>d</b> Entity	e Dollar value of interest in MTIA, CCT, F	PSA, or 103	
C EIN-PN	code	12 IE at end of year (see instructions)	57, G1 100	
a Name of MTIA, CCT, PSA, or 103-	10 IE:			
a Name of WITIA, CCT, FSA, of 103-	12 IL.			
<b>b</b> Name of sponsor of entity listed in	(a):			
C EIN-PN	<b>d</b> Entity	e Dollar value of interest in MTIA, CCT, F	PSA, or 103-	
CEINTIN	code	12 IE at end of year (see instructions)		
a Name of MTIA, CCT, PSA, or 103-	12 IE:			
<b>b</b> Name of sponsor of entity listed in	(a):			
	<b>d</b> Entity	e Dollar value of interest in MTIA, CCT, F	PSA or 103-	
C EIN-PN	code	12 IE at end of year (see instructions)	57, G1 100	
a Name of MTIA, CCT, PSA, or 103-	10 IE:			
a Name of Witta, CCT, FSA, or 103-	12 1L.			
<b>b</b> Name of sponsor of entity listed in	(a):			
	A = 0	- D. II	204 400	
C EIN-PN	d Entity code	<ul> <li>Dollar value of interest in MTIA, CCT, F</li> <li>12 IE at end of year (see instructions)</li> </ul>	PSA, or 103-	
	l e e e e e e e e e e e e e e e e e e e	12 12 at one of year (see metrections)		
a Name of MTIA, CCT, PSA, or 103-	12 IE:			
<b>b</b> Name of sponsor of entity listed in	(a):			
	<b>d</b> Entity	e Dollar value of interest in MTIA, CCT, F	PSA. or 103-	
C EIN-PN	code	12 IE at end of year (see instructions)		
a Name of MTIA, CCT, PSA, or 103-	12 IE:			
<b>b</b> Name of sponsor of entity listed in	(a):			
	. ,			
C EIN-PN	<b>d</b> Entity	e Dollar value of interest in MTIA, CCT, F	PSA, or 103-	
	code	12 IE at end of year (see instructions)		

e Dollar value of interest in MTIA, CCT, PSA, or 103-

e Dollar value of interest in MTIA, CCT, PSA, or 103-

12 IE at end of year (see instructions)

12 IE at end of year (see instructions)

a Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

a Name of MTIA, CCT, PSA, or 103-12 IE:

**b** Name of sponsor of entity listed in (a):

C EIN-PN

C EIN-PN

**d** Entity

**d** Entity

code

code

F	art II	Information on Participating Plans (to be completed by DFEs)	
_	Plan na	(Complete as many entries as needed to report all participating plans)	
			e FIN DN
	Name o		C EIN-PN
а	Plan na	me	
b	Name o		C EIN-PN
а	Plan na	me	
b	Name o		C EIN-PN
а	Plan na		
b	Name o		C EIN-PN
а	Plan na		
b	Name o		C EIN-PN
а	Plan na	me	
b	Name o		C EIN-PN
а	Plan na	me	
b	Name o		C EIN-PN
а	Plan na	me	
b	Name o		C EIN-PN
а	Plan na	me	
b	Name o		C EIN-PN
а	Plan na	me	
b	Name o		C EIN-PN
а	Plan na	me	
b	Name o		C EIN-PN
а	Plan na	me	
b	Name o		C EIN-PN

# SCHEDULE H (Form 5500)

Department of the Treasury Internal Revenue Service

Employee Benefits Security Administration

#### **Financial Information**

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

File as an attachment to Form 5500.

OMB No. 1210-0110

2011

This Form is Open to Public Inspection

Pension Benefit Guaranty Corporation				Inspectio	'n
For calendar plan year 2011 or fiscal plan year beginning 01/01/2011		and e	ending 12/31/2011		
A Name of plan			<b>B</b> Three-digit		
TRANSALTA RETIREMENT SAVINGS PLAN			plan number (PN)	•	002
C Plan sponsor's name as shown on line 2a of Form 5500		D Employer Identifica	ation Number (E	EIN)	
TRANSALTA USA, INC.					
			98-0220829		
Part I Asset and Liability Statement					
1 Current value of plan assets and liabilities at the beginning and end of the plan the value of the plan's interest in a commingled fund containing the assets of r lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance benefit at a future date. Round off amounts to the nearest dollar. MTIAs, C and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. Se	more than one ce contract whi CCTs, PSAs, ar	plan on a lich guaran	ine-by-line basis unless tees, during this plan ye	the value is rep ar, to pay a spe	oortable on ecific dollar
Assets		<b>(a)</b> Be	eginning of Year	<b>(b)</b> End	of Year
a Total noninterest-bearing cash	1a				
<b>b</b> Receivables (less allowance for doubtful accounts):					
(1) Employer contributions	1b(1)		11083		12296
(2) Participant contributions	1b(2)				
(3) Other	1b(3)				
<b>c</b> General investments:					
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		4225876		5212526
(2) U.S. Government securities	1c(2)				
(3) Corporate debt instruments (other than employer securities):					
(A) Preferred	1c(3)(A)				
(B) All other	1c(3)(B)				
(4) Corporate stocks (other than employer securities):					
(A) Preferred	1c(4)(A)				
(B) Common	1c(4)(B)				
(5) Partnership/joint venture interests	1c(5)				
(6) Real estate (other than employer real property)	1c(6)				
(7) Loans (other than to participants)	1c(7)				
(8) Participant loans	1c(8)		1468714		1397765
(9) Value of interest in common/collective trusts	1c(9)		5157450		5386506
(10) Value of interest in pooled separate accounts	1c(10)				

1c(11)

1c(12)

1c(13)

1c(14)

1c(15)

(11) Value of interest in master trust investment accounts .....

(15) Other.....

contracts).....

funds)......(14) Value of funds held in insurance company general account (unallocated

46129501

46077429

1d	Employer-related investments:		(a) Beginning of Year	(b) End of Year
	(1) Employer securities	1d(1)		
	(2) Employer real property	1d(2)		
е	Buildings and other property used in plan operation	1e		
f	Total assets (add all amounts in lines 1a through 1e)	1f	56940552	58138594
	Liabilities			
g	Benefit claims payable	1g		
h	Operating payables	1h		
i	Acquisition indebtedness	1i		
j	Other liabilities	1j		
k	Total liabilities (add all amounts in lines 1g through1j)	1k	0	0
	Net Assets			
I	Net assets (subtract line 1k from line 1f)	11	56940552	58138594
			<u>'</u>	·

# Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income		(a) Amount	(b) Total
a Contributions:			
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	2824633	
(B) Participants	2a(1)(B)	2753356	
(C) Others (including rollovers)	2a(1)(C)		
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A), (B), (C), and line 2a(2)	2a(3)		5577989
b Earnings on investments:			
(1) Interest:			
(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	219	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	68344	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		68563
(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	1129529	
(D) Total dividends. Add lines 2b(2)(A), (B), and (C)	2b(2)(D)		1129529
(3) Rents	2b(3)		
(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		

_		ı
Pan	Δ.	
ı ay		٠

		(a) Amount	(b) Total				
<b>2b</b> (5) Unrealized appreciation (depreciation) of assets: (A)	Real estate						
(B) Other	2b(5)(B)						
(C) Total unrealized appreciation of assets.  Add lines 2b(5)(A) and (B)	2b(5)(C)						
(6) Net investment gain (loss) from common/collecti	ve trusts		158731				
(7) Net investment gain (loss) from pooled separate	accounts						
(8) Net investment gain (loss) from master trust inve	estment accounts 2b(8)						
(9) Net investment gain (loss) from 103-12 investme	ent entities						
(10) Net investment gain (loss) from registered investorment companies (e.g., mutual funds)	20/101		-1630234				
C Other income	2c						
d Total income. Add all income amounts in column (b) an	d enter total 2d		5304578				
Expenses							
<b>e</b> Benefit payment and payments to provide benefits:							
(1) Directly to participants or beneficiaries, including	direct rollovers 2e(1)	4077516					
(2) To insurance carriers for the provision of benefit	2e(2)						
(3) Other	2e(3)						
(4) Total benefit payments. Add lines 2e(1) through	(3)		4077516				
f Corrective distributions (see instructions)	2f						
g Certain deemed distributions of participant loans (se		-	24153				
h Interest expense	,	<u> </u>					
i Administrative expenses: (1) Professional fees	0:(4)						
(2) Contract administrator fees	01(0)						
(3) Investment advisory and management fees	2:/2\						
(4) Other		4867					
(5) Total administrative expenses. Add lines 2i(1) th	0:(5)		4867				
j Total expenses. Add all <b>expense</b> amounts in column	- Cag. (1)	-	4106536				
Net Income and Reconciliat	r (b) and onto rotaliiiii						
k Net income (loss). Subtract line 2j from line 2d			1198042				
I Transfers of assets:							
	2l(1)						
(1) To this plan	31(3)	-					
(2) From this plan	(_/						
Part III Accountant's Opinion							
3 Complete lines 3a through 3c if the opinion of an inde attached.	pendent qualified public accountant is at	ttached to this Form 5500. Comp	plete line 3d if an opinion is not				
<b>a</b> The attached opinion of an independent qualified pub	lic accountant for this plan is (see instruc	ctions):					
(1) Unqualified (2) Qualified (3)	X Disclaimer (4) Adverse						
<b>b</b> Did the accountant perform a limited scope audit purs	uant to 29 CFR 2520.103-8 and/or 103-	12(d)?	X Yes No				
<b>C</b> Enter the name and EIN of the accountant (or account	ting firm) below:						
(1) Name: ERNST & YOUNG LLP							
d The opinion of an independent qualified public accoun	_						
(1) This form is filed for a CCT, PSA, or MTIA	. (2) It will be attached to the next	t Form 5500 pursuant to 29 CFR	2520.104-50.				

Pai	rt IV	Compliance Questions					
4	CCTs 103-12	and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 2 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.	4f, 4g,	4h, 4k, 4	m, 4n, or 5	5.	
	During	the plan year:		Yes	No	Amo	unt
а	period	nere a failure to transmit to the plan any participant contributions within the time described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures illy corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)	4a	X			140771
b	Were close secure	any loans by the plan or fixed income obligations due the plan in default as of the of the plan year or classified during the year as uncollectible? Disregard participant loans and by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is			X		
С	Were	any leases to which the plan was a party in default or classified during the year as ectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	4b 4c		X		
d	report	there any nonexempt transactions with any party-in-interest? (Do not include transactions ed on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is ed.)	4d		X		
		<b>'</b>		Χ			10000000
e		nis plan covered by a fidelity bond?	4e				1000000
f	by frau	e plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused ud or dishonesty?	4f		X		
g		e plan hold any assets whose current value was neither readily determinable on an ished market nor set by an independent third party appraiser?	4g		X		
h		e plan receive any noncash contributions whose value was neither readily ninable on an established market nor set by an independent third party appraiser?	4h		X		
i		e plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, se instructions for format requirements.)	4i	X			
j	Were value	any plan transactions or series of transactions in excess of 5% of the current of plan assets? (Attach schedule of transactions if "Yes" is checked, and structions for format requirements.)	4j		X		
k		all the plan assets either distributed to participants or beneficiaries, transferred to another or brought under the control of the PBGC?	4k		X		
ı	Has th	e plan failed to provide any benefit when due under the plan?	41		X		
m	If this	is an individual account plan, was there a blackout period? (See instructions and 29 CFR 101-3.)	4m		X		
n		was answered "Yes," check the "Yes" box if you either provided the required notice or one exceptions to providing the notice applied under 29 CFR 2520.101-3	4n		X		
5a		esolution to terminate the plan been adopted during the plan year or any prior plan year? "enter the amount of any plan assets that reverted to the employer this year	Yes	No X	Amou	nt:	
5b	transfe	ng this plan year, any assets or liabilities were transferred from this plan to another plan(s) erred. (See instructions.)	, identi	fy the pla	ın(s) to wh	iich assets or liabi	lities were
	5b(1)	Name of plan(s)			<b>5b(2)</b> EIN	(s)	<b>5b(3)</b> PN(s)

# **SCHEDULE R** (Form 5500)

Department of the Treasury Internal Revenue Service

Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation

### **Retirement Plan Information**

This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

File as an attachment to Form 5500.

OMB No. 1210-0110

2011

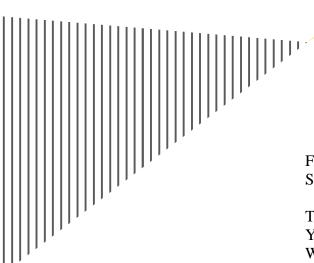
This Form is Open to Public Inspection.

For	calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and er	nding	)	12/31/2	011				
	Name of plan	В		e-digit					
IRA	NSALTA RETIREMENT SAVINGS PLAN		•	n numbe	er	002			
			(PN	1)	<u> </u>				_
	Plan sponsor's name as shown on line 2a of Form 5500	D	Emp	loyer Id	entifica	ition Number	(EIN)		
IKA	NSALTA USA, INC.		98	3-022082	29				
									_
Pa	art I Distributions								
All	references to distributions relate only to payments of benefits during the plan year.								
1	Total value of distributions paid in property other than in cash or the forms of property specified in the								
	instructions			1					0
2	Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during	ng th	ne year	r (if mor	e than	two, enter EII	ls of	the two	_
	payors who paid the greatest dollar amounts of benefits):								
	EIN(s): 04-6568107								
	Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.								
2			. 1						—
3	Number of participants (living or deceased) whose benefits were distributed in a single sum, during the year	•		3					
В	•				the Let	I D	. 0	1	—
Г	<b>art II</b> Funding Information (If the plan is not subject to the minimum funding requirements o ERISA section 302, skip this Part)	or sec	ction o	141201	tne int	ernai Revenu	e Coc	ie or	
4	Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?				Yes	No		N/	— A
•	If the plan is a defined benefit plan, go to line 8.			Ш		Ц		ш	
_									
5	If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver.  Date: Mont	th		Da		Yea	r		
	If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the ren				,		'		
6			uei oi	11115 50	lleuui	<del>5.</del>			_
U	<b>a</b> Enter the minimum required contribution for this plan year (include any prior year accumulated function deficiency not waived)	-		6a					
	•		ŀ	C L					
	<b>b</b> Enter the amount contributed by the employer to the plan for this plan year			6b					
	C Subtract the amount in line 6b from the amount in line 6a. Enter the result								
	(enter a minus sign to the left of a negative amount)			6c					
_	If you completed line 6c, skip lines 8 and 9.								
7	Will the minimum funding amount reported on line 6c be met by the funding deadline?				Yes	No		N/A	A
									_
8	If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or of								
	authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or administrator agree with the change?	pian			Yes	No		N/A	A
D									_
	art III Amendments								
9	If this is a defined benefit pension plan, were any amendments adopted during this plan								
	year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box	ase		Decre	ase	Both	Ī	No	
Pa	rt IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(a	e)(7)	of the	Interna	l Reve	nue Code			_
. u	skip this Part.	~ <sub>/(</sub> , ,	J. 111C						
10	Were unallocated employer securities or proceeds from the sale of unallocated securities used to repa	y an	y exen	npt loan	?	Т	es	N	0
11	a Does the ESOP hold any preferred stock?			•			es	N	0
-	<b>b</b> If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "b							Η	
	(See instructions for definition of "back-to-back" loan.)					<u> </u>	es	∐ N	0
12	Does the ESOP hold any stock that is not readily tradable on an established securities market?						es	N	0

Pa	rt V	Additional Information for Multiemployer Defined Benefit Pension Plans
13		er the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in lars). See instructions. Complete as many entries as needed to report all applicable employers.
	а	Name of contributing employer
	b	EIN C Dollar amount contributed by employer
	d	Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year
	е	Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).) (1) Contribution rate (in dollars and cents) (2) Base unit measure: Hourly Weekly Unit of production Other (specify):
	а	Name of contributing employer
	b	EIN C Dollar amount contributed by employer
	d	Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year
	е	Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)  (1) Contribution rate (in dollars and cents)  (2) Base unit measure: Hourly Weekly Unit of production Other (specify):
	а	Name of contributing employer
	b	EIN C Dollar amount contributed by employer
	d	Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year
	е	Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)  (1) Contribution rate (in dollars and cents)  (2) Base unit measure: Hourly Weekly Unit of production Other (specify):
	а	Name of contributing employer
	b	EIN C Dollar amount contributed by employer
	d	Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year
	е	Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)  (1) Contribution rate (in dollars and cents)  (2) Base unit measure: Hourly Weekly Unit of production Other (specify):
	а	Name of contributing employer
	b	EIN C Dollar amount contributed by employer
	d	Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year
	е	Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)  (1) Contribution rate (in dollars and cents)  (2) Base unit measure: Hourly Unit of production Other (specify):
	а	Name of contributing employer
	b	EIN C Dollar amount contributed by employer
	d	Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year
	е	Contribution rate information (If more than one rate applies, check this box and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)  (1) Contribution rate (in dollars and cents)  (2) Base unit measure: Hourly Weekly Unit of production Other (specify):

_		•
Н	ane	
•	~5~	-

14	Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:					
	a The current year	14a				
	<b>b</b> The plan year immediately preceding the current plan year	14b				
	C The second preceding plan year	14c				
15 Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:						
	a The corresponding number for the plan year immediately preceding the current plan year	15a				
	<b>b</b> The corresponding number for the second preceding plan year	15b				
16	Information with respect to any employers who withdrew from the plan during the preceding plan year:					
	a Enter the number of employers who withdrew during the preceding plan year	16a				
	<b>b</b> If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b				
17	17 If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment.					
Р	art VI Additional Information for Single-Employer and Multiemployer Defined Benef	t Pens	ion Plans			
18	18 If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment					
19	If the total number of participants is 1,000 or more, complete items (a) through (c)					
	Enter the percentage of plan assets held as:  Stock:% Investment-Grade Debt:% High-Yield Debt:% Real Estate:% Other:%  Provide the average duration of the combined investment-grade and high-yield debt:  0-3 years 3-6 years 5-9 years 9-12 years 12-15 years 15-18 years 18-21 years 21 years 21 years or more					
	C What duration measure was used to calculate item 19(b)?  ☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):					



FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

TransAlta Retirement Savings Plan Years Ended December 31, 2011 and 2010 With Report of Independent Auditors

Ernst & Young LLP



# Financial Statements and Supplemental Schedules

Years Ended December 31, 2011 and 2010

# **Contents**

Report of Independent Auditors	1
Financial Statements	
Statements of Net Assets Available for Benefits	2
Statements of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements	4
Supplemental Schedules	
Schedule H, Line 4(a) – Schedule of Delinquent Participant Contributions	14
Schedule H, Line 4(a) – Schedule of Assets (Held at End of Year)	15



Ernst & Young LLP Suite 3500 999 Third Avenue Seattle, WA 98104-4086

Tel: +1 206 621 1800 Fax: +1 206 654 7799

www.ey.com

# Report of Independent Auditors

The Retirement Committee
TransAlta Retirement Savings Plan

We were engaged to audit the accompanying statements of net assets available for benefits of TransAlta Retirement Savings Plan as of December 31, 2011 and 2010, and the related statements of changes in net assets available for benefits for the years then ended, and the supplemental schedules of assets (held at end of year) as of December 31, 2011 and delinquent participant contributions for the year then ended. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 3, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of and for the years ended December 31, 2011 and 2010, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the financial statements, but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the investment information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

July 20, 2012

1206-1370285

1

Ernst + Young LLP

# Statements of Net Assets Available for Benefits

December 31 (U.S. dollars)	2011	2010
Assets		_
Receivables		
Contributions receivable	12,296	11,083
Notes receivable from participants (Notes 1 and 2)	1,397,765	1,468,714
Total receivables	1,410,061	1,479,797
Investments at fair value (Note 3)		
Mutual funds	46,129,501	46,077,429
Common collective trust fund	5,386,506	5,157,450
Money market fund	5,212,526	4,225,876
Total investments at fair value	56,728,533	55,460,755
Adjustments from fair value to contract value for interest in		
common collective trust fund with fully benefit-responsive	(122.052)	(41.025)
investment contracts (Note 5)	(132,852)	(41,935)
Net assets available for benefits	58,005,742	56,898,617

See accompanying notes.

# Statements of Changes in Net Assets Available for Benefits

Year ended December 31 (U.S. dollars)	2011	2010
Additions to (deductions from) net assets attributed to		
Investment income		
Interest and dividends <sup>1</sup>	1,265,906	1,141,732
Net (depreciation) appreciation in fair value of investments	(1,630,234)	4,774,000
Net investment (loss) income	(364,328)	5,915,732
Contributions:		
Participants	2,753,356	2,764,143
Employer	2,824,633	1,980,857
Rollovers	-	181,190
Benefit payments	(4,101,669)	(3,212,497)
Administrative expenses	(4,867)	(6,064)
Net increase in net assets	1,107,125	7,623,361
Net assets available for benefits, beginning of year	56,898,617	49,275,256
Net assets available for benefits, end of year	58,005,742	56,898,617

<sup>1</sup> Includes \$68,344 of interest on notes receivable from participants (2010 - \$70,313).

See accompanying notes.

#### Notes to Financial Statements

December 31, 2011

(Tabular amounts are in U.S. dollars)

#### 1. Description of the Plan

The following description of the TransAlta Retirement Savings Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

#### A. General

The Plan is a defined contribution plan that was established by TransAlta USA Inc. (the "Company") effective July 1, 2000. It was established for those employees who were employed by certain PacifiCorp Centralia facilities purchased by the Company on July 1, 2000. Employees in the PacifiCorp K Plus Employee Savings and Stock Ownership Plan (the "PacifiCorp Plan") were given the option of transferring their PacifiCorp pension and/or PacifiCorp Plan benefits to the Plan. Assets for those employees were transferred from the PacifiCorp Plan to the Plan on July 1, 2000. The Plan is for the benefit of substantially all employees of the Company, TransAlta Centralia Mining LLC, TransAlta Centralia Generation LLC, and TransAlta Energy Marketing (U.S.), Inc. ("TEMUS"). In February 2001, the Retirement Committee approved a resolution to permit both IPP Energy employees (Binghamton) and TEMUS employees (Portland) to join the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

#### **B.** Eligibility

Participation in the Plan is voluntary. Employees of the Company, or a participating company, are eligible to participate in the Plan on the first day of the month following completion of one hour of service. Eligibility requirements at the inception of the Plan on July 1, 2000, provided that employees who were eligible to participate on July 1, 2000 became participants on July 1, 2000. Prior to December 31, 2010, at which time the TransAlta Retirement Pension Plan (the "Pension Plan") was frozen, employees, who were also active participants in the Pension Plan, participated under the basic provisions of the Plan (the "Basic Plan"). All other participating employees participated under the enhanced provisions of the Plan (the "Enhanced Plan"). As of January 1, 2011, due to the Pension Plan freeze, the distinction between provisions associated with the Basic Plan and the Enhanced Plan is no longer required.

1206-1370285 4

Notes to Financial Statements (continued)

#### C. Contributions

All employees participating in the Plan can contribute from 1% to 25% of their eligible compensation, subject to the annual limitations prescribed by the Internal Revenue Service (the "IRS"). Nonunion employees who have completed three months of service are eligible to receive an employer matching and fixed contribution. All other participants who have completed six months of service, are eligible to receive an employer matching and fixed contribution.

Within the Plan, the Company contributes, as a matching contribution, 100% of the first 5% of straight-time compensation that a participant contributes. The Company also makes a fixed contribution on behalf of each participant in the Plan equal to 5% of such participant's straight-time compensation for each contribution period.

Members who were active within the Pension Plan as of December 31, 2010, receive top-up contributions each payroll commencing on January 1, 2011 based on straight time compensation. The top-up contributions will continue until the earlier of December 31, 2027, or the date the member is no longer active in the Plan.

#### **D.** Participant Accounts

Each participant's account is credited with the participant's contributions, rollovers, company matching and/or fixed contributions, and top-up contributions if applicable; and an allocation of each investment fund's investment income and security gains and losses. Participants may direct the investment of their respective account balances to any combination of the investment fund options provided by the Plan. Investment funds may be changed by the participants at any time.

#### E. Vesting

Participants are immediately vested in their voluntary contributions and rollover amounts, plus earnings thereon. Vesting in the remainder of their account is based on years of service to the Company. All non-union employees vest 20% per year over five years of service for fixed contributions, and vest immediately for matching contributions. For union employees, matching contributions vest 20% per year over five years of vesting service. Employer fixed contributions become fully vested after the completion of two years of vesting service. If a participant resigns or terminates, the portions of their matching account or fixed contribution account that are not vested are forfeited and will serve to reduce and be considered part of the employer's matching contributions during the year. Such forfeitures were not significant during 2011 or 2010.

Notes to Financial Statements (continued)

#### F. Benefit Payments

In accordance with the plan document and as allowed under the Internal Revenue Code (the "Code"), distribution of a participant's vested account is available upon the participant's retirement, death, disability, termination of employment, or attainment of age 59½. Distribution is also available to satisfy a financial hardship meeting the requirements of the Code. Participants may receive a lump-sum amount equal to the vested value of their account, or elect to receive annual or more frequent installments over a period not longer than 10 years.

#### **G.** Notes Receivable from Participants (Participant Loans)

Participants may borrow from their accounts up to a maximum equal to the lesser of \$50,000 or 50% of the participant's vested account balance. Loans are secured by the participants' respective account balances. The interest rate is determined by the Company when the loan is granted based on prevailing market rates for similar types of loans. Principal and interest payments are paid through payroll deductions. Loan terms are five years, unless the participant acquires a new principal residence, in which case the loan term may be up to 15 years.

#### H. Administrative Expenses

The Plan pays for certain transactional fees. Other administrative expenses, such as audit fees, are paid by the Company.

#### I. Administration

The Plan is administered by the Retirement Committee, which consists of members appointed by the Company.

#### J. Plan Termination

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan. In the event of the Plan's termination, benefits under the Plan would be distributed based upon participants' account balances accumulated on the date of termination of the Plan subject to the provisions of ERISA. The account of each participant shall be fully vested and nonforfeitable as of the effective date of a complete termination of the Plan.

Notes to Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies

#### A. Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

#### **B.** Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that could affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### C. Investment Valuation and Income Recognition

The Plan follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 establishes a framework for measuring fair value in U.S. GAAP where fair value is considered to be the relevant measurement attribute. Part of the framework involves the establishment of a three-level hierarchy for measuring fair value. For Level 1 categorized financial items, the inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Plan has the ability to access. Level 2 categorized financial items are valued based on inputs that are observable, either directly or indirectly. Level 3 categorized financial items are valued using unobservable inputs. Level 3 financial statement items require additional disclosures due to the use of unobservable market inputs in the fair value determination (Note 3).

The fair values of the investments in mutual funds are based on quoted market prices to sell, which represents the net asset value of shares held by the Plan at year-end. The fair values of the common collective trust fund and the mutual funds have been estimated using the unadjusted net asset value per unit as determined by the funds' issuer on the last business day of the Plan's year-end (*Notes 3 and 5*). Redemptions of the common collective trust funds require 12-months written notice; however, such redemptions may be completed before the 12-months expiration at the discretion of the common collective trust fund issuer.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

Notes to Financial Statements (continued)

#### D. Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2011 or 2010. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded (*Note 2*).

#### E. Risks and Uncertainties

The Plan provides for various investment options. Investment securities, in general, are exposed to various risks, such as interest rate, market volatility, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the value of participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

#### F. New Accounting Pronouncements

#### **Future Accounting Changes**

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"). ASU 2011-04 amended ASC 820, to converge fair value measurement guidance in U.S. GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle for measuring fair value. In addition, ASU 2011-04 requires additional fair value disclosures although certain of these new disclosures will not be required for non-public entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently assessing the impact of adopting ASU 2011-04 on the financial statements.

Notes to Financial Statements (continued)

#### **Prior Period Accounting Changes**

In September, 2010, the Plan adopted ASU 2010-25, Reporting Loans to Participants by Defined Contribution Pension Plans. ASU 2010-25 amends FASB ASC Topic 962, Plan Accounting – Defined Contribution Pension Plans, to require that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. As a result of adopting this update, the Plan has reclassified participant loans out of investments and now reports them as notes receivable from participants on the statements of net assets available for benefits.

In January 2010, the Plan adopted ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends ASC 820, to provide additional disclosure requirements regarding (i) transfers in and out of Levels 1 and 2 fair value measurements; and (ii) activity in Level 3 fair value measurements. Although the additional disclosures about activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, the Plan has adopted these in 2010. The implementation of this ASU did not have an impact on the Plan's financial statements.

#### 3. Investments

The Retirement Committee has chosen institutional funds offered by Fidelity Investments and all investments are maintained by Fidelity Management Trust Company, the trustee of the Plan. All investment information disclosed in the accompanying financial statements and supplemental schedule, including investments held at December 31, 2011 and 2010, the net appreciation (depreciation) in the fair value investments, and interest and dividends, for the years then ended, was obtained or derived from information supplied to the plan administrator and certified as complete and accurate by the trustee.

# Notes to Financial Statements (continued)

The fair values of individual investments that represent 5% or more of the Plan's net assets are as follows:

December 31	2011	2010
Fidelity Balanced Fund	10,344,606	10,038,269
Fidelity Contrafund	3,382,399	3,554,642
Fidelity Growth Company	3,755,840	4,787,587
Fidelity Diversified International Fund	2,979,236	3,820,047
Fidelity Freedom 2020 <sup>1</sup>	-	2,932,573
Fidelity Money Market Trust – Retirement Money Market Portfolio	5,212,526	4,225,876
Fidelity Managed Income Portfolio	5,386,506	5,157,450
PIMCO Total Return Fund	4,613,956	4,104,670

<sup>1</sup> The fair value of this investment at Dec. 31, 2011 is less than 5%.

Investments, by level as described in Note 2, are as follows as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Money market fund	-	5,212,526	-	5,212,526
Common collective trust fund	-	5,386,506	-	5,386,506
Mutual funds				
U.S. Large Cap	12,734,126	-	-	12,734,126
U.S. Mid-Cap	3,275,241	-	-	3,275,241
U.S. Small Cap	1,345,114	-	-	1,345,114
International Equity	3,096,417	-	-	3,096,417
U.S. Equity and Fixed Income	19,136,149	-	-	19,136,149
U.S. Bonds	6,542,454	-	-	6,542,454
Total fair value of investments	46,129,501	10,599,032	-	56,728,533

Notes to Financial Statements (continued)

Investments, by level as described in Note 2, are as follows as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Money market fund	-	4,225,876	-	4,225,876
Common collective trust fund	-	5,157,450	-	5,157,450
Mutual funds				
U.S. Large Cap	14,356,521	-	-	14,356,521
U.S. Mid-Cap	3,510,111	-	-	3,510,111
U.S. Small Cap	1,504,017	-	-	1,504,017
International Equity	3,944,730	-	-	3,944,730
U.S. Equity and Fixed Income	16,897,410	-	-	16,897,410
U.S. Bonds	5,864,640	-	-	5,864,640
Total fair value of investments	46,077,429	9,383,326	-	55,460,755

#### 4. Income Tax Status

The Plan has received a determination letter from the IRS, dated January 6, 2011, stating that the Plan, as amended and restated, is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its tax-qualified status. The plan sponsor has indicated that it will take the necessary steps, if any, to maintain the tax-qualified status of the Plan.

The Plan follows U.S. GAAP to evaluate uncertain tax positions, which are recognized when the position is more-likely-than-not based upon the technical merits to be sustained upon examination by the IRS. As of December 31, 2011, there are no uncertain tax positions taken or expected to be taken by the Plan. The Plan has not recognized interest or penalties related to uncertain tax positions. The plan administrator believes the Plan is no longer subject to income tax examinations for the years prior to 2008.

Notes to Financial Statements (continued)

#### 5. Reconciliation of Financial Statements to Form 5500

Investment contracts held by a defined contribution plan are required to be reported at fair value under FASB ASC Topic 962, *Plan Accounting – Defined Contribution Pension Plans*. However, contract value is the relevant measurement attribute for fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a common collective trust fund, Fidelity Managed Income Portfolio ("MIP Fund"). The fair value of the Plan's interest in the MIP Fund is based on information reported by the issuer of the common collective trust fund at year-end. The contract value of the MIP Fund represents contributions plus earnings, less participant withdrawals and administrative expenses.

The following is a reconciliation of net assets available for benefits per the statements of net assets available for benefits at December 31, 2011 and 2010, to the Form 5500:

December 31	2011	2010
Net assets available for benefits per the statements of		_
net assets available for benefits	58,005,742	56,898,617
Plus: adjustments from fair value to contract value		
for interest in a common collective trust fund with		
fully benefit-responsive investment contracts	132,852	41,935
Net assets available for benefits per the Form 5500	58,138,594	56,940,552

The following is a reconciliation of net investment income per the financial statements for the year ended December 31, 2011 to the Form 5500:

Net investment loss per the statements of changes in net assets available for benefits	(364,328)
Add: current year adjustment from fair value to contract value for	
interest in common collective trust fund with fully benefit-	
responsive investment contracts	132,852
Deduct prior year adjustment from fair value to contract	
value for interest in common collective trust fund with fully	
benefit-responsive investment contracts	(41,935)
Net investment loss per the Form 5500	(273,411)

Notes to Financial Statements (continued)

#### 6. Plan Amendment

As of December 31, 2010, benefits available under the Pension Plan have been frozen. As of January 1, 2011, all active employees whose benefits under the Pension Plan were frozen will participate in the enhanced provisions of the Plan. Employees who were members of the Pension Plan as of December 31, 2010, will now be provided top-up contributions within the Plan, for the period while they are active employees, or up to December 31, 2027.

#### 7. Subsequent Events

Subsequent events have been evaluated through to July 20, 2012, which represents the date the financial statements were available to be issued.

Supplemental Schedules

EIN: 98-0220829 Plan Number: 002

# Schedule H, Line 4(a) – Schedule of Delinquent Participant Contributions

Year Ended December 31, 2011

Participant	Total that Constitute Nonexempt Prohibited			Total Fully
Contributions		Transactions		Corrected
Transferred				Under VFCP
Late to Plan				and PTE
Check here	Contributions	Contributions	Contributions	2002-51
if Late	Not Corrected	Corrected	Pending	
Participant		Outside	Correction in	
Loan		VFCP	VFCP	
Repayments				
are included:				
$\boxtimes$				
\$ 140,771	\$ -	\$ 140,771	\$ -	\$ -

EIN: 98-0220829 Plan Number: 002

# Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)

December 31, 2011

(b) Identity of Issue, Borrower, (a) Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(e) Current Value
Mutual funds		
Fidelity Balanced Fund <sup>1</sup>	568,697 shares	\$ 10,344,606
Fidelity Dividend Growth Fund <sup>1</sup>	80,171 shares	2,074,013
Fidelity Spartan U.S. Equity Index Fund <sup>1</sup>	60,529 shares	2,692,955
PIMCO Total Return Fund <sup>1</sup>	424,467 shares	4,613,956
Fidelity Diversified International Fund <sup>1</sup>	116,741 shares	2,979,236
Fidelity Freedom 2010 Fund <sup>1</sup>	96,314 shares	1,261,717
Fidelity Freedom 2020 Fund <sup>1</sup>	218,264 shares	2,863,623
Fidelity Freedom 2030 Fund <sup>1</sup>	71,482 shares	917,825
Fidelity Freedom Income Fund <sup>1</sup>	8,746 shares	98,309
Fidelity Freedom 2040 Fund <sup>1</sup>	64,011 shares	471,123
Fidelity Freedom 2000 Fund <sup>1</sup>	102, 228 shares	1,214,463
Fidelity Contrafund <sup>1</sup>	50,139 shares	3,382,399
Fidelity Growth Company <sup>1</sup>	46,431 shares	3,755,840
Spartan Extended Market Index	17,608 shares	624,377
Perkins Mid Cap Value – Class T <sup>1</sup>	23,995 shares	484,450
Fidelity Freedom 2005 Fund <sup>1</sup>	1 share	10
Fidelity Freedom 2015 Fund <sup>1</sup>	26,727 shares	292,123
Fidelity Freedom 2025 Fund <sup>1</sup>	68,500 shares	740,487
Fidelity Freedom 2035 Fund <sup>1</sup>	49,090 shares	517,903
Fidelity Freedom 2045 Fund <sup>1</sup>	36,419 shares	316,482
Fidelity Freedom 2050 Fund <sup>1</sup>	11,414 shares	97,476
Rainier Small/Mid Cap Equity Portfolio	68,041 shares	2,166,415
PIMCO High Yield Fund – Admin Class	142,972 shares	1,283,890
MSI International Equity Portfolio – Class P	9,676 shares	117,181
Vanguard Inflation-Protected Securities Fund Admiral Shares	23,263 shares	644,608
MFS Value Fund Class R3	37,138 shares	828,919
American Beacon Small Cap Value Fund – Plan Ahead	25,644 shares	475,691
Royce Pennsylvania Mutual Investment	80,801 shares	869,424
Total mutual funds		\$ 46,129,501

EIN: 98-0220829 Plan Number: 002

# Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) (continued)

December 31, 2011

(c) **Description of Investment, Including (b)** (e) Maturity Date, Rate of Identity of Issue, Borrower, Current Interest, Collateral, Par, Lessor, or Similar Party Value (a) or Maturity Value **Common collective trust fund** 5,253,654 units 5,386,506 Fidelity Managed Income Portfolio<sup>1</sup> Money market fund Fidelity Money Market Trust – Retirement Money<sup>1</sup> Market Portfolio 5,212,526 units 5,212,526 \$ 56,728,533 **Total investments** Interest rates range from 4.0% to 9.5%, maturing through 2026 **Participant loans** 1,397,765

Column (d), Cost, is not applicable as investments are participant directed.

<sup>1</sup> Indicates party-in-interest to the Plan.

## Ernst & Young LLP

## Assurance | Tax | Transactions | Advisory

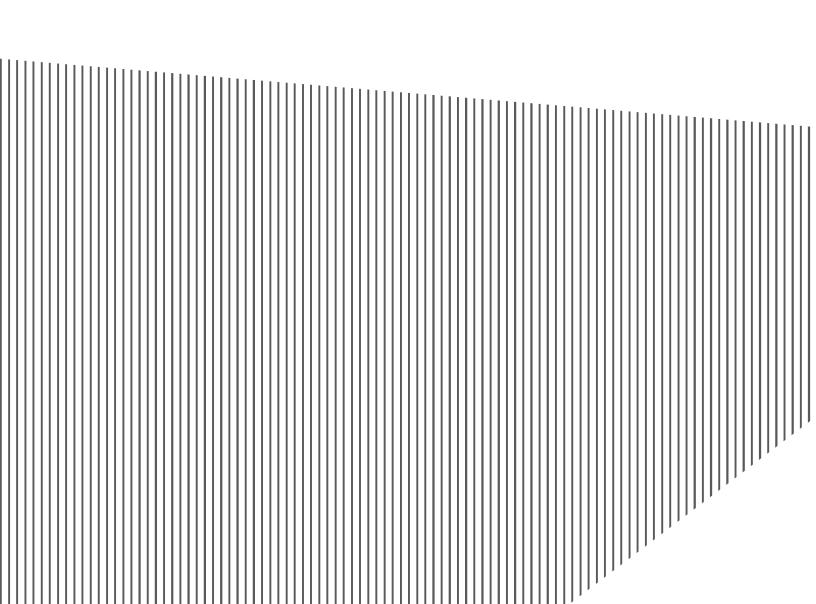
#### About Ernst & Young

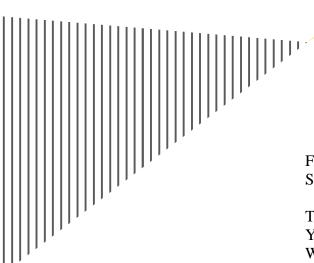
Ernst & Young is a global leader in assurance, tax, transaction and advisory services.
Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity.

Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.





FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

TransAlta Retirement Savings Plan Years Ended December 31, 2011 and 2010 With Report of Independent Auditors

Ernst & Young LLP



# Financial Statements and Supplemental Schedules

Years Ended December 31, 2011 and 2010

# **Contents**

Report of Independent Auditors	1
Financial Statements	
Statements of Net Assets Available for Benefits	2
Statements of Changes in Net Assets Available for Benefits	3
Notes to Financial Statements	4
Supplemental Schedules	
Schedule H, Line 4(a) – Schedule of Delinquent Participant Contributions	14
Schedule H, Line 4(a) – Schedule of Assets (Held at End of Year)	15



Ernst & Young LLP Suite 3500 999 Third Avenue Seattle, WA 98104-4086

Tel: +1 206 621 1800 Fax: +1 206 654 7799

www.ey.com

## Report of Independent Auditors

The Retirement Committee
TransAlta Retirement Savings Plan

We were engaged to audit the accompanying statements of net assets available for benefits of TransAlta Retirement Savings Plan as of December 31, 2011 and 2010, and the related statements of changes in net assets available for benefits for the years then ended, and the supplemental schedules of assets (held at end of year) as of December 31, 2011 and delinquent participant contributions for the year then ended. These financial statements and supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 3, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained certifications from the trustee as of and for the years ended December 31, 2011 and 2010, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedules as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the financial statements, but are required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the investment information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

July 20, 2012

1206-1370285

1

Ernst + Young LLP

# Statements of Net Assets Available for Benefits

December 31 (U.S. dollars)	2011	2010
Assets		_
Receivables		
Contributions receivable	12,296	11,083
Notes receivable from participants (Notes 1 and 2)	1,397,765	1,468,714
Total receivables	1,410,061	1,479,797
Investments at fair value (Note 3)		
Mutual funds	46,129,501	46,077,429
Common collective trust fund	5,386,506	5,157,450
Money market fund	5,212,526	4,225,876
Total investments at fair value	56,728,533	55,460,755
Adjustments from fair value to contract value for interest in		
common collective trust fund with fully benefit-responsive	(122.052)	(41.025)
investment contracts (Note 5)	(132,852)	(41,935)
Net assets available for benefits	58,005,742	56,898,617

See accompanying notes.

# Statements of Changes in Net Assets Available for Benefits

Year ended December 31 (U.S. dollars)	2011	2010
Additions to (deductions from) net assets attributed to		
Investment income		
Interest and dividends <sup>1</sup>	1,265,906	1,141,732
Net (depreciation) appreciation in fair value of investments	(1,630,234)	4,774,000
Net investment (loss) income	(364,328)	5,915,732
Contributions:		
Participants	2,753,356	2,764,143
Employer	2,824,633	1,980,857
Rollovers	-	181,190
Benefit payments	(4,101,669)	(3,212,497)
Administrative expenses	(4,867)	(6,064)
Net increase in net assets	1,107,125	7,623,361
Net assets available for benefits, beginning of year	56,898,617	49,275,256
Net assets available for benefits, end of year	58,005,742	56,898,617

<sup>1</sup> Includes \$68,344 of interest on notes receivable from participants (2010 - \$70,313).

See accompanying notes.

#### Notes to Financial Statements

December 31, 2011

(Tabular amounts are in U.S. dollars)

#### 1. Description of the Plan

The following description of the TransAlta Retirement Savings Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

#### A. General

The Plan is a defined contribution plan that was established by TransAlta USA Inc. (the "Company") effective July 1, 2000. It was established for those employees who were employed by certain PacifiCorp Centralia facilities purchased by the Company on July 1, 2000. Employees in the PacifiCorp K Plus Employee Savings and Stock Ownership Plan (the "PacifiCorp Plan") were given the option of transferring their PacifiCorp pension and/or PacifiCorp Plan benefits to the Plan. Assets for those employees were transferred from the PacifiCorp Plan to the Plan on July 1, 2000. The Plan is for the benefit of substantially all employees of the Company, TransAlta Centralia Mining LLC, TransAlta Centralia Generation LLC, and TransAlta Energy Marketing (U.S.), Inc. ("TEMUS"). In February 2001, the Retirement Committee approved a resolution to permit both IPP Energy employees (Binghamton) and TEMUS employees (Portland) to join the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

#### **B.** Eligibility

Participation in the Plan is voluntary. Employees of the Company, or a participating company, are eligible to participate in the Plan on the first day of the month following completion of one hour of service. Eligibility requirements at the inception of the Plan on July 1, 2000, provided that employees who were eligible to participate on July 1, 2000 became participants on July 1, 2000. Prior to December 31, 2010, at which time the TransAlta Retirement Pension Plan (the "Pension Plan") was frozen, employees, who were also active participants in the Pension Plan, participated under the basic provisions of the Plan (the "Basic Plan"). All other participating employees participated under the enhanced provisions of the Plan (the "Enhanced Plan"). As of January 1, 2011, due to the Pension Plan freeze, the distinction between provisions associated with the Basic Plan and the Enhanced Plan is no longer required.

1206-1370285 4

Notes to Financial Statements (continued)

#### C. Contributions

All employees participating in the Plan can contribute from 1% to 25% of their eligible compensation, subject to the annual limitations prescribed by the Internal Revenue Service (the "IRS"). Nonunion employees who have completed three months of service are eligible to receive an employer matching and fixed contribution. All other participants who have completed six months of service, are eligible to receive an employer matching and fixed contribution.

Within the Plan, the Company contributes, as a matching contribution, 100% of the first 5% of straight-time compensation that a participant contributes. The Company also makes a fixed contribution on behalf of each participant in the Plan equal to 5% of such participant's straight-time compensation for each contribution period.

Members who were active within the Pension Plan as of December 31, 2010, receive top-up contributions each payroll commencing on January 1, 2011 based on straight time compensation. The top-up contributions will continue until the earlier of December 31, 2027, or the date the member is no longer active in the Plan.

#### **D.** Participant Accounts

Each participant's account is credited with the participant's contributions, rollovers, company matching and/or fixed contributions, and top-up contributions if applicable; and an allocation of each investment fund's investment income and security gains and losses. Participants may direct the investment of their respective account balances to any combination of the investment fund options provided by the Plan. Investment funds may be changed by the participants at any time.

#### E. Vesting

Participants are immediately vested in their voluntary contributions and rollover amounts, plus earnings thereon. Vesting in the remainder of their account is based on years of service to the Company. All non-union employees vest 20% per year over five years of service for fixed contributions, and vest immediately for matching contributions. For union employees, matching contributions vest 20% per year over five years of vesting service. Employer fixed contributions become fully vested after the completion of two years of vesting service. If a participant resigns or terminates, the portions of their matching account or fixed contribution account that are not vested are forfeited and will serve to reduce and be considered part of the employer's matching contributions during the year. Such forfeitures were not significant during 2011 or 2010.

Notes to Financial Statements (continued)

#### F. Benefit Payments

In accordance with the plan document and as allowed under the Internal Revenue Code (the "Code"), distribution of a participant's vested account is available upon the participant's retirement, death, disability, termination of employment, or attainment of age 59½. Distribution is also available to satisfy a financial hardship meeting the requirements of the Code. Participants may receive a lump-sum amount equal to the vested value of their account, or elect to receive annual or more frequent installments over a period not longer than 10 years.

#### **G.** Notes Receivable from Participants (Participant Loans)

Participants may borrow from their accounts up to a maximum equal to the lesser of \$50,000 or 50% of the participant's vested account balance. Loans are secured by the participants' respective account balances. The interest rate is determined by the Company when the loan is granted based on prevailing market rates for similar types of loans. Principal and interest payments are paid through payroll deductions. Loan terms are five years, unless the participant acquires a new principal residence, in which case the loan term may be up to 15 years.

### H. Administrative Expenses

The Plan pays for certain transactional fees. Other administrative expenses, such as audit fees, are paid by the Company.

#### I. Administration

The Plan is administered by the Retirement Committee, which consists of members appointed by the Company.

#### J. Plan Termination

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan. In the event of the Plan's termination, benefits under the Plan would be distributed based upon participants' account balances accumulated on the date of termination of the Plan subject to the provisions of ERISA. The account of each participant shall be fully vested and nonforfeitable as of the effective date of a complete termination of the Plan.

Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies

#### A. Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

#### **B.** Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions that could affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## C. Investment Valuation and Income Recognition

The Plan follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 establishes a framework for measuring fair value in U.S. GAAP where fair value is considered to be the relevant measurement attribute. Part of the framework involves the establishment of a three-level hierarchy for measuring fair value. For Level 1 categorized financial items, the inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Plan has the ability to access. Level 2 categorized financial items are valued based on inputs that are observable, either directly or indirectly. Level 3 categorized financial items are valued using unobservable inputs. Level 3 financial statement items require additional disclosures due to the use of unobservable market inputs in the fair value determination (Note 3).

The fair values of the investments in mutual funds are based on quoted market prices to sell, which represents the net asset value of shares held by the Plan at year-end. The fair values of the common collective trust fund and the mutual funds have been estimated using the unadjusted net asset value per unit as determined by the funds' issuer on the last business day of the Plan's year-end (*Notes 3 and 5*). Redemptions of the common collective trust funds require 12-months written notice; however, such redemptions may be completed before the 12-months expiration at the discretion of the common collective trust fund issuer.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

Notes to Financial Statements (continued)

### D. Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when it is earned. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2011 or 2010. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be a distribution, the participant loan balance is reduced and a benefit payment is recorded (*Note 2*).

#### E. Risks and Uncertainties

The Plan provides for various investment options. Investment securities, in general, are exposed to various risks, such as interest rate, market volatility, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the value of participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

#### F. New Accounting Pronouncements

#### **Future Accounting Changes**

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"). ASU 2011-04 amended ASC 820, to converge fair value measurement guidance in U.S. GAAP and IFRS. Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle for measuring fair value. In addition, ASU 2011-04 requires additional fair value disclosures although certain of these new disclosures will not be required for non-public entities. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently assessing the impact of adopting ASU 2011-04 on the financial statements.

Notes to Financial Statements (continued)

## **Prior Period Accounting Changes**

In September, 2010, the Plan adopted ASU 2010-25, Reporting Loans to Participants by Defined Contribution Pension Plans. ASU 2010-25 amends FASB ASC Topic 962, Plan Accounting – Defined Contribution Pension Plans, to require that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. As a result of adopting this update, the Plan has reclassified participant loans out of investments and now reports them as notes receivable from participants on the statements of net assets available for benefits.

In January 2010, the Plan adopted ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends ASC 820, to provide additional disclosure requirements regarding (i) transfers in and out of Levels 1 and 2 fair value measurements; and (ii) activity in Level 3 fair value measurements. Although the additional disclosures about activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010, the Plan has adopted these in 2010. The implementation of this ASU did not have an impact on the Plan's financial statements.

#### 3. Investments

The Retirement Committee has chosen institutional funds offered by Fidelity Investments and all investments are maintained by Fidelity Management Trust Company, the trustee of the Plan. All investment information disclosed in the accompanying financial statements and supplemental schedule, including investments held at December 31, 2011 and 2010, the net appreciation (depreciation) in the fair value investments, and interest and dividends, for the years then ended, was obtained or derived from information supplied to the plan administrator and certified as complete and accurate by the trustee.

# Notes to Financial Statements (continued)

The fair values of individual investments that represent 5% or more of the Plan's net assets are as follows:

December 31	2011	2010
Fidelity Balanced Fund	10,344,606	10,038,269
Fidelity Contrafund	3,382,399	3,554,642
Fidelity Growth Company	3,755,840	4,787,587
Fidelity Diversified International Fund	2,979,236	3,820,047
Fidelity Freedom 2020 <sup>1</sup>	-	2,932,573
Fidelity Money Market Trust – Retirement Money Market Portfolio	5,212,526	4,225,876
Fidelity Managed Income Portfolio	5,386,506	5,157,450
PIMCO Total Return Fund	4,613,956	4,104,670

<sup>1</sup> The fair value of this investment at Dec. 31, 2011 is less than 5%.

Investments, by level as described in Note 2, are as follows as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Money market fund	-	5,212,526	-	5,212,526
Common collective trust fund	-	5,386,506	-	5,386,506
Mutual funds				
U.S. Large Cap	12,734,126	-	-	12,734,126
U.S. Mid-Cap	3,275,241	-	-	3,275,241
U.S. Small Cap	1,345,114	-	-	1,345,114
International Equity	3,096,417	-	-	3,096,417
U.S. Equity and Fixed Income	19,136,149	-	-	19,136,149
U.S. Bonds	6,542,454	-	-	6,542,454
Total fair value of investments	46,129,501	10,599,032	-	56,728,533

Notes to Financial Statements (continued)

Investments, by level as described in Note 2, are as follows as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Money market fund	-	4,225,876	-	4,225,876
Common collective trust fund	-	5,157,450	-	5,157,450
Mutual funds				
U.S. Large Cap	14,356,521	-	-	14,356,521
U.S. Mid-Cap	3,510,111	-	-	3,510,111
U.S. Small Cap	1,504,017	-	-	1,504,017
International Equity	3,944,730	-	-	3,944,730
U.S. Equity and Fixed Income	16,897,410	-	-	16,897,410
U.S. Bonds	5,864,640	-	-	5,864,640
Total fair value of investments	46,077,429	9,383,326	-	55,460,755

#### 4. Income Tax Status

The Plan has received a determination letter from the IRS, dated January 6, 2011, stating that the Plan, as amended and restated, is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its tax-qualified status. The plan sponsor has indicated that it will take the necessary steps, if any, to maintain the tax-qualified status of the Plan.

The Plan follows U.S. GAAP to evaluate uncertain tax positions, which are recognized when the position is more-likely-than-not based upon the technical merits to be sustained upon examination by the IRS. As of December 31, 2011, there are no uncertain tax positions taken or expected to be taken by the Plan. The Plan has not recognized interest or penalties related to uncertain tax positions. The plan administrator believes the Plan is no longer subject to income tax examinations for the years prior to 2008.

Notes to Financial Statements (continued)

#### 5. Reconciliation of Financial Statements to Form 5500

Investment contracts held by a defined contribution plan are required to be reported at fair value under FASB ASC Topic 962, *Plan Accounting – Defined Contribution Pension Plans*. However, contract value is the relevant measurement attribute for fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a common collective trust fund, Fidelity Managed Income Portfolio ("MIP Fund"). The fair value of the Plan's interest in the MIP Fund is based on information reported by the issuer of the common collective trust fund at year-end. The contract value of the MIP Fund represents contributions plus earnings, less participant withdrawals and administrative expenses.

The following is a reconciliation of net assets available for benefits per the statements of net assets available for benefits at December 31, 2011 and 2010, to the Form 5500:

December 31	2011	2010
Net assets available for benefits per the statements of		_
net assets available for benefits	58,005,742	56,898,617
Plus: adjustments from fair value to contract value		
for interest in a common collective trust fund with		
fully benefit-responsive investment contracts	132,852	41,935
Net assets available for benefits per the Form 5500	58,138,594	56,940,552

The following is a reconciliation of net investment income per the financial statements for the year ended December 31, 2011 to the Form 5500:

Net investment loss per the statements of changes in net assets available for benefits	(364,328)
Add: current year adjustment from fair value to contract value for	
interest in common collective trust fund with fully benefit-	
responsive investment contracts	132,852
Deduct prior year adjustment from fair value to contract	
value for interest in common collective trust fund with fully	
benefit-responsive investment contracts	(41,935)
Net investment loss per the Form 5500	(273,411)

Notes to Financial Statements (continued)

#### 6. Plan Amendment

As of December 31, 2010, benefits available under the Pension Plan have been frozen. As of January 1, 2011, all active employees whose benefits under the Pension Plan were frozen will participate in the enhanced provisions of the Plan. Employees who were members of the Pension Plan as of December 31, 2010, will now be provided top-up contributions within the Plan, for the period while they are active employees, or up to December 31, 2027.

#### 7. Subsequent Events

Subsequent events have been evaluated through to July 20, 2012, which represents the date the financial statements were available to be issued.

Supplemental Schedules

EIN: 98-0220829 Plan Number: 002

# Schedule H, Line 4(a) – Schedule of Delinquent Participant Contributions

Year Ended December 31, 2011

Participant	Total that Constitute Nonexempt Prohibited			Total Fully
Contributions		Transactions		Corrected
Transferred				Under VFCP
Late to Plan				and PTE
Check here	Contributions	Contributions	Contributions	2002-51
if Late	Not Corrected	Corrected	Pending	
Participant		Outside	Correction in	
Loan		VFCP	VFCP	
Repayments				
are included:				
$\boxtimes$				
\$ 140,771	\$ -	\$ 140,771	\$ -	\$ -

EIN: 98-0220829 Plan Number: 002

# Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)

December 31, 2011

(b) Identity of Issue, Borrower, (a) Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(e) Current Value
Mutual funds		
Fidelity Balanced Fund <sup>1</sup>	568,697 shares	\$ 10,344,606
Fidelity Dividend Growth Fund <sup>1</sup>	80,171 shares	2,074,013
Fidelity Spartan U.S. Equity Index Fund <sup>1</sup>	60,529 shares	2,692,955
PIMCO Total Return Fund <sup>1</sup>	424,467 shares	4,613,956
Fidelity Diversified International Fund <sup>1</sup>	116,741 shares	2,979,236
Fidelity Freedom 2010 Fund <sup>1</sup>	96,314 shares	1,261,717
Fidelity Freedom 2020 Fund <sup>1</sup>	218,264 shares	2,863,623
Fidelity Freedom 2030 Fund <sup>1</sup>	71,482 shares	917,825
Fidelity Freedom Income Fund <sup>1</sup>	8,746 shares	98,309
Fidelity Freedom 2040 Fund <sup>1</sup>	64,011 shares	471,123
Fidelity Freedom 2000 Fund <sup>1</sup>	102, 228 shares	1,214,463
Fidelity Contrafund <sup>1</sup>	50,139 shares	3,382,399
Fidelity Growth Company <sup>1</sup>	46,431 shares	3,755,840
Spartan Extended Market Index	17,608 shares	624,377
Perkins Mid Cap Value – Class T <sup>1</sup>	23,995 shares	484,450
Fidelity Freedom 2005 Fund <sup>1</sup>	1 share	10
Fidelity Freedom 2015 Fund <sup>1</sup>	26,727 shares	292,123
Fidelity Freedom 2025 Fund <sup>1</sup>	68,500 shares	740,487
Fidelity Freedom 2035 Fund <sup>1</sup>	49,090 shares	517,903
Fidelity Freedom 2045 Fund <sup>1</sup>	36,419 shares	316,482
Fidelity Freedom 2050 Fund <sup>1</sup>	11,414 shares	97,476
Rainier Small/Mid Cap Equity Portfolio	68,041 shares	2,166,415
PIMCO High Yield Fund – Admin Class	142,972 shares	1,283,890
MSI International Equity Portfolio – Class P	9,676 shares	117,181
Vanguard Inflation-Protected Securities Fund Admiral Shares	23,263 shares	644,608
MFS Value Fund Class R3	37,138 shares	828,919
American Beacon Small Cap Value Fund – Plan Ahead	25,644 shares	475,691
Royce Pennsylvania Mutual Investment	80,801 shares	869,424
Total mutual funds		\$ 46,129,501

EIN: 98-0220829 Plan Number: 002

# Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year) (continued)

December 31, 2011

(c) **Description of Investment, Including (b)** (e) Maturity Date, Rate of Identity of Issue, Borrower, Current Interest, Collateral, Par, Lessor, or Similar Party Value (a) or Maturity Value **Common collective trust fund** 5,253,654 units 5,386,506 Fidelity Managed Income Portfolio<sup>1</sup> Money market fund Fidelity Money Market Trust – Retirement Money<sup>1</sup> Market Portfolio 5,212,526 units 5,212,526 \$ 56,728,533 **Total investments** Interest rates range from 4.0% to 9.5%, maturing through 2026 **Participant loans** 1,397,765

Column (d), Cost, is not applicable as investments are participant directed.

<sup>1</sup> Indicates party-in-interest to the Plan.

## Ernst & Young LLP

## Assurance | Tax | Transactions | Advisory

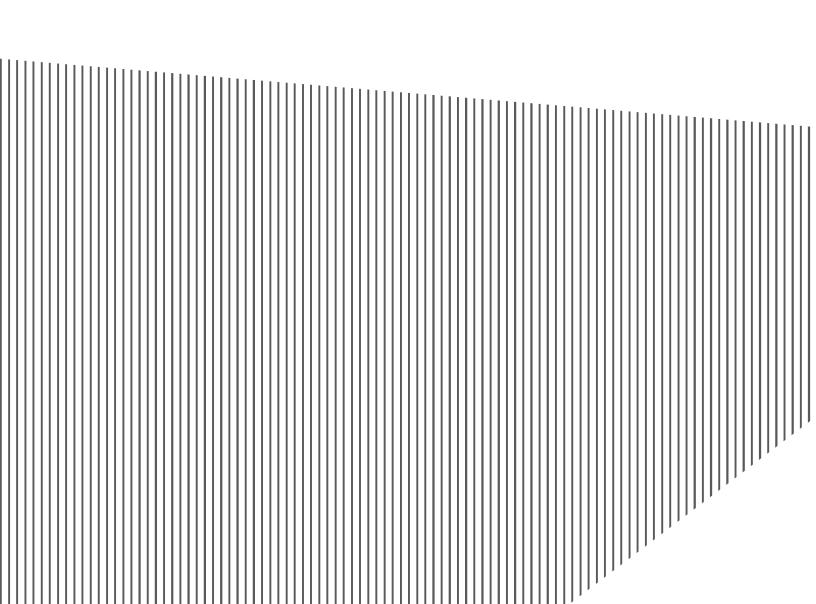
#### About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services.
Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity.

Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.



EIN: 98-0220829 Plan Number: 002

# Schedule H, Line 4(a) – Schedule of Delinquent Participant Contributions

Year Ended December 31, 2011

Participant	Total that Constitute Nonexempt Prohibited			Total Fully
Contributions	Transactions			Corrected
Transferred				Under VFCP
Late to Plan				and PTE
Check here	Contributions	Contributions	Contributions	2002-51
if Late	Not Corrected	Corrected	Pending	
Participant		Outside	Correction in	
Loan		VFCP	VFCP	
Repayments				
are included:				
\$ 140,771	-	\$ 140,771	\$ -	\$ -

Participant contributions and loan repayments for the October 7, 2011 payday (Friday) should have been deposited in each participant's account on October 10, 2011 (Monday). However, due to a payroll error, the contributions and loan repayments were not deposited in participants' accounts until October 18, 2011. The lost earnings on these late contributions and loan repayments were calculated using the DOL online calculator and were deposited in the participants accounts on November 3, 2011. The sponsor is in the process of filing an IRS Form 5330 to report the excise tax.